FESSUD

FINANCIALISATION - ECONOMY - SOCIETY - SUSTAINABLE DEVELOPMENT

This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 266800

FINANCIALISATION: WHAT HAVE WE LEARNED?

Jan Toporowski

School of Oriental and African Studies

University of London

This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 266800

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.

FESSUD
FINANCIALISATION - ECONOMY - SOCIETY - SUSTAINABLE DEVELOPMENT

This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 266800

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.

This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 266800

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

This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 266800

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.

This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 266800

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)

This project has received funding from the European Union’s Seventh Framework Programme for research, technological development and demonstration under grant agreement no 266800

Debt/Credit structures

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

This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 266800