

FINANCE HUB – RESEARCH FUNDING CALL

Hub Leader: Ekaterina Svetlova

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[Rebuilding Macroeconomics](#) (RM), funded by the Economic and Social Research Council (ESRC) and hosted by the National Institute of Economic and Social Research (NIESR), is inviting calls for research proposals under its Finance Hub.

Our long-term aim is to transform macroeconomics back into a policy-relevant social science. As an intermediate step, we will provide recommendations to the ESRC on our suggestions for the future shape and direction of research in Macroeconomics. We are looking to support projects that aim to identify promising areas for future research (on a ‘proof of principle’ basis), rather than seeking to obtain definitive answers from what will inevitably be limited project budgets.

RM will consider proposals which are genuinely innovative; which are oriented towards policy-relevant problems; which are rigorous; and may open-up new promising avenues for investigation but may be overlooked by traditional funding sources. We are particularly interested in interdisciplinary proposals and the introduction of new methods to macroeconomics. Please clearly indicate the goal of the project, methodology, expected outcomes and contribution. Please be also precise about how you plan to spend the money.

Process

The application procedure will consist of two stages.

- For Stage 1, applicants should submit an outline statement of up to 1,000 words, using the form provided below. An indicative outline cost level should also be supplied, though a formal costing is not required at this stage. The application form is available [here](#). Stage 1 applications should be submitted to r.arnold@niesr.ac.uk by 19th November, 2018.
- Successful applicants from Stage 1 will be invited by Hub Leaders to proceed to Stage 2. They will be required to submit a more detailed version of their proposals, including: a Case for Support; a Justification of Resources; a Timetable; an Impact and Communications Plan; and a formal Budget.

The budget limits for projects are £25,000 to £150,000, at 100% fEC. Successful applications will be funded at 86% fEC. The funding allocated to the Finance Hub (depending on the quality of the research proposals) might be in the neighbourhood of £250,000. Please plan accordingly.

Criteria for Research Funding

The Finance Hub of Rebuilding Macroeconomics is looking to fund pilot research projects that address over-arching question of 'Is Financial System Fit for Purpose?' In a workshop held in September 2018, we discussed a possible overarching objective for the system being Financial Resilience. A background note, summary and presentation videos from the workshop are all available [here](#).

We seek to initiate a conversation between teams of researchers, each working on issues around finance and macroeconomics but perhaps using different approaches. We hope to generate a collaborative and productive dialogue between these teams by holding regular meetings in which the participants present their ideas to each other, learn from and challenge each other's assumptions and ways of thinking and consider possible new methods of investigation.

We are looking for genuinely fresh and interdisciplinary approaches that open-up new avenues of promising research which further our understanding of finance and economics.

A number of themes emerged from the Hub's discovery meeting and workshop which may be addressed in the research proposals:

- **Fit-for-purpose:** Financial services support economic activity. Households and firms benefit indirectly by financial services enabling payments, management of risks, the mobilisation of savings and the allocation of funds to productive uses. While the main benefits of finance are therefore indirect, its role in indivisibility from almost all transactions means that its functioning is central to society and macroeconomic performance. How should we conceptualise the objectives against which we can assess the performance of our financial system? What should we set an overriding purpose and how do concepts of efficiency work with equity, fairness and sustainability in philosophy, geography, law and political economy?
- **Institutional design of economic and social outcomes:** Given the importance of finance for macroeconomic outcomes, the structure of financial institutions ought to be an essential part of financial policy. Yet there are almost no public discussions of alternative institutional arrangements. Some of these institutional structures matter greatly to citizens; for example, the supply of housing finance, student loans and stability of banks. We are particularly interested in projects that investigate the link between the financial system and the economy. How do different financial systems support different economic structures, such as the housing market, entrepreneurship or the size and structure of businesses and are there trade-offs perhaps with stability, equity or efficiency?
- **Competition and stability:** despite there being an old literature on the compatibility of competition and stability in finance, the conclusions are at best ambiguous and this remains one of the least understood areas of finance. Policy makers resort to using the term 'effective competition' which is neither defined nor has clear welfare consequences. If finance is in the world of 'second-best' outcomes, what criteria would be useful to assess different financial sector policies? We welcome new research which looks at the connection between competition and stability, perhaps drawing on insights from other disciplines.

- **Resilience and finance:** Proposals that address the problems of financial stability and resilience are invited. While the functions of finance may not change, the institutions and markets evolve over time. We would like to encourage research applications which explore what this may mean, perhaps building on insights from other scholarly disciplines. There may be insights from research on resilience in ecology, environmental science, forestry management, epidemiology and sociology which might prove fruitful. These projects might address concepts that economics and finance have had difficulties embracing: radical uncertainty, interconnectedness and diversity of actors and complexity. What are adequate levels of diversity, compartmentalization and interconnectivity of the financial system?

Please note that we are particularly interested in the application of methods that are non-standard in economics and finance (e.g. qualitative methods of research, network analysis or methods from natural sciences). Also innovative combinations of methods, e.g. of heterodox and multidisciplinary approaches, might stand out.

We have no wish to be overly prescriptive and this list of ideas is not intended to be exhaustive. We welcome proposals which take a different perspective to our questions, and that we may have inadvertently neglected.

We are looking forward to your applications.