

CENTER ON CAPITALISM AND SOCIETY

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Looking back at the 6th Annual Conference of the Center on Capitalism and Society: Emerging from the Financial Crisis February 20, 2009

The 6th Annual Conference of the Center on Capitalism and Society at Columbia University, “Emerging from the Financial Crisis” took place in New York City on February 20th. A combination of distinguished policymakers, bankers, regulators, journalists, and academics met for the day. Members of the Center, including its Director, Edmund Phelps, and Foreign Members took key roles in the conference, as did Members of its Advisory Board and its Chairman, Peter Jungen. The Hon. Paul Volcker, currently Chairing President Obama’s Economic Recovery Advisory Board, was the luncheon speaker. The dinner speaker was the financier and philanthropist George Soros. Dr. Josef Ackerman, Chairman of Deutsche Bank, gave concluding remarks. Three Nobel Laureates, Robert Mundell and Joseph Stiglitz as well as Phelps, spoke during the day’s panels.

An immense range of views became apparent regarding the main causes of financial crisis and, correspondingly, what could be done to pull the economy out of it. There was debate on the kind of restructuring of the financial sector that was needed, and debate on the sorts of regulations the reformed system would require. There was a debate on whether the so-called global imbalances were the underlying cause and what adjustments to imbalances would be desirable. Finally, there was a debate on the new administration's plans for public investment and job creation.

During the day, there were provocative and creative proposals for financial reform. There was a call for a return to “narrow banking.” There was also an appeal for recreation of classic “investment banks” dedicated to supporting both long-term investment and innovation projects in the business sector. There were demands for strengthening the international lender of last resort by providing more resources to international financial institutions, demands for the creation of an international regulator or supervisor of the financial sector, and for dealing with tax havens and other uncooperative jurisdictions. The Hon. Christine Lagarde, Minister of the Economy of France made a plea for coordination, both in policy and in establishing the new regulatory and supervisory system.

The issue of how the Fed and other central bank functions have shifted amid the crisis was discussed and proposals were made for “exit policies” from non-traditional activities going forward. The issue of whether central banks should focus on keeping consumer price inflation in check or whether they should also focus on asset price inflation was also discussed. The issue of simplicity versus transparency of financial instruments was debated, with some blaming the complexity of the financial instruments, rather than the lack of transparency.

In coming weeks, the Center on Capitalism and Society intends to review these proposals and present a white paper for further debate about different options on what to do going forward to emerge from the financial crisis and regain the dynamism that the U.S. economy has lost.