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NATIONAL CENTRE FOR BUSINESS LAW

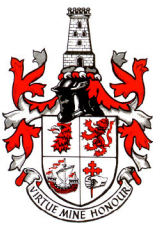


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UNIVERSITY OF BRITISH COLUMBIA
**NATIONAL CENTRE
FOR BUSINESS LAW**

The National Centre for Business Law invites you to attend a public lecture
with

Dr. Margaret M. Blair, Professor of Law and Milton R.
Underwood Chair in Free Enterprise, Vanderbilt
University Law School

Financial Innovation, Leverage, Bubbles, and the Distribution of Income

Friday, November 4, 2011

12:30 – 1:30 pm

UBC Robson Square, HSBC Hall

Financial innovation has made it possible for financial firms to utilize vastly too much “leverage” – to supply too much credit to others and to borrow too much in order to provide this credit. The effect has been a financial system in the U.S. (and globally as well) that is too large in several senses: it uses too much debt, it creates too much credit, it thereby fuels asset bubbles that expose the rest of the economy to too much risk and its employees and investors are paid too much because they are generally paid for appearing to add value, even if the value later evaporates when the bubbles burst.

Asset bubbles are a major problem because they have significant and pernicious effects on the allocation of capital and the distribution of wealth and income in the real economy. Inflation in asset prices creates the illusion that the financial sector is actually creating value for the economy as a whole as it invests in and trades those assets whose prices are being bid up. In this way, bubbles tend to redistribute wealth and income to the people whose actions, collectively, are causing the financial bubble. Cyclical instability in the financial markets thereby acts as a one-way ratchet for financial sector compensation and a bubble-prone economy is one in which the distribution of income is likely to be widening.

Margaret Blair is an economist who focuses on management law. Her current research focuses on team production and the legal structure of business organizations, legal issues in the governance of supply chains, the role of private sector governance arrangements in contract enforcement, and the problem of excessive leverage in financial markets. Professor Blair was appointed to the Milton Underwood Chair in Free Enterprise in fall 2010. She served on the board of directors of Sonic Corp. from 2001-06 and currently serves on the board of WRAP (Worldwide Responsible Apparel Production).

Cost is \$40. RSVP to www.ncblevents.com by November 1. Lunch will be provided. This event qualifies for 1 CPD credit.