



# **Junior Scholar Workshop**

## **Fresh Topics in Comparative Political Economy: Japan and Europe**

**November 28<sup>th</sup> 2018**

**9:00 - 16:30**

**EHESS, Room A7\_37**

**54 Boulevard Raspail, 75006 Paris**

The year 2018 marks the ten-year anniversary of the global financial crisis. While a large literature in comparative political economy has examined causal factors behind the crisis, newer scholarship has moved to studying the crisis's aftermath and other more recent phenomena, including the status of the post-crisis finance sector, the reemergence of monopolies in national markets, states' adjustment to demographic change, the role of legal actors in stopping predatory lending, and the problem of unprofitable "zombie" firms which defy creative destruction. This workshop convenes junior scholars in comparative political economy to present and discuss research on these and other fresh topics as they pertain to Japan and Europe. The workshop features a keynote presentation by Dr. Eric Monnet (Banque de France) on the political economy of French banks in historical perspective.

# Program

## **9:00 - Welcome Remarks**

Sebastien Lechevalier (EHESS-FFJ)

## **9:15 - Political Economy of French Banks in the Interwar Period During the Great Depression**

Eric Monnet (Banque de France, Paris School of Economics, CEPR)

Moderator: Elsa Massoc

## **10:00 - Coffee Break**

## **10:15 - The Political Economy of Zombie Firms**

Scott Wilbur (EHESS-FFJ, CEAFJP/Banque de France Fellow)

Moderator: Gunnar Mokusch

## **11:00 - Banking on States: The Divergent European Trajectories of European Finance After the Crisis**

Elsa Massoc (European University Institute)

Moderator: Adrienne Sala

## **11:45 - Lunch Break**

## **13:15 - Ententes and National Champions: Post-War French Competition Policy in Comparative Perspective**

Erik Peinert (Brown University, Sciences Po Paris)

Moderator: Scott Wilbur

## **14:00 - Questioning the Lawyers' Role in the Process of Institutional Change - The Case of Over-indebtedness in Japan**

Adrienne Sala (Sciences Po Lyon)

Moderator: Erik Peinert

## **14:45 - Coffee Break**

## **15:00 - Adjustment to Population Ageing in Germany, Italy, and Japan**

Gunnar Mokusch (Brown University, Johns Hopkins University)

Moderator: Scott Wilbur

## **15:20 - Industrial Demography and Economic Adjustment in Germany, Italy, and Japan**

Gunnar Mokusch (Brown University, Johns Hopkins University)

Moderator: Scott Wilbur

## **15:45 - Conclusion**

# List of Communications and Speakers



## Elsa MASSOC

Elsa Massoc is a Max Weber post-doctoral Fellow at the European University Institute. She completed her PhD in Political Science at UC Berkeley in Summer 2018. Her main research interests are in Comparative Political Economy, business and politics, inequalities and the regulation of finance. Her research has appeared in the *Review of International Political Economy*, the *Berkeley Journal of Public Policy* and the *Socio-Economic Review*. She is currently working on a book manuscript based on her dissertation findings.

### **Banking on States: The Divergent European Trajectories of European Finance After the Crisis**

There have been different trajectories of finance across Europe since the financial crisis. I argue that divergent national trajectories of finance result from the differentiated influence of public authorities on banks' management, through the passing of diverse regulation and through the differentiated enforcement of international regulation. I have compared 12 policies and cases of regulation's enforcement in France, Germany and the UK since 2008. I find that everywhere, states have been pro-active in the shaping of the post-crisis domestic financial landscapes; yet they have promoted different re-organizations of their domestic financial industries. I explain the divergent priorities of the state towards finance by different institutionalized modes of coordination between private and public actors in each political economy. I base my analysis on data collected during more than 100 interviews with prominent market actors and public officials, as well as private and publicly available documentation.



## Gunnar MOKOSCH

PhD Candidate, Department of Political Science, Brown University

PhD Fellow, School of Advanced and International Studies, Bologna Campus, Johns Hopkins University

### **Industrial Demography and Economic Adjustment in Germany, Italy, and Japan**

What is the role of firm-size structure ("industrial demography") in adjustment in advanced economies? Standard approaches in Comparative Political Economy like Varieties of Capitalism put firm-led adjustment at centre stage but pay little attention to firm size. Yet economies differ in the average size of their firms and this affects

their ability to adjust to shifts in the international economy. I argue that industrial demography helps us understand why three manufacturing-centric economies have seen very different economic fortunes since the end of the Cold War: Germany, Italy, and Japan. I trace the disparity in industrial demography in these countries to different patterns of late industrialisation and the choices of dominant conservative catch-all parties in the Cold-War era.





## Eric MONNET

My research interests include economic history, monetary policy, financial markets, housing, and political economy of institutions. Current research projects on the macroeconomics of the Bretton Woods system and on French banking crises during the interwar. Forthcoming book (at Cambridge University Press): *Controlling Credit. Central banking and the planned economy in postwar France (1948-1973)*.

### **Political Economy of French Banks in the Interwar Period During the Great Depression**

Despite France's importance in the interwar world economy, the scale and consequences of the French banking crises of 1930–1931 were never assessed quantitatively due to lack of data in the absence of banking regulation. Using a new dataset of individual balance sheets from more than 400 banks, we show that the crisis was more severe and occurred earlier than previously thought, and it was very asymmetric, without affecting main commercial banks. The primary transmission channel was a flight-to-safety of deposits from banks to savings institutions and the central bank, leading to a major, persistent disruption in business lending. In line with the gold standard mentality, cash deposited with savings institutions and the central bank was used to decrease marketable public debt and increase gold reserves, rather than pursue countercyclical policies. Despite massive capital inflows, France suffered from a severe, persistent credit crunch.



## Erik PEINERT

Erik Peinert is a fifth year PhD candidate in political science at Brown University, and for the fall 2018, a visiting researcher at Sciences Po Centre d'études européennes. Erik's research interests broadly investigate the political economy of advanced industrial states and the politics of economic policymaking, specifically in the domain of competition and market power. His dissertation seeks to understand the continual evolution of national policy regimes in favor of competition or market power over the course of the 20th century, based on extensive archival field research in the United States and France. His research draws from different disciplines, such as sociology, psychology, and economics, and his broader interests broadly include business-state

relations, institutional change, antitrust, intellectual property rights, the politics of economic ideas. His work has been published in the *Review of International Political Economy*. He is originally from Massachusetts in the USA, and received his B.A. from the University of California at Berkeley.

### **Ententes and National Champions: Post-War French Competition Policy in Comparative Perspective**

A number of advanced industrial economies have consistently alternated their overall approach to policy between enforcing price competition and defending market power over the course of the twentieth century. France represents a particularly interesting case. Having spent the immediate post-war years trying to destroy cartels and liberalize international trade, France then turned to a market-power driven policy regime of "national champions" in the 1960s and 1970s, before reverting again to procompetitive antitrust, merger control, and further trade liberalization in the 1980s. This paper will argue that policy regimes in favor of price competition or market power are self-undermining in the long run. However, based on preliminary original archival research regarding the shift away from procompetitive policies in France following World War II, I argue that it is a process of learning, contingent on the interaction between the bureaucratic setting and individual psychological mechanisms, by which policy elites learn about the costs of existing policies.



## Adrienne SALA

Adrienne Sala is lecturer at Sciences Po Lyon. She defended a PhD thesis at EHESS in 2016, titled “The Evolution of the Consumer Credit Regulation in Japan - A Political Economic history”. Her current research topics focus on the role of lawyers in legislative and institutional changes in Japan. She published several articles among which: “The Japanese Consumer Finance Market and its Institutional Changes since the 1980s”, *Japan Forum*, Vol 29, 2017; “L'évolution de la réglementation du crédit aux ménages au Japon – l'endettement comme problème public ?” *Critiques Internationales*, forthcoming in January 2019.

### **Questioning the lawyers' role in the process of institutional change - The case of over-indebtedness in Japan**

Since the 1950s, despite an unfriendly judiciary environment and its institutional context, several Japanese lawyers played a major role in public problems ' construction. With collective actions and legal mobilizations to defend the weak-interests (workers, consumers, inhabitants, victims, etc.) they obtained significant legislative changes (e.g. Kitamura, Hirano, Noguchi, Kojima, Kakita, Kuwaki 1959; Upham 1979; Kawahito 2014). In this presentation we analyse a specific group of lawyers' actions involved in the Kure-sara mondai case (over-indebtedness /over-borrowing / predatory lending). This presentation is a part of our on going research project which aim at determining under which conditions (social, economic, political and judiciary) lawyers can represent, or not, a source of institutional and social change by comparing several cases.



## Scott WILBUR

Scott Wilbur holds a Ph.D. in political science and international relations at the University of Southern California. He is currently CEAJFP/Banque de France Fellow at the Fondation France Japon de l'EHESS. In 2015-16, he was a Fulbright Graduate Research Fellow at Waseda University. His doctoral research examines the political economy of zombie firms among two corporate categories in Japan: listed firms where the presence of zombie firms declined in the early 2000s; and SMEs, where zombie firms have remained a major problem in the second half of Japan's so-called “lost two decades.”

### **The Political Economy of Zombie Firms**

To date, little research in political science has explored reasons why policy arrangements behind so-called “zombie firms” exist. To help rectify this gap, this paper examines the political origins of zombie firms through a case study of small and medium enterprises (SME) in Japan since the country's banking crisis in the 1990s. Starting from quantitative data that shows a notably high zombie presence among firms in this corporate category, the paper explores an orienting hypothesis about policies that produce moral hazard in private financial institutions' decisions to lend to weak firms. It then investigates and refines this hypothesis with specific regard to conditions in Japan's credit guarantee system for SME with information garnered from semi-structured interviews with government officials and finance institutions, government documents, and secondary sources in Japanese. In general support of its hypothesis, the paper finds that drift in post-crisis rescue policies—bolstered by lobbying from well-organized policy beneficiaries and limited public oversight—may explain why zombie firms occur.