



PRESS RELEASE
Trento, 31 May 2009

The crisis tribunal

ECONOMISTS ON TRIAL: THE SENTENCE

This morning in the Depero Room the people's jury pronounced its sentence

The jury of the Trento Festival of Economics, passing judgement on economists with full freedom and autonomy, following the debate seeing the participation of Professor Roberto Pedrotti and Professor Luigi Guiso respectively in the roles of prosecution and defence counsels and dott. Massimo Gaggi as President, issues its **judgement** on economists in relation to the following charges:

1. as regards the accusation of not having foreseen the crisis, although it was predictable: **Guilty**
2. as regards the accusation of not having foreseen the consequences of the shocks on the world economy: **Not guilty**
3. for having based their ideas on excessively abstract and mathematical models: **Guilty**
4. for having observed reality in the light of rational expectations, complete information and efficient markets: **Not guilty**
5. for having negligently kept certain important developments in the credit market quiet: **Guilty**
6. for not having given adequately widespread warnings to financial institutions, this often being used to justify their projects: **Guilty**
7. for having given excessive trust to the economists at the head of the most important monetary institutions: **Guilty**
8. for not having understood sufficiently rapidly the consequences of the collapse of credit in the real economy: **Guilty**
9. As regards charge number 9, the jury reserves the right to judge economists, politicians and regulators jointly at the next session of the debate
10. As regards the accusation of having looked back and not having been sufficiently self-critical as regards past errors: **Not guilty**.

The jury therefore **condemns**:
economists

1. to give greater consideration to innovations in terms of financial

instruments and markets in drawing up their models and theories and to collaborate in the consequences of the cyclical crises that afflict our markets;
2. in the person of Prof. Luigi Guiso, to pay for a coffee for Prof. Roberto Perotti, at the nearest bar in the city of Trento,

Trento, 31 May.