This project has received funding from the European Union's Seventh Framework Programme
for research, technological development and demonstration under grant agreement no 266800

FESSUD

FINANCIALISATION, ECONOMY, SOCIETY AND SUSTAINABLE DEVELOPMENT

Working Paper Series

No 174

Transdisciplinary research: reflections on the study of finance and well-being

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ISSN 2052-8035

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Abstract

This paper reflects on the transdisciplinary nature of the work carried out under Work Package 5 [WP5] – Finance and well-being. It examines the research that has informed the conceptualisation and operationalisation of the survey that was implemented in five countries representative of different types of system in the EU – Germany, Poland, Portugal, Sweden and the UK. The survey aims were to help identify the nature, causes and consequences of recent household relationships with the financial sector and the impact of financialisation and of the crisis on well-being. The paper argues that the work carried out under WP5 has been a genuinely transdisciplinary endeavour through identifying its main characteristics and accomplishments. General lessons are drawn over conditions that favour inter- and transdisciplinary research.

Key words: inter- and transdisciplinary research, finance, systems of provision, well-being

Date of publication as FESSUD Working Paper: November, 2016

Journal of Economic Literature classification: B41, P16

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Acknowledgments:

The research leading to these results has received funding from the European Union Seventh Framework Programme (FP7/2007-2013) under grant agreement n° 266800. Many thanks to Andrew Brown, Ben Fine, Kate Bayliss and Nuno Teles for comments on a draft version of this paper and the WP5 team for ongoing discussions on its topics. All errors are mine.

Website: www.fessud.eu

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Transdisciplinary research: reflections on the study of finance and well-being

Ana C. Santos

1. Introduction

This paper reflects on the transdisciplinary nature of the work carried out under Work Package 5 [hereafter WP5] – Finance and well-being. It examines the research that has informed the conceptualization and operationalization of the survey that was implemented in five countries representative of different types of system in the EU – Germany, Poland, Portugal, Sweden and the UK. The survey aims were to help identify the nature, causes and consequences of recent household relationships with the financial sector and the impact of financialisation and of the crisis on well-being.

The design of the survey was based on the theoretical and empirical tasks of WP5 resulting in the four deliverables of the Work Package and seven published FESSUD Working Papers. More specifically, it was based on critical reviews and development of theories of well-being (D5.01) and of material and cultural approaches to financialisation (D5.02), and on empirical analyses of both aggregate and household panel survey data that allowed the tracing of the evolution of social institutions, structures and systems that both constrain and facilitate household financial activity (D5.03) and of household well-being in EU countries over the last three decades (D5.04). It also benefited from cross-fertilisation with Work Package 8, which investigates the structural linkages between financialisation and the "real economy", particularly in the study of the housing sector.

The present paper reflects on this theoretical and empirical work to argue that this has been a genuinely transdisciplinary endeavour through identifying its main characteristics and accomplishments. General lessons will then be drawn over conditions that favour inter- and transdisciplinary research.

2. The study of finance and well-being: a transdisciplinary endeavour

The research on finance and well-being under WP5 is a genuinely transdisciplinary endeavour to the extent that it "transcends old disciplines and their boundaries and establishes a distinct forum for new theory and inquiry, communication and coordination" (Mäki, 2007: 12; emphasis in original). It is therefore distinct from multi- or inter-disciplinary research undertakings, which bring together separate disciplinary contributions based on a given division of intellectual labour keeping intact the identities of participating disciplines (Mäki, 2007: 10-11).

One defining characteristic of transdisciplinarity is that research is organised "by inventing a new research field or theory involving a novel agenda and novel research strategies" (Mäki, 2007: 12). This has been the case in the study of finance and well-being, and it has been mostly clearly pursued through drawing upon the "Systems of Provision" (SoP) approach that Fine (2002) originally developed and applied to food and clothing industries (amongst others), and extended within the FESSUD project to address the social, material and cultural aspects of financialisation through the lens of the Material Culture of Financialisation (MCF) framework.

The MCF framework is clearly situated within the political economy tradition, where "the economy is treated as part of its wider social and historical milieu, with political economy as a sort of a unified social science to cover this wide terrain" (Fine and Milonakis, 2009: 2), thus taking account into the structures, relations, processes and agencies that determine the way in which resources are produced and distributed amongst the various social classes, as well as underlying values and social norms.

The transdisciplinary nature of the MCF framework is promoted by its two key organizing principles – 'systems of provision' and 'norms of consumption' –, conceiving the material and cultural as inextricably intertwined and systemically based on structures, relations, processes and agencies that are reproduced or transformed in attachment to one another (Fine, 2014). The MCF approach thus stands in sharp contradistinction to extant disciplinary analysis of household finances, which tend to be too much based on ideal types and predetermined patterns of corresponding behaviour whether drawn from assumed

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individual rational decisions (as in economics) or from extrinsic societal influences (as in sociology). Thus, rather than conceiving finance and financial services as if akin to an item of consumption (e.g. as a means to smooth consumption), or the household as if it were some sort of sociologically and psychologically situated manager of an asset portfolio, the 'systems of provision' and the 'norms of consumption' concepts bring both the material and cultural into the analysis of the structures and processes associated with financial behaviours within the household and underlying the systemic, contextual and differentiated nature of household financial activities.

By linking consumption to chains of production which are shaped by many parameters including social, political, economic, geographic and historical factors, the system of provision for a good is taken as "the integral unity of the economic and social factors that go into its creation and use" (Bayliss et al., 2013: 2). It explicitly "rejects the notion that different disciplinary perspectives on consumption (for example, from economics, sociology, psychology) can be collated to derive a general theory universally applicable to all goods". In contrast, it "is built on a vertical analytical framework in which the study of consumption (and the consumer) is attached to distinct, and distinctly structured, systems that are commodity-specific". It moreover "incorporates and addresses the role of material culture" in that, on the one hand, "material properties of a good or service fundamentally affect consumption patterns", and, on the other hand, "goods and services are imbued (often subtly) with cultural significance" (Bayliss et al., 2013: 1).

The meaning of 'norms of consumption' within this approach is complex and nuanced, comprising four elements. First, norms of consumption, whilst subject to general and systemic determinants are highly sector- or product-specific. Second, within such sectors, norms are to be understood as different levels and qualities of provision across different socio-economic strata rather than as an average. Third, the way in which such norms are determined varies from one sector to another. Fourth, the meanings of such norms to consumers and citizens are differentiated in content and determination across socio-economic strata and across separate items of consumption (Fine, 2014).

3. Finance and well-being: a systemic, contextualised and differentiated relationship

Various elements emerge from the MCF framework that favours its transdisciplinary nature: it is systemic, sector- and product-specific and differentiated.

First, the MCF framework places individual and household financial activities within underlying structures and processes of associated systems of provision. In the case of the housing sector, where household relations with finance are most evident in accounting for a large portion of households' financial activities and thus in understanding households' increasing involvement with financial markets, the extent, nature and use of mortgage finance remains differentiated from one country to another, reflecting differences in histories, institutions, and regulatory frameworks. Nonetheless, there has been a shared trend of growth of housing loans in most EU countries denoting common "institutional" changes across Europe. Liberalization of financial flows and decreasing interest rates are some of the most significant shared trends, enabling banks access to international capital markets in order to fund their domestic lending, sustaining an unprecedented supply of credit to households at low interest rates. This together with welfare restructuring attached to privatization and commodification of housing contributed to the synchronic growth of demand for housing loans and, of homeownership across Europe, even if at different paces within EU countries (Karacimen, 2014; Robertson, 2014; Santos and Teles, 2014). The systemic nature of these transformations is also present in the evolution of household financial wealth, especially that of pension and life insurance funds, which have become the second most important financial asset held by households (Churchill, 2014; Santos and Teles, 2014; Serap, 2014). This betrays shared transformations in particular systems of provision, namely common trends towards the privatisation of housing and social protection systems, transferring increasing responsibility onto the individual through growing access to financial markets. But rather than the outcome of rational decision-making – where households are merely taking advantage of eased access to credit and the more abundant supply of financial products, either based on stable intrinsic preferences or on increasing external pushes towards the constitution of an autonomous and independent

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financial subject – these changes at a more systemic level differ in magnitude, content and form across countries and in significance across socio-economic strata.

Second, and notwithstanding shared trends among EU countries, the extent, nature and use of finance remains differentiated from country to country, reflecting differences in forms and structures of systems of provision and broader welfare provisioning, namely those interacting with housing and pensions that are mostly directly associated with household borrowing and saving (Karacimen, 2014; Robertson, 2014; Santos and Teles, 2014).

Research carried out under WP5 has shown that household engagements with the financial sector are both more widespread and diversified in countries with more advanced financial systems, such is the case of the UK and Sweden, where household debt grew in tandem with financial wealth, indicating that engagement with the financial sector is generally made on both sides of the balance sheet, with assets more than covering liabilities at the aggregate level (Santos and Teles, 2014). These countries have also been at the forefront of transitioning from collective to more individualised forms of welfare. In the case of housing, finance has been important to the accumulation and use of housing wealth and the rise of owner-occupation that has grown more intensively and is more directly associated with mortgage markets (Robertson, 2014). In contrast, in most Central Eastern European countries household's engagements with finance, while growing, have been less intense reflecting not only differences in their systems of housing provision but also the relative underdevelopment of their respective financial sectors. If, on the one hand, the privatisation of state housing in the transition period has ensured high rates of owner-occupation without the recourse to housing loans, containing the development of their mortgage markets; on the other hand, mortgages at low interest rates contracted in foreign currencies (as in Poland and Hungary) have put households participating in these markets at great risk when national currencies devalued in the aftermath of the financial crisis. These results offer a seemingly different picture of household financialisation across Europe from that highlighted in the literature that focuses on the US and UK cases alone, that attribute the rise of household debt to declining and stagnating income and evolving norms of consumption (see, for example, Barba and Pivetti, 2009; Cynamon and Fazzari, 2008; Montgomerie, 2009). While workers in most EU countries have experienced stagnant real wages and inequality grew in some of them since the 2000s, it is still in the high income and in the more generous welfare states that household engagement with finance is more widespread and diversified.

Third, household participation in debt and financial assets markets is highly differentiated in extent and content according to socio-economic strata. High-income households tend to have substantially higher rates of participation in financial markets, both as debtors and holders of financial assets. They tend to have higher rates of participation in housing loans, mutual funds, shares, bonds and voluntary private pension markets. In contrast, low-income groups tend to have higher rates of participation in credit lines, bank overdrafts, credit card debt and savings accounts markets (Santos and Teles, 2014).[1] The concentration of specific financial liabilities, such as mortgage debt, and of financial assets, such as mutual and pension funds, in high-income households thus suggests that the latter have a more balanced and beneficial relation with finance. This is so not only because financial liabilities are contracted on debt that is obtained on more favourable terms and can be converted into real wealth, but also because these households have a more diversified and balanced set of financial assets, thus being better able to hedge their portfolios against financial volatility. In contrast, low-income households tend to contract debt with higher interest rates for the purchase of consumer goods, having less means to deal with liquidity or solvency problems, being more vulnerable to personal and social contingencies that compromise their wage income. This indicates that financialisation amplifies extant inequality, as manifested in the different rates of participation in debt and financial assets markets which are unfavourable to the less well-off. Thus, rather than being exclusively associated with wage stagnation and declining social support, and resulting attempts to preserve a previous standard of living, household debt is

[1] A credit line is a type of credit in which a bank undertakes to provide credit to a client during a predefined period. The client may either withdraw the credit amount all at once, or make a certain number of withdrawals during the specified period. A bank overdraft is a debit balance on a current account; it has no defined maturity and, in general, authorised but taken without giving prior notice to the bank.

concentrated on higher-income households and tends to be a means through which this socio-economic stratum strengthens its relative advantage, reproducing and consolidating corresponding inequalities. It is therefore increasingly associated with "a growing divide between the "haves" (on the housing ladder; higher income; older households) and "have nots" (not on the housing ladder; lower income; younger households)" (Robertson, 2014: 7). And among households participating in the various financial markets, experiences are likely to vary in regard to exposure to risk and the extent to which being in debt is felt as burdensome. For example, while for some people owner-occupation may be a means of reducing housing costs and accumulating wealth in the long run, others may struggle with mortgage costs or paying for the upkeep of their property (Robertson, 2014). But financialisation is not a mere means of producing and increasing existing inequalities, benefiting more one segment of the population than others. While financialisation tends to benefit higher-income households, it promotes and reinforces (private and commodified) forms of provision that are increasingly detrimental to the most vulnerable segments of the population.

From the above it follows that any analysis of well-being cannot neglect how provisioning is organised and takes places in specific, historically-given conditions and geographical contexts. This consideration has led to the development of a multi-dimensional and context specific notion of well-being with the SoP approach, as the most suitable basis to map out the way in which individuals and households are embroiled in different SoPs and how their relationships with those SoPs impact on their well-being (Boffo et al., 2013).

The empirical work and the theoretical reflections recommending the consideration of the systemic, sector-specific and differentiated contents and experiences of household engagements with finance has informed the design of the survey, which aims at identifying: i) the multiple factors contributing to households' engagements with financial markets (e.g. housing provisioning, wage stagnation, norms of consumption), ii) the various impacts of these new relationships to household well-being (e.g. wealth accumulation, sense of insecurity in the face of liquidity or solvency problems), and iii) the various impacts of the financial crisis on well-being (e.g. cuts in social protection benefits, reduced wages and incomes, job insecurity, changes in social cohesion). The ultimate goals are to evaluate: 1) the differentiated impact of financialisation and of the financial crisis on well-being across countries – taking into account how these interact with the each country's labour market, welfare provisioning and financial sector; and 2) the distribution of these effects across different socioeconomic groups (e.g. according to income levels, employment relation, gender, age, degree of involvement with financial markets).

4. Finance and well-being: bringing together the material and the cultural

The various ways in which individuals and households engage with finance influence the meanings of financialisation. This requires "differentiating between subjects (...) and how these subjects both interact with, and reflect upon, the various dimensions of financialisation as they experience them" (Fine, 2014: 13). Even though particular meanings are favoured and promoted by the financial sector, those engaging with it do not necessarily accept them, for "[w]hatever the sources of experience and knowledge, these are reflected upon to a greater or lesser extent, and reacted to, or against, rather than simply received passively" (Fine, 2014: 15). Identifying what and how these meanings are construed is necessarily an empirical matter requiring a plurality of methods, quantitative but mostly qualitative. Under WP5 these aims can only be addressed in some measure. The survey will partly do so by including questions inquiring about individual appraisals of households' particular engagements with finance and of their overall assessment of relevant financial agents. Participatory reflection (Task 6 of WP5) will also attempt to do so by mapping extant perspectives on the existing features of the mainstream financial system of people from different social backgrounds.

However, the multiple forms taken in households' engagement with financial markets, alongside the meanings that underpin these material practices, have previously been explored (D5.02 and D5.03). For example, it has been examined how an increasingly integrated political and media culture promotes the interests of the "market" in public and private lives, and operates to steer and limit severely the framings of information and the

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information itself that are made available to audiences in understanding the issues (Happer, 2014). This is taken to sideline alternative solutions to economic problems from public debate, precluding much of the potential for effective resistance and alternatives further advancing sympathetic attitudes to the interests of the "market". Similarly, the recent promotion of financial literacy by national and international bodies is taken to reflect a recognition by policy makers of the need of cultivating the values necessary for legitimating the continuing expansion of finance into areas of economic and social life, such as housing and pensions. Specifically, financial education it taken as a means of changing individual and collective values in the direction of greater self-reliance and willingness to accept financial markets outcomes as processes of commodification expand and forms and levels of provision increasingly involve the financial sector (Santos, 2014).

5. The conditions for transdisciplinarity

This brief synthesis of the work produced under WP5 is taken to provide an illustration of how transdisciplinarity is being pursued under the FESSUD project, aiming to contribute to a more general reflection on inter- and trans-disciplinary endeavours.

As mentioned above, the transdisciplinary nature of the work derives from its being clearly outlined within a political economy framework, which endorses the inter- and trans-disciplinary study of the economy placing it within its social and historical context. The analysis of household engagements with finance has attempted to expose the systemic, sector-specific and differentiated dimensions of this complex social phenomenon. The research has favoured the inclusion of different levels and units of analysis (e.g. the EU, national governments, the financial and the housing, and pension sectors, and individual behaviours and experiences), allowing the consideration of varied material and cultural explanatorily variables. This included the interests and values that are favoured (as well as hindered) by ongoing processes of financialisation, and the diverse means by which these are promoted and advanced (e.g. through the media or social policy), even if open to contradictions and tensions.

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The recognition of the complexity of socioeconomic phenomena, requiring multiple levels and units of analysis, as well as methods and analytical resources to analyse them, has favoured the productive mobilisation of various disciplinary, but mostly interdisciplinary, contributions. This is clearly evident in the variety of resources mobilised in the production of WP5 deliverables, predominantly from interdisciplinary outlets in the fields of political economy, economic sociology, socioeconomics and economic geography.[2] It is also apparent in the analytical tools applied, including theoretical reviews and developments, institutional and discourse analysis, interviews and statistical analysis. This in turn further supports the disciplinary and methodological pluralistic nature of political economy that is particularly amenable to inter- and transdisciplinary interchange (Spencer, 2013).

The transdisciplinary accomplishments of the research on finance and well-being have benefited from the availability of a clear framework (MCF) that has helped to organise research in terms of the identification of the objects of study, levels, units and methods of analysis, while sufficiently flexible to account for country- and sector-specificity. The latter being an essential feature of the approach, for:

> [w]hen it comes to practical application, sop does not offer a blueprint because by its nature, each sop is different and specific. The application of the sop approach in practice is heavily inductive not least in determining where one sop ends and another begins. A sop is, potentially, huge if all aspects of material culture and production are connected to consumption. In practice, the way a sop is identified depends on the research question at hand (Bayliss et al., 2013: 2)

The flexibility of the MCF framework thus partly accounts for the innovative character of the research, having already generated results that challenge disciplinary misconceptions

[2] The list of references of WP5 deliverables is marked by a very eclectic selection of references, including databases, policy reports, newspaper articles, interviews, as well as monographs and journal articles of various fields of research, most of which are interdisciplinary and thematic. However, there is a clearly discernible predominance of outlets within heterodox economics and political economy (e.g. *Cambridge Journal of Economics* and *New Political Economy*), economic geography (*Journal of Economic Geography* and *International Journal of Urban and Regional Research*) or that explicitly promote interdisciplinarity in the broadest sense (e.g. *Economy and Society* and *Competition and Change*). There is also a relevant presence of thematic/sectorial journals in housing research (e.g. *Housing Studies* and *Journal of Housing and the Built Environment*) or on the media (e.g. *Journalism and Journalism Studies*).

about households' relationships with finance. It clearly rejects analyses that take household debt as merely instrumental to consumption smoothing, based on rational decisions taking advantage of new financing opportunities that separate the moment of consumption from the generation of income (e.g. Bertola et al., 2006). And it offers a rather more nuanced account than that resulting from approaches that have focused on the evolution of social norms and/or the loss of the economic and political power of the middle-classes when explaining the rise household debt (see, for example, Barba and Pivetti, 2009; Cynamon and Fazzari, 2008; Montgomerie, 2009). Even if to different degrees, these analyses tend to overgeneralise the meaning and uniformity of the role played by the chosen explanatorily factors, betraying the biases of disciplinary/ fragmented endeavours which distort the capacity to take the various relevant factors and interactions into due consideration. For these reasons, and similarly to the SoP approach to the study of consumption (Fine and Leopold, 1993; Fine, 2002), the analysis of household finances stresses that the focus should be on what differentiates rather than unites household engagements with finance. Considering the cross-country comparative nature of the FESSUD project, the analysis should also consider the different national trajectories and countries' relative positions within a contemporary international economy in which finance both standardises and differentiates various geographical contexts (Santos and Teles, 2014).

To conclude, one lesson that can be drawn from the work carried out under WP5 is that transdisciplinary endeavours are favoured by well-delineated research agendas capable of integrating different levels and units of analysis while sufficiently open to allow the mobilisation of resources that can illuminate relevant relations, structures, processes and agents as these are identified in the research process. Being still in its early stages, at least in the analysis of household relationships with finance, it is still soon to determine the impact the MCF approach will have on neighbouring disciplines/fields of research, or for that matter on mainstream economics. But one sign of its promising prospects may be precisely that it has moved beyond critical engagements with orthodoxy, having launched a new and promising research field which has already started to illuminate a relevant phenomenon of contemporary financialised capitalism.

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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?'

This project has received funding from the European Union's Seventh Framework Programme
for research, technological development and demonstration under grant agreement no 266800

THE PARTNERS IN THE CONSORTIUM ARE:

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
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9	Centre for Social Studies, University of Coimbra	Portugal
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Published in Leeds, U.K. on behalf of the FESSUD project.