

## Preface and Acknowledgments

More than a century ago, George Santayana wrote, in *The Life of Reason*, that “those who cannot remember the past are condemned to repeat it.” Remembering the past is important, but that alone is not enough. We must also learn from the past. The financial crisis that unfolded in 2008 had its origins much earlier, and its effects are still with us. As such, it merits thoughtful consideration, discussion, debate, and weighing what to do and how to do it.

This volume seeks to contribute to this the debate and to the flow of ideas. Its purpose is not to reach conclusions, but to help illuminate choices. It does not advance a point of view, but rather seeks to reflect a variety of perspectives.

It is the product of a conference held on October 15 and 16, 2009 under the auspices of the Mossavar-Rahmani Center for Business and Government at Harvard University. The Mossavar-Rahmani Center focuses on dealing with current issues at the intersection of business and government. It accepts as a given the reality of the modern mixed economy, with a large role for the private sector in creating jobs, increasing productivity, and sustaining economic prosperity, as well as an important role for government in ensuring the rule of law and promoting conditions that will make that prosperity a reality.

President Bill Clinton famously proclaimed in his 1996 State of the Union Address that “the era of big government is over.” Whatever one thinks of the reality and the desirability of that assertion, it seems unquestionable that government plays a large role in regulating economic activity and will continue to do so in the foreseeable future. Given the importance of what government does or does not do in shaping economic outcomes, the Mossavar-Rahmani Center seeks to enhance the understanding of how our mixed economy can function most efficiently and effectively.

A constructive and remarkably efficient way of facilitating this objective is the device of a conference, limited enough in scope and in duration to

attract extremely busy people. By keeping the scope and the participation manageable, a conference can produce what in many respects resembles a single conversation.

Such conversations are generally most successful when they have both structure and focus. The focus of this conference was on regulation of financial institutions in the wake of the economic difficulties experienced in 2008. The conference focused on three related questions: What factors or combination of factors caused the financial crisis that began in 2008? Given one's diagnosis, what changes in regulatory and related policies are needed, both in the near term and over the longer term? What regulatory structure will best accomplish the tasks we consider necessary?

The idea for this conference arose in the spring of 2009 from conversations among the editors about the economic events that had shaken the United States and the global economy in 2008. Each of us has served in the federal government, some at the Department of the Treasury and some in the White House, in multiple administrations. Each of us has also held various roles in private sector financial institutions. Not least, each of us has taught students about financial regulatory issues for many years. Those experiences informed our approach.

A healthy dialogue requires a beginning to stimulate thought and debate. Accordingly, we determined to examine each of our three questions by inviting a pair of individuals with differing perspectives to present papers, and a pair of discussants to represent additional contrasting viewpoints. General discussions followed the presentations by authors and discussants.

In selecting authors, discussants, and other conference participants, we had three overarching objectives. The first was to attract scholars and former policy makers with a wide variety of perspectives and vantage points. Scholars have the advantage of viewing events objectively at some distance from the day-to-day fray. At the same time, former officials have the advantage of understanding the opportunities and constraints on policy making from the inside, along with the freedom to articulate their personal views and insights without the need to advance and defend the policy of the moment, as is an understandable obligation for those still in office. Some of those who participated in the conference have devoted their careers to moving between academia and government, spending time in both worlds. Whatever their backgrounds, we wanted thoughtful participants whose priorities, preferences, and publicly stated positions have differed.

A second objective was to engage individuals from Harvard's schools of government, law, and business. The modern American university has something of a stovepipe structure, often comprising a number of schools,

each with its own faculty, students, programs, and activities. Collaboration among them is a goal that remains a persistent challenge at most academic institutions, including Harvard. Owing to the many demands of modern life, the failure to undertake such collaboration is often less a matter of resistance than a matter of a lack of time. We are grateful for the contributions of colleagues at all these schools, and for their willingness to find time to prepare papers and to participate in the conference.

A final objective was to reach widely across the United States to engage the experience and expertise of former officials and scholars. We agreed that the conference could usefully begin with an address in the Kennedy School Forum, and we were grateful that Paul Volcker, a graduate of the Kennedy School's predecessor (the Littauer Graduate School of Public Administration) and formerly a Treasury official and a chairman of the Federal Reserve Board, agreed to deliver that address. His remarks and the lively questions and answers that followed are included in this volume.

We are enormously pleased and grateful for those colleagues and friends who prepared papers, served as discussants, and attended the conference. The cast of characters was both diverse and distinguished. Their strong and divergent views made for spirited and insightful discussions.

Any such endeavor is invariably the product of many hands. For financial support we are grateful to the Center for Business and Government and its generous benefactors, the Mossavar-Rahmani family. The logistics for the conference benefitted from the conscientious efforts of the Center's superb staff. As always, Scott Leland, the Mossavar-Rahmani Center's executive director, provided a steady hand in overseeing a myriad of details. Dan Crane, Jamie Georgia, and Shannon Murphy each cordially assisted participants and made certain that the event was a model of cheerful efficiency. Mikell Hyman provided invaluable assistance in helping to convey accurately the content of the discussions at the conference, and again in preparing the final manuscript. Her gentle manner and persistent encouragement made the task a delight for both authors and editors. Jamie Georgia once again demonstrated the attention to detail that is his hallmark, as well as making many helpful suggestions.

This volume is not the last word on the financial crisis of 2008, nor on the lessons we should learn from it. It does, however, illuminate the thinking of many who have thought carefully about these issues and about the choices we face.

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