

## Catallaxy Files

### To be indignant

Written by Sinclair Davidson

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Mark Calabria of the Cato Institute makes [a very good point](#).

Speaking before a group of protesters in Zuccotti Park, Nobel economics prize winner Joseph Stiglitz urged on the crowd, telling them they are “right to be indignant.” Professor Stiglitz goes on to explain, correctly in my view, that we have a financial system of socialized losses and privatized gains.

What the good professor fails to mention is only a few years ago, for what I understand was a nice paycheck, he was denying this very fact. In 2004, along with Jonathan and Peter Orszag, Professor Stiglitz wrote a paper for Fannie Mae in which he “estimated” that the “risk to the government from a potential default on GSE debt is effectively zero.” The paper goes on to argue “that the expected cost to the government of providing an explicit government guarantee on \$1 trillion in GSE debt is just \$2 million.” Now I understand his Nobel is in economics, not math, but \$2 million sounds no where near the actual cost so far of \$160 billion.

Certainly there was a time where some could be forgiven for not really understanding the nature of Fannie and Freddie, but this was published after Freddie’s accounting scandals came to light and while Fannie itself was being investigated.

So yes, you do have a right to be indignant. Especially at those “academics” who sold their work to the highest bidder defending the system and now pretend to be shocked at how everything turned out.