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978-0-521-11848-4 - Government and Markets: Toward a New Theory of Regulation

Edward J. Balleisen and David A. Moss

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GOVERNMENT AND MARKETS

After two generations of emphasis on governmental inefficiency and the need for deregulation, we now see growing interest in the possibility of constructive governance, alongside public calls for new, smarter regulation.

Yet there is a real danger that regulatory reforms will be rooted in outdated ideas. As the financial crisis has shown, neither traditional market failure models nor public choice theory, by themselves, sufficiently inform or explain our current regulatory challenges. Regulatory studies, long neglected in an atmosphere focused on deregulatory work, is in critical need of new models and theories that can guide effective policymaking.

This interdisciplinary volume points the way toward the modernization of regulatory theory. Its essays by leading scholars move past predominant approaches, integrating the latest research about the interplay between human behavior, societal needs, and regulatory institutions. The book concludes by setting out a potential research agenda for the social sciences.

Edward J. Balleisen is associate professor of history at Duke University, where he teaches American business history and American legal history. He specializes in the evolving “culture of American capitalism” – the institutions, values, and practices that have both structured and constrained commercial activity. The author of *Navigating Failure: Bankruptcy and Commercial Society in Antebellum America* and *Scenes from a Corporate Makeover: Columbia/HCA and Healthcare Fraud, 1992–2001*, he has also published in numerous journals, including *Business History Review*, *Australian Journal of Legal History*, and *Reviews in American History*. In 2005, he was awarded the Howard D. Johnson Award for Excellence in Undergraduate Teaching. He received his Ph.D. in history from Yale University. He is currently working on a history of commercial fraud in the United States, focusing on organizational fraud against consumers and investors, from the early nineteenth century to the present.

David A. Moss is the John G. McLean Professor at Harvard Business School, where he teaches in the business, government, and international economy area. Professor Moss’s research focuses on economic policy and especially the government’s role as a risk manager. He has published three books on these subjects: *Socializing Security: Progressive-Era Economists and the Origins of American Social Policy* (1996), *When All Else Fails: Government as the Ultimate Risk Manager* (2002), and *A Concise Guide to Macroeconomics: What Managers, Executives, and Students Need to Know* (2007). Professor Moss is the founder of the Tobin Project, a nonprofit research organization, and a member of the National Academy of Social Insurance. Recent honors include the Robert F. Greenhill Award, the Editors’ Prize from the *American Bankruptcy Law Journal*, the Student Association Faculty Award for outstanding teaching at the Harvard Business School, and the American Risk and Insurance Association’s Annual Kulp-Wright Book Award for the “most influential text published on the economics of risk management and insurance.” He received his Ph.D. from Yale University in 1992.

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Government and Markets

Toward a New Theory of Regulation

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Named for Nobel laureate James Tobin (1918–2002) and modeled after earlier efforts to link scholars and lawmakers, the Tobin Project seeks to influence public debate by reaching simultaneously outward to connect with the policy community and inward to shape debate within the academic community.

The Tobin Project's Government and Markets Initiative is focused on the economic role of the state and, in particular, on questions of when and how regulation functions best. The Project aims with this work to increase understanding about the role of government in facilitating a healthy economy and society.

This volume is one product of those efforts.

The scholars who contributed the succeeding chapters first met as a group at a 2008 Tobin Project conference with the same title and purpose as this book – to reinvigorate the study of regulation and help foster new theories and strategies for our challenging times. The conference of some sixty scholars and policymakers was held at the White Oak Conference and Residency Center in Florida with the generous support of the Howard Gilman Foundation and the Ford Foundation. White Oak is the centerpiece of the Howard Gilman Foundation's efforts to promote new networks and new thinking on domestic and international issues of current and continuing concern. We gratefully acknowledge the members of the board of the Howard Gilman Foundation and Katherine McFate at the Ford Foundation for their encouragement and participation.

This effort has depended in no small measure on the Tobin Project's Board of Directors, as well as the Tobin Project's financial supporters, whose generosity reflects their faith in the power of ideas. The work of several members of the Tobin Project's staff was indispensable to both the conference and the completion of this volume. Alison Damaskos and Laura Einhorn helped

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organize the 2008 regulation conference, whereas John Cisternino, Rebecca Chang, and Sage Trombulak assisted greatly with the editorial process. As a research Fellow, Jessica Leight helped us formulate our early regulation efforts. It is wonderful to see her involvement in this volume.

We are grateful to Lewis Bateman and Scott Parris at Cambridge University Press for recognizing the contribution this book could make, to Professor Daniel Carpenter for introducing us to them, and to three anonymous reviewers for their suggestions, which have improved this volume.

Professors David Moss and Edward Balleisen championed this initiative. We are especially grateful to David for founding the Tobin Project and giving shape to this effort and to Ed for his leadership of our regulation team and for working with chapter authors to foster linkages among the contributions.

The network of scholars who have signed on to Tobin efforts has grown from a handful to almost 200. We thank each of them for participating and for bringing their colleagues and graduate students into the fold.

James Tobin noted in *Essays in Economics* that “the most important decisions a scholar makes are what problems to work on.” Our deepest acknowledgment is to the spirit of public service that he left to all of us and to the seventeen scholars who took up his call in this book.

Mitchell Weiss

Executive Director, The Tobin Project

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