



# THE WRONG LESSONS

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THOUGHT  
LEADERSHIP  
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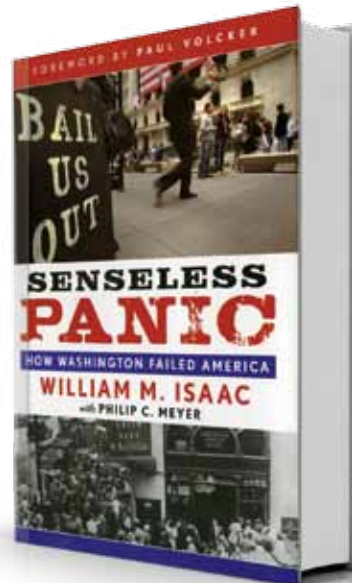
The U.S. government, which has a history of responding to economic crises with counterproductive strategies, has done it again, argues this former regulator, who recommends a more effective path.

## SENSELESS PANIC: HOW WASHINGTON FAILED AMERICA

by William M. Isaac, Senior Managing Director and Global Head of Financial Institutions Group, FTI Consulting, with a foreword by Paul Volcker (John Wiley & Sons Inc., 2010)

**D**uring the 1980s, some 3,000 banks failed, costing the Federal Deposit Insurance Corporation and taxpayers more than \$250 billion to clean up the savings and loan crisis. Yet somehow public confidence held — unlike during the global financial meltdown of 2007 and 2008, a time during which economic conditions were actually far better than during the 1980s. In his book, *Senseless Panic: How Washington Failed America*, William M. Isaac argues that the more recent crisis could have been avoided if the nation's political leaders hadn't bungled their management of the mess.

Isaac has a unique perspective. During the early 1980s, he headed the FDIC and, with then Federal Reserve chairman Paul Volcker, helped limit the damage from the bank failures by navigating the storm strategically and methodically. Ultimately, however, writes Isaac, regulators and



policymakers failed to understand what really went wrong during the 1980s, and Washington's responses to the 2008 crisis have been misguided and counterproductive.

Isaac proposes remedies for what continues to ail the country's financial system. The key to effective change, he notes, is to learn from our mistakes. "I cannot emphasize how important it is that we understand the causes of the financial crisis in 2008 and that we enact the right reforms this time," Isaac writes. "Those who do not remember and understand history will repeat it." ■