



# TOWARDS A SUSTAINABLE FINANCIAL SYSTEM

One-Day Conference, Friday 21st March

Organising Committee: Ulf Dahlsten (Lead organiser, LSE), Jon Danielsson (LSE), Roman Frigg (LSE), Jean-Pierre Zigrand (LSE)

Room allocations to be confirmed

9:00 - **Session 1: Creating money - for what purpose?**

10:15

**Speaker:** Lord Turner (Institute for New Economic Thinking)

**Chair:** Dr Malcolm Knight (Visiting Professor, LSE) TBC

**Discussant:** Prof. Charles Goodhart (LSE)

**Abstract:** 97 percent of money is created by banks. But how do they and how should they exercise this privilege? For what purpose do they create money and for what purpose should they create it? Can the risks for excessive boom and busts cycles be reduced? Do we need new monetary policy tools?

10:30 - **Session 2: Moving from recovery to sustained growth**

11:45

**Keynote Speaker:** Pier Carlo Padoan (Minister of Finance, Italy; previously Deputy Secretary General and Chief Economist, OECD)

**Chair:** Prof. Paul de Grauwe (LSE)

**Discussant:** Prof. Yu Yongding (Chinese Academy of Social Sciences)

**Abstract:** How can the current (partly) credit-fuelled recovery in Europe be turned into more sustained growth? What are the policy implications in terms of monetary, structural, fiscal and financial requirements, and what are the risks associated with such a growth scenario. Would sustained growth require an aggregate demand based upon a better distribution of income?

11:45 - **LUNCH**

13:15

13:15 - **Session 3: The RMB internationalisation and sustained growth in China**

14:30

**Speaker:** Bao Mingyou (Deputy Director General, the People's Bank of China)

**Chair:** Ulf Dahlsten (Research Associate, LSE)

**Discussant:** Prof. Luca Fantacci (Bocconi University)

**Abstract:** China has adopted a plan with sweeping reforms that put the market in a decisive role in order to improve the economy and make future growth less dependent on investments and export. Stabilizing and opening-up the bank system is part of the plan, as is an increased international use of the RMB and a successive reduction of capital controls. Will the RMB become a reserve currency? How can sustained growth in China be achieved?



14:45 - PARALLEL BREAK-OUT SESSIONS

16:00

### **A: Will the RMB become the new reserve currency? Time for a real Bretton**

#### **Woods?**

**Speakers:** Alan Wheatley (Director, IISS), Prof. Yu Yongding (Chinese Academy of Social Sciences) and Prof. Luca Fantacci (Bocconi University)

**Chair:** Prof. Ron Anderson (LSE)

**Abstract:** The US Dollar is losing its global status as the threat of a US default is remaining on the table. What will it mean for the global power balance if the RMB is taking over the role of international reserve currency? And was the West right in rejecting the invitation from Governor Zhou of the People's Bank of China to discuss alternatives? Keynes proposed a regime that would prevent the build-up of global imbalances that can lead to conflicts. His ideas were never implemented. What can we learn from his thinking and is it applicable now? How is the present order coping with the challenges? How can we prevent regulatory capture?

### **B: Panel debate: Are we heading towards a new financial crisis?**

**Introduction:** Prof. Jon Danielsson (LSE)

**Panelists:** Prof. Carsten Kengeter (Visiting Professor, LSE; former Chairman and CEO, UBS Investment Bank), Prof. Lars Jonung (University of Lund) and Ulf Dahlsten (Research Associate, LSE)

**Chair:** Dr Malcolm Knight (Visiting Professor, LSE) TBC

**Abstract:** Will the regulatory measures that have been undertaken and the Eurozone bank union reduce the risk for a new financial crisis? Have the Systemically Important Financial Institutions been given too much of a 'free ride'? Will the zero interest policies and the unconventional open market operations by central banks support sustained growth or may they create new asset bubbles and a second financial meltdown? Are countries prepared to manage a possible new crisis? Are we missing institutions? The supranational regime created after WWII has withered away and been replaced by global networking in which private-public networks play an increasingly important role. Can an international Rule of Law be imposed on an increasingly global market economy and what would this look like?

### **C: Why we need new models of the economy**

**Speaker:** Prof. Sheri Markose (University of Essex)

**Chair:** Prof. Jean-Pierre Zigrand (LSE)

**Discussants:** Ralph Dum (Project Officer, DG Connect, European Commission) and Eric Beinhocker (Director, the Oxford Institute for New Economic Thinking)

**Abstract:** Existing economic DSGE models do not represent the financial markets in an adequate way. Can agent-based simulated models fill this void and provide a useful and more accurate representation for the sometimes erratic market behaviour?



16:30 - **Session 4: Towards a more balanced growth model: the case of Japan**

17:45

**Keynote Speaker:** Governor Haruhiko Kuroda (Bank of Japan)

**Chair:** Prof. Stuart Corbridge (Deputy Director and Provost, LSE)

**Discussant:** Prof. Jon Danielsson (LSE)

**Abstract:** Japan has been through a long period of, what some have called, secular stagnation. Is Japan finally getting out of it? Will the aggressive quantitative easing help raise inflation to the desired two percent or is Japan in a liquidity trap?

17:45 - **Session 5: A conversation on US monetary policy**

19:15

**Keynote Speaker:** President Richard Fisher (Federal Reserve Bank of Dallas)

**Chair:** Prof. Charles Goodhart (LSE)

**Discussant:** Prof. Jean-Pierre Zigrand (LSE)

**Abstract:** President Fisher, who has been an outspoken critic of the Quantitative Easing, will speak about US monetary policy following the March FOMC Meeting. President Fisher will discuss the U.S. economy and monetary policy conducted in a globalized world.

19:15 **Reception**

For further details and to register for this event please visit our website:  
<http://www.systemicrisk.ac.uk/towards-sustainable-financial-system>

This conference is generously supported by the Economic and Social Research Council (ESRC) [grant number ES/K002309/1].