

WHAT IRRATIONAL EXUBERANCE LOOKS LIKE

☒ Go read this Kevin Drum post. The important takeaway is this picture, showing that home prices had been, except for the last decade, utterly flat since World War II.

Kevin spends his post providing a bunch of reasons why people are so silly as to believe they're going to get rich off of their house—things like the difficulty of adjusting for inflation and the rarity of coverage of markets (like Detroit) that have steadily lost value. As I said, go read the post, because it's a fascinating read. (Admittedly, facing the hopefully imminent reality of losing a third of my home's 2002 value makes me particularly interested.)

I'd like to raise another question raised by the graph, though: what the hell were we thinking? How did most of our society—including many "serious" experts—believe that spike was real—or sustainable?

It's an important question because those same "serious" experts are treating that gigantic spike as if it should have been treated as real. The guys in Treasury continue their game of extend and pretend so as to spin out foreclosures more slowly, thereby insulating bankers from paying a price from treating this spike as if it were real, all the while suggesting the homeowners were each, individually, responsible for this collective decade of housing insanity. There's little acknowledgment of how crazy the whole thing was.

And then consider how central this spike was to sustaining America's economy. We've got entire cities and states whose entire culture of affluence was significantly dependent on this spike. The illusion that America hasn't been in decline for the last decade relied on this

spike. And we have yet to start talking about what we'll replace the spike with (some Democrats had hoped to build a new bubble on green technology—which would at least have the bonus of providing necessary societal value—but unless Obama unleashes EPA to set new greenhouse limits, the do-nothing Senate looks determined to squelch efforts to invest further in green technology).

The spike in this graph really seems like a larger lesson about America: its failed media and pundit class, its fundamentally bankrupt finance-based economy, and its failing political culture.