

## ABSTRACT

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*Regulation by Deal: The Government's Response to the Financial Crisis*

61 Admin. L. Rev. 463 (2009)

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In 2008, the United States faced a major financial crisis. At the height of the crisis, the nation's largest financial institutions were headed toward complete collapse. To prevent the economy from continuing in its downward spiral, the federal government took nonconventional actions.

To most citizens, the government's response to the financial crisis was baffling, inconsistent, and contradictory to traditional government policy. The government forced sales of major investment banks, permitted large banks to fail, and took control over the largest lending companies in the nation. The government then proceeded to issue billions of dollars of "bailout" money to struggling financial institutions. During this time, the government was described as a "vigorous dealmaker," acting much like the businessmen and women who were behind the economic meltdown.

In all, 2008 marked an historic government intervention and a new school of thought on how far the government may go in times of emergency. The government's response has also sparked concerns of government practice, for instance, whether it is appropriate for the Secretary of Treasury or Chairman of the Federal Reserve to act without oversight or review of the legislative and judicial branches or whether it is appropriate for the government to act as a private party in major business deals.

While it may be too soon to adequately address these concerns and the growing number of questions about the government's response to the nation's financial situation, this is the time to discuss, step-by-step, what has taken place thus far. Starting with a detailed account of the government's actions to stop the financial crisis, policy-makers and financial leaders may properly assess which of those actions were appropriate and which were dangerous abuses of power. This article chronicles the government's role as dealmaker in its immediate response to the failure of Bear Sterns and the subsequent actions it took in its attempt to bail the nation out of an economic crisis.