

Conference

IS U.S. GOVERNMENT DEBT DIFFERENT?

Evening of May 4 and May 5, 2012

Law School and Wharton Financial Institutions Center
University of Pennsylvania

Organizers: Franklin Allen, Anna Gelpern, Charles Mooney, and David Skeel
Program as of April May 3, 2012

Evening of Friday, May 4

Location: Ben Franklin Room (2nd floor), Houston Hall, 3417 Spruce Street, Philadelphia

6:30pm: Reception

7:00pm: Dinner

Saturday, May 5

Location of the Conference: 8th Floor, Jon M. Huntsman Hall, 3730 Walnut St., Philadelphia, PA,
19104

9:00-10:30 am

Introductory Remarks

I. Features and Functions of U.S. Government Debt

U.S. Treasury obligations play a unique role in the national and global economy. This panel will explore the characteristics of Treasury instruments and the Treasury market, and the role they play in the broader financial markets in the United States and beyond. What features of the Treasury obligations are unique? Which are indispensable for the role Treasury instruments play at home and abroad? Which functions now performed by U.S. government debt are or might be performed as well (or better) by other instruments?

Panel: William Bratton (Penn Law); Richard Herring (Wharton); Zoltan Poszar (IMF);
Richard Sylla (NYU Stern)

Moderator: Anna Gelpern (American Law)

10:30-10:45 am Coffee Break

10:45 am-12:15 pm

II. Contractual, Constitutional, and Statutory Foundations of U.S. Government Debt

U.S. Treasury debt contracts are unlike private and other government debt instruments. This panel will examine the unusual form of Treasury contracts and its implications under U.S. case law and U.S. and global market practice; the status of U.S. Treasury debt under the U.S. Constitution, including the import of the 14th Amendment to the U.S. Constitution; and the form and status of CDS contracts on U.S. Government debt.

Panel: Howell Jackson (Harvard Law); Jody Kraus (Penn Law), Michael McConnell (Stanford Law); Richard Squire (Fordham Law)
Moderator: Charles Mooney (Penn Law)

12:15 -1:15 pm Lunch

Luncheon Keynote: Peter R. Fisher, Senior Managing Director, BlackRock

1:15-2:45 pm

III. U.S. Ability and Willingness to Pay

U.S. debt sustainability is the subject of heated debates in policy and academic circles. This panel will present different perspectives on U.S. debt dynamics, and the political factors behind U.S. ability and willingness to repay its debts. A sovereign government's ability to pay is a function of its ability to generate revenues, which depends, among other things, on the economy's capacity to grow and on the government's political capacity to collect taxes. The line between ability and willingness to pay can be notoriously fuzzy. The sustainability calculus in the case of the United States is further complicated by the fact that the United States issues the global reserve currency with no ready competitors.

Panel: James Hines (UMichigan Law, Economics), James Kwak (UConn Law), Deborah Lucas (MIT Sloan), James Millstein (Millstein & Co.)
Moderator: Franklin Allen (Wharton)

2:45-3:00 pm Coffee Break

3:00-4:30 pm

IV. A U.S. Debt Restructuring Scenario

Modern-era experiences with sovereign debt restructuring have limited relevance to the U.S. case because of the distinct features of the U.S. debt securities and the U.S. Treasury market. This panel presents a scenario for changing the terms of some U.S. government securities to improve overall debt sustainability. A concrete example of how the United States might go about a debt restructuring offers an opportunity to test some of the institutional and legal insights from the preceding panels.

Moderator: David Skeel (Penn Law)
Paper: Charles Mooney (Penn Law)
Panel: Donald Bernstein (Davis Polk), Steven Schwarcz (Duke Law)

4:30 pm Reception