Financialisation, economy, society and sustainable development

Reporting

Project Information

FESSUD

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Final Report Summary - FESSUD (Financialisation, economy, society and sustainable development.)

Executive Summary:
The project Financialisation Economy Society and Sustainable Development (FESSUD) addressed the central issues of :
the ways in which the growth and performance of economies in the last 30 years have been dependent on the characteristics of the processes of financialisation;
how has financialisation impacted on the achievement of specific economic, social, and environmental objectives?;
the nature of the relationship between financialisation and the sustainability of the financial system, economic development and the environment?;
the lessons to be drawn from the crisis about the nature and impacts of financialisation? ;
what are the requisites of a financial system able to support a process of sustainable development, broadly conceived?
The financial systems of 15 (mainly European) countries were studied in detail to enable understanding of the evolution of those systems and to track the ways in which the financial system had expanded in the

past three decades. From those studies, the general but differentiated processes of financialisation could be mapped: in a phrase, ‘variegated financialisation’.
The theoretical frameworks which have deployed to analyse finance, financial crises and financialisation have been critically examined. Eight sets of explanations of the causes and consequences of the financial crises of 2007-09 were critically evaluated.
The effectiveness of regulation of the financial sector in EU and other countries was assessed particularly in relationship to the financial crisis. New and effective approaches to regulation of the financial sector at the national and international levels were identified and developed.
Comparative perspective on the impacts of the general process of financialisation and of the financial crisis on dimensions of social wellbeing such as levels of indebtedness, access to credit, pension provision, inequality was developed. Lessons were drawn as to whether there are any identifiably superior types of system of finance in respect to social well-being and social cohesion.
The complex interrelated issues including the changing role of the EU in global financial and monetary governance were addressed. As were the changing relationships between the EU and developing countries and the financial integration of new member candidate member countries into the EU.
The extent to which the processes of financialisation have induced a widespread neglect of the environmental and social constraints of sustainable development were investigated. A systematic analysis of the costs and benefits of EU policies from the point of view of sustainable development was undertaken, including in the indexes the spatial dimension of environmental policies and the equity of benefits distribution.
The ways in which financialisation has led to the restructuring in real economy has been examined to identify its costs and benefits (both economic and social). The different types of ownership of finance and its impacts on the supply of finance to industry (including SMEs) were analysed. Exploration of the alternative forms of finance (public, private, social, co-operative including credit unions) and their links to the ownership, governance, and behaviour of industry has been undertaken.
Investigations of how fiscal policies interact with the financial sector were undertaken. The question of what might be deemed good or bad policies from their different abilities to dampen the crises, and to promote financial stability as a ‘public good’ was investigated.

Project Context and Objectives:
The term ‘financialisation’ is designed to describe the role of finance in and of itself and also the economic, social and environmental embedding of finance in the system as a whole. In the thirty or so years of global financial expansion leading up to the financial crises of 2007-09 and the diverse issues at diverse levels that these events and the crisis itself have engendered, can be given an orderly description under the rubric of this term.
There are several features which distinguish the era of financialisation. First, it refers to the large-scale expansion and proliferation of financial markets over the past thirty years. Second, the process has been closely interwoven with de-regulation of the financial system itself and the economy more generally. Third, financialisation, understood as both the expansion and the proliferation of financial instruments and services, has been associated with the birth of a whole range of financial institutions and markets, and corresponding acronyms, that are bewilderingly complex, quite apart from futures markets for trading in commodities yet to be produced. Fourth, at a systemic level, financialisation has been located in terms of the dominance of finance over industry. Fifth, financialisation is strongly associated with market mechanisms, complemented or even reinforced by policies that have underpinned rising inequality of

mechanisms, complemented or even reinforced by policies that have underpinned rising inequality of incomes and of inequality more generally. Sixth, though, consumption has often been sustained by the extension of credit, not least through the use of capital gains in housing as collateral. Seventh, it is not merely the expansion and proliferation of financial instruments and markets that are striking but also the penetration of such financing into a widening range of both economic and social reproduction – housing, pensions, health, and so on. Finally, financialisation is associated with a particular culture which is to be interpreted broadly. It ranges, for example, from the shifting from admiration and envy to antipathy to those who work in finance, but equally is attached to an ethos of reliance upon the market and the use of the state merely as an agent of last resort.

The central issues which were addressed are:

(i) To what extent, and why has the growth and performance of national economies in the last 30 years been dependent on the characteristics of the processes of financialisation?

(ii) What have been the impacts of financialisation on the achievement of specific economic, social, and environmental objectives?

(iii) What is the relationship between financialisation and the sustainability of the financial system, economic development and the environment?

(iv) What lessons can be drawn from the crisis about the nature and impacts of financialisation? How has the crisis impacted on different EU countries and to what extent has the unevenness of financialisation and the policy responses across national economies mediated these impacts?

(v) What are the requisites of a financial system able to support a process of sustainable development, broadly conceived? How should these requisites be specified in reference to the EU as well as developing countries?

(vi) Which are the crucial policy measures that may establish in the EU a new model of sustainable finance?

The research reviewed and synthesised comparative literatures on financial, economic and social systems and produced a systematic framework for charting the differential evolution of financial systems in the EU in the period of financialisation. The framework was used to provide a qualitative (historical, institutional) and quantitative charting of the evolution of the EU financial system taken as a whole and for the financial system in each country. The results for each country and for the EU as a whole were synthesised to capture the differential evolution of EU financial systems overall. The theoretical analyses and paradigms which have been drawn upon to understand finance and financialisation were critically assessed to provide a platform for subsequent studies.

In order to understand the causes and consequences of the financial crisis of 2007-09 in EU and other countries, reviews of the relevant theories of the role of finance in the economy and in economic crises (in general and specifically the current crisis) were undertaken. The roles played in the crisis by financialisation were addressed, and there was an exploration of the specific causes and consequence of the crisis according to different types of financial system.

The effectiveness of regulation of the financial sector in EU and other countries was assessed particularly in relationship to the financial crisis. New and effective approaches to regulation of the financial sector at the national and international levels were identified and developed.

Comparative perspectives on the specific impact of the general process of financialisation and of the financial crisis on dimensions of social wellbeing such as levels of indebtedness, access to credit, pension provision, inequality was developed. A cross-national survey was undertaken to subjectively assess the effects on well-being of ongoing related developments (such as ‘fiscal consolidation’). Civil Society Organisations across the EU were involved in qualitative ‘action research’ to go deeper into these issues.

Organisations across the EU were involved in qualitative 'action research' to go deeper into these issues and ensure direct impact of the research. Lessons were drawn as to whether there are any identifiably superior types of system of finance in respect to social well-being and social cohesion.
The complex interrelated issues including the changing role of the EU in global financial and monetary governance were addressed. As were the changing relationships between the EU and developing countries and the financial integration of new member candidate member countries into the EU.
The extent to which the processes of financialisation have induced a widespread neglect of the environmental and social constraints of sustainable development were investigated. The changes in the governance architecture, both at the international and the European level, which could contribute to establish a suitable regulatory framework to support the shift towards more sustainable patterns of economic and social development were identified. The links between the energy crisis and the on-going climate change process were analysed and assessments made as to which kind of financial regulation could promote the transition towards a more sustainable energy regime. A systematic analysis of the costs and benefits of EU policies from the point of view of sustainable development was undertaken, including in the indexes the spatial dimension of environmental policies and the equity of benefits distribution.

The effects of financialisation on the structure of the real economy have been analysed and how financialisation has led to the restructuring in real economy examined to identify its costs and benefits (both economic and social). The different types of ownership of finance and its impacts on the supply of finance to industry (including SMEs) were analysed. Exploration of the alternative forms of finance (public, private, social, co-operative including credit unions) and their links to the ownership, governance, and behaviour of industry has been undertaken,. The role of finance in the achievement of the key goal of corporate social responsibility (CSR) was identified and analysed. Assessments of the efficacy of different forms of public provision in light of how they interact with the financial system
Investigations of how fiscal policies interact with the financial sector were undertaken. The question of what might be deemed good or bad policies from their different abilities to dampen the crises, and to promote financial stability as a 'public good' was investigated. It also investigated how far the size of governments matters for macroeconomic and financial stability.
An overall picture of the future of financialisation and of the process and mechanisms that are leading to it has been presented, highlighting the internal and external forces that are going to play a role in shaping the future of financialisation. These internal and external forces could be classified as strengths and weaknesses, or opportunities and threats respectively, in terms of their effects on the sustainability of the economy, society and natural environment.
A broad range of methodological and theoretical insights into economics, heterodox economics and interdisciplinary research were evaluated. The state of economics in the wake of the crisis and (in)ability to mainstream economics to contribute to understanding financialisation and financial crisis were explored.
The nature of a comprehensive reform agenda which searches for a new relationship between institutions, government policies, and markets was thoroughly explored. The ways in which the strategy of macroeconomic policy needed to be reformed were evaluated. This synthesis of WP7 focused on the unsustainability of the existing energy system, the need of a rapid transition to a low carbon economy, and the financialisation of built environments.
An overall synthesis of FESSUD has been delivered divided into nine chapters. The chapters are 1. The processes of financialisation in the present era; 2 Understanding finance, financialisation and the financial sector; 3.Understanding financial crises; 4.International Dimensions of Financialisation; 5. Functioning of different financial institutions under financialisation; 6. Financialisation, Society and Social Well- Being; 7 Financialisation and the environment; 8 Regulation and Financial liberalisation; 9 Economic policies and

Financialisation and the environment, 8 Regulation and Financial liberalisation, 9 Economic policies and developments in Europe.

Project Results:

Work Package 2

Terms of reference were developed for the description and analysis of the evolution of financial systems in countries of the European Union, with South Africa, Turkey and USA also included in the period of financialisation. The terms of reference developed a common framework within which the financial system of each country can be analysed to facilitate the synthesis of the results.

Major studies were undertaken of the financial systems of 15 countries (Estonia, France, Germany, Greece, Hungary, Italy, Poland, Portugal, Romania, South Africa, Spain, Sweden, Turkey, United Kingdom and United States). Less extensive studies were undertaken for Ireland and the Netherlands.

The reports were published in the series FESSUD Studies in Financial Systems.
These studies covered the present structures and institutions of the financial system, and will provide analyses of the evolution of the financial system over the decades of financialisation. The country reports stand as important pieces of work in their own right. The reports have interesting country specific findings set in a framework which enables comparisons to be made. Taken together they also tell interesting stories about the processes of variegated financialisation. The national financial system reports contain considerable information on the penetration of national financial sector by multi-national financial institutions, and the degree to which financial institutions in a specific country are subsidiaries or otherwise related to other European based financial institutions.

The paper ‘Financial Integration in the European Union: an Analysis of ECB’s role’ concluded that the processes of nominal convergence (particularly with regard to the effects of the single policy instrument within EMU) have turned into processes of real divergence largely attributable to national differentials in unit labour cost trends and income growth rates. The single nominal interest rate has involved differences in the real interest rate, and hence monetary policy has led to significant differences between countries in credit conditions. It is further argued that the monetary policies adopted by the ECB rely on a ‘bank-based’ model of the financial system, and that these policies, coupled with the imposition of national ‘austerity’ fiscal policies, appear to be unable to insure the Euro area against the growing financial instability and the risk of a prolonged economic recession.

It is argued that in the late 1950s and early 1960s a crucial bifurcation emerged in economic analysis on the modelling of rationality, learning, and expectations that deeply affected research in finance (in particular about the process of financialization and the properties of financial markets), its relationship with macroeconomics and their policy implications. The ways in which the REH and the EMH impede any serious analysis of the evolution of financial markets are clarified. Growing financial instability and the recent deep crisis imply (i) the stationarity of the stochastic processes that describe the working of financial markets and of the economy as a whole exclude the study of evolutionary processes and crises , from the analysis’ scope (ii) the efficiency and stability of the markets which excludes instability and market failures, and (iii) the ability of competitive markets to self-regulate which excludes any sort of serious and persistent financial crisis. In this view, disequilibrium and evolution may only be exogenous and the persistent financial crisis. In this view, disequilibrium and evolution may only be exogenous and the remedy to instability and crisis may be found only by avoiding any interference from policy authorities and regulators.

The paper on the ‘new consensus macroeconomics’, and how it does (or does not) incorporate the role of the financial system. This approach which became dominant in the decade prior to the financial crisis was closely associated with the idea of the ‘great moderation’ and inflation targetting by an ‘independent’ central bank as the key to economic stability. It is well-known that the ‘new consensus macroeconomics focused on the central bank policy interest rate as the key policy instrument but said little on the role of banks, credit creation and the financial sector. The paper reviews the often implicit approaches of the NCM to the financial sector, and to issues of price stability and financial stability.

The two case studies considered on Fisher and on Kindleberger) confirm the conclusions that emerge from the above. In order to explain the Great Depression he had to abandon many postulates of his theory: in particular in his celebrated theory of debt-deflation he had to focus on the financial instability of a monetary economy allowing for the endogeneity of money supply. The study on Kindleberger confirms that his systematic utilization of the FIH crucially contributed to Kindleberger’s success in reconstructing and interpreting the past episodes of financial turmoil.

An exposition of the old institutionalist analysis developed in the writings of Veblen and Mitchell about the role and importance of financial markets in generating conditions for financial and economic crisis was undertaken. They both bring forward the importance of leverage, as well as of liquidity and solvency. In the old institutionalist approach financial markets are naturally and endogenously unstable, nonneutral and influence “real” economic performance. Emphasis is focused on the way Veblen links commodity and financial assets price manipulation with unsustainable leverage structures that cause financial and macroeconomic instability, debt deflation processes and deficient demand and on Mitchell’s business cycle approach to financial crisis.

The report on Minsky gives an overview of his financial theories, the influences behind those theories, and the analysis of financial crisis that came to have a central part in those theories.
Aspects of the work of Keynes and ‘post-Keynesians’ was considered in a paper entitled ‘EMU’s crisis and the end of the Neoliberal order: towards a Post Keynesian policy paradigm?’. We argue that today’s Neoliberal order is not only the result of academic intellectual contests but also of political forces. However, a thorough analysis of the strict link between political factors and economics ideas, which both ultimately rely on specific class interests, has seldom been provided. The paper argues that there is a set of alternative economic theories and policy proposals which could be adopted to face the current crisis.
A paper on ‘Financial repression, financial liberalisation, finance and development’ covered the literatures on ‘financial repression’, on the effects of financial liberalisation on financial stability, growth, and on the relationships between financial development and economic development, including so-called financial deepening and role of different financial systems (banks, stock markets).. A general thrust of this literature is that financial liberalisation and financial development are generally beneficial to economic development and growth: thus it presents a view that important dimensions of financialisation (growth of the scale of the financial sector and of financial markets, de-regulation) are favourable to growth. Within that framework, the empirical literature is reviewed with emphasis on the causal relationship between economic development and financial development and on roles of different financial systems in respect of growth

development and financial development and on roles of different financial systems in respect of growth.

Deliverable 2.08 surveyed some of the important literature on financial, economic and social systems, and in particular: the French Regulation School, the US-based Social Structures of Accumulation approach, and the contributions by several Post-Keynesian authors, with a focus on the long-run views contained in Hyman Minsky's work, in particular. Special attention is given to how each of these approaches deals with the regime shift in the long-run development of modern capitalism towards finance-dominated capitalism, or financialisation, and on how they view the consequences of financialisation for the long-run economic and social development.

In deliverable 2.09 a synthesis of theories of finance and financial crisis is provided. The first describes the mainstream approach centred on the notions of efficient markets, rational expectations and optimal equilibrium. Generally, this approach supports the principle of the neutrality of money in the long run, and this is seen as a severe limitation when trying to understand the nature and origin of financial crises. The second block includes a great variety of analyses, including the theories of Knut Wicksell, Friedrich von Hayek, Joseph Schumpeter, Irving Fisher and their modern followers, as well as the theories of modern Keynesian economists like Hyman Minsky and behavioural finance scholars like Robert Shiller. Here the time framework of the analysis is the medium run, and the focus is on the factors that lead to a boom or bubble, the role of the credit and financial system in this process, and finally on the factor/s that transform a normal crisis into a cumulative economic and financial meltdown. Finally, the third block focuses on long-run changes and different phases of capitalist development. This approach privileges institutional settings and power relationships between different classes. It includes contribution of the Regulation School and the Social Structures of Accumulation approach.

D. 2.10 contributes to the understanding of how economics can and should be integrated with other social sciences and provides a foundation for thinking about interdisciplinary research covered by FESSUD. This work involved reviewing different approaches to interdisciplinary work in economics and social science with a particular focus on 'economics imperialism' on the one hand and 'political economy' on the other hand.

D.2.11 involved examination, comparison and development of various state-of-the-art approaches to the methodology of theorising the financial, economic and social system as a whole. In particular three methodological approaches to system-wide theory are picked out, with a focus in each case on the method of abstraction. (i) 'closed system' mathematical approaches associated with the methodology of positivism, the standard methodology of economics; (ii) purported 'open system' approaches as identified and promoted by 'critical realism', here the intention to examine realism as a potential underpinning for a new more realistic and pluralistic approach to interdisciplinary economics; (iii) approaches of under the umbrella of 'systematic abstraction', an approach to abstraction and system-wide theory of finance, economy and society that is argued to go significantly beyond the previous approaches and to underpin a range of work in FESSUD.

Under Task 6, a report based on the national financial system reports which brings together the information in those reports within a comparative framework. The elements of this comparative report starts with the structure, size and composition of the financial sector, and changes therein over the past two to three decades. This could be seen to address the simple question of how rapidly has the financial two to three decades. This could be seen to address the simple question of how rapidly has the financial sector grown (as a crude indicator of financialisation) and how that has differed across countries. The size of the financial sector would include employment and output calculations, and measures of assets and liabilities of the financial sector (by major sub-sectors of the financial sector) relative to, e.g. GDP. The idea of ‘variegated financialisation’ was developed and substantiated.

A further paper focused on the typologies of financial systems, and the use of such typologies in comparative work. The paper begins with a framework strongly influenced by the circuitist approach which portrays the major financial flows in a capitalist economy in an era of financialisation with emphasis on the distinction between initial finance (bank loans) and final finance and funding. It then explores the dominant typology of financial systems, namely the bank-based vs. market-based one, and the ways in which the differences between bank-based and market-based have been represented in the literatures. The argument is developed that this typology underplays the role of banks in the loan and hence money creation processes. It has also underplayed the segmentation of the financial system, and the different types of banks (e.g. by ownership) and their range of operations (e.g. regional, national and international).

Work Package 3

Work Package 3 was concerned with ‘Causes and Consequences of the Financial Crisis’, and the content can be split into three parts. The first part, addressed tasks 1 and 2, covered theories of financial crisis, key works on previous financial crises, approaches towards changes in the relationship between the financial sector and the non-financial sectors of the economy focussing on the effects on distribution, growth and crisis, in particular. It ended with a review of the factors that generated and transmitted the recent financial crisis. The second part addressed task 3, in which the long-run development of the relationships between the financial and the non-financial sectors of the economy and the effects of these developments on the current financial and economic crises have been analysed. This analysis has covered a set of 11 European Union countries and four non-EU countries, and also three important sectors or markets (currency, energy, residential housing). In the final part, addressing task 4, the country and sectoral/market studies were synthesized and developed typologies, stylized facts and general results, allowing to draw some conclusions for future developments and for economic policy requirements. The European dimension has been included in deliverables D3.10 and D3.11 and lessons for future structural, financial, distributional and macroeconomic policies aiming at a more resilient financial and economic system were drawn in the synthesis deliverable D3.12.
The methods applied in Work Package 3 and the related deliverables have been wide ranging and have allowed the tackling of the problems and research questions from different angles. In the review of the empirical and theoretical literature on the effects of changes in the relationship between the financial sector and the non-financial sectors of the economy associated with ‘financialisation’ on distribution, growth, instability and crises (Hein/Dodig 2014, 2015), four channels of transmission of financialisation to the macro-economy were identified and examined: first, the effect on income distribution; second, the effects on investment in the capital stock; third, the effects on household debt and consumption; and fourth, the effects on net exports and current account balances. For each of these channels some empirical and econometric literature supporting the presumed channels was surveyed, some theoretical and modelling literature examining the macroeconomic effects via these channels were reviewed, and finally, small analytical stock-flow consistent models generating the most important macroeconomic effects were

analytical stock-flow consistent models generating the most important macroeconomic effects were presented.
Summing up, Hein/Dodig (2014, 2015) showed that, against the background of redistribution of income at the expense of the labour income share, and of low labour incomes in particular, and depressed investment in the capital stock, each a major features of financialisation, short-to medium-run dynamic ‘profits without investment’ regimes may emerge. Each type of these regimes, the ‘debt-led consumption boom’ type and the ‘export-led mercantilist’ type, contains internal contradictions: potentially rising household debt-capital or –income ratios in the first regime and rising foreign debt-income ratios of the counterpart current account deficit countries in the second regime. These problems may then finally undermine the sustainability of these regimes and lead to financial and economic crises.
In the systematic review of different schools of economic thought regarding the analyses of financial crises, first, approaches that consider financial crises as a disturbing factor of a generally stable real economy were reviewed. Then, approaches in which the dichotomy between the monetary and the real sphere is lifted were considered. Lastly, behavioural finance approaches were covered.
In this context Detzer/Herr (2014, 2015) developed a theoretical framework, which is methodologically based on a Wicksellian cumulative process, while overcoming the neoclassical dichotomy, combining some ideas taken from Keynes’s analysis of uncertainty, expectations and herding, Minsky’s analysis of debt ratios and changing leverages, Fisher’s analysis of goods market and debt deflation, and different ideas stemming from behavioural finance.
The policy recommendations are to use financial regulation measures to prevent the build-up of vulnerabilities in the expansion period and to reduce some of the feedback mechanisms which exacerbate the booms and busts, in particular purely financial speculation. In the bust, deflation was identified as one of the most important negative feedback mechanism.
The review of three previous financial major crises leading to stagnation was undertaken. The main conclusion drawn is that stagnation after big financial crises becomes likely when the balance sheets of economic units are not quickly cleaned, when the nominal wage anchor breaks, and when there is no big and longer demand stimulus by the government.

The different factors, which were identified as responsible for the recent financial and economic crises, were reviewed. The crisis was detonated in the US by the failure of complex securities based on subprime mortgages. Banks were eager to expand into more profitable areas and, with falling or stagnant wages, conservative governments were keen to see an extension of home ownership. Packaging mortgages in complex securities displaced the impact of a declining capacity to service the loans but resulted in even greater losses when the crisis finally erupted. Subprime mortgages involved a notoriously fragile financial structure represented only one – minor – dimension of the huge expansion of credit on which economic growth in the US had become increasingly dependent since the 1980s.
Explanations of the crisis have given considerable weight to the failure of risk management; inadequate measures of risk, widely overlooked factors, an over-confidence in numerical models, all served to ensure that the evolution of complex securities completely outstripped the development of risk management techniques.
The role of perverse incentives were examined in the generation of the crisis. The payment of rewards on the basis of short-term results encouraged a disregard of any consideration of longer-term financial sustainability. In this sense, perverse incentives played an important role in promoting the unchecked accumulation of unsustainable credit structures. However, as with the failure of risk management, the impact of perverse incentives could only gain such significance in a context where legal restrictions were

impact of perverse incentives could only gain such significance in a context where legal restrictions were being relaxed and financial capital was straining to expand.

The claim that the crisis was provoked by the over-expansive character of monetary policy in the US in the years prior to 2007 was challenged. When credit-driven expansion stalled in 1990, the Federal Reserve prevented a more serious recession by cutting interest rates and holding them down for several years. Then in 2001, following the collapse of the so-called internet bubble, the economy again entered a recession and the Federal Reserve once more responded with a highly expansionary policy. The Federal Reserve's accommodating monetary stance actually prevented more serious crises from occurring earlier – albeit at the cost of accumulating the tensions which finally burst out in 2007 and 2008.

Another factor which has been identified as generating the crisis involves the rapidly growing sums of capital which were striving to obtain ever higher returns. Ultimately, this search for higher returns all rested on the economy's ability to generate an economic surplus. The creation of complex instruments could stretch and obscure this connection through seemingly impenetrable layers of financial transactions, but only for a time

The widening global imbalances which emerged in the years leading up to the crisis have been identified by several authorities as a source of the tensions which led to the crisis The origins of the crisis did not lie in current account imbalances but in the fragility of the US monetary and financial system and the massive, unchecked expansion of lending, it can be concluded. However, the international integration of financial markets and the financing of current account imbalances contributed to the rapid international diffusion of the crisis through financial contagion and international trade.

The deregulation of the US financial system from the 1980s has been identified as a major cause of the crisis. The deregulation of the financial system was not simply a result of a shift by governments to more neoliberal policies. The existing system of regulation had ceased to be fully effective as banks had increasingly circumvented the old order through innovation and internationalisation. Banks played a very active role, promoting the process of deregulation through extensive lobbying and, aided by the widespread influence of neoliberal ideas, US governments responded by accommodating their demands.

Major shifts in the distribution of income since the 1970s were a key underlying factor in generating the crisis in the US. As the incomes of many working- and middle-class households stagnated or even fell, they attempted to compensate by borrowing in order to finance the maintenance or the growth of consumption. One important way in which households raised funds was to borrow against the rising value of their homes, something which could only function so long as house prices were rising.

The country studies on the long-run effects of financialisation covered a set of 11 EU and four non-EU countries The structure for each of these studies was inspired by the review and presentation of theoretical models on the long-run effects of an increasing dominance of finance on the macro-economy through various channels.

The debt-led private demand boom regime is characterised by negative financial balances of the private household sectors, in some countries accelerated by corporate deficits and thus deficits of the private domestic sectors as a whole, positive financial balances of the external sector, and hence, current account deficits, high growth contributions of private domestic demand, and negative growth contributions of the balance of goods and services. The export-led mercantilist regime is characterised by positive financial balances of the domestic sectors as a whole, and hence negative financial balances of the external sector, and thus, current account surpluses. The domestic demand-led type is characterised by positive financial balances of the private household sector as well as of the external sector, and hence, current account deficits. Here it is usually the government and, to a certain degree, the corporate sector, running deficits. We have positive growth contributions of domestic demand without a clear dominance of private

We have positive growth contributions of domestic demand without a clear dominance of private consumption, and negative growth contributions of the balance of goods and services. Low-growth mature economies driven by domestic demand can be distinguished from high-growth catching-up domestic demand-led economies.

Based on the country studies and some additional data analysis, Dodig/Hein/Detzer (2015, 2016) clustered the 15 countries according to the typology of demand regimes for the trade cycle of the early 2000s before the crises. Therefore, Dodig/Hein/Detzer (2015, 2016) conclude, if this global constellation cannot be overcome by a more balanced development based on expansionary contributions by the current account surplus countries as a first best solution, economic policy making in two areas would have to be re-thought and re-assessed.

The markets for foreign exchange, energy and residential housing have all been strongly affected by the deregulation and expansion of the financial sector. One key result was that, as a consequence of deregulation, these markets have begun to follow the logic of asset markets. This first occurred in the case of the foreign exchange market from the 1970s onwards, but has also become true of residential housing markets since the mid-1990s, and energy markets since the early 2000s. The transition to functioning as asset markets has resulted in attracting more speculative-oriented investors to the three markets. This has been most marked in the case of foreign exchange markets, where some 95 per cent of market trading was dominated by financial institutions – predominantly large banks – taking short-term positions in currencies. But it has also become true of the energy markets, where new instruments have made it possible to open and close speculative positions very rapidly, and – to a slightly lesser extent – of residential property markets. The close link between the different markets was demonstrated in the first half of 2008 when, following the collapse of complex securities based on house mortgages in the US, there was a major inflow of short-term capital into energy and other commodity markets prompting an unprecedented spike in prices. The deregulation of currency, energy and housing markets has led to far greater price volatility and the rise of unsustainable price bubbles which, when they burst, can pose a significant threat to financial and economic stability.

Analysing the changes in the relationship between the financial and the non-financial sectors for the European Union and the Euro area, and the consequences of the financial crisis in particular, first, Altuzarra et al. (2016) have shown that the amount of external funds obtained by non-financial corporations (nfcs) usually exceeds the required funds to finance productive investments in those companies, with these "excessive" external funds being used for the acquisition of financial assets. Furthermore, their econometric analysis indicates that the growth of bank credit to the nfcs has not contributed positively to economic growth in the EU. Carrasco/Ferreiro (2016), Carasco et al. (2016) and Ferrerio et al. (2016) have then argued that the impact of the financial crisis and of the Great Recession on GDP has been more pronounced in the Euro area than in the non-euro EU.

Moving from the consideration of groups of countries towards the country level in the second part of their analysis, and checking for tendencies towards convergence or divergence for the period 1995 to 2013 in the Euro area, Carasco et al. (2015, 2016) found that before the crisis there was a convergence process in some macroeconomic and financial data of Euro area economies. This was true for potential GDP growth, the output gap, employment and unemployment rates, adjusted wage shares and Gini coefficients for disposable household income, CPI inflation, as well as government deficit- and debt-GDP ratios. However, for GDP per capita growth, GDP growth, real wage growth, real unit labour costs, current account balance-GDP ratios, financial asset- and financial liabilities-GDP ratios either no convergence or even divergence was observed even before the crisis. With the onset of the crisis in 2009, however, strong diverging processes for all the variables mentioned seem to have dominated. The only exceptions are real

diverging processes for all the variables mentioned seem to have dominated. The only exceptions are real unit labour costs and CPI inflation.
Hein (2015) argues that the increasing dominance of finance was associated with two fundamental and structural processes generating the contradictions of this phase of development of modern capitalism and finally the financial and economic crises starting in 2007. The rising dominance of finance was built on the deregulation of the financial (and economic) system and it contributed to a massive redistribution of income at the expense of labour and low income households. These fundamental processes provided the conditions for the generation of major imbalances within some of the national economies, on the one hand: growing financial sectors, rising claims on financial profits, weak investment in the capital stock, rising indebtedness of firms and households in particular, and rising debt-financed private sector demand, and private consumption in some countries, in particular.
This constellation, together with highly unregulated international financial markets, suffers from severe risks: First, high government deficits and debt in mature domestic demand-led economies as stabilisers of national and global demand may be reversed for political reasons (debt ceilings, debt brakes), although there may be no risk of over-indebtedness of governments, if debt can be issued in the own currency and is backed by the respective central bank. Second, capital inflows into catching up domestic demand-led economies may be unstable and face 'sudden stops' because of changes in expectations and/or over-indebtedness in foreign currency.
As an immediate short-run stabilisation of such a constellation, economic policy making in two areas would have to be re-thought and re-assessed. First, the role of public deficits and debt in order to provide global demand at a reasonable growth rate would have to be accepted, in particular for governments being able to go into debt into their own currency. Second, the stable recycling of current account surpluses of mature export-led economies towards the high-growth catching-up countries financing their current account deficits would have to be provided in order to avoid unsustainable booms, 'sudden stops' and capital flight.
In the long run, however, the underlying structure of the current constellation still dominated by financialisation would have to be challenged and changed. This should have four dimensions of re-regulation and downsizing of the financial sector; re-distribution of income (and wealth) from top to bottom and from capital to labour; re-orientation of macroeconomic policies towards stabilizing domestic demand at non-inflationary full employment levels; re-creation of international monetary and economic policy coordination.
The re-orientation of macroeconomic policies – in particular in current account surplus countries – should aim at improving domestic demand, employment and hence also imports into these countries. First, interest rate policies of the central bank should abstain from attempting to fine tune unemployment in the short run and inflation in the long run. Central banks should instead target low real interest rates in order to promote real economic activity. A slightly positive real rate of interest, below the rate of productivity growth, seems to be a reasonable target: Rentiers' real financial wealth will be protected against inflation, but overhead costs for firms will be reduced, allowing for a shift of income distribution in favour of labour with stimulating effects on aggregate demand. Further on, central banks must act as a lender of last resort in periods of liquidity crisis, not only for the banking system but also for the government. The latter provides the conditions for fiscal policies to fulfil its stabilising role.

Work Package 4
The research within WP4 focussed on three key areas - fundamental principles of financial regulation and supervision; impact of implementation of EU Directives on Banking and Finance on national regulatory

supervision, impact of implementation of EU Directives on Banking and Finance on national regulatory systems; and ability and challenges of current as well as future regulation to prevent the next financial crisis. In general, the research within WP4 has provided reviews of financial regulation and de-regulation over the past three decades and investigated the involvement of de-regulation in the genesis of the financial crisis. Propositions have been also made on the development of a more effective financial regulation, and the influences of monetary policy and bank supervision on the structure and behavior of the financial sectors have been evaluated. It has been singled out that the Single European Act recognized the importance of financial integration in the creation of the single internal market, while the Maastricht Treaty focused on rapid monetary integration - a common currency for a common market - rather than political integration. Financial regulations, thus, concentrated on a common currency, the Euro, rather than the creation of a common internal financial market. The 2008 financial crisis highlighted the risks of this dual approach and led to concentration on common financial regulations such as the single rule books through mandatory Regulations, rather than Directives, which had permitted substantial variation in implementation in national regulations and supervisory practices. This shift in approach creates new problems as imposed common standards may accentuate difficulties due to differences in the size and structure of national financial systems, which has led to differences in particular countries' national regulatory response and may discourage countries seeking to join the Eurozone. Likewise, the potential for innovation in digital provision of means and systems of payments suggests both the possibility of greater national divergence in financial structure and greater integration of financial systems, which make common regulations less effective and efficient in promoting financial stability. Therefore, it may thus be necessary to revise the current approach to financial regulation to seek greater harmonization across homogenous financial actors rather than national borders.

Given that prudential regulation has been designed to ensure the reliability of the money issued by private financial institutions, traditional bank regulation – micro-prudential one - has concentrated on the stability of individual banking institutions, while after the recent financial crisis attention has focused on the systemic impact of financial institutions' behavior that looks beyond the individual financial institutions. Regulation has varied over time and over different structures of the financial system. Yet, regulations, which excluded specific types of financial activity, have been subject to erosion by innovations that do not fit the exclusionary list precisely. Likewise, regulations, which limited activity to a specific list of accepted activities, have faced similar problems. Since Prudential Regulation represents a limitation on banks' operations, it limits the ability to earn profits and thus creates incentives to evade or avoid them, which can take several forms (including through financial innovation). The pervasive nature of incentives to circumvent regulations and the existence of competitive innovation in the financial system means that regulation must be continually revised and updated to keep pace with the evolution of the organization and operation of the financial system if it is to be effective. Major regulatory changes often respond to specific activities thought to be linked to prior crisis. A consistent and clear set of principles behind actual regulatory and supervisory frameworks is thus difficult, if not impossible, to determine. The recent crisis has spurred a wide revision of financial regulation perceived as an attempt to give it consistency and effectiveness. However, this re-regulation process has not been the result of a radical rethinking of the existing set of regulations or the overall approach to financial regulation. Fixed rules, monitoring and arbitration of activities cannot be perfect, allowing for significant degrees of discretion. Special attention must then be given to the design of both institutions and rules. Political, as well as private, distortions require a carefully designed institutional framework to produce balance between rules and discretion. Adaptive approaches that leave financial structure endogenously determined by financial innovation are

Adaptive approaches that leave financial structure endogenously determined by financial innovation are not consistent with direct regulation of specific institutions and products. If it did, it would support the creation of innovations for regulatory avoidance. In that respect, focus on regulation of institutions has left innovation to mould products in response to regulatory costs and constraints, while concentration on bank capital moved risks off banks' balance sheets, which provides support for the adoption of a functionalist approach to regulation and supervision. Hence, when seen from alternative, functional approach, rather than explaining banks as providing an efficient conduit between savers and investors because they have better information concerning investments than private savers, banks are seen as providing to business firms the ability to acquire the assets they need to engage in production or investment in new productive capacity. In this way, banks convert illiquid private liabilities into liquid means of payment and receive income for this function. Thus, banks create liquidity and operate the "ultimate" payment system within economies. Such a characterization of banking operations highlights banks' two basic functions. From this point of view the fundamental role of prudential banking regulation is to ensure that banks are able to provide this inherently contradictory dual function, that is, the regulators need to try to insulate the payments system from the consequences of losses, which may ensue from development financing.

Based on seven country studies on the implementation of the European Directives on Banking and Finance in the period from the introduction of the Single European Act to the 2007/8 Global financial crisis and the additional national measures that have been taken in response to the crisis, each study has provided a narrative of the domestic financial regulatory structure at the beginning of the period, as well the means by which the EU Directives have been introduced into domestic legislation and the impact on the financial structure of the economy. The studies highlight how the Directives have been modified to meet the then existing domestic conditions and financial structure as well as how they have modified that structure. Studies have shown that most governments of the initial member states had direct controls over financial conditions. The 1980s decision to widen the scope of the single market to include financial markets meant controls on cross border investments, directed lending, interest rate caps and exchange rate management should be eliminated. With open financial borders, the adoption of common rules and homogeneous supervisory practices became an integral part of the objective of integration of the European financial markets. This process took place within a global trend toward deregulation of financial institutions and the liberalization of financial markets in the major financial centers that implied an increasing role of market forces in the global distribution of financial assets and the regulation of financial institutions. The new common European regulatory structure thus reflected a general move to greater reliance on market discipline and “light touch” regulation. Preservation of regulatory jurisprudence and supervisory jurisdictions, based on diverse national legal codes and practices meant substantial discretion in the practical implementation of the common EU rules and principles. Differentiation also resulted from the use of subsidiarity and proportionality in the application of EU legislation. In practice this means minimum not maximum harmonization will be the standard. Failure to introduce a common EU regulatory agency provided in the Maastricht Treaty meant that national authorities retained full discretion in interpretation and application of EU Directives once incorporated in national legislation. The recent crisis has made evident the difficulties in this approach, leading to maximum harmonization through a series of institutional Regulations such as the European Supervisory Authorities, the Single Resolution Authority and a Single Supervisory Mechanism. Country-studies demonstrate the diversity in financial structure and regulatory and supervisory frameworks. Namely, three countries were initial members of the EEC (France, Germany and Italy), whose financial systems evolved within the full process of trade integration preceding the introduction of the move to a common monetary and financial structure. Spain exhibits the problems of the introduction of the move to a common monetary and financial structure. Spain exhibits the problems of catching up in a late adhesion country and three formerly planned economies (Estonia, Hungary and Slovenia) show the different problems adapting the entire structure of their economic and political systems in the process of homogenization of their financial structures. Even though all countries started with different initial regulatory structures and adopted diverse paths in regulatory harmonization, in all countries the Directives shifted the domestic balance of power in favor of Central banks and Regulatory agencies at the expense of national parliaments and executive branches of governments. This shift was not peculiar to EU members states, reflecting a more general disengagement of government from direct economic responsibility due to the increasing dominance of political parties supporting greater market regulation on the one hand, and the increasing complexity of regulations which shifted decision-making from elected governance structures to technical experts at the national, and in the case of the Basle Committee, international level. In essence, the crisis has thus produced a shift of those items that were previously subject to weak or national discretion in coverage into the group of items to be covered by obligatory EU harmonization. Thus, the crisis has given impetus not just to a revision of the applicable regulations, but also to the reshaping of the overall structure of financial institutions, via pursuit of increased centralization of decision and implementation, and the general degree of regulatory harmonization. This approach is clearly evident in the pursuit and specification of the terms of the single rulebook and single supervisory handbook. However, the comparative analysis provided by the country studies raise questions on whether the past and more recent changes are contributing to increase the financial stability and efficiency of individual banks and national financial systems. The crisis has demonstrated the drawbacks of formulating the regulatory framework on standards borrowed from the ‘best’ industry practices from the large developed countries, originally designed exclusively for large global banks, but now applied to all financial institutions.

Concerning the challenges and ability of current and future financial regulations to address the next financial crisis, one needs to start with the acknowledgement that any system of regulation that succeeds in producing stability will eventually be undermined by its success in producing stability. The history of money, banking, and financial legislation can be interpreted as a search for a structure that would eliminate instability. Experience, however, shows that this search failed and theory indicates that the search for a permanent solution is fruitless. Even if a program of reforms is successful, the success will be transitory. Innovations, particularly in finance, assure that problems of instability will continue to crop up. Therefore, if regulation is to remain effective, it must be reassessed frequently and made consistent with evolving market and financial structures. As noted, the focus of functional regulation should be liquidity creation, whereby banks control this function through control of the payments system. Regulations on these functions will generate an impetus for innovation. Hence, charting the future of regulation requires a means of assessing innovation in the payments system and Identifying new innovations producing liquidity creation. As can be noted, innovations in computation and telecommunications have created the potential for mobile systems that “make payments” and a potential disruptor of the regulated bank-based payment system. Currently existing systems use wireless, or near payment radio connections to provide transfers. All link the users’ regulated, insured bank or credit/debt card accounts, but this does not prevent such systems from creating purchasing power, and indeed, some online payment services also provide lending services and issue branded credit cards through one of the major credit card networks. Thus, the current environment already provides systems that offer a mixture of mobile payment providers through the use of smart-phones and alternative payment systems to traditional bank-based systems. Now, without control of the payments system “loans no longer create deposits” and as a result, lending will also be carried out the payments system "loans no longer create deposits" and as a result, lending will also be carried out within a clearing system with the issue of private liabilities against the creation of assets neither of which are evaluated by regulated financial institutions. Thus, new forms of mobile payment systems and peer-to-peer lending escape existing regulation and will require a new approach to prudential regulation. The problem is that so-called "Person to Person" or "Peer-to-Peer" (p2p) direct lending systems that link borrowers and lenders via the internet have been subject to financial innovation such as securitization of loans, and as in the case of sub-prime lending, there is little due-diligence or transparency on the underlying loans since they are not subject to capital market regulations. Moreover, the system has evolved from a pure p2p system with individual borrowers seeking loans from individual lenders via an internet clearing house, to attract investments from both regulated banks and unregulated hedge funds as major purchasers of p2p loan packages or securitized assets. In addition, insurance companies and other institutional investors have been reported as investors in the equity of p2p lending platforms. This involves both raising capital for p2p lenders and institutional investors as funders for p2p loans. So, left to competition in the private sector the various competing systems will eventually be dominated by the largest client base. The Schumpeterian result will be a single dominant payments provider, which links the maximum number of clients. And, once this critical size is achieved, it will not only be able to displace regulated banks as providers of the payment system, but will also produce the same risks and require regulation just as existing financial institutions. To conclude, the new payments systems have the ability to evade or distort the regulation on the liability side of financial institutions, while the p2p system replaces the due diligence of bank loan officers and bank supervisors with computer algorithms. It is for this reason these system will be the major challenge to the future regulation of the financial system. These systems virtually eliminate the bank lending officer and the normal due diligence. Certainly, these loans may be considered as having 100% capital backing, but this in no way eliminates the possibility for systemic instability to create havoc in the financial system.

Work Package 5

The overall objective of Work Package 5 was to evaluate the differential impact of financialisation and of the crisis on social well-being across the EU, focusing in particular on the relationships of households with the financial system. The purpose of the Work Package was simultaneously theoretical, empirical and policy-oriented with the goal of examining the functioning of financial systems in order to serve better citizens' well-being.

Theoretical work has been driven by the material and cultural approaches to financialisation (MCF) that takes as fundamental starting point that financialisation is a decisive materially and culturally constructed aspect of contemporary capitalism in terms of the relations, structures, processes and agents through which it prevails.

MCF draws upon the system of provision, SoP, approach which conceives the economy as dependent upon distinct but overlapping SoPs, most obviously attached but not confined to different sectors of commodity production (for consumption). These SoPs interact with the material cultures that shape norms, values, meanings and practices associated with provisioning. These material cultures are characterised in terms of a number of core features which have been termed the 10Cs – that these cultures are Constructed, Construed, Conforming, Commodified, Contextual, Contradictory, Closed, Contested, Collective and Chaotic. The 10Cs are designed to capture or to bridge both the complex nature of material cultures (the natures and contents of meanings) and the way in which they are forged through material and cultures (the natures and contents of meanings) and the way in which they are forged through material and social processes. This general framing of material cultures attached to the economy by means of the SoP approach and the 10Cs is applied more specifically in case of financialisation in light of its being taken as a defining feature of contemporary, neoliberal capitalism and, correspondingly, a decisive factor in the restructuring and shaping of many if not all SoPs and their material cultures. The systems of provision approach offers the best route towards assessing the impact of the financial crisis and austerity on well-being, underpinning an alternative programme of well-being research to that of the happiness paradigm, one that can truly penetrate into the lived experience of crisis as well as its systematic effects on well-being. A subjective approach to well-being is therefore rejected, primarily on the grounds that people's assessment of their own well-being tends to adapt to changing circumstances.

Shared trends have been identified denoting common institutional changes across Europe. Liberalization of financial flows, decreasing interest rates, financial innovations are some of most significant shared trends, leading to unprecedented growth of the supply of credit to households at low interest rates. This together with welfare restructuring through privatization and commodification contributed to the synchronic growth of demand for housing loans and the rise of homeownerships across Europe, even if at different paces within EU countries.

The systemic nature of these transformations is reinforced by the evolution of household financial wealth, especially that of pension and life insurance funds, which have become the second most important (financial) asset held by households after housing. This also signals shared transformations in particular systems of provision, namely common trends towards the privatisation of social protection systems transferring increasing responsibility onto the individual through growing access to financial markets.

Focusing on five countries representative of different types of financial systems and welfare regimes in the EU, the survey data provided further evidence on how and the extent to which household engagements with finance are differentiated across and within countries.

Consistent with aggregate data, household engagements with the financial sector are both more widespread and diversified in developed countries with more advanced financial systems, as is the case of the UK and Sweden, where a higher level of household debt is associated with a higher level of financial wealth, indicating that engagement with the financial sector is generally made on both sides of the household balance sheet. This contrasts with Poland, where households' engagements with finance, while growing, have been less intense, reflecting not only differences in its system of housing provision but also the relative underdevelopment of its financial sector. The privatisation of state housing in the transition period, in particular, has ensured high rates of owner-occupation without the recourse to housing loans, which contributed to containing the development of the mortgage market. The Swedish and the UK cases have also shown that the intensification of household dealings with finance has been beneficial to important segments of the population of these countries contributing to household accumulation of material and financial wealth. However, financial vulnerability is a more widespread phenomenon and overall dissatisfaction with finance is high, comparable to Polish households, which have a relatively low intensity involvement with finance. In Germany, households stand somewhere in between these two poles, in terms of household financial dealings, overall financial situation and satisfaction with finance.

Taken together, the survey results indicate that financialisation amplifies extant inequality, as manifested in the different rates of participation in debt and financial assets markets which are unfavourable to the less well-off. These results offer a seemingly different picture of household financialisation across Europe than that highlighted in the literature that focuses on the US and UK, cases that underline the transformations occurring in the household sector that have induced some households to incur debt to fill the gap between occurring in the household sector that have induced some households to incur debt to fill the gap between declining and stagnating income and evolving norms of consumption.

The evolution of subjective well-being and societal satisfaction has reproduced patterns observed in more material aspects of well-being, in terms of the relative positions of countries and most vulnerable groups in each country. In all countries, the unemployed and households belonging to the bottom income quintile have the lowest levels of subjective well-being and societal satisfaction. This reinforces the importance of the situation of the economy and of more material dimensions to individual and household well-being. This reinforces the conclusion that financialisation is a systemic mechanism creating and reproducing inequality within and across countries, and that the impact of financialisation on well-being goes beyond the specific relations of households with the financial sector, requiring the examination of transformations in the labour markets and welfare systems. The varied impacts of the crisis, in particular, point to the importance of the institutional framework of each country, as the extent to which the welfare states effectively protect citizens against social risks.

WP5 has found empirical support to the effect that financialisation is a systemic mechanism creating and reproducing inequality within and across countries. WP5 has documented shared financial, economic and social trends denoting common institutional changes across Europe. Liberalization of financial flows, financial innovation and decreasing interest rates are some of the most significant trends, leading to unprecedented growth of the supply of credit to households at low interest rates. At the same time household financial wealth has risen relative to GDP especially led by the evolution pension and life insurance funds, which have become the second most important (financial) asset held by households after housing. These trends result in reproduction and amplification of inequality as different rates of participation in debt and financial assets markets have been unfavourable to the less well-off.

This points to the dysfunctions of financialisation and resulting vulnerabilities that push further the disadvantaged groups into the margins, and a shift in approaches to social policy. The growing reliance on owner-occupation, with access secured through incorporation of households into mortgage markets, is part and parcel of the same process of residualisation of social housing in providing a safety net for the market excluded. This is because, on the one hand, housing provision has become increasingly a domain left to private provision, and on the other, housing is a basic good which compels states to intervene at least at the margins.

However, an important insight of WP5 is that the nature of the relationships between financialisation and social well-being cannot be simply read off from the sizes of national financial systems or the extent of household engagements with finance through their borrowing and savings behaviours. As the countries most negatively affected by financialisation and the financial crisis are also amongst those with the biggest gaps in their social protection systems, they have also endured the most severe social impacts. This has been particularly the case of the countries that have requested official financial assistance, having been subjected to, and/or internalised, severe austerity measures in return.

The attachment of financialisation to economic and social reproduction has been addressed through the notions of commodification, commodity form and commodity calculation (ccfcc for short). For the first, in case of (shift to) commodity production, as with privatisation of public services for example, the prospect for financialisation is opened up. The same can apply in the absence of commodification (and production for profit) in case of commodity form where revenues are collected in some form which can be securitised even if production itself remains in state ownership. And, for commodity calculation, whilst activity may not be monetised, it may be governed by financial principles, as in allocation of funding for public services.

The more intermediate effects of finance on well-being through labour market segmentation needs also to be taken into account. Even if to different degrees across countries, overall living and working conditions be taken into account. Even if to different degrees across countries, overall living and working conditions have worsened for a significant number of households, resulting in declining household income, increased recourse to debt to cover living expenses and deteriorated employment relations. The low-income and younger workers with more precarious labour contracts have worsened their relative position, experiencing a degradation of work relations and wage income.

The micro-level analysis of finance-work relations has brought to the fore detrimental impacts of finance that do not emerge in macro-level analysis. The micro-level comparative analysis of finance-work relations thus points to the continued relevance of work in currently financialised times, a relevance that has become more prominent even if it cannot be inferred from the sizes of national financial systems or the extent of household engagement with finance, or from out-dated welfare regime typologies. Analysis of finance-work relations calls for the context-specific institutional analysis of finance, work and broader welfare provision, and of how they interact and evolve to produce differentiated socioeconomic outcomes in time and place.

A major policy implication is that the resolution of financialisation's dysfunctions and resulting vulnerabilities does not lie in small fixes to the financial sector. It requires instead de-financialising the economy and society, substantially changing the way production and social provision is organised.

As the extent, nature and use of finance remains differentiated from country to country, policy proposals to address the dysfunctions of financialisation and resulting vulnerabilities must take into account the contingent and variegated nature of financialisation processes and outcomes, as well as the transformations produced in the structures, agents, relations and processes that form relevant systems of provision.

While there may be relative agreement on the inequalities produced by financialisation, how to tackle them is not simply achieved through a reversal of prior policies. Decades of neoliberal policy have produced profound structural transformations that make the mere reversal of past policies more than challenging. Moreover, in the aftermath of the Global Financial Crisis, neoliberal ideology remains dominant continuing to impose the imperatives of finance that prioritise market-oriented policies and fiscal austerity.

Policy-making not only need to consider likely resistance to changes to a financialised status quo, but it may also benefit from coalitions with emergent groups mobilising around particular SoPs as tension escalates in the face of mounting evidence of the failures of financialised systems of provision. In the case of housing, the numbers for whom financialised housing systems work in their favour are diminishing. Increasingly, the victims of the housing crisis are not limited to those reliant on diminishing social housing provision, but also include young better-off people unable to get on the housing ladder and the growing number of people in the private rented sector with limited rights and protection against unscrupulous landlords.

In pension provision, as the economic benefits of pension reform have failed to materialise, exposing the misguided trust in the efficiency of capital markets and misplaced concerns regarding the debt levels and expenditure of states, new opportunities rise for policy-making aimed at enhancing social well-being in this area. Most urgent is the resolution of the discrepancy between male and female post-retirement outcomes. Given that this is largely a consequence of gendered labour market participation rates, policy options to counter this direction of travel include enhancing childcare provision. This option, alongside others, should be promoted with the same vigour as the original pension reform, if there is a serious commitment towards gender equality.

Taken together, the multi-level analyses of the impact of financialisation on well-being suggest that struggles over social reproduction may become more important in combatting the effects of financialisation, besides labour struggles to regain workers' rights and broader social protection. This will

financialisation, besides labour struggles to regain workers' rights and broader social protection. This will not only require greater state support, but more fundamentally de-commodifying provision (including production, form and calculation). Ultimately, this implies to recognise once again that housing, water, pensions and health are social goods requiring universal access.
The participatory research exercise has shown that vulnerable people are far from being passive and are constantly seeking ways to prepare for, and cope with, the daily risks that surround them, for instance by building assertive local action groups or organisations that can press for public policies that reduce risk. It has also shown that their individual resilience is built up through daily processes of negotiation and resistance to pressure. When it comes to holding accountable the right actors for achieving the needed changes and transformations, vulnerable people are well aware that governments should be more protective of their citizens and guarantee them access to their rights.

Work Package 6

Work Package #6 was led by the School of Oriental and African Studies, University of London.

Participating institutions included NKUA of Greece, METU of Turkey and WITS of South Africa. The research for this Work Package encompassed three major tasks: 1) Map the Changing Global Financial and Monetary System and the Changing Role of Developing Countries Therein, 2) Assess the Impact of the Changes in the Global Financial and Monetary System on Developing Countries, and 3) Analyse the Changing Role of the EU in the Global Financial and Monetary Governance.
Task #1
Task #1 encompassed three deliverables: 1) Review of the Literature (the Changing Impact of Finance on Development) (D6.01) 2) Report on Scenarios for Future Global Engagement (D6.02) and Report on Financialisation and Development: Mapping the Issues (D6.03). These Deliverables were designed to lay the basis for the main body of research, which would be covered under Task #2. SOAS collaborated with NKUA in completing three working papers that specifically addressed the three topics under Task #1. SOAS produced Working Papers #124 for D6.01 and #138 for D6.03 while NKUA produced Working Paper #95 for D6.02. While Working Papers #124 and #138 were basically on schedule, the completion of Working Paper #95 was delayed significantly.
Task #2
Task #2 represented the main body of research for Work Package #6. In response to this challenge, researchers at all four institutions—SOAS, NKUA, METU and WITS—produced a total of 15 Working Papers for the three Deliverables that undergirded Task #2. The first Deliverable, D6.04 required 'Two Papers on the Assessment of the Implications for Financial Flows between the EU and Developing Countries'. These two papers were produced by researchers at SOAS: 1) 'EU Development Policy and the Promotion of the Financial Sector' and 'Developing Countries' External Debt and International Financial Integration'. These were Working Papers #120 and #121, both of which were produced soon after the deadline of November 2014.
The second Deliverable, D6.05 required 'Three Papers on the New Roles that Key Developing Countries Will Have in the Provision of Finance for Europe'. Two of these Working Papers were produced by NKUA. The first of these two was 'The Potential Role of Sovereign Wealth Funds in the Context of the EU Crisis', which was Working Paper #123, and the second was 'The New Roles that Key Developing Countries Will Have in the Provision of Finance for Europe', which was Working Paper #138. These two Working Papers were completed by August 2015.
The third Working Paper for D6.05 was Working Paper #129, 'Developing and Emerging Countries as

The third Working Paper for D6.05 was Working Paper #129, 'Developing and Emerging Countries as Finance Providers: Foreign Exchange Reserves and Direct Investment to the European Union'. This paper was written by SOAS and was completed by the deadline of May 2015.

D6.06 was the third Deliverable for Tasks #2. It was entitled 'Report on the Financial Implications of the New Relationship between the EU and the Developing World'. This Deliverable required covering a fairly broad panorama of issues. Thus, the response to meeting the requirements of this Deliverable involved the production of four Working Papers, three of which were written by researchers at SOAS and one of which was written by researchers at WITS. The first Working Paper, which was #139, was entitled 'Financing Economic Development: Theoretical Debates and Empirical Trends' and was written by researchers at SOAS. Working Paper #140 was the second working paper produced for Deliverable 6.06. This was entitled 'The Private Turn in Development Finance' and was also written by researchers at SOAS. Both of these Working Papers were completed by September 2015.

The third Working Paper written as part of Deliverable 6.06 was 'The Self-Financing of Industrial Development in Developing Markets: Case Studies in Brazil, China, India and South Africa'. This Working Paper was #157 and was written by a researcher at WITS. This Working Paper was completed in November 2015.

The fourth and final Working Paper, namely, #158, was 'Currency Support Arrangements, Such as in the Franc Zone and the Instability of Exchange Rates'. This fourth Working Paper was written by researchers at SOAS and was completed November 2015.

Deliverable 6.07 of Task #2 of Work Package #6 involved producing six Working papers. This effort entailed producing 'A Series of Country Studies on the Impact of Financialisation on Development'. These Working Papers covered, in some depth, conditions in Brazil, China, India, Indonesia, South Africa and Turkey. They were numbered Working Papers #141 through #146. Some of them were written by international consultants based in the country of focus.

The first, Working Paper #141 was entitled 'Financial Imbalances in the Global Economy: Consequences for Brazil and Indonesia' and was written by researchers at SOAS. It involved using the global macro-econometric model, the CAM, to produce medium-term economic and financial projections for both countries. Working Paper #146 focused on Brazil in much more depth. It was entitled 'International and Domestic Financialisation in Middle Income Countries: The Brazilian Experience' and was written by two international consultants. The intent was to draw out broader implications on the impact of the growing forces of financialisation on Emerging Economies.

Working Paper #142 focused on South Africa and was entitled 'Case Study of South Africa—The Potential Consequences of Financialisation on Development'. It was written by a WITS researcher.

Working Paper #143 was written by a large team of Turkish researchers recruited by METU and covered a wide array of issues related to the impact of financialisation on the country. It was entitled 'Financialisation, Uneven Development and Faltering Governance: The Case of Turkey'.

Working Paper #144 was written by a researcher at SOAS. It was entitled 'The Impact of Financialisation on Development: Country Study of China. This Working Paper involved an extensive use of the CAM global macro-econometric model to project economic and financial trends for China. This Working Paper also provided the background material for writing a European Policy Brief for Work Package #10. This Policy Brief was entitled 'Policies for Rebalancing China's Economy and Its Global Impact'.

Working Paper #145 was written by an international consultant in India. It was entitled 'The Impact of Changes in the Global Financial and Monetary System on India'. While relying on the CAM global model to some extent, it provided a much wider panorama of economic and financial trends in the country.

The above six Working Papers were due September 2015. However, because of the failure of an

The above six Working Papers were due September 2015. However, because of the failure of an international consultant in China to produce Working Paper #144, which was focused on the country, SOAS had to assume the responsibility of writing it. This led to its finalisation, not in September 2015, but in June 2016.
Also, because of critical remarks in a review by a member of the FESSUD Strategic Advisory Board, Working Paper #141, the CAM-based work on Brazil and Indonesia, had to be updated. This involved considerable background work. Hence, this complication led to its finalisation by June 2016. The other four Workings Papers (namely, #142, #143, #145 and #146) were finalised by November 2015.
Task #3
Task #3 of Work Package #6 involved writing three Synthesis Reports that focussed on the topic of the 'Changing Role of the EU in Global Financial and Monetary Governance' and drew on the 18 Working Papers produced for Tasks #1 and #2. The final drafts of these three Synthesis Reports were written by SOAS researchers, but they also drew on inputs from METU, NKUA and METU.
Deliverable 6.08 involved writing a 'Synthesis Report Based on the Empirical Analysis of New Ways of Global Engagement'. This Report was published as FESSUD Working Paper #160, based, in part, on

inputs from NKUA.
Deliverable 6.09 involved writing a 'Synthesis Report on Policy Recommendations for New Ways of Global Engagement'. This Report was published as Working Paper #161 and also drew, in part, on inputs from NKUA.
Deliverable 6.10 involved writing a 'Synthesis Report on the Impact of Financialisation on Major Emerging Economies'. This Report was published as Working Paper #162 and was based, in part, on inputs from both METU and WITS.
The due date for these three Synthesis Reports was April 2016 but because of some delays in critical inputs, some of them were not finalised until August 2016.
Research Briefs
In addition to Tasks #1, #2 and #3, Work Package #6 also mandated writing 10 Research Briefs, in order to enhance the outreach and impact of the in-depth research conducted for the Work Package.
The first five Research Briefs were due September 2015 and were identified as Deliverable 6.11. SOAS took the lead in either editing or writing these Research Briefs. WITS contributed to the writing of three of these first five Briefs while SOAS took the lead in writing two of them. There were some minor delays in completing these five Research Briefs but the final drafts of all of them were completed by November 2015.
Discussions between SOAS and Leeds on the format for such Briefs—and their distinct character vis-à-vis Policy Briefs—covered an extended period of time. Hence, these first five Research Briefs remained unpublished for some time.
The second set of five Research Briefs was due June 2016 and was identified as Deliverable 6.12. SOAS researchers took the lead in writing three of them while METU took the lead in producing two of them. In all five cases, SOAS played the key role in editing them and laying them out. All five in this second set of Research Briefs were completed by June 2016, the target month.

Work Package 7

WP7 investigated the relationship between finance and sustainability seen mainly from the point of view of environmental sustainability.

environmental sustainability.
Our experience confirmed that this is necessary but also attested that the dialogue between different disciplines is difficult. However, since the economists working within this WP were open to paradigmatic perspectives different from that of mainstream economics, the often observed and criticized imperialism of standard economics, has been avoided so that the dialogue between scholars of different disciplinary backgrounds has developed constructively.
This WP focused mainly on the unsustainability of the existing energy system, the need of a rapid transition to a low carbon economy, and the financialisation of built environments.
This WP focused first on a few crucial methodological and foundational issues underlying meaning and implications of financialisation, sustainability and their mutual relation. It discussed the unsustainability of the existing energy system based on the systematic use of carbon fuels, focusing on the urgency of a rapid transition to a low carbon economy. The roles which financial instruments may play to promote and facilitate the transition towards a low carbon economy were analysed. The implications of the disembedment of money from the impacts on sustainability of the "real" economy of socio-ecological flows of matter and energy were examined.

The dialogue between different disciplines has been favoured by the adherence of WP7 research to a broadly convergent methodological orientation. Some crucial methodological principles that have inspired the work done were a particular attention for disequilibrium dynamics, long period trajectories, structural change, irreversibility of time, radical uncertainty and co-evolution of the biosphere and human activity.
The foundational work carried on within WP7 focused on the concept of financialisation and its impact on sustainability with particular attention to the issues that have emerged during the recent financial crisis and the ensuing Great Recession. The nexus between financialisation and sustainability has to be framed within a long-term evolutionary point of view taking into account the strong uncertainty and irreversibility that characterise their causal feedbacks.
The historical evidence suggests that the process of financialisation may be seen as a long-run tendency characterizing the evolution of market relations. This process has been driven by innovations that progressively increased the choice flexibility of decision makers by relaxing the constraints to the available option set. This trend, however, has always been undermined by constraints of religious, ethical and political nature. In consequence of these contradictory forces, we observe in history an alternation of periods characterized by sizable financial repression, as in the Bretton Woods era, and periods characterized by a systematic relaxation of financial repression leading to an acceleration of financialisation, as in the neoliberal era. The neoliberal financialisation started in the early 1980s and is still going on notwithstanding the subprime financial crisis and the ensuing Great Recession.
A second significant difference between First and Second Financialisation is rooted in the distinct role of banks: we may call the First Financialisation as "bank-based financialisation" while the Second Financialisation is rather a "market-based financialisation". A third crucial difference may be seen in the strategy of expansion of capital investment. During the First Financialisation, the prevailing capitalist strategy pointed to an expansion, with the help of the state, in new geographical areas (imperialism and colonialism). During the Second Financialisation, the expansion was not so much territorial, although new forms of imperialism and colonialism continued to play a significant role, but aimed mainly to the systematic "invasion" of the "territory" formerly occupied by the Welfare State (health, education, pensions, and so on).
A specific policy issue investigated by the WP7 has focused on finance for sustainability, and particularly on the extent to which, and the ways in which, new financial instruments could better support the transition to a low carbon economy. This work is based on the premise that the impacts of finance are inherently

to a low carbon economy. This work is based on the premise that the impacts of finance are inherently ambiguous and highly contingent and that any form of finance cannot be easily separated from the contexts and conditions that co-evolve with its deployment and governance. Some of the causal factors and processes that underpin the unsustainability of financial systems are systemic and structural. Without wishing to downplay the critical importance of these factors in any way, WP7 research has sought to focus on potential solutions. In particular a research line explored some of the ways in which new modes of finance and governance could better support sustainability, especially by intensifying and accelerating low carbon transitions.

This research line began with an evaluation of the scale of challenge and an assessment of the size of the climate finance gap – that is the difference between the levels of low carbon investment that are needed to avoid dangerous climate change and the levels of low carbon investment that have actually been made in recent years. However, they also recognised that an effective response still requires enormous levels of investment and that the general, long term, social case for action on climate change does not always translate into a specific, short term, private case for investment, and that the availability of public funds is frequently constrained in contexts of austerity. These factors have led to levels of financing for low carbon developments that are much lower than many estimates suggest are necessary. Our research has stressed that the need for an effective response to under-investment in climate mitigation is pressing. As the years pass, decisions are being made that are locking the world into high carbon development paths for years to come, whilst at the same time long lived emissions continue to accumulate in the atmosphere and the opportunity to make investments that will help to avoid dangerous climate change diminishes.

WP7 research focused on the role that revolving funds could play in promoting energy efficiency in buildings. Globally, over one-third of all final energy and half of electricity are consumed in buildings that are therefore responsible for approximately one-third of global carbon emissions.

The reasons for this inertia relate to the presence of strong barriers to change including cited imperfect information, split incentives, lack of awareness, transaction costs, and inadequate access to finance, industry fragmentation, the need for new delivery mechanisms and the absence of pipelines of bankable energy efficiency projects as significant barriers.

WP7 research has explored the case for the creation of revolving funds that could be used to increase levels and enhance the performance of investments in energy efficient and low carbon buildings in the UK. In the context of a neoliberal government that is actively pursuing an austerity agenda, the prospects for large-scale public sector investment in such a fund seem increasingly remote. However, our results also show that an ambitious domestic sector retrofit programme could essentially pay for itself, albeit with significant upfront investment requirements and over an extended period of time. This finding could be of great significance as it suggests that ambitious action on climate change, and very high levels of investment in low carbon transitions, need not be funded by the state. Ambitious action is therefore possible even in contexts of austerity. However, we recognise that the state probably needs to play an active enabling role, especially through policies designed to reduce risk and uncertainty in low carbon transitions.

This research has also considered the relative merits of different forms of private and civic action. In particular, it has examined the pros and cons of private, neo-liberal and civic, community-based, modes of finance and governance for low carbon transitions. WP7 research conducted a comparative evaluation of the characteristics and outcomes of different applications of the revolving fund concept. In one instance, this investigation evaluated the outcomes of a private profit-driven scheme that has ready access to finance but invests only in commercially attractive low carbon measures. In another, it considered the outcomes of a civic not-for-profit scheme that has more limited access to capital but that invests in all outcomes of a civic not-for-profit scheme that has more limited access to capital but that invests in all viable low carbon measures.

Commodity currencies have commonly been juxtaposed with fiat money, implying a development from primitive forms of money that required anchoring in a commodity to gain acceptance, to more sophisticated monetary regimes based on confidence and trust. Hermele (2014) suggests that the idea of a gradual replacement of the former by the latter is an ahistorical construct: commodity and fiat monies have replaced each other over the millennia, and the latest craze for commodity currency was as recent as the 1920's when many European currencies were based on gold.

Attempts to strengthen the real economy for the most part lack an understanding of one of the salient traits of the real world: its materiality, its physicality, its 'real-realness'. Thus, an old contradiction intensifies between economists who realize that the economy is an open subsystem of the natural world, and those who prefer to visualize the economy as an entity with no other limits than those imposed by bad policies. The physical limits of the real economy remain a fact of the real and real-real economy that most economists have hardly begun to grapple with. The analysis suggests that bringing finance into relations with the real economy that are beneficial for society requires attendance to the ecological dimension of the real-real economy, which is the very basis for economic activities and human welfare.

WP7 research into financialisation of built environments highlights the characteristics of financialisation as a profoundly spatial process, forging social relations that form conditions for urban governance, social geographic change and urban sustainability. WP7 research furthermore underscores how financialisation of built environments is enmeshed with related processes of commodification, privatisation, rent seeking and accumulation by dispossession (Harvey 2014). Land rent and the creation and capture of rent gaps – gaps between potential land rents and actually capitalized land rents – are emphasised as central to understanding financialisation of built environments.

Where land is commodified, privatised and opened up to rent seeking, tensions between potential and actual uses of land manifest in the exchange values of potential and actual land rents, forcefully directing flows of capital into built environments. This is also the case in societies with relatively large public sectors and welfare state institutions. Finance capital's constant seeking of rent in 'investment' opportunities has pushed political reforms to privatise and commodify spheres of urban commons built up and institutionalised over centuries. Exchange value considerations become the primary drivers of urban policy and development of built environments. By turning built environments into vast sources of unearned income (Sayer 2015), primarily interest and land rent, financialisation has turned the production, exchange and consumption of built environments into systems that create, reproduce and intensify inequalities. Built environments have become machines for syphoning value from the real and real-real economies into financial wealth. The research suggests that unless the singular power of finance capital and landed developer interests is kept in check, any successes of urban politics, be they environmental, cultural, social or economic, will be valorised and captured by finance and real estate capital through the mechanisms of property markets. Sustainability thus becomes vulnerable to financial exploitation and an instrument of financial speculation, exacerbating asset bubbles. A policy implication of this research is that land and built environments need to be brought into the sphere of public property and urban commons, where use value driven investment decisions can be democratically anchored.

FESSUD research into these issues includes case studies of financialisation of built environments in Ankara, Stockholm and Copenhagen, with special focus on housing, and how financialisation relates with shifts in urban governance and changing social geographies. These studies show that across different political, cultural and geo-historical contexts, financialisation of housing is associated with neoliberalisation of urban politics, social exclusion and displacement, and growing inequalities.

of urban politics, social exclusion and displacement, and growing inequalities.
In all three cases, post-war national governments assumed expanding responsibilities for the welfare of citizens, especially in the sphere of housing. Legislation and support to cooperative housing associations were implemented as means of rapidly expanding the urban housing stock. In Copenhagen and Stockholm the challenge lay in creating a new kind of affordable housing for a new and well organised urban working class. Ankara also lacked affordable housing, explosive growth finding a measure of relief in the proliferation of squatter settlements. Despite Western-style city plans, the relative lack of legal and administrative control over land use in and around Ankara permitted the informal spread of low-income housing in a manner that was not possible in the Scandinavian capitals.
Another common aspect of all three cases is that legal constructs and programmes designed to provide affordable housing came under pressure to be reformed along lines rendering them vulnerable to financialisation. Legal changes in the Danish and Swedish cooperative tenure were clearly aimed to open this sector of the housing market for the flow of credit and financial investment. The historically rooted use-value oriented ideals of cooperative housing, which had been maintained by a legal framework friendly to associational property ownership, was displaced in order to install a new order of exchange-value orientation. Also in Ankara, policies geared to support forms of cooperative housing have fallen by the wayside, as housing subsidies have been channelled to private companies producing housing and amenities for high-income residents. These shifts in housing policy are associated with a broader shift in urban politics from urban managerialism to urban entrepreneurialism. The branding and selling of cities under the discipline of urban competitiveness; the ‘need’ to attract capital investment and the ‘creative class’; municipal sell-outs and privatisation of services, institutions and built environments: this has been the context within which financialisation of built environments in Stockholm, Copenhagen and Ankara has played out, and in which changes in cooperative housing have played an important role. A policy implication of these case studies is that in order to secure social and environmental sustainability can be strengthened by securing the right to housing and the right to the city, and by bringing urban land, built environments and financial institutions engaged in financing production of built environments under public ownership, or at least stronger public control and regulation.

Work Package 8

In a scene setting paper, (D8.01) the effects of the operation of the financial system on industry were considered under four broad headings: (i) the overall impact on the level of savings and on the level of investment, (ii) the allocation of funds to different sectors, to different types of firm and to different activities. (iii) the relationship between banks as provider of loans and firms as the recipient of loans, and between financial institutions and corporate control, (iv) the involvement of the financial sector in the ‘market for corporate control’, in mergers and acquisitions and the re-structuring of industry and the operations of private equity funds.

In the Report on the ownership structure of financial institutions in the EU countries (D8.02 the relevant literature and factual information on types (by form of ownership, kind of activity and legal form) of financial institutions functioning in selected countries and regulations of their activities, and their statutory functions towards business units and households has been partly gathered.

The aim of the analysis in D8.03 was to answer the question of whether and to what extent the ownership

The aim of the analysis in D8.03 was to answer the question of whether and to what extent the ownership transformation (particularly privatisation, corporatization and, where appropriate, also nationalisation) of financial-sector entities have affected the course of real processes in the economy. Therefore, in order to study the impact of the sector's privatisation on economic processes, there was examination of whether and to what extent there are differences in the scope of and degree to which the financial sector's functions are performed by entities with different ownership and organisational statuses. Further the scope and scale of the financial sector's privatisation processes was characterised and how privatisation of the sector affects the performance of its functions for particular groups of entities was discussed.

D8.04 analyses the role of non-profit financial institutions in satisfying the needs of households, SME, innovative ventures, social cooperatives, and culture, sports and social activity entities. It was found that such institutions may to some extent limit problems connected with financialisation and with activity of very aggressive, profit-oriented financial intermediaries. Four roles of non-profit entities were identified: supply of services to customers excluded from the mainstream (commercial) financial system; supply of specific financial services which mainstream financial institutions aimed at profits, do not supply; some work as a channel through which governments perform their social role; and (some non-profit financial institutions work as a channel through which benefactors perform their patronage role.

Multinational banks have played a key role in the financial integration of global financial markets and the economic integration of individual countries (D8.05 D8.12). Assessment of the consequences carried by internationalization appears, however, ambiguous. Multinational banks gained from their competitive power in the markets of host countries (especially those with underdeveloped financial and banking market), allowing them to mobilize more funds from deposits, conducting "cherry picking" strategy and maintain wider net interest margin.
Internationalization was often perceived as beneficial to the whole banking system of country in which multinational banks had started its activity, as well as to the home banking system of the bank. The former benefitted from high profits, while the latter had possibility to overcome problems connected with lack of domestic capital, to recapitalize local banks. Multinational banks constituted also factor driving modernization and increasing competition in the whole sector. Their activity was also for domestic sector better solution than cross border lending, as such banks, with a local presence on the ground, were more stable providers of credit).
Concerning clients and their gains from banks' internationalization in the literature are usually listed such factors as: broader and more diverse offer, spread of financial innovation (especially with reference to corporate sector) and lower than local banks' profit margins, enforcing more efficiency of local banks that translates into lower-cost of financial services
Some negative consequences of internationalization can also be indicated. The first one is connected with a kind of asymmetry and in many cases harmful influence of internationalization on the economy of developing countries. The second, more intensified and visible in the last years, line of argument against internationalization considers the phenomenon under discussion as one of financial crises triggers. All activities of those institutions connected with spreading and distributing products of financial engineering on individual domestic markets contributed to greater risks (political, operational, etc.) in the individual markets as well as to great instability of the overall financial system.

D8.06. empirically explores the effects of the sub-prime crisis on R&D and innovation across the European countries and aims to contribute to the knowledge on the impact of the financial crisis on the financing of countries and aims to contribute to the knowledge on the impact of the financial crisis on the financing of R&D and innovation in Europe. Using macro data. A direct effect of the crisis on R&D and innovation expenditure during the crisis is compared with the pre-crisis period. We demonstrate that the EU member states have improved their innovative activities over the 2004–2012 period. This article makes an attempt at filling in the gaps in analyses of the influence that the financial crisis exerts on the financing of R&D and innovation.

D8.07 The paper consists of three parts. The first one discusses the problem of financial system stability from the point of view of systems theory. Differences between internal and external equilibrium of the system. between its stability and adaptability, between structural and functional stability, between structural and functional adaptability and between adaptive and adapting behavior of the system has been shown. The main problem consists not in preventing instability of the financial system but in preventing the system's external and internal disequilibrium i.e. its dysfunctionality. The analysis leads to two main conclusions: 1) Stability of the financial system doesn't necessary guarantee its functionality (i.e. performing functions the real economy actually needs from the system). 2) In case of stable but dysfunctional system restoring functionality (external equilibrium) of the financial system may need its temporary destabilization.

The second part of the paper presents impact of the dot.com-crises 2002-2003 and global financial crisis that begin in 2007/2008 on industrial growth in the EU. While an impact of the dot-com crisis was in prevailing number of countries was very moderate, the global financial crisis brought about deep fall of production and gross fixed capital formation in industry. Analysis has revealed considerable differences among groups of countries and individual countries within particular groups in the pre-crisis dynamics of industrial production as well as in depth of 2008-2010 recession and following development. Also, hypothetical losses in industrial gross value added caused by the crisis have been estimated.

D8.08. Analysis of the economic behaviour of financial organisations

The general objective of this study is to present differences in the economic behaviour of financial organisations, particularly in the structure and nature of financial services provided by institutions with different forms of ownership. The paper focuses not so much on investigating the sources and mechanisms of decision-making, as on demonstrating their consequences for the type of decisions taken, depending on existing psychological, social, economic and institutional determinants. At the same time, it has been assumed that the set of factors determining economic decisions is largely dependent on the ownership status and only then on the organisational and legal status of an economic entity.

With regard to financial institutions of different ownership forms, it is assumed that their economic behaviour manifests itself through decisions about selecting the type and scope of the functions performed for the real economy, determining the market segment for services provided by a particular type of institution and methods of and criteria for making decisions about the way of conducting financial activities.

D8.09 Paper on Roles and effects of different types of financial institutions (e.g. investment banks, private equity funds) and different forms of ownership (public, private, and social, including credit unions and cooperative banks) on the economic performance and stability of the real sector. It found that the proper regulatory environment is crucial to prevent negative influence of financialisation on the real sector of the economy. Public authorities should be more proactive in creating a financial sector able to reconcile the private financial institutions striving for profit with interests of the real sector and of general public ones. Public authorities should effectively regulate and supervise all financial institutions, and create favourable

Public authorities should effectively regulate and supervise all financial institutions, and create favourable conditions for development of other than private-owned profit-oriented financial institutions. Competition is necessary for efficient functioning of financial institutions. Plurality, by protecting diversity of financial sectors, builds up systemic trust and helps maintaining the stability of this sector. Efficient, but less oligopolistic market structures within the framework of prudential regulation should enforce financial sectors' stability in the analysed countries. Therefore, optimum regulatory structures should be aimed at the protection of the diversity within the framework of harmonization of financial sectors within the EU.

The key purpose D8.10 is consideration of the effects of different financial systems on economic performance (broadly defined). At one level, there is a basic similarity between financial systems across countries in that the system provides a payments technology including the creation of money, provides intermediation between those who save and those who invest (in capital equipment), and involve the development, issue and trading of financial assets. At another level, there are substantial differences in the structure and nature of financial systems, as is evidenced in the 18 country studies conducted within the FESSUD project. Financial systems have often been investigated through the lens of the bank-based vs. market-based typology. The use of those terms could be seen as a reminder that the financial system contains a wide range of institutions (where a stock market is regarded as an institution) and a wide range of market arrangements (where banks enter into exchange transactions). In this paper we do not draw on that typology as a means of classifying financial systems, but rather focus on different ownership forms.

D8.11 (UEP - 4PM) The paper consists of two main parts. In the first one critical assessment of theoretical, ideological, political and empirical justifications for widespread, overall privatisation. It has been shown that neoliberal arguments for widespread, 'all-inclusive' denationalization and privatisation are deduced from theories build on counterfactual premises. In the second part of the paper reasons, scope, methods and consequences of banking sector's privatisation commodification in selected EU countries. Significant differences between countries has been found in the scale and scope of privatisation andin attitudes to savings and cooperative banks. While in Germany privatisation of banks since the 1980s has been incidental, and savings and cooperative banks retained their public or cooperative character, in France, Italy and Sweden governments (central or local) have got rid of vast majority of their stakes in banking sector. It should be added that, as a rule, state-controlled savings banks and cooperative banks have turned out to be significantly less prone to financial crises than private ones. The reason is their small size and close links with local markets and local society.

D8.12 Demutualization, privatisation and internationalization have brought significant changes in functioning and organization of financial systems worldwide. Without a doubt, these phenomena accompanied financialisation process, occurring in individual domestic economies, as well as on the supranational level. Some of them reinforced additionally financialisation tendencies whereas the other were stimulated and aggravated by those very tendencies. In the deliverable there are presented definitions and features of those phenomena, some national cases, and finally – synthesis of theirs advantages and disadvantages.

D8.13 consists of two papers– one on local currencies (local money schemes), and the other- on the impact of disintermediation and alternative forms of financing the real economy (mainly social lending and credit unions). The following issues have already been examined: theoretical background, premises and credit unions). The following issues have already been examined: theoretical background, premises and assumptions concerning local (private) money as well as benefits from their use and characteristics of local money systems functioning in individual countries.

In deliverables D8.14 through D8.18 the nature and economic performance of investment banks, private equity, venture capital, Sovereign wealth funds and hedge funds has been analysed. Following a historical excursion, the deliverables discussed extant views on their nature, performance, impact and regulation. Following these they proposed the main tenets of a novel conceptual framework, reported some case-study-based evidence, and revisited the issues of the impact and regulation. The deliverables proposed that mainstream analyses fail to adequately account wider political economy-related issues that are critical for a more comprehensive account of the aforementioned financial tools and institutions.

D8.19 formulating several conclusions. Among them, the most important appears to be that the proper regulatory environment is crucial to build sustainability of the financial sector and prevent social

externalities of their improper functioning. Governments should be more proactive in creating a legal framework that would persuade or if necessary compel financial sector striving for profit to take under consideration also social, environmental, and ethical concerns that affect the well-being of the whole society. Avoiding their regulatory duties when it comes to curbing irresponsible, excessive risk-taking behaviour of financial institutions can too easily create a background for a price asset bubbles formation, the outburst of which causes financial crises that eventually decline social welfare of all the infected countries. Public authorities should, on the one hand, regulate and supervise CSR in the financial sector, and, on the other, create favourable conditions for dissemination of social responsibility ideas and concepts among financial institutions, supporting the introduction of effective self-regulations. Optimisation of trade-off between formal regulations and self-regulations is of high importance as voluntary or self-regulating CSR for financial sector is not enough, and a binding, coercive and enforced government-regulated CSR is needed.
The analysis has shown there is a correlation between ESG factors and the level of financialisation of companies. As the increased shareholder value orientation increased the gap between the cost of debt and the cost of equity, we focused our empirical analysis on the relationship between firm leverage and firm CSR level.
Considering a sample of European non-financial companies included in the Dow Jones Sustainability Stock Index in the period 2001-2013, our results show a negative relationship between CSR and firm’s leverage, supporting the idea that higher CSR standards might contribute in reducing financial riskiness (D8.20)
(D8.21) used an experimental approach to provide laboratory evidence that experimental subjects, invited to act as investors, are not guided in their choices exclusively by the principle of expected return maximization. Their behaviour appears to be a function not only of their individual payoffs, but also of the information available about other qualitative variables, such stock index membership and the ethical standards of the firms. Beside the expected returns from the investors’ personal portfolio, we should add in their utility function a further argument that represents their ethical preferences. Given the acknowledged impact of corporate reputation on CSR, our analysis on the effect of reputation on firm’s market performance reinforce our belief on the benefits deriving from socially responsible behaviour (D8.22)
D8.23 summarises the three preceding papers and proposes some policy implications derived from them.

D8.25 Five country case studies covering two sectors (housing and water) in the United Kingdom (SOAS), Portugal (CES), Poland (UEP), South Africa (WITS) and Turkey (Istanbul) (METU) has been made on the basis of the same methodology. These lead into D8.26 of two synthesis reports. The report on the Water sector shows that the policy approach adopted in each of the cases is remarkably similar. All of the locations introduced neoliberal sector reforms in the 1980s and 1990s. Using the sop approach, the paper explores the way that the delivery of water is contested among agents. Neoliberal policies are presented as scientific and politically neutral by their proponents but agents in the sector have competing priorities. Contestation is particularly prevalent where private companies are involved in service delivery but there are also tensions between different state agencies involved in the provision of water. Pricing is a key area of conflict, with upward pressure from privately-owned water companies while some municipal providers strive to keep charges down for political and/or social reasons. Meanwhile external agencies, such as the European Union, also place policy requirements on governments.
The findings suggest that cost recovery pricing is not affordable for many households and, in places, the sector is under strain from unpaid water bills. Authorities have adopted different approaches to social policy, with the cost recovery approach to pricing applied more strictly in some locations than others, but measures to support those who struggle to pay their bills are often inadequate. The case studies highlight diversity and conflict in the role of the state, as different agents compete for economic and social control. The neoliberal policies adopted are not neutral. Rather, there are winners and losers. Outcomes emerge from embedded power relations which are specific to individual locations and peculiar to water.
Housing
The case studies look at the systems of housing provision in each country, focusing on the ways in which they have been shaped by financialisation. The country findings are compared and contrasted across key components of the housing system – development and house purchase finance, land, production, the state, and consumption. For each component, the housing systems were found to be highly variegated, reflecting the particular social and economic conditions in each country. Supply structures, in particular, differed greatly, leading to divergences in the price responsiveness of housebuilding. Nonetheless, some common patterns are identified. A general trend towards commodification has taken the form of expanding owner-occupation, which has served to expand financial markets and incorporate households further within them. The goal of transforming housing into a private asset has been pervasive, though with varying degrees of success. The same is true of land, with land use in all the case study countries increasingly governed by the criterion of highest monetary value, and land and real estate used to appropriate ground rent.

D8.27 Series of thematic cross country synthesis papers on financialisation and systems of provision of housing and water . The first one has sought to engage with both the array of trends and phenomena that constitute financialisation, and how they have been reckoned with through scholarship on “financialisation”, in light of case studies on financialisation of housing and water. The core of our theoretical analysis is that as finance is underpinned by money, which is itself constituted by commodified relations, so financialisation is underpinned by transformations of provisioning across the three categories: commodification, commodity form and commodity calculation (abbreviated as ccfcc). These transformations have opened up new income streams to financial capital, which has in turn transformed these income streams into financial assets to be traded. This gives rise to many of the phenomena associated with financialisation – most notably, the intensive and extensive expansion of finance into economic and social reproduction, and the expansion of the financial at the expense of the real economy

economic and social reproduction, and the expansion of the financial at the expense of the real economy. But the examples drawn from housing and water caution against excessive generalisation in drawing conclusions from our analyses. The nature of ccfcc, its relationship to finance, and the extent to which it has facilitated financialisation all exhibit wide variation across both housing and water and the different case studies. The implications for social and economic reproduction and for real investment similarly vary. All of this emphasises the need to couple the theoretical precepts drawn from our discussion of money and ccfcc with attention to the variegated forms taken, and influences exerted, by financialisation in practice.
The second paper examines the theories and practices of neoliberalism drawing upon five case studies of housing and water across Poland, Portugal, South Africa, Turkey and the United Kingdom. Neoliberalism is not reducible to a cogent ideology or a change in economic or social policies, nor is it primarily about a shift in the relationship between the state and the market or between workers and capital in general, or finance in particular. Instead, neoliberalism is a stage in the development of capitalism underpinned by financialisation. Neoliberalism is highly diversified in its features, impact and outcomes, reflecting specific combinations of scholarship, ideology, policy and practice. In turn, these are attached to distinctive material cultures giving rise to the (variegated) neoliberalisation of everyday life and, at a further remove, to specific modalities of economic growth, volatility and crisis. Finally, this paper argues that there are alternatives, both within and beyond neoliberalism itself.
The third paper addresses the theme of the role of the state in the provision of water and housing, with implications for the delivery of basic services more generally. The five case studies have shown, that the role of the state has changed considerably but not necessarily reduced with regard to the provision of housing and water over the past three decades. The role of the state is constantly shifting to support different interests and is constrained by globalisation and supra-state agencies. Applying the SoP approach draws attention to the role of the state in creating wider distributional outcomes rather than confining policy to meeting the basic needs of those excluded. The advance of neoliberalism and financialisation over the past three decades has transformed the way that state agencies interact both with other state organisations and society more generally. Greater neoliberal framing of policies has led to changes in the balance of state agencies across the sector, for example with a greater role for local authorities resulting from decentralisation. Privatisation and outsourcing in water and housing have led to greater precariousness and marginalisation of labour and a shift of resources away from labour but this is far from uniform.

Deliverable D8.28 is a synthesis on the relationships between finance, state and the economy.

Work Package 9

Different results have emerged from research in Work package 9. They can be separated into 6 main topics: 1. Financial stability and economic performance; 2. Financialisation and financial stability; 3. The role of the ECB and its policies in the EMU; 4. Influences of the EMU framework in the New member States; 5. Fiscal policies in the EU; 6. Alternative policy agenda to dampen economic and social divergence. They are discussed below.

1. Financial stability and economic performance

D9.03 has given an empirical appraisal of a “conventional wisdom”, by which before the global financial

D9.03 has given an empirical appraisal of a "conventional wisdom", by which before the global financial crisis, financialisation was seen as good for economic performance (e.g. Beck & Levine, 2004). Stated differently, a consensual view stated that the higher financialisation, the higher GDP per capita. D9.03 extended the reflection to the relationship between financial stability and economic performance, after controlling for financialisation. Drawing on D9.02 and its discussions about definitions of financialisation and financial stability indicators, D9.03's conclusions for the EU have been twofold: first, financialisation has been harmful to economic performance since 1998, not only GDP per capita but also rates of growth of investment and consumption; second, financial instability is harmful to GDP per capita. Though these conclusions may not appear new when one has in mind the sharp social and economic costs of the global financial crisis, there are clearly stemming from an empirical model with many robustness checks and they are obtained on a time sample starting before the global financial crisis, not after it. Drawing on these conclusions, a recommendation emerges: regulating the size and growth of the banking and financial sector is an appropriate policy and it will not be harmful to EU economic growth – a counterargument to bank and financial regulations often put forward by anti-regulation lobbies.

2. Financialisation and financial stability

D9.06 has extended the former analysis and has quantified the link between bank credit (where the latter is a macro proxy of financialisation) and bank instability while controlling for the financial and macroeconomic environment. The empirical paper tests two hypotheses: 1. there is a positive effect of financialisation on financial instability labelled a "vulnerability effect", where vulnerabilities would stem from the increasing fragility and risks of marginal loans; 2. there is a negative effect of financial instability on financialisation labelled "trauma effect", which would result from the potential deleveraging and reduced risk-taking of banks following a period of financial instability. Results on the EU countries are strong and robust to the separation between core and peripheral countries: bank credit positively affects bank instability –the vulnerability effect– and bank instability negatively affects bank credit –the trauma effect–. Some non-linearities between the two variables have been found: first, non-performing loans (NPL), which are currently so important in the case of Italy's banking system, have a non-linear effect on credit to GDP depending on the level of credit to GDP; second, the effect of credit to GDP on NPL –the vulnerability effect– depends on the level of credit to GDP and is time contingent: this effect kicks in during crisis times. Drawing on the conclusions of D9.06 two recommendations emerge: first, vulnerability and trauma effects confirm the requirement to control and supervise the supply of bank credits in the Eurozone and core countries of the EU; second, monitoring bank credits, via policies which remain to be discussed –e.g. a change in capital adequacy ratios-, would alleviate the risks of bank instability; third, in the EU periphery, supervising bank credits should be complemented with macroeconomic policies aimed at actually achieving low and stable inflation and long-term interest rate because the variations in long-term interest rates and inflation play a strong role in the rise of bank instability.

3. The role of the ECB and its policies in the EMU

It is well-known that the design of the ECB has largely mimicked the recommendations of the New Consensus in Macro (NCM), by which monetary policy would be a sufficiently stabilising tool and fiscal policy would be a destabilising one for inflation and output targets. The application of the NCM before the global financial crisis, in the EU and elsewhere, has shown it was flawed. D9.14 discussed about the lack global financial crisis, in the EU and elsewhere, has shown it was flawed. D9.14 discussed about the lack of coordination between monetary and fiscal policies which has stemmed from the application of the NCM. It is noteworthy that a recommendation of the NCM has turned out to be perceived as a “conventional wisdom”: price stability would generate financial stability; consequently, mandating the ECB to target inflation would be sufficient to achieve financial stability. After the global financial crisis, evidence of a flaw in this reasoning is clear. Nevertheless, D9.01 has produced evidence that the ‘conventional wisdom’ has never occurred since 1999 in the EMU nor in the US. The main result of D9.01 is that the ECB mandate has been flawed from the start of the EMU. A recommendation is thus to advocate for a better consideration of financial stability by central banks, in complement to the price stability objective. Consequently, the ECB should adopt another mandate including separately price and financial stability. It is noteworthy that the on-going banking union goes in the good direction, though no discussion about a change in the ECB mandate has emerged so far.

Three other contributions have dealt with the transmission and effectiveness of ECB policies. D9.19 reviewed the evolution of ECB policies since the financial crisis and gave an analytical appraisal of their effectiveness. D9.05 has produced empirical evidence about the interest rate and volume pass-through of different ECB policies (standard and non-standard) in four Eurozone countries (Germany, France, Italy, Spain) on different financial markets (sovereign, credits to non-financial corporations, credits to households). D9.05’s main results are twofold: first, the interest-rate pass-through has remained strong whereas the transmission of ECB policy to volumes has been low and scarce; second, ECB non-standard measures are more effective the more targeted they are. The most interesting example is certainly the use of SMP (Securities Market Programme) whose objective was to reduce financial constraints on sovereign bond markets for peripheral countries. D9.05 has found that SMP had reduced (increased) interest rate in the periphery (core) while increasing traded volumes in the periphery. Finally, D9.10 has given empirical evidence that ECB information (like projections) can enable private agents to correctly interpret and predict future policy decisions. Drawing on these contributions makes it possible to argue that the recent QE (2015-) with targeted measures like TLTRO II should help foster the bank lending channel in the Euro area.

4. Influence of the EMU framework in the New Member States

The impact of the EMU framework in non-EMU countries has given rise to two important contributions. D9.13 focuses on ECB policies and shows that the ECB did little to support Central and Eastern European (CEE) central banks, and their financial systems, at critical junctures in the crisis. In fact, at critical junctures, the ECB provided more generous funding terms for private banks than for sovereign central banks. At its most generous, the ECB treated CEE central banks on the same terms with its domestic private counterparties. This was not simply a constraint of its mandate. If anything, the collapse of Lehman has seen the ECB pushing the boundaries of what it was originally tasked to do – to deliver price stability – both through its unconventional monetary policies and its unconventional foreign currency liquidity provision. This also went beyond a simple question of alternative mechanisms, as the ECB argued. According to this view, CEE countries did not need direct central bank swaps because the ECB was already providing cross-border loans with the Euro liquidity necessary to support their subsidiaries’ foreign exchange funding shortages. Rather, the ECB’s relationship to CEE central banks illustrates the broader political economy of overlapping money hierarchies and dependent financialisation. For CEE central banks, the ECB preferred to engage in Troika negotiations that provided currency support with significant banks, the ECB preferred to engage in Troika negotiations that provided currency support with significant structural conditionality and austerity attached. This further forced CEE banks to temper their early post-crisis drive to curtail the vulnerabilities of cross-border banking (including through capital controls) and instead make commitments, via the Vienna Initiative framework, to allow and support the mechanisms of financialized dependency.

D9.12 investigates the nature and characteristics of banking systems in the new member states and makes a distinction between the Baltic States and the Visegrad countries. On the one hand, foreign ownership in the banking sector has increased vulnerability to internal and external imbalances in Estonia and the rest of the Baltic States that have implemented neo-liberal unfettered market economy approach in their transition process. In such a liberalized and deregulated macro-economic environment, excesses in housing demand and certain economic activities have been fuelled by aggressive lending activity of foreign-owned credit institutions that resulted in overheating economy in terms of housing market and consumption boom. Visegrad countries, on the other hand, have managed to alleviate the negative effects of foreign ownership in the banking sector through macro-prudential policies and strong industrial base as an export platform that have enabled governments to manage external and internal imbalances. All in all, it can be said that the ownership in the banking sector per se has not refrained from or prompted macroeconomic instability. Compared to analogous development paths, such as the one in East Asia in the 1990s, foreign ownership in the banking sector in the CEECs did not lead to the total collapse of these economies after the 2008 events, despite the increasing fragility caused by the banks. This was due to prevailing traditional lending activity of banks, financial support from both international and home country monetary authorities, and embeddedness of subsidiaries in host economies. Rather, vulnerability of the CEECs has stemmed from the international specialization of these economies and their volatile export production, but also financial architecture, based on the common EU standards, and overall liberalization as well as deregulation tendencies, that is, deteriorating degree of monetary and fiscal sovereignty, that have rendered these economies vulnerable to potential capital flight due to increased dependence on foreign capital as a source of domestic demand financing.

5. Fiscal policies in the EU

D9.18 has studied the nature of fiscal policy in the EU and, more precisely, their orientation regarding the business cycle: have they been pro- or counter-cyclical? The empirical contribution shows that until the GFC, fiscal policies were mostly counter-cyclical; hence, they were stabilising. On the contrary, a change has occurred since 2011 giving rise to two different conclusions. First, in the Eurozone, restrictive policies have been implemented during downturns and policies have therefore turned pro-cyclical. Fiscal policies in the Eurozone have not dampened but intensified the real economy crisis. Second, the homogeneity of fiscal policies in EU has declined: the occurrence of pro-cyclical policies in non-Eurozone countries has been much less pronounced than in the Eurozone. A recommendation stemming from this research is the requirement of a change in fiscal rules to make them more likely to be stabilising.

6. Dampening economic and social divergence

D9.21 reviews the macro imbalances in the EU and criticizes the EU institutional framework: instead of alleviating the burden of the crisis, EU requirements, like wage cuts, reduce growth and make things worse. In fact there were two fundamental misconceptions in the handling of the crisis in the EMU. Crisis worse. In fact there were two fundamental misconceptions in the handling of the crisis in the EMU. Crisis countries were forced to follow an asymmetric adjustment process. Sharing the burden with current account surplus countries and countries with no refinancing problems would have been necessary to prevent the deep crisis in the EMU. The second fundamental mistake was to believe that fiscal consolidation may slightly reduce growth in the short-term but structural reforms will unfold market forces spontaneously and will lead to a recovery and full employment. This policy, which is based on the NCM, does not care for any demand stimulation. What would have been needed instead is a symmetric process to overcome the crisis. This would have meant higher wage increases and fiscal stimulus after the Great Recession in surplus countries like Germany, as well as a European wide program of demand stimulation, for example in the framework of a green new deal, a cautious consolidation of public finances and no wage cuts in crises countries, and a guarantee of public debt in crisis countries at the beginning of the sovereign debt crisis. Finally, the ECB should act as a lender of last resort and target different long run interest rates in adequation with different long run growth rates: this would ensure an improvement in the convergence process of Eurozone member states.

Work Package 10

Research outcomes produced as deliverables have been transformed into 201 working papers posted on the FESSUD website, together with other publications: studies in financial systems, policy briefs, briefing notes, research briefs, etc. An overview of the various dissemination activities carried out can be found in the news section of the project website, featuring project highlights: participation or organisation of academic and policy-oriented events; publication of deliverables in scientific journals, of FESSUD books or articles in journals or books. The above will be kept online and free of access for another five years after the end of the project (30/11/2016).
Policy briefs were specifically published to the attention of policy makers. They aim to inform (EU) policy makers on the main policy implications of the project in terms of:
1. The EU Financial integration and the role of the European Central Bank
2. Structures of ownership in the financial sector
3. Regime changes in the course of the crisis: tendencies towards mercantilism and economic policy challenges
4. Banking risk in France, Germany and Spain
5. Making the European Union a viable construction
6. The recent result of the UK
7. The effects of the crisis on the convergence/divergence in the Euro area
8. Policies for Rebalancing China’s Economy and Their Global Impact
9. Voluntary Degrowth by Redesigning Money for Sustainability, Justice, and Resilience
10. A European Sustainable Banking Network

Policy briefs have been widely disseminated - mainly digitally - to policy makers at EU level. It is thus expected that they will serve as a baseline for decision making.

Besides, a set of extra publications (to the attention of policy makers and the general public was developed: infographics, project glossary, and various videos, including a conclusive trailer. They were chosen partly for their ease of dissemination via social media (Twitter, YouTube, Facebook) because of

chosen partly for their ease of dissemination via social media (Twitter, YouTube, Facebook) because of their user-friendly format for a non-academic audience. The involvement of external organisations is also meant to extend usual communication channels (project newsletter and website as well as project and partners' social media accounts).
The FESSUD website is the core communication channel. The statistics as of 01/12/2016 are the following: 43 599 sessions:25 746 visitors, of which 58.7% are new visitors, and 41.3% are returning to the website; 3 598 page views:

Work Package 11

The basic framework for the foresight exercise was set in which a range of methods would be used: panels of experts and stakeholders in relevant areas, employing a mix of empirical analysis and creative thinking methods as appropriate, will be tasked with identifying likely and possible future scenarios in each

identified areas below, and their likely impacts.

A Delphi foresight survey was used to analyse the opinion of experts about the future of finances with the purpose of evaluating the future expansion and proliferation of finance and financial products. The Delphi survey involves repeated polling of the same experts, feeding back anonymised responses from earlier rounds of polling, with the idea that this will allow for better judgements to be made. The survey was conducted in two rounds. [extend]

The patterns of future regulation were explored, given the technological innovations taking place in the 21st century, and what punctuations could affect this development. An essay analysis has been carried out about the regulatory future as a base for fleshing out future regulatory problems and look at the impact on innovations in the payments and financing systems to assess the kind of regulatory structure would be needed to deal with them. show that the range of lending activities is currently operating on the fringe of the regulated financial system. Information and transfer technology are developing systems that will be capable of replacing both the payments system and the lending function of traditional regulated system, transforming it into a mosaic of differing technologies and approaches with the unifying characteristic that they are unregulated. This is reminiscent of the early US financial system in which various bank note currencies circulated simultaneously, and the problem of clearing bank checks when notes were replaced by deposits. In the first instance the government responded by introduction national bank notes and in the second the Federal Reserve provided for the interbank par clearing system. These new systems, challenging traditional banks also represent a potential challenge to the existing regulatory system designed for traditional deposit banking. None of these payment systems are themselves subject to prudential regulation, although they have linkages to parts of the formal financial system that are regulated in different ways. This raises the question of whether these new developments are increasing the efficiency and stability of the financial system. The most efficient and stable payments system is one in which all transactors are part of a uniform payment clearing system. A one bank system need not keep any reserves since there is no risk of deposit drain or bank runs characteristic of multibank fractional reserve banking systems. Such a system would also not need deposit insurance, eliminating the moral hazard present in the existing system. It would also reduce the moral hazard and excessive risk taking by individual institutions caused by government bailouts of institutions that are too big to fail. However, it would also institutions caused by government bailouts of institutions that are too big to fail. However, it would also create an internal means of payment, an internal currency that could replace currency and demand deposits as the central means of debt settlement in the economy. The question is whether the new communications technology that is currently revolutionizing the transactions systems will produce the equivalent of a “one bank” transaction system.

The era of financialisation has generally been associated with rising inequality of income and wealth. HWR have developed a SFC model, which is able to investigate the effects of changes in personal and functional income inequality on the macro-economy. They show, also drawing on insights from WP3, in particular form the country studies, how increasing inequality in different institutional settings can lead to very different macroeconomic outcomes. Based on this exercise they outline different potential scenarios for the Euro area should the increases in inequality observed in the past continue into the future.

The evolving and complex relationship between finance and industry was analysed in order to assess the claim that at a systematic level financialisation has been located in terms of the dominance of finance over industry. An essay on ‘The Impact of Finance on Industry’ analysed the impact of financialisation on non-financial corporations by revisiting the industry - finance debate in political economy and looked at the roots and meaning of the term financialisation pre and post the crisis. Another essay on ‘Finance for long-term investment’ explored ways in which the forms and quantity of finance for longer-term investment have and are likely to change under the impact of, inter alia, the 2007/08 financial crisis and its regulatory responses. The third essay on Finance, Corporate Governance, and Corporate Social Responsibility, discussed corporate governance and CSR in the era of financialisation. The fourth essay Future of financialisation and finance capital analysed ways in which financialisation and finance capital are likely to evolve in light of the 2007/08 GFC, the resultant regulatory changes and the shifting global landscape by employing a classical political economy framework based on works by Marx, Hilferding and Hymer, as well as Keynes

Task 6 explored the possibility of an increasing role of finance into economic and social reproduction. Case studies around the provision of health, housing, pensions and water have shown that the nature and impact of recent reforms have been diverse, and location and sector are important for outcomes and thus for future provision.

Overall, the research identified a number of pressures for greater financialisation of social and economic reproduction:

• Countries are on policy trajectories that are already set up to facilitate greater financialisation. For example, in the UK, recent reforms are opening the path for far greater penetration of finance into the provision of health. In Portugal foreign investors have been securing a foothold in the local market to be in a favourable position for future privatisations in water provision.

• Structures are emerging around financialised relations in service provision that are increasingly difficult to reverse. For example, in water provision, high levels of debt, often through opaque financial relations, make difficult to trace what is owed to whom and for what, making all the more challenging a policy reversal.

• The narrative that public services are unaffordable, that there is a need for greater efficiency, itself associated with “market forces” and privatization, combined with a greater emphasis on self-reliance of the individual, provide favourable conditions for a greater role for markets and the private sector, as new

the individual, provide favourable conditions for a greater role for markets and the private sector, as new avenues for financial returns.
However, the research also identified forces that can constrain the reach of finance into service delivery. It is limited, for example, by:
• the range of profitable investments on offer as investors cherry-pick the most lucrative investment opportunities and unprofitable ventures are left to the state. This is evident in Portugal where some areas of water provision are very much more attractive than others (high density, large-scale urban provision).
• the specific conditions of the countries. The severe impact of the crisis in Portugal, compromising both financial and non-financial national capital, means that the expansion of finance now depends by and large on the entry of foreign capital into the country.
• contestation around service provision by finance and dependence on profit as criterion for delivery. In Portugal municipalities have opposed legislation that removes their right to set tariffs. While the privatization of water has passed largely unnoticed in England and Wales, the privatization of health has roused more extensive protest.
For foresight, future developments will depend on whether these countervailing pressures against financialisation lead to its replacement with collective provision or to its metamorphosis and re-emergence in other forms. The response to the financial crisis in general suggests that the latter is likely. But more recently as the wider political movement against austerity gathers momentum, the rapid expansion of financialisation is likely to face greater scrutiny and more resistance.

An overall picture of the future of financialisation and of the process and mechanisms that are leading to it has been presented, highlighting the internal and external forces that are going to play a role in shaping the future of financialisation. These internal and external forces could be classified as strengths and weaknesses, or opportunities and threats respectively, in terms of their effects on the sustainability of the economy, society and natural environment.

Work Package 12

Deliverable D12.01 yielded a broad range of methodological and theoretical insights into economics, heterodox economics and interdisciplinary research. It concluded, firstly, that it is crucial for an interdisciplinary research project that involves economists to develop as explicitly as possible a narrative that recognises the recent developments in economics, since these recent developments have direct and complex implications for the contribution of economists to interdisciplinary research projects. It is important, in particular to develop discussion across all project partners on three specific methodological issues in interdisciplinary economics: structure vs agency; quantitative vs qualitative methodology; building on vs rejecting mainstream economics, and to do this in a way that tries to relate as closely as possible to the specific project at hand. Secondly, it follows that time and resources have to be spent on the methodological and theoretical issues. Face-to-face interaction is the ideal way to develop the issues. Thirdly, what can be called ‘heterodox economics’ is particularly well suited to interdisciplinary research, facilitating a productive pluralistic ethos, a point already stressed in previous work and developed and illustrated practically here though the example or FESSUD work package two.

The finance driven type of capitalism that has developed from the 1970s on finds its nucleus in the

The finance driven type of capitalism that has developed from the 1970s on finds its nucleus in the deregulation of the national and international financial system and the switch to a shareholder corporate governance system. Other aspects such as labour market deregulations (including policies to weaken trade unions), completely free trade around the globe, increasing freedom and power of multinational companies, and privatisation of formerly state functions also belong to the new regime. This finance driven economic regime which has been developing since the 1970s seems to be exhausted. The reforms implemented after the subprime crisis are not sufficient to overcome the deeply rooted problems of the existing system. These reforms to the financial system did not substantially affect the functioning of the shadow banking system and the basic structures of the financial system were not changed. Both the international financial system as well as the shareholder corporate governance system were completely spared from reform. Further labour market deregulations are still on the agenda of governments and international institutions. Policies to change income and wealth distribution are not on the political agenda. What is needed is a comprehensive reform agenda which searches for a new relationship between institutions, government policies, and markets."

Financialisation processes have been generated by the widespread liberalization and de-regulation measures adopted in most developed and emerging economies. The result of these processes has been an unparalleled increase in the size of financial systems. Recent empirical research is showing that the relation between the size of financial system and economic activity is not a linear one and that in many countries we can talk of a an excessive size of financial systems as far as the current size of finances is well above the threshold that leads to a negative impact of finance on economic activity and growth and welfare.

On the other hand, financialisation has come in parallel, fuelling them and being fuelled by, a change in the macroeconomic policy strategy (with the dominance of a monetary policy focused on price stability), a re-distribution of income in favour of top incomes and capital incomes, and a de-regulation and liberalization of financial markets and institutions.

The paper argues that to promote a better financial system, economic authorities must adopt measures rationalizing (i.e. reducing) the size of financial markets at the same time that a more strict regulation of all financial markets and units be implemented. Moreover, the strategy of macroeconomic policy must be reformed, upgrading the current role given to fiscal policy and giving more relevance to real economic objectives, like economic growth and full employment. Finally, there must be an income redistribution in favour of lowest incomes and labour incomes

Deliverable 12.3 brought together the main policy implications of the financial crisis of 2007/09 and the events leading to that crisis, and the policy recommendations coming from the work of FESSUD. It noted that financialisation processes have been generated by the widespread liberalization and de-regulation measures adopted in most developed and emerging economies. The result of these processes has been an unparalleled increase in the size of financial systems. Recent empirical research is showing that the relation between the size of financial system and economic activity is not a linear one and that in many countries we can talk of a an excessive size of financial systems as far as the current size of finances is well above the threshold that leads to a negative impact of finance on economic activity and growth and welfare.
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The deliverable argues that to promote a better financial system, economic authorities must adopt measures rationalizing (i.e. reducing) the size of financial markets at the same time that a more strict regulation of all financial markets and units be implemented. Moreover, the strategy of macroeconomic policy must be reformed, upgrading the current role given to fiscal policy and giving more relevance to real economic objectives, like economic growth and full employment. Finally, there must be an income redistribution in favour of lowest incomes and labour incomes.
In deliverable D12.04 the main methodological and substantive issues that emerged from the work carried out so far in WP7 and other work packages on financialisation and sustainable development were discussed. This synthesis focuses mainly on the unsustainability of the existing energy system, the need of a rapid transition to a low carbon economy, and the financialisation of built environments.
This report focuses first on a few selected methodological issues (section 2). Section 3 deals with the foundational issues underlying the meaning and general implications of financialisation, sustainability and their mutual relation. The section 4 discusses the unsustainability of the existing energy system based on carbon fuels, focusing on the urgency of transition to a low carbon economy. Section 5 analyses which role financial instruments may play in the transition towards a low carbon economy. Section 6 examines how disembedment of money from the impacts on sustainability of the "real" economy of socio-ecological flows of matter and energy impacts on sustainability. Section 7 summarizes research into relations between financialisation of built environments and urban sustainability. Section 8 draws the main policy implications of the preceding analysis. Section 9 concludes."

As part of deliverable 12.05 paper 1 addresses "the issues of "what is to be understood as 'financialisation' and what are the essential features of 'financialisation'", considering "the directions in which theorizing on financialisation can develop", "what are the key research questions with regard to financialisation", and how to develop "an integrated, interdisciplinary approach and explanation of financialisation and the broader social system" whilst "integrating quantitative and qualitative approaches". This paper draws upon work from Work Packages 5 and 8, especially concerning financialisation and well-being, as well as case studies of the impact of financialisation on provision of water and housing."
Paper 2 "considers why mainstream economics has been inadequate in understanding the systemic role of finance and in failing to incorporate financialisation in its response to the crisis despite its heavy presence emerging across other social sciences."
Paper 3 "Examines the state of economics in the wake of the crisis. It shows how mainstream economics responded to the crisis. Although internal criticism occurred, mainstream economics has shown a remarkable ability to reproduce itself, without any fundamental reform. The fact is that seven years on from the global financial crisis mainstream economics is still as strong as before the crisis. Student movements have been met with piecemeal reforms to economics teaching allowing mainstream economics to remain intact. Heterodox economics, by contrast, remains excluded from mainstream economics debates. The paper considers some reasons why mainstream economics has been able to weather the storm of the crisis so successfully. It concludes that the prospects for change in mainstream economics remain extremely bleak and that the best prospects for reforming economics research and teaching lie outside of the economics discipline."

The major work undertaken in period 4 was the completion of D12.06 as the overall synthesis of FESSUD. The deliverable has been divided into nine chapters covering the work of FESSUD. The chapters are 1. The processes of financialisation in the present era; 2 Understanding finance, financialisation and the financial sector; 3.Understanding financial crises; 4.International Dimensions of Financialisation; 5. Functioning of different financial institutions under financialisation; 6. Financialisation, Society and Social Well- Being; 7 Financialisation and the environment; 8 Regulation and Financial liberalisation; 9 Economic policies and developments in Europe.

Potential Impact:
WP2

The FESSUD studies in financial systems (arising from WP2 and WP3) form a valuable source of information on the financial systems of over 15 countries. From those studies, many of the processes of variegated financialisation can be further studied and analysed, as was undertaken in a number of the working papers. These studies covered the present structures and institutions of the financial system, and will provide analyses of the evolution of the financial system over the decades of financialisation. The country reports stand as important pieces of work in their own right. The reports have interesting country specific findings set in a framework which enables comparisons to be made. Taken together they also tell interesting stories about the processes of variegated financialisation. The national financial system reports contain considerable information on the penetration of national financial sector by multi-national financial institutions, and the degree to which financial institutions in a specific country are subsidiaries or otherwise related to other European based financial institutions.

Work within this work package as well as in WP12 contributes to the understanding of how economics can and should be integrated with other social sciences. This work involved reviewing different approaches to interdisciplinary work in economics and social science with a particular focus on ‘economics imperialism’ on the one hand and ‘political economy’ on the other hand. This led to a range of conference presentations and papers.

WP3
The following economic policy implications can be derived:
From the sectoral and market studies it has been concluded that the deregulation of currency, energy and housing markets has led to far greater price volatility and the rise of unsustainable price bubbles which, when they burst, can pose a significant threat to financial and economic stability. In order to guard against this in the future, it is therefore important that these three markets should be subjected to new and appropriate forms of regulation, argue.
From the country studies it has been concluded that the stabilisation of the post-crisis situation requires that economic policy making in two areas would have to be re-thought and re-assessed. First, the role of public deficits and debt in order to provide global demand at a reasonable growth rate is required. Second, the stable recycling of current account surpluses of mature export-led economies towards the high-growth catching-up countries financing their current account deficits would have to be provided in order to avoid unsustainable booms, ‘sudden stops’ and capital flight.
In the long runthe underlying structure of the current constellation dominated by financialisation would

In the long runthe underlying structure of the current constellation dominated by financialisation would have to be challenged and changed in four dimensions of re-regulation and downsizing of the financial sector; Re-distribution of income (and wealth) from top to bottom and from capital to labour, re-orientation of macroeconomic policies towards stabilizing domestic demand at non-inflationary full employment levels, r-creation of international monetary and economic policy coordination. The re-regulation of the financial system requires a host of measures which should aim at orienting the financial sector towards financing real economic activity, namely real investment and real GDP growth. Re-regulating finance should contribute to the re-distribution of income and wealth from top to bottom and from capital to labour, and thus also positively feedback on aggregate demand and growth. through increasing labour's share, reducing top management salaries and profit claims of financial wealth holders will allow for lower mark-ups in price setting of firms and thus higher labour income shares; refocusing management's orientation towards long-run expansion of the firm will increase bargaining power of workers and trade unions and therefore have a dampening effect on the profit claims.

The re-orientation of macroeconomic policies should aim at improving domestic demand, employment and hence also imports into these countries. First, central bank interest rate policies should abstain from attempting to fine tune unemployment in the short run and inflation in the long run. Central banks must act as a lender of last resort in periods of liquidity crisis, not only for the banking system but also for the government.

Fiscal policies should take ull responsibility for real stabilisation, full employment and a more equal distribution of disposable income. Progressive income tax policies, relevant wealth, property and inheritance taxes, and re-distributive social policies would improve the conditions for an income-led recovery. In current account surplus countries with private sector financial surpluses, governments will have to run budget deficits in order to stabilise aggregate demand at the national level, on the one hand, and in order to contribute to rebalancing the current accounts at the international level, on the other hand.

Incomes and wage policies should take over responsibility for nominal stabilisation, i.e. stabilising inflation at some target rate. In order to contribute to rebalancing the current accounts, nominal wage growth in the current account surplus countries will have to exceed the benchmark of national long-run productivity growth plus the inflation target for an interim period, whereas nominal wage growth in the deficit countries will have to fall short of this benchmark during the adjustment process, however, without driving the economy towards deflation.

The re-creation of international monetary and economic policy coordination would have to make sure that 'export-led mercantilist' strategies no longer pay off. This implies that targets for current account balances have to be included into international policy coordination at the regional and the global level. At the global level the return to a cooperative world financial order and a system with fixed but adjustable exchange rates, symmetric adjustment obligations for current account deficit and surplus countries, and regulated international capital flows seems to be required in order to avoid the imbalances that have contributed to the present crisis and to preclude 'export-led mercantilist' policies by major economies.

WP4

Concerning the potential impact on the design and development of regulatory framework, the main role and ambition of the research within WP4 has been to raise the awareness of institutional and policy problems for financial stability in the EU and hence, provide an input as a starting point for wider problems for financial stability in the EU and hence, provide an input as a starting point for wider discussion of European financial reforms as well as putting these discussions into a specific context (e.g. the focus of the papers on US has been on substantial policy discussions and their international implications). Driven by heterodox ideas and approach to understanding socio-economic and policy challenges, one of the broader outcomes of the research has been the provision of counterweight to mainstream thinking, as the current approach to financial regulation has been absent of any clear connection between theoretical foundations explaining the operation of the economic systems and regulatory proposals to ensure the stability of the financial systems. In this regard, the undertaken studies have revealed several problems in terms of significant inconsistencies and contradictions between the theory and practice, that is, mainstream theoretical foundations and regulatory architecture. That said, some of the heterodox ideas and proposals presented in the studies of WP4, e.g. on increasing risks in relation to external financing (leveraging), have been addressed, at least as an intention, in new regulations. The main message conveyed to policy-makers is that it has to be understood that the financial system is driven by ever evolving new operating mechanisms through financial innovations to gain competitive advantage, either relative to other institutions or by reducing the constraints of existing regulations. Thus, a process of Schumpeterian competition and regulatory arbitrage will be simultaneously changing the structural character of the system and its mode of operation with the implications for a regulatory response that has to be a dynamic, evolving and institutionally grounded process. This is opposite to the understanding within a mainstream tradition, where regulations are ad hoc, backward looking, and casuistic for dealing with the crises that are seen as the result of external factors or shocks. Therefore, instead of the extensive and pervasive regulations that have been subject to either rules-based or principles-based regimes, more simplified regulations may be more effective than increasingly casuistic writing of regulation for dealing with the increasing frequency and seriousness of financial crises. Respectively, many of the difficulties in the deregulation have been caused by the attempt to regulate institutions or particular products rather than the function that banks provide in operating the payments system. Thus, a regulatory system that focuses on the particular products or institutions that encompass the functions of provision of liquidity and payments systems will always be fighting the last war and failing to identify sources of fragility in the system.

Further, on practical grounds, the research has also brought to the fore some of the issues in relation to law and economics as well as multi-level governance, when considering the design and implementation of the EU financial regulations. First, there has been a lack of recognition of law and economics insights in legislative analysis in terms of not addressing problematic issues with new regulation that could be seen in recent amendments on risk retention, or previously in relation to Basel requirements or overall deregulation process in the 1990s. Second, the work in WP4 has touched upon institutions as ‘governance arrangements’ in terms of the interplay of policy design and implementation on both national and international levels and hence, adds to the discourse on the Europeanization process and multi-level governance, as additional aspects to be encountered, when addressing the development and effectiveness of the financial regulation at the EU level, in particular, when dealing with the cross-border crisis management and resolution aspects.

The WP leader has disseminated the above-mentioned insights to wider public, including policy-makers and different stakeholders, through speeches delivered, working papers, articles and books. Research work on financial regulation has been mostly disseminated through FESSUD working papers and studies in financial systems that have been converted into academic articles as well as books for a wider in financial systems that have been converted into academic articles as well as books for a wider engagement of academic community and spreading the word of FESSUD. The largest contribution within the WP4 is related to publishing of a book ‘Financial Regulation in the EU’ (published on 1st of April 2016). In addition, the findings of WP4 have been communicated to wider audiences through the short piece in a FESSUD Newsletter. Some of the publications (articles, policy briefs), based on the work within WP4, are planned in the future, in particular in relation to foresight and future of financial regulation.

Research results have been presented at FESSUD annual conferences and both national and international conferences as well as seminars, dedicated to financial regulation, financial innovations and financial stability policy. The findings of various studies within WP4 have been also conveyed to the public with blog entries. Aside from blog entries, an institutional website, social media (facebook page) and interviews to media / public talks as well as mailing-list have been relied upon to disseminated information on FESSUD activities, events, and publications within WP4 to wider audience. Also, project events have been communicated to the wider audience through the press releases / banners and posters. In addition, scholars involved in WP4 tasks have raised the awareness of research results and issues related to financial regulation at policy-aimed events such as seminars and round-tables at public institutions (e.g. a seminar at the Bank of England in May 2016 was held to disseminate research results of FESSUD to policy-making community). Policy-makers were also involved in the project by reflecting on the ideas and findings from WP4 for a debate and through several interviews conducted with them. One of the main events has been the final FESSUD conference in Brussels for distributing the research results of WP 4 to policy-makers’ community at the EU level. The policy impact can be observed even on a more global scale, given that the research results of WP4 have been relied upon and referred to in international reports, such as Trade and Development Report 2015 by the United Nations Conference on Trade and Development (UNCTAD). For academic communities, research results have been introduced also through research seminars held at higher education institutions (e.g. defence of PhD dissertation in June 2016 by Egert Juuse served the purpose of disseminating research results on financialization and financial regulation, and involving both local and foreign academic communities; similarly, a seminar on trends and innovations in the finance in Estonia and globally was held at Tallinn University of Technology on November 17, 2016 to reflect on FESSUD studies and real-life practices taking place).

For raising the awareness of FESSUD projects, contribution to the creation of FESSUD identity has taken place through the use of FESSUD logos and other identities in publications, presentations and speeches, where the acknowledgement of the EC’s funding is indicated.

WP5

Overall, the results of WP5 were disseminated to both the academic and the wider public, including policy-makers and different stakeholders, through presentations in seminars and conferences; publication of working papers, articles and books; organisation of training courses to students; regular presence in the media, etc.

Research results have been presented at FESSUD annual conferences and both national and international conferences as well as seminars, dedicated to financialisation, social provision and well-being, including the organisation of special sessions in various IIPPE annual conferences. Research work has been disseminated through FESSUD working papers that have been and are still being converted into has been disseminated through FESSUD working papers that have been and are still being converted into academic articles for special issues/books for a wider engagement of academic community. And the findings of various studies within WP5 have been also conveyed to a wider audience through interviews to media/public talks.

More specifically, it is worth mentioning the research task D5.06 - Financial sector and well-being – a participatory reflection was carried out by PLS in collaboration with nine civil society organisations from nine different European Countries – Belgium, Germany, Greece, Italy, Poland, Portugal, Romania, Sweden and the United Kingdom. The involvement of these civil society organisations (CSOs) in carrying out research on the financial system and how reforms and changes of this system look like from the perspective of the socially excluded and marginalised had contributed to the development of capacity of these organisations to engage in debates about finance and the role of the financial system in society. Only two of the CSOs participating in this exercise – Financite in Belgium and New Economics Foundation (NEF) in the UK were working on projects bearing on the relationship between finance and society whilst the other 7 organisations were interested in developing projects in this area but had no capacity to do so.

The FESSUD project and especially the work carried out under Task 5.06 represented an important opportunity for civil society organisations active in fighting poverty, marginalisation and exclusion to develop their knowledge and capacity to engage in debates and initiatives regarding the changes and reforms of the financial system. The research workshop in Brussels organised prior to the participative workshops held in the nine countries focused on building up CSOs understanding of financialization and its structural trends - financialization of banks, rapid growth in financial markets, market-based governance: rules by and for private financial actors, industry/finance nexus, complexity and fragility and the relationship between financialization and the financial crisis, more precisely how the crises impacted on financialization. It also equipped CSOs to take a different angle on concepts such as wellbeing and financial inclusion.

Through the participative methodology used, the research has built up knowledge and understanding of marginalised groups on how the financial system works and has empowered them to engage in actions and projects aimed at creating a democratic space where the voices and views of different stakeholders are being heard.

The research reports produced as a result of workshops held in each of the nine countries were brought together in a deliverable but have also been used independently at national level in the daily work of CSOs. One example of the spin offs of the FESSUD research carried out in the UK by NEF could be found here https://medium.com/@neweconomics/59d53214c3b6. The research report written by NEF was transformed into an accessible and easy to read blog article that sheds light on the impact of debt on people’s lives as well as on the overall trend of shifting from welfare to debt fare as a consequence of lack of adequate social protection mechanisms.

The results of the participative research carried out under Task 5.6 that bring forward the views of representatives of marginalised and excluded groups were presented during the conference Representation of public interest in banking organised by Finance Watch on December 7th 2016. The conference looked at how public interest is being represented in banks and provided an opportunity for different contributors – academics, representatives of consumers’ organisations, representatives of trade different contributors – academics, representatives of consumers' organisations, representatives of trade unions, European Commission officials, representatives of civil society organisations to discuss about how participation of different stakeholders and representation of their interests in the banking sector can be improved. PLS was invited to the conference to present the views and recommendations of marginalized and excluded groups based on the research carried out in task 5.6.

The results of the research carried out under TASK 5.6 were also presented at the event Personal Indebtedness in the EU organised by Sylvie Goulard, MEP and the European Financial Inclusion Network. The FESSUD research was mentioned during the debate on the causes of overindebtness.

Long-term academic/social impacts are also expected to be produced indirectly through new research projects that drew on and allow continuity of the FESSUD research agenda, also by engaging some WP5 FESSUD colleagues, even if by other means, such as projects funded by national science institutions (e.g. see for example FINHABIT project http://www.ces.uc.pt/projectos/index.php?prj=14152&id_lingua=2).

WP6
Since Work Package #6 started later than most other FESSUD work packages and had its final deadlines in June 2016, especially for half of its Research Briefs, it has only been within the last year that it has been able to concertedly undertake broad dissemination activities.
One of the main vehicles chosen for dissemination purposes by the leaders of Work Package #6 has been the 10 Research Briefs produced for Deliverables 6.11 and 6.12. In late 2016, the layout of the 10 Research Briefs produced for Work Package #6 was finally completed and approved and they have been placed on the FESSUD website, under the heading of 'publications'.
Hence, concerted efforts will be undertaken to continue using these Briefs for broad dissemination of the findings from Work Package #6, well after the end of the FESSUD project itself. One of the main avenues will be through the Centre for Development Policy and Research (CDPR) at SOAS, which, for many years, has been able to reach a global audience (through about 7,000 email addresses) for its publications. Especially popular among such an audience have been short, clearly written publications, such as CDPR's Development Viewpoints, Policy Briefs and Research Briefs. Hence, the FESSUD Research Briefs have been designed for reaching the same kind of audience.
Along with the Work Package's Research Briefs, CDPR will also make available on its website the large array of Working Papers produced for Work Package #6. It is expected that the Research Briefs will spark greater interest in reading these lengthier, more in-depth publications.
Also particularly useful will be the European Policy Brief 'Policies for Rebalancing China's Economy and Its Global Impact', written by Terry McKinley for Work Package #10 and published in October 2016. This Policy Brief draws on the research for Working Paper #145, 'The Impact of Financialisation on Development: Country Study of China', which was one of the key country studies produced for Work Package #6.
SOAS has also been active in publicising the results from the research for Work Package #6 through various meetings. for example, day-long conference at SOAS, entitled 'Financialisation in Society and the World: Some Conclusions from the FESSUD FP7 project', in order to disseminate the findings from Work Package #6. Presentations of research results at confernces in Turkey, Serbia, Argentina, Japan, Switzerland

Switzerland

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WP7

A significant convergence on the main features of a much needed sustainable model of development is confirmed. What is missing is a sufficiently wide agreement on the actual implementation of a concrete path of transition from the current model of development to what is believed to be the sustainable target to be reached.

The crucial and unsolved problem is that a tradable permits scheme to reduce GHGs emissions to be really efficient should be as global and homogeneous as possible.There are three possible options: (i) a worldwide ETS; (ii) a global network of regional/domestic ETS regimes; (iii) a linkage scheme between interacting regional/domestic ETS blocks. International agreements should start to pursue this crucial objective starting from the third option that is at the moment the most realistic. Taking account of the shortcomings of the economic instruments, as experienced in their concrete application, many deliverables of WP7 claim that the ideal policy mix of environmental policy should resume a more systematic use of command-and-control instruments

New financial instruments may be devised to aid environmental sustainability but their efficacy is always relative to a series of quite strict conditions. However the main contribution of finance to environmental sustainability is still that of providing an adequate support to the huge investments necessary to converge towards a more sustainable development trajectory. As the deliverable D7.03 argues, "The transition to a sustainable model of development crucially depends on the quantity and quality of investment and this in turn crucially depends on the adequate support of the financial system." (Vercelli, 2014e). Policy brief 10 suggests a proposal for the promotion of a sustainable banking system in the EU (Gabbi et al 2016).

The financial system should support in particular the so-called eco-innovations (EI) referring to any product, process or organizational innovation that is more environmental friendly than the existing alternatives.

Our results converge to show that the process of financialisation, as occurred in the last three decades, jeopardizes sustainability. Actually, from the point of view of sustainability, the second financialisation started in the early 1980s has significantly altered the balance between physiological and pathological functions of finance in favour of the second. Sustainability may thus be reached only within a model of development radically different from the existing one in which finance plays efficiently the crucial role of support to green investment. Therefore, sustainable growth cannot be recovered within a business-as-usual perspective, as many current policies seem to believe.

The main recommendations to requalify the urban systems are the following: de-commodification, democratization, equalization, right to housing and public space, sustainability:Strengthen existing, and develop new, legal frameworks for 'active' urban land policies such as land banking and municipal site leasehold. ;Built environments should not be fully integrated into financial markets. ; taxation of wealth and progressive income taxation should be legislated and normalised; Develop programs for public housing (accessible for all, not just low-income households) and the expansion and enhancement of public space; Transitioning to sustainable cities should be prioritized. The view emerging from the research done within WP7 is that financialisation as a variegated and evolutionary process has clear implications for the sustainability of development. Sustainability, in all its definitions, is about the compliance of the process of development with well-defined economic, social, and environmental constraints. The compatibility between financialisation that is about the relaxation of constraints to economic decisions and sustainability between financialisation that is about the relaxation of constraints to economic decisions and sustainability that is about compliance with crucial constraints is in principle difficult to attain. Notwithstanding these growing obstacles, finance could, and should, give a fundamental contribution to a rapid transition towards a trajectory of sustainable development by providing the necessary funding for its deployment. This requires, however, a radical reform of finance by countering its growing self-referentiality and by channelling its activity at the service of the real economy in the direction of a new sustainable trajectory of development.

Examples of dissemination include Vercelli present and discuss his recent book on the themes of FESSUD in various Universities. Borghesi, as President of the Italian Association of Environmental and Resource Economists (IAERE), will also promote the dissemination of the FESSUD results within the academic community. In particular, he is committed to present his recent book on the European Emission Trading System. Gabbi, Ticci and Vercelli are committed to further develop and clarify their proposal for the creation of a European sustainable banking network (FESSUD Policy Brief n.10). Hornborg, Clark and Lund Hansen are committed to disseminate and further extend the results summarized in their Policy Briefs (Hornborg 2016, Clark and Hansen 2016). In particular, they intend to disseminate their policy brief within a selected number of policy makers, academic experts, and stakeholders in the banking sector in order to promote their proposal while at the same time collecting feedbacks, comments, and suggestions on it.

Finally, the FESSUD team of the University of Siena is committed to organize in the near future new editions of the Goodwin lecture on sustainability, a periodical lecture given on FESSUD themes by well-known invited speakers and which was started during the first FESSUD Workshop on “Financialisation and Sustainability” held in Siena in 2014, and continued in the FESSUD workshop held in Siena in 2016.

WP8

This work package provided analysis and evidence on the effects of ownership and structure of financial institutions on efficiency and economic performance. This include consideration of private ownership, public ownership and mutual & co-operative ownership, internationalisation on efficiency, allocation of funds and overall economic and social performance.

The effects of different financial systems on economic performance (broadly defined). At one level, there is a basic similarity between financial systems across countries in that the system provides a payments technology including the creation of money, provides intermediation between those who save and those who invest (in capital equipment), and involve the development, issue and trading of financial assets. At another level, there are substantial differences in the structure and nature of financial systems, as is evidenced in the 18 country studies conducted within the FESSUD project. Financial systems have often been investigated through the lens of the bank-based vs. market-based typology. The use of those terms could be seen as a reminder that the financial system contains a wide range of institutions (where a stock market is regarded as an institution) and a wide range of market arrangements (where banks enter into exchange transactions). In this paper we do not draw on that typology as a means of classifying financial systems, but rather focus on different ownership forms.

The nature and economic performance of investment banks, private equity, venture capital, sovereign wealth funds and hedge funds has been analysed.

From the work on corporate social responsibility several conclusion were formulated. The most important

From the work on corporate social responsibility several conclusion were formulated. The most important appears to be that the proper regulatory environment is crucial to build sustainability of the financial sector and prevent social externalities of their improper functioning.
Five country case studies covering two sectors (housing and water). The report on the Water sector shows that the policy approach adopted in each of the cases is remarkably similar. All of the locations introduced neoliberal sector reforms in the 1980s and 1990s. Using the sop approach, the paper explores the way that the delivery of water is contested among agents. Neoliberal policies are presented as scientific and politically neutral by their proponents but agents in the sector have competing priorities. The case studies look at the systems of housing provision in each country, focusing on the ways in which they have been shaped by financialisation. The country findings are compared and contrasted across key components of the housing system – development and house purchase finance, land, production, the state, and consumption.

WP9

Dissemination activities have been twofold:
- presentations in workshops and conferences, reported on in previous periodic reports
- publication of working papers on FESSUD website and institutions' websites
- publication of articles in academic journals

Some publications are reported below with information on potential impact:
D9.01 in Journal of Financial Stability, Volume 16, pp. 71-88, February 2015: 14 citations (Google Scholar)
D9.03 in Economic Modelling, Volume 48, pp. 25-40, 2015: 19 citations (Google Scholar)
D9.05 in Applied Economics, Volume 48, Issue 47, pp. 4477-4501, 2016 : 11 citations (Google Scholar), 254 views on Taylor & Francis Online
D9.18 in Panoeconomicus, Volume 62(2), pp. 131-155, June 2015: 3 citations (Google Scholar)
D9.21 in Panoeconomicus, Volume 62(2), pp. 193-236, June 2015: 10 citations (Ideas/Repec)

WP10
The variety of methodologies and the scope of the FESSUD research are of an undoubted value for the academic and scientific community: the number of countries/regions studied, methodologies applied, experts involved, as well as the areas taken into account to assess the impact of financialisation on the economy, society and the environment have been recognized by various stakeholders, including participants to the project's annual events.

Likewise, the project's wealth is an asset for policy makers, who benefit from a free access to policy recommendations established towards the end of the project. EU policy makers have been personally approached for the workshop on CMU as well as for the final conference, including for the conclusive video, which showcases some of the main recommendations resulting from the project. In that respect, PLS has sent out to 90 policy makers in Brussels (mainly European Parliament) and Luxembourg (ECB) some hard copies printed ahead of the final conference. It is expected that future policy developments covered by the wide range of FESSUD research will take into account FESSUD findings.

Moreover, the potential impact of the presence of FESSUD in a variety of policy oriented-events is the acknowledgment of the project results in decision making towards a more sustainable financial sector. The workshop on Capital Markets Union directly involved policy makers at the European Parliament, where recommendations from FESSUD partners were taken into account by the rapporteur on the subject within the S&D group.
Such events and collaborations with FESSUD also allowed for synergies with other projects, such as Finance's Watch 'Citizens Dashboard of Finance', which aims at building a vision of a financial system that serves society. The participation of some partners to this project would ensure a contribution from an academic perspective to the development of civil society initiatives. This project, which aims at measuring the specific ways that finance affects society, and the change solutions that could improve them, is a new opportunity to impact civil society and the general public.

WP11
The basic framework for the foresight exercise was set in which a range of methods would be used: panels of experts and stakeholders in relevant areas, employing a mix of empirical analysis and creative thinking methods as appropriate, will be tasked with identifying likely and possible future scenarios in each identified areas below, and their likely impacts.

A Delphi foresight survey was used to analyse the opinion of experts about the future of finances with the purpose of evaluating the future expansion and proliferation of finance and financial products. The Delphi survey involves repeated polling of the same experts, feeding back anonymised responses from earlier rounds of polling, with the idea that this will allow for better judgements to be made. The survey was conducted in two rounds. [extend]

The patterns of future regulation were explored, given the technological innovations taking place in the 21st century, and what punctuations could affect this development. An essay analysis has been carried out about the regulatory future as a base for fleshing out future regulatory problems and look at the impact on innovations in the payments and financing systems to assess the kind of regulatory structure would be needed to deal with them. show that the range of lending activities is currently operating on the fringe of the regulated financial system. Information and transfer technology are developing systems that will be capable of replacing both the payments system and the lending function of traditional regulated system, transforming it into a mosaic of differing technologies and approaches with the unifying characteristic that they are unregulated. These new systems, challenging traditional banks also represent a potential challenge to the existing regulatory system designed for traditional deposit banking. None of these payment systems are themselves subject to prudential regulation, although they have linkages to parts of the formal financial system that are regulated in different ways. This raises the question of whether these new developments are increasing the efficiency and stability of the financial system. The most efficient and stable payments system is one in which all transactors are part of a uniform payment clearing system. A one bank system need not keep any reserves since there is no risk of deposit drain or bank runs characteristic of multibank fractional reserve banking systems. Such a system would also not need deposit insurance, eliminating the moral hazard present in the existing system. It would also reduce the moral hazard and excessive risk taking by individual institutions caused by government bailouts of institutions that are too big to fail. However, it would also create an internal means of payment, an internal currency that could replace currency and demand deposits as the central means of debt settlement in the economy that could replace currency and demand deposits as the central means of debt settlement in the economy. The question is whether the new communications technology that is currently revolutionizing the transactions systems will produce the equivalent of a “one bank” transaction system.

The era of financialisation has generally been associated with rising inequality of income and wealth. A SFC model was developed to investigate the effects of changes in personal and functional income inequality on the macro-economy. They show how increasing inequality in different institutional settings can lead to very different macroeconomic outcomes. Based on this exercise they outline different potential scenarios for the Euro area should the increases in inequality observed in the past continue into the future.

The evolving and complex relationship between finance and industry was analysed in order to assess the claim that at a systematic level financialisation has been located in terms of the dominance of finance over industry. An essay on ‘The Impact of Finance on Industry’ analysed the impact of financialisation on non-financial corporations by revisiting the industry - finance debate in political economy and looked at the roots and meaning of the term financialisation pre and post the crisis. Another essay on ‘Finance for long-term investment’ explored ways in which the forms and quantity of finance for longer-term investment have and are likely to change under the impact of, inter alia, the 2007/08 financial crisis and its regulatory responses. The third essay on Finance, Corporate Governance, and Corporate Social Responsibility, discussed corporate governance and CSR in the era of financialisation. The fourth essay Future of financialisation and finance capital analysed ways in which financialisation and finance capital are likely to evolve in light of the 2007/08 GFC, the resultant regulatory changes and the shifting global landscape by employing a classical political economy framework based on works by Marx, Hilferding and Hymer, as well as Keynes

Task 6 explored the possibility of an increasing role of finance into economic and social reproduction. Case studies around the provision of health, housing, pensions and water have shown that the nature and impact of recent reforms have been diverse, and location and sector are important for outcomes and thus for future provision.

Overall, the research identified a number of pressures for greater financialisation of social and economic reproduction:
• Countries are on policy trajectories that are already set up to facilitate greater financialisation.
• Structures are emerging around financialised relations in service provision that are increasingly difficult to reverse.
• The narrative that public services are unaffordable, that there is a need for greater efficiency, itself associated with “market forces” and privatization, combined with a greater emphasis on self-reliance of the individual, provide favourable conditions for a greater role for markets and the private sector, as new avenues for financial returns.
However, the research also identified forces that can constrain the reach of finance into service delivery. It is limited, for example, by:
• the range of profitable investments on offer as investors cherry-pick the most lucrative investment opportunities and unprofitable ventures are left to the state.
• the specific conditions of the countries.
• contestation around service provision by finance and dependence on profit as criterion for delivery.
Future developments will depend on whether these countervailing pressures against financialisation lead

Future developments will depend on whether these countervailing pressures against financialisation lead to its replacement with collective provision or to its metamorphosis and re-emergence in other forms.

An overall picture of the future of financialisation and of the process and mechanisms that are leading to it has been presented, highlighting the internal and external forces that are going to play a role in shaping the future of financialisation. These internal and external forces could be classified as strengths and weaknesses, or opportunities and threats respectively, in terms of their effects on the sustainability of the economy, society and natural environment.

WP12

Deliverable D12.01 yielded a broad range of methodological and theoretical insights into economics, heterodox economics and interdisciplinary research. It concluded, firstly, that it is crucial for an interdisciplinary research project that involves economists to develop as explicitly as possible a narrative that recognises the recent developments in economics, since these recent developments have direct and complex implications for the contribution of economists to interdisciplinary research projects. It is important, in particular to develop discussion across all project partners on three specific methodological issues in interdisciplinary economics: structure vs agency; quantitative vs qualitative methodology; building on vs rejecting mainstream economics, and to do this in a way that tries to relate as closely as possible to the specific project at hand. Secondly, it follows that time and resources have to be spent on the methodological and theoretical issues. Face-to-face interaction is the ideal way to develop the issues. Thirdly, what can be called 'heterodox economics' is particularly well suited to interdisciplinary research, facilitating a productive pluralistic ethos, a point already stressed in previous work and developed and illustrated practically here though the example or FESSUD work package two.

The finance driven type of capitalism that has developed from the 1970s on finds its nucleus in the deregulation of the national and international financial system and the switch to a shareholder corporate governance system. Other aspects such as labour market deregulations (including policies to weaken trade unions), completely free trade around the globe, increasing freedom and power of multinational companies, and privatisation of formerly state functions also belong to the new regime. This finance driven economic regime which has been developing since the 1970s seems to be exhausted. The reforms implemented after the subprime crisis are not sufficient to overcome the deeply rooted problems of the existing system. These reforms to the financial system did not substantially affect the functioning of the shadow banking system and the basic structures of the financial system were not changed. Both the international financial system as well as the shareholder corporate governance system were completely spared from reform. Further labour market deregulations are still on the agenda of governments and international institutions. Policies to change income and wealth distribution are not on the political agenda. What is needed is a comprehensive reform agenda which searches for a new relationship between institutions, government policies, and markets."

Financialisation processes have been generated by the widespread liberalization and de-regulation measures adopted in most developed and emerging economies. The result of these processes has been an unparalleled increase in the size of financial systems. Recent empirical research is showing that the relation between the size of financial system and economic activity is not a linear one and that in many countries we can talk of a an excessive size of financial systems as far as the current size of finances is countries we can talk of a an excessive size of financial systems as far as the current size of finances is well above the threshold that leads to a negative impact of finance on economic activity and growth and welfare.

On the other hand, financialisation has come in parallel, fuelling them and being fuelled by, a change in the macroeconomic policy strategy (with the dominance of a monetary policy focused on price stability), a re-distribution of income in favour of top incomes and capital incomes, and a de-regulation and liberalization of financial markets and institutions.

Promote a better financial system, economic authorities must adopt measures rationalizing (i.e. reducing) the size of financial markets at the same time that a more strict regulation of all financial markets and units be implemented. Moreover, the strategy of macroeconomic policy must be reformed, upgrading the current role given to fiscal policy and giving more relevance to real economic objectives, like economic growth and full employment. Finally, there must be an income redistribution in favour of lowest incomes and labour incomes

Deliverable 12.3 brought together the main policy implications of the financial crisis of 2007/09 and the events leading to that crisis, and the policy recommendations coming from the work of FESSUD. Recent empirical research is showing that the relation between the size of financial system and economic activity is not a linear one and that in many countries we can talk of a an excessive size of financial systems as far as the current size of finances is well above the threshold that leads to a negative impact of finance on economic activity and growth and welfare. Financialisation has come in parallel, fuelling them and being fuelled by, a change in the macroeconomic policy strategy (with the dominance of a monetary policy focused on price stability), a re-distribution of income in favour of top incomes and capital incomes, and a de-regulation and liberalization of financial markets and institutions.

To promote a better financial system, economic authorities must adopt measures rationalizing (i.e. reducing) the size of financial markets at the same time that a more strict regulation of all financial markets and units be implemented. Moreover, the strategy of macroeconomic policy must be reformed, upgrading the current role given to fiscal policy and giving more relevance to real economic objectives, like economic growth and full employment. Finally, there must be an income redistribution in favour of lowest incomes and labour incomes.

In deliverable D12.04 the main methodological and substantive issues that emerged from the work carried out so far in WP7 and other work packages on financialisation and sustainable development were discussed. This synthesis focuses mainly on the unsustainability of the existing energy system, the need of a rapid transition to a low carbon economy, and the financialisation of built environments.

This report focuses first on a few selected methodological issues (section 2). Section 3 deals with the foundational issues underlying the meaning and general implications of financialisation, sustainability and their mutual relation. The section 4 discusses the unsustainability of the existing energy system based on carbon fuels, focusing on the urgency of transition to a low carbon economy. Section 5 analyses which role financial instruments may play in the transition towards a low carbon economy. Section 6 examines how disembedment of money from the impacts on sustainability of the "real" economy of socio-ecological flows of matter and energy impacts on sustainability. Section 7 summarizes research into relations between financialisation of built environments and urban sustainability. Section 8 draws the main policy implications of the preceding analysis. Section 9 concludes."

As part of deliverable 12.05 paper 1 addresses “the issues of “what is to be understood as ‘financialisation’ and what are the essential features of ‘financialisation’”, considering “the directions in which theorizing on financialisation can develop”, “what are the key research questions with regard to financialisation”, and how to develop “an integrated, interdisciplinary approach and explanation of financialisation and the broader social system” whilst “integrating quantitative and qualitative approaches”.
Paper 2 “considers why mainstream economics has been inadequate in understanding the systemic role of finance and in failing to incorporate financialisation in its response to the crisis despite its heavy presence emerging across other social sciences.”
Paper 3 “Examines the state of economics in the wake of the crisis. It shows how mainstream economics responded to the crisis. Although internal criticism occurred, mainstream economics has shown a remarkable ability to reproduce itself, without any fundamental reform. The fact is that seven years on from the global financial crisis mainstream economics is still as strong as before the crisis. Student movements have been met with piecemeal reforms to economics teaching allowing mainstream economics to remain intact. Heterodox economics, by contrast, remains excluded from mainstream economics debates. The paper considers some reasons why mainstream economics has been able to weather the storm of the crisis so successfully.”
Deliverable D12.06 is the overall synthesis of FESSUD. The deliverable has been divided into nine chapters covering the work of FESSUD. The chapters are 1. The processes of financialisation in the present era; 2 Understanding finance, financialisation and the financial sector; 3.Understanding financial crises; 4.International Dimensions of Financialisation; 5. Functioning of different financial institutions under financialisation; 6. Financialisation, Society and Social Well- Being; 7 Financialisation and the environment; 8 Regulation and Financial liberalisation; 9 Economic policies and developments in Europe.
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