

Achieving Financial Stability

Type: Blockseminar, in conjunction with Finance & Philosophy @ UBT

ECTS: P&E Bachelor: V , P4, P6, P7, P9

Participants: Advanced P&E Bachelor, P&E Master, BA IWB, BA Economics

Lecturer: Carsten Jung, Marco Meyer

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Short Description

The financial crisis has brought financial stability to the forefront of economic policy debates. New institutions with the mission to pursue financial stability have sprung up, financial regulation has been reformed, and a major stress test of European banks is under way to assess the resilience of the financial system. But what is financial stability, and why does it matter? How do regulators pursue financial stability, and what can be done to make the financial system safer? Can financial instability be observed before it leads into crisis? We pursue these questions in the spirit that financial regulation is not merely a technical exercise. Rather, we want to bring out the way financial regulation shapes the economy and evaluate current practice and proposed alternatives with a view to the ethical and political values expressed in alternative regulatory regimes.

The seminar accompanies the Finance & Philosophy Research Colloquium on the same topic. The Finance & Philosophy Research Colloquium invites economists, philosophers and practitioners to Bayreuth to discuss their views on financial stability. Participants in the Blockseminar are required to attend the colloquium.

This seminar is designed in conjunction with the Finance & Philosophy Ringvorlesung that will take place in the Winter Semester 2014-15 that is being organised together with Profs Braham and Herz. It is expected that participants will attend these lectures. More information on the Ringvorlesung and a detailed course description is available here:

<https://dl.dropboxusercontent.com/u/5282371/FinancePhilWS14.pdf>

Lecturer

Carsten Jung

Carsten is an economist at the Bank of England's International Directorate. He currently works on policy issues concerning the global financial safety net. He holds a BA in Philosophy & Economics from Bayreuth, an MSc in Economics from Warwick University and an MSc in Economic Sociology from LSE. He was also a Carlo-Schmid intern at the International Monetary Fund.

Marco Meyer <Bio>

Goals:

- Understand the nature of systemic risk and how it originates
- Reflect on the ethical significance of systemic risk and the normative trade-offs in regulatory responses
- Understand key policy instruments to predict and address financial instability

Readings

The seminar builds on the lecture series Finance & Philosophy @ UBT in winter term 2024/15. Participants in the seminar are expected to take part in the lectures. For most sessions, there is a background reading which is obligatory for seminar participants and should be read prior to the the lecture. There are some additional obligatory readings, to be read prior to the seminar.

Timetable

Friday: 12am - 6pm

Saturday: 9am - 6 pm

Sunday: 9am - 4pm

Assessment

BA P&E

2 ECTS: You need to (1) do the readings, (2) participate in lecture series (3) participate actively in the seminar, and (3) write one mini-essay.

6/8 ECTS: You need to (1) do the readings, (2) participate in lecture series (3) participate actively in the seminar, (3) give a short presentation or write two mini-essays, (4) write an essay.

Ö?

MA P&E

IWB

Economics

Mini Essays

The function of mini-essays is to facilitate discussion during the seminar. Mini-Essays should be between 250 and 500 words (not longer!), and we might ask you to explain the gist of your mini-essay during the seminar to get the discussion going. Here is how you produce a mini-essay:

(1) You select any seminar reading that makes an argument.

(2) You pick an argument from the essay which you found particularly interesting, no matter whether that is because you fully agree with the argument, or because you think the argument is entirely mistaken, or because you did not understand the argument in the first place.

(3) You write the mini-essay in two parts. In the first part, you give a short reconstruction of the argument. In the second part, you criticize or defend the argument, or explain what you did not understand about it.

Have a look at the appendix for an example of a mini-essay.

Deadline for Mini-Essays: 5/1/2015

Presentations

There will be few presentations in the seminar, and there won't be presentations to recap readings, so it is crucial that you do the readings. Presentations should be in English, but don't be intimidated — we'll have an atmosphere which is quite tolerant of less than perfect English; what matters is that you can get your point across.

General guidelines for presentations

- Stick to the presentation topic
- Stick to the time limit: 15 min
- A projector will be available

Topics

We will provide you with a list of seminar topics in November.

Essays

General Guidelines

- No more than 5,000 words!
- English or German
- Before you start writing, look at this essay writing guide:
<http://www.phil.cam.ac.uk/curr-students/IA/curr-students/writing-skills/>
- Re-read and revise before submitting. Ask a friend to read your paper.
- Deadline for Essays: <Deadline>

General Structure

- Define and answer a precise research question (check with us!), give a clear answer to the question which you state in the introduction (your thesis), and use your essay to defend that answer.
- Structure essay according to thesis: No paragraph and indeed no sentence that does not help investigating the thesis belongs in the essay.
- When developing an argument, state premises and conclusion clearly.
 - Make sure the argument is valid
 - Anticipate objections to your premises and discuss in the essay
- When using empirical data, explain and scrutinize it
 - Make sure the data is relevant to your argument and explain how that is
 - Indicate the source
 - Do not only report results, but also show awareness of the methodology used
- Summarize your argument in a brief conclusion

We encourage you to look for additional literature. You are not expected to read everything there is on your topic, however. In depth analysis and development of your own sustained argument matter much more. So, read a few things, but then start writing quickly.

Appendix: Mini Essay

To give you an idea of what I am looking for in a mini-essay, consider this example:

McMahan on Theory Unchecked by Intuition

What I find interesting about the first couple of sections in McMahan's essay is that he focuses on the methodology that goes with intuitionism rather than on the epistemology of intuitions. He suggests two arguments in favour of an intuitionist methodology in this section, one of which I want to reconstruct here.

To consider an example, suppose that Paul has high credence in one specific moral theory, say utilitarianism. Paul finds that utilitarianism has implications for some applied issue, say abortion, which are at odds with some other confidently held beliefs of his. Should Paul revise his position on abortion, given that utilitarianism implies his current position is wrong? McMahan argues that Paul can be reasonably confident in advance that the conflicting implications of utilitarians cannot make it rationally required of Paul to surrender his intuition. Here is my reconstruction of McMahan's argument:

- (1) Paul's intuitions regarding abortion are highly compelling.
- (2) If some theory does not have a high degree of authority or validation, then one is not rationally required to revise compelling beliefs in the light of the conflicting implications of that theory.
- (3) No moral theory has the relevant degree of authority or validation.
- (4) Therefore, Paul is not rationally required to revise his intuitively held beliefs regarding abortion in the light of the implications of any moral theory.

A common line of attack against this argument challenges (2), arguing that whether some intuition is compelling is merely a psychological fact, without any relevance for the epistemic status of the intuition. One could also challenge (1), arguing that Paul is likely to find his intuitions regarding abortion less compelling once he learns about the disreputable origins of these beliefs. I am most concerned about (3). Going back to Paul, he is quite convinced that utilitarianism is the correct moral theory. Why would he accept (3)? McMahan's response is that moral theories cannot be validated in the same way as scientific theories because moral theories are not predictive. While this is correct, there might be other ways that can afford some moral theory a high degree of credence. Despite these difficulties, the argument is interesting because it seems to me to capture well what makes an intuitionist methodology so attractive in applied ethics. The core idea is the simple one that moral arguments just do not fly if they do not start from premises that your target audience finds compelling.

Good things about this Mini-Essay:

- It is within the word limit (400 words), and uses plain language

- It motivates the selection of the particular argument by McMahan (first and last sentence)
- It says which part of an essay is being reconstructed
- It uses an example
- It gives a reconstruction of the argument in standard form (Premises, Conclusion, and the argument is valid)
- It indicates several ways in which the argument could be challenged
- The student then takes a stance: She says which premise is most problematic about the argument, and gives a reason why

Other ways of writing good mini-essays!

- You do not need to criticize the argument if you agree with it: giving a clear reconstruction, and defending the part that seems most in need of defense against a possible objection is just as good.
- You do not need to use the standard form to reconstruct the argument, any clear and short way will be fine.
- In fact, you need not reconstruct an argument at all — you can also elaborate a point that you did not understand about an essay, but that you think is important. The important thing here is to point out clearly what you did not understand, and why.