



A Delphi study on the future of finance

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LIST OF EXPERTS

Internal Experts:

- We requested to each FESSUD partners a list of 3 members of each team
- We have been able to collect 30 people
- We have received (8/10/2015) 14 questionnaires

External Experts:

- We requested to each FESSUD partners a list of 3 experts
- Moreover, the lead team invited other experts to participate
- We have been able to collect 75 external experts
- We have received (8/10/2015) 18 questionnaires

Experts have answered a questionnaire, where besides, choosing in each question one of the responses included in the question, had the option to give their comments

The questions have been elaborated :

- by the team leader of the Delphi study
- using the questions submitted by the different FESSUD teams and the WP leaders

We will now present briefly the main results of the answers to the 33 questions

Question 1. Evaluation of the benefits of financial system

Hypothesis, data and question	Level of knowledge	Your opinion			
	4 Very high 3 High 2 Low 1 Very low	Benefits of finance were underestimated	Benefits of finance were correctly estimated	Benefits of finance were overestimated	Benefits of finance were highly overestimated
Do you think that, before the 2008 crisis, academic economists overestimated the benefits of financial system (growth, employment...)	3.4	3.1%	3.1%	28.1%	62.5%

Question 2. Causes of financial crisis

Hypothesis, data and question	Level of knowledge	Your opinion			
	4 Very high 3 High 2 Low 1 Very low	Financial crisis was the result of a excessive size of finance, and not of problems in the regulation of the financial sector	Financial crisis was the result of a wrong regulation of the financial sector, and not of an excessive size of the financial sector	Financial crisis was the result of a wrong regulation of the financial sector and an excessive size of the financial sector	Financial crisis was the result of other factors
With which statement do you agree most?	3.4		3.2%	96.8%	6.5%

Question 3. Problems with regulation of the financial system

Hypothesis, data and question	Level of knowledge	Your opinion			
	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	The regulations were designed correctly, but their scope was insufficient	Correctly designed regulations were not actually implemented to the full by regulatory institutions	The supervision over the financial sector was insufficient
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	3.13	68.7%	3.1%	6.2%	31.2%

Question 4. Growth of financial system

Hypothesis, data and question	Level of knowledge	Your foresight				
	4 Very high 3 High 2 Low 1 Very low	The size of financial sector will significantly decline	The size of financial sector will decline	The size of financial sector will remain	The size of financial sector will increase	The size of financial sector will significantly increase
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?	3.09		18.7%	25%	43.7%	12.6%

Question 5. Finance and regulators

Hypothesis, data and question	Level of knowledge	Your opinion			
	4 Very high 3 High 2 Low 1 Very low	Strongly disagree	Disagree	Agree	Strongly agree
<p>Zingales argues that “if the financial industry is good at buying out political power, it is even better at capturing regulators”</p> <p>Do you agree with this opinion that the financial industry exerts a strong influence on regulators, generating a set of rule that, instead of improving the functioning of financial markets and institutions, it contributes to consolidate the power of the financial industry?</p>	3.1	6.3%		43.7%	50%

Question 6. Finance and regulators

Hypothesis, data and question	Level of knowledge	Your foresight				
	4 Very high 3 High 2 Low 1 Very low	The influence will be significantly lower	The influence will be slightly lower	The influence will be the same	The influence will be slightly higher	The influence will be significantly higher
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		12.5%	62.5%	15.6%	9.4%

Question 7. Potential risks from non-bank financial system

Hypothesis, data and question	Level of knowledge	Your foresight			
	4 Very high 3 High 2 Low 1 Very low	Very Unlikely (probability 0-24%)	Unlikely (probability 25-49%)	Likely (probability 50-74%)	Very Likely (probability >75%)
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?	2.8	3.1%	15.6%	62.5%	18.8%

Question 8. Future trends in non-bank financial institutions

Hypothesis, data and question	Level of knowledge	Your foresight			
	4 Very high 3 High 2 Low 1 Very low	Very Unlikely (probability 0-24%)	Unlikely (probability 25-49%)	Likely (probability 50-74%)	Very Likely (probability >75%)
A 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 to a sustained growth of non-bank financial institutions will continue in the next five to ten years?	2.8		9.7%	51.6%	38.7%

Question 9. Moving towards market based financial system?

Hypothesis, data and question	Level of knowledge	Your foresight			
	4 Very high 3 High 2 Low 1 Very low	Very Unlikely (probability 0-24%)	Unlikely (probability 25-49%)	Likely (probability 50-74%)	Very Likely (probability >75%)
Will the general shift we are experiencing towards more market based financial systems continue in the next five to ten years?	2.7	3.2%	12.9%	61.3%	22.6%

Question 10. Basel regulations

Hypothesis, data and question	Level of knowledge	Your foresight				
	4 Very high 3 High 2 Low 1 Very low	Yes	Yes, but only if they come with other measures	No, because regulations concerning liquidity and capital requirements are not effective by themselves	No, because Basel regulations have not the necessary dimension	No, because of other reasons
Do you think the new Basel regulations concerning liquidity and capital requirements will be effective in building a more robust financial system?	2.7	7.7%	34.6%	23.1%	30.8%	11.5%

Question 11. European banking union

Hypothesis, data and question	Level of knowledge	Your foresight			
	4 Very high 3 High 2 Low 1 Very low	Yes, in all Euro countries	Yes, but only in some (not all) Euro countries	No, the concentration will remain at current levels	No, the current level of concentration will diminish
Will the European banking union promote the concentration of the banking sector in the Eurozone?	2.5	25.9%	51.9%	18.5%	3.7%

Question 12. Future trends in financial regulation?

Hypothesis, data and question	Level of knowledge	Your foresight		
	4 Very high 3 High 2 Low 1 Very low	Yes, in all countries	Yes, but only in some countries	No
a) Will developed countries introduce a separation between commercial and investment banks?	2.5	6.9%	55.2%	37.9%
b) Will developed countries introduce new forms of control on the non-bank financial institutions?	2.5	20.7%	55.2%	24.1%
c) Will developed countries introduce controls on over-the-counter derivatives?	2.5	37.9%	44.8%	17.2%
d) Will developed countries introduce controls on off-balance sheet operations?	2.5	18.5%	70.4%	11.1%
e) Will developed countries introduce controls on offshore financial centres?	2.5	17.2%	51.7%	31%
f) Will developed countries introduce limits to the leverage of financial institutions?	2.5	28.6%	50%	1.8%

Question 13. Composition of the banking systems

Hypothesis, data and question	Level of knowledge	Your foresight		
	4 Very high 3 High 2 Low 1 Very low	The trend will continue in all countries	The trend will be reversed, with a re-emergence of local savings and cooperative banks	The trend will be reversed, with a re-emergence of local savings and cooperative banks, but only in some countries
<p>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.</p> <p>Do you think this trend will continue or may there be a reversal?</p>	2.8	58.1%	9.7%	35.5%

Question 14. Objectives of monetary policy

Hypothesis, data and question	Level of knowledge	Your foresight			
	4 Very high 3 High 2 Low 1 Very low	Central Banks will keep their main goal as price stability	Central Banks will pay more attention to the real economic activity, although price stability will remain the main goal	Central banks will give a similar relevance to price stability and real economic activity	Central banks will give higher relevance to real economic activity than to price stability, even setting targets for economic activity
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 adopting 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	31.3%	46.9%	15.6%	9.4%

Question 15. ECB's monetary policy



Hypothesis, data and question	Level of knowledge	Your foresight			
	4 Very high 3 High 2 Low 1 Very low	ECB will keep their monetary focusing on price stability	ECB will pay more attention to the real economic activity, although price stability will remain the main objective	ECB will give a similar relevance to price stability and real economic activity	ECB will give higher relevance to real economic activity than to price stability, even setting targets for economic activity
Will in the next five to ten years the European Central Bank modify its statutes to explicitly downgrading the relevance currently giving to the objective of price stability, and give more relevance to other objectives, like level of economic activity, (un)employment, acting as lender of last resorts, guaranteeing financial stability, etc.	3.1	41.9%	45.2%	9.7%	3.2%

Question 16. Targets of inflation

Hypothesis, data and question	Level of knowledge	Your foresight				
	4 Very high 3 High 2 Low 1 Very low	Targets for inflation rates will fall	Targets for inflation rates will remain unchanged	Targets for inflation rates will rise, but less than 1 percentage point	Targets for inflation rates will rise between 1 and 2 percentage points	Targets for inflation rates will rise more than 2 percentage points
Do you think that central banks of developed countries will change their current inflation rates targets (of around 2%)?	3	3.2%	67.7%	16.1%	6.5%	3.2%

Question 17. Inequality in income and wealth distribution

Hypothesis, data and question	Level of knowledge	Your foresight				
	4 Very high 3 High 2 Low 1 Very low	Inequality will significantly fall	Inequality will slightly fall	Inequality will remain unchanged	Inequality will slightly increase	Inequality will significantly increase
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?	2.8		3.1%	25%	46.9%	25%

Question 18. Real wages and wage share in GDP

Hypothesis, data and question	Level of knowledge	Your foresight				
	4 Very high 3 High 2 Low 1 Very low	Wage share will fall by more than 2% GDP	Wage share will fall by between 0.5 and 2% GDP	Wage share will remain unchanged	Wage share will rise by between 0.5 and 2% GDP	Wage share will rise by more than 2% GDP
Do you think that in the next five to ten years the share of wage incomes in GDP will change?	2.6	10.0%	46.7%	40.0%	3.3%	10.0%

Question 19. Funding of consumption and investments expenditure

Hypothesis, data and question	Level of knowledge	Your foresight				
	4 Very high 3 High 2 Low 1 Very low	Dependence on external funding will significantly fall	Dependence on external funding will slightly fall	Dependence on external funding will remain at the current levels	Dependence on external funding will slightly rise	Dependence on external funding will significantly rise
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?	2.8	6.7%	33.3%	46.7%	10.0%	3.3%

Question 20. Funding of investment

Hypothesis, data and question	Level of knowledge	Your foresight				
	4 Very high 3 High 2 Low 1 Very low	Corporate profits will significantly lose relevance in the funding of investments	Corporate profits will slightly lose relevance in the funding of investments	There will be no significant changes	Corporate profits will slightly gain relevance in the funding of investments	Corporate profits will significantly gain relevance in the funding of investments
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		10%	33.3%	43.3%	13.3%

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

Hypothesis, data and question	Level of knowledge	Your foresight		
	4 Very high 3 High 2 Low 1 Very low	European non-financial corporation will keep being mainly dependent of bank funding	Banking funding will keep being the main source of external funding although with a declining share	Non-banking funding will become the main source of external funding
Do you think that in the next five to ten years, European non-financial corporations will change the sources of their external borrowing, reducing the current dependence of banking institutions?	2.5	24.1%	69%	6.9%

Question 22. Non-conventional monetary policy measures

Hypothesis, data and question	Level of knowledge	Your foresight		
	4 Very high 3 High 2 Low 1 Very low	No, they are temporary measures implemented during the current crisis	Yes, they will be the norm of future monetary policy	They will be used only in periods of exceptionally deep recessions
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?	2.9	29%	38.7%	32.3%

Question 23. Monetary policy

Hypothesis, data and question	Level of knowledge	Your foresight	
	4 Very high 3 High 2 Low 1 Very low	Yes	No
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??	2.9	79.3%	24.1%



Question 24. Future economic growth in developed economies

Hypothesis, data and question	Level of knowledge	Your foresight	
	4 Very high 3 High 2 Low 1 Very low	Yes	No
Do you expect for the next decade a long-term period of low growth (i.e., below 2%) in developed countries?	2.8	93.8%	9.4%

Question 25. Future economic growth in the Eurozone

Hypothesis, data and question	Level of knowledge	Your foresight	
	4 Very high 3 High 2 Low 1 Very low	Yes	No
Do you expect for the next decade a long-term period of low growth (i.e., below 2%) in euro area countries?	2.9	96.8%	3.2%

Question 26. Inflation expectation in the Eurozone

Hypothesis, data and question	Level of knowledge	Your foresight			
	4 Very high 3 High 2 Low 1 Very low	Negative or close to 0.5%	Between 0.5 and 1.5%	Between 1.5 and 2%	Above 2%
What is your foresight for the(average) inflation rate (CPI) in the euro area in the next five to ten years?	2.6	9.7%	54.8%	32.3%	3.2%

Question 27. Composition of the Eurozone

Hypothesis, data and question	Level of knowledge	Your foresight			
	4 Very high 3 High 2 Low 1 Very low	The euro area will be formed by the same countries as in May 2015	Some countries will exit the euro zone (say which one(s))	Some countries will exit the euro zone (say which one(s)) whilst new countries will join the euro (say which one(s))	No country will exit the euro and some countries will join it (say which countries)
What is your foresight for geographical composition of the euro area in the next five to ten years?	2.8	40%	20%	10%	30%

Question 28. Risks of exit of Eurozone

Hypothesis, data and question	Level of knowledge	Your foresight			
	4 Very high 3 High 2 Low 1 Very low	Appropriate policy measures implemented in advance may prevent the crisis	The crisis would be unavoidable, and substantially less acute than that of 2008	The crisis would be unavoidable and at least such acute as that of 2008	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
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	25%	34.4%	6.3%	34.4%

Question 29 Debt crisis

Hypothesis, data and question	Level of knowledge	Your foresight			
	4 Very high 3 High 2 Low 1 Very low	No	Yes, but only in the case of Greece	Yes, but only in the case of countries whose public debt is above certain level	Yes, but only in the case of a new sovereign debt crisis
Will the ECB write-off some of the debt held by the peripheral countries of the Eurozone?	3	34.4%	15.6%	34.4%	15.6%

Question 30. Fiscal policy in the Eurozone

Hypothesis, data and question	Level of knowledge	Your foresight	
	4 Very high 3 High 2 Low 1 Very low	Yes	No
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	45.2%	54.8%
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?	3	92.3%	7.7%

Question 31. Households savings rate

Hypothesis, data and question	Level of knowledge	Your foresight				
	4 Very high 3 High 2 Low 1 Very low	Households savings rate will be significantly lower than before the crisis	Households savings rate will be slightly lower than before the crisis	Households savings rate will remain unchanged	Households savings rate will be slightly higher than before the crisis	Households savings rate will be significantly higher than before the crisis
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?	2.7	6.5%	16.1%	32.3%	32.3%	12.9%

Question 32. Household lending

Hypothesis, data and question	Level of knowledge	Your foresight			
	4 Very high 3 High 2 Low 1 Very low	It does not involve any risk	It constitutes a moderate risk	It constitutes a significant risk	It constitutes a significant risk, but only if the household lending reaches levels similar to those existing before the financial crisis
Does the revival of household lending, mainly through mortgages, constitute a renewed risk for the financial system?	2.7		45.2%	45.2%	9.7%

Question 33. Credit constraints and wage growth

Hypothesis, data and question	Level of knowledge	Your foresight		
	4 Very high 3 High 2 Low 1 Very low	No, wage growth will not be affected	Yes, wage growth will be negatively affected	Yes, wage growth will be negatively affected in a significant way
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	45.2%	48.4%	6.5%

The number of available answers is enough for a good Delphi analysis.although it would be desirable to increase it (40-50)

In most questions, there is a normal distribution of the answers, with a high consensus, although in some questions there is a high dispersion of the answers:

- High consensus: 1,2, 5, 6, 7, 8, 9, 12d, 15, 16, 17, 18, 20, 21, 23, 24, 25, 26,30b, 32
- Low consensus 3, 4, 10, 11, 12abcf, 13, 14, 15, 19, 20, 22, 27,28,29,30a,31, 33

Results to be obtained at the first round :

- Distributions of answers by question
- Statistics of central trend (mean, median) and dispersion
- Comments to response grouped and interpreted

Results will be sent to participating experts, who, given this information, will be able:

- To change its previous responses
- To maintain them

The anonymity of the process facilitates the change in the opinions given in the first round, because it removes social pressures and the personal links, thus, presumably, leading to a higher quality in the final opinion of the group of experts

The responses obtained in the second round (same than in round 1) will be analyzed:

- Distribution of responses by question
- Statistics of central trend and dispersion
- Comments/reasons given in each question will be grouped and interpreted
- Variation between rounds of each question (analysis of stability)
- Analysis by sub-groups of the experts: internal-external, level of knowledge, geographical origin...
- Analysis of experts' commitments and quality of the study (number and profile of the experts, rate of participation in the second round, rate of variation of the responses, number of qualitative responses, valuation by the experts of the methodology and the results...)

A final report will be elaborated in which, based on the analysis of the Delphi study, we will show the more likely and agreed future (or alternative futures) of the analysed economic variables, with the arguments on which they are based, and the main results of the analysis.