UNIVERSITÄT BAYREUTH

Finance and Social Justice Conference

Bayreuth
3rd–5th Nov. 2016

Sponsored by:

PHILOSOPHY & ECONOMICS

YOUNG SCHOLARS INITIATIVE (YSI) | Institute for New Economic Thinking

Forschungsstelle für Bankrecht und Bankpolitik der Universität Bayreuth

www.finance-and-justice-conference.org

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Welcome to Finance and Social Justice

On behalf of the University of Bayreuth and the members of the Philosophy & Economics Programme, we would like to welcome you to the Finance and Social Justice Conference. A principle aim of the conference is to establish a dialogue between scholars undertaking new empirical research on the impact of finance on society and scholars enquiring into the normative role of finance for a just society.

On the empirical side, new research traces how the financial sector has grown in size, reach, and complexity, and how it affects both individual economic actors and the economy as a whole. The dominant role of modern finance in the economy can transform not only the goals firms pursue but also the opportunities individuals and households have, and even the way we conceive ourselves as individuals and as participants in market exchanges. Whether we like it or not, we are all affected for good or bad in some way or another by global finance.

On the normative side, moral and political philosophers have started investigating the moral issues raised by particular financial products and their role for individuals and households, such as payday loans, mortgage contracts, or insurance products. As part of this they have studied the epistemic shortcomings that contributed to the financial crisis and the assignment of responsibility for this crisis. They also enquire into the morality of imposing systemic risk of the financial system, the legitimacy of new central bank policies such as quantitative easing, and the ethics of sovereign debt.

This unique event has been generously supported by the Young Scholars Initiative (YSI) of the Institute for New Economic Thinking as well as the Departments of Philosophy and Economics at the University of Bayreuth and the Forschungsstelle für Bankrecht und Bankpolitik der Universität Bayreuth. We would also like to thank all our staff and colleagues who have been working behind the scenes to make it happen.

We look forward to meeting you for an intellectually enriching few days.

Yours,

Matthew Braham
Bernhard Herz
Marco Meyer

The Organizing Committee

Programme

Conference Location:
SWO (Studentenwerk Oberfranken), University of Bayreuth campus

Wednesday, 02 November

18:30–20:00	Tour at Maisel's Brauereimuseum (Kulmbacher Str. 40, Bayreuth)	
20:00	Dinner at Liebesbier (Andreas-Maisel-Weg 1, Bayreuth)	

Thursday, 03 November

09:00	Taxi shuttle service from hotel	
09:45	Welcome: Matthew Braham, Bernhard Herz, Marco Meyer	
10:15–11:45	Keynote Dirk Bezemer *Debt Shift: When Does Financial Development Increase Income Inequality in Europe?*	
12:00–12:45	Caterina Giannetti *The Effect of Ethics Meetings on Risk-Taking Behaviour: An Experiment*	Joakim Sandberg *Finance and the Division of Moral Labor*
12:45	Lunch	
14:15-15:00	Michael Müller *Integrating Finance and Social Justice through Constitutional Law*	Richard Endörfer *Why EU Financial Regulation is insufficient to justify Systemic Financial Risk*
15:15–16:00	Lars Lindblom *Bitcoins left and right: A Moral Assessment of a Digital Currency*	Jennifer Quaid *Criminal Responsibility for Catastrophic Harm: Where to draw the Moral Limits of the Profit Motive*
16:15–17:00	Invited Speaker Katharina Pistor *Money's Legal Hierarchy and the Question of Social Justice*	
17:15–18:00	Lisa Warenski *In Search of Best Epistemic Practice for the Financial Services Industry*	Jens van't Klooster *Monetary Policy and Democratic Legitimacy*
18:15–19:00	Joshua Preiss *Republican Freedom and Financial Markets*	Clement Fontan *Central Banking and Inequalities: Taking off the Blinders*
20:00	Dinner at Oskar (Maximilianstraße 33)	

Friday, 04 November

09:30	Taxi shuttle service from hotel	
10:00–11:00	Big Question Session 1: What is the Social Purpose of Finance?	
11:15–12:00	Gregory Twaites *Credit Policy and Wealth Distribution*	Govind Persad *Household Debt, Disadvantage, and Status Maintenance*
12:15–13:00	Invited Speaker Lisa Herzog *What could be wrong with a Mortgage? Private Debt Markets from a Perspective of Structural Injustice*	Invited Speaker Boudewijn de Bruin *Justice in Finance: An Epistemic Approach*
13:00	Lunch	
14:30–15:15	David Rodin *Tools and Metrics for Culture Analysis and Assessment*	Anne Henow *Financialisation – A Banking Perspective*
15:30–16:15	Dominic Martin *On the Moral Obligation to Repay a Government Debt*	Peter G. Kirchschläger *Do Citizens Have Moral Claims to Have Access to Certain Financial Services?*
16:30–17:15	Josep Ferret Mas *Are There Duties of Distributive Justice that apply amongst Eurozone Member States?*	Anahí Wiedenbrug *The Contemporary Debt State: Repaying Debt that is not One's Own?*
17:30 19:00	Keynote Martin O'Neill *Justice, Justification and Monetary Policy: the Case of Quantitative Easing*	
19:00	Reception	
20:00	Dinner at Schinner Braustuben (Richard-Wagner-Straße 38, Bayreuth)	

Saturday, 05 November

09:30–10:30	City Tour (from hotel)
11:00–13:00	Brunch + Discussion of the Research Agenda for Finance & Philosophy (at hotel)

Abstracts

Dirk Bezemer | Dept. of Economics and Business, University of Groningen

→ Thursday 03 Nov, 10:15 (Keynote Lecture)

Debt Shift: When Does Financial Development Increase Income Inequality in Europe?

What is the impact of financial development on income inequality? Ambiguous findings to date on the finance-inequality nexus may be due to over-aggregation. We study the effects on income inequality of different components of financial development, which in the literature are all subsumed under a credit-to-GDP ratio. In data over 1990--2012 for 26 EU economies, we find no significant effects of the overall financial development measure, but we do find robust, opposite effects for its two components. Credit to real estate and financial asset markets increases income inequality, while credit to the real sector decreases income inequality. We introduce the 'debt shift' concept: the shift of bank credit allocation since the 1990s away from supporting investments by firms in the real, non-real estate sector and towards financing capital gains in real estate and financial asset markets. Debt shift helps to explain the growth of inequality. I reflect on the broader drivers and consequences of debt shift, and on policies to address it.

Caterina Giannetti | Dept. of Economics and Management, University of Pisa

→ Thursday 03 Nov, 12:00

The Effect of Ethics Meetings on Risk-Taking Behaviour: An Experiment

Risk taking on behalf of others is common in many decisions in economics and finance. Relying on an experimental setting, we investigate the effect of bank ethics meetings on the individual risk-taking behaviour when there are monetary conflicts of interest between the decision maker and the clients. In the baseline treatment (i.e. No ethics meetings) participants will be either assigned to investor or client roles. Investors need then to invest client's money in one of two assets: either a low-risk-low-return asset or a high-risk-high-return asset. In the main treatment (i.e. Ethics meetings), in contrast to the Baseline treatment, participants will also discuss – before their investment decision – the ethical dimension of their choice within a group of participants. In additional control treatments, we investigate how ethics meetings could be effectively designed (e.g. size of the group) and implemented (e.g. type of discussions) to achieve the best results.

Lars Lindblom | Dept. of Historical, Philosophical and Religious Studies, Umeå University

→ Thursday 03 Nov, 12:00

Bitcoins Left and Right: A Moral Assessment of a Digital Currency

Bitcoin is a new form of digital or virtual money that is not tied to a central bank or government and that primarily facilitates anonymous economic transactions on the internet. This paper is among the first to discuss the justification of such money from a moral perspective. We suggest that the Bitcoin movement to a large extent has been driven by a libertarian framework, stressing the right of individuals to choose their own means of transaction without government interference or oversight. But we argue that the libertarian case ultimately is unsuccessful. A better case for Bitcoin can be formulated by using an egalitarian framework, more specifically concerns about unequal distribution of power and resources. In the end, however, we argue that the justification also must depend on the political and economic context, and this seems to speak against the use of Bitcoin in reasonably well-ordered societies.

Josep Ferret Mas | Dept. of Philosophy, Pompeu Fabra University

→ Thursday, 03 Nov, 14:15

Are there Duties of Distributive Justice that apply amongst Eurozone Member States?

This work-in-progress examines issues of international justice, and asks how the costs and benefits of operating a monetary union should be distributed amongst its more and less competitive members, taking as an example the operation of the Eurozone. Drawing on existing debates about domestic and trans-national justice, I resist both a purely procedural view that assumes treaties against a fair background can make any distribution fair, and a purely collectivist view that disregards how individual citizens are likely to fare depending on how a monetary union is organized. I argue that a variety of factors are relevant to this problem, including the need to protect less competitive states from 'domination', or inappropriate forms of control by their co-members, and to protect citizens from various forms of deprivation even if their own governments are willing to expose them to the relevant risks.

Richard Endörfer | Dept. of Philosophy, University of Bayreuth

→ Thursday, 03 Nov, 14:15

Why EU Financial Regulation is Insufficient to Justify Systemic Financial Risk

Systemic Financial Risk (SFR) is claimed to be one of the main contributors to financial crises. SFR is a non-trivial risk, since it can cause citizens significant harm. It thus requires special justification, which implies that policy-makers ought to address reasonable complaints associated with SFR. The aim of my paper is to show that, according to contractualist risk ethics, SFR triggers a special justificatory requirement. This justification is not offered in a satisfactory manner by the Single Rulebook, the unified regulatory framework for the EU financial sector, which focusses on establishing financial stability. I proceed by firstly introducing a contractualist framework that is built around the concept of harm-based complaints in order to assess under which conditions SFR is justifiable to each. I argue that compensation is a constitutive part of proper justification for SFR. Secondly, I argue that the policies comprised in the Single Rulebook do not satisfy these conditions, because they do not provide sufficient compensation for citizens who suffer harm because of SFR. By focusing exclusively on promoting financial stability, policy makers do not address anticipatable harm-based complaints, which are certain to emerge after a systemic event.I conclude that the Single Rulebook ought to be complemented by legislative initiatives which guarantee that victims are appropriately compensated if they suffer harm due to a crisis caused by SFR.

Michael Müller | Dept. of Law, LMU Munich

→ Thursday, 03 Nov, 15:15

Integrating Finance and Social Justice through Constitutional Law – The Role of Constitutional Property Clauses in Adjudicating the Financial Crisis and Beyond

The presentation aims at exploring the potential of constitutional law, particularly constitutional property clauses, in integrating finance and social justice. It builds on attempts to describe financial markets as legally constructed (Katharina Pistor, Lisa Herzog) and combines empirical and normative legal research: In the first step, I assess how various national and international courts and tribunals recur on constitutional property clauses in adjudicating the global financial crisis. I refer to cases addressing, inter alia, the takeover of financial institutions, depositor haircuts and sovereign debt restructurings. I will show that in adjudicating these cases courts and tribunals have applied rather similar standards derived from constitutional property clauses. Based on this assessment, in a second step, I provide some preliminary conclusions on how to perceive of finance as a normative order of (constitutionally guaranteed) property rights. I will argue that what has been referred to as the "reflexive two-side structure" (Dan Wielsch) of constitutional property guarantees might be useful for a constitutional theory of finance: while the freedom of the individual to invest in financial markets is protected, this freedom might be limited with regard to interests of social justice. Within this limitation, however, recourse must again be had to individual rights – be it the rights of investors or of other stakeholders in the financial system.

Jennifer Quaid | Dept. of Law, University of Ottawa

→ Thursday, 03 Nov, 15:15

Criminal Responsibility for Catastrophic Harm: Where to draw the Moral Limits of the Profit Motive

Holding business entities to account under the criminal law has emerged as an important affirmation of the idea that collectively exercised economic power is not above the law. Much of this can be attributed to shifting attitudes about the nature of crime in the wake of a number of high profile "disasters" – system-type failures or high-risk practices causing catastrophic or widespread harm. What might once have been seen as unfortunate accidents or just "part of operating a business" are increasingly seen as negligent, reckless or even wilful failures to make responsible decisions about foreseeable risks by entities with the resources and knowledge to do so. This increased attention on criminal accountability for decisions made in the pursuit of otherwise legal and economically productive activity raises a difficult normative question: In a world where risk elimination is impossible, how do we strike the right balance between the legal pursuit of profit and accountability for unacceptable tradeoffs that put rate of return ahead of fundamental values such as the protection of human life and security and the natural environment? This paper considers the above question in relation to how we justify criminal accountability for decision-making that outwardly adheres to the legally acceptable goal of profit maximization but nevertheless creates, fosters or perpetuates a situation of catastrophic risk and explores how a coherent and legitimate line might be drawn between socially acceptable and unacceptable risk assessment decisions.

Katharina Pistor | Law School, Columbia University

→ Thursday 03 Nov, 16:15 (Invited Speaker)

Money's Legal Hierarchy and the Question of Social Justice

This paper discusses the way in which money is legally constructed and hierarchically structured. In financial markets, participants trade different forms of money, some of which is state-issued and some of which is privately issued. A form of money is closer to the "apex" of the system the closer it is to entities that can issue liquid means or determine which forms of payment to accept, such as central banks and governments. In times of financial crises, market participants close to the "apex" of the system are at a systematic advantage compared to participants at the "periphery" of the system. Various legal devices, e.g. property rights, collateral rights, or trust and corporate law contribute to hierarchically structuring the financial system, because they grant preferential treatment to some moneys over others. As is shown by turning to the historical development of money, public and private entities have been closely intertwined in its creation. The way in which money is legally constructed, and in which access to the setting of the "rules of the game" happens, reveals questions of justice at the very core of the financial system, both with regard to its unchecked hierarchies and with regard to the unjustified distribution of losses it creates.

Lisa Warenski | Dept. of Philosophy, City College of New York

→ Thursday, 03 Nov, 17:15

In Search of Best Epistemic Practices for the Financial Services Industry

I argue that epistemic failings are a significant and underappreciated moral hazard in the financial services industry. I argue further that an analysis of these epistemic failings and their means of redress is best developed by identifying policies and procedures that are likely to facilitate good judgment. I call these policies and procedures "best epistemic practices." I explain how best epistemic practices support good reasoning, thereby facilitating accurate judgments about risk and reward. Failures to promote and adhere to best epistemic practices contributed to the 2008 financial crisis. Suboptimal epistemic practices were implicated in (at least) the following three areas: (1) the assignment of radically-inaccurate risk ratings to real estate mortgage-backed securities and CDOs on the part of the large credit rating agencies, (2) lack of due diligence on the part of investors, and (3) poor risk management on the part of some large financial institutions. I discuss these in turn.Finally, I touch some of the ways that best epistemic practices have been implemented to correct faulty methodologies and to prepare for possible catastrophic economic scenarios in the future. In effect, the 2006 Credit Rating Agency Reform Act, including its expansion by Dodd Frank, and the subsequent statutory regulation by the SEC aim to facilitate best epistemic practices. These regulatory reforms are examples of proactive and forward-looking regulation, although they were implemented retroactively in response to perceived failures of the rating agencies. I conclude by observing how proactive regulation for best epistemic practices might help us to anticipate and avoid future crises.

Jens van't Klooster | Dept. of Philosophy, University of Cambridge

→ Thursday, 03 Nov, 17:15

Monetary Policy and Democratic Legitimacy

The global financial crisis has greatly expanded the roles of central banks in economic policy and public finance. This has brought the unique constitutional position of many of these institutions under closer scrutiny. As operationally independent institutions, central banks decide on monetary policy with only minimal accountability to elected officials. This raises the question what demands of democratic legitimacy apply to monetary policy and whether these demands are compatible with central bank independence (CBI). There are two independent sources for demands of democratic legitimacy: (1) Liberal fairness, which requires treating individuals as equals with regard to their ability live their particular conception of the good life. Liberal fairness provides the basis for an instrumentalist argument for democracy. (2) Political fairness, which requires treating individuals as equals with respect to their ability to develop an adequate interpretation of liberal fairness. Political fairness provides the basis for a proceduralist argument for democracy. I argue that central bank independence is compatible with any plausible interpretation of political fairness. The upshot of this argument is that the real worry regarding CBI concerns liberal fairness.

Joshua Preiss | Political Theory Project, Brown University

→ Thursday, 03 Nov, 18:15 pm

Republican Freedom and Financial Markets

Particularly since the economic crisis of 2008-2009, economists and other theorists and commentators began to ask a number of serious and fundamental questions about the role of the finance industry in modern political and economic life. In this paper, I hope to expand the normative vocabulary of such work by viewing financial markets through the lens of republican moral and political theory. This analysis gives special attention to three trends: (1) the increased complexity and opacity of contemporary financial instruments such as credit default swaps and other derivatives, and parallel changes in currency markets and commodity futures markets, (2) the ways in which technological innovation enables certain players to arbitrage the market by identifying and acting on microscopic divergences in market prices a few seconds (or even milliseconds) before other players do, (3) the mobility of capital and subsequent tax competition between countries. My primary goal is to consider the ways in which these trends further or hinder republican freedom as non-domination. In addition, I argue that these trends provide important insight into debates about the nature and value of freedom itself. The idea of freedom as non-domination allows us to capture much of what is so deeply troubling by these trends, including agent-principal problems, inequalities in not only wealth but also access to productive capital, and a lack of institutional and democratic accountability. Most basically, understanding freedom in republican terms enables us to avoid the deeply counter-intuitive implication that markets where financial agents dominate other participants, using power and informational asymmetries to collect rent on the rest of the economy, impacting welfare and opportunities of the better part of humanity who have little or no choice as individuals to exit, are somehow, nonetheless, more free than other (more collectively regulated) alternatives.

Clement Fontan | Dept. of Ethics, University Montreal

→ Thursday 03 Nov, 18:15

Central Banking and Inequalities: Taking off the Blinders

What is the relation between monetary policy and inequalities in income and wealth? This question has received insufficient attention, especially in light of the unconventional policies introduced since the 2008 financial crisis. The article analyzes three ways in which the concern central banks show for inequalities in their official statements remains incomplete and underdeveloped. First, central banks tend to care about inequality for instrumental reasons only. When they do assign intrinsic value to containing inequalities, they shy away from trade-offs with the standard objectives of monetary policy that such a position entails. Second, central banks play down the causal impact monetary policy has on inequalities. When they do acknowledge it, they defend their actions by claiming that it is an unintended side effect, that it is temporary, and/or that any alternative policy would fare even worse. The article appeals to the doctrine of double effect to criticize these arguments. Third, even if one accepts that inequalities should be contained and that today's monetary policies exacerbate them, is it both desirable and feasible to make containing inequalities part of the mandate of central banks? The article analyzes and rejects three attempts on the part of central banks to answer this question negatively.

Gregory Twaites | Bank of England & Dept. of Economics, LSE

→ Friday 04 Nov, 11:15

Credit Policy and Wealth Distribution

Piketty (2015) finds that wealth inequality fell during the middle of the 20th century in many industrialised countries. He attributes this fall to war and taxation. Another important trend during the period was the rise in owner-occupation and the development of mortgage markets. We link this to the fall in wealth inequality over the period in a simple general equilibrium model of inherited wealth inequality. In the model, the availability of mortgage credit allows those who are born poor to buy housing assets, pushing up on house prices and therefore down on the rent-price ratio. We show in simulations that an increased availability of credit lowers the key r-g parameter and therefore the extent of inherited wealth inequality. The model can be used to inform contemporary debates on macroprudential regulation and other measures or rationales for limiting mortgage credit.

Govind Persad | Dept. of Bioethics, Johns Hopkins University

→ Friday 04 Nov, 11:15

Household Debt, Disadvantage, and Status Maintenance

Particularly in the aftermath of the financial crisis, household debt has been a hot topic of discussion among social scientists, policymakers, and activists. I will discuss the distributive justice issues raised by three approaches to household debt relief – bankruptcy law, limitations on access to credit, and monetary policy. I will argue that debt relief is normatively attractive when it addresses disadvantage and social exclusion, but unattractive when it serves simply to maintain debtors' social and economic position. Many of the most prominent modern approaches to distributive justice – egalitarianism, utilitarianism, sufficientarianism, and priority to the worst off (including Rawls's difference principle) – focus on improving the situation of individuals in society who are in extreme income and consumption poverty. Typically, such individuals do not have large household debts, because no one is willing to lend money to them in the first place due to their low or nonexistent anticipated income. Following these approaches, I will take the position that household debt relief must be a subordinate priority to the combatting of income and consumption poverty. I argue that bankruptcy law ought to aim at ensuring that debtors are not subjected to disadvantage and systemic exclusion, but need not maintain debtors' prior status. This is especially true when the debts owed are to the public or to public-serving institutions. I similarly argue that limitations on access to credit also frequently prioritize the interests of individuals who care about avoiding debt over the interests of the most disadvantaged. In contrast, I conclude that a "dovish" (inflation-tolerant) monetary policy is the most normatively attractive way of addressing household debt, because it addresses unemployment – a cause of poverty and social exclusion – while also assisting debtors as a group.

Lisa Herzog | Bavarian School of Public Policy, TUM Munich

→ Friday 04 Nov, 12:15 (Invited Speaker)

What could be wrong with a Mortgage? Private Debt Markets from a Perspective of Structural Injustice

In many Western capitalist countries, private indebtedness is pervasive, but it has received little attention from political philosophers. Economic theory emphasizes the liberating potential of debt contracts. But this picture is based on assumptions that do not always hold in practice, especially when there is a background of structural injustice. Private debt contracts can fail to be liberating if there is deception or lack of information, if there is insufficient access to (regular forms of) credit, or if credit is overly expensive. Markets for private debt can be mechanisms of structural injustice: rather than playing a neutral role, they reinforce injustice, because the failures of debt to be liberating disproportionately hit individuals who are already in disadvantaged positions. By individualizing what are in fact structural problems, private debt can contribute to stigmatization and social exclusion, contributing to oppression. What is at stake, from a perspective of structural justice, is not only the distribution of income, but also the distribution of risks in a society. The problems of private debt markets therefore require political attention. In addition to fighting the structural injustices that form the background conditions of many private debt contracts, it is also worth addressing private debt markets themselves.

Boudewijn De Bruin | Dept. of Philosophy, University of Groningen

→ Friday 04 Nov, 12:15 (Invited Speaker)

Justice in Finance: An Epistemic Approach

The main goal of this lecture is to argue that, particularly at the micro level, numerous issues of justice in finance are epistemic in nature, that is, that they have to do with the way we gain, process, store, transfer, and share information. I will introduce two relevant recent literatures in philosophy, and show how they can be applied to concrete questions about justice in finance. (i) Virtue epistemology uses insights from virtue theory to study belief formation and knowledge acquisition from a normative point of view. Combining recent work in virtue epistemology with research from behavioural finance, I consider such things as mortgage lending, financial due diligence, and credit rating agencies. (ii) A second line of research offering an epistemic view of justice is centres round the notion of epistemic justice (due to Miranda Fricker). I argue that this literature offers a rich vocabulary to analyse issues of justice as they arise in discriminatory lending practices, the marketing of financial services, and human resource management in the financial industry, among others.

David Rodin | Dept. of Political and Social Science, European University Institute

→ Friday 04 Nov, 14:30

Tools and Metrics for Culture Analysis and Assessment

Organisational culture, rather than personal character, matters a great deal for ethical decision making in business generally. A recent study by Cohn et al. presents evidence from a randomized experiment that the culture of banks may be particularly prone to promote dishonest behaviour. Financial regulators stress the importance of good culture in banking as well. The Financial Stability Board has issued a guidance document on risk culture emphasising the importance of culture for decision making at financial institutions. In a speech on the importance of changing the culture of financial institutions for the better, the President of the New York Fed, William Dudley, argued that firms must take a comprehensive approach to improving their culture. But despite appeals to take culture seriously, financial institutions and regulators lack tools to analyse and assess the status of the organisational culture of banks. Developing these tools requires an understanding of what a good culture is. Yet regulators are reluctant to give substantial guidance to financial institutions as to what a good culture for financial institutions would look like. This is problematic because participants in the debate superficially seem to agree on what needs to be done, as they all call for a "culture change". Digging deeper, however, it turns out that the common term "culture" masks different theories of what drives behaviour in organisations. If ethical culture is to be effectively managed within banks, then managers require tools to analyse and assess the status of culture and any changes that may be occurring within it. In this presentation I discuss recent work by myself and a number of colleagues to develop conceptual tools for the analysis of ethical culture within banks and a set of metrics to measure or create useful proxies for aspects of ethical culture. I discuss the strengths and limitations of this approach in the context of a practical culture change programme in a large multinational bank.

Anne Henow | Dept. of Political Economy, University of Cambridge

→ Friday 04 Nov, 14:30

Financialisation – A Banking Perspective

Financialisation, being the buzzword of our time, is often explained by reflecting on its multi-level impact on for example the rising debt of households, changes in corporate strategy with shareholder value principles as well on the rise of pension funds and neoliberal ideologies. The diversity of studies has contributed to a vital and one of the most intriguing academic debates today. However, the broad approach of a one-word-fits-all aspects of financial life, has lacked a coherent explanation of what financialisation actually is and where it came from. This paper addresses this problem and traces the historical origins of financialisation from a banking perspective. It argues that the process was initiated by a new banking business model which adjusted to a changing global financial architecture following the dismantling of Bretton Woods. In an era of internationalisation of finance and liberalised capital accounts banks were increasingly pushed to change their business model from a credit-based strategy towards a capital market orientation. These adjustments and the subsequent rise of retail and investment banking in particular had a vast impact on the global and national economic order as capital markets became ever more integrated. To provide evidence the paper looks at two country cases, Germany and South Korea, which despite being traditionally bank-based coordinated market economies underwent significant changes towards financialisation in the sense of increasing capital market expansion. It is analysed how the banking sector in these countries adjusted to the challenge of internationalisation and how they ended up creating a financial system which is unprecedented in size and scope.

Dominic Martin | Dept. of Philosophy, McGill University

→ Friday 04 Nov, 15:30

On the Moral Obligation to Repay a Government Debt

A government debt is the debt owned by a government in the form of bonds, securities or bills, or in the form of direct loans made to other states and supranational organizations. There is widespread belief among political decision makers, the general public, and finance scholars that such debt ought to be repaid, no matter what. One thinks, for example, of the recent Greek crisis and the strong position taken by the European Union under the leadership of Germany. Other examples include the restructuring of the Argentine debt in 2005, and the cases of many other debtor states of the World Bank or the International Monetary Fund (IMF). In this paper, I will investigate the question of whether a government is always morally obligated to repay its debt. I will leave aside the legal aspect of debt repayment, assuming for most of the cases I will discuss that the indebted governments were legally obligated to repay their debt. However, I will explore whether these legal obligations were backed by a moral one. I will show that the moral claims that a government ought to repay a government debt often rest on three questionable views. It is believed, first, that defaulting governments are wrong because they have mismanaged their finances. Second, that there is an obligation to fully reimburse a debt. Third, that creditors are morally entitled to being repaid. I will now address each of these three views in turn.

Peter G. Kirchschläger | Dept. of Ethics, Yale University

→ Friday 04 Nov, 15:30

Do Citizens Have Moral Claims to Have Access to Certain Financial Services?

In my paper I argue that citizens have moral claims to have access to minimum basic financial services (a minimum credit, a saving account, and low-cost money-transfer-option) for the following reasons: First, the access to minimum basic financial services contributes to the respect and to the realization of human rights. Departing from the starting-point that human rights and their universality can be morally justified, e.g., based on the principle of vulnerability, the significant role financial resources play in the daily life of humans as means which allow reaching several aims including essential elements and areas of human existence which a human needs for survival and for a life as a human and which are protected by human rights, it can be argued that the access to minimum basic financial services is relevant for the respect and the realization of human rights. Second, developments of the financial markets have an impact on the daily life of everyone, in front of all on the daily lives of the poor. Therefore everyone should at least have the possibility to participate in the financial markets. Third, citizens have a moral claim to have access to certain financial services because this access could be an instrument to overcome illegitimate global inequality. Fourth, the access to certain financial services for everyone would fulfill the "gap-closing-principle". While maintaining in a greatest possible way the economic rationale of pursuing one's own particular interest, the "gap-closing-principle" introduces the perspective of the poor only as a corrective of the "ad infinitum" of the pursue of one's own particular interest. Everyone's access to minimum basic financial services would fulfill the "gap-closing-principle". Fifth, the reversal of the burden of proof indicates that all citizens have moral claims to have access to minimum basic financial services.

Joakim Sandberg | Dept. of Philosophy, University of Gothenburg

→ Friday, 03 Nov, 16:30

Finance and the Division of Moral Labor

There is currently a growing consensus that the financial system falls short of fulfilling its social purpose. This not only poses a practical challenge for the world's leaders, but also a theoretical challenge for contemporary research: to rethink the role of financial markets in society. According to the received theory of finance, rooted in neoclassical economic theorizing from the 1970s, financial agents should always adopt the practices which maximize the value of the firm. This paper draws out the reasoning behind this theory, which in part consists in an idea of a "division of moral labor": social responsibility should be a task for the social services and civil society, whereas the financial system should focus only on raising and maintaining capital. Clarifying this reasoning makes clearer some the flaws of the received theory: for example, the inherent conflicts between private and public interests, and the lack of attention to all-encompassing challenges such as climate change. To address these flaws, a new theory is proposed of a more sustainable role of finance in society. The theory represents an attempt to strike a balance between opposing camps in contemporary business ethics research. Moreover, the paper discusses implications of the new theory for both public policies and the governance of financial institutions.

Anahí Wiedenbrug | Dept. of Government, LSE

→ Friday 04 Nov, 16:30

The Contemporary Debt State: Repaying Debt that is not One's Own?

One norm governs the contemporary debt and credit regime, namely the idea that debt ought always to be repaid. The intuitive force behind this 'repayment norm' is that those who accrue and benefit from the debt should also be held responsible for servicing it. The complex, collective agency of the state, however, sheds doubt on the extent to which this standard-contract model can be applied to the case of sovereign debt specifically. For why should citizens be held responsible for servicing a debt they themselves did not accrue nor necessarily benefited from? By reviewing three different conceptions of the state and their respective accounts of political obligation, this paper challenges the normative force of the repayment norm in the context of sovereign lending and borrowing. By rejecting the applicability of the social-contractarian position to the case of sovereign debt servicing, a more radical challenge of the repayment norm is offered; one which does not restrict itself to challenging the norm in cases of grave human rights abuses, but which also extents to scenarios in which major banks are bailout with taxpayer's money.

Martin O'Neill | Dept. of Political Science, University of York

→ Friday 04 Nov, 17:30 (Keynote Lecture)

Justice, Justification and Monetary Policy: the Case of Quantitative Easing

The aim of this paper is to subject the practice of "quantitative easing" (QE) to normative scrutiny, considering its implications in two main dimensions. The first of these dimensions concerns the relationship between quantitative easing and distributive justice, while the second relates to the way in which policies of quantitative easing (and monetary policy more generally) is subject to public justification. As well as considering these questions in isolation from one another, it is also important to have in view the relationship between these two normative aspects of QE, especially with regard to the way in which the distributive consequences of monetary policy can be viewed as being at least partially explicable with regard to the manner of justification to which such policies are subjected. I begin by briefly setting out the nature of policies of QE, and examining the basic putative justification that has been offered for them. I then go on to discuss the real-world implications of such policies, and consider whether the justifications offered by the institutions responsible for monetary policy are or could be successful. I examine the possible normative case for forms of QE different to those that have actually been adopted, in the context of the question of the normative justification of macroeconomic policy in general, and of the split between fiscal and monetary agencies as an aspect of the conduct of macroeonomic policy. I end by considering some broader lessons that might be drawn from this particular case for our broader understanding of the normative justification of public policy.

Conference Information

Conference Location

Studentenwerk Oberfranken (SWO), marked red on the campus map (below)

Hotel

The conference hotel is:

Hotel Rheingold
Austraße 2
95445 Bayreuth
Tel: +49 921 990085-0
http://www.hotel-rheingold-bayreuth.de/

Taxi Service to conference (University of Bayreuth, SWO Building)

Thursday, 3 November: from hotel lobby at 09:00
Friday, 4 November: from, hotel lobby at 09:30

Hospitality

During the conference we will be offering tours and dinners. Please see the programme. The locations are:

Liebesbier
Andreas-Maisel-Weg 1
95445 Bayreuth
www.liebsbier.de

Maisel's Brauereimuseum
Kulmbacher Str. 40
95445 Bayreuth
www.maisel.com/bier_erlebnis_welt/bier_erlebnis_welt_5.html

Oskar
Maximilianstraße 33
95444 Bayreuth
www.oskar-bayreuth.de

Schinner Braustuben
Richard-Wagner-Straße 38
95444 Bayreuth
www.schinner-braustuben.de

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