

Political Economy Perspectives on Systemic Risk

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Outline

- Three Political Economy Perspectives
 - Private Financial Interests
 - Citizens and Regulators
 - Ideas
 - States
- Negative Externalities of Financialization

Total US Federal lobbying expenditure, by sector, 1998-2010

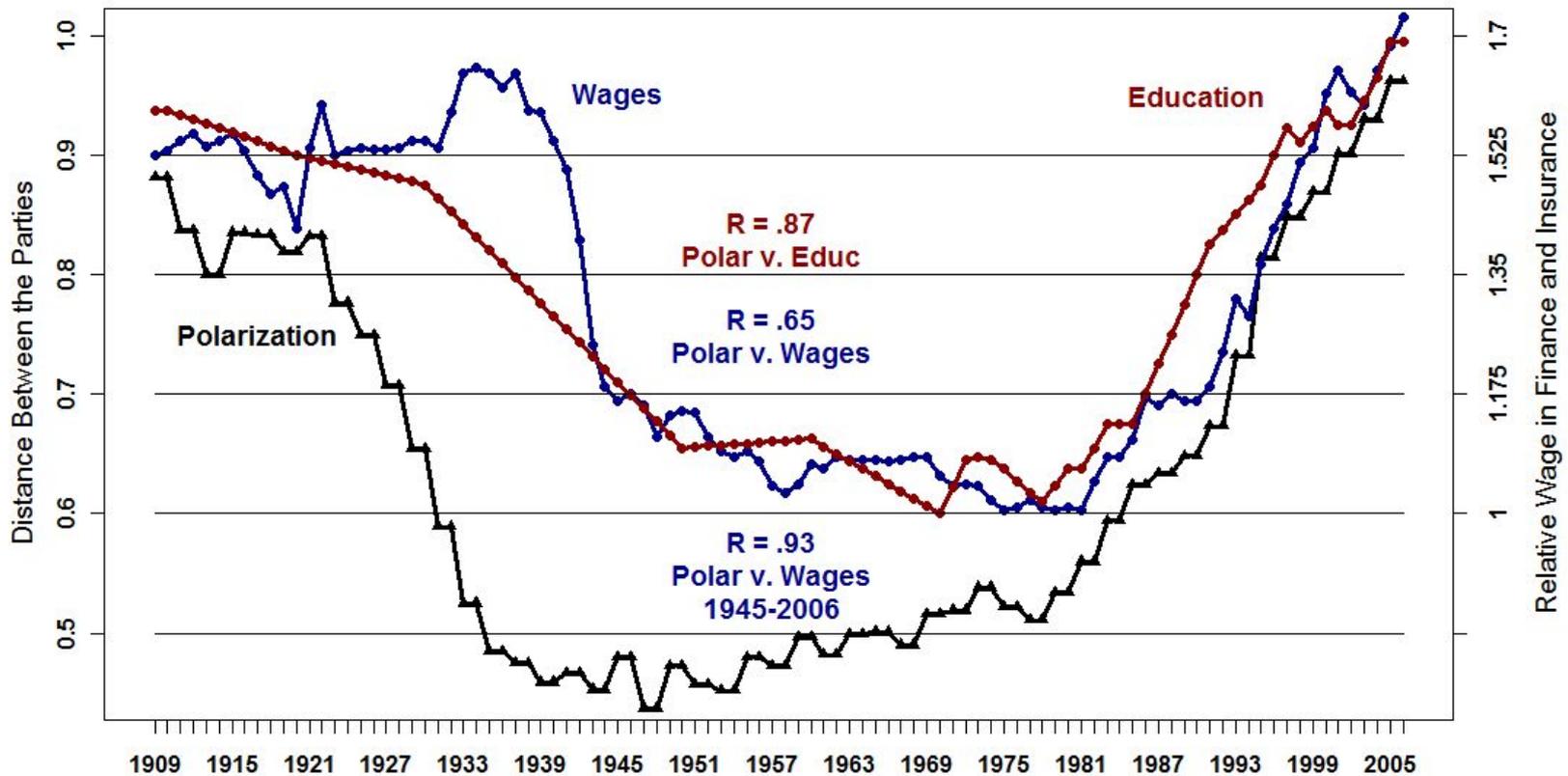
<u>Finance, Insurance & Real Estate</u>	\$4,051,567,962
<u>Health</u>	\$3,982,424,794
<u>Misc. Business</u>	\$3,917,161,246
<u>Communications/Electronics</u>	\$3,329,499,682
<u>Energy & Natural Resources</u>	\$2,911,992,560
<u>Transportation</u>	\$2,133,225,518
<u>Other</u>	\$2,098,194,947
<u>Ideological/Single-Issue</u>	\$1,409,091,135
<u>Agribusiness</u>	\$1,228,433,320
<u>Defense</u>	\$1,155,782,799
<u>Construction</u>	\$442,409,227
<u>Labor</u>	\$404,025,921
<u>Lawyers & Lobbyists</u>	\$320,510,180

Negative Social Externalities of Financialization

- Adair Turner (August 2009):
 - “There clearly are bits of the financial system... which have grown beyond a socially reasonable size”. [You can tell this by considering] “what percentage of highly intelligent people from our best universities went into financial services”

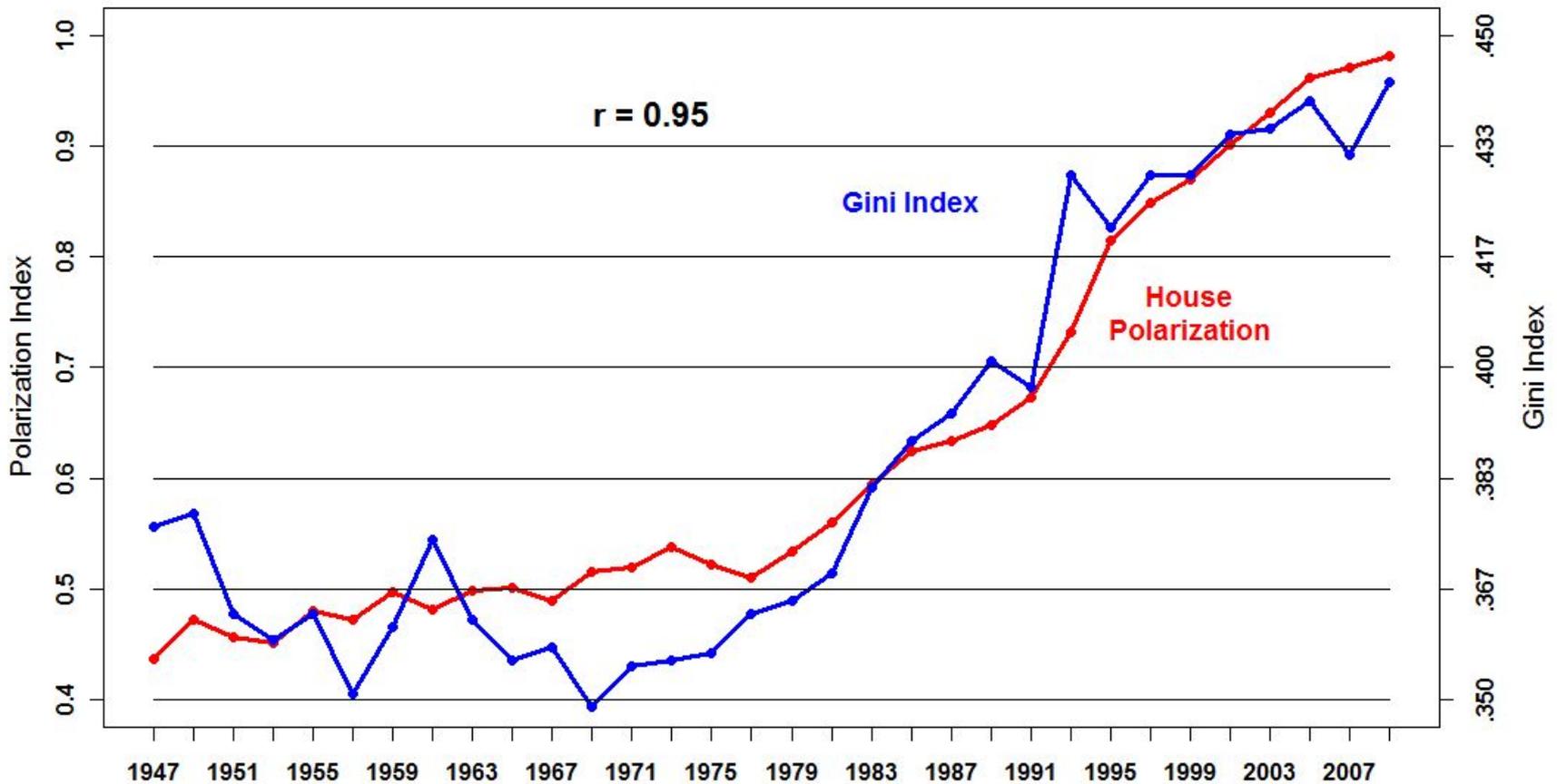
US financial sector wages and Political Polarization

House Polarization and Financial Services, 1909-2006
(Financial Data From Philippon and Reshef)



US income inequality and Political Polarization

Income Inequality and Political Polarization
1947 - 2009



Conclusion

- Systemic risk – its origins and its regulation – are found in national and international political economies
- Politics creates systemic risk and is shaped by it
- Living in a Minskian political economy