

WORKING GROUP ON GLOBAL MARKETS & ECONOMIC POLICY

2nd Meeting – February 8, 2008

Dinner with former Treasury Secretary John Snow

Attendees

John Snow, John & Allyn Taylor, John Cogan, Michael Boskin, John & Cynthia Gunn, John & Katie Shoven, John Ciorciari, and Matthew Gunn

Relevant Issues Discussed

- ◆ Role of the Working Group – John Snow informally presented his views on the importance of the Working Group as a center for academically rigorous, policy relevant analysis on some of the key economic challenges facing the U.S. government and its partners.
- ◆ The New Stimulus Package – Attendees analyzed the new economic stimulus package and discussed some of the possible effects that it and concluded that it would be useful to anticipate possible demand for further stimulus measures in the months ahead. Attendees concluded that it would be useful for the Working Group to draft a short policy paper identifying the key policy principles to follow in the next several months.
- ◆ Responses to the Subprime Crisis – The group discussed some of the possible regulatory responses to the subprime crisis. A number of participants argued that enhanced oversight of the financial sector is necessary, but regulatory changes should be pursued with great care to avoid decreasing market competitiveness or stifling creativity. The group discussed conducting a historical study of new financial products and entities created as a result of regulatory policies that promote innovation.
- ◆ Resilience of Financial Markets – Attendees discussed using the flow of funds model to document the hypothesis advanced by John Gunn that multiple channels of capital availability have made markets much more resilient to shocks than in the past.
- ◆ Working Group Presence in Washington – The group discussed the importance of having a connection to key U.S. policymakers. Participants briefly discussed some of the possible benefits of establishing a presence in Washington.
- ◆ Monetary Policy – The group discussed trends in U.S. monetary policy and analyzed some of the steps taken by the Fed to stimulate liquidity, including recent rate cuts and the introduction of a Term Auction Facility (TAF). John Taylor briefly described the project that he has undertaken with John Williamson to assess the impact of the TAF.