



THE FINANCIALISATION OF ALMOST EVERYTHING

**PKES Summer School
26 June 2020**

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LECTURE OVERVIEW

- Definition
- Sectoral manifestations
- Finance & Democracy
- COVID-19: The end of financialisation?

DEFINITION

What do you associate with the term
“financialisation”?

Please go to www.menti.com and use the code:
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DEFINITION

“Financialization means the increasing role of financial motives, financial markets, financial actors and financial institutions in the operations of the domestic and international economies.” Epstein (2005, p.3)

- Financial deepening?
- Anything to do with money/finance?
- No, rather:

“structural expansion and intensification of financial markets in capitalist socio-economic processes” (Bonizzi & Karwowski, forthcoming)

A SECTORAL VIEW

Macro-influenced view:

- Non-financial companies
- Financial sector
- Households
- Foreign sector
- The state

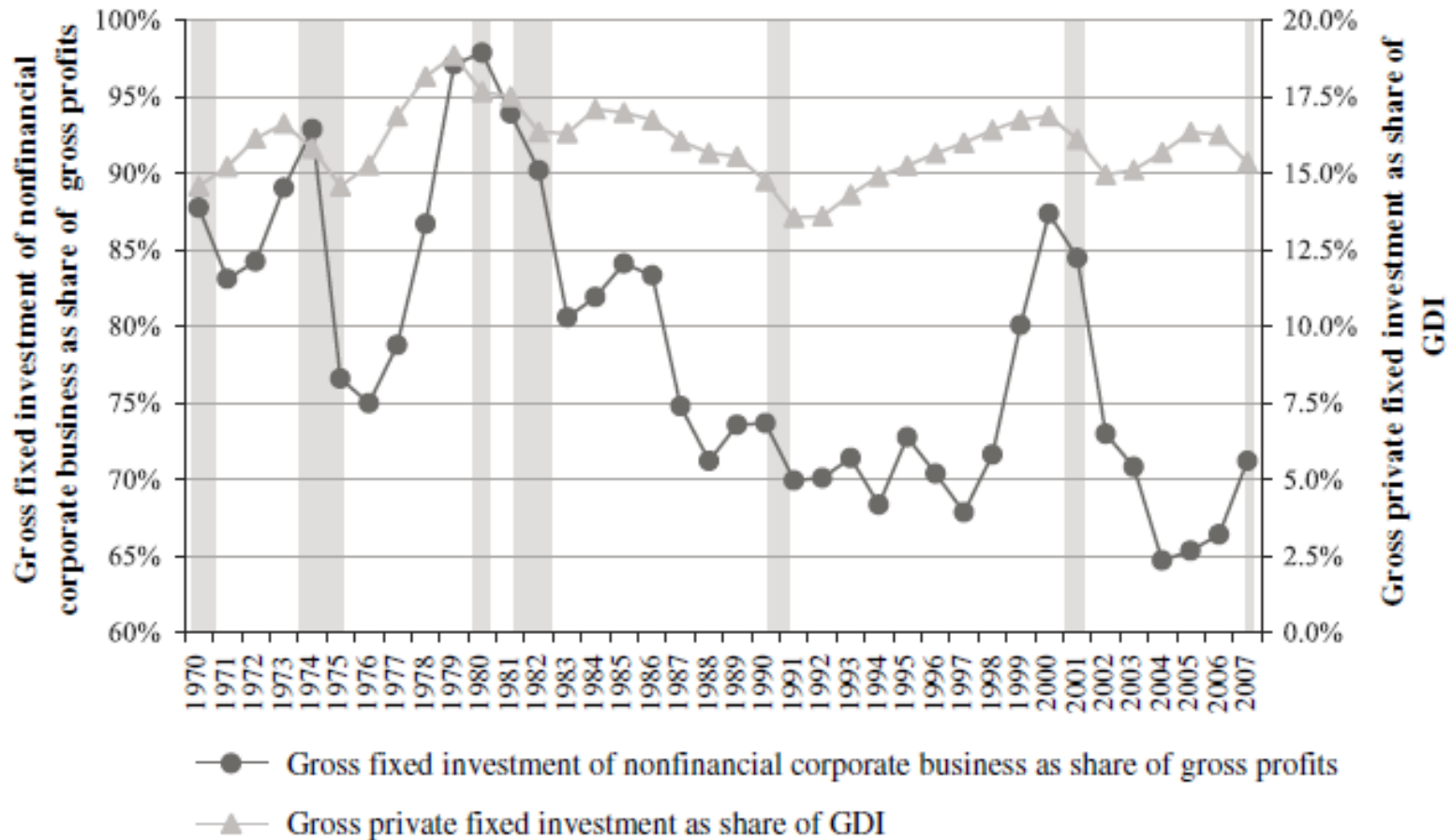
NON-FINANCIAL COMPANIES

Why did NFC investment in major OECD economies slow down since the 1980s?

NFCs are squeezed by the rentier (Stockhammer 2004, Orhangazi 2008, Demir 2007, 2009)

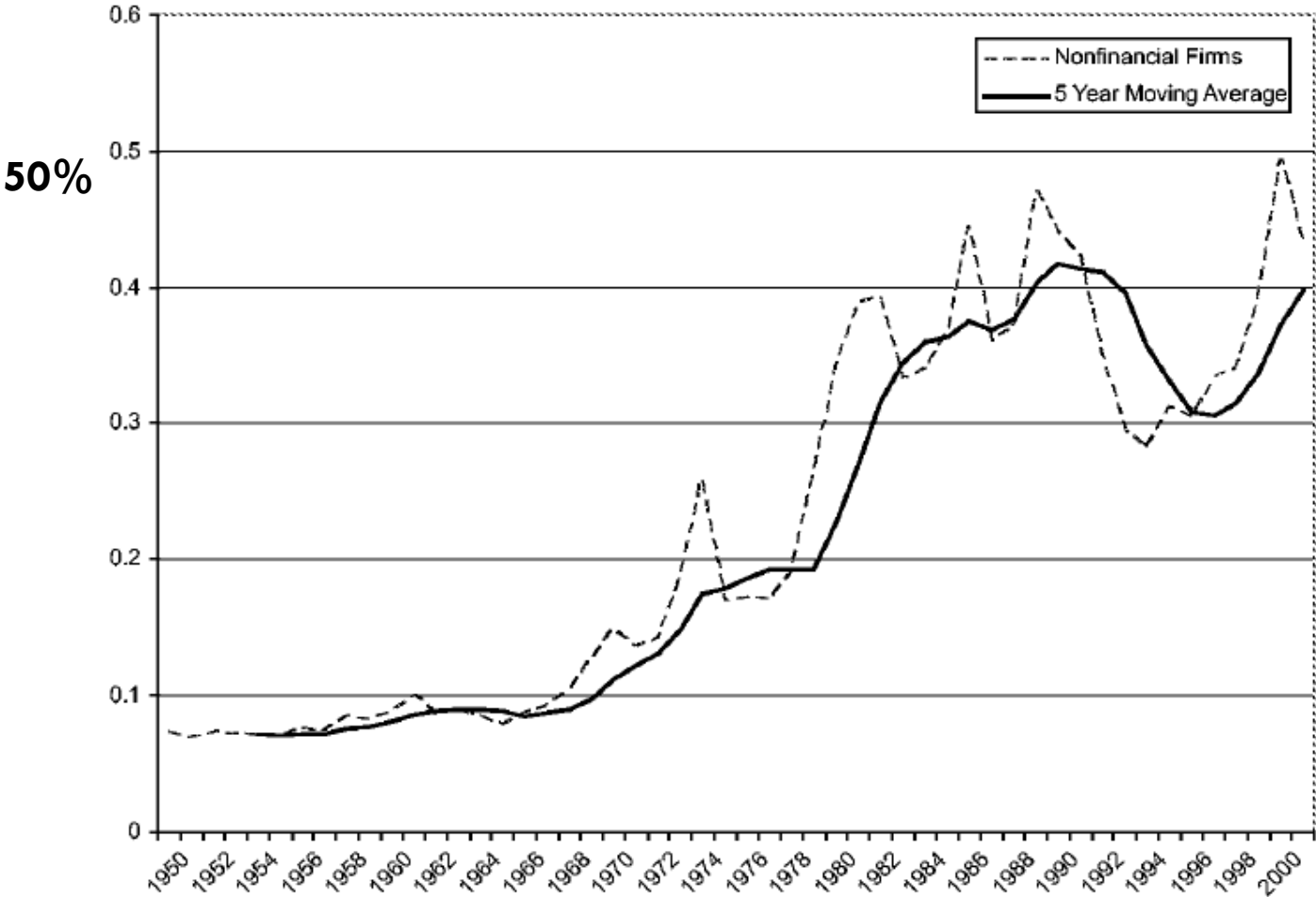
Shareholder value has to be generated: Shift from 'retain and re-invest' to 'downsize and distribute' (Lazonick & O'Sullivan 2000)

US investment shares, total & NFCs, 1970-2007



Milberg & Winkler 2010.

Ratio of portfolio income to cash flow for US NFCs



Krippner 2005.

FINANCIAL SECTOR

Large institutional investors have emerged since the 1980s.

Assets of institutional investors as % of GDP

	Pension funds		Insurance companies		Investment companies		Total assets	
	1980	2000	1980	2000	1980	2000	1980	2000
Canada	16	48	17	29	1	37	35	114
France	9	69	3	63	11	132
Germany	2	3	13	39	3	38	18	80
Italy	..	5	..	21	..	39	..	98
Japan	4	19	17	60	16	11	37	98
United Kingdom	21	79	22	103	6	31	49	213
United States	28	69	23	41	5	66	56	199

Source: OECD, *Institutional Investors Statistical Yearbook*, 2003

Evans 2009.

Capital market inflation: Shift from pay-as-you-go pensions to funded pensions (Toporowski 2000, Clark 2000)

Deregulation has led to financial 'innovation' (e.g. shadow banking, see Pozsar et al., 2010)

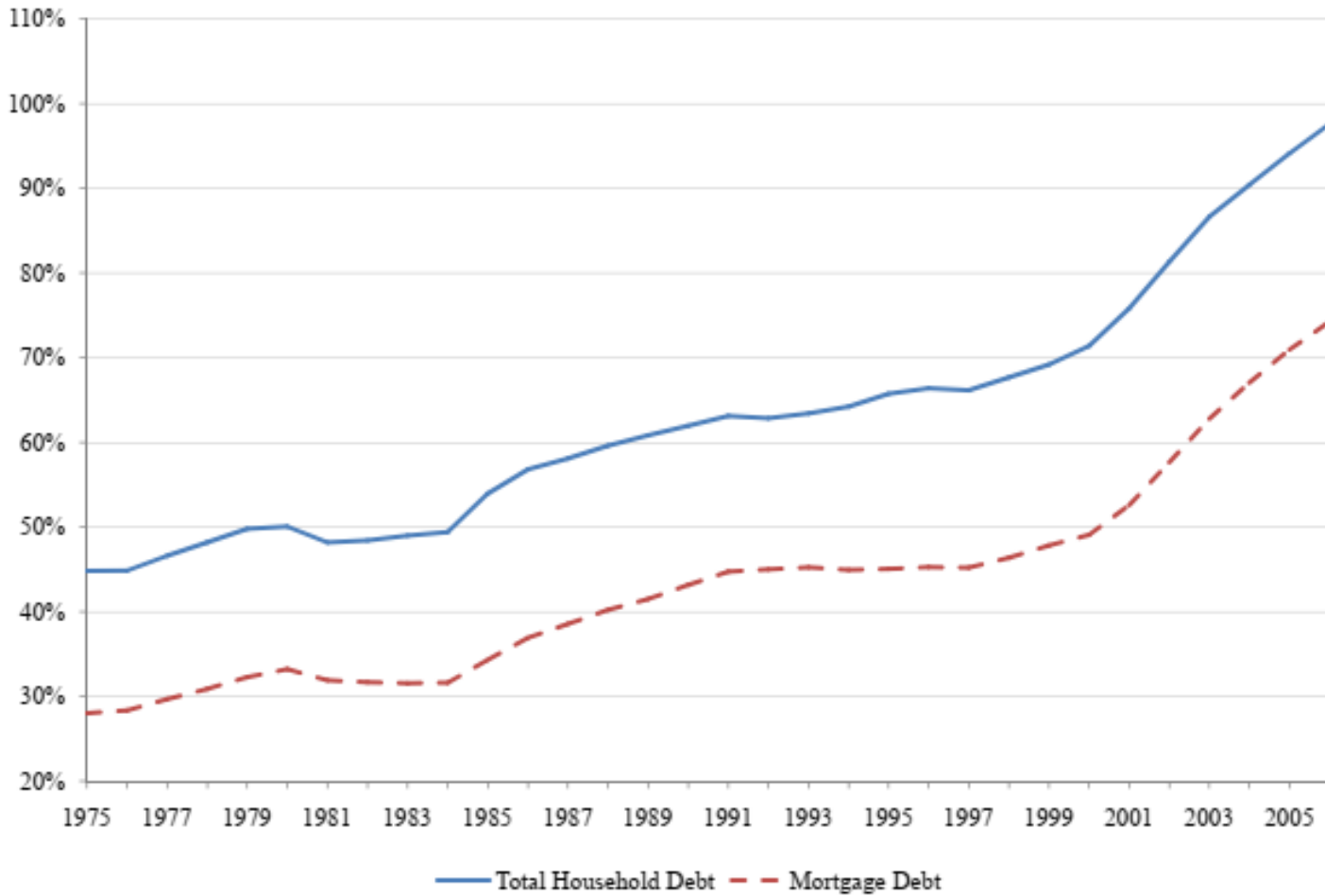
HOUSEHOLDS

The financialisation of everyday life (Martins 2002) is an important research field among cultural political economists, economic geographers, sociologists etc.

Individuals are turned into balance sheets (debtors) through their mortgage/ student loan commitments and pension fund investments.

Wage stagnation and cuts to welfare provision make household debt important driver of growth (Crouch: 'privatized Keynesianism').

US household debt as share of GDP, 1975-2005

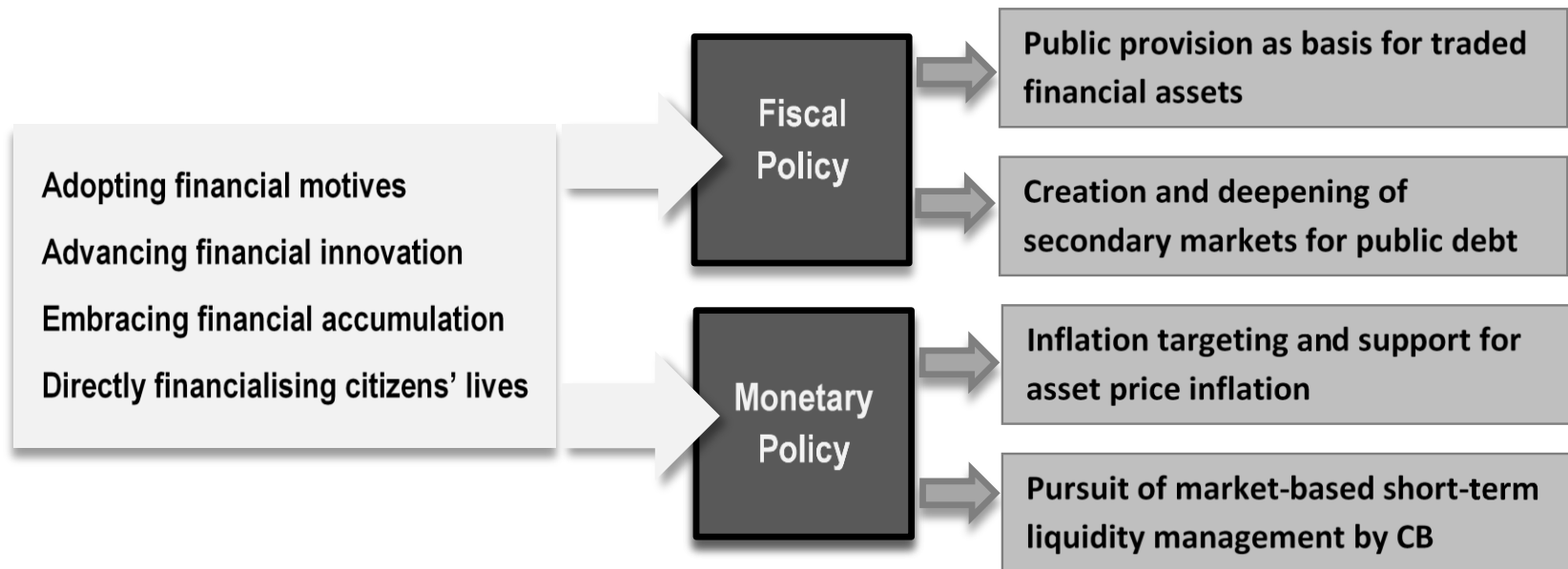


Cynamon & Fazzari 2008.

FOREIGN SECTOR

- financialisation research agenda emerged in the context of rich countries
- distinctiveness of financialisation in global South generally agreed: strong role for foreign 'drivers' of financialisation
- foreign financial inflows (portfolio & FDI)
- external policy advice/intervention (IMF, World Bank)

STATE FINANCIALISATION



State financialisation is ‘the increasing influence of financial logics, instruments, markets, and accumulation strategies in state activities in a way potentially detrimental to the state’s accountability towards its citizens’. (Karwowski 2019: 1002).

FINANCIALISATION AS OPPORTUNITY?

- Torrance (2009): Financial markets as new revenue source
“Australian cities have incorporated the institutional investors’ participation as a way to develop infrastructure assets in a **more economical manner** while American cities are under pressure to raise funds due to cash strapped budgets....processes are developing in which sophisticated financial and legal instruments are capturing the value of a place while **distributing the risk of it around the globe**” (p. 817)

Example: WELFARE PROVISION

How expenditure is financed can shape welfare provision

Example: Social impact bonds

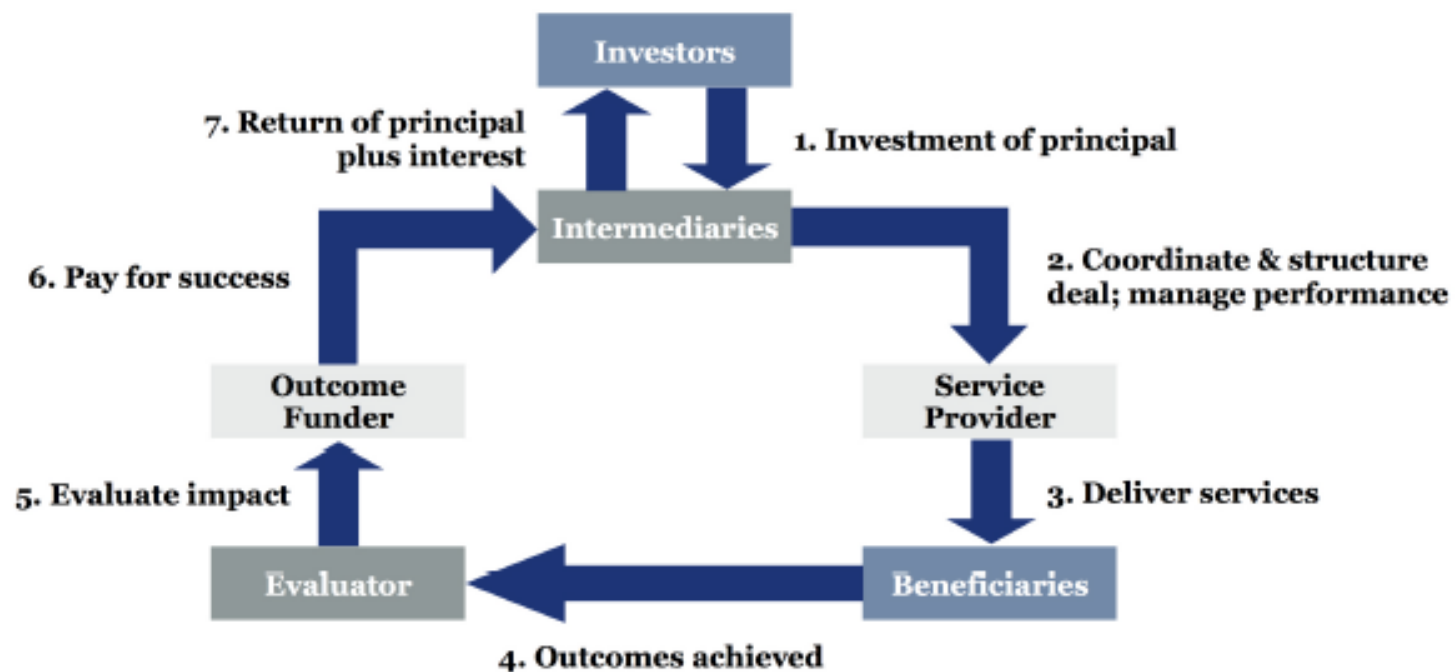


Figure 1: The default mechanism of SIBs.

Andreu 2016.

A HIGHLY PROBLEMATIC OPPORTUNITY

- policy design is de-politicised (Allen & Pryke 2013)
- less transparency/accountability due to opacity of financial instruments & need for financial experts (SIB; tax-incremental finance, Pacewicz 2013)
- accountability is to financial investors not to society/ public institutions (SIB, Cooper et al. 2013)
- a shift in aim: from public provision to financial profit generation (impact on policy design: maturity, measurability)
- austerity (narrative) enables this shift (active role of the state)

FINANCIALISATION & DEMOCRACY

Recent research:

- Nölke (2020): size, network character & complexity of financial sector undermine democracy
- Jessop (2013: 83): democratic deficit is not unique to financialisation & decades-old, BUT: it has 'been strengthened by the expansion of a finance-dominated accumulation'
- BUT state financialisation is not merely imposed on public institutions but happens from 'within' (re-regulation?)

OPEN QUESTIONS

COVID will change the world but will it change financialisation?

Will there be a roll-back of financialisation?

Or will this crisis be an opportunity for the further spread of financialisation?