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# OPENING THE HOUSEHOLD BLACK- BOX

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# SECULAR STAGNATION & DECLINE OF ECONOMIC ORDER

- With the global economy teetering on recession and the UK willing to commit a violent act of economic self-harm to 'take back control' from global markets: is the quagmire of secular stagnation fuelling economic, political and social instability locally/globally?
- How does financial deregulation integrate households (via residential mortgages and stratified consumer credit products) into a debt-led demand regime? Does this make global financial markets and households more (not less) vulnerable to shocks and crisis?
- Is austerity after financial crisis prudent when it involves Quantitative Easing for the financial sector and downloaded costs of market losses onto households? Is the repeating boom, bust, bailout, austerity loop a symptom of the morbid decline of debt-driven financialisation?

# HOUSEHOLD AS LENS TO OBSERVE MACROECONOMIC POLICY

- Evaluating these questions through the analytical lens of the household offers new ways of ‘seeing’ macroeconomic policy.
- Distribution within households and redistribution across households is an significant blind spot for addressing:
  - Intensifying inequality, income and wealth inequality occur at the scale of the household (address levels of analysis problem of micro/macro, state/market)
  - Macroeconomic policy unable to see connections between production/consumption, paid/unpaid work in reproduction of market society
  - Monetary policy unable to see the connection between flows of income to stocks of debts, the stratified cost of credit and risk sharing households engage in to manage cash flow from economic shocks

# CULTURES OF EXPERTISE

The KCL-side of research this project focuses on the cultures of expertise in macroeconomic institutional landscapes. Sample population is policy makers using macroeconomic tools at the Bank of England (arms-length focused on monetary policy) and Financial Conduct Authority (arms-length financial regulator) to assess the 'expert' understanding of the household as an object/subject of macroeconomic policy.

Using in-depth qualitative methods to answer research questions:

1. How does organizational knowledge creation understand, locate, and conceptualize the household as an economic institution?
2. To what extent do macroeconomic public policy-makers see a benefit from utilizing the household as a methodological lens for analysis?
3. Can an understanding of the household build the public's trust in macroeconomic public policy?

# MACROECONOMIC INSTITUTIONAL LANDSCAPES

- Shifts in narrative but gaps in policy practice – e.g. IMF on transnational banking (Gabor, 2015), conditionality (Kentikelenis et al., 2016)
- Evidence that cultures of expertise shape policy process and outcomes:
  - Transparent communication approach for central banks to increase the effectiveness of monetary policy (Blinder et al., 2001)
  - Linked ecologies among professional groups to frame how a problem should be treated – e.g. financial reform experts (Seabrooke and Tsingou, 2014), importance of IO staff and selective use of other experts' views (Ban et al., 2016)
  - Everyday practices of professionalisation, transmission mechanisms of expert knowledge (Green, 2009 on DfID)
- No knowledge on cultures of expertise on the household in macro institutions – central especially in context of growing concern with household debt

# DESIGNING A POLICY TOOL-KIT

## ■ **What?**

- Relevant to policy makers
- Structured around key conceptual and methodological blind spots on the household identified in study of cultures of expertise
- Informed by discussions between academics and non-academics at knowledge exchange event
- Grounded on foundational conceptual/methodological pillars based on long-standing cross-disciplinary study of the household

## ■ **How?**

- Identification of points and relational nodes in the policy-making processes amenable to change
- Involvement of partners and institutions to facilitate engagement with policy toolkit

# WHY USE HOUSEHOLD AS POLICY LENS?

- The household is an economic institution central to the economics of distribution and redistribution
- Decisions, relations, work taking place in the household ignored in economics until Becker's New Household Economics, but significant shortcomings highlighted by anthropologists and feminist economists (Folbre, 1986)
- Wealth of empirical evidence that policy outcomes are filtered through the household (intrahousehold dynamics) - shift from unitary to collective models of the household (Agarwal, 1997)
- We need to recognise how the household can shape macroeconomic phenomena – interrelations among households and embeddedness in the (global) economy

# VIEWING MACRO FROM THE GROUND UP

- Still using household as lens to analyse macroeconomic policy. But as well as how macro-economic institutions view the household from top-down ... a bottom-up perspective on how ordinary households experience macroeconomic policy, and with what forms of inequality.
- Post-crisis macroeconomic policy and inequality. Growth of financial sector associated with asset price volatility (Karwowski & Stockhammer 2017); impact of QE and near-zero interest rate on wealth and income distribution (IPPR 2018); evidence undermining belief of zero-sum between equality and efficiency (Claeys et al. 2015); Brexit, an electoral expression of inequality (Edwards et al. 2017, Evans 2017), is currently greatest threat to financial stability (BoFE 2018).
- Where does inequality come from?

# THREE FINANCIAL HARMS

Since 2008, UK govt and BofE protect citizens from financial harm:

- Powerful macroprudential regulation in UK – protecting citizens from potential harm of another financial crisis
- Consumer protection with more teeth – FCA, especially protecting vulnerable consumers from irresponsible or unfair treatment.
- But a third kind of financial harm is totally overlooked: the ability of credit instruments to extract wealth from ordinary borrowers, leaving them net worse off.
  - How do macro policies affect debt's ability to extract wealth?
  - How does the way macro institutions understand inequality affect the inequalities within households?
  - How does an institutional separation of consumer protection and financial stability influence inequality?
  - How can taking account of inequality enhance a 'product safety' approach to financial governance (Warren 2008)?

# MULTI-SCALAR ETHNOGRAPHY

- Street level: What transfers of economic value do household financial debt relations involve?
  - Life history interviews, participant observation (informal 'hanging out').
  - Economic anthropology, study livelihood in the round: paid/unpaid work, shopping, raising kids, informal borrowing of money, goods and favours, taking out credit for a friend/relative.
- Mid level: What household financial debt relations operate in low- to middle-income households?
  - Participant observation at three debt advice services in Plymouth
  - Collect data through the case management systems of debt advice services and interviews with households in Plymouth, comparing this to local data from 2012.
  - National statistics: debt servicing ratio, household debt to income ratio, and rates of default.
- Top level: How have policies around systemic risk and consumer protection re-shaped household financial debts?
  - Excavate lenders' financing and ownership structures and influence of BofE monetary policy.
  - Financial journalism, annual reports, investor relations teams, public disclosure of major shareholders, trade associations.

# EXPECTED OUTCOMES

- Develop cross-disciplinary and evidence-based research that provides compelling alternatives for policy-makers to use in macroeconomic policy.
- Host knowledge exchange event (January 2020) for different cultures of expertise to exchange ideas and advance alternative macroeconomic policy agendas
- Produce a policy toolkit for use at economic institutions to inform the changing of methods, processes and practices to improve policy outcomes.
- Publish results in leading Journal of Economic Issues, as well as interdisciplinary journals engaging in economic policy debates