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New project targets financial crisis fallout

By Adela Talbot
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With similar comments coming from Mark Carney, Canada's central bank governor, Economics professor Jim MacGee is not alone in thinking the 2008 global financial crisis was, in many ways, an inevitable reflection of long-term trends in the financial sector.

"We've seen the financial sector evolve as the economy evolved, and this (change) has become more rapid. Many aspects of the financial sector are much more quantitative in nature, and the numerical models and techniques to process assets and manage risk (have changed)," MacGee said.

"As tools become more complicated, people have to spend more time learning them and become more specialized. One of the lessons from the (financial) crisis is now trying to understand the implications for the entire financial system and institutions, considering what all the different agents are doing, is challenging."

Western's Centre for Financial Innovation and Risk in Financial Institutions, [one of four newly funded projects under the university's Interdisciplinary Development Initiatives Program \(IDI\)](#), aims to address the challenges that led to, and emerged from, the 2008 financial crisis. The centre received \$310,000 for three years.

Combining expertise from the departments of Applied Mathematics, Statistical & Actuarial Sciences and Economics as well as the Faculty of Law and Ivey Business School, the centre will integrate skills from different disciplines to look at the financial industry and global economy in terms of the "big picture," MacGee said.

Solving ever-present challenges in the economy can't happen if all relevant players are working in silos, he added.

"The centre is an attempt to sort of respond to long-term trends in the financial sector. We want to develop and improve the capacity, to help understand the financial system at the institutional level, by looking at closely related questions from different approaches," MacGee explained.

Alan Weedon, Western's vice-provost (academic planning, policy and faculty), noted this interdisciplinary approach is where the future is headed.

"Lots of today's problems and future problems cannot be solved by one discipline. With (interdisciplinary initiatives), on the research side, we're helping identify problems. On the education side, we're preparing the people who will be able to work on these problems in the future, bringing disciplines together and providing instruction to where the disciplines meet," he added.

What's more, Western is ahead of the curve with regard to interdisciplinary instruction. Even before the approval of the

centre, the university approved an interdisciplinary Master of Financial Economics (MFE) program, which will have its first intake this fall. The centre will serve as the research counterpart to the MFE, MacGee explained.

MacGee said such interdisciplinary approaches with respect to the financial sector will challenge the ways the industry looks at risk management and ways to mitigate the risk people face in the financial market.

"People trained in different disciplines would each have their own way of approaching risk management issues. What we're trying to do with courses and the centre is to find ways to integrate these approaches into a coherent way of thinking about these problems," he said.

The core objective of the centre is to provide infrastructure that will keep all the players talking, all the silos working together. It's meant to facilitate the outreach to the financial community and be a one-stop gateway into the areas of expertise offered at Western. After the three years of seed funding provided by Western, the centre hopes to sustain itself.

Weedon added it's important to keep in mind Western provides seed money to interdisciplinary initiatives they expect to gather momentum. The funded projects are not ideas from deans; they come from the faculty.

"We are at the end of the consultation process for the renewal of our Strategic Plan. The current one had strong statements about nurturing interdisciplinary work on campus and the feedback is that people are very interested in that continuing. This will inform the future one about the value of it, but there are still problems. It's very difficult to sustain IDIs on a campus of our structure," he said.

"Structures define budgets; each academic unit has to meet its obligations within the budget it has and it doesn't necessarily have enough time and money to spill over into other departments."

The Interdisciplinary Development Initiatives Program funded eight projects in 2007-08, five projects in 2008-09, six projects in 2010-11, and four projects in 2012-13. These 23 projects were selected from 58 proposals received.

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IDI FUNDING WINNERS

Western's Interdisciplinary Development Initiatives Program funded four projects in 2012-13. They include:

Financial Innovation and Risk in Financial Institutions, headed by Ivey Business School professors Stephen Sapp and Matt Davison, Economics professor Jim MacGee and Western Law professor Chris Nicholls, involving the faculties of Ivey (host), Social Science and Law, received \$310,00 over three years.

Space Science and Exploration, headed by Physics & Astronomy professors Gordon Osinski and Peter Brown, involving the faculties of Science, Engineering and Social Science, received \$475,000 over three years.

Soochow-Western Centre for Synchrotron Radiation Research, headed by Chemistry professor Tsun-Kong (TK) Sham, involving the faculties of Science, Engineering and the Schulich School of Medicine & Dentistry, received \$339,000 over three years.

Building Teaching and Research Excellence Through the Africa Institute projects, headed by Political Science professor Joanna Quinn, brings together the faculties of Social Science (host), Arts & Humanities, Education, Health Sciences, Information and Media Studies, Music and the Schulich School of Medicine & Dentistry, received \$376,000 over three years.

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Contact:

Publisher:
Helen Connell
hconnell@uwo.ca

Editor:
Jason Winders
newseditor@uwo.ca

Reporter/Photographer:
Paul Mayne
pmayne@uwo.ca

Reporter/Photographer:
Adela Talbot
adela.talbot@uwo.ca

Advertising Coordinator:
Denise Jones
advertise@uwo.ca

Off-Campus Advertising Sales:
Chris Amyot, Campus Ad
chris@campusad.ca

Phone:

519-661-2045

Fax:

519-661-3921

Mail:

Western News
Westminster Hall
Suite 360
The University of Western Ontario
London
N6A 3K7

Western provides the best student experience among Canada's leading research-intensive universities.



Westminster Hall, Suite 360, London, Ontario, Canada, N6A 3K7

Tel: 519-661-2111

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