Frankel, Jeffrey A. "[Responding to Crises](https://object.cato.org/sites/cato.org/files/serials/files/cato-journal/2007/5/cj27n2-6.pdf),"
in [*Cato Journal*](http://www.cato.org/pubs/journal)  27, [no.2](http://www.cato.org/pubs/journal/cj27n2/cj27n2.html), [Spring/Summer 2007](http://www.cato.org/pubs/journal/cj27n2/cj27n2-6.pdf), pp.165-178.

24th Annual Monetary Conference, [Cato Institute](http://www.cato.org/podcasts/);

Harvard Kennedy School Faculty Research Working Paper Series [HKS RWP07-010](https://www.hks.harvard.edu/publications/responding-financial-crises), Harvard University, February 2007.

**Abstract**

They say “there are no atheists in foxholes.” Perhaps, then, there are also no libertarians in crises. Even those in favor of reducing the role of the government usually agree, for example, that there is a valid Lender of Last Resort role for the central bank in the event of banking panics or disruptions as occurred on September 11, 2001. But crises should not become an excuse for public policy that is hasty or ill-informed, or that serves primarily the interests of the policymakers themselves or of special interests. The response must be appropriate and careful. It must be informed by the longer term perspective offered in the lessons of historical precedent, particularly regarding the fallibility of well-intentioned government intervention, and by an awareness of the dangers identified in the theory of moral hazard. This paper details some lessons from several past crises of varying nature: inflation crises, stock market crashes, bond market crashes, housing crashes, and various international crises, including the possibilities of a hard landing for the dollar, emerging market crises, oil shock, geopolitical crisis, and trade collapse. The paper draws heavily on US historical examples from the last four decades.