

## Special issue on Financialization and the future of central banking: Institutions, processes and consequences

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### Topic of the special issue

In its broadest definition, financialization typically refers to “the increasing dominance of the finance industry in the sum total of economic activity, of financial controllers in the management of corporations, [and] of financial assets among total assets” (Dore, 2002: 116–117). Gerald Epstein (2005: 3) adds that financialization may also capture “the growing dominance of capital market financial systems over bank-based financial systems,” a point that Ronald Dore (2002: 117) implied when describing “the stock market as a market for corporate control.” Finally, according to Krippner (2005: 181), “financialization reflects the increasing political and economic power of a rentier class.” It is this last definition that appears to be most broadly understood in the recent financialization literature (Hartwell, 2017; van der Zwan, 2014), wherein the pursuit of financial accumulation contributes to unstable financial systems and comes at the expense of wage earners.

This process of financialization has been studied in a burgeoning literature more for its effects than for a key issue, the factors driving it. While “de-regulation” of the financial sector in the United States and the UK (with the term used in a loose and imprecise manner) is often blamed for the increasing power of financiers (Stockhammer, 2012), a sorely neglected angle to the financialization story remains its institutional drivers. In particular, the role of central banks, and especially *independent* central banks, in driving financialization over the past 30 years has been unexplored in the current literature. Early work in this vein from Epstein (2001) explores the relationship between central banks and financialization, but this research remains unpublished and focuses mainly on inflation targeting. Similarly, Paineira (2010) offers an interesting political economy explanation of the effects of central bank interventions on financialization but only concentrates on Brazil and Korea and takes financialization as an externally induced phenomenon (given international financial flows).

Neglected in these analyses and especially in the mainstream central bank literature is an understanding of central banks as institutions embedded in larger institutional systems, and how this fact could then influence the genesis of financialization. There are well-acknowledged issues regarding the role of central banks as an institution within country political and economic institutional systems: Arestis and Bain (1995: 163) note, “if the constitutionally sanctioned central bank refuses to cooperate and insists on taking into account only its own target, this becomes dominant (whether or not this was intended by the authors of the

constitution).” The aggrandization of power by central banks in the post-global financial crisis world, including zero interest rates, “quantitative easing,” and asset buy-backs, appears to substantiate this view, especially when one considers how these policies are done precisely for the benefit of the financial sector. Without analyzing the institutional imperatives and evolutionary logic of central banks, a crucial key step in understanding financialization has been lost.

Given this reality, this special issue will explore the institutional linkages and drivers behind financialization, with a special eye on but not exclusively limited to monetary policy institutions, to explore the following (indicative) questions, including but not limited to:

- How has central bank policy-driven financialization around the world, both pre- and post-crisis?
- Has central bank independence played a role in financialization either pre- or post-crisis, or has it helped mitigate the process?
- Has central banking in high-income countries spurred on particular types of financialization (e.g. asset management) to the exclusion of others? Or is there little relation?
- Are there other institutional drivers in an economy that can be demonstrated to have an effect on financialization? Are these drivers economic or political or social?
- What are the reverse linkages between financialization and central bank policy? Has the emergence of a rentier class affected central bank policy?
- Have specific countries seen differing processes of financialization due to their specific institutional make-up?
- Are there specific processes of financialization in developing or emerging economies? And how have these been affected by monetary policy or central bank reform?
- How does the interplay of political and economic institutions affect financialization?
- What are the linkages between central bank policy, financialization, and income inequality?
- Are there relationships within political institutions which encourage or discourage financialization? And how has the aggrandizement of power by central banks affected these relationships?

The scholarship highlighted in this special issue will thus address an important issue that has been mostly ignored while pointing the way for policy recommendations to avoid the deleterious consequences of financialization. It will also help to advance our understanding of the various channels of financialization, how economic institutions may create the conditions for financialization, and how it has operated in various country contexts.

## **Timeline for submission process and management of peer review process**

Articles will be 7500–10,000 words, including references.

April 2017: Opening of Submission for full papers to *Competition and Change*

T1: 31 July 2017 Closing of Submission for full papers

T2: August–December 2017: Peer reviews and editors’ decisions on selection of manuscripts.

T3: January–June 2018: Revision of full papers and final acceptance.

Manuscripts should be submitted directly online at: <https://mc.manuscriptcentral.com/cach>. Please choose the option for ***Future of Central Banking*** special issue when submitting

your manuscript. Kindly note that submissions must be formatted according to the Competition and Change style guidelines which can be found here: <https://uk.sagepub.com/en-gb/eur/journal/competition-change#submission-guidelines>

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