

Call for papers

“What is Patient Capital, and Where does it Exist?”

Special Issue of Socio-Economic Review

Guest Editors:

Richard Deeg, Temple University
Iain Hardie, University of Edinburgh
Sylvia Maxfield, Providence College

Timeline:

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Background:

The availability of ‘patient capital’ has long been of interest to academics and policy makers alike. For this group, patient capital provides a bulwark against short-term financial pressures to maintain cash flow (to pay bondholders and lenders) and deliver high short-term returns on equity (for shareholders). In so doing, it facilitates long-term and asset-specific investments by non-financial companies (NFC), enables them to retain employees and sustain investment through economic downturns and ultimately drives long-term economic growth. Although the extent of change is much debated, events in developed economies over the past two decades suggest that patient capital has experienced systematic decline. For political economy, much focus has been on a marked erosion of relational banking, especially in Germany and Japan. Banks acting as providers of patient capital to companies, either as long-term holders of equity or through long maturity loans, underpin a typology of financial systems based on a bank-based / financial market-based dichotomy. Recent scholarship has questioned the validity of this dichotomy, arguing that banks’ increasing holding of assets that are priced by, and liabilities that are borrowed from, financial markets undermines their capacity to act as a bulwark against market pressure on NFCs (Hardie et al. 2013; Hardie and Howarth 2013). This research, however, begs obvious questions. If not banks, who might provide patient capital, and what are the implications for financial systems and NFCs? Only a small number of political economy scholars have considered the potential for other financial market actors to demonstrate patience, and the focus has been on how these actors might support the existing dichotomy (Jackson and Vitols 2001; Culpepper 2005).

The financialization literature finds increased financial short-termism in both financial and corporate sectors (e.g., Erturk *et al.* 2008; Van der Zwan 2014; Jones and Nisbet 2011) – a

concerned shared by policymakers (e.g., Bank of England 2014; G30 2013; Kay 2012). Those focused on issues of corporate governance highlight the shift toward norms and practices of shareholder value, generally regarded as antithetical to patient capital. All this has occurred in the context of substantial changes in the equity investor landscape, from increased dispersion of corporate ownership to increased prominence of new investors (such as private equity and hedge funds), as well as in the nature of debt financing and the emergence of new providers of NFC lending such as peer-to-peer and loan funds. Altogether these suggest new sources of patient capital may be emerging, including in traditionally more market-dominated financial systems.

Despite all these developments, few efforts have been made to systematically assess how patient capital has changed and the consequences of those changes. This special issue seeks to make a significant step toward redressing this gap in our knowledge by theorizing the nature, underpinnings and implications of patient capital in contemporary financial systems. Such investigation must start, however, by recognizing that academics and concerned policymakers are agreed only on what patient capital broadly does– but not on what patient capital *is* in practice. This special issue will focus primary attention both to defining patient capital and examining changes in financial systems that may involve new forms or sources of patient capital, including the rise of non-monetary financial institutions as sources of loans (direct and via collateralized lending) and equity (private equity, hedge and venture capital funds), and institutional investors with the potential to provide substantial patient capital, notably foundations, endowments, pension funds and sovereign wealth funds.

Key Themes:

We welcome papers on any aspect of patient capital and from all methodological and academic perspectives. We especially value those with a comparative focus and which address one or more of the following questions:

- What are the socio-political foundations of patient capital?
- How does government policy promote or hinder patient capital?
- What do NFCs do with patient capital? What determines their demand for patient capital?
- What role do issues of shareholder value, corporate governance and socially responsible investing play in questions of patient capital?
- Who are the financial market actors that might provide patient capital? We welcome papers that consider this question in general terms, or that focus on special investor / lender types such as venture capital, private equity, foundations, alternative forms of banking, etc.
- Does the amount and form of patient capital vary systematically across diverse systems of capitalism? Do institutional complementarities between patient capital and the rest of the economy exist?
- What are the implications of the availability of patient capital? We welcome papers that consider a broad range of implications, e.g. for NFC finance generally, for the funding of innovation, for management-labour relations, or for economic growth.

Submissions

Papers will be reviewed following the journal's normal double-blinded review process and criteria. The maximum length of articles including references, notes and abstract is 8,500 words. Articles must be accompanied by an abstract of no more than 150 words. The main document has to be anonymous and should contain title, abstract, and strictly avoid self-references. Submissions should be directed through the on-line submission system: <http://mc.manuscriptcentral.com/ser>

For further guidelines on submissions and the editorial statement of Socio-Economic Review, please visit our website at: <http://ser.oxfordjournals.org>

Contact:

For further information for this Special Issue, please contact any of the Guest Editors: Richard Deeg (rdeeg@temple.edu), Iain Hardie (iain.hardie@ed.ac.uk), or Sylvia Maxfield (Maxfield@providence.edu).

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