



Interdisciplinary Approaches to Financial Stability  
Panel 2: Responding to Fundamental Challenges

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# The Financial Crisis

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- Asset Implosion, Cascades, Contagion & Liquidity Crunch
- Underlying Problems
  - Shadow banking & banking
  - Short-term financing
  - Excessive leverage
  - Risk concentration
  - Lack of transparency
  - Weak consumer & investor protection
  - Regulatory arbitrage
  - Inadequate regulation & supervision
- Risk Modeling
- Governance
- Ideology
- Power



# Five Ways The Financial System Will Fail Next Time

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- Amnesia
- Leverage & Liquidity
- Bubbles
- Misunderstood Innovation
- Regulatory arbitrage



# Resiliency

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- Examples of potential risks, but we don't know with any certainty how the next crisis will occur.
- Need to build more resilient system
  - Horizontal buffers
  - Vertical buffers
  - Regulatory checks and balances
  - Transparency
  - Accountability
  - Financial institution management
- Monetary, fiscal, regulatory policies
- Resiliency vs. other values (cost, growth, access, innovation)



# Regulating in Uncertainty

- Idiosyncratic vs. systemic risk
  - Islanding & adaptability
- Banking and shadow banking
- National and international
  - Financial deepening & integration
  - Who's in charge of global finance?
- What is the frame?

# Financial Stability

- Theory
- Risk data
- Risk analytics
- Risk management
- Authority & will to act



# Analytics

- Metrics
- Counter-factual
- Matrix
- Networks
- Complex systems
- Crowdsourcing



# Panel Discussion

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- Complexity & Evolutionary Biology
- Disruption from FinTech Innovation
- HFT Speed, Automaticity, Scalability
- Market Discipline as Antidote to Regulation
- Public Engagement to Counter Power

