



SAID BUSINESS SCHOOL, University of Oxford

SEMINAR SERIES / TRINITY 2010

Convenors: Felix Reed-Tsochas, Institute for Science, Innovation and Society,
Said Business School
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Seminar webpage:
www.cabdyn.ox.ac.uk/complexity_seminars.asp

Sandwiches and drinks will be provided

Please note: although the seminar programme detailed was correct at time of printing, seminar arrangements are subject to change - for the latest information, please check the seminar webpage.

Tuesday 15th June

(12.30 - 2.00pm) James Martin Seminar Room

Prof Rodney Garratt

Bank of England and Department of Economics, University of California, Santa Barbara

'Tracking Systemic Risk in the International Banking Network'

ABSTRACT

Systemic risk among the network of international banking groups arises when financial stress threatens to crisscross many national boundaries and expose imperfect international coordination. To assess this risk, we apply Rosvall, Axelsson and Bergstrom (2009)'s information theoretic map equation to partition banking groups from 21 countries into modules. The resulting modular structure reflects the flow of financial stress through the network, combining nodes that are most closely related in terms of the transmission of stress. The modular structure of the international banking network changes dramatically over the last three decades. In the late 1980s four important financial centres form one large super cluster that was highly contagious in terms of transmission of stress within its ranks, but less contagious on a global scale. Since then the most influential modules have become significantly smaller and more broadly contagious, creating a systematically dangerous situation. The analysis contributes to our understanding as to why defaults in US subprime mortgages had such large global implications.