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1 June 2009

Her Majesty The Queen
Buckingham Palace
London SW1A 1AA

May it please Your Majesty,

On your Majesty's visit to the London School of Economics on the fifth of November 2008 your Majesty wisely asked a colleague of mine, "Why did nobody notice it?" This was referring, of course, to the then unfolding and now deepening economic crisis. The answer your Majesty received has troubled me for some time. It was less than adequate. It is not always realised that many academic disciplines are taught at the London School of Economics, and only a minority of the staff are economists. Among those who are economists, many are too specialised to provide a well rounded answer to this question.

As a less specialised economist with a particular interest in unusual events, I am in a favourable position to give a more measured answer to the question. No doubt the person your Majesty spoke to at LSE was unaware of the book titled *The Risk of Economic Crisis* published in 1991 with contributions from leading economists and policy makers such as Paul Samuelson, Martin Feldstein, Paul Volker, Hyman Minsky, Rudiger Dornbusch, Paul Krugman, Lawrence Summers and Charles Kindleberger. Please let me quote just one passage to give your Majesty a flavour of their deliberations.

"Many of the conditions and the events of the 1980s—including the failure of most of the less developed debtor countries to service their debts, the deterioration of capital among money-center banks, the large number of bankruptcies of the thrift institutions, the wide swings of currency exchange rates, the increase of corporate debt, and the stock market crash of 1987— have contributed to the fear of an impending major economic crisis. Rapid changes in financial markets and a drastic increase in the complexity of financial instruments have heightened those fears."

This comes from page one of *The Risk of Economic Crisis* which reports on a National Bureau of Economic Research conference held in 1989. Clearly many academic economists and government figures were writing about what was coming. If your Majesty would like me to forward a copy of the book, I would be pleased to do so. The warning was there, but why was so little attention paid to it? If this question is of interest, I would be happy to give my views on this tragic lapse..

I have the honour to be, Madam, Your Majesty's humble and obedient servant.

Max Steuer,
Reader Emeritus



BUCKINGHAM PALACE

1st July, 2009

Dear Mr. Steuer,

The Queen has asked me to thank you for your letter of 1st June.

Her Majesty thought it kind of you to take the time and trouble to write in response to the question posed by The Queen at her recent visit to the *London School of Economics* last November.

Your thoughtfulness in writing as you did is appreciated.

Yours sincerely,

Mrs. Sonia Bonici
Senior Correspondence Officer

Max Steuer, Esq.