

# Variety of Financialization and Central Banks

## FFJ / Banque de France fellowship workshop

**Tuesday 6 December 2022 - 14:30 to 16:30**

**EHESS - 54 boulevard Raspail 75006 Paris - Room n° BS1\_05 (level -1)**

**In English**

This workshop examines the links between the types of financialization and politics associated with monetary policy choices of central banks. The shape of financialization, where expanding size and importance of financial sector in the overall economy among the wealthy countries, varies among countries. Such variation arises from multiple sources including the institutional differences, interaction between the financial sector and non-financial corporations, as well as choice of household finances. Central banks' monetary policy, particularly its asset purchase decisions takes into consideration of politics of financialization as well as the opposite forces demanding correcting income inequality. By comparing the cases of Japan with European economies, the project seeks to identify how central bank policies are affected by the different types of financialization and distribution/redistribution considerations.

The workshop gathers European experts on financialization and central banking. We will investigate the relationship between the type of financialization and how asset purchases have been conducted by national central banks and the European Central Banks during the recession of the 2010s and under the Covid crisis. At the same time, such support for the “haves” also leads to political backlash and calls for more serious distribution and redistribution policies.

The workshop is funded by the FFJ / Banque de France Fellowship and the Center for International Studies of the University of Southern California.

Mandatory registration :

<https://docs.google.com/forms/d/e/1FAIpQLSf8dz1Wg8baMie8LDduuC03oz8RSpdVw2z9vqwhGYHL5dQ2dw/viewform>

Contact: [jodie.cazau@ehess.fr](mailto:jodie.cazau@ehess.fr)

# Program

## **14:30-16:15 Roundtable on Financialization and Monetary Policy**

Panelists (alphabetical order):

Gabrielle Cheung (Brunel University London)

Jeffrey Chwieroth (London School of Economics):

Sebastien Lechevalier (EHESS)

Manuela Moschella (Scuola Normale Superiore):

Matthias Thiermann (Science Po):

Moderator: Saori N. Katada (USC)

## **16:15-16:30 Wrap-up session and closing**

## **16:30 to 18:00 Reception**

EHESS - 54 boulevard Raspail 75006 Paris - Hall of the EHESS building, ground floor

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## Speakers, discussants and moderators

### **Gabrielle Cheung (Brunel University London)**

**Biography** - Gabrielle Cheung is a Lecturer in Global Challenges at Brunel University London. Her research focuses on international and comparative political economy, with an emphasis on the politics of trade liberalization, central banking, and inequality. She received her Ph.D. in Political Science and International Relations from the University of Southern California in May 2021. During the 2021-2022 academic year, she was a Postdoctoral Fellow with the Program on U.S.-Japan Relations at Harvard University's Weatherhead Center for International Affairs. Prior to graduate school, she worked at the University of Hong Kong's Department of Politics and Public Administration (2011-2016), and held a visiting position at the United Nations University's Institute on Computing and Society (2016).

### **Paper - States for Markets: Financialisation, Wealth Preservation, and Political Pressure on Central Banks (Co-authors: Saori N. Katada, University of Southern California, and Gene Park, Loyola Marymount University)**

How does financialisation affect monetary policy? This article provides one of the first analyses of the determinants and impact of political pressure on central bank asset purchases. We argue that financialisation has strengthened electoral incentives for legislators to protect the interests of voters and firms by pressuring the central bank to increase equity-linked asset purchases in times of market distress. We explore financialisation and central bank asset holdings from a comparative perspective and with a focus on Japan, where the central bank has developed one of the world's largest holdings. Evidence from a new 1998-2022 dataset addressing the full period since the Bank of Japan gained *de jure* independence shows that market declines are robustly associated with increased pressure on the Bank through legislative summonses. Market declines moreover strengthen the effect of summonses on the Bank's net purchases of exchange-traded funds when summonses involve deliberations about such purchases. Committee transcripts reveal that conservative legislators either support or remain silent about such purchases, while legislators from left-leaning parties often express concern about the Bank's mounting exposure to equities. These findings show that political elites face growing difficulties in concurrently preserving mass wealth, maintaining financial stability, and mitigating moral hazard.

### **Jeffrey Chwieroth (London School of Economics)**

### **Paper - When Central Banking Becomes Costly: Financialization and Public Opinion on Unconventional Monetary Policies**

In the decade after the global financial crisis, central banks in advanced economies implemented a range of unconventional monetary policies (UMPs), including large-scale asset purchases ("quantitative easing") and ultra-low or even negative interest rates. Many advanced economies came to rely on these UMPs, as they combated secular stagnation tendencies while their governments implemented contractionary fiscal policies. The use of UMPs intensified in the wake of the COVID-19 pandemic. Unconditional monetary policies have significant distributional effects. While they increase output and employment and lower interest payments on debt, they have

negative effects on household wealth stored in deposits and other fixed-income investments. UMPs may also boost asset prices, benefitting those households with wealth stored in bonds, equities, and housing. Due to these distributive consequences, UMPs became increasingly contested. Especially in the eurozone, the European Central Bank's (ECB) asset purchases and negative interest rate policy became already heavily politicized in the wake of the eurozone crisis. The rise of inflation after the pandemic further exacerbated tensions and strengthened calls to end UMPs. Despite the distributive consequences and the politicization of UMPs, the political implications remain poorly understood. We study the distributive consequences and political implications of UMPs by using two survey experiments: a conjoint experiment and a framing experiment. We embedded these experiments in a survey of a nationally representative sample in Germany and the Netherlands, conducted before and after the first meeting of the Governing Council of the ECB in 2022 (3 February 2022). The conjoint experiment has been designed to assess respondent views about interest rates, quantitative easing, and forward guidance. Since we expected (and find) that people respond most strongly to changes in the interest rate, the subsequent framing experiment further examined public opinion towards them. In particular, we study views towards negative interest rates (NIRs), which the ECB implemented from 2014 to 2022. By exposing respondents to different frames, we assess the importance of individual and collective self-interest, including interests linked to financialization via borrowing costs and asset prices, as well as inequality considerations for individual perceptions of NIRs. We also consider how financialization, most notably asset ownership and debt obligations, moderates individual views about UMP and NIRs.

**Biography** - Jeffrey Chwieroth is Head of the Department of International Relations and Professor of International Political Economy, as well as co-investigator of the Systemic Risk Centre and faculty affiliate of the Phelan United States Centre at the London School of Economics and Political Science. He is the author of *The Wealth Effect: How the Great Expectations of the Middle Class Have Changed the Politics of Banking Crises* (Cambridge University Press, 2019, with Andrew Walter, University of Melbourne) and *Capital Ideas: The IMF and the Rise of Financial Liberalization* (Princeton University Press, 2010). He has published numerous articles and book chapters on the political economy of international money and finance. His research has been supported by grants from the Australian Research Council, the AXA Research Fund, the British Academy for the Humanities and Social Sciences, and the Economic and Social Research Council.

### **Saori Katada (University of Southern California)**

**Biography** - Saori N. Katada is Professor of Political Science and International Relations Department at University of Southern California and vice president of International Studies Association (April 2021-March 2022). Her new book *Japan's New Regional Reality: Geoeconomic Strategy in the Asia-Pacific* was published by Columbia University Press in July 2020. She is also a co-author of two recent books: *The BRICS and Collective Financial Statecraft* (Oxford University Press, 2017), and *Taming Japan's Deflation: The Debate over Unconventional Monetary Policy* (Cornell University Press, 2018). She has her Ph.D. from the University of North Carolina at Chapel Hill (Political Science), and her B.A. from Hitotsubashi University (Tokyo). Before joining USC, she served as a researcher at the World Bank in Washington D.C., and as an International Program officer at the UNDP in Mexico City.

## **Sébastien Lechevalier (EHESS)**

**Biography** - Sébastien Lechevalier is an Economist and a Professor at EHESS (School of Advanced Studies in the Social Sciences, Paris), specialised in Japanese economy and Asian Capitalisms. He is also founder and president of the Fondation France-Japon de l'EHESS (FFJ). Trained as a labor economist, he has extensively published on various dimensions of the Japanese economy, in comparative perspective, including: "Lessons from the Japanese experience. Towards an alternative economic policy?" (ENS Editions, 2016). His book, *The Great Transformation of Japanese Capitalism* (Routledge, 2014) was published in three languages and has been cited as one of the most influential ones on the Japanese economy published during the last decade. Other research interests include innovation (*Innovation beyond technology*, Springer, 2019), industrial policies ("Financialization and industrial policies in Japan and Korea: Evolving complementarities and loss of state capabilities" in *Structural Change and Economic Dynamics*, 2019, Vol. 48), and inequalities & redistribution ("Decomposing Preference for Redistribution. Beyond the Trans-Atlantic Perspective", forthcoming). For more than a decade, he is involved in SASE, as a participant and an organizer.

## **Manuela Moschella (Scuola Normale Superiore)**

**Biography** - Manuela Moschella is Associate Professor of International Political Economy at the Scuola Normale Superiore and Associate Fellow at the [Europe Programme at Chatham House](#). She is also an associate editor of the [Routledge Studies in Globalisation Series](#). She previously served as the Chair of the [International Political Economy Section](#) (IPE) of the International Studies Association (ISA) (2019-2020) and as member of the Steering Committee of the ECPR Standing Group of International Relations. Moschella was a Senior Fellow at the Centre for International Governance Innovation (2013-2017)) and member of the committee for the Hedley Bull Prize in International Relations (2016-2018). She has been a visiting researcher at the Johns Hopkins University, Copenhagen Business School, and George Washington University. Her research focuses on the relationship between technocracy and politics, the role of institutions and economic ideas in economic policymaking, the politics of macroeconomic and financial regulatory choices. Current research interests include central banks' relationship with political and societal actors, financial regulation and regulatory agencies, and international economic cooperation.

### **Paper - What do politicians think of technocratic institutions? Experimental Evidence on the European Central Bank**

Technocracy is often regarded as a threat to democracy. Significant attention has therefore been devoted in exploring the extent and motivations of public attitudes towards technocracy. Elected policymakers' attitudes have instead not been as systematically investigated. This paper fills this gap by investigating policymakers' attitudes towards a distinct set of technocratic institutions: central banks. In particular, based on novel data from an elite survey of the Members of the European Parliament (MEPs) during the Covid-19 crisis in order to gauge elected policymakers' attitudes towards the European Central Bank's mandate and policy conduct. Our findings show that politicians' attitudes are largely driven by the ideological stance of MEPs. However, the analysis also shows the importance of cuing and framing effects. In particular, the findings show that MEPs take clue from local macroeconomic conditions in order to develop their evaluation of the importance of the ECB's primary mandate vis-à-vis its secondary objectives. Furthermore, we

provide evidence that politicians' trust towards the central bank is negatively correlated with the "hawkish" information the central bank provides to explain its policy choices.

### **Matthias Thiermann (Science Po)**

**Biography** - Matthias Thiemann is a sociologist, with close affinities to political economy. On the one hand, he is analyzing the attempts of financial regulators in Europe and the US to control the risk taking behavior of agents in the financial industry, an attempt complicated by the fact that these agents gain from evading such control. On the other hand, Matthias Thiemann is investigating post-crisis regulatory changes in the US asking why certain ideas that gained prominence post-crisis are translated into policy tools, while others are eschewed by policy makers. Methodologically, he is drawing on expert interviews and document analysis, but also citation network analysis and topic modeling.

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