Bring Your Own Idea Proposal

The Financial Crisis of 2007 and 2008 - Systemic Risk, Regulation and Monetary Policy and their Social And Economic Impact

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The financial crisis of 2007-2008 has proven that financial risk can be "systemic" and has brought increased attention to the importance of financial stability and macroprudential regulation in the financial sector. As such, identifying, mitigating and regulating systemic risk is a major concern for market participants and regulators. The crisis highlighted some prior shortcomings including: the impact of counterparty risks and interconnectedness among financial institutions on the wider economy, the need to enhance regulation of the "shadow banking" system, the role of stress testing, the lack of adequate laws and systems to provide for orderly liquidation of failed firms and the importance of a system-wide approach to financial stability and risk. Conversely, there is the risk of overregulation and unintended consequences. For instance tightening credit can harm low income and underserved communities by reducing or eliminating access to financial services and harming the community. Compensation regulations, such as "clawbacks" and "say on pay", can drive talent out of the regulated financial sector and into unregulated hedge funds and private equity thus increasing systemic risks. Additionally, in the wake of the financial crisis, unconventional monetary policy and quantitative easing has become globally ubiquitous causing persistently low interest rates that may distort markets, harming retirees and benefiting owners over workers, which may influence inequality.

The crisis and its regulatory response have generated much discussion in policy and academic circles, prompting extensive new legislation and studies. As such, this topic is timely and one which members of the Washington University community can contribute to in novel ways through cross-disciplinary collaborations. In this series of "bring your own idea" gatherings on the financial crisis and systemic risk we will discuss the connectedness of global financial markets and their participants - regulators, elected officials, central bankers, financial services firms, and consumers - and the appropriate ways in which to ensure Wall Street remains the preeminent capital market worldwide without imperiling Main Street.

Discussion topics will include:

- What should systemic financial regulation look like?
- How should financial crises be modeled?
- What effects do human behavior such as herding and confirmation bias have on financial crises?
- What is the effect of so-called "Too Big to Fail" institutions on regulation and financial crises?
- What are the tradeoffs between regulation and impacts for broader society?
- What are the ethical implications of new financial regulations?
- What are the unintended consequences of regulatory changes?
- How does U.S. regulatory policy impact competitiveness?

We would propose a series of extended coffee / breakfast sessions to take place during the spring and fall semesters of 2015.

List of likely invited faculty:

- Bill Emmons - Olin School of Business
- Lamar Pierce - Olin School of Business
- Stuart Greenbaum - Olin Business School
- David Fischer - Olin School of Business
- Michael Sherraden - Brown School of Social Work;
- Hilary Sale - Law School
- Steven Fazzari - Department of Economics and Department of Sociology
- Gaetano Antinolfi - Department of Economics
- Guillermo Rosas - Department of Political Science;
- Mark Valeri - John C. Danforth Center on Religion and Politics;