





FINANCIALISATION: WHAT HAVE WE LEARNED?

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Summary

1. The Methodology of Financialisation
2. Debt Structures in the Financial Crisis
3. Debt Structures in the Developing World
4. Post-Financialisation

1. The Methodology of Financialisation

- Early discussions on the meaning of financialisation
- ‘exogenous’ or ‘endogenous’?
- ‘Ricardian’ or credit models of the economy?
- → Interest/Debt service as ‘quasi-rent’ vs. pure distributional theories of interest/debt service.
- Household debts as debts of SMEs.

2. Debt Structures in the Financial Crisis

- Consensus on growing household debt + falling wage share → sub-prime mortgage default → crisis in mortgage-backed securities → Lehman Bros. failure → Great recession
- Vs. Central bank/official view: Chinese savings glut/low interest rates → under-pricing of risk etc.

3. Debt Structures in the Developing World

- Financialisation of developing countries through capital inflows (UNCTAD Trade & Development Report 2015);
- Blended (private/public) finance;
- Growth of private sector external borrowing (esp. after Quantitative Easing).
- Importance of monetary cycle in US

4. Post-Financialisation?

- A new research agenda that
- Takes account of financial market **process** i.e., does not argue from correlation between finance and other outcomes but examines *how* outcomes emerge from particular types of financing;
- Examines *how* particular debt structures come about and to what processes they are endogenous.

Challenge to mainstream analysis

- Agent-based models with ‘financial frictions’ (Goodhart & Tsocomos);
- DSGE with inter-bank market subject to random defaults (de Walque, Pierrard & Rouabah)

Debt/Credit structures

- Gross vs. Net Debts/Credits (Borio)
- Private vs. Public Debt
- Role of Corporate liquidity (Koo etc.)