

ISA 2014 Workshop:
Patient Credit After the Crisis: Are There New Varieties of Capitalism?

Tuesday, March 25, 2014
9:00am-5:30pm
Sheraton Town Centre
(Toronto, Ontario)

Co-Facilitated by:
Iain Hardie and Sylvia Maxfield

Final Report

Workshop Attendees

- Christopher Clarke, University of Warwick
- Richard Deeg, Temple University
- Iain Hardie, University of Edinburgh
- Anush Kapadia, City University, London
- Robyn Klinger, London School of Economics
- Mariana Magaldi de Sousa, CIDE, Mexico City
- Sylvia Maxfield, Providence College
- Stephen Nelson, Northwestern University
- Nils Roeper, New York University
- Irene Spagna, University of Waterloo
- William Winecoff, Indiana University
- Kevin Young, UMass Amherst

Workshop Overview

This was a highly productive workshop which achieved its objectives (see Appendix A – Workshop Agenda). The 12 participants came from across the range of academic seniority, from a business school dean to a prospective PhD candidate. The workshop was also noteworthy for the range of financial market actors considered by the participants as possible suppliers of patient capital. Pension funds, peer-to-peer lending, venture capital, microfinance were all extensively discussed in addition to commercial banks. In addition, presenters considered the socio-political underpinnings of patient capital.

Future Plans

As a concrete outcome of the workshop, participants agreed on proposing two panels on patient capital to ISA 2015. This is in hand.

Discussions of the different financial actors served as an entry point into a broad discussion around the question 'what is patient capital?' These discussions, while not reaching consensus, were very constructive, and the progress mainly on this question was the most important outcome of the day. A brief summary of the issues discussed follows:

1. What are the attributes of patient capital?

- Duration of loans: What does long term lending mean? Can a reasonable expectation of rollover (automatic refinancing) be considered long term/patient financing?
- What about volatility?
- Is an open-ended commitment necessary? (on relationship, see below)

2. What are the important attributes of the relationship underpinning patient capital? Is relationship necessary for patient capital?

- Open-ended financial relationship or commitment – diffuse reciprocity – who is benefiting from the relationship can shift over time – long run reciprocity – embeddedness from sociology (trust....? social capital)
- Relational banking is the way to solve information asymmetries, similarly it reduces coordination costs, allows pooling of expertise 'local knowledge'
- Can we see relationship as synonymous with patience? It was noted that private equity has the strongest form of relationship, but serves to expose the NFCs purchased to market pressures.
- In case of peer-to-peer lending what is the enforcement mechanism? Contract, reputation in an on-line community
- Sociality as a means versus sociality as an end (does reciprocity underpin both?)
- What about looser property relations in peer-to-peer lending/share economy?

3. Where does financial power come from and what are the consequences? How is 'protection from short-termism' achieved?

- Investor mandate/nature of liabilities
 - Depositor-based banking
 - Cornered credit is patient but when might liquidity, as possibly for equity capital, increase patience?
 - Distinctions between debt and equity – peer-to-peer blurs the line
 - What is the liability side for MFIs?

- Private equity – is this patient capital with a 3-7 year time horizon, it imposes the same requirements on NFC as stock market – imposes on them more harshly
- Where do sovereign wealth funds fit in...by definition more patient investors
- Defined contribution pension funds should be patient by this measure
- What about venture capital?

4. Socio-political foundations of patient capital

- Macro
 - Minority public shareholding coupled with strong corporate governance makes it productive investment finance
 - Politics of the liability side – state borrowing, development bank borrowing....what political settlement underpinning?
 - Is it only states that can modulate the level of impatience – only actors that can insure inter-temporal contracts,
 - Really, no other institutions?
- Micro
 - Look at representatives of impatient capital as they mobilize against regulations

5. What institutional complementarities?

- Classic patient capital has declined but we don't see the collapse of coordinated market-based economies – how do we lose patient capital and still have CMEs...does it come down to the ownership of the NFC...who can shield the NFC – the owners – dive into the equity side....
- Correlation of impatience, risk-taking and disruptive innovation?

6. What is the impact of internationalization?

- Growing importance of domestic sources of financing as international markets closed up....substitution of domestic sources of finance for international
- What about capital account regulation?
- Penetration of foreign banks?

**Appendix A:
Workshop Agenda**

9:00-9:15am	Welcome and Overview (Hardie, Maxfield)
9:15-10:15am	What does the new map of credit flows in national financial sectors look like? What kinds of distinctions and categories of lenders and investors make sense? (Maxfield)
10:15-10:30am	Coffee Break
10:30am-12:30pm	Who are the new institutional lenders and how significant is their extension of financing? What is the nature of their NFC financing? (Clarke, Hardie, Kapadia, Magaldi)
12:30-2:00pm	Lunch
2:00-3:30pm	What are the implications of these developments for non-financial corporations, government coordination in the economy and national systems and their differentiation? (Deeg, Nelson, Young)
3:30-4:00pm	Coffee Break
4:00-5:00pm	Reassessing Questions and Future Plans (Hardie, Maxfield)

Additional Participants: Robyn Klinger, Irene Spagna, Nils Roper, William Winecoff

Appendix B:
Final Budget Report

(As of May 13, 2014)

	Participants	Hotel	Meals	RA
#1	Christopher Clarke	\$ 374.00	\$ 150.00	\$ -
#2	Richard Deeg	\$ 187.00	\$ 75.00	\$ 900.00
#3	Iain Hardie	\$ 374.00	\$ 150.00	\$ 1,000.00
#4	Anush Kapadia	\$ -	\$ 150.00	\$ -
#5	Mariana Magaldi de Sousa	\$ 374.00	\$ 150.00	\$ 1,000.00
#6	Sylvia Maxfield	\$ 187.00	\$ 75.00	\$ 1,000.00
#7	Stephen Nelson	\$ 125.31	\$ 75.00	\$ 450.00
#8	Kevin Young	\$ 187.00	\$ 75.00	\$ 1,000.00
#9	<i>Marcel Heires</i>	\$ -	\$ -	\$ -
#10	<i>Eric Helleiner</i>	\$ -	\$ -	\$ -
#11	<i>Samuel Knafo</i>	\$ -	\$ -	\$ -
#12	<i>Barbara Stallings</i>	\$ -	\$ -	\$ -

Hotel Sub-total: \$ 1,808.31
Per Diem Meals Sub-total: \$ 900.00
Research Assistance Sub-total: \$ 5,350.00

Meeting Room Rental: \$ 200.00
Projector Setup: \$ 350.00
Internet (1 hard-wired): \$ 200.00
Coffee Breaks (\$8.5 x 2 x 12): \$ 204.00

TOTAL = \$ 9,012.31

Notes:

1. Original amount requested was \$16,181.
2. Amount approved by ISA was \$15,670.
3. Participants in italics withdrew from workshop; four substitutes were secured.