THE JEROME LEVY ECONOMICS INSTITUTE
OF BARD COLLEGE
PRESENTS

THE CRISIS IN FINANCE

A CONFERENCE
APRIL 4–6, 1991
April 4, 1991

Dear Colleague:

I am delighted, on behalf of the Jerome Levy Economics Institute of Bard College, to welcome you to our conference on *The Crisis in Finance*.

The Founders of the Institute embrace the spirit of Keynes' words that "[t]he Theory of Economics does not furnish a body of settled conclusions immediately applicable to policy. It is a method rather than a doctrine, a technique of thinking, which helps its possessor to draw correct conclusions." Sponsoring conferences, conducting workshops and seminars, and supporting promising scholars with policy oriented research fellowships, the Institute aims to make a profound and lasting contribution to the discipline of economics and the fostering of better public policy.

We invite you to read the Institute's report contained in your packet which outlines our brief history, our goals and aspirations, and our activities to date.

Thank you for being with us and enjoy the conference. I look forward to seeing you again at subsequent activities in the years ahead.

Sincerely,

Dimitri B. Papadimitriou

DBP/sh
THE CRISIS IN FINANCE

A Conference of
THE JEROME LEVY ECONOMICS INSTITUTE
of Bard College

April 4–6, 1991

Thursday, April 4th

12:00–2:30  Lunch

Speaker: David A. LEVY, Director, Forecasting Center, The Jerome Levy Economics Institute—"The Economy in Crisis?"

2:30–3:45  Afternoon Session

The Background of the Crisis: Insights from Economic Theory and Economic History

Chair: Gary DYMSKI, University of Southern California

Hyman P. MINSKY, The Jerome Levy Economics Institute—"Financial Crises: Systemic or Idiosyncratic?"

Albert G. HART, Columbia University—"How Useful Are Comparisons of Present Debt Problems with the 1930's?"

3:45–4:15  Break

4:15–5:30  Discussion

H. Peter GRAY, Rutgers University
Robert Z. ALIBER, University of Chicago

5:45–6:45  Reception

6:45  Dinner

Speaker: Eugene ROTBERG, Former Executive Vice President and Treasurer of the World Bank and Former Executive Vice President of Merrill Lynch & Co., Inc.—"Regulatory Reform: Its Relevance to Bank Profitability"
Friday, April 5th

9:30–10:45  Morning Session

*Academic Views on Finance and the Economy*

*Chair: Mark PERLMAN, University of Pittsburgh*

*John P. CASKEY, Swarthmore College, and Steven M. FAZZARI, Washington University—St. Louis—"Market Behavior and Aggregate Stability"

*Richard E. SYLLA, New York University—"Financial Disturbances and Depressions: The View from Economic History"

10:45–11:15  Break

11:15–12:30  Discussion:

*Frederic S. MISHKIN, Columbia University
Eugene N. WHITE, Rutgers University*

12:30–2:30  Lunch

*Speaker: Sherman J. MAISEL, University of California—Berkeley—"Commercial Real Estate and the Crisis in Finance"

2:30–4:00  Afternoon Session

*What Regulation and Intervention Can and Cannot Do*

*Chair: James B. BURNHAM, Duquesne University*

*Richard C. ASPINWALL, The Chase Manhattan Bank—"The Future of Banking"

*William H. JANEWAY, Warburg–Pincus Ventures Inc.—"Innovating Liability Structures: An Economist–Practitioner Interpretation of Venture Banking"

*Gary H. STERN, Federal Reserve Bank of Minneapolis—"The Proposals for Reform that are ‘On the Table’ "*
Friday, April 5th—continued

4:00–4:30 Break

4:30–5:45 Discussion:
   Jane D'ARISTA, Boston University
   Alex POLLOCK, Pollock & Gould

6:00–7:00 Reception

7:00 Dinner

Speaker: Benjamin M. FRIEDMAN, Harvard University—"Financial Risks in the Current Recession"

Saturday, April 6th

10:00 Morning Session

A Policy Forum: The Nature and Necessity of Reform

Chair: S Jay LEVY, The Jerome Levy Economics Institute

Forum Participants:

Richard C. ASPINWALL, The Chase Manhattan Bank
Benjamin M. FRIEDMAN, Harvard University
Hyman P. MINSKY, The Jerome Levy Economics Institute
Gary H. STERN, Federal Reserve Bank of Minneapolis
James TOBIN, Yale University
Albert M. WOJNIOWER, First Boston Corporation

12:30 Lunch

Speaker: Edward REGAN, New York State Controller
Saturday, April 6th—continued

3:00  Afternoon Session

Roundtable Discussion: The Outlook for Business and Finance

Robert Z. ALIBER, University of Chicago
James B. BURNHAM, Duquesne University
H. Peter GRAY, Rutgers University
S Jay LEVY, The Jerome Levy Economics Institute
Albert M. WOJNIOWER, First Boston Corporation

Adjournment

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LIST OF PARTICIPANTS

ROBERT Z. ALIBER, Professor of International Finance at the University of Chicago. He has written extensively about exchange rates, and international financial and banking relationships and policy problems. Recent publications include: Corporate Profits and Exchange Risk; The Reconstruction of International Monetary Arrangements; Money, Banking and the Economy, co-authored with Thomas Mayer and James S. Dusenberry. Prior to joining the Chicago Faculty, he was Senior Economic Advisor, Agency for International Development, Department of State, and staff economist for the Committee for Economic Development and the Commission on Money and Credit. He has consulted to the Board of Governors of the Federal Reserve System and to other US government agencies, the World Bank and the International Monetary Fund.

RICHARD ASPINWALL, Ph.D, Columbia University; Chief Economist, The Chase Manhattan Bank. His primary research interests are business strategies in financial markets and banking regulation. His work has appeared in numerous financial and economics journals and books. He is co-editor (with Professor Robert Eisenbeis) of Handbook for Banking Strategy, published by Wiley in 1985. Dr. Aspinwall is an Associate Editor of the Journal of Financial Services Research and a member of the Shadow Financial Regulatory Committee. He has also taught at the Graduate School of Business at Columbia.

JAMES B. BURNHAM, Murrin Professor of Global Competitiveness at the School of Business, Duquesne University. He has been a staff member of the Federal Reserve Board, Staff Director at the President's Council of Economic Advisors, and the US Executive Director at the World Bank. He has also served as financial economist, Chairman of the Country Review Committee, Head of the Office of Government Affairs and Senior Vice President and Manager of Global Treasury at the Mellon Bank in Pittsburgh. His research interests are in domestic and international financial markets and institutions, with recent publications on the global foreign exchange market and "narrow banking" as a response to the collapse of the US federal deposit insurance system.

JOHN P. CASKEY, Ph.D, Stanford University; Associate Professor of Economics, Swarthmore College. Dr. Caskey is a Visiting Scholar at the Federal Reserve Bank of Kansas City and was a consultant to the World Bank in a study of the monetary system, balance of payments, and external debt of Angola. He is the author of numerous articles in economic journals and books, including "Rising Debt in the Private Sector: A Cause for Concern?" (with Steven Fazzari) in Profits, Deficits, and Instability, forthcoming; and "Pawnbroking in America: The Economics of a Forgotten Credit Market," Journal of Money, Credit, and Banking.
JANE W. D'ARISTA, B.A., Barnard College; Associate Director for Program Development, Morin Center for Banking Law Studies, Boston University School of Law. She has been the Chief Finance Economist, Subcommittee on Telecommunications, Consumer Protection and Finance; Principal Analyst for International Affairs in Fiscal Analysis Division and in National Security And International Affairs of the Congressional Budget Office and Professional Staff Member of the House Banking Committee. Ms. D'Arista is the author of numerous articles.

GARY A. DYMSKI, Ph.D, University of Massachusetts, Amherst; Assistant Professor of Economics, University of Southern California. Dr. Dymski has published and forthcoming papers on banking, financial fragility, the LDC debt crisis, and exploitation in the Journal of Post Keynesian Economics, Economics and Philosophy, Capital and Class, the Canadian Journal of Philosophy, the Handbook of Country Risk Analysis, and the Review of Radical Political Economics, among others. He and Professor Robert Pollin of the University of California, Riverside are co-editing a festschrift in honor of Hyman Minsky (publication anticipated in 1992). He is currently completing a comprehensive empirical study of bank lending flows and services in the City of Los Angeles (undertaken jointly with Dr. John Veitch of USC).

STEVEN FAZZARI, Ph.D, Stanford University; Associate Professor of Economics at Washington University, St. Louis. Professor Fazzari teaches macroeconomics and studies the link between macroeconomic activity and finance, particularly the financial determinants of investment spending and the impact of debt on macroeconomic stability. His recent publications include co-editing the forthcoming book Financial Conditions and Macroeconomic Performance: Essays in Honor of Hyman P. Minsky and papers in the Brookings Papers on Economic Activity, Economic Inquiry, and the Review of Economics and Statistics.

BENJAMIN M. FRIEDMAN, Ph.D, Harvard University; William Joseph Maier Professor of Political Economy at Harvard University. Dr. Friedman's other current professional activities include serving as director of financial markets and monetary economics at the National Bureau of Economic Research, as a director of the Private Export Funding Corporation, as a trustee of the Standish Investment Trust, and as an associate editor of the Journal of Monetary Economics. His most recent book, Day of Reckoning: The Consequences of American Economic Policy Under Reagan and After, received the George S. Eccles Prize, awarded annually by Columbia University for excellence in writing about economics.
H. Peter Gray, Professor Emeritus of the School of Management, Rutgers University. He received his Ph.D in economics from the University of California at Berkeley and his M.A. and B.A. from Cambridge University. Dr. Gray has been a professor of economics and finance/management at Wayne State University, Rutgers, Rensselaer Polytechnic Institute and Thammasat University in Bangkok, Thailand. His research interests include the theory of international trade, North-South technology transfer, multinational corporations, international investments, and international corporate finance. He has authored seven books and edited five, and he is president of the Eastern Economic Association.

Albert Gailord Hart, Ph.D University of Chicago; Professor of Economics Emeritus, Columbia University. Dr. Hart’s numerous publications include: Debts and Recovery, 1929 to 1937: Anticipations, Uncertainty and Dynamic Planning; and Money, Debt and Economic Activity, with Peter B. Kenen.

William H. Janeway, Ph.D, Cambridge University; Managing Director, Head of the Venture Capital High Technology Team, E.M. Warburg, Pincus & Co., Inc. Dr. Janeway was formerly Vice President and Director of Corporate Finance at F. Eberstadt & Co., Inc. His experience encompasses twenty years of practical finance in investment banking and venture capital.


S Jay Levy, Chairman of the Board of Governors of the Jerome Levy Economics Institute of Bard College, began his economic career in 1946 when he and his father, Jerome Levy, started an economic forecasting business for a limited number of clients. In 1949 they inaugurated Industry Forecast, which today is the oldest paid circulation letter devoted to economic forecasting and analysis. S Jay Levy has been a consultant to major industrial and financial corporations and has lectured and written widely on economic matters.

Sherman J. Maisel, Ph.D, Harvard University. President, Sherman J. Maisel Associates, Economic Consultants. California State Professor of Real Estate and Urban Economics, Emeritus, University of California, Berkeley. Formerly member of the Board of Governors of the Federal Reserve System. At the request of the FSLIC, served as chairman, board of directors while liquidating two failed S&Ls. His publications include: Risk and Capital Adequacy in Commercial Banks; Real Estate Finance; Managing the Dollar; Macroeconomics.
HYMAN P. MINSKY, Ph.D, Harvard University; Distinguished Scholar Jerome Levy Economics Institute of Bard College. Formerly Professor of Economics, Washington University, St. Louis. Professor Minsky has also taught at Brown University and the University of California, Berkeley. He is the author of John Maynard Keynes, Can "It" Happen Again? and Stabilizing an Unstable Economy as well as a contributor to many professional journals and the public press. Dr. Minsky is a member of the Board of Advisors of the Jerome Levy Economics Institute and has been a member of the Executive Committee of the Eastern Economic Association.

FREDDIEC S. MISHKIN, Ph.D, Massachusetts Institute of Technology; Professor, Graduate School of Business, Columbia University; Visiting Professor, Department of Economics, Princeton University. Dr. Mishkin also taught at the University of Chicago and Northwestern University. He is the Associate Editor of the Journal of Applied Econometrics and the Journal of Business and Economic Statistics, and a Research Associate of the National Bureau of Economic Research. Dr. Mishkin is a member of the Academic Advisory Panel, Federal Reserve Bank of New York and the Conference on Income and Wealth. He is the author of numerous articles in books and economic journals.

MARK PERLMAN, Ph.D, Columbia University; The University Professor of Economics, University of Pittsburgh. The foundation and long-time Managing Editor of the American Economic Association's Journal of Economic Literature, Dr. Perlman currently is editor for two Cambridge University Press series, the Edward Elgar Press, the Joseph A. Schumpeter Society, and the Journal of Evolutionary Economics. Among the several books and articles he has written and edited are several on macro-economic policies pertaining to population, productivity, medical economics, trade and the evolution of economic ideas; in particular, he contributed regularly to William Fellner's American Enterprise Institute's Contemporary Economic Problems, and he served as impresario for the Institute's 1991 conferences on the impact on American policy of European economic integration programs, held both in Washington and in Paris.

ALEX J. POLLOCK, M.P.A. Princeton University; Pollock & Gould, St. Louis, has been President and CEO of Community Federal Savings, President of Marine Bank N.A., and a Senior Vice President of Continental Illinois. Author of numerous articles on banking and management, he has served on the Advisory Board of the Banking Research Center at Northwestern University and on the Federal Affairs Policy Committee of the United States League of Savings Institutions.
EDWARD V. REGAN, Comptroller of New York State since 1979. Mr. Regan's government career has been highlighted with bipartisan support. His first governmental position was as City Councilman–at–Large in Buffalo. He was next elected County Executive in Erie County in 1971. Before entering public service, Mr. Regan had a successful business career in Buffalo. Earlier, he served as an air intelligence officer in the United States Navy and taught university courses in government. Mr. Regan received his B.A. degree from Hobart College in Geneva, NY and a law degree cum laude in 1964 from the State University of New York.

EUGENE ROTBERG, LL.B. University of Pennsylvania. Former Executive Vice President of Merrill Lynch & Co., Inc. and Vice President and Treasurer of the World Bank. Mr. Rotberg is an adviser to governments and international institutions on matters dealing with interest and exchange rate volatility, financial innovation and regulation of financial markets.

GARY H. STERN, President, Federal Reserve Bank of Minneapolis; member of the Federal Open Market Committee— the Fed's principal body responsible for establishing national monetary and credit policies. Before joining the Minneapolis Fed, Dr. Stern was a partner in a New York–based economic consulting firm. His prior experience includes seven years at the Federal Reserve Bank of New York. He holds an A.B. in economics from Washington University, St. Louis and a Ph.D in economics from Rice University, Houston.


EUGENE N. WHITE, Ph.D, University of Illinois-Urbana, 1980; Research Associate, National Bureau of Economic Research; Director of Graduate Program in Economics and Associate Professor, Rutgers University. Dr. White also taught at NYU and the University of Illinois. His publications include: Crashes and Panics: The Lessons from History; The Revolution in Banking and the Comptroller of the Currency, 1960–1990; and many articles and papers. Dr. White’s current research interest is the monetary and financial history of the US and Revolutionary France.

ALBERT M. WOJNILOWER, Senior Advisor, First Boston Asset Management, previously Managing Director and Chief Economist, The First Boston Corporation. Dr. Wojnilower was Chief, Domestic Research Division of the Federal Reserve Bank of New York. He received his undergraduate and graduate degrees including a Ph.D in economics from Columbia University and his research interests include financial regulation and deregulation.
The Outlook for Business and Finance

Roundtable Discussion:

Afternoon Session

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Lunch

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Arch Pollock, Zicker & Hocker

June DAVIS, Boston University

Discussions:

that are on the Table—The Proposals for Reform

Gary H. STEIN, Federal Reserve Bank of

Economic Significance of

William H. JANKEY, Wang-Lin

What Regulation and Intervention Can and

Richard C. ASHNAVAI, The Chase

A Policy Forum: The Nature and Need

of Reform

10:00 AM

Morning Session

Saturday, April 3rd

Schedule/Speakers

Recession

loss of Business

Risks in the Current

Speaker: Benjamin M. FRIEDMAN, Harvard

Reception

Afternoon Session

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Recession
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Discussants:
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Reception and Dinner

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Richard E. SYLLA, New York University—"Financial Disturbances and Depressions: The View from Economic History"

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Richard C. Aspinwall
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Jane D'Arista
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Benjamin M. Friedman
H. Peter Gray
Albert G. Hart
William H. Janeway
David A. Levy
S Jay Levy
Sherman J. Maisel
Hyman P. Minsky
Frederick S. Mishkin
Alex Pollock
Gary H. Stern
Richard E. Sylla
James Tobin
Eugene N. White
Albert M. Wojnilower