

Political Economy of Finance - Perceptions 10 Years After the Crash

With this seminar we want to add to existing efforts in understanding the financial meltdown that first culminated in the Lehman Brothers liquidity crunch in 2008. Thus, ten years after the crash, we will revisit institutions and concepts that led up to the crisis and critically evaluate following regulation as well as political aftermath. In this seminar we will acquire a basic understanding of banking and finance and build intuition on finance-related issues such as risk-management, liquidity-transformation, balance-sheets, lending and securitization. Within the basics-subsection we will also discuss both Keynesian and Minskyan approaches to financial (in-)stability. We will then examine regulation as in Basel III and take an in-depth look at Shadow Banking entities as well as repo-financing. Using this as grounds of discussion, we will follow up with issues of financial stability, financialization, crisis and monetary policy after the crash. Both Minskyan and post-Keynesian approaches will be center of discussions. All sessions will be based on weekly reading and will in some cases be attended by field-experts. This is a reading-intensive course with the aim of establishing a sound understanding of the financial crisis. We encourage students from all fields to join in the discussion of crisis, crash and political implications. Some background in accounting or finance will be helpful. We will, however, offer access to all topics with little prior knowledge. Please note: Not all literature is required reading per week but can serve as inspiration for written essays. Interested students can get ahead of things with Perry Mehrling's online lecture noted in Course Outline 2.

Course Briefs

- Course takes place **wednesdays, 10-12 am, at PFH 6.101¹**. This course will start on wednesday, 25th of October.
- Course credit points can be obtained through a 15 page written essay at end of semester. Essays may be based on weekly sessions.
- Credit points can be obtained in Module B.WIWI-WB.0009 for bachelor students and in Module M.WIWI-WB.0007 for master students; Credit points can only be obtained as "Wahlbereich"/"non-compulsory".
- Please contact Mathis Richtmann at mrichtm@wiwi.uni-goettingen.de for questions.
- This course is offered jointly by Kritische Wirtschaftswissenschaften Göttingen and Chair for Economic Policy, Prof. Kilian Bizer.

¹See description in attached document. Room is located in building at Weender Landstr. 3, 6th floor. It is a university room rented at Private Fachhochschule Göttingen.

Course Outline

Please note: The literature shown might still be subject to changes. Not all literature will be required reading. We try to limit reading-time to about an hour at home.

1. Basics: The Financial Crisis, a quick overview – 25.10.17
 - Course-overview, reading-list, introduction
 - Allyn Young, "Money and Credit, ch. 33 'The mystery of Money'", The Book of Popular Science (1924; revised 1929) New York: The Grolier Society. Group IX Ch. 31:4231–40
 - Jarvis, J. (n.d.). The Crisis of Credit Visualized. Retrieved August 2, 2017, from <https://www.youtube.com/watch?v=w4gcdQA33aI>
2. Basics: Money Creation, Banking, Credit – 01.11.17
 - Banking-Basics: Balance Sheets, Money Creation, Liquidity/ Solvency, Risk, Securities
 - Perry Mehrling, Online-Course, coursera.com, Week 1: "The Four Prices of Money", "The natural Hierarchy of Money"
3. Basics: Economics of Money and Banking – 08.11.17
 - Banking-Basics cont.: Fixed Income, Govt-Bonds, Securitization, Forms of credit
 - Minsky, Hyman P. "John Maynard Keynes, ch 4/5/6". Springer, 1976.
4. Basics: Financial Instability and Liquidity – 15.11.17
 - "Financial Instability Hypothesis", Hyman Minsky, 1992, Working Paper No 74, Levy Economics Institute of Bard College
 - Minsky, H. P. (1986). Stabilizing an unstable economy. Hyman P. Minsky Archive, 144, 251–253.
 - Mehrling, P. (1999). The vision of Hyman P. Minsky. Journal of Economic Behavior & Organization, 39(2), 129–158.
5. Financial Regulation: Basel III – 22.11.17
 - "An introduction to Basel III - its consequences for lending", Norton Rose Fulbright, <http://www.nortonrosefulbright.com/knowledge/publications/31077/an-introduction-to-basel-iii-its-consequences-for-lending>
 - Baring Point: Basel III overview poster: <https://www.bearingpoint.com/de-de/unsere-expertise/insights/poster-basel-iii/>
 - Duffie, D. (2016). Why Are Big Banks Offering Less Liquidity To Bond Markets? Forbes
6. Financial Regulation: Crisis aftermath – 29.11.17

- Admati, A. R., DeMarzo, P. M., Hellwig, M. F., & Pfleiderer, P. (2014). Fallacies and Irrelevant Facts in the Discussion on Capital Regulation. In C. Goodhart, D. Gabor, J. Vestergaard, & I. Ertürk (Eds.), *Central Banking at a Crossroads* (pp. 33–51). Anthem Press.
- Jodra, O., Richter, B., Schularick, M., & Taylor, A. M. (2017). *Bank Capital Redux: Solvency, Liquidity, and Crisis*. NBER Working Paper Series.
- Duffie, D., Colliard, J.-E., Hartmann, P., Hoffman, P., Liang, N., Langfield, S., ... Younger, J. (2016). *Financial regulatory reform after the crisis: an assessment*, (June), 27–29

7. Shadow Banking, Shadow Money – 06.12.17

- Perry Mehrling, Online-Course, coursera.com, Week 10: "Banking as Advance Clearing", especially from "Financial Evolution: Indirect Finance to Direct Finance" onwards
- Adrian, T., & Shin, S. H. (2010). The changing nature of financial intermediation and the financial crisis of 2007-09 (Staff Report No. 439).
- Gabor, D., Vestergaard, J., Chick, V., Pagliari, S., Sissoko, C., Stockhammer, E., ... Michell, J. (n.d.). *Towards a theory of shadow money*, 1–35.
- Nesvetailova, A. (2015). A Crisis of the Overcrowded Future: Shadow Banking and the Political Economy of Financial Innovation. *New Political Economy*, 20(3), 431–453.

8. Shadow Banking, Financial Stability – 13.12.17

- Pozsar, Z. (2008). The Rise and Fall of the Shadow Banking System. *Regional Financial Review*, Moody's Economy, (July), 13–25.
- Gorton, G., & Metrick, A. (2012). Securitized banking and the run on repo. *Journal of Financial Economics*, 104(3), 425–451.

9. Financialization, Shadow Banking, Crisis – 20.12.17

- Simkovic, M. (2013). Competition and Crisis in Mortgage Securitization. *Indiana Law Journal*, 88(1), 212–71.
- Vogl, J. (2014). 1973: Financialization and the Conditions of Postmodernity. *Eutomia*, 1(13), 107–118.

10. Political Economy of Finance: Changing Monetary Policy – 10.01.18

- Mehrling, P. (2013). Elasticity and Discipline in the Global Swap Network., 44, 311–324.
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11. Political Economy of Finance: Central Bank Policy, Unconventional Measures (With Guest, Economics-Researcher, Norddeutsche Landesbank) – 17.01.18

- Mehrling, P. (2013). Bagehot was a Shadow Banker: Shadow Banking, Central Banking, and the Future of Global Finance.
- Duygan-Bump, B., Parkinson, P. M., Rosengren, E. S., Suarez, G. A., & Willen, P. S. (2010). How Effective Were the Federal Reserve Emergency Liquidity Facilities? Evidence from the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (No. WPS No. QAU10-3).
- Grossman, E., & Woll, C. (2013). Saving the Banks: The Political Economy of Bailouts. *Comparative Political Studies*, 47(4), 574–600.

12. Political Economy of Finance: Political Economy of Risk – 24.01.18

- de Goede, M. (2004). Repoliticizing financial risk. *Economy and Society*, 33(2), 197–217.
- Curran, D. (2015). Risk illusion and organized irresponsibility in contemporary finance: rethinking class and risk society. *Economy and Society*, 5147(March), 1–26.

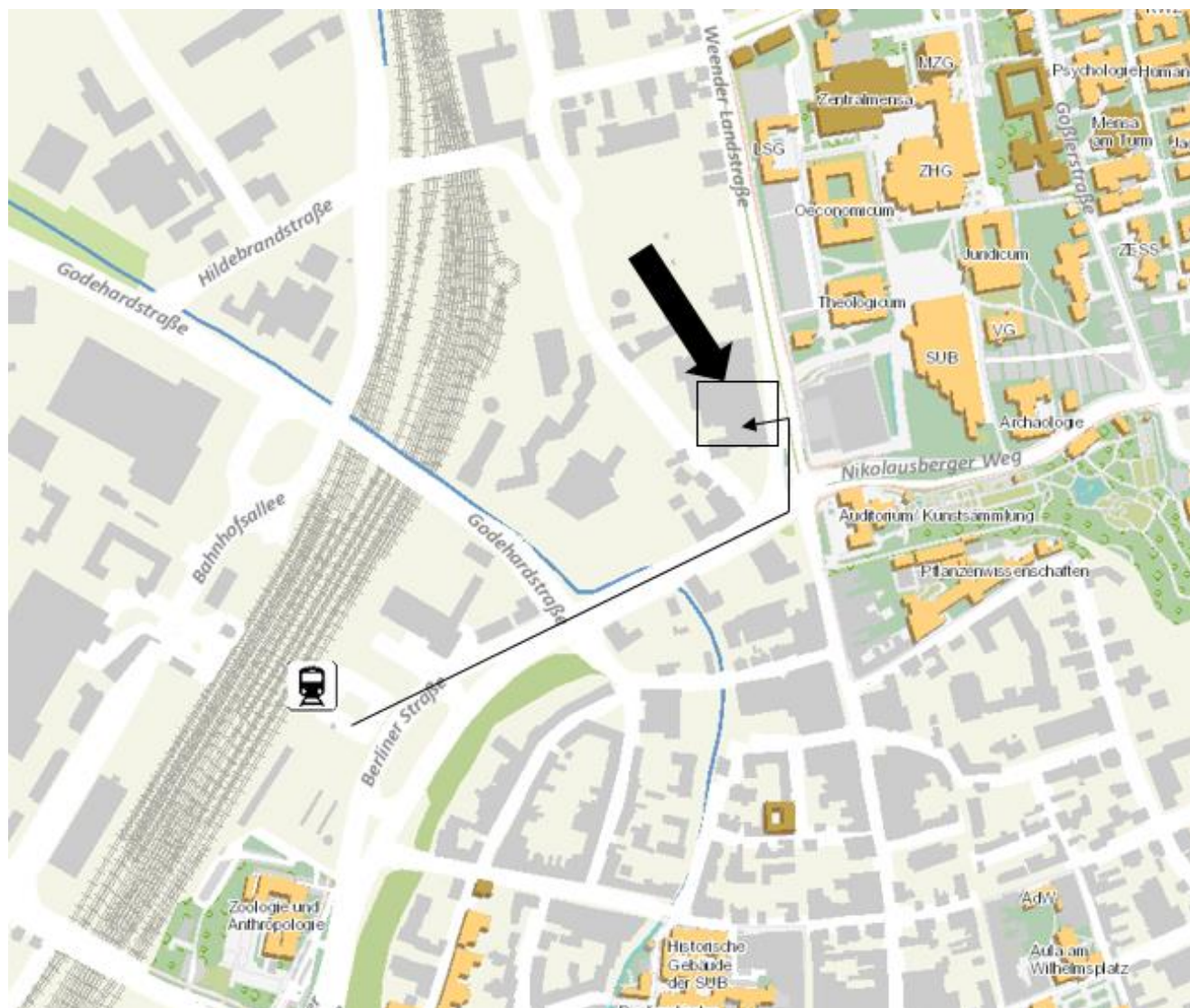
13. Political Economy of Finance: A Minskyan Perspective – 31.01.18

- Nesvetailova, A., & Palan, R. (2013). Minsky in the Shadows: Securitization, Ponzi Finance, and the Crisis of Northern Rock. *Review of Radical Political Economics*, 45(3), 349–368.

Crisis Overview

- Zandi, B. M. (2009). *Financial Shock*. FT Press.
- Fricker, M. (2015). About Repo. Retrieved from <https://repowatch.org/about-repo/>
- Mehrling, Perry, Online-Course, coursera.com, Money and Banking, free online lecture
- Deutsche Bundesbank. (2014). *Geld und Geldpolitik*

Seminarraum 6.101 (Wiwi/Sowi) – Bürogebäude Weender Landstraße 3 (6. OG)



Der Seminarraum 6.101 befindet sich der obersten Etage (6. OG) im Gebäude Weender Landstraße 3.

Es handelt sich um das Bürogebäude in dem sich auch die private Fachhochschule (PFH) befindet. Der Gebäudekomplex vor dem Hochhaus (siehe Bilder unten).

Der Haupteingang im Erdgeschoß befindet sich an der Ostseite des Gebäudes - direkt an der Hauptstraße Weender Landstraße. Der Seminarraum in der 6. Etage ist mit den Fahrstühlen zu erreichen.

Es stehen Ihnen dort Sitzplätze für max. 20 Personen sowie eine moderne Smartboardtechnik (vgl. u.a. OEC) zur Verfügung.

Eine Reservierung für den Seminarraum erfolgt über das Dekanat der Sozial- oder Wirtschaftswissenschaftlichen Fakultät. Entsprechende Schlüssel können dort ausgeliehen werden.

WICHTIG!

Das Gebäude ist nur von 06.30 bis ca. 20.30 Uhr geöffnet. Außerhalb dieser Öffnungszeiten kann das Gebäude über den Haupteingang auf diesem Wege weder betreten noch verlassen werden. In begründeten Ausnahmefällen kann ein entsprechender Schlüssel gegen Unterschrift und Übernahme einer Haftungserklärung ausgeliehen werden.

Stand 27.04.2017

Kontakt: Dekanat Sozialwissenschaften (Tel. 0551 39-7971 oder -7192)

