

790 571

## **The global governance of financial crises**

For the European Summer Institute – Kassel-Rutgers

Instructor: Joscha Wullweber

### **Course Outline**

The course *The global governance of financial crises* introduces students to the manifold political dimensions of global finance with a specific focus on financial crises. This implies to comprehend the social and political dimension of seemingly technical processes and instruments such as the evaluation of financial products and derivatives, or the dynamics of price formation on capital and goods markets, or the securitization of mortgage debt. Global finance is about the production of value, as liquid as possible, in order to receive added value in the form of money (and ultimately profit). These processes constantly lead to new forms of commodification, and searches for and the production of “innovative” financial asset streams. We will look at the production of liquidity and illiquidity as a social, political, and contested process and discuss how value is changing across time and space. We will scrutinize institutional and structural reasons for financial crises such as different developments captured under the term financialization, financial instability cycles, shadow banking, capitalist modes of accumulation, financial deregulation, or the Dollar-Wall-Street-Regime. We will also explore the actors and their activities involved in (the governance of) crises such as rating agencies, mispricing of assets and risks, the Federal Reserve, banks, brokers, underwriting practices, financial models, neoclassical economics, indebted nations etc. Specifically, the course will examine how and in what way conflicts and struggles between and among actors shape and are shaped by global finance? What kind of struggles accompanied the various processes leading to crises? How have conflicts and struggles inscribe themselves into the matrix of global finance? Briefly, the seminar will observe different perspectives and aspects of global finance and of the governance of financial crises.

#### **Module I: Introduction to global finance**

1. Global finance and financial markets
2. Money and value
3. (II) Liquidity production: financial products and practices
4. Global finance and crises

#### **Module II: The governance of global finance**

5. Financial actors
6. International institutions and regulations
7. The politics of central banks

#### **Module III: Theories of financial crises**

8. Minsky and financial bubbles
9. Financialization
10. Historical materialism

## **Module IV: The performativity of financial crises**

11. Performative finance
12. Finance and Security
13. Everyday finance
  
14. Alternative approaches to the governance of global finance?

## **Module I: Introduction to global finance**

### **Lesson 1: Global finance and financial markets**

- Amato, Massimo / Fantacci, Luca (2012): *The End of finance*, Cambridge: Polity, 1-66.
- Germain, Randall D. (1997): *The international organization of credit. States and global finance in the world-economy*, Cambridge: Cambridge University Press, 1-136.
- Gilpin, Robert (2001): *Global Political Economy. Understanding the International Economic Order*, Princeton/ Oxford: Princeton University Press, 234-278.
- Ingham, Geoffrey (2011): *Capitalism*, Cambridge: Polity, 147-174.
- O'Brien, Robert/ Williams, Marc (2010): *Global Political Economy. Evolution and Dynamics*, Basingstoke, Hampshire: Palgrave Macmillan, 3. edition, 217-254.
- Seabrooke, Leonard (2001): *US Power in International Finance The Victory of Dividends*, Basingstoke, Hampshire: Palgrave Macmillan, 1-18.

### **Lesson 2: Money and value**

- Bryan, Dick/ Rafferty, Michael (2007): *Financial derivatives and the theory of money*, in: *Economy and Society*, 36 (1), 134-158.
- Ingham, Geoffrey (2004): *The nature of money*, Cambridge: Polity, 1-37; 69-86.
- Kirshner, Jonathan (2014): *Same as it ever was? Continuity and change in the international monetary system*, in: *Review of International Political Economy*, 21 (5), 1007-1016.
- Kirshner, Jonathan (2003): *Money is Politics*, in: *Review of International Political Economy*, 10 (4), 645-660.
- Leyshon, Andrew/ Thrift, Nigel (2007): *The capitalization of almost everything: The future of economy and finance*, in: *Theory, Culture & Society*, 24 (7-8), 97-115.

### **Lesson 3: (II)Liquidity production: financial products and practices**

- Bryan, Dick/ Rafferty, Michael (2015): *Decomposing Money: Ontological options and spreads*, in: *Journal of Cultural Economy*, DOI: 10.1080/17530350.2014.993684.
- Cooper, Melinda/ Konings, Martijn (2015): *Contingency and Foundation: Rethinking Money, Debt, and Finance after the Crisis*, in: *South Atlantic Quarterly*, 114 (2), 239-250.
- Esposito, Elena (2011): *The Future of Futures. The Time of Money in Financing and Society*, Cheltenham: Edward Elgar, 107-133.

Nesvetailova, Anastasia (2010): The Crisis of Invested Money: Liquidity Illusion and the Global Credit Meltdown, in: *Theoretical Inquiries in Law*, 11 (1), 125-147.

#### **Lesson 4: Global finance and crises**

Germain, Randall D. (2010): *Global Politics and Financial Governance*, Basingstoke, Hampshire: Palgrave Macmillan, 1-20.

Kindleberger, Charles P./ Aliber, Robert Z. (2011): *Manias, Panics, and Crashes. A History of Financial Crisis*, Basingstoke, Hampshire: Palgrave MacMillan, 6. edition, 1-38.

MacKenzie, Donald (2011): The Credit Crisis as a Problem in the Sociology of Knowledge, in: *American Journal of Sociology*, 16 (6), 1778-1841.

Nesvetailova, Anastasia (2010): *Financial Alchemy in Crisis: The Great Liquidity Illusion*, London: Pluto, 24-39.

Seabrooke, Leonard (2001): *US Power in International Finance The Victory of Dividends*, Basingstoke, Hampshire: Palgrave Macmillan, 112-212.

### **Module II: The governance of global finance**

#### **Lesson 5: Financial actors**

Chwieroth, Jeffrey M. (2014): Controlling Capital: The International Monetary Fund and Transformative Incremental Change from Within International Organisations, in: *New Political Economy*, 19 (3), 445-469.

Johal, Sukhdev/ Moran, Michael/ Williams, Karel (2014): Power, Politics and the City of London after the Great Financial Crisis, in: *Government and Opposition*, 49 (3), 400-425.

Kindleberger, Charles P./ Aliber, Robert Z. (2011): *Manias, Panics, and Crashes. A History of Financial Crisis*, Basingstoke, Hampshire: Palgrave MacMillan, 6. edition, 191-212.

Lysandroua, Photis/ Nesvetailova, Anastasia (2015): The role of shadow banking entities in the financial crisis: a disaggregated view, in: *Review of International Political Economy*, 22 (2), 257-279.

#### **Lesson 6: International institutions and regulations**

Baker, Andrew (2015): Varieties of Economic Crisis, Varieties of Ideational Change: How and Why Financial Regulation and Macroeconomic Policy Differ, in: *New Political Economy*, 20 (3), 342-366.

Helleiner, Eric/ Pagliari, Stefano (2011): Towards a New Bretton Woods? The First G20 Leaders Summit and the Regulation of Global Finance, in: *New Political Economy*, 14 (2), 275-287.

Lall, Ranjit (2012): From failure to failure: The politics of international banking regulation, in: *Review of International Political Economy*, 19 (4), 609-638.

Langley, Paul (2015): *Liquidity Lost: The Governance of the Global Financial Crisis*, Oxford: Oxford University Press, 125-145.

Schelkle, Waltraud (2012): Good governance in crisis or a good crisis for governance? A comparison of the EU and the US, in: *Review of International Political Economy*, 19 (1), 34–58.

### **Lesson 7: The politics of central banks**

Bowman, Andrew et al. (2013): Central bank-led capitalism, in: *Seattle University Law Review*, 36 (2), 455-487.

Golub, Stephen/ Kaya, Ayse/ Reay, Michael (2015): What were they thinking? The Federal Reserve in the run-up to the 2008 financial crisis, in: *Review of International Political Economy*, 22 (4), 657-692.

Goodhart, C. A. E. (2011): The changing role of central banks, in: *Financial History Review*, 18 (2), 135 - 154.

Kindleberger, Charles P./ Aliber, Robert Z. (2011): *Manias, Panics, and Crashes. A History of Financial Crisis*, Basingstoke, Hampshire: Palgrave MacMillan, 6. edition, 213-256.

Langley, Paul (2015): *Liquidity Lost: The Governance of the Global Financial Crisis*, Oxford: Oxford University Press, 36-59.

## **Module III: Theories of financial crises**

### **Lesson 8: Minsky and financial bubbles**

Boyer, Robert (2013): The Global Financial Crisis in Historical Perspective: An Economic Analysis Combining Minsky, Hayek, Fisher, Keynes and the Regulation Approach, in: *Accounting, Economics and Law*, 3 (3), 93–139.

Minsky, Hyman P. (1982): *Can „it“ happen again? Essays on instability and finance*, Armonk, NY: Sharpe, 14-58.

Nesvetailova, Anastasia (2007): *Fragile Finance. Debt, Speculation and Crisis in the Age of Global Credit*, Basingstoke, Hampshire: Palgrave Macmillan, 25-72.

### **Lesson 9: Financialization**

Bieling, Hans-Jürgen (2013): European Financial Capitalism and the Politics of (De)financialization, in: *Competition and Change*, 17 (3), 283-298.

Boyer, Robert (2000): Is a finance-led growth regime a viable alternative to Fordism? A preliminary analysis, in: *Economy and Society*, 29 (1), 111-145.

Engelen, Ewald et al. (2010): Reconceptualizing financial innovation: Frame, conjuncture and bricolage, in: *Economy and Society*, 39 (1), 33-63.

Ertürk, Ismail et al. (ed.) (2008): *Financialization at Work. Key Texts and Commentary*, London: Routledge, 1-44.

### **Lesson 10: Historical materialism**

Gowan, Peter (2009): Crisis in the Heartland, in: *New Left Review*, 55 (2), 5-29.

Harvey, David (2011): *The Enigma of Capital: And the Crises of Capitalism*: Profile Books, 1-57.

Overbeck, Henk/ van Apeldoorn, Bastiaan (ed.) (2012): *Neoliberalism in Crisis*, Basingstoke, Hampshire: Palgrave Macmillan, 1-12.

Panitch, Leo/ Gindin, Sam (2014): *Political Economy and Political Power: The American State and Finance in the Neoliberal Era*, in: *Government and Opposition*, 49 (3), 369–399.

Scherrer, Christoph (2011): *Reproducing Hegemony: US Finance Capital and the 2008 Crisis*, in: *Critical Policy Studies*, 5 (3), 219–247.

## **Module IV: The performativity of financial crises**

### **Lesson 11: Performative finance**

Langley, Paul (2010): *The Performance of Liquidity in the Subprime Mortgage Crisis*, in: *New Political Economy*, 15 (1), 71-89.

MacKenzie, Donald (2006): *Is Economics Performative? Option Theory and the Construction of Derivatives Markets*, in: *Journal of the History of Economic Thought*, 28 (1), 29-55.

MacKenzie, Donald (2004): *The big, bad wolf and the rational market: portfolio insurance, the 1987 crash and the performativity of economics*, in: *Economy and Society*, Vol. 33 (3), 303–334.

Wullweber, Joscha (forthcoming): *Performative Global Finance: Bridging Micro and Macro Approaches with a Stratified Perspective*, in: *New Political Economy*.

### **Lesson 12: Finance and Security**

Aitken, Rob (2011): *Financializing security: Political prediction markets and the commodification of uncertainty*, in: *Security Dialogue*, 42 (2), 123-141.

Boy, Nina/ Burgess, J. Peter/ Leander, Anna (2011): *The global governance of security and finance: Introduction to the special issue*, in: *Security Dialogue*, 42 (2), 115-122.

de Goede, Marieke (2010): *Financial Security*, in: Burgess, J. Peter (ed.): *The Routledge Handbook of the New Security Studies*, London: Routledge, 100-109.

Langley, Paul (2013): *Toxic assets, turbulence and biopolitical security: Governing the crisis of global financial circulation*, in: *Security Dialogue*, 44 (2), 111-126.

### **Lesson 13: Everyday finance**

Aitken, Rob (2006): *Performativity, Popular Finance and Security in the Global Political Economy*, in: de Goede, Marieke (ed.): *International Political Economy and Poststructural Politics*, Basingstoke, Hampshire: Palgrave Macmillan, 77-96.

Hobson, John M./ Seabrooke, Leonard (ed.) (2007): *Everyday Politics of the World Economy*, Cambridge: Cambridge University Press, 1-25.

Langley, Paul (2008): *The Everyday Life of Global Finance: Saving and Borrowing in Anglo-America*, Oxford: Oxford University Press, 1-65.

Seabrooke, Leonard (2010): *What Do I Get? The Everyday Politics of Expectations and the Subprime Crisis*, in: *New Political Economy*, 15 (1), 51-70.

## Lesson 14: Alternative approaches to the governance of global finance?

Germain, Randall D. (2010): *Global Politics and Financial Governance*, Basingstoke, Hampshire: Palgrave Macmillan, 150-171.

Seabrooke, Leonard (2001): *US Power in International Finance The Victory of Dividends*, Basingstoke, Hampshire: Palgrave Macmillan, 273-301.

Langley, Paul (2008): *The Everyday Life of Global Finance: Saving and Borrowing in Anglo-America*, Oxford: Oxford University Press, 208-229.

Varoufakis, Yanis/ Holland, Stuart/ Galbraith, James K. (2013): *A Modest Proposal for Resolving the Eurozone Crisis*, Version 4.0, available at <http://varoufakis.files.wordpress.com/2013/07/a-modest-proposal-for-resolving-the-eurozone-crisis-version-4-0-final1.pdf>, accessed on 24 February 2015, 1-14.

### Course objective

Students will obtain a basic overview of the problematique around the governance of global finance. They will learn to recognize, understand, and apply different concepts and analytical frameworks to the issue of global finance. Especially, they will be able to analyze and evaluate policy processes and economic developments, which could lead to financial crises. This includes a fundamental understanding of the political and social dimensions of financial processes, dynamics and logics. The course is especially attractive for students interested in global finance, its crisis tendencies, and question of global financial governance. Students should have an interest in crossing different analytical and theoretical borders.

### Course requirements

The course is built around the readings. Up to three students shall adopt a theory in order to become familiar with its main assumptions and concepts, and to illustrate the topic discussed in each session with reference to the adopted theory. Each session will feature a presentation by students on an analytical question pertaining to the session's topic (max. 20 minutes). A key component of the course will be a student research paper on the governance of a financial crisis based on an analytical framework.

Assignment	Percentage
Presentation	30
Research paper	70
Total	100