Critical financial literacy: an agenda

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Abstract: Following the recent financial crisis, consumer behaviour was framed as central in contributing to financial instability. To heighten the financial responsibility of consumers, programs to increase the financial literacy of the general population are being administered by the OECD and other national and international, public and private organisations. Far from presenting a balanced view of economics or encouraging civic engagement in financial regulation, such programs focus on correcting what is viewed as consumer misconduct. In the process, economic topics are naturalised and become reified. We oppose this 'mainstream' financial literacy, by proposing a critical financial literacy (CFL) program that empowers citizens to question the role of finance in society, and that underscores the importance of representing civil society interests in financial regulation. Hence, we call on civil society organisations and other stakeholders in civil society to contribute to the content of these programs and promote a CFL.

Keywords: financial literacy; financial education; financial regulation; critical financial literacy; critical education; socio-economic education; neoliberalism; financialisation; civil society.

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"If finance is allowed to define its own purpose, it is unlikely to put 'serving society' at the top of the list. Citizens must get involved if they want finance to serve society."[1]

1 Introduction

The financial crisis of 2007/08 fuelled concerns about careless or uninformed financial consumer choices affecting financial market stability.[2] Following the financial crisis, a broad alliance consisting of the OECD, the World Bank, and various other private and public stakeholders succeeded in framing consumer conduct as an issue demanding the attention of policy-makers. This has given rise to programs of financial literacy as programs of consumer education for teaching consumers about personal finance and how to utilise financial products. Although financial literacy programs were spearheaded by the USA, such programs have gained increasing momentum within the EU and in other countries.

While we agree on the importance of learning about the functioning of the financial system, we find much of the content transmitted through these programs deeply problematic. Financial literacy predominantly pursues a neoliberal project that attempts to prepare individuals to deal with the great shift of risk that characterises 21st century capitalism in the Western world where welfare states are persistently cut back and replaced with private insurance mechanisms in financial markets (Hacker, 2008). As such, this education initiative suffers from a deeply depoliticised understanding of finance. Contrasting previous publications focused on striking a balance between including content of general economic education and content of personal financial education within programs of financial literacy (Figart, 2012; Jaeckel, 2013), we critically examine the ostensibly empowering aspects of a financially literate citizenship.

We argue that financial literacy programs should facilitate the critical engagement of political citizens with the expanding sphere of finance, be it with respect to its questionable appropriateness for solving societal problems (demographic change), its regulation, or the rent-seeking behaviour of financial institutions.[3] We propose that civil society organisations (CSOs) can play an important role in shaping financial literacy programs and pursue an alliance with critical academics to push for a critical overhaul of such programs. A good starting point for CSO intervention is the discrepancy between the proclaimed goals of these programs and their content and scope. However, it is not enough to notice such shortcomings; instead, CSOs should seek to re-politicise financial education and thus help increase the salience of a critical political engagement with the realm of finance, including regulatory issues.

The paper proceeds as follows: We first review the content and scope of mainstream financial literacy programs, pointing out their main limitations regarding critical engagement with finance. We then counterpose such programs with what we consider to be a critical financial literacy (CFL), elaborating upon three dimensions:

1 Embedding financial developments into broader trends such as the reduction of the welfare state [i.e., the great risk shift, see Hacker (2008)].

2 A focus on financial regulation (empowering CSOs to play a central role in regulatory debates by promoting the support of a broader public).

3 Countering the rent-seeking behaviour of financial institutions through bottom-up collective action.

Secondly, we try to clarify how such CFL could inject critical debate on finance into the political realm, where financialisation is all too often seen as a convenient means of absolving oneself from political responsibility (cf. Krippner, 2011). Thirdly, we seek to demonstrate the importance of CFL by applying it to the case of regulation. We argue that CFL, which provides citizens with a deeper understanding of the processes and importance of financial regulation, can play a decisive role.

2 Understanding the scope and goals of financial literacy programs

We start from getting a better understanding of the scope and goals of current programs for financial literacy. A lack of financial literacy amongst the general population has been a long-standing concern of the OECD. In 2003, the OECD launched a financial education initiative followed by the creation of the International Network on Financial Education (INFE) in 2008. While programs for financial literacy are not entirely new, social actors promoting financial literacy identified the financial crisis of 2007/08 as a 'teachable moment' creating an opportunity to convince the population of the need for financial skills and knowledge, and to develop long-term programs and partnerships in this field [OECD, (2014), p.169]. INFE now consists of more than 240 public institutions from 107 countries – including central banks, ministries of finance, and ministries of education (OECD, 2013). In 2012 and 2013, further support came when the G20 leaders endorsed the OECD/INFE High-level Principles on National Strategies for Financial Education [OECD, (2014), p.16]. By 2015, almost 60 countries had adopted national strategies for increasing financial literacy (OECD, 2015). Throughout this process, the OECD assumed leadership in developing international financial education guidelines and standards [OECD, (2009), p.9] with the goal of countering what some sources call a 'financial illiteracy epidemic' (National Financial Education Council, 2015).

Conceptually, the financial literacy promoted by the OECD and partners is defined as

> "[The] knowledge and understanding of financial concepts and risks, and the skills, motivation and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial well-being of individuals and society, and to enable participation in economic life." [OECD/PISA, (2013), p.144][4]

The development of financial literacy programs has been accompanied by warnings that low levels of financial literacy have high and often irreversible costs for individuals and households (Lusardi and Mitchell, 2011; Lewis and Messy, 2012). According to the European Parliament, financial literacy programs are meant to "*improve consumers*' *awareness of economic and financial realities* with a view to understanding economic commitments and avoiding unnecessary risk, excessive debt and financial exclusion" [Official Journal of the European Union (2008), emphasis added].

However, the programs are not limited to targeting the financial misconduct of citizens, but are integrated with the broader development of "widespread transfer of risk from both governments and employers to individuals" [OECD, (2014), p.17; Hacker, 2008], rendering the individual responsible for major financial decisions [OECD, (2014), p.17]. Programs for financial literacy have the goal to equip individuals with the knowledge and skills needed to overcome the challenges of financialised capitalism. As the OECD explains:

> "The underlying reasons for this growing policy attention encompass the transfer of a broad range of (financial) risks to consumers, the greater complexity and rapid evolution of the financial landscape, the rising number of active consumers/investors in the financial sphere and the limited ability of regulation alone to efficiently protect consumers. In addition, the consequences of the financial crisis have demonstrated the potential implied costs and negative spill-over effects of low levels of financial literacy for society at large, financial markets and households." (OECD/INFE, 2012)

The resulting financial literacy programs are more encompassing and ambitious than previous educational programs on saving, credit counselling, and other financial issues. Financial literacy is defined as a prerequisite for full and effective citizenship and personhood (Appleyard, 2012; Berry and Serra, 2012), not only providing knowledge, but promoting the development of 'skills and attitudes' that form the basis for good financial consumption [OECD, (2015), p.85]. Furthermore, financial literacy promotes changes in existing behaviour, or even the development of new behaviours [OECD/INFE, (2012), p.6].

Financial literacy is predominantly treated as consumer education strongly emphasising individual agency and responsibility. Programs for financial literacy seek to inspire deep-rooted change towards responsible individual financial conduct through a broad set of interventions. Such interventions range from financial education in schools to harnessing peer pressure and community effects when peers inspire others to get involved with financial literacy [OECD, (2015), p.85]. Individuals are meant to take responsibility for their own (financial) lives through knowledgeable consumption and basic economic education (Learning and Teaching Scotland, 2010) and by making sound financial decisions which eventually lead to financial wellbeing [National Financial Education Council, (2015), p.5].[5]

Eventually, responsible individual financial conduct is expected to translate into higher quality services through more informed consumer decisions, a decrease in the likelihood of unpredictable reactions, and potentially less costly financial regulation [OECD, (2014), p.18]. Increased scrutiny from consumers is expected to translate into more efficient, transparent, and competitive financial services, and consumers might even implicitly contribute towards monitoring the market through their own decisions, complimenting prudential supervision.

3 Towards a problematisation of financial literacy

Financial literacy programs are frequently enthusiastic about prospective benefits of an increase in financial literacy for individuals and society at large. Such programs rightfully mourn that financial consumers lack an understanding of most financial products and the functioning of the financial system. Most people struggle to understand how the financial system functions even when they are severely affected by bail-outs, credit crunch, recession and austerity measures that followed the financial crisis of 2007/08 [Fares and Duncan, (2016), p.6]. At the time, many analysts referred to that financial crisis as unmatched since the Great Depression (Elliot, 2008). Yet, even when facing failure of this magnitude most people will find it hard to clearly articulate their discontent with the financial system and the subsequent crisis management, largely because they struggle to understand the involved causes and effects. We thus agree with the NGOs already working on promoting financial literacy, attesting a grave discrepancy between the importance of the financial system and financial products for our everyday lives and the knowledge of the general population about finance. Yet when we examine concepts of knowledge and literacy underlying many of the current programs of financial literacy, we find much to disagree with.

Firstly, we find problems with the underlying understanding of financial knowledge as neutral, objective, and apolitical. Best practice guidelines for financial literacy programs call for material to be 'objective in content and neutral in tone', as well as 'informative and unbiased' (Institute for Financial Literacy, 2007). However, calls for neutrality and objectivity in economic education fail to consider the growing research on the social and political construction of economic knowledge (Fourcade, 2006, 2009); the historical contingency of the selection, and assertion of economic knowledge (Whitley, 1986); the role of such knowledge in supporting claims to power (Dezalay and Garth, 2009); the political dimension of finance (De Goede, 2004); the interconnection of the legal framework governing the realms of finance and power (Pistor, 2013). Put briefly, calls to present neutral economic knowledge neglect the fact that knowledge is necessarily political.

Advocates of financial literacy frequently evoke the idea that consumers become empowered through education, yet empowering consumers becomes problematic when claims about neutral and objective knowledge are not scrutinised. More concretely, we argue that empowerment is not per se a necessary output of education. Instead, claims about empowering consumers are problematic when we do not ask what makes education empowering. Examining programs for financial literacy reveals that, contrary to claims about empowerment through education, the narrower understanding of education manifested in such programs is often closer to what Adorno criticised as 'half-education' (Halbbildung), a state where education is solely viewed as a tool for creating conformity with societal demands in its recipients. Most programs focus on training consumers and producing measurable results, which suggests a functional understanding of education as a process that produces a certain outcome based on a certain input in a linear fashion. Mainstream financial literacy one-sidedly treats education as a tool for shaping conduct that fits societal constraints. However, equating education with training omits the dialectic relationship between individual autonomy (resistance) and demands of society (adaptation) that must be maintained to warrant promises of empowerment through education (cf. Adorno, 2006).

We do not claim that nothing can be gained from education as a tool. Recipients of financial literacy can gain some autonomy from better adapting to societal demands even when education only functions as a tool for adaption. However, they become ill-equipped to defend their autonomy against unwarranted societal demands when adaption becomes the only option. An education that embraces this dialectic and fulfils promises of empowerment would have to create an awareness of the contingency of the social world we live in and the societal forces which shaped it. Such an education enables citizens to choose a different path going forward when adaption is not a viable option.

In the context of finance, an education that empowers consumers needs to promote a critical understanding of the social constructedness of finance and its expansion, the societal forces behind it, and the dangers that its expansion entails. Rather than being treated as a universal remedy, finance would become potentially problematic, while educating towards 'proper' individual financial conduct would no longer be the only viable solution for social issues. Other options not just targeting individual conduct would re-emerge as legitimate solutions, for example increasing social security may be a more valid and cost-effective means to ensure wellbeing after retirement [Willis, (2011), p.43].

Secondly, we find problems with claims about literacy as something universal and neutral. Developing literacy means enabling someone to do something in a particular manner and thus can be understood as a technology which extends human powers [Arthur, (2012a), p.13]. Literacy cannot be universal or neutral, but instead represents a particular choice which supports certain actions and reflections over others [Arthur, (2012a), p.13]. What constitutes a concrete form of literacy is not dictated by the topic but presents a choice about what actions literacy is meant to enable or hamper. This insight is frequently obscured by financial literacy programs when literacy is viewed as something of which there can only be more or less, ignoring questions about how knowledge and literacy are constructed. Lazarus points out that the very idea that consumers are biased towards faulty decisions is problematic:

> "The very word 'bias' implies that there is a default setting in terms of which people calculate appropriately and maximize preferences, as against which other forms of conduct appear to be psychological, cultural or social deviations that have to be combated." [Lazarus, (2016), p.28]

Following Foucault's concept of govern mentality as the conduct of conduct (Foucault, 1979), and akin to Arthur's (2012a) definition of 'literacy' as a technology extending human powers, Langley (2007) has analysed the inculcation of the principle of financial responsibility in individuals as 'a new technology of the self' that conforms to the financialisation of the economy at the macro-institutional level. This is a process in which various actors involved in diffusing financial literacy among the general population attempt to instil in individuals the knowledge, skills, disposition, and attitudes considered necessary for functioning as responsible and wise consumers in the financial sphere. However, if successful, such a process is not merely a superficial change, but an intrusive reconstituting of individuals. While rarely problematised, 'debiasing' consumers requires impacting people's emotional lives and changing their

> "Thought processes, feelings, motivations, and ultimately their values. Overconfident people must be trained to be less confident, and underconfident to be more confident. Impatient people must have their financial discount rates altered. Trusting people must be made less trusting." [Willis, (2011), p.431]

Literacy is no neutral tool but an intrusive technology infused with a particular understanding of the functioning of finance and financial markets. Since we concede that literacy can never be neutral, our claim is not that the constructedness of financial knowledge is a problem per se, but rather that it becomes a problem when advocates of financial literacy fail to reflect upon this constructedness.

As individuals are obligated to participate in the financial sphere as the main way to protect themselves from risks and uncertainties; their own and their family's welfare, security, and autonomy are depicted as depending largely on their own financial decisions (Langley, 2008). Thereby, responsibility is transferred from collective bodies to individuals expected to think and behave in terms of risk and reward on a personal level similar to that of investors in financial markets (Martin, 2002; Aalbers, 2008; Finlayson, 2009; Appadurai, 2012). Furthermore, the focus on behaviour and conduct understates the impact of poverty and more broadly the circumstances and conditions under which poor and disadvantaged groups have to make every day financial decisions.[6]

Most programs of financial literacy focus on training or enabling individuals to adapt to external economic circumstances which are accepted as given constraints. To grasp how programs for financial literacy function, we must ask what financial literacy programs assume the economic reality for which consumers must be trained. Financial literacy programs seek to shape the conduct of citizens to match a variety of macroeconomic shifts. Such shifts include the transfer of risks from the welfare state, employers, or trade unions to individuals and families: the so-called ‘individualisation of risk and responsibility’ [Delanty, (2014), p.212]. The erosion of the welfare state and its fundamental principle of providing security and protecting individuals from risk through collective insurance schemes (Ewald, 1993) has gone hand-in-hand with encouraging individual risk-taking and management in financial markets, and redefining risk from a potential threat to a potential source of revenue to be harnessed [Knorr-Cetina and Preda, 2014; Van der Zwan, (2014), p.111f].

Today, the individualisation, privatisation, and marketisation of risk management characterises important spheres of life, such as education, health, and pensions (Hacker, 2008; Van der Zwan, 2014; Carruthers, 2015). Hence, in financialised capitalism, public entities not only supervise and regulate financial markets, and occasionally create them, but also discipline individuals, requiring them to take responsibility for their financial decisions, as well as for their current and future economic situation. Yet, programs of financial literacy rarely reflect if these shifts and development should be challenged or questioned, instead prompting individuals to adapt to circumstances portrayed as a quasi-natural non-negotiable development shifting responsibility for the financial crisis in the process (Arthur, 2014b).

Financial literacy as seemingly apolitical consumer education gives the impression that financial consumption occurs in a sphere removed from politics. Without a broader theme of politicisation, financial literacy borders on what has been conceptualised as ‘anti-politics’, discouraging participation in politics and the public sphere [Wood, (2015), p.2]. Such a conception limits the action of citizens to consumer choices, accepting an individualised understanding of risk within unchangeable constraints. Conversely, ‘politicisation’ describes the awareness of agents that their collective action can make a difference [Wood, (2015), p.10] an understanding which is a fundamental element of developing a more CFL. As economic circumstances are clearly perceived as malleable through political action, political citizens aim to improve finance’s impact on society through collective action, jointly addressing the collective dangers it poses. In this vein, a CFL perceives civil society as giving momentum to political debate and strengthening regulators seeking to challenge demands by the financial industry (Thiemann and Birk, 2015). In contrast, consumer citizens are very limited in their ability to contribute positively to the process of financial regulation or the place of finance in society in general. At best, they passively steer the market through knowledgeable consumption and avoid funding fraudulent actors in the sphere of finance. In contrast with the passive financial consumer, the critical financially literate citizen with an understanding of the social construction of finance can boost civil society’s challenge to power equilibria within (for example) regulatory spaces.

Nevertheless, while there are many reasons to be critical of drives to broaden financial literacy programs and the involvement of private stakeholders in these programs, we do not oppose learning about the financial system and financial service providers per se. While knowledgeable consumption certainly is insufficient for fostering change and stability in the financial system, learning about legal rights and obligations, as well as the possibility of taking legal action in cases of malpractice or fraud, can empower citizens as long as they are not reduced to a passive role of consumption. Not all matters must be resolved through political action. Informed consumption may be suitable in many cases, such as when choosing financial products (OECD, 2005) or filing complaints with the respective authorities efficiently (OECD, 2013). Yet citizens must be able to recognise economic matters as contingent, resolving issues that can be resolved through consumption, but escalating to political actions for issues for which knowledgeable consumption does not suffice. While there are various possible pitfalls, a better understanding of the financial system could empower civil society as long as it is accompanied by a realistic understanding of how financial regulation and political change work.

Various NGOs (e.g., MoneyWi$e, Jump$tart Coalition and Khan Academy) are promoting mainstream financial literacy; yet more critical stakeholders like Finance Watch or CSOs concerned with the financial system, have been reluctant to get involved with the topic. Stakeholders interested in civil society's critical engagement with the expansion and regulation of finance should be aware of the problems inherent in mainstream financial literacy and how programs for financial literacy could benefit from their expertise. The danger of mainstream financial literacy's underlying understanding of change through consumption is that it undermines efforts to promote collective and socially just means of managing financial insecurity [Arthur, (2014a), p.41].[7] Without critical stakeholders counterbalancing overtly optimistic version of financial literacy, results of such programs might even be harmful for those most vulnerable: "Although it is dressed up as a 'modern' and 'technical' way of helping people to manage their money better, it is really part and parcel of a drive to moralise poverty" [Lazarus, (2016), p.32].

In its current state, financial literacy often undermines the chance for collective action and promotes a 'unity without solidarity' [Molnar, (2005), p.104]. However, what can be understood as the current 'poverty of financial literacy' (Arthur, 2014a), much like the financial system, should not be accepted as a fact of life. Instead, it should constitute a call to stakeholders who can identify with a CFL approach to develop a more critical and diverse financial literacy.

We seek to challenge the narrow understanding of citizens as financial consumers underlying the mainstream conception of financial literacy. Moreover, we also differ from existing concepts of financial citizenship.[8] We understand the financial system as a political arena approachable via political demands. Yet our concept of CFL seeks to avoid blind opposition between existing concepts; instead, it aims to promote interactions which encourage diverse modes of action according to the situation with which citizens are confronted. Therefore, we call on stakeholders in financial literacy to rethink financial literacy as a basis of political activism and policy change. Such stakeholders may rightly be wary of boosting the legitimacy of programs which deter the involvement of civil society in financial regulation. However, considering the extensive financial and political support these programs receive, it may be even more problematic if stakeholders refrain from trying to influence their content and scope.

Consequently, we propose to pursue an agenda of CFL that empowers citizens to actively shape rather than merely adapt to financialised capitalism. Building on the existing critical literature on financial literacy (Arthur, 2012a, 2012b, 2014a, 2014b;

Williams, 2007) and the educational material of critical stakeholders in financial literacy such as Finance Watch, we have identified two dominant 'visions' for financial literacy. On the one hand, we have a mainstream financial literacy pursued by many NGOs, banks, and other institutions in the file, that seeks to shape the conduct of consumer citizens of financial products; on the other hand, we have a CFL promoted by activists and more critical NGOs and CSOs that seeks to foster political action and intervention.

Table 1 Mainstream and CFL compared

	Mainstream FL	*Critical FL*
Concept of citizen	Consumer	Political actor
Concept of action	Knowledgeable consumption	Political intervention
Complexity of finance	Adapt	Challenge unwarranted complexity
Economic perspective	Narrow	Diverse
Underlying logic	Individual risk management	Collective action and debate

Source: Authors

In contrast to mainstream financial literacy, CFL focuses on the citizen as a political actor, who through political intervention[9] seeks to reduce the complexity of finance and question its societal merit. Such a perspective embraces different economic perspectives rather than merely the neoclassical mainstream, asking questions about the usefulness of finance (Turner, 2015); the boom and bust cycles that it inevitably brings about; and the necessity for systemic regulation (Borio, 2012). Such a perspective naturally entails a healthy skepticism concerning to what extent finance can solve the problem of supposedly cash-strapped welfare states (Hacker, 2008).

Based on these two visions of financial literacy, we identify two predominant modes of action for each approach, as evident in Table 2.

Table 2 Consumer action and political action opposed

	Consumer action	*Political action*
Internal logic	Improve finance through knowledgeable consumption	Improve finance through political intervention
External constraints	Economic circumstances as unchangeable constraint	Economic circumstances responsive to political demands/embeddedness of finance in regulation
Logic of coordination	Optimal social outcome through individual action	Optimal social outcome through interdependent action
Framing of problems	Individualised risks	Collective dangers

Source: Authors

A caveat is in order here: given the current state of our research, we do not seek to present a full- fledged program for implementing a CFL, but instead want to clarify the difference if we treat people as financial consumers or active citizens, and what financial literacy can gain from implementing more critical positions. To illustrate how active citizens, and education targeting active citizens could make difference, we examine an exemplary case in the following section. We investigate how civil society has contributed to actual policy change and the role of civil society in a progressive, CFL.

4 The empowered citizens and financial regulation

Instead of positing a causal link from financial literacy to the betterment of financial markets, we evaluate how civil society activism made a difference in financial regulation and consumer protection in praxis. We work backwards from observed positive outcomes of civil society activism to understand the multiplicity of factors necessary for shaping good regulation and enabling civil society to gain representation in the process. A crucial factor we found is the capacity to reach out to other actors to form coalitions around shared problems, and to pool resources to increase clout when facing a resource-rich industry.

Mainstream financial literacy assumes that good consumption can strongly affect financial markets by making them more stable and secure. We want to reverse that assumption. We assume that it is much more important to develop sound financial markets that become the foundation for good financial consumption. To reach that goal, it is most important to have good financial regulation that again contributes to shaping sound markets. Hence, we believe it to be important to consider what enables the emergence of good regulation and how the regulatory process functions. Understanding regulation requires an understanding of the power struggles it involves, as well as the importance of framing an issue as relevant and solvable through regulation. Financial literacy programs embody diverse views of the relationship between regulation and financial literacy. Some extreme positions proclaim that financial regulation will be unnecessary in a financially literate world [Willis, (2009), p.418], but more commonly financial literacy is perceived as complementary to regulation:

> "The promotion of financial education should not be substituted for financial regulation, which is essential to protect consumers (for instance against fraud) and which financial education is expected to complement. […] Other policy tools to consider are consumer protection and financial institution regulation." [OECD, (2005), Annex – I. Principles]

However, this account seems to understate the interdependence between effective regulation and civil engagement in regulatory issues. Actual regulatory procedures are far from the idealised process frequently evoked by financial literacy advocates problems are not always evident, and they do not necessarily generate political momentum on their own. Instead, the regulatory space is itself constructed by the actors and organisations involved, who must render an issue eligible for a regulatory solution, or have it excluded from the regulatory arena [Young, (1994), pp.84–85].

Regulation does not occur in a vacuum. Regulatory space is contested whereby agenda-setting and the perception of problems are the outcome of political struggle rather than the consequence of some taken-for-granted public interest. Moreover, public interest cannot be assumed to ensure the representation of issues of consumer protection and consumer empowerment in the regulatory process. As McCraw (1975) pointed out long ago, public interest is a vague and ill-defined term frequently mobilised by parties on both sides of the barricade to justify their actions.[10] At the same time, while the broader environment in which financial industry advocacy operates is important, it seems to be mostly dominated by relatively uncontested financial industry power [Pagliari and Young, (2015), p.310].

Regulators face a challenging political situation whenever they want to intervene in seemingly well-functioning markets. For example, it has been a long-standing problem that before financial bubbles burst, regulators were compelled to ward off fierce criticism from lobbyists. Lobbyists would question any regulatory intervention by raising concerns over the continuous financing situation of states and enterprises alike that presumably would become endangered by such interventions. In such situations, regulators are liable to become too forbearing, either because of regulatory capture caused by lobbyists' 'home field advantage' [Barth et al., (2012), pp.7–8], or because of indecisiveness caused by "limited information and penalties (which) regulators may face for making mistakes" [Bisias et al., (2012), pp.12–13]. This challenging situation is aggravated by the highly technical nature of financial regulation, which excludes the public from discussion, and leaving regulators without public support for action. Financial literacy could make a crucial contribution to fuelling a public interest in finance that supports regulators scrutinising the financial industry; and could make a crucial contribution to mobilising civil society to have a voice and to take an interest in a regulatory process that shapes an environment in which good financial consumption becomes possible.

Research suggests a dearth of plurality of interest groups in the design of regulatory policies, despite occasional attempts to strengthen the presence of "countervailing voices to the dominance of the financial industry and restore balance to the process" [Pagliari and Young, (2015), p.313] through policy proposals. Without a plurality of interest groups, what remains is mostly the voice of the highly funded financial industry. Civil society groups face a number of hurdles in mobilisation, limiting their impact as a countervailing force, leaving business interest to dominate financial regulatory policymaking. Hurdles for civil society groups to act collectively include a diversity of interests amongst different groups, troubles to secure highly specialised expertise and funding, and troubles to maintain pressure on regulators and the financial industry when the regulatory process can take years or even decades (Fares and Duncan, 2016). While business mobilisation around financial regulation contributes to interest group plurality, business interests are closely aligned with financial industry goals [Pagliari and Young, (2015), p.328].

We turn to an exemplary case of when CSO activism succeeded in pressing for better financial regulation to illustrate how civil society can make an occasional difference despite the dominance of financial industry interests. We then consider how we can relate the insights from this and similar cases to developing a CFL.

The financial crisis was a window of opportunity, enabling broad coalitions among CSOs to make an impact. Pro-reform advocates could tap into the public sentiment [Kastner, (2016), p.18], and build on a (temporary) de-legitimisation of the financial industry which somewhat neutralised the financial sector's organisational advantage (ibid, p.12). Eventually these advocates succeeded in motivating elected officials to act against narrow industry interests (ibid, p.13). However, prior to this heightened salience of the issue of financial regulation, demands from CSOs went unheard. How civil society made a difference can be summarised as follows:

> "Newly mobilized interest groups formed a broad-based pro-reform coalition as a countervailing force to financial industry interests, restraining the policy influence of the latter. As expected, diffuse interest groups acted as transmitters of public opinion, putting increasing pressure on policy-makers to actively pursue regulatory change, even counter to the interests of the more powerful financial lobby." [Kastner, (2016), p.20]

Yet when we compare factors deemed important in this case with the content of mainstream financial literacy we find that all the crucial aspects of this case are severely underrepresented in these programs. Instead, most decisive factors link with conceptualising the recipient of financial literacy as an active citizen rather than a financial consumer, capable of coalition building, actively pursuing and pressuring for policy change, and challenging rather than adapting to complexity. Other examples of successful CSO intervention would be the financial transaction tax (FTT) or transatlantic trade and investment partnership (TTIP) campaigns [Fares and Duncan, (2016), p.16].

Learning from cases where CSOs successfully make a difference would be tremendously valuable for shaping a CFL. Together with a realistic understanding of the regulatory and agenda-setting processes, teaching about the importance of such skills and activities would be crucial for developing a more CFL capable of truly empowering citizens. The regulatory process needs support from CSOs in order to fashion regulation that more fully addresses the financial sector's potential for negative externalities. Such a 'new era of hybrid private-public enforcement' [Braithwaite, (2008), p.63] would also help mitigate the 'cyclical nature of regulatory capitalism' [Braithwaite, (2008), p.32], where attention to regulatory reform is high after a crisis, but then quickly wanes. To counter the negative tendencies of this issue-attention cycle, CSOs, in collaboration with critical regulators and academic think tanks alike, should intervene in the regulatory process not only to disclose contradictions between scientific knowledge and regulatory action, but also to heighten awareness of these problems in the process of policy making.

At the current juncture of financial capitalism, taking an active role campaigning for change seems all the more necessary. Recent statements by the Financial Stability Board (FSB) indicate that the regulatory cycle has passed its peak: at the Brisbane G20 Summit in November 2014, the chair of the FSB announced that the "the job of agreeing measures to fix the fault lines that caused the crisis is now substantially complete" [FSB (2014), p.1]. The regulatory cycle that began at the height of 2008 thus seems to have come to an end, yet the regulatory results are far from satisfying (Turner, 2015). CSOs are required to keep public attention focused on these unresolved tensions. Thinking of regulatory action as a five-stage process consisting of agenda-setting, negotiation, implementation, monitoring and enforcement [abbreviation ANIME; Abbott and Snidal, (2009), p.46], CSOs can intervene in each stage in order to shape regulations that better represent public interests. However, to achieve that, they need public support.

With respect to agenda setting, civil society can ensure that policies unwanted by industry nonetheless stay on the agenda. In the negotiation phase, advocates for the public interest can form pro-change alliances with elements of the financial industry which could benefit from more stringent regulatory measures. In the implementation phase, regulators issue 'exposure drafts' presenting upcoming or considered regulatory changes for stakeholders to comment on, and seek input from interested parties on the impact of the proposed rules on the industry and on the public interest.

It is important at this point for civil society voices and think tanks to make themselves heard, reminding regulators of the initial goals that the legislation intended to achieve and highlighting current shortcomings with respect to these goals. By monitoring the work of regulators, CSOs can identify situations where academic or regulatory analysis identifies unfolding dangers; but the political economy of the situation causes regulators to leave these issues untouched. CSOs can detect such discrepancies and seek to problematise them, to either enforce the law or change it, as well as holding regulators accountable given lack of action.

However, in order to do this, they require a public which understands the importance of financial regulation and supports CSO intervention. There are various meaningful demands that could be made, e.g., a simplified and democratised regulatory process, lower barriers for the participation of CSOs, and better funding for CSOs [Fares and Duncan, (2016), p.33]. CFL, or an awareness of the systemic dangers inherent in finance as well as the contingent nature of financial regulatory frameworks which are subject to political struggles, can play an important role for enforcing such demands.

5 What are we proposing? The need for CFL

We urge CSOs with a critical stake in financial regulation to seriously concern themselves with the content and scope of these broad and highly funded financial literacy programs. Financial literacy programs are here to stay, fuelled by industry resources, political goodwill, and an appeal to ‘common sense’ reasoning. Hence, we believe that it is all the more important for critical stakeholders to evaluate how their expertise can impact financial literacy programs and to push for the inclusion of a more critical take on financial matters. Considering how a lack of salience has been decisive in hindering civil society mobilisation on matters of financial regulation before the crisis, we do not argue per se against financial literacy, but rather against its overly narrow focus and understanding of both regulation and education.

A CFL would focus on the outcome of good regulation and individual empowerment, especially drawing on cases where CSOs successfully made a difference. Based on such cases, critical researchers can work their way backward towards identifying the conditions which fostered such outcomes, rather than just assuming outcomes and defining conditions *a priori*. Financial literacy programs which aim to deliver on the broad promises made in such programs would have to be more informed by the critical perspective of social sciences rather than the technological understanding of social engineering.

However, juxtaposing these two concepts of financial literacy – mainstream and critical – is not meant to encourage the perspective of a binary opposition between them. Instead, we encourage critical stakeholders in financial literacy to seek a synthesis to harness the legitimate benefits of current financial literacy programs. While much about these programs has to be seen critically, in particular their de-politicising aspects, other aspects may well benefit citizens. Prospective benefits range from understanding their legal rights to an awareness of predatory lending practices, as well as practical knowledge of legal options following unjust treatment. Nonetheless, financial literacy should not nurture unrealistic expectations about changing finance through consumer choice, which is liable to cause citizens to abstain from political intervention. Ideally, actors would become capable of switching between modes of action according to each situation. Financial literacy as such should thus not be merely negated, but enriched with notions of collective action, both on the transaction level (legal) and on the political level.

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Notes

1 http://www.finance-watch.org/hot-topics/campaign-change-finance/four-demands/finance-makes-the-rules.

2 See for example (OECD, 2013) or efforts by the European banking association available at http://www.europeanmoneyweek.eu/.

3 Arthur (2012b) suggests a similar concept of critical financial literacy, juxtaposing a neoliberal consumer-citizen with a concept of politicised critical citizenship. We draw on his work but seek to expand it by including the experience of civil society organisations and activists to turn critical financial literacy into a concrete agenda.

4 PISA is the Programme for International Student Assessment (PISA), a triennial international survey which aims to evaluate education systems worldwide (http://www.oecd.org/pisa/aboutpisa/).

5 Yet the positive impacts of financial literacy have frequently been assumed rather than proven. At best, research produces mixed results, and sometimes no meaningful impact of financial literacy on financial conduct is found [Lazarus, (2016), p.31]. Even where financial education programs appear to have produced results, the short-lived nature of the impact of financial literacy means citizens would require frequent financial education throughout their lives [Willis, (2011), p.430].

6 While particularly vulnerable groups are a frequent topic in research on financial literacy, such research predominantly focuses on optimising financial literacy programs towards engaging such groups, rather than reflecting on broader topics of inequality and social justice.

7 This should also be seen in light of the increasing presence of businesses in the education sector (Engartner, 2016).

8 Two dominant currents can be identified in the research on financial education. One focuses on 'financial exclusion' and subsequent topics of poverty and inequality, dominated by researchers from the social sciences; the other focuses on 'financial literacy' and 'financial education' dominated by researchers in economics [Lazarus, (2016), p.28]. OECD programs targeting financial education are predominantly driven by a focus on consumer education and on economic research and expertise. In light of our aim of encouraging civil society to change and challenge the financial system, we propose an approach that differs from both these dominant currents. While we are sympathetic to the social science studies on financial exclusion and their focus on granting access to financial services to those on the fringes of society, they view financial citizenship more in terms of civil rights [French et al., (2011), p.29] than in terms of political activism.

9 Interventions such as utilising political channels to foster change, or organising political groups to campaign for certain goals.

10 For example, in the British case of hedge fund regulation following the crisis, hedge fund managers succeeded in linking their activities to growth and employment and consequentially equating their interests with those of the public [Sennholz-Weinhardt, (2014), p.1254], pushing regulators towards decisions that did not undermine the competitiveness of the British financial sector [Sennholz-Weinhardt, (2014), p.1252]. In this regard, the term 'public interest' resembles the regulatory space itself in that it is contested and open to occupation by various groups arguing that their case is in line with the public interest.