

# WORKING GROUP ON GLOBAL MARKETS

Hoover Institution, Stanford University

## Workshop on the Future of Central Banking

Stauffer Auditorium – Hoover Institution, Stanford University

March 30, 2009 – 9:00am to 4:30pm

The financial crisis has given rise to numerous, large, and unprecedented actions by the Federal Reserve. At the time of our previous workshop on this topic last July, these actions included the Bear Stearns intervention, the new lending facilities for banks and primary dealers, and a decision to authorize the Fed to lend to Fannie Mae and Freddie Mac. Since then the list has expanded enormously to include the AIG intervention, the creation of a commercial paper funding facility, large loans to foreign central banks, and the purchase of assets backed by mortgages, credit card debt, and student loans. Recently the Treasury has proposed a large expansion of these purchases.

These developments raise important policy questions about the future of central banking policy. Many of the questions are best considered as part of a longer term overhaul of the financial regulatory structure including ways to reduce “the too big or too interconnected to fail” problem by creating new market mechanisms or alternative resolution systems. But there are also urgent policy issues to be addressed in the weeks and months ahead.

### Workshop Agenda

- 9:00 – 9:10     *Opening Remarks: Think Long*  
George Shultz, Hoover Institution
- 9:10 – 10:30    *The Global Financial Crisis So Far: Lessons Going Forward*  
Chair:        Ed Lazear, Hoover Institution and Stanford GSB  
Speaker:     Allan Meltzer, Carnegie Mellon University  
Discussant:   Peter Fisher, BlackRock
- 10:30 – 12:30   *The Fed's New Balance Sheet: A Panel Discussion*  
Chair:        Michael Boskin, Stanford Economics and Hoover Institution  
Panelists:    Donald Kohn, Federal Reserve Board  
James Hamilton, University of California, San Diego  
John Taylor, Stanford Economics and Hoover Institution
- 12:30 – 1:30    Informal Lunch  
With a brief welcome from John Raisian,  
Director of the Hoover Institution

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- 1:30 – 2:50     *Credit Derivative Markets, Regulatory Concerns, and the Fed*  
Chair:             John Shoven, Stanford Economics Department  
Speaker:         Darrell Duffie, Stanford GSB  
Discussant:     Myron Scholes, Platinum Grove Asset Management
- 2:50 – 3:00     Coffee break
- 3:00 – 4:20     *Should the Central Bank be the Systemic Stability Regulator?*  
Chair:             Richard Herring, Wharton School of Business  
Speaker:         Andrew Crockett, J.P. Morgan  
Discussant:     Michael Halloran, former SEC and Bank of America
- 4:20 – 4:30     *Summary and Conclusions*  
                           John Ciorciari, Hoover Institution

## Workshop Participants

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1. Phil Barret - Dodge & Cox
2. Gary Becker - Hoover Institution & Chicago GSB
3. Vineer Bhansali - PIMCO
4. Nick Bloom - Stanford University
5. Michael Boskin - Hoover Institution & Stanford University
6. John Ciorciari - Hoover Institution
7. Andrew Crockett - J.P. Morgan International
8. Alan Dachs - Fremont Group
9. Robert Daines - Stanford GSB
10. Jim Dignan - Dodge & Cox
11. Darrell Duffie - Stanford GSB
12. Peter Fisher - BlackRock
13. Frederick Furlong - San Francisco Fed
14. Joe Grundfest - Stanford Law School
15. John Gunn - Hoover Institution and Dodge & Cox
16. Matthew Gunn - Hoover Institution
17. Michael Halloran - former SEC & Bank of America
18. Jim Hamilton - University of California at San Diego
19. Richard Herring - Wharton School of Business
20. Tom Hoenig - Kansas City Fed
21. Nick Hope - Stanford University
22. Chad Jones - Stanford GSB
23. Jeff Jones - Hoover Institution
24. Michael Klausner - Stanford Law School
25. Donald Kohn - Federal Reserve Board
26. Mordecai Kurz - Stanford University
27. Stephen Langlois - Hoover Institution
28. Ed Lazear - Hoover Institution & Stanford University
29. Andrew Levin - Federal Reserve Board
30. Mickey Levy - Bank of America
31. Sergey Lobanov - Stanford University
32. Dennis Lockhart - Atlanta Fed
33. Jamie McAndrews - New York Fed
34. Ronald McKinnon - Stanford University
35. Allan Meltzer - Carnegie Mellon University
36. George Parker - Stanford GSB
37. Wesley Phoa - Capital Strategy Group
38. Bill Powers - PIMCO
39. John Powers - Stanford Management Company
40. John Raisian - Hoover Institution
41. Michael Rierson - Barclays Global Investors

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42. Ajay Royan – Clarium Capital
43. Martin Schneider – Stanford University
44. Myron Scholes – Platinum Grove Asset Management
45. Kenneth Scott – Stanford Law School
46. John Shoven – Hoover Institution & Stanford University
47. George Shultz – Hoover Institution
48. Josie Smith – Stanford University
49. Richard Sousa – Hoover Institution
50. Johannes Stroebel – Stanford University
51. Cliff Tan – Stanford University
52. John Taylor – Hoover Institution & Stanford University
53. James Van Horne – Stanford GSB
54. John Williams – San Francisco Fed
55. Haoxiang Zhu – Stanford GSB

## BIOGRAPHIES OF SPEAKERS AND CHAIRS

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**Michael J. Boskin** is a senior fellow at the Hoover Institution and the T. M. Friedman Professor of Economics at Stanford University. He is also a research associate at the National Bureau of Economic Research, serves on several federal advisory panels, and advises heads of state, finance ministries, and central banks around the world. Among other posts, he served as chairman of the President's Council of Economic Advisers from 1989 to 1993. He serves on several corporate boards of directors, including Exxon Mobil Corporation, Oracle Corporation, and Vodafone PLC, and several philanthropic boards and is a consultant to numerous other businesses and government agencies. He has won numerous awards for his research and teaching on world economic growth, tax and budget theory and policy, U.S. saving and consumption patterns, and the implications of changing technology and demography on capital, labor, and product markets. He received his B.A. with highest honors and the Chancellor's Award as outstanding undergraduate in 1967 from the University of California at Berkeley, where he also received his M.A. in 1968 and his Ph.D. in 1971.

**Andrew Crockett** is president of J.P. Morgan Chase International. Between 1994 and 2003, he served as general manager of the Bank for International Settlements. In 1999, he became the first chairman of the Financial Stability Forum. In his long and distinguished career in public service, he has also been an executive director of the Bank of England and an official of the International Monetary Fund. He remains a member of the Group of 30. He was educated at Queen's College, Cambridge, and Yale University and was knighted by Queen Elizabeth II in 2003.

**Darrell Duffie** holds the Dean Witter Distinguished Professorship in Finance at the Graduate School of Business, Stanford University, where he has been a member of the finance faculty since receiving his PhD at Stanford in 1984. His recent research focuses on asset pricing, credit risk, fixed-income securities, and over-the-counter markets. Duffie is the President of The American Finance Association, a Fellow of the Econometric Society, a Research Associate of the National Bureau of Economic Research, a member of Moody's Academic Research Committee, the 2003 IAFE/Sunguard Financial Engineer of the Year, and a member of the American Academy of Arts and Sciences. He is currently on the editorial boards of *Econometrica* and *The Journal of Financial Economics*, among other journals.

**Peter R. Fisher** is a Managing Director and co-head of BlackRock's Fixed Income Portfolio Management Group. He is a member of BlackRock's Executive Committee, and he co-chairs the Fixed Income Investment Strategy Group, which is responsible for global fixed income strategy, asset allocation and overall management of client portfolios. From 2005 to 2007, he was Chairman of BlackRock Asia responsible for the firm's businesses in Japan, Korea, the People's Republic of China, Hong Kong, Taiwan, Singapore, and Southeast Asia. Prior to joining BlackRock in 2004, he served as the Under Secretary of the U.S. Treasury for Domestic Finance. Before joining the Treasury, he spent 15 years at the Federal Reserve Bank of New York. He is a non-executive Director of the Financial Services Authority of the United Kingdom and also serves on the Board of the Episcopal Church Foundation. He earned a B.A. degree in history from Harvard College in 1980 and a J.D. degree from Harvard Law School in 1985.

**Michael J. Halloran** served as Counselor to the Chairman and Deputy Chief of Staff at the U.S. Securities and Exchange Commission from 2006 to May 2008. Prior to that appointment, he was the senior partner of the corporate and securities law and financial institutions practices at Pillsbury Winthrop Shaw Pittman, LLP. From 1990 to 1996, he was Group Executive Vice President and General Counsel for BankAmerica Corporation. He began his career as an engineer and later became an attorney and partner

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at Pillsbury Madison & Sutro LLP. In addition to his government service and legal practice, he has published extensively in the corporate governance field and has served on committees convened by the American Bar Association, New York Stock Exchange, and California Senate to address issues of securities law and financial regulation. He is presently the Co-Chair of an ABA Banking Law Committee Task Force on Regulatory Restructuring. He received his B.S.M.E. and LL.B. from the University of California at Berkeley.

**James Hamilton** is Professor of Economics at the University of California at San Diego, where he has taught since 1992. He specializes primarily in the fields of monetary policy, business cycles, oil shocks, forecasting and econometrics. He is the author of *Time Series Analysis*, a best-selling research text on forecasting methods in economics. He has also been a research advisor or visiting scholar at the Board of Governors of the U.S. Federal Reserve System and the Bank of Portugal, as well as the research departments at the Federal Reserve Banks in Richmond, New York, and Atlanta. He received his Ph.D. in economics from the University of California at Berkeley.

**Richard J. Herring** is the Jacob Safra Professor of International Banking and Professor of Finance at The Wharton School, University of Pennsylvania where he is also Co-Director of The Wharton Financial Institutions Center. From 2000 to 2006, he served as Director of The Lauder Institute of Management and International Studies, a dual degree program that combines a Wharton MBA with a Masters in International Studies. From 1995 to 2000, he served as Vice Dean and Director of Wharton's Undergraduate Division. Outside the University, he serves as Co-Chair of the U.S. Shadow Financial Regulatory Committee. He was a member of the Group Thirty Study Groups on the Reinsurance Industry and on Global Institutions, National Supervision and Systemic Risk. At various times, he has served as a consultant to the IMF and World Bank, as well as the various U.S. regulatory agencies. Since 1990 he has been a Director of the New York Complex of DWS Scudder Mutual Funds and some of their predecessor organizations. He has published widely on various topics in financial regulation and international finance.

**Donald L. Kohn** is a member of the Board of Governors of the Federal Reserve System, where he has served since 2002. He is currently Vice Chairman of the Board for a four-year term ending in June 2010. He is a veteran of the Federal Reserve System. Before becoming a member of the Board, he served on its staff as Adviser to the Board for Monetary Policy (2001-02), Secretary of the Federal Open Market Committee (1987-2002), Director of the Division of Monetary Affairs (1987-2001), and Deputy Staff Director for Monetary and Financial Policy (1983-87). He also held several positions in the Board's Division of Research and Statistics between 1975 and 1983. He began his career as a Financial Economist at the Federal Reserve Bank of Kansas City. He has written extensively on issues related to monetary policy and its implementation by the Federal Reserve. He is also the Chairman of the Committee on the Global Financial System, a central bank panel that monitors and examines broad issues related to financial markets and systems. He received a B.A. in economics in 1964 from the College of Wooster and a Ph.D. in economics in 1971 from the University of Michigan.

**Edward P. Lazear** is the Morris Arnold Cox Senior Fellow at the Hoover Institution and the Jack Steele Parker Professor of Human Resources, Management and Economics at Stanford University's Graduate School of Business. He served as chairman of the President's Council of Economic Advisers from February 2006 until January 2009. He was formerly a member of President Bush's advisory Tax Reform Panel. He has been awarded numerous prizes for his research in labor economics. He was founding editor of the *Journal of Labor Economics* and the first vice-president and president of the Society of Labor Economists. He is also a research associate of the NBER, a member of the National Academy of Sciences, an elected fellow of the American Academy of Arts and Sciences, the Econometric Society, and the Society of Labor Economists. He received his A.B. and A.M. degrees from the University of California at Los Angeles and his Ph.D. in economics from Harvard University.

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**Allan H. Meltzer** is the Allan H. Meltzer Professor of Political Economy at the Tepper School of Business, Carnegie Mellon University and is currently a visiting scholar at the American Enterprise Institute. He is a leading authority on monetary policy and the Federal Reserve system and is the author of *A History of the Federal Reserve*, a two-volume set covering the years 1913-1986. He served in the Treasury Department under President Kennedy and the Council of Economic Advisors under President Reagan. He also served for most of the period between 1973 and 1999 as Chair of the Shadow Open Market Committee, a group of economists and bankers that met to review and assess various aspects of U.S. monetary policy. He was Chairman of the International Financial Institution Advisory Commission in 1998, which provided influential recommendations about the operations of the IMF and World Bank. He received his A.B. and M.A. degrees from Duke University and his Ph.D. from UCLA in 1958.

**Myron S. Scholes** is Chairman of Platinum Grove Asset Management, an alternative investment fund, specializing in liquidity provision services to the global wholesale capital markets. He is the Frank E. Buck Professor of Finance Emeritus, at the Stanford University Graduate School of Business since 1996. He is co-origiator of the Black-Scholes options pricing model, which is the basis of the pricing and risk-management technology that is used to value and to manage the risk of financial instruments around the world. For this work, he was awarded the Alfred Nobel Memorial Prize in Economic Sciences in 1997.

**John Shoven** is the Buzz and Barbara McCoy Senior Fellow at the Hoover Institution, Charles R. Schwab Professor of Economics, and director of the Stanford Institute for Economic Policy Research. He has served as chairman of the economics department from 1986 to 1989, director of the Center for Economic Policy Research from 1989 to 1993, and dean of the School of Humanities and Sciences from 1993 to 1998. He is an expert on tax policy, Social Security, and U.S. savings patterns and was a consultant for the U.S. Treasury Department from 1975 to 1988.

**George P. Shultz** is the Thomas W. and Susan B. Ford Distinguished Fellow at the Hoover Institution. Among many other senior government and private sector roles, he served as Secretary of Labor in 1969 and 1970 and as Secretary of the treasury from 1972 to 1974. He was sworn in on July 16, 1982, as the sixtieth U.S. secretary of state and served until January 20, 1989. In January 1989, he rejoined Stanford University as the Jack Steele Parker Professor of International Economics at the Graduate School of Business and as a distinguished fellow at the Hoover Institution.

**John B. Taylor** is the Bowen H. and Janice Arthur McCoy Senior Fellow at the Hoover Institution and the Mary and Robert Raymond Professor of Economics at Stanford University. He was previously the director of the Stanford Institute for Economic Policy Research and was founding director of Stanford's Introductory Economics Center. He has a long and distinguished record of public service. Among other roles, he served as a member of the President's Council of Economic Advisors from 1989 to 1991 and as Under Secretary of the Treasury for International Affairs from 2001 to 2005. He is currently a member of the California Governor's Council of Economic Advisors. He received a B.S. in economics summa cum laude from Princeton University in 1968 and a Ph.D. in economics from Stanford University in 1973.