



# ENDING GOVERNMENT BAILOUTS AS WE KNOW THEM

A Policy Workshop

Thursday, December 10, 2009

Stauffer Auditorium

Hoover Institution

## PURPOSE

Fear that failure of a large complex financial institution can cause severe damage to the economy has created a pervasive bailout mentality among policymakers in the United States. As a result the federal government has committed huge amounts of taxpayer dollars, intervened in a host of normally private-sector activities, and induced excessive risk-taking by people expecting the bailout policy to continue. Americans are understandably angry about a policy which rescues the people who take risks and fail at the expense of everyone else.

But how can we reduce the bailouts? As George Shultz puts it, "If clear and credible measures can be put into place that convince everybody that failure will be allowed, then the bailouts, and the expectations of bailouts, will recede and perhaps even disappear."

The purpose of this workshop is to propose, present, and debate such measures.

## AGENDA

### Session I – Chair: John B. Taylor, Hoover Institution and Stanford University

- 8:30 AM–9:10 AM            *Opening Remarks*  
George P. Shultz, Hoover Institution and Stanford University  
Paul Volcker, former chairman of the Federal Reserve Board (by video)
- 9:10 AM–10:00 AM        *Lessons Learned from the Lehman Bankruptcy and the Financial Crisis*  
Kimberly Summe, Partner Fund Management, LP  
Gary Stern, former president, Federal Reserve Bank of Minneapolis

10:00 AM–10:20 AM        *Break*

### Session II – Chair: Kenneth Scott, Hoover Institution and Stanford Law School

- 10:20 AM–11:10 AM        *Winding Down Plans to Facilitate the Exit of Large, Complex Financial Institutions*  
Richard Herring, University of Pennsylvania  
Joseph Grundfest, Stanford Law School
- 11:10 AM–12:00 NOON      *A New Contractual Approach to Restructuring Financial Institutions*  
Darrell Duffie, Stanford Graduate School of Business  
David Skeel, University of Pennsylvania

### Luncheon Address: Room 115 Lou Henry Hoover Building

- 12:00 NOON–1:30 PM        *Fifty Years in the Business: From Wall Street to the Treasury and Beyond*  
Nicholas Brady, Darby Overseas Investments

### Session III – Chair: Michael Boskin, Hoover Institution

- 1:30 PM–2:20 PM            *Defining Systemic Risk Operationally*  
John B. Taylor, Hoover Institution and Stanford University  
Monika Piazzesi, Stanford University
- 2:20 PM–3:10 PM            *Expanding FDIC Resolution Authority*  
William F. Kroener, Sullivan & Cromwell, LLP  
Chuck Morris, Federal Reserve Bank of Kansas City

3:10 PM–3:25 PM            *Break*

### Session IV – Chair: John Cogan, Hoover Institution

- 3:25 PM–4:15 PM            *A Proposed Chapter 11F*  
Tom Jackson, University of Rochester  
Peter Wallison, American Enterprise Institute
- 4:15 PM–4:45 PM            *Criteria for Evaluating Failure Resolution Plans*  
Kenneth Scott, Hoover Institution and Stanford Law School
- 4:45 PM–5:00 PM            *Conclusions and Recommendations*  
George P. Shultz, Hoover Institution and Stanford University  
John B. Taylor, Hoover Institution and Stanford University