



## Workshop

# The evolving ecology of the financial system

16-17 May 2019 | MPIfG, Cologne

## Organizers

### Benjamin Braun

Max Planck Institute for the Study of Societies, Cologne

### Kai Koddenbrock

University Witten/Herdecke

## Workshop venue

Max Planck Institute for the Study of Societies

Paulstrasse 3

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## Workshop rationale

The first two meetings of the research network focused on theories of money and financialization, and on balance sheets as an analytical lens for political economy. At the third meeting, we will apply this toolkit to study the main financial actors, their business models and their relationships. The goal of this collective exercise is to map – across time and across space – the changing ecology of the financial system.

Regarding actors, the discussion will be organized along sectoral lines. Most immediately bound up with credit money are *banks*. While banks have always been around, their business models have changed – lending has shifted from business to mortgage lending, securitization and derivative trading have increased. Capital markets, meanwhile, have been transformed by the proliferation and growth of *institutional investors* – mutual, index, hedge, private equity, venture capital, and sovereign wealth funds. On the ‘real’ side, *corporations* have ceased to be reliable net borrowers. In many countries, the corporate sector has become a net lender to the rest of the economy. Rising financial asset holdings on corporate balance sheets are the result. *Households*, too, have increasingly been drawn into finance capitalism. The asset side of household balance sheets shows rising holdings of financial assets, largely driven by the individuation of risks. On the liability side, households have accumulated more debt – mortgage loans, student loans, payday loans.

Regarding business models and relationships between these sectors, the workshop will focus on the *creation, trading, and enforcement* of financial claims. The *creation* of financial assets occurs through the process of ‘capitalization’, ‘assetization’ or, most conventionally, ‘securitization’. Financial claims can be claims on future value produced through non-financial activities, or they can be created on the back of other financial claims. To a significant extent, the production of financial claims is a function of political decisions about institutional arrangements. A pension system organized on a pay-as-you-go basis does not generate demand for investable assets, nor does a taxpayer-funded university system. A pre-funded pension system and a fee-based higher-education system, by contrast, generate large stocks of assets and liabilities. The *tradability* of assets is a key variable when it comes to the geographical reach of financial claims. When the World Bank advises the African Development Bank to securitize and sell off loan book risks, that risk becomes a new, internationally tradable claim. Finally, in order to be of value, financial claims must be *enforceable*. While this is usually taken for granted in the domestic context, cross-border financial claims exist in the shadow of national sovereignty and the absence of a global judiciary.

## Programme

### Thursday, 16 May 2019

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- 9:15 – 9:30            Welcome and presentation of the workshop agenda
- 9:30 – 11:00            **Banking: Market-based, shadow, and offshore banking**  
*Leon Wansleben* (MPIfG), The work of formalization and the creation of European market-based banking  
*Daniela Gabor* (UWE Bristol), The Wall Street Consensus: how shadow banking is taking over international development  
*Andrea Binder* (Cambridge), The political economy of the Eurodollar market: The case of Brazil
- Coffee break ---
- 11:30 – 12:45            **Insurers and asset managers**  
*Sebastian Kohl* (MPIfG), Insuring capitalism: the political economy of private insurances  
*Benjamin Braun* (MPIfG), The political economy of asset management
- Lunch ---
- 13:45 – 15:00            **Households**  
*Martijn Konings* (Sidney), Class in the twenty-first century: asset inflation and the new logic of inequality  
*Caroline Metz* (Sheffield) Bad debts, good profits: a feminist political economy of distressed household debt and ‘default-backed securitisation’ in Europe
- 15:00 – 16:15            **Measuring and mapping finance**  
*Dirk Bezemer* (Groningen), Measuring financial development  
*Arjan Reurink* (MPIfG) Competing with whom? For what? And how? The Great Fragmentation of the firm, FDI attraction profiles, and the structure of international tax competition (co-author: Javier Garcia-Bernardo)
- Coffee break ---
- 16:45 – 18:00            **Keynote lecture**  
*JW Mason* (City University New York)
- Conference dinner ---

**Friday, 17 May 2019**

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9:00 – 10:15

**Finance and the state under capitalism**

*Charlotte Rommerskirchen* (Edinburgh), Bond investors' habitat: An empirical investigation into the structural power of sovereign credit ratings

*Florian Fastenrath & Michael Schwan* (Cologne) Financialization of the state in Europe (co-author: Christine Trampusch)

--- Coffee break ---

10:45 – 12:00

**Finance and the state under capitalism with Chinese characteristics**

*Jenny Simon* (Kassel), China's Integration into global finance

*Johannes Petry* (Warwick), State capitalism and capital markets: Securities exchanges and the development of capital markets in China

--- Lunch ---

13:00 – 14:00

**Book project: Presentation and discussion**

*Kai Koddenbrock* (Witten/Herdecke) & *Benjamin Braun* (MPIfG)

14:00 – 15:15

**Regulators and non-banks**

*Sandy Brian Hager* (City University London), Why Regulation Fails: Financialization, Redistribution and the Political Economy of Oil Markets (co-author: Joseph Baines)

*Matthias Thiemann* (Sciences Po Paris), Reviving the Shadow Banking Chain in Europe: Regulatory Agency, Technical Complexity and the Dynamics of Co-Habitation (co-author: Vanessa Endrejat)

--- End ---

## Getting here ([Google maps link](#))

### By train

From **Cologne main train station** (Hauptbahnhof Köln), you can take

- *a taxi*. It takes about 10-15 minutes and costs about 8 Euro. Tell the taxi driver to take you to Paulstrasse, corner of Ulrichgasse in the Südstadt. This is important since there is more than one Paulstrasse and more than one Max Planck Institute in Cologne.
- *public transport*. When you arrive at Cologne main train station, follow the signs marked U/Dom/City to the exit on the west side of the station near the cathedral (Dom). Go down the steps to the subway (U-Bahn). Buy a CityTicket 1b at the window or the machine. Go down the steps marked Neumarkt. temporary correction Take Line 16, which is marked Neumarkt and either Bonn-Bad Godesberg, Sürth or Wesseling. Take Line 16, which is marked Neumarkt and Bonn-Bad Godesberg. Get out at the sixth stop, Ulrepforte (about 15 minutes). Cross the tracks and the Sachsenring to your left. Walk along the Ulrichgasse for about 5 minutes, passing Kartäuserwall and Vor den Siebenburgen, until you get to the MPiFG at the corner of Paulstrasse and Ulrichgasse.

If your train stops at **Köln-Deutz**, you can also take the subway from the Bahnhof Deutz-Kölnarena stop, Line 3 or 4 marked Bocklemünd or Mengenich (CityTicket 1b), to the Severinstrasse stop. You can see how to walk from there to the institute (500 meters) via Severinstrasse and Josephstrasse on the detailed map.

### By plane

From **Cologne/Bonn Airport**, you can take

- *a taxi*. That will take about 30 minutes and costs about 25 Euro. Tell the taxi driver to take you to Paulstrasse, corner of Ulrichgasse in the Südstadt. This is important since there is more than one Paulstrasse and more than one Max Planck Institute in Cologne.
- *public transport*. Take the regional train (S-Bahn 13) from the airport station to Cologne main train station (Hauptbahnhof Köln); travel time about 15 minutes. From the main train station, follow the directions above "By train, public transportation." Fare: the CityTicket 1b covers the whole ride via regional train and local public transit.

From **Düsseldorf Airport** take the regional train (Regionalexpress) toward Aachen or Koblenz to Cologne main train station (Hauptbahnhof Köln); travel time about 40 minutes. From the Cologne station, follow the directions above "By train, public transportation." Fare: the RegioTicket 5 covers the whole ride via regional train and local public transit.

From **Frankfurt Airport**, take a train to Köln Hauptbahnhof or Köln Deutz. From there, see above. Frankfurt is only slightly less convenient than Cologne/Bonn – the train ride takes just under 60 minutes.