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Editor's Preface

Chiara OLDANI¹

This issue of Rivista Bankpedia - Bankpedia Review publishes the synthesis of research papers that have been presented in the 2017 G7 Leaders' Conference held in Rome, sponsored by Assonebb, and the abstract of the paper to which Assonebb awarded the best paper prize at the AIDEA 2017 Biennial Conference in Rome. Assonebb promotes research and cultural activities in the fields of economics, finance and law funded by its associates.

The G7 is a multinational political forum and focused on recovery, growth, investments and reforms. The decision of British votes to leave the European Union, the election of Donald Trump as U.S. president and a growing mood of nationalism, populism, nativism and closure in Europe, the U.S. and Japan raise profound challenges to the consensus on openness and international cooperation that have guided G7, EU and global governance in the recent past. They directly assault the needed efforts to generate economic growth and employment through macroeconomic policy coordination, global financial regulation and trade and investment liberalization, enhance the natural environment and control climate change, strengthen social responsibility through health, gender equity, well managed migration and sustainable development and promote security in the face of terrorism, cyber warfare and more traditional geopolitical threats. The G7's Taormina Summit on May 25-26 will be the first global summit where key global leaders collectively address such challenges and do so directly with President D. Trump. This conference, held on the eve of the summit, assesses how well and how they will and can meet these formidable

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challenges, by respecting the relevant scientific consensus, mobilizing the skills that succeeded in past G7 summits and strengthening global governance to make globalization work better for all.

L. Guiso described a pioneering economic model to assess populism, and presented first econometric results. T. Cesaroni and R. De Santis underline the role of institutional quality in the process of growth of G7 countries. C. Oldani addresses the financial risks G7 countries should consider, related to their (increasing) public debt and the uncontrolled use of OTC derivatives to hedge this debt. The global regulation has decreased after 2016, and this can directly impact on financial stability. According to J. Kirton, E. Kokotsis and B. Warren since the G7 summit invented the global governance of climate change in 1979, its performance has passed through different phases (from ineffective to effective). Marchetti and Wouters focus on the political analysis and evolution of G7; Marchetti focuses on the normative debate on globalization and examines the principal master frames that have been developed in the last decades with reference to global politics; Wouters investigates the role which the EU can, does and should play within the G7 in times of Brexit, populism and disenchantment of large parts of our countries' populations with globalization.

The G7/G8 research group, lead by prof J Kirton assesses the compliance of G7 countries with their statements, and presents a detailed report (<http://www.g8.utoronto.ca/compliance/>).

V. Venturelli et al. identify the relationship between social capital created online and the size of the crowd that sustained the campaign, by the detection of how really crowded the equity campaign is; authors collected data on 321 crowdfunding campaigns launched by different European platforms and successfully closed between 2014 and 2016, and provide interesting econometric results.

This is the last Bankpedia Review I edit; I would like to thank Assonebb members of the board for the precious opportunity.



DEMAND AND SUPPLY OF POPULISM

Luigi GUIISO¹, Helios HERRERA², Massimo MORELLI³, Tommaso SONNO⁴

Abstract

We define as populist a party that champions short-term protection policies without regard for their long-term costs. First, we study the demand for populism: we analyze the drivers of the populist vote using individual level data from multiple waves of surveys in Europe. Individual voting preferences are influenced directly by different measures of economic insecurity and by the decline in trust in traditional parties.

However, economic shocks that undermine voters' security and trust in parties also discourage voter turnout, thus mitigating the estimated demand of populism when ignoring this turnout selection. Economic insecurity affects intentions to vote for populist parties and turnout incentives also indirectly because it causes trust in parties to fall. Second, we study the supply side: we find that populist parties are more likely to appear when the drivers of demand for populism accumulate, and more so in countries with weak checks and balances and with higher political fragmentation. The non-populist parties' policy response is to reduce the distance of their platform from that of new populist entrants, thereby magnifying the aggregate supply of populist policies.

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**FOREIGN CAPITAL COMPOSITION, PRODUCTIVITY AND GROWTH IN G7
COUNTRIES: THE ROLE OF INSTITUTIONAL QUALITY**

Tatiana CESARONI, Roberta DE SANTIS¹

Abstract

The central role of international capital transactions during the financial and sovereign debt crisis in the EU has encouraged policy discussions, also in the G7 framework, on the benefits and costs associated to capital mobility. International capital transactions might potentially support long-term growth and convergence among countries, but at the same time they might also determine policy challenges associated with adverse consequences of exchange-rate appreciation, asymmetric shocks among countries, sudden stops and moral hazard behaviors (Kirabaeva and Razin, 2009 and De Gregorio 2013).

In the last two decades, international investments position's components, namely, foreign direct investments, portfolio debt investments, and portfolio equity investments, in G7 countries experimented different paths.

While in some countries there has been a change of the composition towards international sources of financing that are usually seen as more stable and productive (i.e. a larger component of foreign direct investments and a smaller share of portfolio debt investments) in the others, on average, the opposite has occurred.

As for EU countries following the introduction of the euro, so-called imbalances

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emerged across countries Europe. Countries in the periphery received large capital inflows. During this period productivity diverged, with peripheral countries experiencing on average slower productivity growth than core countries. Economists and policymakers often conjecture that the decline in productivity resulted from a misallocation of financial resources across firms or sectors in the South of Europe.

According to the literature, the composition of foreign capitals in a given country, is strictly related to its economic characteristics, macroeconomic fundamentals, financial regulatory settings and institutional quality.

The aim of this paper is to analyse the joint dynamics of institutional quality, foreign capital flows and growth in G7 countries in the period 1996-2015.



SOVEREIGN DEBT, OTC DERIVATIVES AND (THE LACK OF) GROWTH IN THE G7

Chiara OLDANI¹

Abstract and motivation

Average G7 countries gross sovereign debt reached 119% in 2015 (IMF, 2016); debt sustainability depends on growth. Reduced macroeconomic policy coordination, regulatory arbitrage and *beggar thy neighbour* policies with growing public debt and sluggish economic conditions undermine debt's sustainability, especially for countries with a debt over GDP ratio greater than 100%, like Italy, Japan and the US. After 1990 many countries managed outstanding debt with OTC contracts; gains and losses are difficult to evaluate. At the present supranational rules on sovereign debt restructuring do not eliminate moral hazard. What matters are markets' expectations, and public debt management rules. Do economic fundamentals reflect in the sovereign risk? Among G7, Italy, Germany and France share common public debt policies (and the euro); are these rules effective to guarantee debt sustainability (and favour growth)?

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G7 GOVERNANCE OF CLIMATE CHANGE

John KIRTON¹, Dr. Ella KOKOTSIS², Brittaney WARREN³

Abstract

Since the G7 summit invented the global governance of climate change in 1979, its performance has passed through three phases: leadership of an effective inclusive environment first regime from 1979 to 1989; deference to the UN's ineffective, selective, development-first regime from 1992 to 2004; and a return to an effective, G20-supported, inclusive, environment-first regime from 2005 to 2015. The latter culminated at the Paris summit, which however, produced a political plan that was designed to fail, at a time when the irreversible tipping point in the real material world rapidly approached and just before the US elected a President slow to accept and act on the striking facts. The central challenge of the G7's Taormina Summit in 1979 is to ensure that G7 members comply with their still unfulfilled past climate commitments, by adding accountability measures that work, improving them immediately in ways that enhance their implementation and activating assistance from the G20's Hamburg Summit in July. To improve climate change compliance, the Taormina G7 Summit should specify an agent in its commitments, make more climate commitments each year and hold regular environment ministers' meetings.

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THE MASTER FRAMES OF GLOBALIZATION AND THE G7: BEYOND THE LEFT AND RIGHT CLEAVAGE

Raffaele MARCHETTI¹

Abstract

This chapter sheds light on the transforming conceptual landscape that draws the boundaries of the current political debate within the G7. It argues that without focusing on the set of master frame centered on globalization we cannot fully capture the political orientation of the G7. The chapter does so by focusing on the normative debate on globalization and by examining the principal master frames that have been developed in the last decades with reference to global politics. It first presents a general understanding of the nature and role played by global master frames in today's global politics. It then identifies four master frames that delimit the boundaries of the current ideational debate on global politics, especially after the financial crisis. Two approaches are pro-globalization (neo-liberalism and cosmopolitan) and two are against globalization (localism and civilizationism). The chapter concludes suggesting that we are perhaps on the verge of a major change in political orientation of the G7.

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THE ROLE OF THE EU IN THE G7 IN THE ERA OF BREXIT AND TRUMP

Prof. Dr. Jan WOUTERS¹

This paper investigates the role which the EU can, does and should play within the G7 in times of Brexit, populism and disenchantment of large parts of our countries' populations with globalization. The EU has set itself the bold objective to "promote multilateral solutions to common problems", to "work for a high degree of cooperation in all fields of international relations" and to "promote an international system based on stronger multilateral cooperation and good global governance" (Art. 21 TEU). This applies both to its engagement in formal and in informal international bodies, such as the G7. The EU has been active and represented in G7 meetings for a very long time. In 2014, the EU even hosted for the first time a G7 meeting in Brussels. Remarkably, there is no mention of the G7 in the EU's 2016 Global Strategy, even though many of the themes touched upon in the Strategy (from migration to counterterrorism) are dealt with by the G7. Still, at both Ministerial and Head of State meetings of the G7 the EU participates actively, as is shown by High Representative/Vice-President's Mogherini participation in the recent G7 meeting in Lucca (10-11 April 2017) and by Commissioner Cañete's participation in the G7 Energy Ministerial in Rome (9-10 April 2017). Given the EU's deep commitment to multilateralism and international cooperation, the paper analyzes and critically assesses the EU's role in contributing to policy-making in the G7 that is balanced and well-informed, rather than short-termist and improvised.

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THE G7 RESEARCH GROUP'S ANNUAL REPORT: ANALYSING G7 MEMBER COMPLIANCE WITH THE 2016 ISE-SHIMA SUMMIT COMMITMENTS

"We speak truth to power, power listens, and we know that from the way they react to our compliance reports."

John J. KIRTON¹

The G7 Research group is a non-partisan, global group geared at serving as the leading independent source of information, analysis, and research on the G7

- Spans participants who are:
 - Scholars, professionals, academics
 - Associated with academia, research, media, business, and the non-governmental, governmental, and intergovernmental communities

Core deliverables:

- Annual compliance report (interim and final) analyzing the one-year progress G7 member states have made towards the previous year's commitments, as stated in the summit communiqué
- The G8 Information Centre: an online repository of summit analyses, publications, research, briefing books (Newsdesk Media), relevant literature, and meeting (*i.e.*, past summit and ministerial meeting) documents
- Trinity College's John W. Graham Library: archives and museum of G7-related artifacts, collected from each summit

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- Intangibles and peripherals: an unparalleled network of academics, advisors, alumni/ae, students, and professionals; social media coverage of summit activities; the opportunity to effect change by facilitating leader accountability through compliance analysis and reporting

Methodology: the compliance report Commitment Selection

- Carried out by executive committee chair, alongside senior researchers and executive director
- Emphasizes breadth, past year summit focus, projections of next year's focus, and the filling of data set gaps isolated from previous years' reports

Commitment scope definition

- Carried out by lead analysts, alongside executive committee chair, senior researchers, and executive director
- Outline the commitment, its interpretation, and relevant background information; define scoring guidelines

Research and analysis is carried out by compliance analysts, under the guidance of lead analysts and directors of compliance studies

Fact-checking and Editing is carried out by lead analysts, alongside executive committee chairs, senior researchers, and executive director

Two cycles: 1. Preliminary research and analyses are reviewed several times in preparation for the interim report (15 April, spanning eight commitments), and again following updating in preparation for the final report (to be published); 2. after the final report is prepared, stakeholders are asked for feedback. Done as cross-check to ensure that all information presented is accurate

Once report is made publicly available, errata will continue to be collected, and feedback continues to be welcomed.

RESULTS on 2016/17

The average final compliance score is +0.45 (73%)

Trend

- Slight increase from interim score (+0.43, 72%)
- Slight decrease from previous two years' final scores
 - 2015 – 2016: +0.65, 83% (Schloss-Elmau)
 - 2014 – 2015: +0.63, 82% (Brussels)

The full compliance: Paris Agreement on climate change and maritime security (+1.00, 100%)

Next-best compliance: Cyber stability (+0.88, 94%); Global Fund, combatting terrorist financing, and refugees (+0.75, 88%)

Least compliance: Women's engagement in emergency response situations (-0.63, 19%)

Overall, compliance decreased from previous years

- Could be a reflection of increased oversight
- However, also likely attributable to key worldwide events

Multi-year compliance shows consistencies

- European Union and United States are consistently within 80% compliance, with Canada, Germany, and the United Kingdom fluctuating around the 70 – 80% range, Japan and France averaging lower (60 – 80% range), and Italy remaining consistently in the 60% range

Certain minority groups are not thoroughly accounted for

- *E.g.*, while women's involvement in STEM was thoroughly progressed towards, and while refugees as a whole were made a priority, women's involvement in emergency response situations was de-emphasized, indicating that sexual and gender-based violence – as

well as support for refugee and internally displaced women – remain key issues

Certain countries (*i.e.*, Japan, France, and Italy) consistently lack compliance relative to other members

Receipt of feedback from key stakeholders

- Report updating and publication
- Dissemination to the public and to academia
- Updating of errata and analysis as necessary
- Analysis and implementation of potential areas of improvement for next cycle

Conveyance of priority focus areas at the Taormina Summit



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HOW CROWDED IS EQUITY CROWDFUNDING? THE EFFECT OF SOCIAL CAPITAL ON THE SIZE OF THE CROWD IN EQUITY CAMPAIGN

Valeria VENTURELLI, Bernardo BALBONI, Ulpiana KOCOLLARI, Alessia PEDRAZZOLI, Elisabetta GUALANDRI

Since equity crowdfunding is a web-based phenomenon, the role of online social capital in the project's success should be considered through a broad perspective that encompasses both the founder's and the firm's social network and campaign's sharing effects on social media. These three levels of analysis represent different stakes that mobilize different resources and frame different types of crowd. The aim of this study is to identify the relationship between social capital created online and the size of the crowd that sustained the campaign, by the detection of how really crowded the equity campaign is. On this vein, we collected data on 321 crowdfunding campaigns launched by different European platforms and successfully closed between 2014 and 2016. Results show that firm's online presence has a greater impact on the crowd than entrepreneur's online social capital. Therefore, specific social network sites as Twitter and LinkedIn are more influential on the number of investors rather than scatter connections across a wide range of social network sites. The findings are relevant for equity crowdfunding research field as they propose a new perspective on the social capital framework this important alternative instrument in filling the equity gap of startups and innovative SMEs.

Full text of the paper is accessible at

https://www.researchgate.net/publication/323932670_How_crowded_is_equity_crowdfunding_The_effect_of_social_capital_on_the_size_of_the_crowd_in_equity_campaign