AFTER THE CRASH

Financial Crises and Regulatory Responses

EDITED BY SHARYN O’HALLORAN AND THOMAS GROLL

Columbia University Press
New York
CONTENTS

Foreword  xi
DAVID MADIGAN

Preface  xiii
SHARYN O'HALLORAN AND THOMAS GROLL

1. Introduction: Overview of the Financial Crisis and Its Impacts  1
SHARYN O'HALLORAN, THOMAS GROLL, AND GERALDINE MCALLISTER

PART I. THE FINANCIAL CRISIS IN PERSPECTIVE

2. If “It” Happened Again: A Road Map for Regulatory Reform  47
GLENN HUBBARD

3. Trends and Delegation in U.S. Financial Market Regulation  57
THOMAS GROLL, SHARYN O'HALLORAN, AND GERALDINE MCALLISTER

4. We Did Not Repeat the Errors of the Past: Lessons Drawn from the Fed’s Policy During the Great Depression  82
ANTOINE PARENT

5. Regulation and Competition in the EU Financial Sector  98
PIERRE-CHARLES PRADIER
6. Trends in Financial Market Regulation 121
NOLAN MCCARTY

PART II. CREATING THE RIGHT (DIS)INCENTIVES

7. Progress and Challenges After the Financial Crisis 127
JACOB J. LEW

8. Banks and Tax Havens: First Evidence Based on Country-by-Country Reporting 135
VINCENT BOUVATIER, GUNTHER CAPELLE-BLANCARD, AND ANNE-LAURE DELATTE

9. "Dynamic Precaution" in Maintaining Financial Stability: The Importance of FSOC 144
JEFFREY N. GORDON

PART III. USE AND (AB)USE OF MODELS IN PREDICTING FINANCIAL OUTCOMES

10. Reflections on the Global Financial Crisis Ten Years On 167
JOSEPH E. STIGLITZ

11. The Right Way to Use Models 183
EMANUEL Derman

12. The Fundamental Volatility of the Digital Economy as a Contributor to Financial Instability 200
ELI NOAM

13. The Impact of Regulation on Systemic Risk 209
SHARYN O'HALLORAN AND NIKOLAI NOWACZYK

MARK D. FLOOD

PART IV. REGULATING FOR THE NEXT CRISIS?

15. Rules Versus Principles in Financial Regulation Following the Crisis: It All Depends on the Purpose 237
PAUL TUCKER

16. How to Regulate in Times of Crisis 258
STEPHEN M. CUTLER
17. The Economic and Political Implications of the Dodd-Frank Act 261
BARNEY FRANK

JOHN C. COFFEE JR.

19. Roundtable: It's Not Too Much or Too Little Regulation; It's Getting It Right 301
JOHN C. COFFEE JR., STEPHEN M. CUTLER, BARNEY FRANK, AND KATHRYN JUDGE

PART V. THE ORIGINS OF THE NEXT FINANCIAL CRISIS

20. Interview: Striking the Right Balance between Markets and Regulation 333
WILLIAM T. WINTERS INTERVIEWED BY AILSA RÖELL

21. Money Market Funds After the Onset of the Crisis 341
VIKTORIA BAKLANOVA AND JOSEPH TANEGA

MARK J. ROE AND MICHAEL TRÖGE

23. Derivative Clearinghouses: Collateral Management and Policy Implications 371
AGOSTINO CAPPONI

Concluding Remarks 384
SHARYN O'HALLORAN AND THOMAS GROLL

Contributors 391
Index 401