

## **Conference Report: Politics of Money Network – The Evolving Ecology of the Financial System**

**May 16 and 17, 2019 at the Max Planck Institute for the Study of Societies (MPIfG)**

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In May 2019 the ‘Politics of Money’ research network, financed by the German Research Foundation (DFG), convened at the Max Planck Institute for the Study of Societies (MPIfG) for its third workshop in a series of six. This international research network aims to arrive at a deeper understanding of the role that the financial sector plays in contemporary capitalism.

The central goal of the workshop was to map the evolving nature of financial actors, their business models, and their mutual relationships. The meeting was organized by Kai Koddenbrock (Witten/Herdecke University) and Benjamin Braun (MPIfG), who are also the coordinators of the research network.

The first panel focused on shadow and offshore banking. Leon Wansleben (MPIfG) spoke about the institutional construction of shadow banking by analyzing the case of repo markets. He argued that the growth of repo markets was enabled by the introduction of bankruptcy law and other regulatory institutions rather than by the abolition or circumvention of extant regulation. Andrea Binder (University of Cambridge), meanwhile, explained how the Brazilian state had gradually lost its grip on the offshore Eurodollar system.

The second panel discussed the role of two little-studied financial actors: insurers and asset managers. Sebastian Kohl (MPIfG) presented historical long-run data mapping the evolution of the private insurance sector worldwide and argued that the presence of a strong private insurance industry in the nineteenth century pre-empted the development of welfare states. Benjamin Braun (MPIfG) in turn provided a historical account of the transition to asset-manager capitalism in the United States from the post-war period onwards.

In the first afternoon session, Martijn Konings (University of Sydney) reflected on the role of households in today’s capitalism, focusing on Australia in particular. He proposed a new understanding of class that is focused on housing wealth instead of occupational status.

The third panel aimed to map and measure finance. Dirk Bezemer (University of Groningen) presented data in support of the argument that credit growth has a negative effect on economic growth. His conclusion: a decoupled financial sector is detrimental to real economic activity. For his part, Arjan Reurink (MPIfG) explained that tax competition is not a one-dimensional race to the bottom, but that different types of countries use specific tax competition strategies in order to attract certain parts of the fragmented administrative structure of multinational firms.

The first day concluded with a keynote lecture by the heterodox economist J.W. Mason (City University of New York). He criticized the focus in economics on abstract modelling, advocating an approach to macroeconomics that combined accounting and history.

The second day started with a panel that evaluated the interaction between finance and the state. Charlotte Rommerskirchen (University of Edinburgh) presented her research on the influence of sovereign credit ratings on the behavior of investors in government bonds, and thus on the power relationships between governments and financial markets. Michael Schwan (University of Cologne) presented a collaborative study of the various ways European states manage public debt and their assets, discerning a common trend in contemporary capitalism towards state financialization.

Later in the morning, Caroline Metz (University of Sheffield) and Johannes Petry (University of Warwick) contributed two standalone topics to the workshop. Caroline Metz gave an outline of her research agenda on distressed household debt and the political economy of non-performing loans. Johannes Petry presented a detailed,

interview-based study of Chinese capital market development, arguing that its *state-capitalist* nature defies easy subsumption under current comparative capitalism categories.

The workshop closed with a panel on the role of regulators in contemporary finance. Sandy Brian Hager (City University London) shed light on the coalitional politics behind the regulation of oil derivative market. He explained why state agencies refrained from enacting new regulations that had been introduced in the aftermath of the oil price hikes of 2006-2009 and the global financial crisis of 2008. Matthias Thiemann (Sciences Po Paris) showed that a shift from outright opposition to active support in the European regulation of shadow banking was the outcome of an intricate policy process in which financial actors, national interests and the European election cycle all played a significant role.

The joint efforts of the research network will culminate in the publication of an edited volume on the role of finance in contemporary capitalism. To this end, the network will host three more meetings through 2020 – in Amsterdam, Paris and Frankfurt.