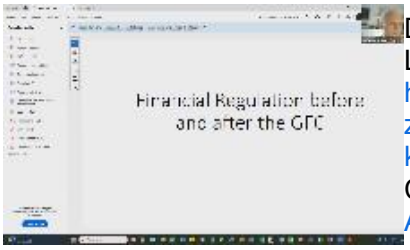
Les ressources de la réunion pour Business English - Financial Policies sont prêtes !

Enregistrement



Durée : 01:25:08
Lien partageable :
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Code secret : cFw&5zhd
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Synthèse de réunion

Quick recap

Nicholas taught a class on financial regulation before and after the global financial crisis, covering three main sections: why banks are regulated, regulation from Bretton Woods to neoliberal deregulation, and post-crisis re-regulation. He explained the weaknesses of free banking systems and discussed historical examples including 19th century US free banking and Ireland's 1970 bank strike where pubs served as informal clearing houses. The class covered key regulatory developments from the 1930s Glass-Steagall Act through the Great Moderation period under Alan Greenspan's "clean, not lean" approach, to the G20's post-crisis re-regulation efforts including higher capital requirements, liquidity ratios, and stress testing for systemically important banks. Nicholas emphasized that while the re-regulation system worked well during COVID-19, it hasn't fundamentally changed the structure of banking and has faced pushback, particularly in the United States, while leaving governments with high debt levels after massive fiscal support during crises.

Next steps

Nicholas

- Put the recording of the session on the EPI.
- Find some more recent readings for the students and share them.

Summary

Financial Regulation and Crisis

Nicholas conducted a class on financial regulation before and after the global financial crisis, covering three main sections: why banks are regulated, financial regulation from Bretton Woods to neoliberal deregulation, and post-crisis regulation changes. He explained alternative banking systems including free banking in 19th century United States and discussed the advantages of having a single currency like the Euro for reducing transaction costs and making markets more efficient. The class began exploring the key objectives of banking regulation, including ensuring systemic stability and preventing financial crises, with Nicholas introducing concepts like the "lender of last resort" and the principle of "know your customer."

Banking Regulation and System Stability

Nicholas discussed the importance of banking regulation and the consequences of banking system failures, particularly in the context of the global financial crisis. He explained how banks are required to know their customers as part of consumer and investor protection, and highlighted how criminal transactions have shifted to platforms like Bitcoin due to their anonymity. Nicholas emphasized that maintaining the payment system is essential for macroeconomic stability and shared a personal anecdote about cashing a check during the 2008 financial crisis when Bank Fortis went bankrupt.

Financial Regulation and Compliance Costs

Nicholas discussed the trade-offs between regulation and compliance costs, sharing examples of how increased regulations after the global financial crisis led to higher compliance costs, including banks employing thousands of people for compliance purposes. He also explored the impact of financial innovation, noting both its benefits like bringing people into banking systems through fintech solutions, and its risks, particularly when financial institutions believe they will be bailed out by governments. The discussion included examples of specific banks like BNP and LCL, and concluded with a reference to Adair Turner's observation about the inherent risks in debt finance.

Evolution of Banking Regulations

Nicholas discussed the banking regulations that emerged following the Great Depression, including the Glass-Steagall Act and the creation of the Securities and Exchange Commission. He explained how post-World War II regulations, including credit controls and deposit insurance, created a more stable financial system until the 1970s when the Bretton Woods system began to break down. Nicholas described how neoliberal policies in the 1980s shifted towards deregulation, moving away from government regulation towards market discipline and self-regulation.

Greenspan's Banking Regulation Approach

Nicholas discussed Alan Greenspan's approach to banking regulation, emphasizing his belief in self-regulation and economic individualism. Greenspan favored deregulating finance and was known for his "clean, not lean" approach to handling market crashes, which involved providing liquidity and cutting interest rates rather than trying to prevent speculative bubbles. This approach created moral hazard and became known as the Greenspan Put. The discussion ended with a brief break and plans to reconvene later.

Global Financial Crisis Discussion

Nicholas continued his discussion on the global financial crisis, explaining how it began in the subprime housing sector and spread worldwide, leading to a global credit crunch. He described the policy response, including the Federal Reserve's actions and the G20's efforts to re-regulate banks, which resulted in increased reserve ratios and liquidity requirements. Nicholas also mentioned how these regulations managed to prevent major crises until recently, including dealing with COVID-19, though he noted that the Trump administration's lack of coordination during COVID affected the response.

Risk-Weighted Assets in Banking

Nicholas explained the concept of risk-weighted assets in banking, describing how different types of assets are categorized by risk levels, with very safe assets like government bonds and mortgage loans at the lower end and riskier loans to companies at the higher end. He discussed how banks have increased their tier one capital ratios from around 6% under Basel regulations to 12-16% in the US and 13-17% in the UK over recent years. The discussion covered how bank balance sheets operate, with assets including reserves, loans, and liabilities consisting of deposits and debt, and explained concepts like liquidity and leverage ratios that were strengthened after the global financial crisis to improve bank resilience.

Post-Financial Crisis Banking Regulations

Nicholas explained key banking regulations implemented after the global financial crisis, including capital requirements, liquidity ratios, and stress testing for systemically important banks. He discussed how macroprudential regulation evolved to address systemic risks beyond inflation monitoring, and outlined new measures like living wills and central counterparties for derivatives trading. Nicholas concluded by noting that while these regulations addressed some issues, problems like too-big-to-fail banks and unregulated shadow banking have persisted, with taxpayers not fully benefiting from the reforms.

Global Economy Regulation Cycles

Nicholas discussed the global economy's cycles of deregulation and re-regulation following financial crises, noting that while there has been some pushback against regulation in the United States, the system has generally remained resilient. He explained that after the global financial crisis and COVID, there was significant government spending and increased debt levels across major economies including the United States, France, Italy, Britain, and China. The session concluded with Nicholas offering to share the recording and find additional readings for participants.

Attendees: Nicholas Sowels (Paris 1 Panthéon-Sorbonne) (Organizer), Imad Hantouche (Paris 1 Panthéon-Sorbonne), Eltaif Mehdi (External), Khanzada Tolegen (Paris 1 Panthéon-Sorbonne), MILI TANG (External), Ibraah’s 💯 (External), II Sergeolyn Moukagni Moukagni (Paris 1 Panthéon-Sorbonne), rima (External), Mehdi Eltaif (Paris 1 Panthéon-Sorbonne), Victoria Isonguyo Ikafia (Paris 1 Panthéon-Sorbonne), Jamet Mathilde (External), Amandine Thony (Paris 1 Panthéon-Sorbonne), Apolline Perrin (Paris 1 Panthéon-Sorbonne), lydia (External), Yufan Xiao (Paris 1 Panthéon-Sorbonne)

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