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# 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.

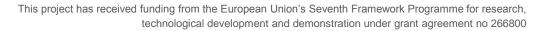




# 3. Debt Structures in the Developing World

- 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)



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#### Debt/Credit structures

• Gross vs. Net Debts/Credits (Borio)

• Private vs. Public Debt

• Role of Corporate liquidity (Koo etc.)



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