

T02P05 / Understanding Causal Mechanisms that Make Financial Systems More (in)Stable

Topic : T02 / Comparative Public Policy sponsored by Journal of Comparative Policy Analysis

Chair : Caner Bakir (Koc University)

Second Chair : Jun Jie Woo (Nanyang Technological University)

Third Chair : Mehmet Kerem Coban (SOAS, University of London)

GENERAL OBJECTIVES, RESEARCH QUESTIONS AND SCIENTIFIC RELEVANCE

Understanding Causal Mechanisms that Make Financial Systems More (in)Stable

Causal mechanisms (or processes) aim to explain why and how certain outcomes are produced by the actions of various actors embedded in various contexts. Here the emphasis is on properties of actors, their interactions and actions informed by micro and macro-level contexts. There have been wide consensus in the policy science and political science disciplines that causal mechanisms are understudied (Gerring, 2008; Capano, 2009; Howlett and Cashore, 2009; Real-Dato 2009; Falletti and Lynch, 2009; Capoccia, 2016). Moreover, the current political economy scholarship is still searching for ‘the right intellectual questions of the [global financial] crisis and to guide us toward appropriate responses’ (Green and Hay 2015: 334). On this account, it has been recently argued that there is a key lesson for politicians, policymakers, and bureaucrats who are engaged in ‘successful policy design’ (Howlett 2009, 2011): They should identify and steer a set of structural and institutional complementarities, and agency level enabling conditions guiding policy design and implementation that would dynamically guard against excessive risk taking over a period of years (Bakir, 2013, 2017).

The policy design literature has produced much insights on the various ways in which policy means, or ‘instruments’, can be classified and combined as ‘policy mixes’ (Elmore 1987, van der Doelen 1998, Gunningham et al. 1998). This recognition that the utilization of policy instruments by governments as part of a larger policy mix adds a significant dose of nuance and realism to the study of policy instruments. Scholars of policy design have subsequently sought to understand the internal workings of the policy mix, studying complementarities and interactions between policy instruments within a mix, and emphasizing how processes of policy patching or layering can result in greater consistency, coherence and congruence in a policy mix (van der Heijden 2011; Rayner 2013; Howlett and Rayner 2013; Howlett et al. (2014).

However, there remains insufficient specification of the exact relationship between these policy instruments or instrument mixes and the policy goals which they purport to achieve. Despite the pride of place that this policy means-goals connection holds in policy design studies, the reality is that insufficient work has been done on the causal mechanisms that link the two design components. Furthermore, policy instruments do not exist in a vacuum. Policy instrument choice is often influenced by contextual elements such as political or organizational culture and social relations (Linder and Peters 1989, 1990; Salamon 1989; Howlett 2004; Woo, 2016).

This panel aims to address a pressing practical and intellectual need for 1) a better understanding of how specific causal processes effect financial stability and 2) how causal mechanisms may be designed or managed in practice through aligning and reinforcing various incentives thereby producing financial stability that would not otherwise occur. Specifically it calls for cutting-edge empirical and theoretical research on causal processes generated by structural, institutional and organisational complementarities that reinforce each other's incentives and compensate for each other's shortcomings that influence policy design and implementation processes and various actors' behaviour and financial stability (See Campbell, 2011; Bakir, 2013, 2017; Woo, 2016).

It encourages conceptual and empirical contributions on (1) our conceptual understanding of mechanism-based explanations that explores why and how financial (in)stability is produced; (2) causal processes that resides at the level of the interactions between context dependent actors; (3) causal linkages between policy subsystems and policy mixes; (4) interactions among interdependent structural and institutional complementarities as causal mechanisms that inform actor behaviour and financial stability; (5) how a balance between policy mixes can be achieved so that they can mutually reinforce each other and compensate for the shortcomings of another in the realm of finance; (6) causal mechanisms in the post-GFC era that produce institutional reforms in regulatory governance arrangements such as multiple, unified, or twin peaks models; and (7) a systematic approach that enhances qualitative rigor in inductive interpretive research that makes a causal argument credible (list is not exhaustive).

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CALL FOR PAPERS

Understanding Causal Mechanisms that Make Financial Systems More (in)Stable

Causal mechanisms (or processes) aim to explain why and how certain outcomes are produced by the actions of various actors embedded in various contexts. Here the emphasis is on properties of actors, their interactions and actions informed by micro and macro-level contexts. Scholars of policy design have subsequently sought to

understand the internal workings of the policy mix, studying complementarities and interactions between policy instruments within a mix, and emphasizing how processes of policy patching or layering can result in greater consistency, coherence and congruence in a policy mix. Indeed, it has been recently argued that there is a key lesson for politicians, policymakers, and bureaucrats who are engaged in 'successful policy design' : They should identify and steer a set of structural and institutional complementarities, and agency level enabling conditions guiding policy design and implementation that would dynamically guard against excessive risk taking over time.

This panel aims to address a pressing practical and intellectual need for 1) a better understanding of how specific causal processes effect financial stability and 2) how causal mechanisms may be designed or managed in practice through aligning and reinforcing various incentives thereby producing financial stability that would not otherwise occur. Specifically it calls for cutting-edge empirical and theoretical research on causal processes generated by structural, institutional and organisational complementarities that reinforce each other's incentives and compensate for each other's shortcomings that influence policy design and implementation processes and various actors' behaviour and financial stability.

This panel encourages conceptual and empirical contributions on our conceptual understanding of mechanism-based explanations that explores why and how financial (in)stability is produced. It focuses on the following questions: (1) what are the causal processes that resides at the level of the interactions between context dependent actors; (2) what are the causal linkages between policy subsystems and policy mixes; (3) how and why do interactions among interdependent structural and institutional complementarities as causal mechanisms inform actor behaviour and financial stability; (4) how can a balance between policy mixes be achieved so that they can mutually reinforce each other and compensate for the shortcomings of another in the realm of finance; (5) what are the causal mechanisms in the post-GFC era that produce institutional reforms in regulatory governance arrangements such as multiple, unified, or twin peaks models; and (6) what are the advances in systematic approaches that enhances qualitative rigor in inductive interpretive research that makes a causal argument credible (list is not exhaustive).

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Session 1 Session 1: Causal Mechanisms and Financial (in)Stability

Thursday, June 29th 13:30 to 15:30 (Block B 2 - 2)

Discussants

Mehmet Kerem Coban (SOAS, University of London)

JJ Woo (Nanyang Technological University, Singapore and John F. Kennedy School of Government, Harvard University, USA)

Bubble and crash, Chinese style: campaign-style governance and China's stock market crisis 2014-2015

Chen Li (Faculty of Social Science and Center for China Studies)

From Micro-Prudential Framework to Macro-Prudential Mechanisms: Analysis of the Banking Mechanisms in the Post 2011 Turkish Experience

Sinan Akgunay

Caner Bakir (Koc University)

Some of the theoretical and methodological weaknesses in the mechanisms research and what to do about them

Caner Bakir (Koc University)