

Preface

Every day brings further evidence of how dysfunctional capital markets have become across the world. The global financial crisis is the latest, if most catastrophic, in a series of boom-bust-regulate-deregulate-boom-bust cycles. As the impact moves progressively and decisively from Wall Street to Main Street, the enormous political, conceptual, and socio-economic costs associated with a failure to address the question of the role of the corporation and markets more generally in society comes into clear view. The President of the United States, Barack Obama, has promised to fundamentally review the structure of financial regulation following what he termed “the winter of our hardship.” Obama maintained the need to inculcate a new spirit of political and corporate ethics informed by the old virtues of “honesty and hard work, courage and fair play, tolerance and curiosity, loyalty and patriotism....What is required of us now is a new era of responsibility—a recognition on the part of every American, that we have duties to ourselves, our nation, and the world, duties that we not grudgingly accept but rather seize gladly, firm in the knowledge that there is nothing so satisfying to the spirit, so defining of our character that giving our all to a difficult task.”¹ Rhetoric alone, however, will be insufficient to deal with the enormity of the conceptual and practical challenges facing the incoming administration in fashioning a coherent response to a scandal of monumental proportions.

¹ Inaugural Address (Washington DC, 19 January 2009).

The elevation of innovation over security generated a flawed risk paradigm. Legitimated by influential policymakers, such as the former chairman of the Federal Reserve, Alan Greenspan, a new model of financial capitalism was exported across the globe. The implosion of that model and the regulatory framework on which it operated, across rules-based and enabling systems of oversight, has created what the chair of ANZ bank, Mike Smith, has termed a “financial services bloodbath.”

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