This project has received funding from the European Union's
Seventh Framework Programme for research, technological development
and demonstration under grant agreement no 266800

FESSUD

FINANCIALISATION, ECONOMY, SOCIETY AND SUSTAINABLE DEVELOPMENT

Working Papers Series

No 160

The Future Expansion and Proliferation of Finance

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ISSN: 2052-8035

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The Future Expansion and Proliferation of Finance

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Abstract:

The current paper shows the results of a Delphi study carried out with the objective to make a foresight exercise about the future of finance. To make this study, we elaborated a questionnaire including a number of different questions about different themes related to the determinants and consequences of the financialisation process. Through this questionnaire we asked a number of experts about their opinions about the foresight in the short and medium-term of topics like the evolution of the financialisation process, the consequences of the future evolution and behavior of financial markets and agents, the behavior of non-financial and financial agents, the macroeconomic performance or the measures and strategies of macroeconomic policy. Special attention was paid in this study to the foreseeable evolution of the financialisation process in Europe.

Key words: Financialisation, finance, forecasting, foresight, Delphi study

Journal of Economic Literature classification: E27, E37, E47, F37, F47, G10, G20, O16

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Acknowledgments:

The research leading to these results has received funding from the European Union Seventh Framework Programme (FP7/2007-2013) under grant agreement n° 266800.

We want to thank the useful comments made by Professor Giuseppe Fontana. The usual disclaimer applies

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1. Introduction

The current paper shows the results of a Delphi study carried out with the objective to make a foresight exercise about the future of finance. To make this study, we elaborated a questionnaire including a number of different questions about different themes related to the determinants and consequences of the financialisation process. Through this questionnaire we asked a number of experts about their opinions about the foresight in the short and medium-term of topics like the evolution of the financialisation process, the consequences of the future evolution and behavior of financial markets and agents, the behavior of non-financial and financial agents, the macroeconomic performance or the measures and strategies of macroeconomic policy. Special attention was paid in this study to the foreseeable evolution of the financialisation process in Europe.

To improve the quality and the consensus of the questions, following the Delphi methodology, we sent the questionnaire to the experts twice. In the second submission, we included the group statistics (indicators of central trend and dispersion) along with qualitative information obtained from their opinions and comments. The objective was that experts could answer the questions again in light of this new information.

The paper is structured as follows. In the first section, we describe the development of the consultation process to the experts that have participated in this foresight exercise. In the second section, we show the main results of the received questionnaires. In the third and final section, we make an analysis of the experts' commitments and the quality of the study.

2. Design of the Delphi study

The Delphi study is based on a questionnaire that included 33 questions and which was responded by 49 experts. In the first round, the questionnaire was sent to the larger list of experts; a total of 51 responses were obtained. A first preliminary report was written based on the answers and comments made by the responding experts. In second round of the study, we sent this preliminary report with the same 33 questions to the 51 experts that completed the filled questionnaire in the first report. In this second round, we have been able to collect 49 questionnaires. The final analysis presented in this paper has been elaborated on the basis of the responses of these 49 experts.

The elaboration of the list of experts to whom we sent in the first round the questionnaire was made in collaboration with the different leaders of the teams participating at the FESSUD research project and the work package leaders. This list of experts is formed by experts that are members of the teams that have participated at the FESSUD project (internal experts), with the exception of the team from Pour la Solidarite, and by experts that have not participated at the FESSUD project (external experts) and that can belong to other institutions than those participating in the FESSUD project.

Thus, we requested to each FESSUD partner a list with 3 members of each team and, at least, other 3 people that were not members of the FESSUD project. Moreover, we asked other external experts to participate at the Delphi study on the future of finances. Thus, the final list comprised 114 experts: 77 external experts and 34 internal experts. As mentioned, in the first round we collected 51 questionnaires, implying a rate of participation of 44.7%. In the second round we collected 49 questionnaires, implying a final rate of participation of 43%. Out of these 49 experts, 27 are internal experts (implying a rate of participation of 79.4% in this group) and 22 are external experts (implying a rate of participation for this group of 28.6%).

Out of these 49 experts, 47 were academics, 1 expert worked in the public administration and 1 was a practitioner (working at an EU financial institution). Their geographical origin (determined by the geographical location of the institution where they work) was:

- France: 3 experts (6.1%)
- Germany: 5 experts (10.2%)
- Greece: 3 experts (6.1%)

- Hungary: 1 expert (2%)
- Italy: 3 experts (6.1%)
- Luxembourg: 1 expert (2%)
- Mexico: 2 experts (4.1%)
- Netherlands: 1 expert (2%)
- Poland: 4 experts (8.2%)
- Portugal: 4 experts (8.2%)
- South Africa: 5 experts (10.2%)
- Spain: 4 experts (8.2%)
- Turkey: 4 experts (8.2%)
- United Kingdom: 5 experts (10.2%)
- USA: 4 experts (8.2%)

To elaborate the questionnaire, we invited the partner leaders and the work package leaders to send us a number of questions that in their opinion would be of interest in this foresight exercise. We received 26 proposals of questions. The team leader of the Delphi study elaborated the final list of 33 questions. This list of questions was sent to the Work Package Leader (Giuseppe Fontana, of the University of Leeds).The final questionnaire was made incorporating the comments and suggestions made by the Professor Fontana.

3. Responses to the questionnaire about the future of finance

In each question, we asked the experts their opinion on a certain topic or theme. All the questions were closed, in the sense that we gave a closed list of responses (from 2 to 5 possible answers, depending on the question). Therefore, the experts had to choose one of the responses provided. In some cases, some experts have decided not to give an answer, and thus the number of answers is below the number of experts (i.e., below 49). However, in other cases there have been experts that have selected two answers in the same question, and, thus, there

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are questions where the number of answers is higher than the number of experts (i.e., more than 49).

Despite the existence of a closed list of responses, in all the questions, the experts had the possibility to write the reasons behind their responses and some comments. Therefore, the questionnaire was a mixture of quantitative and qualitative information about how experts foresee the future of finance.

Finally, the questions included one question related to the level of knowledge of the participants about the specific theme-topic of each question. In this sense, the experts have made a self-evaluation of the knowledge and expertise they believe that they have on the respective theme. We asked the experts to evaluate their level of knowledge from 1 (lowest knowledge) to 4 (highest knowledge). In the introduction to the questionnaire these levels were defined as follows:

4 Very high: you have a specialized knowledge about the theme or closely related themes thanks to your job or research
3 High: you have a good knowledge of the theme and follow closely its development, although you do not consider yourself as an expert
2 Low: your knowledge is larger than that of a non-expert citizen because you have read technical literature and/or have had contact with experts on that theme
1 Very low: you have a basic knowledge, similar to that of a normal citizen that only reads non-specialized literature

All this information has been processed for each of the 33 questions, obtaining the following quantitative information:

- Average level of information
- Percentage of each response on total responses
- Number of responses

- Descriptive statistics of the responses: mean, median, standard deviation, quartile 1 and quartile 3.

Furthermore, we have made a qualitative analysis of the data that, in most cases, has been combined with the analysis of the reasons and comments provided by the experts to the different answers. In some cases, we have also included some quotations of the comments and arguments provided by the experts.

Next, we will present the main results obtained from the questionnaire

Question 1. Evaluation of the benefits of financial system

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)			
	4 Very high 3 High 2 Low 1 Very low	Benefits of finance were underestimated (1)	Benefits of finance were correctly estimated (2)	Benefits of finance were overestimated (3)	Benefits of finance were highly overestimated (4)
Do you think that, before the 2008 crisis, academic economists overestimated the benefits of the financial system (growth, employment...)	3.4	2	6.1	22.4	69.4

Descriptive statistics question 1

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
49	3.5	4	0.8	3	4

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Most experts (91.8%) think that before the Great Recession, economists overestimated the benefits that the financial system had on the whole economy (growth, employment…). It is important to emphasize that nearly seven out of ten experts thought that the overestimation of the benefits of the financial systems was very high.

Most of the qualitative comments share the view that the overestimation of the benefits of the financial systems is due to the fact that (mainstream) economists "believe[d] in wrong models". Some of the experts explicitly mention that the belief in the "efficient market hypothesis" is behind the de-regulation and liberalization processes that led to the financial crisis. It is also mentioned that economists did not take into account the rising risks resulting from the financialisation process, a higher risk both in financial products and institutions but also a higher systemic risk.

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Question 2. Causes of financial crisis

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)			
	4 Very high 3 High 2 Low 1 Very low	Financial crisis was the result of the excessive size of finance, and not the problems in the regulation of the financial sector (1)	Financial crisis was the result of the wrong regulation of the financial sector, and not of the excessive size of the financial sector (2)	Financial crisis was the result of the wrong regulation of the financial sector and the excessive size of the financial sector (3)	Financial crisis was the result of other factors (4)
With which statement do you agree most?	**3.4**	**0**	**2**	**94.1**	**3.9**

Descriptive statistics question 2

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
51	3.0	3	0.24	3	3

Most experts (94.1%) think that financial crisis is explained by the combination of two elements: the excessive size of the financial system, and an inadequate regulation of the financial system. It must be emphasized that no expert thinks that the crisis was due solely to the excessive size of the financial system. On the contrary, only 2% of the experts think that the inadequate regulation of the financial system contributed by itself to the onset of the financial crisis. These results imply that experts think that it was the interaction between these two elements what caused the burst of the financial crisis. In this sense, it is widely extended the view that "Excessive size of the financial sector resulted from improper and inefficient regulation".

Only 3.9% of experts think that the financial crisis was the result of other factors.

Question 3. Problems with regulation of the financial system

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)			
	4 Very high 3 High 2 Low 1 Very low	The regulation was wrongly designed, i.e., it was based on false economic theories and/or premises (1)	The regulations were designed correctly, but their scope was insufficient (2)	Correctly designed regulations were not actually implemented to the full by regulatory institutions (3)	The supervision over the financial sector was insufficient (4)
If you think that the regulation of the financial system has been ineffective, and that this ineffectiveness is one of the reasons of the financial crisis, indicate which is the main reason of this ineffectiveness	3.2	73.1	1.9	3.8	21.2

Descriptive statistics question 3

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
52	1.73	1	1.24	1	2.25

Regarding the reasons for the ineffectiveness of the financial system, 73.1 percent of the experts think that the problem of the regulation lay in the fact that it was based on wrong economic models and theory. Again, a high number of experts argue that the assumption of the Efficient Market Hypothesis led to self-regulation by the financial agents that has not worked. As two experts say:

- "The mainstream theory has been under the illusion that financial markets could solve their problems without much regulation and oversight"
- "Liberalisation and financialisation boomed due to the lack of proper regulations, which were designed for the benefits of few, i.e. financial institutions. The issue of insufficient regulatory environment is both political and economic. The regulatory organs

implemented poor/insufficient oversight of the market, as they believed the market regulations are counterproductive and cause disequilibrium"

Nonetheless, 26.9% of experts think that the problem was not an inadequate design of the regulation but an inadequate implementation the regulation-supervision. Thus, the failure in the regulation would be a political-nature failure. For some experts (3.8%), the problem has to do with the fact that the (correct) regulation was not implemented by the regulatory institutions. In an expert's words.

- "The problem was with supervision and implementation rather than lack of regulation".

Some experts have argued that the problems with the implementation of the regulation and supervision schemes have to do with the "capture" of the regulators by the financial agents. However, it is more extended (21.2%) the idea that there was an insufficient supervision over the financial sectors. The regulations would have been "outdated and insufficient regulations", existing certain financial products, and even some segments of the financial system (like shadow banking), that lacked of any regulation.

In sum, it can be stated that the lack of a consensus about the main reason for the ineffectiveness of the regulation of the financial system is due to the fact that many experts think that there are a number of elements simultaneously operating and that all of them contribute to the ineffectiveness of the existing regulatory framework:

- "However I think that there is quite a lot of truth in all four statements"
- "I would see all four of these playing a role"

Question 4. Growth of financial system

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)				
	4 Very high 3 High 2 Low 1 Very low	The size of financial sector will significantly decline (1)	The size of financial sector will decline (2)	The size of financial sector will remain (3)	The size of financial sector will increase (4)	The size of financial sector will significantly increase (5)
Do you think that the current size of the financial sector will remain in the next five to ten years (i.e. say 2025) unchanged or, on the contrary, will vary?	**3.1**	**0**	**10.2**	**42.9**	**44.9**	**2**

Descriptive statistics question 4

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
49	3.4	3	0.69	3	4

Regarding the question about the future size of the financial systems, as can be observed, there is a higher dispersion in the answers

Only 10.2% of experts think that the size of the financial system will decline in the next years, and 42.9% think that there will be no variation in its size. On the contrary, a similar share (46.9%) of the experts think that the size of the financial system will increase, although most think that that increase will not be very large and that continue to be at a lower pace than in the past.

It must be emphasized that for a high number of experts, the expected increase in the size of the financial system is explained by two, though interrelated, reason,: the political power of the financial system and institutions ("lobby power of financial industry") and the lack of a proper regulation,:

- "Power of financial sector and financial actors seem to be able to prevent considerable decline and efficient regulation"
- "Without proper regulations, financial sector does not have reason to decline. Given the recent development in China and Sub-Saharan continent, financial capital will look for new avenues to increase its profits"

Thus, it is believed that the current size of the financial system is excessive and that there is a lack of political will to revert this situation. As some experts say:

- "If necessary steps are not taken, the size of financial sector will significantly increase. Unfortunately, I don't see any serious attempt to constraint the size of financial markets"
- "Regulation now implemented on the macro-prudential side can limit the size – at least as a percentage of GDP. However, with regard to the political willingness doubts remain if those instruments will be used efficiently"
- "Without any political challenge to it, finance is going to continue its expansion to new spheres of provision with the help of new products and markets. Securitisation is now having a second life with promising new areas, environmental ones being an example".

Question 5. Finance and regulators

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)			
	4 Very high 3 High 2 Low 1 Very low	Strongly disagree (1)	Disagree (2)	Agree (3)	Strongly agree (4)
Zingales argues that "if the financial industry is good at buying out political power, it is even better at capturing regulators" Do you agree with the opinion that the financial industry exerts a strong influence on regulators, generating a set of rules that, instead of improving the functioning of financial markets and institutions, contributes to consolidate the power of the financial industry?	2.9	0	0	46.8	53.2

Descriptive statistics question 5

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
47	3.5	4	0.5	3	4

All the experts think that the financial sector exerts a strong influence on regulators, and that this influence is contributing to the consolidation of the power of the financial sector instead of contributing to a more efficient working of this sector.

Some experts mention the Dodd-Frank Act in the USA as an example on the strong influence exerted by financial institutions on the regulation of that industry. The lobbying practices of the financial institutions, for instance, financing electoral campaigns, is also proof of the influence of the sector on the legislators and the regulating bodies. It is important to notice that six experts made explicit mention of the 'revolving doors' as an extended practice that ensures the influence of the financial sector on the regulations.

Question 6. Finance and regulators

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)				
	4 Very high 3 High 2 Low 1 Very low	The influence will be significantly lower (1)	The influence will be slightly lower (2)	The influence will be the same (3)	The influence will be slightly higher (4)	The influence will be significantly higher (5)
Do you think that in the next five to ten years the influence that financial markets and institutions will exert on regulators will vary?	**2.8**	**0**	**14.3**	**63.3**	**16.3**	**6.1**

Descriptive statistics question 6

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
49	3.1	3	0.72	3	3

Regarding the future influence of financial institutions on regulators, only a minority of the experts (14.3%) think that that influence will decline. Most experts think that this influence will remain unchanged, although it is important to mention that 22.4% of experts think that this influence will increase.

It must be stressed that a high number of experts share the idea that in the medium-term there will be a tighter regulation of the financial system, or, at least, that there will be an attempt to do it, but that the financial will act in order to offset it. See some examples:

- "The attempt to regulate financial sector is going to force financial institutions to react, so presumably they are about to become more active while trying to influence regulators' decisions"
- "I expect that the stronger regulation and fiercer lobbying against more regulation will balance each other out"

- "Again, this is hard to answer as it depends on the political balance of power. There are contradictory trends – calls for greater independent regulation; while the power of finance seeking to regulate itself may be re-asserted through its capture of key politicians e.g. through financing of electoral campaigns".

The result would be that the influence will remain unchanged.

Question 7. Potential risks from non-bank financial system

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)			
	4 Very high 3 High 2 Low 1 Very low	Very Unlikely (probability 0-24%) (1)	Unlikely (probability 25-49%) (2)	Likely (probability 50-74%) (3)	Very Likely (probability >75%) (4)
Do you think that, under the current regulation, the non-bank financial system will be a cause of a future financial crisis in the next five to ten years?	**2.9**	**0**	**12.2**	**73.5**	**14.3**

Descriptive statistics question 7

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
49	3	3	0.51	3	3

In earlier questions, most experts agreed with the idea that the mistakes in the regulation of the financial system were a key element behind the onset of the financial crisis. Moreover, a high number of experts make an explicit mention of the problems generated by the non-bank financial system, and shadow banking, emphasizing the lack of a correct regulation and supervision of these institutions. This view is coherent with the answers given to question 7. 87.8 percent of experts think that there is a high probability (above 50%) that, under the current regulation, the non-bank financial system will be a cause of a future financial crisis in the near future. It is important to mention that no expert thinks that the non-bank financial system will not cause a financial crisis in the next five to ten years.

For some experts, the shadow banking is inherently instable:

- "The non-bank financial system has inherent tendencies to instability"
- "There is little doubt that the non-bank financial sector brings instability and risk"
- "The inherent instability, proneness to risk and insufficient regulatory environment means that the economic system is not protected against non-bank financial institutions"

and the rising size of these financial institutions makes that

- "Systemic risks do emerge from the shadow banking sector"
- "The size of non-bank financial institutions makes that systemic risks also emerge from that direction"

The problem is exacerbated by the lack of a correct regulation of these non-bank financial institutions:

- "The non-bank institutions are loosely regulated and monitored"
- "Banks are a bit better regulated now, non-bank financial institutions not"
- "At least in the EU no legislation has been passed to regulate shadow banking".

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Question 8. Future trends in non-bank financial institutions

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)			
	4 Very high 3 High 2 Low 1 Very low	Very Unlikely (probability 0-24%) (1)	Unlikely (probability 25-49%) (2)	Likely (probability 50-74%) (3)	Very Likely (probability >75%) (4)
The strong growth of non-bank financial institutions was a widely observed phenomenon before the financial crisis in developed economies. Do you expect that this trend of sustained growth of non-bank financial institutions will continue in the next five to ten years?	2.9	0	6.1	75.5	18.4

Descriptive statistics question 8

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
49	3	3	0.46	3	3

Most experts (93.9%) think that there is a high probability (above 50%) that the non-bank financial institutions will keep growing in the next five to ten years. For many experts, this growth is explained by the lack of regulation of non-bank financial institutions and because banks will seek to escape tighter regulation by turning to off-balance sheet activities:

- "Banks will try to avoid the increase in capital regulation be resorting to non-bank financial institutions"
- "Shadow banking will work as an escape valve for doing business in the financial sector if traditional banking starts to become more regulated"

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Question 9. Moving towards market based financial system?

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)			
	4 Very high 3 High 2 Low 1 Very low	Very Unlikely (probability 0-24%) (1)	Unlikely (probability 25-49%) (2)	Likely (probability 50-74%) (3)	Very Likely (probability >75%) (4)
Will the general shift we are experiencing towards more market based financial systems continue in the next five to ten years?	**2.9**	**0**	**6.1**	**81.6**	**12.2**

Descriptive statistics question 9

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
49	3.1	3	0.42	3	3

9 out of 10 experts (93.8%) think that, with a probability above 50%, the current trend in the financial systems towards more market based models will remain in the near future. On the contrary, only 6.1% of experts think that that trend is unlikely (probability between 25 and 49%).

Most comments made by the experts argue that that shift is explained by the rising evolution of the non-bank financial institutions and a potential fall in the relative size on banks.

Question 10. Basel regulations

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)				
	4 Very high 3 High 2 Low 1 Very low	Yes (1)	Yes, but only if they come with other measures (2)	No, because regulations concerning liquidity and capital requirements are not effective by themselves (3)	No, because Basel regulations have not the necessary dimension (4)	No, because of other reasons (5)
Do you think the new Basel regulations concerning liquidity and capital requirements will be effective in building a more robust financial system?	**2.5**	**4.3**	**29.8**	**36.2**	**14.9**	**14.9**

Descriptive statistics question 10

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
47	3.06	3	1.11	2	4

As can be observed there is a large dispersion in the answers to this question: thus, one third (34.1%) of experts think that the new Basel regulations will succeed in building a more robust financial system, and the remaining 65.9% believes that they will not succeed. However, the responses are not absolute. 29.8% of experts think that the success of the Basel regulations depends on the implementation of other complimentary measures. Among those that think that these regulations will be ineffective, there is no consensus about the reason behind this foresight. 36.2% of experts think that it is because liquidity and capital requirements are ineffective per se; 14.9% argue that Basel regulations should be stricter and 14.9% think that there are other reasons behind this ineffectiveness.

As mentioned, a significant number of experts think that the ineffectiveness of the Basel regulations is due to elements other than the dimension of the regulations or the accompaniment of other complementary measures. Thus, some authors think that these regulations will reduce the liquidity and the capacity of banks to give credit, making the banking system more fragile. On the other hand, some experts argue that the problem is that Basel regulations only focus on banks, leaving aside other financial institutions, like shadow banking:

- "Basel cannot establish a more robust financial system as it's limited mostly to traditional banking services".

It must be emphasized that there have been some experts that have not answered the question, arguing that they have a low knowledge of the subject. Moreover, there have been two experts that have given two answers (selected two cells). A common argument, both in the case of those experts that think that Basel regulations can be effective if they come with supplementary measures and in the case of those that think that they will not be effective, is that a main problem of Basel regulations is that they do not cover shadow banking.:

- "Basel III is serious and addresses some problems, but needs to be complemented by better regulation of shadow banking, financial markets, and cross-border capital flows"
- "Regulation of the shadow banks is not adequately included yet"

Question 11. European banking union

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)			
	4 Very high 3 High 2 Low 1 Very low	Yes, in all Euro countries (1)	Yes, but only in some (not all) Euro countries (2)	No, the concentration will remain at current levels (3)	No, the current level of concentration will diminish (4)
Will the European banking union promote the concentration of the banking sector in the Eurozone?	2.5	32.6	60.9	6.5	0

Descriptive statistics question 11

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
46	1.7	2	0.57	1	2

Only a minority of experts (6.5%) think that the concentration of the banking sector in a lower number of Banks will remain at the current levels or decline in the Eurozone. Most experts (93.5%) agree that this concentration will increase, however the majority opinion is that this concentration will mainly take place in some countries.

It is important to mention that for many authors, the concentration of the banking sector in the Eurozone is the result of an existing trend, and, therefore, the European Banking union will "merely" contribute to reinforce this trend:

- "This is a natural trend, even without banking union".

Moreover, for many experts, the concentration process is the result of domestic elements:

- "It will depend on the structure of domestic financial systems. Since there are many differences among European countries, the effects will not be the same".

Experts do not have a clear-cut opinion about which countries will be the most affected by the concentration process. At best, they mention that it could be more likely in peripheral countries or in countries with troubled banking sectors (mentioning the case of Spain).

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Question 12. Future trends in financial regulation?

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)		
	4 Very high 3 High 2 Low 1 Very low	Yes, in all countries (1)	Yes, but only in some countries (2)	No (3)
a) Will developed countries introduce a separation between commercial and investment banks?	2.7	10.4	47.9	41.7
b) Will developed countries introduce new forms of control on the non-bank financial institutions?	2.6	25.0	66.7	8.3
c) Will developed countries introduce controls on over-the-counter derivatives?	2.5	22.9	60.4	16.7
d) Will developed countries introduce controls on off-balance sheet operations?	2.6	14.9	66.0	19.1
e) Will developed countries introduce controls on offshore financial centres?	2.6	16.7	54.2	29.2
f) Will developed countries introduce limits to the leverage of financial institutions?	2.6	29.2	52.1	18.8

Descriptive statistics question 12

	Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
12a	48	2.3	2	0.65	2	3
12b	48	1.8	2	0.55	2	2
12c	48	1.9	2	0.61	1	2
12d	47	2.0	2	0.58	2	2
12e	48	2.1	2	0.65	2	3
12f	48	1.9	2	0.68	1	2

Question 12 collects six different questions all of them related to the future trends in financial regulation.

Regarding whether developed countries will introduce measures to separate commercial and investment banks, there is a majority of experts (58.3%) that believe that a separation between commercial and industrial banks will be introduced in developed economies, although most of them (47.9% of total experts) think that it will only happen in some countries. It is important to emphasize that in this question, the share of experts that think that no measures in this respect will be introduced (47.8%) is the highest among the six sub-questions analyzed in question 12.

A higher consensus is reached about the belief that developed countries will introduce new controls on non-bank financial institutions, with 66.7% of experts thinking that these controls will be introduced at least in some countries, and 25% believing that these controls will be introduced in all developed countries.

83.3% of experts believe that developed countries will introduce controls on over-the-counter derivatives. The main difference with the other questions is that there is a high number of experts (22.9%) that believe that these controls will be introduced in all countries and not in only some developed countries.

80.9% of experts think that developed countries will introduce controls on off-balance sheet operations. Nonetheless, the majority of experts (66%) think that these controls will only be implemented in some countries.

Regarding the controls on offshore financial centres, although a majority of experts (54.2%) think that these controls will be introduced in some countries, a high percentage of authors (29.2%) believe that these controls will not be introduced, and only 16.7% think that they will be introduced in all developed countries.

Experts are more optimistic about the introduction of limits to the leverage of financial institutions, a possibility considered by 81.3% of experts, although half of all the panel of experts (52.3%) think that these limits will only be approved in some countries.

Nonetheless, a common argument is that this is a process heavily influenced by political factors:

- "These are fundamentally political questions and some countries seem more willing to address them than others"
- "Very political questions, answers to which will highly depend on political climate in each country. In general, we see a push for greater regulatory environment- both from

general public and politicians (mostly in the case of offshore financial centres) but their effectiveness will depend on complementary regulations as mentioned earlier"

Question 13. Composition of the banking systems

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)		
	4 Very high 3 High 2 Low 1 Very low	The trend will continue in all countries (1)	The trend will be reversed, with a re-emergence of local savings and cooperative banks (2)	The trend will be reversed, with a re-emergence of local savings and cooperative banks, but only in some countries (3)
In Germany and in many other developed countries for a long time small locally-oriented savings and cooperative banks were important parts of the national banking system. In many countries they have disappeared or encouraged to adapt the business models of big private banks. Do you think this trend will continue or may there be a reversal?	2.9	66.7	6.4	27.1

Descriptive statistics question 13

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
48	1.6	1	0.88	1	3

Two thirds of experts (66.7%) think that the trend will continue, with the remaining one third think that the trend will be reversed: Among the latter, there is a majority of experts that believe that the reversal will only happen in some countries.

Question 14. Objectives of monetary policy

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)			
	4 Very high 3 High 2 Low 1 Very low	Central Banks will keep their main goal as price stability (1)	Central Banks will pay more attention to the real economic activity, although price stability will remain the main goal (2)	Central banks will give a similar relevance to price stability and real economic activity (3)	Central banks will give higher relevance to real economic activity than to price stability, even setting targets for economic activity (4)
Do you think that central banks whose main objective is price stability (like, among others, the ECB) will in the short-medium term change their monetary strategy byadopting e.g. a dual mandate à la Fed: i.e., including in their objectives not only inflation-price stability but also high real economic activity (e.g., employment, economic growth, etc.)	3.1	14.3	79.6	4.0	2.0

Descriptive statistics question 14

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
49	1.96	2	0.50	2	2

85.6% of experts think that central banks will give more importance than nowadays to objectives directly related to 'real' economic activity (employment, unemployment, GDP growth, etc.). This does not mean that they consider that central banks will significantly alter the ranking of objectives, putting real economic activity at a similar level than price stability. Indeed, 79.6% of experts believe that price stability will remain the main objective of monetary policy despite the higher relevance attributed to real economic activity. Actually, this data implies that

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only 6% of experts think that real economic activity will have a similar or higher relevance than price stability.

Experts argue that due to the stagnation in economic activity, central banks are being forced to give more importance to real economic activity:

- "With the deflationary pressures and lack of aggregate demand, the CB's may have to give relevance to real economic activity"
- "It will not shift easily but I suspect with economic stagnation the pressure for a more subtle and interventionist policy will increase".

However, some experts also think that, in the case of the ECB, there are political and legal obstacles to significantly upgrade the role given to real economic activity:

- "I doubt whether setting targets for economic activity is possible, as it would require, among others, the change in the ESCB Statute. However, eclectic approach to monetary policy replacing pure direct inflationary targeting seems unavoidable"
- "In the case of FED and ECB, there is a lot of pressure from financial sector to move back to a monetary policy focused on price stability as main goal"
- "It is very difficult to change the EU Constitution"

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Question 15. ECB's monetary policy

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)			
	4 Very high 3 High 2 Low 1 Very low	ECB will keep their monetary focusing on price stability (1)	ECB will pay more attention to the real economic activity, although price stability will remain the main objective (2)	ECB will give a similar relevance to price stability and real economic activity (3)	ECB will give higher relevance to real economic activity than to price stability, even setting targets for economic activity (4)
In the next five to ten years, will the European Central Bank modify its statutes to explicitly downgrade the relevance currently given to the objective of price stability, and give more relevance to other objectives, like the level of economic activity, (un)employment, acting as lender of last resort, guaranteeing financial stability, etc.	3.1	37.5	60.4	2.1	0

Descriptive statistics question 15

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
48	1.7	2	0.51	1	2

The answers to question 15 are quite similar to those of the previous question. Only a minority of experts (2.1%) think that the ECB will significantly change its strategy of monetary policy giving a similar relevance to real economic activity as to price stability. 97.9% of experts think that in the near future price stability will remain the main objective of the ECB, although 6 out of 10 experts (60.4%) believe that, though subordinated to the mandate of price stability, higher attention will be paid to real economic activity.

In any case, the above data implies that 62.5% of experts think that ECB will be paying more attention than in the past to real economic activity

In the case of the experts that think that a higher relevance will be given to real economy objectives, there is an extended view that this change will take place without a formal change in the ECB Statutes, due to political reasons and the pressures from Germany:

- "Amend of ECB statutes in order to introduce a higher weight of other goals in the functioning of ECB seems to be very difficult since Germany will not move from its current ideological position in this regard".

However, in the current context of deflation-stagnation, the view is extended that the ECB will proceed in a more flexible way pursuing other objectives rather than price stability:

- "Very difficult to modify its statutes explicitly, but it has enough flexibility to encourage more balanced pursuit of objectives in deflationary environment".
- "Explicitly changing the monetary policy strategy is a huge step, but the ECB, as already shown, will be more creative in including other goals into their main goal, price stability".
- "Given the way in which the price stability objective is embedded in Treaty of Lisbon, the German Ordo-Liberal influences, it is difficult to think that there will be a formal downgrading, though I would expect that there will be an informal downgrading".
- "I think political gestures will be made in this direction but profitable stabilisation policy will really continue to dominate."

Question 16. Targets of inflation

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)				
	4 Very high 3 High 2 Low 1 Very low	Targets for inflation rates will fall (1)	Targets for inflation rates will remain unchanged (2)	Targets for inflation rates will rise, but less than 1 percentage point (3)	Targets for inflation rates will rise between 1 and 2 percentage points (4)	Targets for inflation rates will rise more than 2 percentage points (5)
Do you think that central banks of developed countries will change their current inflation rates targets (of around 2%)?	**3.1**	**0**	**80.9**	**12.8**	**6.4**	**0**

Descriptive statistics question 16

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
47	2.3	2	0.56	2	2

The generalized opinion about the maintenance of the prevailing strategy of monetary policy, focused on the objective of price stability, in developed countries is coherent with the results of previous question. 80.9% of experts think that central banks will maintain their current inflation targets. Only 19.2% of experts think that central banks will increase current inflation targets, though out of these two thirds think that these targets will increase by less than 1 percentage point.

Question 17. Inequality in income and wealth distribution

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)				
	4 Very high 3 High 2 Low 1 Very low	Inequality will significantly fall (1)	Inequality will slightly fall (2)	Inequality will remain unchanged (3)	Inequality will slightly increase (4)	Inequality will significantly increase (5)
Do you think that the trends towards higher inequality in income and wealth distribution in developed countries will continue in the next five to ten years?	2.9	0	12.5	25	50	12.5

Descriptive statistics question 17

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
48	3.6	4	0.90	3	4

Only a few experts (12.5% percent) believe that in the next 5 to 10 years the distribution of income and wealth will be more egalitarian. Most experts (62.5%) think that current levels of inequality will increase, although, among them, nearly two thirds think that the increase in the inequality will not be too large.

For many experts the rising inequality can be explained by the reasons behind the rising inequality in the last decades remaining in place:

- "The underlying reasons for increased inequality have not been changed and increased unemployment, welfare cuts and austerity are likely to worsen these"

And it is also believed that there is not, and there will not be, the political will to implement measures (most of them of a fiscal nature) to revert this trend:

- "Developed countries need policies to reduce inequality; they do not exit"

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- "Inequality is a major issue but very little has been done to reduce inequality over the last decades. I do not expect a big change here, so I guess more inequality is likely"
- "There is no political power to change the existing trend").

However, some authors argue that, due to the existence of an economic and political atmosphere in which the issue of inequality is gaining relevance, some measures can be adopted to avoid that inequality keeps rising:

- The political atmosphere appears to have become more concerned with inequality"
- "Already very unequal -> becomes bigger political theme and hence object of policy-making, but only to contain continuing trend towards inequality".

Question 18. Real wages and wage share in GDP

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)				
	4 Very high 3 High 2 Low 1 Very low	Wage share will fall by more than 2% GDP (1)	Wage share will fall by between 0.5 and 2% GDP (2)	Wage share will remain unchanged (3)	Wage share will rise by between 0.5 and 2% GDP (4)	Wage share will rise by more than 2% GDP (5)
Dou you think that in the next five to ten years the share of wage incomes in GDP will change?	**2.8**	**2**	**49**	**44.9**	**4.1**	**0**

Descriptive statistics question 18

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
49	2.51	2	0.61	2	3

Regarding the future evolution of the wage share, only 4.1% of experts think that wage share will rise in the medium term, although this increase will not be too large: below 2 percent of GDP. 44.9% of experts think that the wage share will remain at the current levels.

A higher share of experts (51%) expect a decline in the wage share, although among them, the majority of people are inclined to think that the fall in the wage share will be less than 2 percent of GDP.

Although in this answer there are no common or similar arguments in favour of any option, it must be emphasized that for some authors the situation may differ by countries. Thus, whilst in some countries, for a number of different reasons, the wage share might rise, in others, mainly as a consequence of the impact of the crisis, this wage share might fall, even considerably:

- "In some countries, like Germany, the wage share may slightly rise due to low unemployment, legal measures etc... But we will see falling wage shares in several countries, in particular in those currently in crisis, so that on average the wage share may decline further".

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Question 19. Funding of consumption and investments expenditure

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)				
	4 Very high 3 High 2 Low 1 Very low	Dependence on external funding will significantly fall (1)	Dependence on external funding will slightly fall (2)	Dependence on external funding will remain at the current levels (3)	Dependence on external funding will slightly rise (4)	Dependence on external funding will significantly rise (5)
Do you think that the current financial and economic crisis will change in a near future the approach of the non-financial sectors to their consumption and investment decisions leading to a change in dependence on external funding?	2.6	8.5	29.8	51.1	10.6	0

Descriptive statistics question 19

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
47	2.6	3	0.76	2	3

There is a higher dispersion in the answers to question 19. 10.6% of experts believe that in the future there will be a higher dependence on consumption and investment on external funding. On the contrary, 38.3% of experts think that the dependence on external funding will decline:

- "Firms and households will try to reduce debt ratios and use more self financing".

However, a majority of experts (51.1%) believe that there will be no changes in the consumers and firms' dependence on external funding.

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Question 20. Funding of investment

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)				
	4 Very high 3 High 2 Low 1 Very low	Corporate profits will significantly lose relevance in the funding of investments (1)	Corporate profits will slightly lose relevance in the funding of investments (2)	There will be no significant changes (3)	Corporate profits will slightly gain relevance in the funding of investments (4)	Corporate profits will significantly gain relevance in the funding of investments (5)
Do you think that corporate profits will gain relevance vis-à-vis external borrowing in the funding of investments by non-financial corporations ?	**2.6**	**0**	**4.2**	**54.2**	**37.5**	**4.2**

Descriptive statistics question 20

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
48	3.4	3	0.67	3	4

The foresight about the dependence of internal and external funds of non-financial corporations in their investment decisions is different of the previous, and more general, question. Now only 4.2% of experts believe that the dependence of investments on external funding (lower relevance of self-financing) will increase. 54.2% of experts think that there will be no change on this issue.

However, a high number of experts (41.7%) think that self-financing (corporate profits) will increase its relevance as a mechanism to fund the investments made by non-financial corporations. However, there is not a clear pattern to explain the reasons of this higher dependence on internal funds. Thus some comments explain this change by a change in the financial system, by the need of non-financial firms to reduce their debt ratios or by the fear of rising interest rates.

Question 21. Composition of the external borrowing of non-financial corporations

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)		
	4 Very high 3 High 2 Low 1 Very low	European non-financial corporation will keep being mainly dependent of bank funding (1)	Banking funding will keep being the main source of external funding although with a declining share (2)	Non-banking funding will become the main source of external funding (3)
Do you think that in the next five to ten years, European non-financial corporations will change the sources of external borrowing, reducing their current dependence of banking institutions?	2.6	16.7	75	8.3

Descriptive statistics question 21

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
48	1.9	2	0.47	2	2

91.7% of experts think that banking funding will in the next years be the main source of external funding of European non-financial corporations, thus keeping its strong dependence on banks. Nonetheless, 75% of experts also think that other sources of external funding (capital markets, non-banking financial institutions) will increase their importance as source of external funding. Only 8.3% of experts think that a radical change will happen with non-banking funding becoming the main source of external funds for European non-financial corporations.

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Question 22. Non-conventional monetary policy measures

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)		
	4 Very high 3 High 2 Low 1 Very low	No, they are temporary measures implemented during the current crisis (1)	Yes, they will be the norm of future monetary policy (2)	They will be used only in periods of exceptionally deep recessions (3)
Do you think that in the next five to ten years non-conventional monetary policy strategies (i.e., quantitative easing) will become the norm rather than an exception or temporary tool used by central banks in developed economies?	3	16.3	38.8	44.9

Descriptive statistics question 22

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
49	2.3	2	0.73	2	3

Only 16.3% of experts think that non-conventional monetary policy measures are extraordinary measures that are only implemented as far as the current crisis remains, and which will disappear with the end of the crisis:

- "When the crisis ends there will be pressure on them to go back to their old ways".

A higher share of experts (38.8%) think that these unconventional measures will be the future generalized norm of monetary policy

However the highest share (44.9%) corresponds to the view that unconventional monetary policy be used in the future, but only in cases of very deep recession:

- "Central banks are not very willing to implements these policies unless they are in big trouble".

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It is important to notice that there is a high number of comments that argue that the future generalized use of unconventional monetary policy is due to the lack of an active fiscal policy that puts the burden of macroeconomic policy on the shoulders of the monetary policy:

- "With the victory of Reaganomics and the rise of Neo-liberalism, this means that fiscal policy is out as a prescription. This means that those making monetary policy will likely commit to quantitative easing on a permanent basis"
- "In particular the European economy is quite likely to face deflationary stagnation tendencies. In the absence of relevant expansionary fiscal policies and weak private demand dynamics, the ECB may see itself forced to continue with 'unconventional measures', although these will be of little effectiveness with respect to the real economy"
- "As long as fiscal policy is ignored and the burden of macroeconomic stability falls to monetary policy, conventional monetary policy tools will remain insufficient. And this insufficiency will keep central bankers to develop new tools"
- "Because fiscal policy will remain passive and stagnationary tendencies will be long-lasting"
- "Given the stagnation caused by austerity policies and interest rates close to zero, this kind of policy will play a greater role in the future, particularly during crisis".

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Question 23. Monetary policy

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)	
	4 Very high 3 High 2 Low 1 Very low	Yes (1)	No (2)
Besides the goal of inflation-price stability and economic activity, will central banks in developed countries adopt a financial stability goal in the next five to ten years??	**3**	**89.8**	**10.2**

Descriptive statistics question 23

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
49	1.1	1	0.30	1	1

Most experts (89.8%) think that, in the next five to ten years, financial stability will become an objective of monetary policy in developed economies. It is important to mention that, some of the experts that think that this objective will not be adopted by central banks, argue that this will not happen in a explicit way, but that central banks will implicitly do it (and that they are actually doing it now):

- "Implicit but not explicit"
- "Not formally as it would be"
- "This is implicitly already a goal"
- "This may well be implicit rather than explicit"

Among those that have given a "yes" response, there is also an extended view that central banks are actually doing it nowadays:

- "ECB in fact already has done so with its stress test and other measures"
- "The ECB has already done this"
- "Actually, they are giving signals that they are doing so"
- "They are already doing so"
- "They have already been mandated to do so"

- "Already done".

Question 24. Future economic growth in developed economies

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)	
	4 Very high 3 High 2 Low 1 Very low	Yes (1)	No (2)
Do you expect for the next decade a long-term period of low growth (i.e., below 2%) in developed countries?	**2.9**	**91.8**	**8.2**

Descriptive statistics question 24

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
49	1.1	1	0.27	1	1

A higher consensus is reached about the possibility of a long period of low GDP growth (secular stagnation), with 91.8% of experts expecting this scenario.

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Question 25. Future economic growth in the Eurozone

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)	
	4 Very high 3 High 2 Low 1 Very low	Yes (1)	No (2)
Do you expect for the next decade a long-term period of low growth (i.e., below 2%) in euro area countries?	**2.9**	**98**	**2**

Descriptive statistics question 25

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
49	1	1	0.14	1	1

Question 25 is focused on the perspective of economic growth in the Eurozone. The share of experts that expect a long period of low economic growth is even higher (98%) than in the previous question.

Here a number of experts mention explicitly as a cause of the expected low GDP growth the problems resulting of the failure in the institutional design of the Eurozone:

- "Yes if current economic policies and institutional set up do not change"
- "Under the German dominance the Euro area will not be able to fix its institutional problems (lack of unconditional central bank guarantees for government debt and of expansionary fiscal policies, public investment etc.), and will thus continue to follow 'stagnation policy'
- "The Eurozone suffers from architectural design problems. No policy can work for higher economic growth if they cannot fix these problems"
- "I also include a wrong institutional architecture, so fiscal policy cannot play its role properly".

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Question 26. Inflation expectation in the Eurozone

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)			
	4 Very high 3 High 2 Low 1 Very low	Negative or close to 0.5% (1)	Between 0.5 and 1.5% (2)	Between 1.5 and 2% (3)	Above 2% (4)
What is your foresight for the (average) inflation rate (CPI) in the euro area in the next five to ten years?	**2.7**	**4.1**	**71.4**	**22.5**	**2**

Descriptive statistics question 26

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
49	2.2	2	0.54	2	3

As far as we consider the objective of price stability in the Eurozone as an inflation rate below but close to 2%, most experts believe that this objective will not be reached. Less than one third of experts think that it will be reached (22.5%). 7 out of 10 experts (71.4%) expect an inflation rate between 0.5 and 1.5%.

This outcome is coherent with the expectation of a prolonged period of low economic growth, as seen in the previous question:

- "Stagnation and low inflation for the Euro area as a whole, but deflation in some (crisis) countries"
- "Following the previous question, the inflation in the Eurozone will remain on the brink of deflation with poor economic performance"
- "Caused by low recovery, high unemployment"
- "Slow recovery on average will cause low inflation rates and possible deflation in the countries in crisis"

It must be emphasized that a very low number of experts (4.1%) expect a period of very low inflation (below 0.5%) or even of deflation.

Question 27. Composition of the Eurozone

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)			
	4 Very high 3 High 2 Low 1 Very low	The euro area will be formed by the same countries as in May 2015 (1)	Some countries will exit the euro zone (say which one(s)) (2)	Some countries will exit the euro zone (say which one(s)) whilst new countries will join the euro (say which one(s)) (3)	No country will exit the euro and some countries will join it (say which countries) (4)
What is your foresight for geographical composition of the euro area in the next five to ten years?	**2.9**	**46.9**	**14.3**	**4.1**	**34.7**

Descriptive statistics question 27

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
49	2.3	2	1.35	1	4

There is a high dispersion in the answers regarding the question of the future composition of the Eurozone.

Less than half of experts (46.9%) think that the members of the Eurozone will be the same as in May 2015. The reasons would be the lack of interest of non-euro countries to join the euro and the political will to keep all the euro countries in the EMU:

- "Outsiders have no intention to quick joining the Eurozone as they appreciate independency of monetary policy and they do not have to fund financial help for countries that are burdened with excessive debt (Greece). On the other hand, policymakers from the Eurozone countries (Berlin-Paris axis) are determined to keep all the Eurozone members in"
- "The exit of a country from Euro would cause very big shock waves around Europe and world. Therefore, European Union will try to do its best to keep euro intact in near future"

- "Because of political reasons that will ensure the stability of the composition of the EU is likely to remain largely the same. There is unlikely to be any further eastward extension of the EU"

A lower percentage of experts think that there will be an enlargement of the euro area (34.7%). The likely candidates to join the euro would be Central and Eastern European countries, mainly Czech Republic and Poland.

A smaller share of experts (18.4%) expects that some countries will exit the Eurozone, with Greece and Portugal being the likely candidates to exit the euro. Here is a division between those who believe that there will be a shrinking in the size of the euro area (14.3% of experts) and those who believe that the exit will come with new members (4.1%)

This answer implies that 81.6% of experts think that none of the current members of the Eurozone will leave the euro.

Question 28. Risks of exit of Eurozone

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)			
	4 Very high 3 High 2 Low 1 Very low	Appropriate policy measures implemented in advance may prevent the crisis (1)	The crisis would be unavoidable, and substantially less acute than that of 2008 (2)	The crisis would be unavoidable and at least such acute as that of 2008 (3)	The crisis would be unavoidable and its depth and extent would pose a serious threat to the very existence of the Eurozone in its present shape (4)
Do you think that the exit from the Eurozone of one of its current member states would unavoidably cause another serious financial crisis in the EU	**2.8**	**30.6**	**40.8**	**4.1**	**24.5**

Descriptive statistics question 28

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
49	2.2	2	1.13	1	4

Only a minority of experts (30.6%) believe that the exit from the Eurozone of one of its current members would not generate a serious financial crisis if this exit does not come with proper measures to avoid such a crisis.

Therefore, 69.4% of experts think that the exit of the Eurozone would lead to a financial crisis in Europe. However, there is no consensus about the depth of that crisis.

Thus, 40.8% of experts think that the crisis would be unavoidable, but that the impact of this crisis would be less severe than that generated in 2008:

- "There is the probability of a crisis, but some measures have been taken to avoid contagion to the banking system".

Most experts are thinking on an ordered exit of just one country (Greece), but if there are more countries that exit the Eurozone the impact of the crisis would be more severe:

- "It depends on the country concerned but my answer hypothesizes it is Greece. Some lessons have been learned from the current crisis, but if other peripheral countries fallow it will be severe".
- "Here are two scenarios: In one case, Greece and one or two other financially weak members are forced out or leave. Given the crisis situation already, I suspect the authorities are rather prepared for this eventuality and these economies are too small to matter if measures are instituted to prevent speculation getting out of hand. A big division between Germany plus a few Northern countries and several southern ones, especially France, would be something else and would probably kill the euro in its present form".

4.1 % experts foresee a financial crisis similar to that of the year 2008. However, a significantly higher share of experts (24.5%) think that the depth of the crisis would be so severe that it would pose a serious threat to the very existence of the Eurozone. The problem would lie in the hypothesis that the exit of the Eurozone of one country would increase the expectations of the exit of other euro countries:

- "Although several new institutions (ESM) have been established, I am not convinced that these will be sufficient to deal with financial market panic and speculation on further exits, if one country leaves"
- "Once the weakest part of the chain is removed, there is always be a next weakest part of the chain. Moreover, the experience of a member leaving the monetary union will be a fact, not a possibility. The adaptive expectations of financial markets will turn into a self-fulfilling prophecy".

Question 29 Debt crisis

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)			
	4 Very high 3 High 2 Low 1 Very low	No (1)	Yes, but only in the case of Greece (2)	Yes, but only in the case of countries whose public debt is above certain level (3)	Yes, but only in the case of a new sovereign debt crisis (4)
Will the ECB write-off some of the debt held by the peripheral countries of the Eurozone?	**2.9**	**40.8**	**14.3**	**34.7**	**10.2**

Descriptive statistics question 29

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
49	2.1	2	1.10	1	3

Only 40.8% of experts think that the ECB will not write-off some of the debt issued by the peripheral countries of the Eurozone. On the contrary, 59.2% think that the ECB will write-off debt. In any case, there is a division regarding the circumstances of that intervention. 14.3% of experts think that the write-off will only happen in the case of Greece. The case of Greece would be a special one, because Greek debt is the only unsustainable debt:

- "At the moment, Greece is the only country for which debt seems unsustainable"
- "Greek debt is unsustainable and in order to avoid a new big problem in Eurozone, Greek debt will have a haircut"

More extended among experts (34.7%) is the opinion that the haircut will affect any country whose public debt exceeds a certain threshold. However, some experts think that this measure would be politically problematic:

- "This goes against what I have written above. It is the other likely development. If it is desired that Greece stays in, if it hardly benefits from the bailouts but has been a good boy generally, it will be rewarded just as were eventually the 3rd world victims of structural adjustment. Then this would open the door to other worthy debtors such as Portugal. But against this too, Germany being a democracy, the German voters may demand no compromise which would kill the Euro"

- "In some cases, repayment of the debt is impossible, and this is not only the example of Greece. To help these countries to recover, write-offs seem unavoidable. However, it may be difficult to convince policymakers from creditor countries (Germany, Scandinavian countries) to support such write-offs. Political debate on this issue is going to be intense",

and surely this haircut would be highly conditional:

- "Yes but it will remain conditional and countries will be asked to take strong measures to reduce public debt".

A lower share of experts (10.2%), however think that this haircut will only happen is there is a new sovereign debt crisis.

Question 30. Fiscal policy in the Eurozone

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)	
	4 Very high 3 High 2 Low 1 Very low	Yes (1)	No (2)
Will in the next 5 to 10 years the fiscal rules emanating from the Stability and Growth Pact and the Fiscal Compact be reformed in order to allow a higher flexibility of national fiscal policies?	**2.8**	**54.2**	**45.8**
If the answer to the previous question was "yes", will more flexible fiscal rules come with a tightening of sanctions in case of breach of the fiscal rules?	**2.6**	**87.5**	**12.5**

Descriptive statistics question 30

	Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
30a	48	1.5	2	0.50	1	2
30b	24	1.1	1	0.33	1	1

Although the percentages are very similar, there is a higher percentage of experts (54.2%) that expect a reform in the fiscal rules in the Eurozone allowing a higher flexibility of national fiscal policies.

It is important to emphasize that most (87.5%) experts that expect more flexible fiscal rules believe that these more flexible fiscal rules would come with stronger sanctions in case of breaching these new and more flexible rules:

- "As long as Finnish politicians are not accountable to Portuguese voters, or Germans to Greeks, such attempts will be seen as fiscal profligacy and free riders. The current political system of the Eurozone will not permit it"
- "Likely under tighter conditionality which is the only way it will be accepted in Germany and other Northern European countries"
- "The desirability for greater flexibility will be recognized but at the same time here will be an attempt to ensure more effectively that the fiscal rules are not breached".

Question 31. Households savings rate

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)				
	4 Very high 3 High 2 Low 1 Very low	Households savings rate will be significantly lower than before the crisis (1)	Households savings rate will be slightly lower than before the crisis (2)	Households savings rate will remain unchanged (3)	Households savings rate will be slightly higher than before the crisis (4)	Households savings rate will be significantly higher than before the crisis (5)
Do you think that, in your country, in the next five to ten years households will increase their savings rate above the levels registered before the global financial and economic crisis in 2007-2008?	**2.8**	**2**	**18.4**	**38.8**	**36.7**	**4.1**

Descriptive statistics question 31

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
49	3.2	3	0.86	3	4

There is a strong dispersion in the foresight of the future evolution of household savings rate.

20.4% of experts think that household savings rate will fall. A higher share of experts (38.8%) think that household savings rates will remain constant, and 40.8% of experts foresee an increase of household savings rates.

In the case of experts that foresee a higher savings rate, the main reasons behind this change are, on the one hand, the low savings rate existing before the crisis:

- "Households saving rate is at historically lowest levels with low interest rates"

- "In the years 2006, 2007 and 2008 the savings rate of households in the UK was very low and on some estimates which was unsustainable; hence I would have to expect that savings rate will be higher than then, though below the pre:2006 savings rates"
- "Apart from the fact that in Spain they had been very low, demographics and high unemployment will keep the household saving rate substantially higher than in the recent past"
- "In South Africa, household savings were desperately low but have risen somewhat due to tighter financial policy but households are also very dependent on credit and in a real bind this way. Savings are still very much too low"

and, on the other hand, the need of households to reduce their debts:

- "They already moved above the pre-crisis level plus a lot of down payments on mortgages to reduce household debt".

Question 32. Household lending

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)			
	4 Very high 3 High 2 Low 1 Very low	It does not involve any risk (1)	It constitutes a moderate risk (2)	It constitutes a significant risk (3)	It constitutes a significant risk, but only if the household lending reaches levels similar to those existing before the financial crisis (4)
Does the revival of household lending, mainly through mortgages, constitute a renewed risk for the financial system?	**2.7**	**4.1**	**34.7**	**49**	**12.2**

Descriptive statistics question 32

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
49	2.7	3	0.74	2	3

Just 4.1% of experts think that a revival of mortgage debt does not imply any risk for the financial system. Therefore, 95.9% of experts see the increase of mortgages as a risk for the financial system. However, there is no consensus about the seriousness of this risk.

34.7% of experts consider this increase in mortgages a source of moderate risks for the financial system. The risk "depends on the extent" of that increase, and some experts think that, despite this increase, the indebtedness of households will be below that registered before the crisis ("Debt cycles are a characteristic of modern financialised economies, and household lending may increase again to high levels, but below the pre-crisis levels").

Most experts (61.2%) see in the mortgages revival a source of significant risks. Nonetheless 2 out 10 of these experts think that it will be a dangerous trend only if household borrowing reaches rates close to those registered before the crisis. Behind these opinions is the fear of new housing bubbles:

- "Housing being open to speculative bubbles, mortgages remain a high source of crises"
- "It is a high risk given that there are many bubbles forming (e.g., real estate) and that wage share of GDP keeps declining – so capacity to repay is not increasing"
- "There is distinct possibility of a substantial housing bubble developing with adverse effects on the real economy".

Question 33. Credit constraints and wage growth

Hypothesis, data and question	Level of knowledge	Percentage of total responses (%)		
	4 Very high 3 High 2 Low 1 Very low	No, wage growth will not be affected (1)	Yes, wage growth will be negatively affected (2)	Yes, wage growth will be negatively affected in a significant way (3)
Do you think that measures to control bank credit (and the consequent restrictions to the bank funding of non-financial corporations, mainly in the case of SMEs) can negatively affect wage growth due to the need of firms to rise the self-funding of investments?	**2.4**	**47.9**	**50**	**2.1**

Descriptive statistics question 33

Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
48	1.7	2	0.54	1	2

47.9% of experts think that a reduction in the bank credit to non-financial corporations will not negatively affect to wage growth, with experts arguing that the main determinants of wage growth are other factors different to bank credit availability:

- "Wage development more depends on other factors"
- "I think there are bigger drivers of wages"
- "I don't believe this to be a major determinant of wages".

On the contrary 52.1% of experts consider that this credit constraint will negatively affect to wage growth, although only 82.1% of experts think that there will be a significant negative impact:

- "Job creation does also depend on access to bank lending"
- "This is likely to happen".

4. Analysis of the experts' commitments and the quality of the study

As mentioned above, in the first round of the Delphi study 51 experts participated at the study, 28 internal experts (members of the FESSUD teams) and 23 external experts (non-members of the FESSUD teams). In the second round there was a small fall in the number of experts, with 49 experts submitting their questionnaires, implying a rate of participation in this second round of 96.1%. 27 were external experts (implying a rate of participation in the second round of 96.4%) and 22 were internal experts (with a rate of participation in the second round of 95.7%).

As mentioned, all the experts were selected by the work package leaders and the partner leaders of the FESSUD project and the Delphi study leader. All these experts have an expertise in most of the themes included in the questionnaire. However, because of the high number of different topics and themes included, the level of knowledge of the experts can differ among the 33 questions. Thus, all the experts show different levels of knowledge regarding questions. Despite this dispersion in their responses about their level of knowledge, the average level of knowledge can be considered as high and satisfactory, because in general this knowledge is considered as high. In this sense, the distribution of the average level of knowledge in the 39 total questions is the following one:

- 3 or more: 9 questions (23.1% of total questions)
- 2.9: 10 questions (22.6% of total questions)
- 2.8: 5 questions (12.8% of total questions)
- 2.7: 3 questions (7.7% of total questions)
- 2.6: 8 questions (20.5% of total questions)
- 2.5: 3 questions (7.7% of total questions)
- 2.4: 1 questions (2.6% of total questions)

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and demonstration under grant agreement no 266800

It is important to emphasize that, either in the first round or in the second round, most experts has included in their respective questionnaires a high number of qualitative comments and reasoning about the questions included in the study. Only 6 experts (12.2%) have not made qualitative comments to the 33 questions of the model. Thus, the average number of qualitative comments per questionnaire is 21, what implies that each expert, as an average, has made comments in two thirds of the questions.

In the second round, the questionnaire included an additional question (question 34) in order to get information about how the experts have assessed their participation. The opinions obtained are shown below:

Question 34. Assessment of the Delphi study

	Percentage of total responses (%)			
	Strongly disagree	Disagree	Agree	Strongly agree
I think that the Delphi method has been effective to obtain and improve the opinions of the members of the experts panel	**4.8**	**9.5**	**69.0**	**16.7**
The feedback obtained of the first questionnaire (statistics and qualitative comments) has been useful to improve the confidence in my responses to the second questionnaire	**4.7**	**14**	**74.4**	**7**
The questionnaire was clear and precise	**0**	**4.8**	**57.1**	**38.1**
I am satisfied with my participation in this study	**0**	**9.5**	**52.4**	**38.1**

Descriptive statistics question 34

	Number of answers	Mean	Median	Standard deviation	Quartile 1	Quartile 3
34a	42	3	3	0.6	3	3
34b	43	2.8	3	0.6	3	3
34c	42	3.3	3	0.6	3	4
34d	42	3.3	3	0.6	3	4

The final question was related to the perceived quality by the experts participating in the Delphi study of the questionnaire. Experts have a positive view not only about the questionnaire but also about their own participation at the study.

85.7 percent of experts think that the Delphi method has been a useful tool to obtain and improve the opinions of the different experts. 81.4% of experts also believe that the information included in the first report elaborated in the first round of the study has been useful to set the responses given in the second round of the Delphi study. 95.2% consider that the questionnaire was clear and precise.Finally, 90.5% of experts have shown their satisfaction with their participation at this study.

As mentioned, the responses to question 34 show that the Delphi method has been an effective tool to improve the opinions of the panel of experts. This high level of satisfaction is reflected in the fact that in the second round of the study the number of answers collected in most answers has been higher than those obtained in the first round. Thus, in the second round the number of responses has fallen in only 4 questions, it has maintained in 5 questions, and has increased in 30 questions (we take into account that in some questions there were more than one single question).

Moreover, the feedback obtained of the first preliminary report elaborated with the responses obtained in the first round has led to a significant change in the responses given in the second round, reaching a higher consensus than in the first round.

Thus, out of the total 39 questions (we take into account that in some questions there were more than one single question) when we compare the results obtained in the first and in the second round, the percentages obtained in the second round have changed in 38 questions (97.4% of total questions). The mean has changed in 26 questions (66.7% of total questions). Despite this high variation, the coherence in the responses has been maintained along the two rounds of the Delphi study, as demonstrated by the fact that the median (that is, the response with the highest frequency) has only changed in 4 questions (10.3% of questions).

This change in the responses has led to ha higher consensus among the experts participating in the study. This higher consensus is reflected in the fact that the dispersion of the responses, as measured by the standard deviation has kept unchanged in 3 questions, has slightly increased

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and demonstration under grant agreement no 266800

in only 4 questions, and has fallen in the remaining 32 questions, which represents the 82.1% of total questions included in the questionnaire.

Financialisation, Economy, Society and Sustainable Development (FESSUD) is a 10 million euro project largely funded by a near 8 million euro grant from the European Commission under Framework Programme 7 (contract number : 266800). The University of Leeds is the lead co-ordinator for the research project with a budget of over 2 million euros.

THE ABSTRACT OF THE PROJECT IS:

The research programme will integrate diverse levels, methods and disciplinary traditions with the aim of developing a comprehensive policy agenda for changing the role of the financial system to help achieve a future which is sustainable in environmental, social and economic terms. The programme involves an integrated and balanced consortium involving partners from 14 countries that has unsurpassed experience of deploying diverse perspectives both within economics and across disciplines inclusive of economics. The programme is distinctively pluralistic, and aims to forge alliances across the social sciences, so as to understand how finance can better serve economic, social and environmental needs. The central issues addressed are 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?'

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THE PARTNERS IN THE CONSORTIUM ARE:

Participant Number	Participant organisation name	Country
1 (Coordinator)	University of Leeds	UK
2	University of Siena	Italy
3	School of Oriental and African Studies	UK
4	Fondation Nationale des Sciences Politiques	France
5	Pour la Solidarite, Brussels	Belgium
6	Poznan University of Economics	Poland
7	Tallin University of Technology	Estonia
8	Berlin School of Economics and Law	Germany
9	Centre for Social Studies, University of Coimbra	Portugal
10	University of Pannonia, Veszprem	Hungary
11	National and Kapodistrian University of Athens	Greece
12	Middle East Technical University, Ankara	Turkey
13	Lund University	Sweden
14	University of Witwatersrand	South Africa
15	University of the Basque Country, Bilbao	Spain