



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)

8.30 - **Registration**

9.00 **Venue:** Reception area, ground floor of the Old Building, main entrance of the LSE on Houghton St - Please note that all attendees must sign-in at the registration desk on arrival

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

10:15 **Keynote Speaker:** Lord Turner (Institute for New Economic Thinking)

Chair: Dr Malcolm Knight (Visiting Professor, LSE)

Discussants: Prof. Yu Yongding (Chinese Academy of Social Sciences) and Prof. Charles Goodhart (LSE)

Venue: The New Theatre (Room EAS.E171), East Building

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: A roadmap to recovery, sustained growth and a stable global financial system**

Panelists: Prof. Luca Fantacci (Bocconi University) Dr Ulf Dahlsten (LSE) and Riccardo Barbieri Hermitte (Chief European Economist and Head of Fixed Income Research Mizuho International)

Chair: Prof. Paul de Grauwe (LSE)

Venue: The New Theatre (Room EAS.E171), East Building

Abstract: How is Europe to move to recovery and sustained growth? What can Europe do more to increase its growth potential? Will the bank union create a stable financial system? Are we missing institutions on European and global level? The supranational regime created after WWII has withered away and been replaced by global networking and uneven implementation of agreed actions. Can an international rule of law be imposed on an increasingly global market economy and what could it look like?

11:45 - **LUNCH**

13:15 (A sandwich lunch provided for all participants in the Shaw Library, 6th Floor, Old Building)



13:15 -
14:30

Session 3: The RMB internationalisation and sustained growth in China

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

Chair: Dr Ulf Dahlsten (Research Associate, LSE)

Discussant: Prof. Luca Fantacci (Bocconi University)

Venue: The New Theatre (Room EAS.E171), East Building

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 -
16:00

PARALLEL BREAK-OUT SESSIONS

A: Will the RMB become the new reserve currency?

Speakers: Alan Wheatley (Editor, the Official Monetary and Financial Institutions Forum) and Prof. Yu Yongding (Chinese Academy of Social Sciences)

Chair: Prof. Ron Anderson (LSE)

Venue: Room CLM 3.02, Clement House

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?

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

Panelists: Prof. Jon Danielsson (LSE), Prof Charles Goodhart (LSE) and Prof. Lars Jonung (University of Lund)

Chair: Dr Malcolm Knight (Visiting Professor, LSE)

Venue: Room TW1.G.01, Tower 1

Abstract: 1.5 trillion USD in junk bonds in emerging markets? A brewing real estate bubble in countries such as China, the UK and Sweden? Are we heading towards a new financial crisis? Will the regulatory measures that have been undertaken reduce the risk for a new 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 asset inflation and a second financial meltdown?

C: Why we need new models of the economy


Speaker: Prof. Sheri Markose (University of Essex)

Chair: Prof. Jean-Pierre Zigrand (LSE)

Discussants: Eric Beinhocker (Director, the Oxford Institute for New Economic Thinking) and Harald Stieber (European Commission)

Venue: Room TW2.9.04, Tower 2

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?

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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)

Venue: Old Theatre, Ground floor of the Old Building

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: Forward Guidance- Fad**
19:00 **or the Future of Monetary Policy?**

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

Chair: Prof. Ron Anderson (LSE)

Discussant: Prof. Jean-Pierre Zigrand (LSE)

Venue: Old Theatre, Ground floor of the Old Building

Abstract: The topic of “forward guidance” is a subject du jour for central bankers. It is popular both at the Bank of England and at the US Federal Reserve. The Economist issue of February 15 and Financial Times Money Supply blog on March 9 described “forward guidance” as the “latest monetary fad.” The Oxford English Dictionary traces the use of the word “fad” back to the sermons of the second Bishop of Manchester, James Fraser, and defines it as “A crotchety rule of action; a peculiar notion as to the right way of doing something; a pet project, especially of social or political reform, to which exaggerated importance is attributed; in a wider sense, a crotchet, hobby, ‘craze’.” This speech will explore whether “Forward Guidance” is a crotchet to which exaggerated importance is attributed and discuss whether the FOMC has taken up another fad or a real, lasting practice.

19:00 **Reception (for all attendees)**

Venue: Atrium, ground floor, Old Building

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

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