

Financialisation at a Watershed in the USA

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Abstract:

In the period following the Great Recession of 2007-9 the financialisation of the US economy reached a watershed characterised by stagnant financial profits, falling proportions of financial sector and mortgage debt, and rising proportion of public debt. The main macroeconomic indicators of financialisation in the USA show structural breaks that can be dated around the period of the Great Recession. The reliance of households on the formal financial system appears to have weakened for the first time since the early 1980s. The financial sector has lacked the dynamism of the previous three decades becoming more reliant on government. The state has increased its own indebtedness and supported large financial institutions via unconventional monetary policy measures. At the same time, state intervention has tightened the regulatory framework for big banks. The future path of financialisation in the USA will depend heavily on government policy with regard to state debt and financial regulation, although the scope for boosting financialisation is narrow.