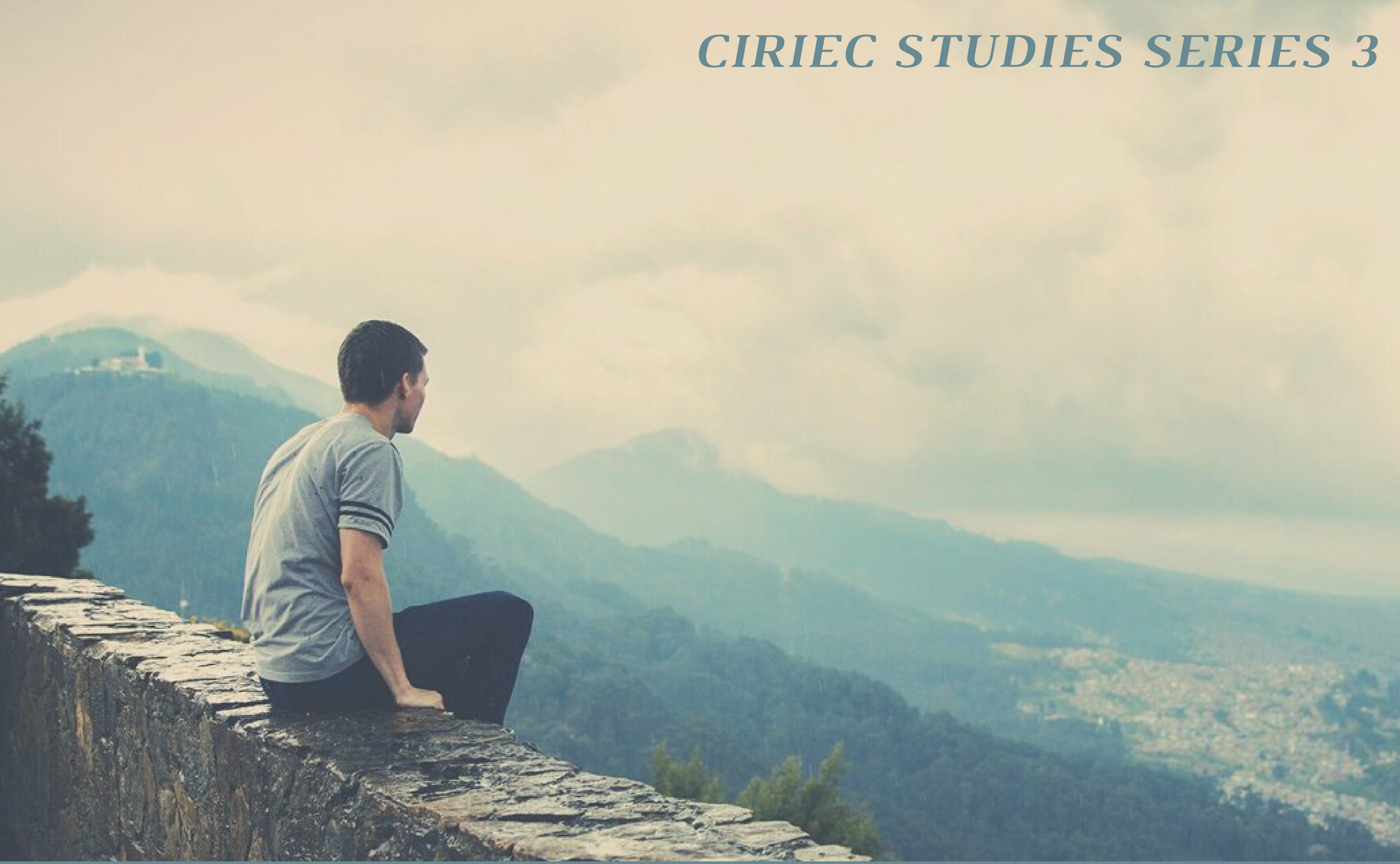
CIRIEC STUDIES SERIES 3



CHAPTER 9

RENEWAL OF PUBLIC ACTION: CO-PRODUCTION AND FINANCIAL REGULATION

Faruk ÜLGEN

Part of *New perspectives in the co-production of public policies, public services and common goods* by Philippe BANCE, Marie J. BOUCHARD & Dorothea GREILING (eds), 2022

CIRIEC (International Centre of Research and Information on the Public, Social and Cooperative Economy) is a non-governmental international scientific organization.

Its objectives are to undertake and promote the collection of information, scientific research, and the publication of works on economic sectors and activities oriented towards the service of the general and collective interest: action by the State and the local and regional public authorities in economic fields (economic policy, regulation); public utilities; public and mixed enterprises at the national, regional and local levels; the so-called "social economy" (not-for-profit economy, cooperatives, mutuals, and non-profit organizations); etc.
In these fields CIRIEC seeks to offer information and opportunities for mutual enrichment to practitioners and academics and to promote international reflection and action.

CIRIEC activities, publications and researches are realized with the support of the University of Liège, the Walloon-Brussels Federation, the Walloon Region and the Belgian National Lottery.

Avec
le soutien de la

This publication has been peer-reviewed.

Université de Liège - HEC
Bâtiment N3a
Rue Saint-Gilles, 199
BE-4000 Liège (Belgium)
ciriec@uliege.be; https://www.ciriec.uliege.be

ÜLGEN, Faruk. **"Renewal of Public Action: Co-Production and Financial Regulation / Chapter 9"**. In: BANCE, Philippe, BOUCHARD, Marie-J. and GREILING, Dorothea (eds). *New perspectives in the co-production of public policies, public services and common goods.* Liège: CIRIEC, 2022. (CIRIEC Studies Series; 3), pp. 181-205.
https://doi.org/10.25518/ciriec.css3chap9

This publication is indexed and available in RePEc

Renewal of Public Action: Co-Production and Financial Regulation / Chapter 9

Faruk ÜLGEN*

Abstract

In the face of the global systemic crisis of 2007-2008, coupled with the current Covid pandemic, questions arise about the capacity of the invisible hand of the market to self-adjust in the event of systemic instabilities and about the need for a visible regulatory public hand. This is also closely related to the effectiveness of monetary and financial operations, since the viability of a capitalist economy relies mainly on the sustainability of these operations. This chapter seeks to contribute to the development of a paradigm for public action and financial regulation that can strengthen the stability of financial systems in the face of economic and social complexity. From an institutionalist perspective and drawing upon Polanyi's *Great Transformation*, the chapter analyses the monetary and financial characteristics of capitalism and maintains that effective monetary and financial frameworks are crucial for a consistent organisation of the economy. The analysis shows that the monetary and financial system might be considered as a public service activity that requires a specific public action, whereas in the literature, public services and public action are usually studied in relation to the energy, transport, health and education sectors. The chapter argues that the stability of financial markets cannot be ensured through market-self-regulation schemas. Although capitalist finance is a profit-seeking business, it should be framed as a public facility, and financial stability should be considered as a public good. This calls for a public action directed toward two major aims: systemic stability and financing of sustainable activities. The chapter assesses the feasibility of co-regulation as a possible alternative and maintains that whatever the degree of inclusion of private actors, financial regulation must be organized under the supervision of independent public authorities, far from the conflict of interest between public and private players.

Keywords: Collective action, co-production, financial regulation, Polanyi, public goods

JEL-Codes: G18, H41, H44, P11

* Head of Distance Learning Programs & International Relations; Deputy-Director of the Centre of Research in Economics of Grenoble-CREG; Grenoble Faculty of Economics, University of Grenoble Alpes-France (faruk.ulgen@univ-grenoble-alpes.fr).

Introduction

Capitalism is an unstable boom-and-bust economy continually destabilised by its endogenous monetary and financial dynamics. However, the recurrent economic crises over the last decades has significantly reduced its capacity to ensure sustainable development. In the face of the global systemic crisis of 2007-2008 (henceforth GSC), questions arise about the capacity of the invisible hand of the market to self-adjust in the event of systemic instabilities and the need for a visible regulatory hand of public action. The ongoing crisis, coupled with the current Covid pandemic, and the recurrent difficulties of our current economic models are endangering large sections of the world's population despite public financial support for failed markets and the growing public deficit. Strong opposition still remains between advocates of free markets and those advocating public action for possible measures to address systemic crises. Most debates are related to this crucial opposition between market liberalism and public interventionism.

This issue is closely related to monetary and financial operations since the viability of a capitalist economy mainly relies on their sustainability. Indeed, every transaction, whatever its size and scope, requires monetary and financial operations that directly or indirectly affect a large number of individuals. Financial markets play a central role in economic development. The services they provide consist of developing, broadening and strengthening the means and methods of financing economic activities. However, these markets are also highly dependent on the fundamentally speculative nature of financial operations. They can support the process of creative destruction of capitalist development but at the same time provoke the destruction of creativity at the systemic level (Ülgen, 2014).

Stable functioning of financial markets is a prerequisite for a well-functioning economy. The organisation and management of financial markets as well as their regulation and supervision are a crucial part of such a picture. The liberalisation of financial markets from the 1980s onwards and consequent loose regulation did not provide the expected results (economic and social efficiency). They led to major crises without any public oversight that could allow markets to recover in a sustainable way, other than through the socialization of private losses and debts. Often caught between the rescue of the economy and increasing public debt and deficit in times of crisis, economic policies are proving to be flawed (or incomplete) in their capacity to reframe financial markets and supervision mechanisms. Therefore, for the sustainability of financial operations and productive system's performances, financial regulation and supervision need to be redesigned in order to allow financial systems to function in a systemically efficient way. This calls for sustained public action to *transform financial destruction into financed creation*. An innovative collective action that society crucially needs today is to frame alternative ways of public regulation and supervision of financial activities; this could involve a form of a collaborative/co-production framework under certain conditions. The chapter then seeks to contribute to the development of the rudiments of a relevant paradigm for public regulatory action that could lead financial markets to operate in a sustainable manner in the face of a complex and very fragile environment. In light of the GSC, the chapter points to the weaknesses of the market-based self-regulation mechanisms and argues that certain lessons could be drawn from the dynamics of the GSC for innovative alternative financial regulation. It builds on the monetary characteristics of market-based capitalist societies and suggests some basic rules for a socially sustainable and efficient model of financial regulation in an institutionalist vein.

The first section adopts an institutionalist perspective and liberally draws upon Polanyi's analysis of fictitious commodities as a relevant analytic anchor to understand the monetary characteristics of capitalism and the limits of its institutional liberal transformation. The second section points to the fragilities of liberalised financial systems and to the weaknesses of deregulated markets. It maintains that relying on market regulation suffers from the fallacy of self-regulation and fails to ensure systemic viability of society. The third section advocates the primacy of public supervision of financial regulation through an alternative organisation of financial markets that considers financial stability as a public good. Drawing upon the works on co-production schemas, some options are discussed in favour of inclusive regulatory alternatives through co-production and co-regulation of financial services in order to strengthen macro stability and prevent large crises. The final section draws conclusions.

1. The characteristics of a monetary capitalist economy: an institutionalist Polanyian perspective

Karl Polanyi offers valuable insights on the characteristics of a capitalist market economy through his analysis of fictitious commodities that provides an institutionalist perspective on the limits of liberalised markets to achieve sustainable economic performance. The renewal of interest in his approach is indicated by many recent works such as Bugra and Agartan (2007), Block (2008), Hann and Hart (2009), Dale (2010), Polanyi Levitt (2013), Block and Somers (2014), Seccareccia and Correa (2018), Jessop (2019), Desai and Polanyi Levitt (2020), to quote but a few. Aulenbacher, Bärnthaler and Novy (2019) supply a comprehensive account of different perspectives that draw upon Polanyi work to study the functioning of capitalist societies. This section builds on this orientation in order to show the specificity of the monetary and financial system in a capitalist economy.

Market liberalism as an institutional transformation

Maucourant and Plociniczak (2013) note that the Polanyian analytic framework rests mainly on an institutionalist approach that regards the economy as an instituted process even when market liberalism prevails over society. The evolution of socioeconomic and political systems is an interactive process in which individuals both shape and are shaped. Indeed, Polanyi (Polanyi, Arensberg and Pearson, 1957: 246-247) states that the economy is an instituted process. The analysis of its dynamics, for a given type of society, namely a market system, is in terms of movements that reflect continuous change. The economy is "embodied in institutions that cause individual choices to give rise to interdependent movements that constitute the economic process" (Ibid: 247). Institutions fix the environment within which individuals imagine and undertake their private plans and strategies. The analysis that Polanyi offers in *The Great Transformation* about our (re)current problems can be regarded from this perspective since it maintains that capitalist economy's major issues are closely related to two major concepts upon which the institutional framework is built: market relations (transactions on commodities) and non-market relations (related to *fictitious commodities* - labour, land and money). When market relations run society through market liberalism, these two distinct spheres are confused, society is placed within an inconsistent institutional environment that leads to system-wide turmoil. The market liberalism can then be regarded as a specific institutional form of capitalism. The domination of market fundamentalism and related market liberalism over society usually leads to the general liberalisation of every economic activity and the removal of restrictive public regulation. This is backed structurally by an institutional transformation of market organisation and management crucially related to the withdrawal of public authorities from financial regulation and their replacement by self-regulation of the market. This great transformation of the 1980s-1990s lies in the prevalence of market contractual schemas depending on self-regulation. Since the latter naturally suffers from conflicts of interests such that regulator and regulatee are confused with each other, the great transformation leads to a great deception. Highly speculative regime of accumulation that is dominated by short-term opportunism regardless of the long run needs of the productive system emerges and provokes a society-wide degeneration of markets and actors' strategies. The 2007-2008 GSC comes into the picture as a normal consequence of such an evolution which was also studied by Polanyi in its 19^{th}-20^{th} centuries' versions. Indeed, the historical evolution of capitalism usually provokes a double movement resting on the characteristics of commodities and markets. Some commodities are regarded as "normal" market activities whereas some others rely on "non-market" activities i.e. the former can rely on private-interest-based market mechanisms and the latter responds to the rules of public good production. Polanyi (2001) calls the "non-market" activities that shape capitalist evolution *fictitious commodities* and the related dynamics *double movement*.[1]

[1] "Social history in the nineteenth century was thus the result of a double movement: the extension of the market organisation in respect to genuine commodities was accompanied by its restriction in respect to fictitious ones. While on the one hand markets spread all over the face of the globe and the amount of goods involved grew to unbelievable dimensions, on the other hand a network of measures and policies was integrated into powerful institutions designed to check the action of the market relative to labor, land, and money." (Polanyi, 2001: 79).

Fictitious commodities and monetary capitalism

The peculiar nature of fictitious commodities and related activities provokes a sort of paradox in the functioning of capitalism, as Polanyi (2001: 75-76) argues[2]. "The crucial point is this: labor, land, and money are essential elements of industry; they also must be organized in markets; in fact, these markets form an absolutely vital part of the economic system. But labor, land, and money are obviously not commodities; the postulate that anything that is bought and sold must have been produced for sale is emphatically untrue in regard to them. (…) The commodity description of labor, land, and money is entirely fictitious."

A fictitious commodity is defined as a non-commodity as it should (or could) not be left to the market mechanism. From a purely economic point of view, labour is not a commodity and cannot be produced and consumed through "normal" market activities because it belongs to the human being and cannot be detached from the one who provides it (regardless of the political regime that rules society). Land (earth) is not a commodity because it is a given, and cannot be produced and reproduced by market mechanisms. The current environmental concerns point to the inability of human market activities to take care of it and make its economic use sustainable. Left to market dynamics, land (and environment) deteriorates whereas the activities causing such deterioration can be considered micro-economically as efficient, generating high profits for the investors involved. Money is not a commodity because it is at the heart of economic society and cannot depend on the will of markets and private interests. Its organisation and management fall under certain collective rules and public action that make its production and reproduction possible at the level of society. The analytical interest of the Polanyian approach is that it shows that when the production-reproduction of these non-commodities is entrusted to the care of free markets (market fundamentalism), related activities generate systemic disasters and require the intervention of public authorities in order to prevent the destruction of the economic and social fabric.

This Polanyian perspective allows us to identify the monetary nature of economic relations in a capitalist society. Saiag (2014: 561) states that Polanyi has developed in *The Great Transformation* a particular monetary approach, a non-dichotomous understanding of money, which is opposed to the classical separation between the real and the monetary economic analysis. Such an analytic position is very close to the Schumpetarian distinction between two theoretical corpora in economic analysis, the real and the monetary approaches: "we are defining both Real and

[2] "Labour is not a Commodity" was enshrined in the 1944 Philadelphia Declaration, an integral part of the Constitution of the International Labour Organisation. However, I do not relate this analysis to some "humanist" arguments but only to salient economic characteristics of capitalist economies. For a specific analysis of this issue from another perspective, the reader can refer to Evju (2012). One can also follow the analysis offered by Offe and Wiesenthal (1980: 104): "The problem is that workers can neither fully submit to the logic of the market (first of all, because what they "sell" on the market is not a "genuine" commodity), nor can they escape from the market (because they are forced to participate, for the sake of their subsistence)".

Monetary Analysis as pure types in order to convey an important truth" (Schumpeter, 1963: 277)[3].

Capitalism is, in essence, a monetary society. Money is a society-wide institution, organized through a set of rules, mechanisms, laws, etc. that govern the creation (the issuance), circulation (the use) and repayment of private debts. Those debts are related to the operations of financing of private economic activities. They spread across the entire economy as money, as the general means of payment and settlement. The set of social rules, the payments system, allows private economic units to undertake decentralised activities thanks to debt relations. The debt-financing process, i.e. the processes and products of funding economic activities, is mainly initiated by banks and remarketed on financial markets. Such debts flow as money through the entire economy under the general constraint of repayment at the end of financing contracts.

In this schema of endogenous generation of means of financing, money is *ambivalent* and *transversal*. It is ambivalent because it has a twofold -private and public-character. Money creation is related to private economic decisions of banks and entrepreneurs and allows economic agents to undertake decentralized plans based on profit expectations. These plans are not dependent on any public plan or command or collective objective. They are entirely related to private profit-seeking strategies. At the same time, money is a public mechanism resting on non-individual, extra-market anchors, the society's payments rules. This allows money (backed by private debts) to be accepted as the society-wide general means of payment and settlement. Money is created through private individual decisions but it must stand as a common institution over the whole private economic sphere. *The payments system performs as a decentralized public system for private-action.* Money is also transversal because all economic actions and the fate of any economic agent directly or indirectly depend on the evolution of debt relations within the economy, even if they do not participate in these relations. Monetary and financial operations strongly determine the path of economic development. All economic transactions require monetary relations and contribute to the generation of further financial operations. Therefore, monetary and related financial operations take everything into their ambit. Monetary and financial problems do matter structurally to all economic activities through the changes of strategies of credit-money providers (banks) and financial intermediaries. Thus, changes in monetary and financial markets affect the entire economy and therefore all economic agents, whether or not they are involved in debt relations (Ülgen, 2014: 263).

[3] Indeed, there is stark contrast between these approaches. In the Real Analysis (the Classical and Neoclassical economics), money enters the picture only as a mere (though rational) technical device that does not affect the economic equilibrium process; it is only a veil that adds nothing new to the real phenomena: "nothing essential is overlooked in abstracting from it" (Schumpeter, 1961: 51).

Financial markets are expected to contribute to developing, broadening, and strengthening the financing of wealth-creating economic activities. However, they may also be influenced by the attraction of speculative operations and move toward short-term rent-seeking strategies instead of funding productive activities. Their evolution is mainly shaped by the institutional environment that allows (or not) the market actors, banks and financial intermediaries to undertake speculative vs productive activities.

2. Financial liberalisation: an institutional fallacy

Financial market liberalism provokes a general financialisation of market activities, strategies and performance criteria, weakens the sustainability of the accumulation process, and shortens the viability domain of the whole economy because of the recurrent systemic crises it generates. The financialisation process leads to a sort of commodification of the Polanyian fictitious commodity, money and related financial rules. Commodification in turn leaves the supervision of the market operations to institutions and mechanisms dependent on private interests, whereas the outcomes of such operations might have systemic consequences that are beyond the scope of micro-based mechanisms. Commodification then results in systemic crises that point to the failures of ill-framed markets. The GSC is proof of the systemic fragility of ultra-liberalized markets, escaping any extra-market regulatory and supervisory structure that could develop an overview to prevent systemic disasters from occurring as a result of individual strategies that may seem perfectly well-founded and rational at a microeconomic level.[4]

Liberal transformation of financial markets

Banks play a crucial role in the process of financing of the economy through the creation of credit-money to fund entrepreneurial expectations that are partly relying on Keynesian *animal spirits*. Animal spirits reflect the very nature of a free-action/free-enterprise society that determines its stability limits.[5] Animal spirits (or in

[4] As it will be argued in the third section, this will provide the rationale for a possible co-production schema of financial services and systemic stability through public and private agencies in order to reduce the likelihood of systemic inconsistency of different individual market strategies.

[5] Keynes (1936: 161-162) states: "Even apart from the instability due to speculation, there is the instability due to the characteristic of human nature (…) Most, probably, of our decisions to do something positive, the full consequences of which will be drawn out over many days to come, can only be taken as a result of animal spirits -of a spontaneous urge to action rather than inaction, and not as the outcome of a weighted average of quantitative benefits multiplied by quantitative probabilities. Enterprise only pretends to itself to be mainly actuated by the statements in its own prospectus, however candid and sincere. Only a little more than an expedition to the South Pole, is it based on an exact calculation of benefits to come. Thus if the animal spirits are dimmed and the spontaneous optimism falters, leaving us to depend on nothing but a mathematical expectation, enterprise will fade and die; -though fears of loss may have a basis no more reasonable than hopes of profit had before."

another words, free individuals' decision process) are decentralized, individual and not macro-economically shaped behaviours. They need finance, mainly from the source of money creation/finance provision, the banking system. The working of the whole economy relies on the "coherent sustainability" of the rules that govern the activity of the *ephor* - the banking system - of the entire economy (Schumpeter, 1961). It is precisely the regulatory environment that will frame the type and the scope of banking and financial activities. From this point of view, two major forms of banking are usually studied - traditional and transactional (Burlamaqui and Kregel, 2005). Traditional banking is based on personal long-term financing relationship between the banks and the enterprises whereas the transactional banking aims at generating speculative opportunities through financial arbitrage exploiting particular characteristics of financial assets. This second type of financial system has prevailed since the 1980s *as a result of the liberal institutional transformation of financial markets*. Such a transformation involves banks (and the rest of the economy) in more innovative strategies since market regulations are removed or looser. This great transformation, usually called financialisation, changes the way the whole economic system works. Erturk et al. (2008), van der Zwan (2014), and Davis and Kim (2015) emphasise the growing influence of finance and financial markets on society and on the lives of ordinary people. These authors argue that financialisation shaped not only economic but also cultural and social changes in the broader society. Wang (2019) and Mader, Mertens, and van der Zwan (2020) point to the multifaceted nature of this concept since it can be defined as the increasing power of financial interests over politics, the growing dominance of financial logics (primacy of the shareholder) over the market strategies of corporations, etc. Epstein (2005: 3) suggests: "financial-isation means the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies". In a similar way, Ülgen (2019: 136) maintains: "Financialisation can be interpreted as a specific de-industrialisation process, and de-financialisation as a possible re-industrialisation process. They are alternative models of capitalist accu-mulation that call for different market organisations and may generate opposed outcomes." Sawyer (2013) notes that there are at least two ways of looking at the financialisation phenomenon, the first is in terms of the evolution of the financial sector and the role of finance in the economy, and the second, as a new stage of capitalism in which finance has become more dominant than hitherto, as a different form of capitalism. In the same vein, Wansleben (2020: 187-188) states that financialisation not only rests on credit expansion but also involves a profound change in the very processes by which credit is issued and distributed in the financial and economic system: "For instance, banks - the key originators of credit - have 'marketized' both sides of their balance sheets. They no longer issue loans to hold them on their books, but turn these loans into securitized assets that can be transacted with other banks and non-bank firms".

Financialisation, as an outcome of a peculiar evolution of capitalism, relies on the assertion that liberalized financial systems are prerequisites for economic growth and development. Related financial innovations, from the 1970s-80s onwards, changed the traditional banking business model and led to large, complex and highly leveraged financial conglomerates. The financial engineering on securitization and associated derivative instruments accompanied this evolution and changed the face of both the financial sector and real industries since they embroiled the whole economy with global speculation and low-real-growth which provoked recurrent systemic crises with persistent unemployment and cumulated disequilibria. Obviously, bank/financial innovations modified the monetary and financial conditions on which the whole economic structure was based. Stockhammer (2010) remarks that financialisation is one of the key components of a broader societal shift in social and economic relations from a Fordist accumulation regime to a new (neoliberal) regime where the increasing role of finance is remarkable.[6] Financialisation perverts productive economic structures by inhibiting agents from taking long-term strategies, and inducing them to take short-sighted speculative opportunities. Palley (2007: 2-3) also notes: "The last two decades have been marked by rapidly rising household debt-income ratios and corporate debt-equity ratios. These developments explain both the system's growth and increasing fragility, but they also indicate unsustainability because debt constraints must eventually bite. The risk is when this happens the economy could be vulnerable to debt-deflation and prolonged recession". Relevant at individuals' micro level, free market incentives turn out to be harmful, if not catastrophic, at macro-systemic level, conflicting with sustainable economic growth and systemic stability.

Self-regulation and financial stability

The withdrawal of prudential regulatory control by the Authorities in favour of market self-regulation corresponds to the "supervisory approach" (Mishkin, 2001). This model advocates control, through ex post evaluation, of the quality of management of banking activities and assumes that private agents have the capacity to manage and control the risks they take in the markets. But beyond the assumption of individual risk management by the institutions themselves, this approach also assumes that macroeconomic stability (or systemic risk) could be managed through non-centralized self-regulation mechanisms. Financial regulation by authorities is replaced by self-regulation, and market players (banks and financial institutions) assess and manage their engagements through their own internal models and through credit-rating agencies, *which are also involved as strategic advisors*. However, the institutional transformation of monetary/financial systems into market-related and private interest-based commodity-like activities is obviously ineffective since it is contrary to how money operates in a capitalist economy. In a more comprehensive sense, the issue can be thought of in terms of embeddedness of

[6] Stockhammer notes that according to data for the USA, from the late 1990s, stock market capitalization exceeds GDP with a spectacular turnover (383% in 2008), the share of financial profits and profits from abroad to total corporate profits has risen from just above 12% in 1948 to a peak at 53% in 2001. In the same way, in the late 1970s, bank assets were about 100% of British GDP while at the end of the 2010's, they reached 500% of GDP and more than 2/3 of profits accrued to the financial sector (Bayer, 2009).

financial markets. Embeddedness means the integration of financial markets (and the economy) within the rest of society. The “stark utopia” of self-adjusting markets does not seem to be able to last in a sustainable way because it results in “annihilating the human and natural substance of society” (Polanyi, 2001: 3). Polanyi, in opposition to the Hayekian view of a free market as “the guarantor of freedom and prosperity” (Harrison, 2014: 186), calls the liberal market approach “Economistic fallacy” (Polanyi et al., 1957: 270).

Financial stability is a broader concept that encompasses markets, institutions and infrastructures: “Financial stability can be defined as a condition in which the financial system – which comprises financial intermediaries, markets and market infra-structures – is capable of withstanding shocks and the unravelling of financial imbalances. This mitigates the likelihood of disruptions in the financial intermediation process that are severe enough to significantly impair the allocation of savings to profitable investment opportunities” (European Central Bank, 2012: 5). Furthermore, Schinasi (2004: 6) emphasises the importance of the stability of financial markets beyond the traditional intermediation process: “financial stability not only implies that finance adequately fulfills its role in allocating resources and risks, mobilizing savings, (…) it should also imply that the systems of payment throughout the economy function smoothly (across official and private, retail and wholesale, and formal and informal payments mechanisms)”. Financial stability must then be regarded at a systemic level, as a public good, since it should support the macroeco-nomic reproduction of society within some socially acceptable limits, a task that micro-rationality-based market mechanisms cannot achieve.

In the comparison between public goods and private “normal” market goods, the focus is usually put on the non-profitable provision of the goods by market mecha-nisms (comparison between individual advantages and social advantages and costs). However, further emphasis must also be placed on the fact that even if market mechanisms could partially provide these goods at short-run in an individually profitable way (at least for a few players), the result suffers some societal limitations. First, this provision could not be sufficient for the total needs of society for these goods (quantitatively and qualitatively speaking), because the provision only considers the individual needs and is not able to take into account society’s expecta-tions. Second, the result of such market activities are systemically catastrophic since the micro-rational strategies do not ensure macro-coherent outcomes (fallacy of composition). This is why a specific organisation and regulation of these activities in a way consistent with the characteristics of the monetary and financial system’s stability should be developed. And this includes consideration of joint, co-production schemas, since these activities involve both public and private interests. The Polanyian double movement is also related to the continuous tensions in the evolution of economic society when the liberalisation of financial activities generates systemic catastrophes that require public action to ensure recovery and viability. Both private and public interests need money and finance. However, private interest cannot provide money in the required quantity and quality and may lead to grave societal consequences that harm our private as well as public interests. Therefore, there is a paradox to claim liberalisation and privatization of such a non-commodity, given the result of such a collective choice is potentially and often effectively bad (resulting in recurrent crises).

In light of the catastrophic consequences of the current turmoil, Allen (2014: 392) suggests a comprehensive approach to financial stability and puts the emphasis on the sustainability and social requirements a financial system should aim to fulfil. This is to ensure that there would be no disruption to the ability of financial markets to carry out their functions without causing harm to third parties not involved within their operations. This requires that the rules in force should not only be able to prevent socialization of private losses, but also reduce the likelihood of recurrent systemic crises that inevitably involve the entire society. Thus, two remarks can be brought forward. On one hand, stability needs specific regulation that could not rest on market mechanisms since it is a societal concern that is not just related to individuals' safeguards within the market operations. On the other hand, the organisation and management of such a system-wide regulation calls for alternative models of production and implementation beyond the usual opposition between self-regulating markets doctrine and Leviathan interventions.

3. Alternative regulatory principles for "the common good"

There is an apparent paradox in widespread financial liberalisation: it requires deep and significant public intervention to ensure systemic financial stability. In Polanyi's words: economic liberalism (i.e. the movement towards laissez-faire) generates more regulation and public intervention (i.e. the counter-movement to create stability). To deal with the stark utopia of market fundamentalism and resulting social catastrophes, capitalist finance needs a wake-up call about the social sustainability of financial operations. If markets cannot ensure macro stability through the magic invisible hand, stability must be regarded as a task of public responsibility on behalf of society, as a public good. The latter has to be provided under the supervision of public (extra-market) authorities. Since the GSC, there has been a great deal of research on financial regulation, assessing the relevance of alternative models. Most studies focus on macro versus micro prudential frameworks and compare pros and cons of each alternative compared to both free markets and government-led public action. However, there might be another broad and inclusive perspective that could rely on a possible co-production schema. Such an alternative would be more consistent with the characteristics of a market and private interest-based monetary economy and the need for systemic stability. In other words, co-production might be a solution to the opposition between macro-stability and micro-rationality in the economy in order to deal with the societal risks of financial activities.

Market-led versus public-led regulation for systemic stability

Financial regulatory reforms in favour of self-regulation have relied on the assertion that free markets internal adjustment mechanisms could minimise the possibility of financial crises and the need for government bailouts. This assertion is an ideological belief about the irrelevance of public regulation of markets: "Over and over again, ideology trumped governance. Our regulators became enablers rather than enforcers. Their trust in the wisdom of the markets was infinite. The mantra became government regulation is wrong, the market is infallible" (House of Representatives, 2008: 2).

To ensure a sustainable and stable provision of monetary and financial activities, financial markets have to be reframed. This requires a different organisation of regulation, such in a hybrid way: a public body organized and managed by public agencies to provide a different form of regulation of private economic activities. This ambivalence: "being individualistic, private-interested" and "needing social, public, collective design", is inherent to capitalism and rests on a Polanyian perspective of the double movement. Polanyi (2001: 79-80) states: "While the organisation of world commodity markets, world capital markets, and world currency markets under the aegis of the gold standard gave an unparalleled momentum to the mechanism of markets, a deep-seated movement sprang into being to resist the pernicious effects of a market-controlled economy. Society protected itself against the perils inherent in a self-regulating market system-this was the one comprehensive feature in the history of the age". The major issue is then existential - to know how to organize and manage markets in order to reconcile free enterprise and collective viability.

Although monetary and financial relations are mainly driven by private-interests and decentralized decisions without any collective planning of economic activities, the societal criticalness of the financial system requires that its organisation should be an unprivatizable spine of the economy that relies on supra-individual rules. Financial stability does not rest on an invisible "natural gravitational" force towards equilibrium, and cannot be ensured by market mechanisms. It calls for public action. Polanyi (2001) wisely states that market society exists thanks to the deliberate public (government) action with regard to monetary and financial organisation of society, international trade, organisation of labor and work conditions, private property rules, etc. Liberalism is a publicly framed organisation of the economy, it is planned. In the same way, a "managed market society" needs to be organized through deliberate public action in order to give the fictitious commodities their coherent place back in economic structures and tame *individually rational but socially catastrophic* speculative financial operations.

A specific institutional feature of capitalist finance might be designed based on the assumption that financial stability is a public good to be produced, managed and supervised by public authorities in order to allow markets to function in a viable way (Ülgen, 2018). Financial stability has the characteristics of a public good. It is needed and used by everyone without being excludable and rival[7]. Moreover, financial stability is always "consumed" simultaneously by everyone as it relates to the working of the monetary economy. Financial relations and stability involve the whole society, as stated in the first section. Every economic agent needs stable finance but nobody could produce (and would pay for) this in an individual way. Therefore, the provision of financial stability as a good (or symmetrically, the provision of financial instability as a bad) cannot be ensured (prevented) by local, separate, private decisions and actions and needs to be organized and implemented by a common/collective framework. As Anomaly (2015: 110) states: "When a public good is global in scope, like the reduction of ozone-depleting chemical emissions, it often becomes more difficult—sometimes impossible—for the relevant parties to find one another, for negotiators to distinguish free riders from honest holdouts, and for private provision to occur."

Furthermore, if markets instability can be regarded as an endogenous phenomenon due to the dynamics of the economic system, systemic (global) stability of markets cannot be provided through privatized self-regulation mechanisms. As Minsky (1986) and Iwai (2010) maintained, in line with the Keynesian analysis of the limits of individual rationality, the chain of expectations of decentralized individuals often results in socially suboptimal situations. For Minsky (1986), the endogenous financial instability and the paradox of tranquillity, and for Iwai (2010), the paradox of rationality states that individual decisions, seemingly rational at micro-level (when considered as separated from each other), result in an irrational society as a whole, generating collective catastrophes. In Polanyi's embeddedness, the underpinning argument might be related to the fallacy of composition[8] which points to the irrelevance of the assertion that systemic stability could be achieved as a result of self-regulation mechanisms built by rational microeconomic decision units. Micro-rational behaviour does not obviously result in macroeconomic coherence. The logic of individual action and self-regulation rests on the micro concerns of individuals relatively to their personal interests and aims. The logic of collective action and public regulation seeks to ensure macro-stability and society viability notwithstanding separate individual interests and aims.

The monetary system is an essential component of society and financial markets have the characteristics of public services (or utilities),[9] since they provide the means (funds and advice) to support real economic activities and to facilitate their

---

[7] Non-excludable because its use by some individuals cannot prevent the others from using it. Non-rival because its use by some individuals cannot reduce its qualitative and quantitative availability for the others. For a more comprehensive analysis on this issue, see Ülgen, 2018.

[8] The fallacy means that an assertion is not obviously true of the *whole* from the fact that it is true of some *part* of the whole. In other words, the sum of rational individuals does not obviously result in a rational and optimal society.

[9] In the literature, the monetary and financial sector is rarely studied as a public service activity. Economists usually focus on energy, transport, health and education sectors to conduct public utility analysis. For such a study from an historical perspective, see Clifton, Lanthier and Schröter (2013).

performance. The possibility for economic actions to develop without generating systemic threats to the viability of society depends on the solidity and coherence of its monetary and financial framework. Financial stability must then be seen as a matter of collective public action and the emphasis placed on macro-prudential rules and systemic oversight by public authorities. The objective is not to disturb private market activities but to promote “prudent banking” and “low-speculation” in order to prevent systemic actors from adopting macro-economically deviant strategies. Systemic stability is a necessary condition for long term viability and calls for macro-prudential organisation guided by public action. It has to make markets much more resilient to various disequilibria and crises.

In the wake of the GSC, some macro-prudential approaches beyond the individual institutions’ risk-related micro-prudential models are elaborated. The European Union as well as major advanced capitalist economies elaborated and implemented renewed supervision frameworks based mainly on macro-prudential principles (IMF, 2018). The European system of financial supervision (ESFS), introduced in 2010, consists of the European Systemic Risk Board (ESRB) as a general macro-prudential framework under the European Central Bank, and three European supervisory authorities[10]. Market evaluation models have been developed at macro and micro levels to set up indicators gathering information about the systemic tendencies of markets. Early warning indicators (EWIs) of banking crises, based on the assumption that crises take root in disruptive financial cycles, help authorities identify potential booms through deviations of credit and asset prices from long-run critical thresholds such as credit-to-GDP gaps, economy-wide debt service ratios (DSRs), and property price gaps, etc. (Aldasoro et al., 2018). Although there is no consensus about the exact objectives of macro-prudential policies (Schoenmaker, 2014), its supervision seeks to assess the evolution of markets from the systemic perspective and is not concerned directly about individual institutions. It is usually conducted both vertically institution by institution, and horizontally across institutions and markets, and takes into account the interconnectedness among market institutions.

The questions related to the organisation of a systemic framework that would include market players[11] appropriately related to their respective projects, as well as public regulators, remains to be addressed. The analysis of financial regulation struggles to address the contrasting perspectives: “public versus private” and “regulation by the market versus regulation against the market”. As a consequence, measures taken after systemic crises turn out to be relief measures or, when they are more structural, are cancelled in the next boom periods. Recurrent systemic crises become legion in the evolution of capitalism.

[10] European Banking Authority, EBA; European Securities and Markets Authority, ESMA; and European Insurance and Occupational Pensions Authority, EIOPA.

[11] Both on the side of producers of financial services and investors, and on the side of enterprises and consumers that would need finance.

To rein in financial instability and destructive financial practices, one must re-regulate finance but also develop more public options in finance. Different regulatory models have to be designed (Drahos, 2004; National Audit Office, 2014, to quote, but a few). In a liberal economic era, when self-regulation fails, as with the GSC, composite micro-macro-based regulatory models may have a political and ideological attraction for policy-makers and private corporations. However, as an alternative, a specific regulatory framework through co-production schemas would be able to prevent fundamentalist fallacies and other conflicts of interest, and allow stakeholders to contribute in a positive way to the stabilization of their common public good. One may then argue, following Offe and Wiesenthal (1980), that contrary to the *monological* logic of individualistic rationality, we face *a bi-logical* logic of collective action that contains elements of public and private interests, a condition which leads to an ongoing contradiction between public and private logics, "aggregation of individual interests and formation of a collective identity" (Offe and Wiesenthal, 1980: 98).

Twenty five years ago, Elinor Ostrom (1996: 1073) named the opposition between the public power and individual actions "the great divide" and maintained that co-production would be a possible alternative to go beyond such an "artificial" opposition: "the great divide between the Market and the State or between Government and Civil Society is a conceptual trap arising from overly rigid disciplinary walls surrounding the study of human institutions (…) By developing more fully the theory of coproduction and its relevance to the study of synergy and development, I hope to change the views of social scientists toward the hypothetical "Great Divide". From the same perspective, Aligica and Tarko (2013) state that works on complex social settings and institutional arrangements that offer features able to move beyond the standard public/private dualism such as co-governance and co-production may be regarded as a paradigm shift.

The scope is vast and the stakes are high.

Regulatory alternatives: co-production of "public" services: perspectives on financial stability

The purpose of an alternative to the standard opposition: "public interest versus private interest" in financial regulation is to consider some basic rules for a socially sustainable and efficient model of financial regulation through reflections about the co-production process of public action. Since the monetary and financial system can be regarded as a public infrastructure/utility, and financial stability as a public good[12], the co-production of these goods seems to be relevant.

[12] As every citizen may need regular and sustainable access for profit-seeking market operations or for "simple" needs of daily life.

Co-production dates from the 1970s and has become a new way of describing working in partnership by sharing power with: people using services, carers, facilities staff, and professionals (SCIE, 2015). It is a key concept in the development of public services and can support preventive services. It is not just a formal concept of organisation, it involves (humanist) values such as equality, diversity, accessibility, reciprocity, inclusion, etc. It is about developing equal partnerships between all the parties involved (service users, workers, and professionals).

It is worth noting that the concept of co-production recently saw a remarkable resurgence of interest as the world witnessed a rise of liberalism, and efficient market assertions guided private and public actions, reducing the role played by public authorities and cooperative structures. This could indicate a return to the search for alternative models of organisation and management of activities that affect large sections of the population but which were hitherto managed through market mechanisms thanks to the neoliberal push of the late 1970s. Mitlin and Bartlett (2018: 355) also note that since 2004 there has been a renewed interest in the concept of co-production: "The concept has been revived both in the global North, where it focuses on debates about community involvement in public service delivery, and in the global South, where the rationale for co-production emerges across the ideological divide on state responsibilities and citizen entitlements".

Co-production is usually seen as the sharing of the procurement process of public services between those who provide them and those who receive them. Most studies generally examine co-production in relation to the co-delivery of basic municipal services, with roles for government and organized citizens in urban areas. Mitlin (2008: 340) states that co-production refers to "the joint production of public services between citizen and state, with any one or more elements of the production process being shared. Co-production has been primarily considered as a route to improve the delivery of services, and it has rarely been considered as a route through which the organized urban poor may choose to consolidate their local organisational base and augment their capacity to negotiate successfully with the state." The process would lead to improvement, and community building through a mixture of state-enabled decision-making, self-organisation, adaptation to prevailing local circumstances, and self-service delivery by communities; dialogue, negotiation and joint action are the rules that would increase the role of citizens in public services (Mitlin and Bartlett, 2018).

The main objective is the improvement and inclusion of different stakeholders through reciprocity and cooperation. Osborne and Strokosch (2013) examine the issue from the point of view of consumer co-production and focus on the inseparability of production and consumption in the services encounter. The core aim is the improvement and inclusion of different stakeholders through reciprocity and co-action. Osborne and Strokosch (2013: S37) present three modes of co-production. *Consumer co-production* that aims for *user empowerment*; this rests on the inseparability of production and consumption during the service encounter, and focuses on the engagement of the consumers at the operational stage of the service production process. *Participative co-production* that aims at improving the quality of public services through participation in the strategic planning and design stage of the service production process, such as user consultation, and participative planning mechanisms. Finally, *enhanced co-production*: this leads to *user-led innovation* and new forms of public service. It relies on the combination of "the previous operational and strategic modes of coproduction in order to change the paradigm of service delivery." (Ibid.)

Barker (2010: 2) notes that the topicality of this issue in the current financial crisis lies in "the expectation that effective user and community involvement may help to improve outputs, service quality and outcomes and reduce costs for local government." Barker maintains that the involvement of citizens more directly in shaping provision could lead to the minimization of wasteful spending, to ensure better outcomes and give users new skills and social capital through collective working and reciprocity processes. Pestoff, Brandsen and Verschuere (2011) and Bovaird et al. (2015) point to the ability of collective action and interaction to transform the pursuit of self-interest into the promotion of social capital and reciprocity. However, effective collaboration may be more difficult to achieve in practice. Bovaird and Loeffler (2013: 1) argue: "the movement towards co-production can be conceptualized as a shift from 'public services *for* the public' towards 'public services by the public', within the framework of a public sector which continues to represent the public interest, not simply the interests of 'consumers' of public services".

From a similar perspective, Löffler (2009) maintains that co-production - often studied in terms of "user-involvement" within the area of environment, health, community safety - could be linked to the co-organisation of activities through: designing solutions ("co-design"; managing solutions ("co-management"), delivering solutions ("co-delivery"), and assessing the solutions ("co-assessment"). In a similar way, Bovaird and Loeffler (2013: 5) and Bovaird et al. (2019) propose the 4 Co's schema: co-commissioning (co-planning of policy/co-prioritisation and co-financing of services), co-design, co-delivery (co-management and co-performing of services) and co-assessment (co-monitoring and co-evaluation), situating co-production as "a sub-process of public service delivery within the broader framework of public service logic" (Bovaird et al., 2019: 229).

Two different levels of co-production may considered regarding the financial system's organisation. Firstly, co-production of financial services might be studied through, for instance, cooperative banks and financial cooperatives' activities and their effects on economic development (Coelho, Mazzillo, Svoronos and Yu, 2019). Although it is crucial to design sustainable ways of financing economic development, this aspect is beyond the scope of this chapter. Second is co-production of regulation through new forms of extra-market regulation and supervision. When it comes to the regulatory framework, two "pathologies" have to be avoided: over-regulation and under-regulation (Innes, Davies and McDermont, 2018). Over-regulation involves “too much regulation” of citizens’ activities that could generate costs that outweigh the benefits of harm mitigation, as well as intruding on the area of social life it intended to protect. That is the case when a central authority decides on everything that is right or wrong for everyone and sets prohibitions according to pre-established values without any democratic interaction. Under-regulation occurs when rules and mechanisms are ill-framed and too loose, unable to deal with systemic issues. This is the neoliberal model that has dominated economic and regulatory policies since the 1980s, based on the assertion that markets are able to self-regulate without regular government intervention. In between these top-down or neo-liberal models, responsive and soft regulatory models have been promoted; for instance, in their framework of *responsive regulation*, Ayres and Braithwaite (1992: 158) study some forms of delegated regulation under public control: “The delegated aspects of responsive regulation hold out the prospect of a regulatory equilibrium that retains many of the important benefits of competition while the potential for escalating intervention maintains the integrity and pursuit of regulatory goals to correct market failure”. The case of co-production of regulation (co-regulation) may fall into this category.

Different models of co-regulation are conceivable and suggested even if they all suffer from ambiguity, since co-production often involves self-management, self-regulation as well as reciprocity, equality, symbiosis, etc. This leads to a “dirty concept” (Innes, Davies and McDermont, 2018: 388). Therefore, possible models of alternative regulation seem to be fundamentally dependent on compliance and require a radical and effective separation between the rules and procedures of market regulation, and the interests of private and public players. This condition, which is part of an eternal problem of conflict of interest, is exacerbated in capitalist society, especially when it is liberalized and financialized. The general rules might rest on a composite micro-macro co-regulation schema under the supervision of independent public authorities. Although everyday regulation of each individual or institution can be provided by a co-regulation schema, relevant regulation requires a system-wide oversight that relies on non-market rules and mechanisms. Two objectives underlie such mechanisms:

- preventing the interest relations between institutions and private and public decision-makers from taking control of public action mechanisms at the expense of the common good, and
- involving investors and financial institutions in the financing of long-term socially productive activities and limiting short-term speculative incentives.

However, three constraints must be considered in order to assess the relevance and feasibility of this alternative model of co-regulation. First, in order to prevent conflicts of interest between the regulator and the regulatee, the organisation of regulation should not belong to market participants even if they participate in its functioning[13]. Second, the model must be compatible with a minimum level of free, decentralized individual action. This means that although regulation can be organized and implemented under public control, it should seek to support market activities. Third, regulation must be designed according to an overall macro-societal objective, i.e. the financial system's stability.

Even though financial markets operate mostly through non-public institutions and activities and are intended to achieve the private good, they must be regulated according to the common good, i.e. stability of markets for long-run viability of society. Therefore, a possible composite micro-macro regulation system could rest, on the one side, on micro-regulation of each individual player with regard to their characteristics and aims. Self-regulation tools such as the Internal Ratings Based approach or Rating Agencies' mark-to-market-value related ratings are already available and used experimentally by market players. However, their relevance is limited to subjective considerations and goals at a given moment under a given situation. On the other side, composite regulation has to rely on macro-regulation of the financial system as a whole with regard to systemic risks and fragilities that must be addressed under public supervision. This means that micro-regulation is a way of assessing the "relative" soundness of individual activities in a liberal way by reporting to a systemic supervisory agency. That would not ensure the overall financial system's safety and soundness. The systemic soundness of financial markets can (and should) only be the responsibility of a (non-market) public body, fully organized and mandated outside market-relations and related conflicts of interest. Otherwise, any idyllic combination of regulation between public agencies and private institutions and practices would be a source of conflict of interests. Market regulation is ultimately a matter of preventing, controlling and, if necessary, sanctioning separate and individual actions that are primarily aimed at private gain and not at macroeconomic stability. The latter is logically outside the scope of action and strategy of private parties. Therefore, co-production of regulation would have a twofold meaning: regulation of co-production and regulation by coproduction, both through stakeholder involvement. The road may be long, but the goal seems worth the effort.

[13] Why do soccer matches (or other sports disciplines) require external refereeing when the players are supposed to aim at achieving quality matches on a technical, sporting and collective level for the common good (e.g. for the pleasure of the spectators but also for their own pleasure to perform)? While the purpose does not a priori call for any external arbitration with regard to the objectives of the activity in question, the execution of this activity, particularly when it is linked to distinct and not necessarily convergent private interests, objectively requires external arbitration above players, teams and interests.

4. Concluding remarks

This chapter has sought to make an original contribution to the analysis of financial regulation in three ways:

- Use of the Polanyian perspective of fictitious commodities and double movement regarding the monetary characteristics of a capitalist economy and the irrelevance of liberalized financial regulation (self-regulation) to ensure systemic stability;
- The monetary and financial system should be seen as a public service activity requiring specific public action, while in the literature, public service and public action analyses are usually limited to energy, transport, health, and education sectors;
- Arguing that the policy of financial stability should be produced through collective action mechanisms, and not be dependent on market and private-interest mechanisms.

Through these three paths, the article has developed alternative regulatory rules, framed as a co-production model involving all (societal) stakeholders of financial operations, since these operations rest on monetary ambivalence and transversality.

Financial stability is related to the stability of the monetary and financial system. When the system works in a smooth and stable way, there are gains from flows of goods, services, and capital. But when it breaks down, people are unable to sustain high levels of trade and investment. The monetary and financial system and its stability can be seen as a specific form of public good.

The analysis carried out in this chapter shows that there are strong connections between the institutionalist and Polanyian approaches to a capitalist economy; in particular, the idea of co-production of public goods, focusing on how finance is a common good and how a co-construction of public action between different actors could be built as a co-production framework.

The first connection is about the nature of money (and related financial markets). In the Polanyian approach, fictitious commodities (land, labour and money) cannot be produced and managed by market mechanisms. In this regard, this chapter has argued that a sustainable production of monetary and financial relations requires a public-utility-production framework.

The second connection is related to the criticalness of money and finance in the working of a capitalist economy. The core role of financial markets needs to be organised under public (extra-market) oversight. Financial operations cannot be considered as “normal” market activities that could be entirely designed and regulated through the views and beliefs of private players, since they set the limits of the feasibility and viability of all economic activities.

The third connection is about financial stability as a macroeconomic concern. System-wide stability cannot be ensured by micro decisions through individual strategies. This "specific fictitious" product, financial stability, displays the characteristics and dynamics of a public good that must be produced by an extra-market mechanism for the common good. Financial stability as a public good could be produced, distributed and managed through co-production of financial regulation under the supervision of public authorities.

The chapter has suggested some rules for a co-regulation model. It argued that although the regulatory rules might rest on a composite micro-macro co-regulation schema that would include most stakeholders (public and private institutions and agencies) in the process of regulation and supervision, they must be organized under the supervision of independent public authorities to ensure their objectivity and system-wide implementation. The effectiveness of such a financial regulation requires that public supervision should be organized away from the interest relations between institutions and private and public decision-makers. To deal with the stark utopia of market fundamentalism and related social catastrophes, capitalist finance should be reframed according to the financial needs of socially sustainable activities. Such a process, called de-financialisation, seems to be a necessary recovery step that emphasises societal objectives to position capitalist finance as a positive support for society's development.

References

ALDASORO, I., BORIO, C. and DREHMANN, M. (2018), "Early warning indicators of banking crises: expanding the family", *BIS Quarterly Review*, March: 29-45.

ALIGICA, P.D. and TARKO, V. (2013), "Co-Production, Polycentricity, and Value Heterogeneity: The Ostroms' Public Choice Institutionalism Revisited", *American Political Science Review*, 107(4): 726-741.

ALLEN, H.J. (2014), "What Is "Financial Stability"? The Need for Some Common Language in International Financial Regulation", *Georgetown Journal of International Law, 45: 929-952*.

ANOMALY, J. (2015), "Public goods and government action", *Politics, Philosophy & Economics*, 14(2): 109–128.

AULENBACHER, B., BÄRNTHALER, R. and NOVY, A. (2019), "Karl Polanyi, *The Great Transformation*, and Contemporary Capitalism", *Österreich Zeitschrift für Soziologie*, 44:105–113.

AYRES, I. and BRAITHWAITE, J. (1992), Responsive Regulation. Transcending the Deregulation Debate, New York, Oxford: Oxford University Press.

BARKER, A. (2010), "Co-Production of Local Public Services", in Local Authorities and Research Councils' Initiative, *Co-Production. A Series of Commissioned Reports*, January 2010, www.larci.org.uk

BAYER, K. (2009), "From De-Industrialization to De-Financialisation?" Kurt Bayer's Commentary, December 7 (http://kurtbayer.wordpress.com/2009/12/07/from-de-industrialization-to-de-financialization/, accessed 8 November 2013).

BLOCK, F. (2008), "Polanyi's Double Movement and the Reconstruction of Critical Theory", *Revue Interventions économiques*, 38 (DOI: 10.4000/interventionseconomiques.274).

BLOCK, F. and SOMERS, M.R. (2014), *The Power of Market Fundamentalism*. Cambridge, Massachusetts: Harvard University Press.

BOVAIRD, T. and LOEFFLER, E. (2013), "We're all in this together: harnessing user and community co-production of public outcomes", Institute of Local Government Studies, University of Birmingham, June.

BOVAIRD, T., VAN RYZIN, G., LOEFFLER, E. and PARRADO, S. (2015), "Activating Citizens to Participate in Collective Co-Production of Public Services", *Journal of Social Policy*, 44(1): 1-23.

BOVAIRD, T., FLEMIG, S., LOEFFLER, E. and OSBORNE, S.P. (2019), "How far have we come with co-production—and what's next?", *Public Money & Management*, 39(4): 229-232.

BUGRA, A. and AGARTAN, K. (Eds) (2007), *Reading Karl Polanyi for the 21st Century*, New York: Palgrave.

BURLAMAQUI, L. and J. KREGEL (2005), "Innovation, Competition and Financial Vulnerability in Economic Development", *Brazilian Journal of Political Economy*, 25(2): 5-22.

CLIFTON, J., LANTHIER, P. and SCHRÖTER, H. (Eds) (2013), *The Economic and Social Regulation of Public Utilities: An International History*, Abingdon: Routledge.

COELHO, R., MAZZILLO, J.A., SVORONOS, J.P. and YU, T. (2019), "Regulation and supervision of financial cooperatives", Financial Stability Institute Insights on policy implementation No 15, Bank for International Settlements, January 2019.

DALE, G. (2010), Karl Polanyi: The Limits of the Market, Cambridge, UK: Polity Press.

DAVIS, G.F. and KIM, S. (2015), "Financialisation of the Economy", *Annual Review of Sociology*, 41: 203–21.

DESAI, R. and POLANYI LEVITT, K. (Eds) (2020), *Karl Polanyi and twenty-first-century capitalism*, Manchester University Press.

DRAHOS, P. (2004), "The Regulation of Public Goods", *Journal of International Economic Law* 7(2): 321-339.

EPSTEIN, G. (2005), "Introduction: Financialisation and the World Economy", in Epstein, G., (ed.) *Financialisation and the World Economy*, Cheltenham: Edward Elgar, 3-16.

ERTURK, I., FROUD, J., JOHAL, S., LEAVER, A. and WILLIAMS, K., (eds.) (2008). *Financialisation at Work. Key Texts and Commentary*. Abingdon: Routledge.

European Central Bank (2012), *Financial Stability Review*, December 2012.

EVJU, S. (2012), "Labour is not a commodity. A reappraisal", *Working Papers in Labour Law*, Institutt for privatrett. Der juridiske fakultet Universitas Osloensis, 2012:6.

HANN, C. and HART, K. (Eds) (2009), *Market and society: The great transformation today*, Cambridge, UK: Cambridge University Press.

HARRISON, T.W. (2014), "The Pyrrhic Triumph of Finance Capital and the Return of Polanyi", *Athens Journal of Social Sciences*, 1(3), July: 185-193.

House of Representatives (2008), "The Financial Crisis and the Role of Federal Regulators", Hearing Before the Committee on Oversight and Government Reform, 110th Congress, Second Session, October 23, 2008, Serial No. 110–209, Available via: https://www.govinfo.gov/content/pkg/CHRG-110hhrg55764/pdf/CHRG-110hhrg55764.pdf

IMF (International Monetary Fund) (2018), *The IMF's Annual Macroprudential Policy Survey*, April, Washington DC.

INNES, M., DAVIES, B. and McDERMONT, M. (2019), "How co-production regulates", *Social and Legal Studies*, 28 (3): 370-391.

IWAI, K. (2010), "The Second End of Laissez-Faire: The Bootstrapping Nature of Money and the Inherent Instability of Capitalism", (June 10, 2011). Available at SSRN: https://ssrn.com/abstract=1861949 or http://dx.doi.org/10.2139/ssrn.1861949

JESSOP, B. (2019), "A Polanyian paradox: money and credit as fictitious commodities, financialisation, finance-dominated accumulation, and financial crises", in R. Atzmüller, B. Aulenbacher, U. Brand, F. Décieux, K. Fischer and B. Sauer (Eds), *Capitalism in Transformation. Movements and Countermovements in the 21st Century*, Cheltenham: Edward Elgar: 75–90.

KEYNES, J.M. (1936 [1973]), The General Theory of Employment, Interest and Money, London: The Royal Economic Society-Cambridge University Press-Macmillan.

LÖFFLER, E. (2009), "Improving the quality of public services: putting the citizens at the centre of administrative action", Conference on Public Administration Reform and European Integration Budva, Montenegro, 26-27 March (http://www.sigmaweb.org/publicationsdocuments/42750708.pdf)

MADER, P., MERTENS, D. and van der ZWAN, N. (2020), "Financialisation: An Introduction", in P. Mader, D. Mertens and N. van der Zwan (eds.) *The Routledge International Handbook of Financialisation*, Abingdon: Routledge: 1-16.

MAUCOURANT, J. and PLOCINICZAK, S. (2013), "The Institution, the Economy and the Market: Karl Polanyi's Institutional Thought for Economics", *Review of Political Economy*, 25(3): 512-531.

MINSKY, H. (1986), *Stabilizing an Unstable Economy*. New York, NY: McGraw-Hill.

MISHKIN, F.S. (ed.) (2001), *Prudential Supervision. What Works and What Doesn't*, A National Bureau of Economic Research Conference Report, The University of Chicago Press.

MITLIN, D. (2008), "With and beyond the state - co-production as a route to political influence, power and transformation for grassroots organisations", *Environment & Urbanization*, 20(2): 339–360.

MITLIN, D. and BARTLETT, S. (2018), "Editorial: Co-production - key ideas", *Environment & Urbanization*, 30(2): 355-366.

National Audit Office (2014), "Using alternatives to regulation to achieve policy objectives", National Audit Office, London, UK.

OFFE, C. and WIESENTHAL, H. (1980), “Two Logics of Collective Action: Theoretical Notes on Social Class and Organisational Form”, *Political Power and Social Theory*, Vol. 1: 67-115.

OSBORNE, S. and STROKOSCH, K. (2013), “It takes two to tango? Understanding the co-production of public services by integrating the services management and public administration perspectives”, *British Journal of Management*, 24: S31-S47.

OSTROM, E. (1996), “Crossing the Great Divide: Coproduction, Synergy, and Development”, *World Development*, 24(6): 1073-1087.

PALLEY, T.I. (2007), ‘Financialisation: what it is and why it matters’, The Levy Economics Institute *Working papers*, No. 525.

PESTOFF, V., BRANDSEN, T. and VERSCHUERE, B. (2011), *New Public Governance, the Third Sector, and Co-Production*, London: Routledge.

POLANYI, K., ARENSBERG, C.M., and PEARSON, H.W. (1957), *Trade & Market in the Early Empires*. Chicago: Henry Regnery Company.

POLANYI, K. (2001), *The Great Transformation: the Political and Economic Origins of Our Time*. Boston: Beacon Press (foreword by Joseph E. Stiglitz; with a new introd. By Fred Block.-2nd Beacon Paperbacked).

POLANYI LEVITT, K. (2013), *From The Great Transformation to the Great Financialisation. On Karl Polanyi and Other Essays*, Halifax, Winnipeg: Fernwood Publishing.

SAIAG, H. (2014), “Towards a neo-Polanyian approach to money: integrating the concept of Debt”, *Economy and Society*, 43 (4): 559-581.

SAWYER, M. (2013), “What Is Financialisation?” *International Journal of Political Economy*, 42(4): 5-18.

SCHINASI, G.J. (2004), “Defining Financial Stability”, *IMF Working Paper*, WP/04/187.

SCHOENMAKER, D. (ed.) (2014), *Macroprudentialism*, A VoxEU.org eBook, CEPR Press, London.

SCHUMPETER, J.A. (1963), *History of Economic Analysis*, George Allen & Unwin Ltd.

SCHUMPETER, J.A. (1961), *The Theory of Economic Development*, Cambridge, Massachusetts: Harvard University Press.

SECCARECCIA, M. and CORREA, E. (2018), “Rethinking Money as an Institution of Capitalism and the Theory of Monetary Circulation: What Can Modern Heterodox Economists/Institutionalists Learn from Karl Polanyi?”, *Journal of Economic Issues*, 52(2): 422-429.

Social Care Institute for Excellence (SCIE) (2015), Co-production in social care: what it is and how to do it, SCIE GUIDE 51, London.

STOCKHAMMER, E. (2010), ‘Financialisation and the Global Economy’, *Political Economy Research Institute Working Paper Series* No 240, University of Massachusetts Amherst.

ÜLGEN, F. (2014), “Schumpeterian economic development and financial innovations: a conflicting evolution”, *Journal of Institutional Economics*, 10(2): 257–277.

ÜLGEN, F. (2018), “Financial stability as a public good and relevant systemic regulation as a problem of collective action”, in P. Bance (Ed.), *Providing public goods and commons. Towards coproduction and new forms of governance for a revival of public action*, CIRIEC STUDIES SERIES-1: 95-112.

ÜLGEN, F. (2019), “Innovation dynamics and financialisation: Is another regulation possible to re-industrialise the economy?”, *Journal of Innovation Economics & Management*, 2019/2, 29: 133-158.

van der ZWAN, N. (2014), “Making sense of financialisation”, *Socio-Economic Review* 12: 99–129.

WANG, C.R. (2019), “A Literature Review on Corporate Financialisation”, *American Journal of Industrial and Business Management*, 9: 647-657.

WANSLEBEN, L. (2020), “Formal institution building in financialized capitalism: the case of repo markets”, *Theory and Society*, 49:187–213.

Faruk Ülgen is Director of the Bachelor Distance Learning Programs and Head of International Relations of the Faculty of Economics-University of Grenoble Alpes-France. He has authored several books on monetary theory and on coordination issues in market economies, as well as two textbooks in industrial economics and organizational approaches. He also contributed to several chapters in books on monetary economics and economic policies, and published numerous articles in academic journals. His work focuses particularly on the theories of money, financial (in)stability and regulation, on institutional and evolutionary theories and on the relationships between financial development and economic development. His latest research agenda focuses on financial regulation, systemic viability and public good/public choice economics.

*The **CIRIEC STUDIES SERIES** proposes research results from working groups and commissions of the CIRIEC scientific network in both social and cooperative economy and public economy.*

To facilitate accessibility to those research works, this electronic series is proposed in open access, on CIRIEC's website, but also as new series in RePEC.
Each study is available and downloadable as a whole document but also chapter by chapter.

ciriec@uliege.be

www.ciriec.uliege.be

https://ideas.repec.org/s/crc/chapte.html

LinkedIn