

Lectures for Roma Tre
June, 2017
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Topic and Syllabus
February 20, 2017

The Bankers' Club and the Rise of Right Wing Populism

Our global financial system remains large, powerful and, at the same time, highly risky and problematic, despite having precipitated the greatest global financial crisis since the Great Depression of 1930's. How can we understand the global rise of this powerful and highly lucrative private financial system, from the shackles of a highly regulated, sometimes nationalized, publicly oriented financial system that was built from the ashes of the Great Depression and the Second World War? How can we explain the fact that, despite precipitating the largest financial crisis since the great depression, this private financial system is still so powerful, yet so problematic? And finally, is there a connection between these forces and the increased power of right wing nationalistic political movements that promoted *Brexit* and elected Donald Trump?

The answer to these questions, I argue, lies in what I call the *Bankers' Club*. The Bankers' Club is comprised of the multiple institutions and groups in our societies that, since the 1960's and 1970's, have played the key political, ideological, and economic roles in promoting the liberalization of finance and financial markets, the public subsidies associated with "too big to fail" financial institutions, the massive rescue operations of financial institutions that followed the great crash of 2007 and 2008, and the problems in the Eurozone that followed, and the supporters of finance who have warded off strict regulations and controls over finance. The members of the Bankers' Club are diverse and vary from context to context. But the Club includes some predictable members, for example, the bankers themselves and the politicians they lobby and give support to. In addition, the Club is comprised of a variety of financial regulators, including those in Central Banks and other regulatory agencies, who share bankers' perspectives and who also hope for jobs in the financial sector when their terms are finished. But in addition to these somewhat predictable groups, there are other, perhaps somewhat surprising members of the club: Economists, whose ideology of efficient markets and laissez-faire provide ideological and cognitive support for bankers' positions, and whose prospects for consulting contracts, grants and even business positions create conflicts of interest; non-financial corporate leaders, whose companies have become more financialized and whose personal incomes depends increasingly on financial engineering that only highly speculative finance can provide; local governments that depend on finance for tax revenue, credit and local economic development resources, and even some unions, whose workers work in the financial sector. In these lectures I will describe the role of finance, the political economy of their power, and how these came together to create such a massive economic crisis. I draw out some connections between these events and the rise of "right wing populism" in the US and elsewhere. I will also describe alternatives to these destructive practices, and practical suggestions for defeating the Bankers' Club to bring about significant financial reform. The discussion will draw heavily on heterodox traditions in financial

economics, macroeconomics, political economy, and an understanding of recent historical and institutional experiences."

Lecture Topics

Lecture I The *Bankers' Club* and the Rise of Finance

Lecture II False Arguments for the Efficiency of Finance

Lecture III Financialization and The Accumulation Process

Lecture IV Overcharged: The Social Costs and Benefits of Finance

Lecture V The *Bankers' Club* and The Rise of Right Wing Populism

Lecture VI Finance Without Financiers

The Bankers' Club and The Rise of Right Wing Populism
Preliminary Syllabus
Gerald Epstein

Lecture I The *Bankers' Club* and the Rise of Finance

Gerald Epstein, "The Bankers' Club and The Rise of Finance", 2016.

James Crotty, "The Bonus-Driven "Rainmaker" Financial Firm: How These Firms Enrich Top Employees, Destroy Shareholder Value and Create Systemic Financial Instability", [PERI Working Paper, Number 209, Revised June 2011](#).

Lecture II False Arguments for the Efficiency of Finance

James Tobin, "On the Efficiency of the Financial System", *Lloyds Bank Review*, July, 1984.

James Crotty, "Structural Causes of the Global Financial Crisis: A Critical Assessment of the "new financial architecture", *Cambridge Journal of Economics*, 2009, 33, pp. 563-580.

James Crotty, "The Realism of Assumptions Does Matter: Why Keynes-Minsky Theory Must Replace Efficient Market Theory as the Guide to Financial Regulation Policy", [PERI Working Paper](#), No. 255, March, 2011.

James Crotty and Gerald Epstein, "The Last Refuge of Scoundrels: Keynes-Minsky Perspectives on the Uses and Abuses of the "Liquidity Defense", PERI Working Paper, No. 367, October, 2014. <https://www.peri.umass.edu/publication/item/595-the-last-refuge-of-scoundrels-keynes-minsky-perspectives-on-the-uses-and-abuses-of-the-liquidity-defense>

Lecture III Financialization and The Accumulation Process

Gerald Epstein, [Financialization: There's Something Happening Here](#) PERI Working Paper, 2016

Malcolm Sawyer, "What is Financialization", *International Journal of Political Economy*, vol. 42, no. 4, , Winter 2013-2014, pp. 5-18.

William Lazonick, "Innovative Enterprise or Sweatshop Economics? In Search of Foundations of Economic Analysis", *Challenge Magazine*, Volume 59, 2016, Issue 2, pp. 65 – 114.

William Lazonick, "The Financialization of the U.S. Corporation: What Has Been Lost, and How It Can Be Regained", *Seattle University Law Review*, 2013.

Joao Paulo A. DeSouza and Gerald Epstein, "Sectoral Net Lending in Six Financial Centers" [PERI Working Paper, No. 346](#), March 2014.

Lecture IV Overcharged: The Social Costs and Benefits of Finance

Gerald Epstein and Juan Montecino, [Overcharged: The High Cost of Finance](#), Roosevelt Institute, 2016.

Lecture V The *Bankers' Club* and The Rise of Right Wing Populism

Gerald Epstein, "The Bankers' Club and the Rise of Right Wing Populism", 2017.

Lecture VI Finance Without Financiers

Gerald Epstein, Dominique Plihon, Adriano Giannola and Christian Weller, [Finance Without Financiers](#), Papeles de Europa 19 (2009), pp. 140 – 178.