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Mapping the Future of Financialisation: Key
Challenges for a Foresight Analysis

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Mapping the Future of Financialisation: Key Challenges for a Foresight Analysis

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Abstract: According to the Oxford English Dictionary foresight is the action of looking forward and the perception gained by looking forward. Foresight plays an important role in FESSUD: an entire work package of the FESSUD project plainly called "Foresight" has been devoted to the goal of mapping the future of financialisation. The purpose of this paper is to explain the types of challenges and opportunities that a foresight analysis of financialisation has to face in major multidisciplinary project like FESSUD, including the potential problems of an emerging silo mentality and of a mismatch between the resources available and the potential foresight exercises useful to carry out. The paper presents the foresight framework employed in FESSUD and how it has been used throughout the different foresight exercises in order to aid integration across all FESSUD experts and panels.

Key words: Financialisation, Forecasting, Finance, Regulation, Inequality,

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1. Introduction

According to the Oxford English Dictionary foresight is the action of looking forward and the perception gained by looking forward. This distinction between the process and the result of that process in terms of action is reflected in the two different and possibly complimentary ways of approaching foresight exercises, namely the French tradition of *la prospective* versus the American tradition of technological foresight. In the former, foresight has its historical origin in decision-making theory. It emphasises the creative aspect of human choice, the fundamental uncertainty attached to it, and the intrinsic link between action and reflection on the endpoint of choice. In the latter, foresight has a more pragmatic meaning originating from the necessity of considering the future outcomes of the massive post-WWII investments with related technological advances made in the US military sector. It emphasises an image or set of images of the future, without paying much attention to the means used in order to create that future.

Recent works in the foresight literature maintains that though the historical distinction between the French tradition and the American tradition of foresight is important, for all practical purposes it should not be overstated. Furthermore, in their introduction to the special issue on strategic foresight Coates *et al.* (2010) argues that the differences between the French and American traditions to foresight are today considerably less than in the past. "They share some core components, methods such as description of the system studied, identification of key variables and actors, description of possible futures, choice of a desirable future, etc." (p. 1424). Building

on this argument, and on the wide-ranging nature of the object of analysis of this paper, namely the foresight analysis in the FESSUD project, in the remaining foresight is used in a broad sense of encompassing both the process of looking forward as well as the perception gained by that process. In doing so, and acknowledging the self-reflexivity of social and economic sciences (MacKenzie, 2008), foresight is seen primarily as a scenario building exercise.

Foresight plays an important role in FESSUD, as a multidisciplinary, pluralistic EU project which aims to forge alliances across several sciences in order to understand the host of structural changes in modern societies that goes under the label of financialisation. The term financialisation has only entered the lexicon of academics and policy makers in the last decade. Therefore, it is not surprising that there is a growing debate about the meaning and impact of financialisation. One of the main goals of the FESSUD project is indeed to analyse the nature, origins and consequences of the host of structural changes labelled financialisation. It is then even less surprising that there is little or no agreement about the future significance of financialisation. Would the demons of finance and financial markets that have led in 2007-2008 to the financial crisis and related Great Recession be tamed once and for all? Or have we entered a new age of capitalism, where financial motives and financial actors define not only the regime of accumulation and the ascendancy of 'shareholder value' as a mode of business governance, but dominate everyday life from housing, pensions, utilities to the culture of individualism and market competition associated with it (Van der Zwan, 2014)? Another major goal of FESSUD is thus to discuss the

future of financialisation. An entire work package (WP) of the project plainly called “Foresight” has been devoted to this goal.

Foresight plays therefore an important role in FESSUD. The purpose of this paper is to explain the types of challenges and opportunities that a foresight analysis has to face in major multidisciplinary project like FESSUD, including the potential problems of an emerging silo mentality and of a mismatch between the resources available and the potential foresight exercises useful to carry out. The paper presents the foresight framework used in FESSUD and how it has been used in order to aid integration across all FESSUD experts and panels. The rest of the paper is organised as it follows. Section 2 discusses the general features of foresight in the FESSUD project and the main challenges that this entails. Section 3 presents the different foresight exercises starting with a discussion of the terms of reference and how they have been used in order to face the foresight challenges of a large multidisciplinary project analysing a complex phenomenon like financialisation. Section 4 concludes.

2. FESSUD and the Future of Financialisation

2.1 What is FESSUD?

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 from across Europe and

South Africa, working at 14 leading universities and one European non-governmental organisation. Appendix 1 provides details of the participant organisations in the FESSUD project, including their name and country of origin. The project is coordinated by the University of Leeds (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 (month 1) to 30/11/16 (month 60), 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? These questions are framed in Figure 1 below.

PLEASE INSERT FIGURE 1

FESSUD analyses the host of structural changes in modern societies that goes under the label of financialisation and that starting in early 1980s have had a great impact on the economy, society and the natural environment. This is indicated by the first arrow in Figure 1. These structural changes have raised the question of sustainability. Are the economy, society and natural environment of our countries able

to cope with those changes, how, and for how long? This is indicated by the second arrow in Figure 1. It is here that foresight plays a first, prominent role in FESSUD, both in terms of the process of mapping the future of financialisation, and the outcome of that process in terms of perception of the possible evolutions of finance, financial markets sector and relevant policies over a 15 to 20 year time horizon. But, there is a second and no less prominent role of foresight in FESSUD. The mapping of the future of financialisation feeds back on our understanding of what is a sustainable economy, society and natural environment (third arrow in Figure 1), and how this in turn suggests changes in the actual working of financial markets and actors to accommodate the needs and requirements of a sustainable development. This dual role of foresight in FESSUD gives additional force to the ultimate aim of the FESSUD project to affect policy makers, representatives of the business sector, the social economy, the civil society, researchers and citizens based in different EU member states and beyond.

2.2. Foresight Challenges in FESSUD

Foresight in the FESSUD project is organised around seven tasks starting in month twenty-five of the project (i.e. December 2013) and ending in month sixty (i.e. November 2016), which also marks the conclusion date of the entire project. Task 1 sets the terms of references for all foresight work to be done in Task 2 to 6, while Task 7 brings all the work of previous tasks together. Each of Tasks 2 to 6 represents a foresight exercise with the objective of promoting a future-intelligence-gathering and

medium-to-long-term vision-building process and a set of images of a particular feature of financialisation. This is the original way foresight was planned in FESSUD, but as the project advanced it became clear that this approach to foresight raises two unexpected challenges.

First, there was the potential problem of an emerging silo mentality, which may have its origin in the complexity of the object of the analysis, that is financialisation, and in the different identity of the scientists taking part at the foresight work. Financialisation is a very complex and multifaceted phenomenon (Gabbi and Ticci, 2014; Vercelli, 2014). It seemed thus natural to use each tasks and related foresight exercise in FESSUD to analyse only one of the features of financialisation. However, as the FESSUD project advanced it became clear that financialisation can be properly understood only at the level of system, when all of its features with their potentially ambiguous and contradictory nature are considered together. In other words, while from an organisational point of view it seems perfectly legitimate to divide a complex analysis in different components, in practice the host of structural changes that goes under the label of financialisation needs a system-wide analysis as opposed to a collection of specific and individual studies.

Furthermore, FESSUD is a multidisciplinary project. FESSUD is made of a team among others of mainstream and non-mainstream economists, political scientists, sociologists, ecologists, biologists, human and urban geographers from across Europe and South Africa. This team composition was purposely made in direct response to the complexity and multifaceted aspects of financialisation. However, this

raises the issue that each team has a discipline-based identity together with accepted norms of knowledge which may consciously or unconsciously create tensions and conflicts when analysing financialisation from a multidisciplinary perspective. On one side this may prevent a full exchange of ideas and dialogue. On the other side, this may lead to the dominance of one discipline-based identity over others in a particular topic or set of topics.

PLEASE INSERT TABLE 1

Second, there was the problem that the total amount of resources available was incongruent with the potential useful work that could be done. Table 1 above offers a brief overview of the resources allocation in FESSUD which may help to explain the problem. It presents the list of work packages (WPs) with the lead beneficiary partner number (see Appendix 1 for institutional details), the person-months allocated to each WP with the start and end months of the WPs. The Foresight work package has a total allocation of forty-six person-months (46 pm), split between 30 pm for task-leaders and 16 pm for partners. Most of the other WPs in FESSUD have on average a total allocation of 100-120 pm. This makes Foresight one of the least resources intensive work-packages (WPs) in FESSUD. More to the point, this potential incongruence between resources available and useful work that could be done became real when the project was finalised and the grant agreement signed. As a result of the limited resources available, three major research areas in FESSUD were

not explicitly taken into account in the foresight WP. First, there was the continuously evolving relationship between finance and growth in developing and emerging economies. This research area is at the heart of WP6 of the FESSUD project, but does not have an explicit foresight task or exercise dedicated to it. Second, there was the research area that explores the connections between finance and the environment broadly conceived to include built environment and the depletion of natural resources. WP7 of the FESSUD project is completely devoted to this research area, but again no foresight task or exercise was explicitly dedicated to it. Finally, there was the research area that investigates the relationship between macroeconomic policies (e.g. monetary and fiscal policies) and financial stability. This research area is the core of WP9 of the FESSUD project, but it is not explicitly covered by any foresight task or exercise. These areas do though have a synthesis attached to the appropriate work package and will be covered in the over-all synthesis work package (WP12).

Table 1 shows that taking all three areas and related WPs together, they account for over 300 pm research work in the FESSUD project. But, they are not explicitly dealt with by any foresight task or exercise. This raises the possibility that important questions about the future of financialisation were overlooked. For instance, how the rising influence of major emerging economies such as Brazil, China and India is going to affect the future of the global financial and monetary system? Will financial markets help to promote a sustainable use of natural resources? Could macroeconomic policies at the national or international level aid to create a stable

financial and monetary system in order to support a sustainable growth path for both developing and emerging economies and developed economies?

In summary, as the FESSUD project advanced two major challenges became apparent for the foresight analysis of financialisation. First, there was an emerging risk of a silo mentality approach in the FESSUD team. This emerging risk in turn could be due to the complexity of the object of the analysis and to the different identity of the scientists carrying out the foresight work. Second, there was a mismatch between the work to be done and total amount of resources available. It is with these two major challenges in mind that at the start of the foresight analysis it was decided that a robust foresight framework had to draw, where these challenges could be properly accounted for and then, after the necessary debate, be agreed and embraced by all members of the FESSUD project in their foresight analyses. This is the topic of next section.

3. The Foresight Framework

Foresight in FESSUD is organised around three main pillars. First, foresight tasks 2-6 and related exercises run in parallel in order to aid integration across different but related works. Second, all partners of FESSUD are involved in each of the tasks either as task-leader or as a team member, in order to mediate discipline-based identity issues through continuous interactions, dialogue and team work. Third, and consistently with what said above, foresight uses a variety of quantitative and qualitative methods which offers a balanced combination of creativity, interaction,

evidence and expertise. The overall objective of these three pillars is to encourage a systematic and multidisciplinary view of the future of financialisation through active participation of each partner with its own specific knowledge and expertise across all foresight tasks and exercises.

These pillars were embedded in the Terms of Reference (ToR) that were discussed between the WP leader, the task leaders and all remaining partners of the FESSUD project. In order to encourage the implementation of these three pillars and a set of consistent exercises, the ToR prescribed a general format for each foresight task 2-6 and related exercise. They all had to be organised around three broad components. In the first part, each foresight task and related exercise had to explain the current state-of-art as far as the particular feature of the financialisation process was concerned. The second component had to deal with the future of that particular feature over a 15 to 20 year time horizon. The final component had to present the key results of the foresight exercise, and interpret them in the light of the results of the other foresight tasks. The ToR were finally drawn and presented by the work package leader at the 3rd Annual FESSUD conference in Warsaw (Friday 17th October 2014). They were discussed, approved and became the driving guide for the foresight tasks and exercise of FESSUD. The next sections discuss in details the three broad components of the ToR and how they were used for each major task in FESSUD.

3.1 The State-of-Art

The objective of the first component of the ToR is to present the main results of the relevant WP or WPs on which the foresight task builds on, and to explain how these results are going to inform the relevant foresight task and exercise. Figure 2 below illustrates the linkages between the work packages of the FESSUD project. The relationships between all WPs are managed and co-ordinated by WP1 (Management), which does not appear in the diagram. WP2 (Comparative Perspectives on Financial Systems in the EU) is the centre piece of the first two years of the project and explore the many facets of the financial systems in a wide range of countries and from different disciplinary perspectives. It develops a framework for comparative analysis of finance and financial systems in nation states. The application of this framework in empirical work yields important new information on national financial systems, their evolution, performance, and possible reform. The above work feeds into WP3 (Causes and consequences of the financial crisis) that deals with the nature, origin and effects of the 2007-2008 financial crisis. The results gained in WP2 and WP3, in turn, inform the work undertaken in WP4 (Regulation) on the regulation and supervision of financial institutions and financial markets. There are synergies between the policy aspects of WP4 and W9 (Financial stability and macroeconomic), which focuses on the relationship between monetary, fiscal policy and the stability of the financial sector. Furthermore, the analyses in W2 and W3 facilitate the work of WP5 (Finance and well-being) in the ways in which the financial system and the crises thereof have had an impact on social well-being.

PLEASE INSERT FIGURE 2

Figure 2 also shows that WP6 (Finance, development and global governance) deals with the impact of the changing global financial and monetary system on developing and emerging economies (e.g. Brazil, China and India) and it has important areas of commonality with WP5. WP6 is also closely related to WP7 (Finance, environment and sustainability) in terms of concerns with sustainable development, and governance structures which are supportive of sustainable finance and sustainable development. Importantly, WP7 also draws on the understandings of the financial system gained in WP2 and WP8 (Finance, real economy and the State). The structure and ownership of the financial sector, and its impact on the real economy is at the heart of WP8. The analyses of WP 2 and WP3 are relevant here, as are the findings of WP5 in the sense that WP 8 will covers issues of governance and public provisioning. WP9 on finance and macroeconomic stability is also related with the findings of WP3 as well as governance issues from WP6 and WP8. More generally, there are overlaps between WP9 and the policy aspects of all WPs the work packages, in the sense that all WPs are focused on finding ways to achieve a more sustainable financial system. For the sake of simplicity, WP10 (Dissemination and impact), WP11 (Foresight) and WP12 (Synthesis and conclusions) are not represented in the diagram, but they are very important. WP10 supports the dissemination of the work of all these work packages while WP12 presents a synthetic view of all the work and results of the FESSUD project. Finally, WP11 (Foresight) is the centre piece of the last two years of

the project in the sense that it builds on all the work done in WPs 2 to 9 in order to explore the possible evolutions of financialisation, the financial sector and relevant policies over a 15 to 20 year time horizon. The next section discusses the structure of WP 11 and related foresight tasks in greater details.

3.2 The Future of Financialisation

The objective of the second component of the ToR is to build on the main results of the relevant WP/WPs of FESSUD in order to explore the possible evolutions of financialisation, the financial sector and relevant policies over a 15 to 20 year time horizon. Figure 3 below explains how each foresight task is related to the different WPs of the FESSUD project. Task 1 on which this paper draws sets the framework of the entire foresight analysis. From this perspective it provides inputs to Tasks 2 to 6. At the same time, each of these tasks play an important role in the definition and evolution of the foresight framework, hence they provide feedback to Task 1. Since WP6, WP7 and WP8 are not covered by any specific task in the FESSUD project, Task 1 also has the additional goal of making sure that the results coming from these WPs enter in each foresight tasks 2 to 6. Tasks 2, 3, 4, 5 and 6 are the core of the foresight analysis. They draw on different WPs and investigate different aspect of the future of financialisation. They all feed in Task 7 which brings together the result of the entire foresight analysis. The remaining of this Section explains the nature, objective and method used in Tasks 2, 3, 4, 5 and 6.

PLEASE INSERT FIGURE 3

3.2.1 Task 2: The future expansion and proliferation of finance

The main goal of this Task is to evaluate whether the expansion and proliferation of finance and financial markets has continued (through to 2015), and then whether such expansion and proliferation will be the future pattern. In this context, the geographical spread of financial markets and of financial institutions would be a significant element 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. Based on the theoretical comprehension of underlying mechanisms, structures and system gained in WP2 and other WPs, and on observations of trends in the growth of financial markets and institutions particularly over the years since the onset of the financial crisis in 2007, this task will use a Delphi foresight method to explore the patterns of future growth and geographical spread through to circa 2025. The ways in which the financial sectors of countries continue to interact and the processes of integration between financial systems, notably through the operations of transnational financial corporations, and the developments of global financial markets and institutions, will also be explored. Other issues to be investigated here include the relative size of the financial sector, the future structure of the financial sector including different types of financial institutions (including mutual institutions and microfinance), and the changing nature of the products of the financial sector. The ways in which the processes of competition and concentration

within and between financial sectors play out and the implications for the development and stability of the financial system are also included here. The work in this task will reflect inputs and considerations coming from the other tasks and previous WPs, and in turn the work and main results of this task will be used by the task leader to inform the work in other tasks.

3.2.2 Task 3: The regulatory future

The immediate aftermath of the financial crisis has 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 the results of WP4, the experiences of re-regulation after 2009, the country studies in WP2 will be used as a base for writing a large essay fleshing out future regulatory problems and look at the impact on innovations in the payments and financing systems to assess the kind of regulatory structure would be needed to deal with them. One of the main goals of this task 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. The work in this task will reflect inputs and considerations coming from the other tasks and previous WPs, and in turn the work and main results of this task will be used by the task leader to inform the work in other tasks.

3.2.3 Task 4: Relationships between finance and industry

The relationship between finance and industry has been studied in WP2 and WP8. Drawing on that work, this task will explore the ways in which this relationship may evolve in the future in light of the financial crisis and related Great Recession. Several specific themes within this relationship have been identified for further investigation. First, the task will look at the continuing impact of the financial sector and its workings on the restructuring of the non-financial industries and firms. Second, the task will analyse the ways in which the forms and quantity of finance for longer-term investment have and are likely to change under the impact of, inter alia, the financial crisis and the regulatory responses. Third, the evolution of corporate governance and social responsibility issues arising from the relationships between finance and the non-financial sectors of the economy will be investigated. In summary, one major essay made of four “conceptually-based foresight” components has been planned and it will deal with the following topics: (1) Impact of finance on industry; (2) Finance for long-term investment; (3) Finance, corporate governance, CSR; (4) Future of financialisation and finance capital. The work in this task will reflect inputs and considerations coming from the other tasks and previous WPs, and in turn the work and main results of this task will be used by the task leaders to inform the work in other tasks.

3.2.4 Task 5 Financialisation, debt and inequality

The era of financialisation has generally been associated with rising inequality of income and wealth. The interplay between inequality and financial crisis has been

explored in WP3. The trends in inequality will be assessed and projections on the consequences of those trends for economic development will be developed. In WP 3 two extreme types of development were distinguished, namely the debt-led consumption boom and the export-led mercantilist type. Whereas the debt-led consumption boom type relies on credit-financed household consumption in order to compensate for the potential lack of demand associated with the depressing effect of financialisation on investment in capital stock and on income-financed consumption, the export-led mercantilist type relies on net exports as the main driver of aggregate demand. These two types of development may generate dynamic growth for certain periods of time; however, they contain internal contradictions given by potential over-indebtedness of the private household sector for the first type and the foreign sector for the second type. The dynamics of these two types of development will be explored using a stock-flow consistent (SFC) modelling approach. This quantitative foresight approach allows for the simulation of different scenarios depending on the extent of further redistribution and the values of the important model parameters. The choice of these values will reflect inputs and considerations coming from the other tasks and previous WPs, and in turn the work and main results of this task will be used by the task leader to inform the work in other tasks.

3.2.5 Task 6: Finance and economic and social reproduction

In this task, the ways in which the penetration of finance into economic and social reproduction may evolve will be explored. This would inter alia draw on the work

within WP8 on the penetration of private finance into areas such as housing, pensions, water, and developments such as public private partnerships and more generally privatisation. Starting from an understanding of the ways in which this penetration of finance has been impacted by the financial crisis, the task would map out possible futures. The penetration of private finance just referred to is a reflection of the ethos of reliance on the market and the use of the state as an agent of last resort. This task would further the evolution of the material culture of financialisation addressed in WP5. The task would also visualise futures of individual and social cultural developments associated with financialisation: will the ethos of individualism, of market competition and 'commodification' associated with financialisation continue – or will alternative more collective cultural forms emerge and predominate? This task would be approached through two essays on the penetration of private finance into areas such as housing, pensions and water, with a view to map out the evolution of finance in economic and social reproduction (SoP), both in extent and form, highlighting its limits, contradictions and contested nature, and two essays on the evolution of the material culture of financialisation (MCF), with a view to map out future individual and social cultural developments. The work in this task will reflect inputs and considerations coming from the other tasks and previous WPs, and in turn the work and main results of this task will be used by the task leader to inform the work in other tasks.

3.2.6 Task 7: A bird's-eye view of the future of financialisation

The goal of this task is to convey an overall picture of the future of financialisation and of the process and mechanisms that are leading to it. This task will use a SWOT analysis with the purpose of identifying internal and external forces that are going to play a role in shaping the future of financialisation. These internal and external forces will then be classified as strengths and weaknesses or opportunities and threats, respectively, in terms of their effects on the sustainability of the economy, society and natural environment. The work in this task will reflect inputs and considerations coming from the other tasks and previous WPs. The results of Task 7 will be presented at national and international workshop and at the final Annual FESSUD conference.

3.3 A Systematic Interpretation of the Foresight Results

The third and final component of the ToR of has two goals. First, it provides a summary of the most important results of the foresight exercise, and how these results draw on and are affected by the outcome of the other tasks in WP11. In order to make sure that this goal is achieved a panel of FESSUD experts has been created with the purpose to offer constructive comments and suggestions on early draft of each foresight exercise. Second, it offers concise conclusions. At this stage it is worthy to highlight that FESSUD uses a variety of foresight methods and this Section of the ToR is essential to make the results of the foresight tasks comparable to each other.

Figure 4 below presents the Foresight Diamond initially suggested by Popper (2009) for the mapping of different foresight methods used in European projects. The

Foresight Diamond classifies foresight methods in three broad categories, namely qualitative, semi-quantitative and quantitative methods. Qualitative methods like essays and scenarios writing provide plenty of scope for creative and subjective thinking about the future. Semi-quantitative methods like Delphi surveys apply statistical and mathematical tools in order to quantify the views and opinions of experts. Finally, quantitative methods like the Stock-Flow Consistent (SFC) modelling place greater reliance on representing future developments with the help of measurable variables and statistical techniques. Popper (2009) also suggests that another way to differentiate foresight methods is in terms of their capacity to draw together or deal with information based on evidence, expertise, interaction or creativity. These four attributes represent the building blocks of the Foresight Diamond.

PLEASE INSERT FIGURE 4

Table 2 below presents a synthetic view of the foresight methods used in WP11. Task 2 uses the Delphi survey method. This is a semi-quantitative foresight method which brings together creativity, expertise, interaction and evidence. The Delphi survey method will involve two rounds of polling of around 70-80 FESSUD and non-FESSUD experts answering circa 30 questions related to the future of finance, financial markets and financial institutions. The questions included in the questionnaire will be both qualitative of quantitative. Further details of the application of the Delphi method

in Task 2 are presented in the Appendix 2. Tasks 3, 4 and 6 will produce essays and scenarios writing. Essays are qualitative foresight methods that rely heavily on individual knowledge and expertise. They are based on original and imaginative ways of thinking in order to produce creatively one or many scenarios. For this reason, essays are on the top corner of the Foresight Diamond. The essays of Tasks 3, 4 and 6 will be structured around key themes and theories discussed in the relevant WPs (see, for details, Figure 3).

PLEASE INSERT TABLE 2

Table 2 above also shows that Task 5 relies on the use of a SFC modelling. This modelling approach is based on a rigorous accounting framework which records and integrates the sectoral balance sheets, that is the stocks of an economy, with the financial flows among the sectors of the economy. This means that each asset in the economy has a corresponding liability. Similar, each monetary inflow has a matching monetary outflow. Task 5 will use SFC as a quantitative foresight method in order to provide empirical evidence on the sustainability of the recent trends in inequality and the consequences of those trends for economic development. Finally Task 7 will make use of a swot analysis and the result of this task will be presented and discussed at workshops and conferences.

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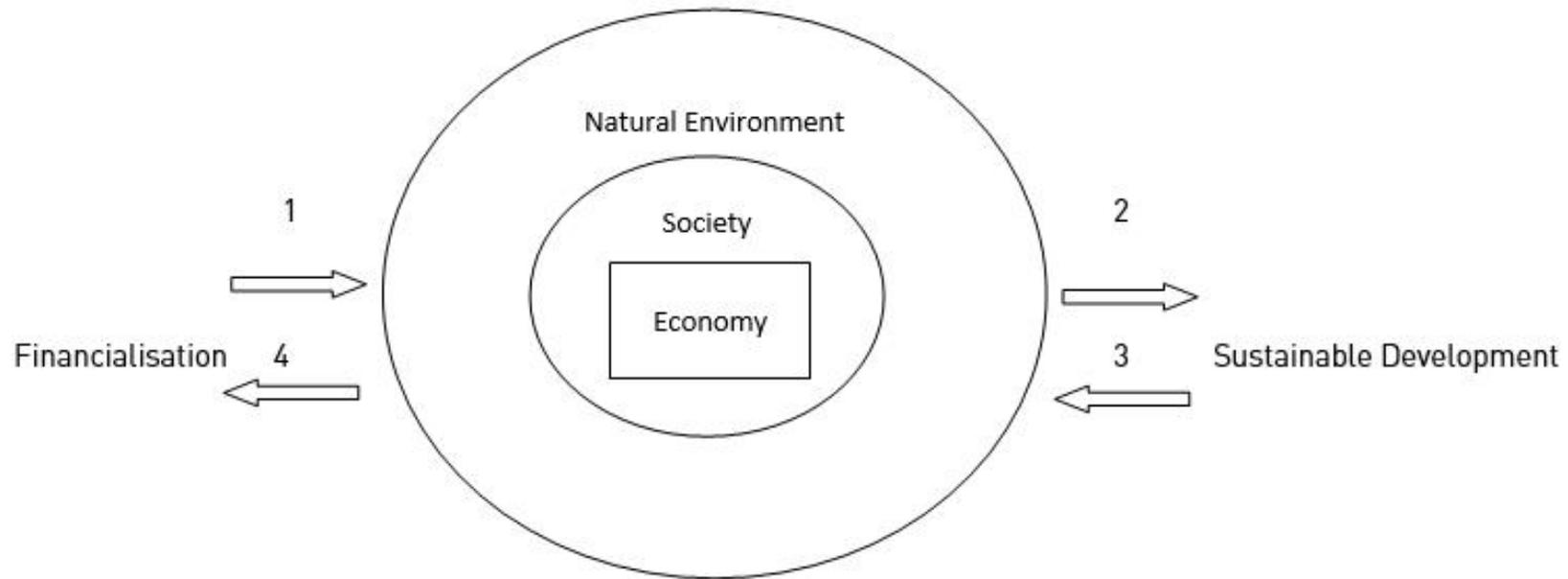


Figure 1: Foresight in FESSUD

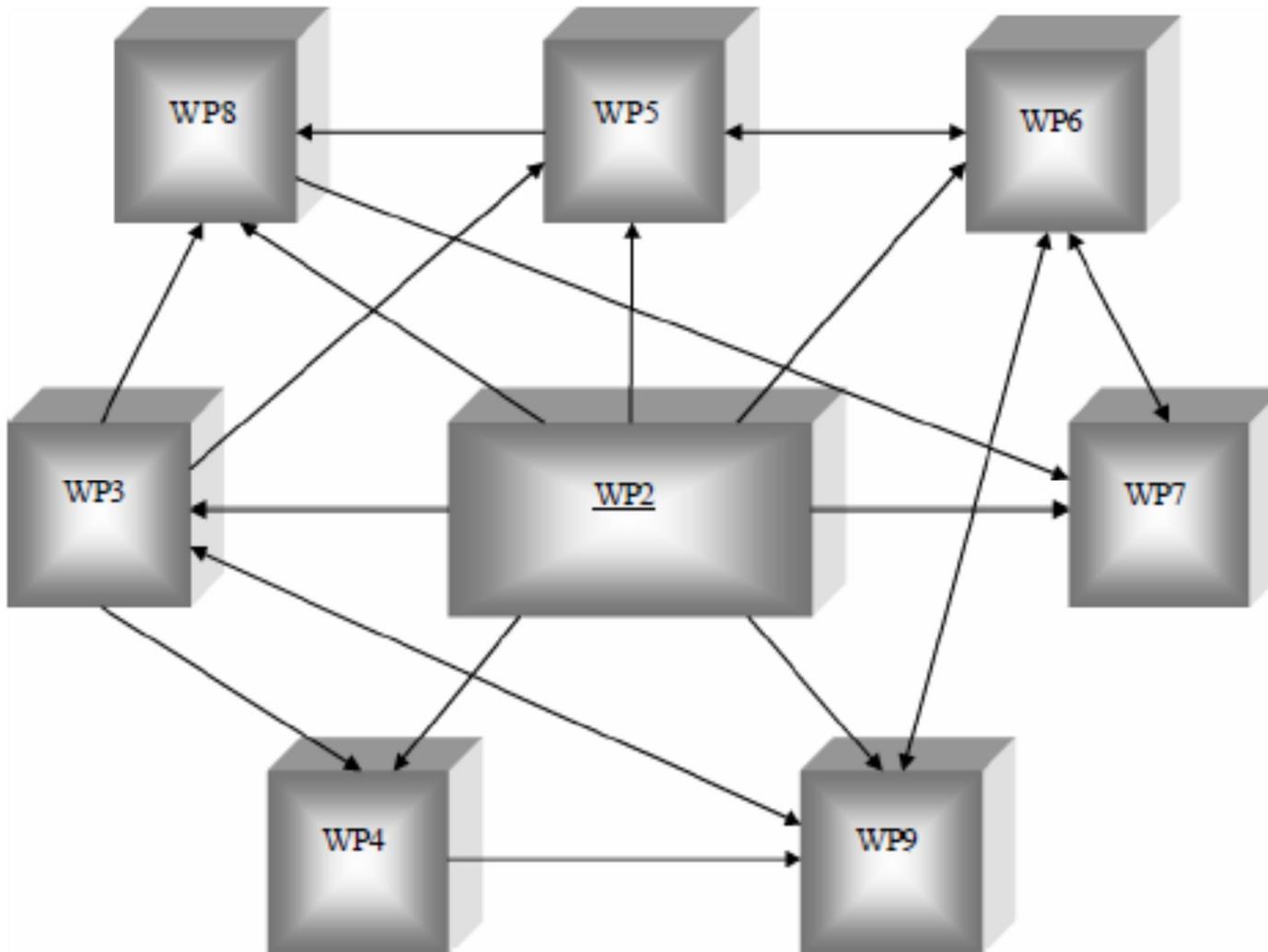


Figure 2: Key Connections among FESSUD Work Packages

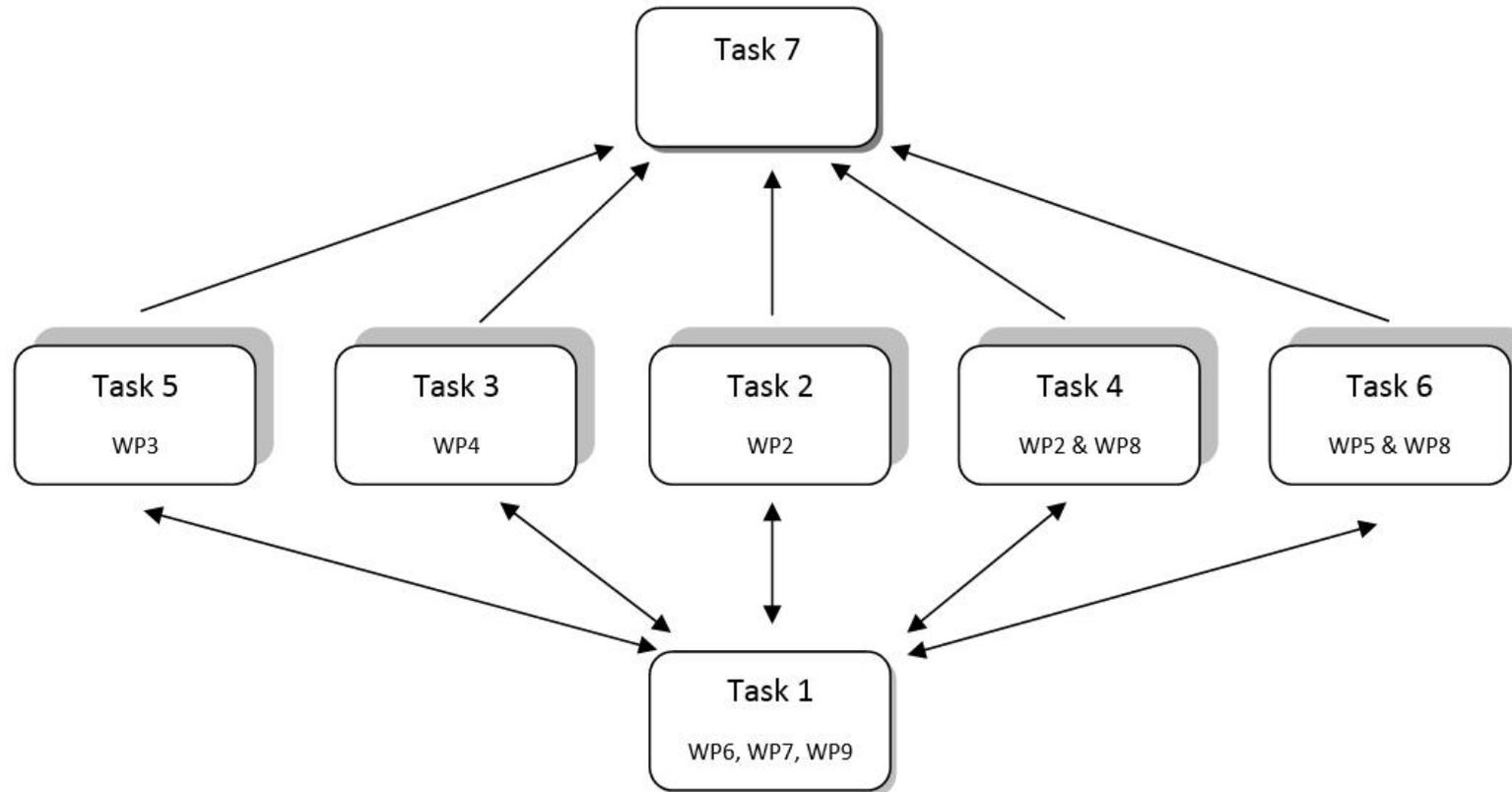


Figure 3: WP11 and related Foresight Tasks

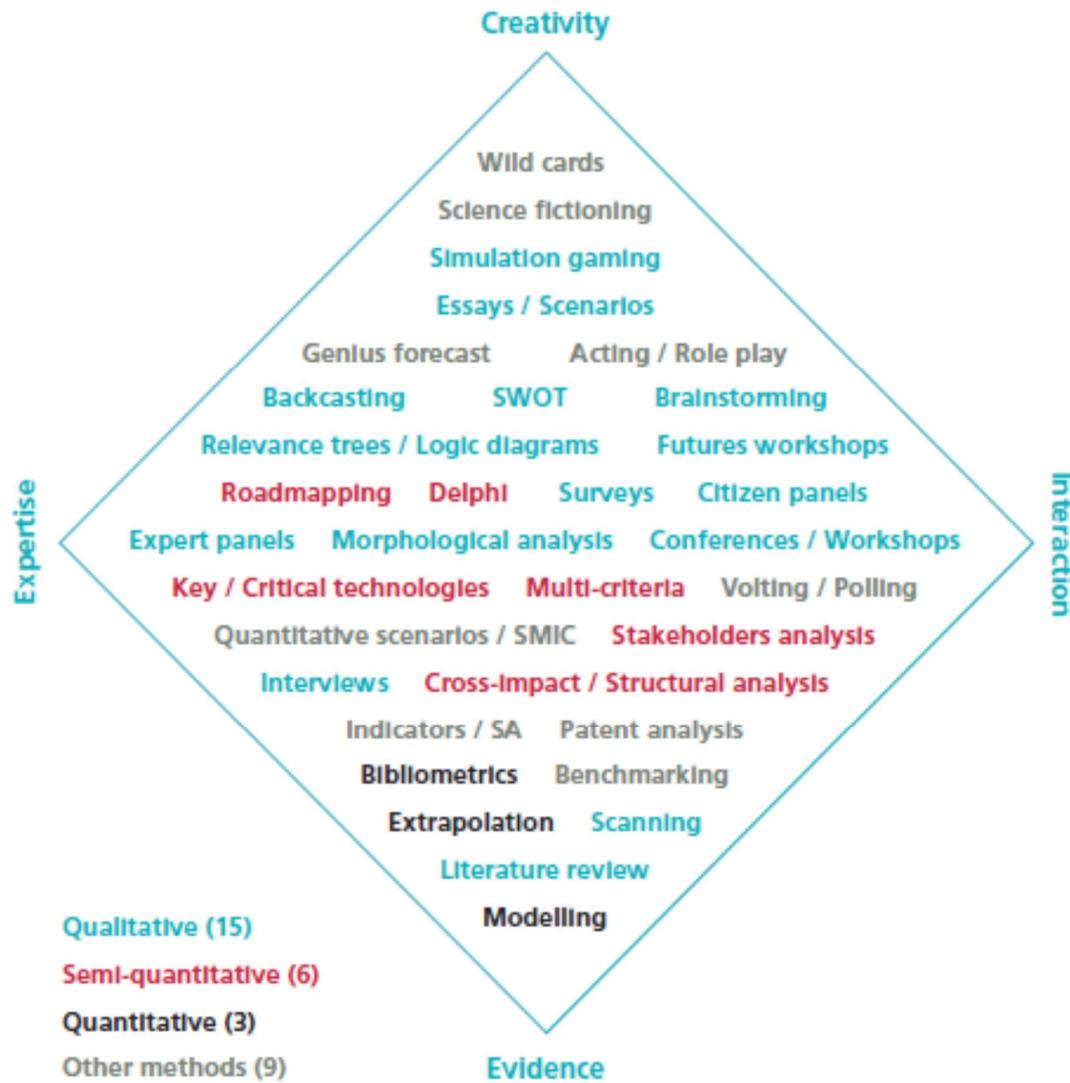


Figure 4: Foresight Methods in the Foresight Diamond (Source: Popper 2009)

Tables.

Work Package Number	Work Package Title	Lead-Beneficiary Partner number	Person months	Start month	End Month
WP1	Management	1	118	1	60
WP2	Comparative perspectives on financial systems	1	157	1	24
WP3	Causes and consequences of the financial crisis	8	122	7	48
WP4	Regulation of the financial sector	7	83	13	48
WP5	Finance and well-being	9	114	13	54
WP6	Finance, development and global governance	3	88	13	54
WP7	Finance, environment and sustainability	2	129	13	54
WP8	Finance, real economy and the state	6	122	13	54
WP9	Financial stability and macroeconomic policies	4	106	13	60
WP10	Dissemination and impact	5	50	1	60
WP11	Foresight	1	46	25	60
WP12	Synthesis and conclusions	1	44	13	58

Table 1: List of Work Packages (WPs) in FESSUD

	Task 1	Task 2	Task 3	Task 4	Task 5	Task 6	Task 7
Task leader partner number	1	15	7	11	8	9 + 3	1
Task leaders pm	TOT8	4	4	4	4	6	TOT8
Foresight method	Set Framework	Delphi method	One major essay / scenario writing	One major essay / scenario writing	Stock-Flow consistent modelling	Four essays / scenario writing	Conference workshop / SWOT
Non-task leaders pm	0.25	0.5	0.25	0.25	0.25	0.25	0.25

Table 2: Summary view of WP11

APPENDIX 1

The partners in the FESSUD project

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

APPENDIX 2

WP 11 FORESIGHT - Task 2: The future expansion and proliferation of finance

Content of Task 2 (as included in the Description of Work DoW)

An evaluation whether the expansion and proliferation of finance and financial markets has continued (through to 2015) and then whether such expansion and proliferation will be the future pattern. In this context, the geographical spread of financial markets and of financial institutions would be a significant element. 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. Based on theoretical comprehension of underlying mechanisms, structures and system gained in work package 2 and other work packages, and on observations of trends in the growth of financial markets and institutions particularly over the years since the onset of the financial crisis (2007), this task will explore the patterns of future growth and geographical spread through to circa 2025. The ways in which the financial sectors of countries continue to interact, the processes of integration between financial systems (notably through the operations of transnational financial corporations), and the developments of global financial markets and institutions will also be explored. Other issues to be investigated here include the relative size of the financial sector, the future structure of the financial sector including different types of financial institutions (including mutual institutions and microfinance) and the changing nature of the products of the financial sector. The ways in which the processes of competition and concentration within and between financial sectors play out and the implications for the development and stability of the financial system will also be included here.

Lead partner and Person of Contact

University of the Basque Country UPV-EHU. Jesus Ferreiro (jesus.ferreiro@ehu.es)

Objective of Task 2:

Explore the future expansion and proliferation of finance (financial markets and institutions in 2025)

Foresight Method: Delphi Method

Delphi method is a technique that involves repeated polling of the same individuals (experts), feeding back (sometimes) anonymised responses from earlier rounds of polling, with the idea that this will allow for better judgements to be made without undue influence from forceful or high-status advocates. Delphi surveys are usually conducted in two rounds.

Experts will make responses to close questionnaire with around 30 questions related to the future of finance, financial markets and financial institutions. The responses given by the experts are object of a first analysis. The results of this analysis are sent to same experts. This information will be used by the experts at a second round to fill the (same) questionnaire: therefore, at this second round the experts can change the responses given at the first round at the light of the responses given by the other experts. The final foresight will be made on the basis of the information provided at this second round.

The questions included in the questionnaire can be both qualitative of quantitative:

Example 1: Evolution of the size of the credit by credit institutions

Hypothesis, data and question	Level of knowledge	Your foresight			
	4 Very high	Less than	75-85% GDP	85-100% GDP	+100% GDP
	3 High				
	2 Low				
	1 Very low				
In 2007, the size of the credit to private agents given by credit institutions in European was 100% GDP. Since then, this size has fallen and in 2013 it was 85% GDP. In late nineties, this credit amounted 70% GDP	Reasons/comments				
Show your foresight about the size of the credit to private agents by Credit institutions in the year 2015					

Example 2: Evolution of the size of the credit by credit institutions

Hypothesis, data and question	Level of knowledge	Your foresight			
	4 Very high 3 High 2 Low 1 Very low	Equal or lower than in late nineties	Equal or lower than before the crisis (2007)	Similar to that of 2013	Higher than before the crisis (2007)
In 2007, the size of the credit to private agents given by credit institutions in European was 100% GDP. Since then, this size has fallen and in 2013 it	Reasons/comments				



was 85% GDP. In late nineties, this credit amounted 70% GDP

Show your foresight about the evolution of size of the credit to private agents by Credit institutions in the year 2015

The questionnaire will be elaborated by the Task 2 Lead Partner. The Task 2 Lead partner will make the foresight analysis on the basis of the responses provided in the two rounds of responses.

Organization of the Delphi foresight exercise

- The Task 2 Leader will elaborate a first draft of the questionnaire
- This draft will be sent to the different Work Packages Leaders of the FESSUD project
- The WP Leaders will send their comments and suggestions about the questions included in the questionnaire (suggesting changes in the questions, suggesting to include or exclude questions, etc.)
- The Task 2 Leader will prepare the second version of the questionnaire, which will be used as a Pilot Delphi.
- The WP Leaders will send their own answers and comments to the questions included in the questionnaire of the Pilot Delphi (just one round)
- The Task 2 Leader will elaborate the final version of the questionnaire
- At a first round, Task Leader 2 will send by email the questionnaire to the list of experts
- The experts will send the filled questionnaire to the Task 2 Leader
- Task 2 Lead Partner will analyse the responses of the expert and will make a first draft of the report about the future of finance
- This first draft of the report will be sent with the questionnaire to the experts, for a second round of consults
- The experts, at the light of the results of the first round, will respond the questionnaire. These new response will be sent to the Task 2 Leader
- The Task 2 Lead Partner will write the Final Report

Experts

The composition of the list of experts that will respond the questionnaires is a mix of internal (i.e., members of the 15 partners of the FESSUD) and external experts (not belonging to the FESSUD partners).

The commitment of these experts is the active participation at the two rounds of responses to the questionnaire.

External experts can be academics, policy-makers, representatives of social agents (employer associations, trade unions...), people working at the financial sector... Given the global dimension of the FESSUD project and the exercise of foresight carried out in this Task 2, it would be useful that the list of experts included not only experts of the respective countries of the FESSUD partners, but also experts from developing economies and other developed economies (USA, Canada, Japan, Australia...) not participating at the FESSUD Project

The final list of experts would be ideally formed by:

- Internal experts: 3 members of each FESSUD partners (45 experts)
- External experts from the countries of the FESSUD partners: 2 experts per country (30 experts)
- 10 external experts from other developed countries
- 10 external experts from other developing economies

This implies circa 95 experts. Members of the Scientific Advisory Group (SAC) and the Stakeholders Group (SG) could also participate at the exercise.

Participation and Commitments of the FESSUD partners at the Task 2

- Each FESSUD partner will designate 2-3 internal members of its team that will participate at the Delphi exercise. Each partner must ensure that these (internal) experts will actively participate at the foresight exercise.

- Each FESSUD partner will designate 1-2 external experts of its country that will participate at the Delphi exercise. Each partner must ensure that these (external) experts will actively participate at the foresight exercise.
(NOTE: We suggest making a preliminary list with at least 10 external experts from the country of each partner. These people would be contacted with the objective of getting the commitment to participate of at least 3 experts will participate at the study. This will guarantee that, as a minimum, 2 experts from each country will participate at the 2 rounds of Delphi)
- Each FESSUD partner is encouraged to give a list (names and emails of contact) of 3-4 external experts from other developing countries and 3-4 external experts from other developed countries.
- The Task 2 Leader will send to each FESSUD Partner a letter of presentation of the Delphi analysis and invitation to the external experts. In this letter, it will be explained what we are expecting from the experts and the compensation we can offer them. This compensation will, surely, be the submission of the final results of the analysis. It is important that the main motivation of the experts be the fact of keeping learning about this subject

Dates and Deadlines (tbc)

- End January 2015: Task 2 Lead Partner will send a first draft of the questionnaire to the 15 Work Package Leaders
- End-January 2015: the Work Package Leaders will send the final lists of internal and external experts that will respond to the questionnaire
- Mid-February 2015: the Work Package Leaders will send their comments and suggestions to the Task 2 Lead Partner about the questionnaire
- End-February 2015: Task 2 Leader will send the second draft of the questionnaire (pilot Delphi) to the 15 Work Package Leaders. The latter will send their answers to this questionnaire to Task 2 Lead Partner.
- End April 2015: the Task 2 Lead Partner will present the final questionnaire and the list of participants at the foresight exercise

- End of May 2015: Start of the First round of responses to the questionnaire. Experts will have a 15-days period to answer the questionnaire and to submit it to the Task 2 Lead Partner
- End of June 2015: The first draft of the Report with the questionnaire will be sent to the experts of the second round of the analysis. Experts will have a 20-days period to answer the questionnaire and to submit it to the Task 2 Lead Partner
- June/ July: small workshop (tbc)
- November 2015: Final Report

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?'

THE PARTNERS IN THE CONSORTIUM ARE:

Participant Number	Participant organisation name	Country
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3	School of Oriental and African Studies	UK
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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

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