

# Financialisation Economy Society and Sustainable Development

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## Financialisation

- The project came from a bid call which included ‘designing the financial system to better serve economy, society and the environment’



- The project is inter-disciplinary with economics concentration
- Seeks to examine the relationships of the financial system with environment (Work Package 7), households and society (Work Package 5), global development issues (Work Package 6) and industry (Work Package 8)



- Policy work packages – Regulation (Work Package 4), and Macroeconomic Policies (Work Package 9)



- Our focus is **financialisation** rather than financial markets – the financial system as a whole, its growth in economic, social and political terms, and the nature and consequences of that growth.



## Financialisation

- ‘financialization means the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies’ (Epstein, 2005).



## Financialisation

- We document in our reports on 15 national financial systems, the rather rapid growth of the financial system which has been quasi-universal though from different starting points and taking different forms. (Work Package 2)



## Financialisation

- The continuing growth of the banking sector, the relatively faster growth of the financial markets, securitisation and derivatives, enlargement of assets and liabilities, rise of consumer debt, high profits of the financial sector, relationships between the financial and non-financial sectors.





## Features of financialisation

- What has been the effect of financialisation on economic performance ? And on crises?



## Financial crises

- The 'global financial crisis' as a series of interlocking financial crises with contagion (Work Package 3)
- Was the GFC a 'unique' event?



## Features of financialisation

- Bank-based vs. market-based financial systems; the dissolving of that dichotomy



- The relationship between the financial sector and the non-financial sector;
- Pursuit of shareholder value,
- The engagement of the non-financial sector in financial activities.



- The roles of alternative financial institutions  
e.g. credit unions, micro finance



?

- Some remarks on regulation etc..
- Is effective regulation possible?
- Agency capture; but also the regulators ;
- Regulation assesses risk – and the waves of optimism, hubris etc; the long Minsky wave;
- What should be included under the heading of regulation, e.g. role of taxation, restructuring the financial sector