

Preface

Credit markets in almost all industrial countries have been in substantial turmoil since the summer of 2007. This has resulted in the most severe disruptions to financial institutions, financial markets, and macro-economies worldwide since the Great Depression of the 1930s. What were the causes of the crisis? Why did it spread so rapidly and broadly across countries? How was it related to the bursting of the housing (real estate) bubble, particularly in the United States? Were the prudential bank regulators caught off-guard? How serious is the damage to the financial system and the real economy? What have been the public and private policy responses? What happened to market discipline? How will the regulatory structure be affected? Where should we go from here?

These and related issues were explored by leading financial experts from a rich variety of countries and professional affiliations at the eleventh annual international conference. The 2008 conference was co-sponsored by the Federal Reserve Bank of Chicago and the European Central Bank at the Federal Reserve Bank of Chicago on 25 and 26 September 2008. It focused on important issues confronting the international financial system. The conference was attended by some 170 participants from over 30 different countries and international organizations. The participants represented both the private and public sectors and included bank regulators, financial policymakers, bankers, other finance practitioners, trade association staff, and academics. This volume includes the papers presented at the conference sessions, comments by discussants and special keynote addresses. At the time of the conference the dynamics of the financial turmoil were changing almost daily. Indeed, September 2008, the month of the conference, probably marked the tipping point from primarily a significant market turmoil to a systemic financial crisis. Thus, the

contributions in this volume were mostly prepared during the summer of 2008, before the change, on the basis of the information available at that time (with relatively minor updating possible in some cases through press time in early November).

Publication of the contributions in this volume is intended to share the ideas, analyses, and conclusions presented at the conference with a larger audience to further enhance our understanding of the important forces shaping the observed events in financial markets and our ability to adopt both public and private policies that will improve performance in the future and mitigate, if not prevent, such crises.

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