

Announcement
Kellogg School of Management Zell Center/NBER Conference
MEASURING AND MANAGING FEDERAL FINANCIAL RISK

February 8 and 9, 2007

The U.S. federal government is the world's largest financial institution. It provides credit and assumes financial risk through such diverse activities as:

- guaranteeing loans for housing, agriculture, education, small businesses, and trade
- making direct loans for education, housing, and rural utilities
- insuring bank deposits, defined benefit pension plans, crops, and real property
- providing pension benefits to federal civilian and military employees
- promising social security and other contingent social insurance payments
- implicitly guaranteeing the obligations of Fannie Mae, Freddie Mac, and other government sponsored enterprises
- acting as a steward for environmental assets and liabilities

Despite their size, the economic cost and risk of these activities remains for the most part poorly understood and partially measured. Government budgetary and financial accounting rules, which largely determine the information available to federal decision makers, are only beginning to address these issues, and lag private financial accounting developments. Recently, however, there has been increased recognition of the need to rethink how these programs are valued and accounted for, and some progress has been made in applying modern valuation methods -- options pricing, risk-adjusted discount rates, and value at risk -- to these types of obligations.

This Conference will bring together a diverse group of academics in the areas of finance, economics, public policy, and accounting, as well as a select group of policymakers, to present new research directed at improving the measurement and management of these costs and risks. Authors include: David Cummins, Wharton; John Geanakoplos, Yale; Geoffrey Heal, Columbia; Dwight Jaffe, Berkeley; Howard Kunreuther, Wharton; Deborah Lucas, Kellogg; Robert McDonald, Kellogg; Damien Moore, CBO; Marvin Phaup, CBO; John Quigley, Berkeley; George Zanjani, NY Fed; and Stephen Zeldes, Columbia. The papers and comments of discussants will be published as an NBER book. Two distinguished panel discussions are scheduled, one on each day, and Peter Fisher of BlackRock will give the keynote speech at dinner on the evening of the 8th.

Space is limited, and advance registration is required. Please contact the organizer, Deborah Lucas, for additional information:

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