



## FESSUD Workshop

**Date:** 25<sup>th</sup> May 2016

**Venue:** Moorgate Auditorium, Prudential Regulation Authority Building, Bank of England  
20 Moorgate - EC2R 6DA London, UK

**Organisers:** FESSUD (Giuseppe Fontana, Charles Goodhart, Jan Kregel, Malcolm Sawyer)

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



## **Main Objectives**

The workshop has two main objectives. First, it aims to present some of the main results of the EU-FP7 project FESSUD, with a particular emphasis on the foresight findings about the evolution of finance, the financial sector and relevant policies over a 15 to 20 year time horizon. Secondly, it intends to stimulate a debate on how finance and financial markets and institutions can better serve the economy, society and natural environment.

## **Brief Introduction of the FESSUD Project**

FESSUD is the acronym for Financialisation, Economy, Society and Sustainable Development. It is a multidisciplinary, pluralistic project which aims to forge alliances across several sciences in order to understand how finance and financial markets can better serve the economic, social and environmental needs of modern societies. FESSUD is made of a team of economists and other scientists across Europe and South Africa, working at 14 leading universities and one European non-governmental organisation. The project is co-ordinated by the University of Leeds in UK (P.I. Prof. Malcolm Sawyer) and has received funding under FP7 of the European Union (grant agreement no. 266800). FESSUD runs for five years from 01/12/2011 to 30/11/16, and it has a total budget of circa 10 million Euros.

FESSUD aims to address some of the central issues that were brought home by the financial crisis of 2007-2008 and related Great Recession. What is financialisation and how has it impacted on the workings of modern economies and societies? What is the nature of the relationship between financialisation and the sustainability of the economy, society and the environment? What are the requisites of a financial system able to support a process of sustainable development, broadly conceived?

## **Brief Introduction of FESSUD Workshop Papers**

Financialisation can (and has been) variously defined and conceptualized. In FESSUD financialisation is broadly viewed in terms of the growing economic, social and political influence of finance and the financial sector in modern countries. Paper 1 by Malcolm

Sawyer (PI FESSUD) and Giuseppe Fontana (WP Leader FESSUD Foresight analysis) will offer a bird's-eye view of the FESSUD Project and its main findings on the nature, causes and consequences of financialisation in the present era (since circa 1980).

Financialisation has also generally been associated with rising inequality of income and wealth. The interplay between inequality and finance has been explored in several FESSUD works. Two extreme types of development were distinguished, namely the debt-led consumption boom and the export-led mercantilist types. These two types of development may generate dynamic economic growth for certain periods of time. However, they contain potential internal contradictions given by the possibility of over-indebtedness in the private household sector for the first type and in the foreign sector for the second type. Paper 2 by Eckhard Hein (Berlin School of Economics and Law, Germany) will explore the dynamics of these two types of development using a stock-flow consistent modelling approach.

The immediate aftermath of the financial crisis has also seen major debates on regulation and shifts away from de-regulation. It remains to be seen how far this re-regulation proceeds, how effective it becomes and whether there has been a break with the agenda of de-regulation and liberalisation. Drawing on FESSUD works including various country studies, Paper 3 by Jan Kregel (Levy Institute, USA and Tallin University of Technology, Estonia) will flesh out future regulatory problems and look at the impact on innovations in the payments and financing systems to assess the kind of regulatory structure that would be needed to deal with them. One of the main goals of this paper is to map the future of regulation, the development of regulation at the European and global level and how far the forces of liberalisation and de-regulation will re-assert themselves.

Paper 4 by Jesus Ferreiro (Univ. of Basque Country, Spain) uses a Delphi foresight survey to analyse the opinion of experts about the future of finances with the purpose of evaluating the future expansion and proliferation of finance and financial products. The survey questionnaire is made around 30 questions and includes questions on the geographical spread of financial markets and of financial institutions as well as the future prospects for the scale of the financial sector, the development of financial instruments and services, and new types of financial institutions and markets. The Delphi survey involves repeated polling of the same experts, feeding back anonymised responses from earlier rounds of polling, with the idea that this will allow for better judgements to be made. The survey is conducted in two rounds.



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Finally, Paper 5 by Jerome Creel (OFCE, Sciences Po, France) presents the main findings of the theoretical and empirical work done in FESSUD on the relationship between financial stability and macroeconomic policies, distinguishing among the latter monetary, tax and fiscal policies. In particular, the paper explores whether and how price stability and financial stability are related, and in turn whether and how financial instability affects economic performance, using as a case study the aggregate dynamics path of consumption, investment or disposable income in the United States and the Eurozone.

# Draft programme

## Mapping the Future of Finance

8.30 – 9.00 Welcome and Introduction by Malcolm Sawyer (PI FESSUD)

09.00 – 11.00 **Session 1: Mapping the future of finance**  
Chair: Charles Goodhart, FESSUD and LSE

Paper 1: “A bird’s-eye view of the ‘Financialisation, Economy, Society and Sustainable Development’ (FESSUD) Project” by Malcolm Sawyer (PI FESSUD, Univ. of Leeds, UK) and Giuseppe Fontana (Univ. of Leeds, UK and Univ. of Sannio, Italy)

Paper 2: “Inequality, Debt and Demand Regimes” by Daniel Detzer and Eckhard Hein (Berlin School of Economics and Law, Germany)

Paper 3: “The Future of Regulation: Can Financial Reregulation Prevent the Next Financial Crisis?” by Jan Kregel (Levy Institute, USA and Tallin University of Technology, Estonia)

11.00 – 11.30 **Coffee Break**

11.30 – 12.30 **Session 2: The International Monetary and Financial System – A European Perspective**  
Chair: Massimo Cingolani, FESSUD and EIB

“Current challenges to the international monetary and financial system” by Vítor Constâncio (Vice-President, European Central Bank)

“Moving towards a Multipolar Financial System” by Annika Eriksgård Melander (Acting Head of Unit in charge of

“Countries of the G20 – IMF – G. Groups”, and Advisor on international matters, European Commission, DG Economic and Financial Affairs)

12.30 – 14.00

**Lunch**

14.00 – 15.00

**Session 3: Mapping the future of finance**

Chair: Domenico Rossetti di Valdalbero (European Commission, DG Research and Innovation and FESSUD project officer)

Paper 4: “A Delphi Study on the Future of Finance” by Jesus Ferreiro (University of the Basque Country, Bilbao, Spain)

Paper 5: “Economic Policies, Financial Stability and Economic Performance” by Jerome Creel (OFCE, Sciences Po, France)

15.00 – 16.00

**Session 4: Good or Bad Finance? Private or Public Finance?**

Chair: Stephany Griffith-Jones (IPD, Columbia University, New York, US and ODI, London)

“Public or Private Finance?” by Stephanie Kelton (Chief Economist, US Senate Budget Committee).

“EIB: A Third Way between Public and Private Finance” by Anita Fürstenberg-Lucius (Director, Western Europe Department, European Investment Bank).

16.00 – 16.30

**Coffee Break**

16.30 – 17.30

**Session 5: Roundtable on the Future of Finance**

Chair: Giuseppe Fontana (Univ. of Leeds, UK and Univ. of Sannio, Italy)

Diane Elson (Essex University, UK; UN Committee for Development Policy);

Charles Goodhart (FESSUD and LSE)

Stephany Griffith-Jones (IPD, Columbia University, New York, US and ODI, London)

Mathilde Mesnard (Senior Advisor to the Secretary General, Coordinator New Approaches to Economic Challenges (NAEC), Office of the Secretary General, OECD)

Malcolm Sawyer (PI FESSUD, University of Leeds, UK)

17.30 – 19.00

**Reception**