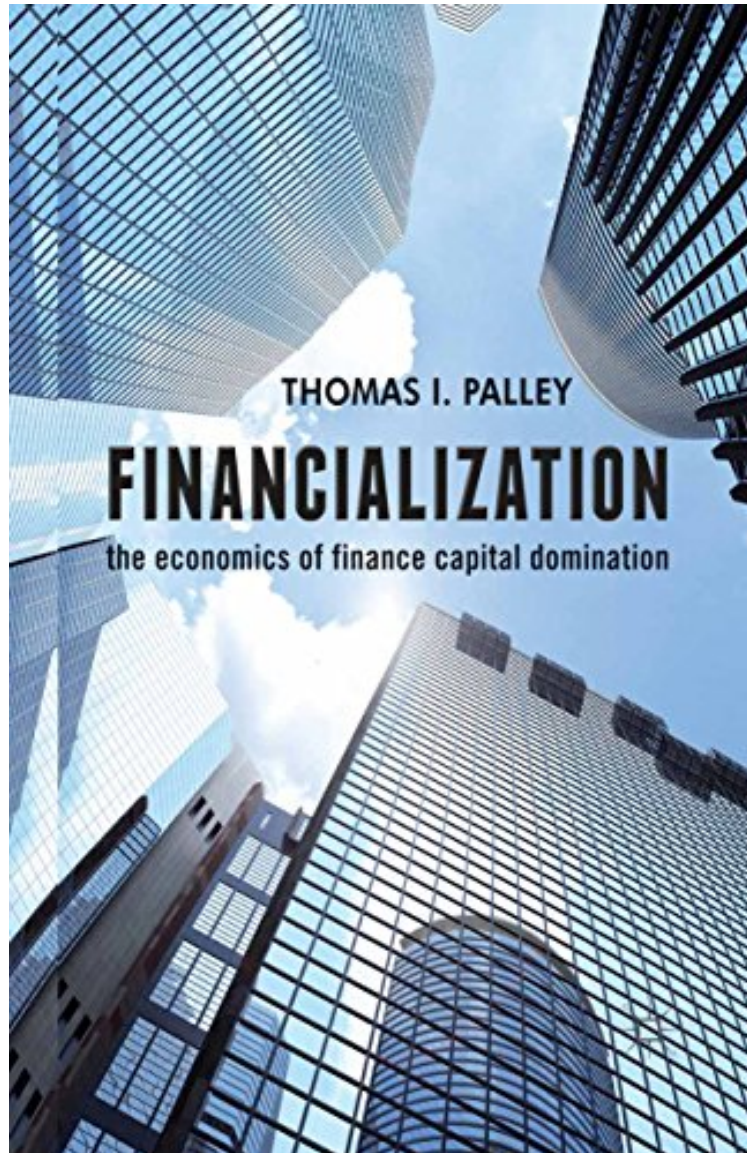


Financialization: The Economics of Finance Capital Domination

T. Palley

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T. Palley : Financialization: The Economics of Finance Capital Domination before purchasing it in order to gauge whether or not it would be worth my time, and all praised Financialization: The Economics of Finance Capital Domination:

1 of 3 people found the following review helpful. A biased narrative of financializationBy merjetThe writing is clear but I can't say much else in favor of this book.An enemy comes in handy for expressing political opinions. Mr. Palley's enemy is neoliberalism, which deserves all blame for any economic woes. He defines neoliberalism as the idea that a laissez-faire deregulated market economy is the best way to promote individual freedom and the best

way to promote economic efficiency and well-being. It is his gateway to his criticism of financialization. Financialization is a process whereby financial markets, financial institutions, and financial elites gain greater influence over economic policy and economic outcomes. Financialization transforms the functioning of economic systems at both the macro and micro level; (8-9). When I look at the growth of the financial sector of the US economy, I can name at least three empirical factors. 1. From 1960 to 2015 exports and imports grew from about 9% of GDP to about 28% of GDP. Exports and imports require foreign currency exchange, at least the cash market and often derivative markets. Banks, part of the financial sector, facilitate most such exchanges for non-financial businesses. 2. Since about 1973 when the Black-Scholes model, which enabled the theoretical pricing of options was published, the derivatives market has grown very rapidly. Of course, implementation of the Black-Scholes model, and other derivatives pricing innovations, triggered a significant growth in jobs in the financial sector. 3. In the latest 40 years or so, transaction costs for trading stocks and other securities fell dramatically. That plus the number of individuals doing transactions rising due to 401(k) plans and IRAs has raised the volume of trading. The rise in the volume of trading has raised the number of people employed in the infrastructure for trading, which is part of the financial sector. 4. Financial sector development assists the growth of small and medium-sized enterprises by giving them with access to finance. In Mr. Palley's narrative none of the above had anything to do with a growing financial sector. It is simply the financial sector grabbing a larger share of the economic pie at the expense of others, especially labor. Even competition from foreign labor had nothing to do with stagnant wages and American labor's lesser share of the economic pie. Palley blames free trade and capital mobility (too free), both advocated by neoliberalism, and financial manager pay. The categories workers and the financial sector are not as dichotomous as Palley portrays them. There are workers in the financial sector. There are workers, especially retired ones, with financial sector income in the form of investment income. In a table (p. 28) he shows payments to capital, which is contrasted to payments to labor and includes "non-farmers proprietors' income." A chunk of that income is far more like wages for labor — for example, self-employed electricians, plumbers, salesmen, Uber drivers, etc. — than it is interest or dividends and corporate profits. Concerning the causes of the financial crisis of 2008 he briefly gives others' explanations that he disagrees with. One is hard-core neoliberalism or the government failure hypothesis. Another is soft-core neoliberalism or the market failure hypothesis. In Palley's opinion the only cause was the financial sector, encouraged by neoliberals and Republicans, selling mortgages to people who couldn't afford them. In his narrative government programs to increase home ownership via more mortgage lending, and government created and backed Fannie Mae and Freddie Mac, had nothing to do with the bubbles and crashes of sub-prime mortgages and the housing market. He even holds Fannie Mae and Freddie Mac blameless. See Wallis's "Hidden in Plain Sight" for a thorough rebuttal. In Palley's view, following that of Hyman Minsky, the cause of all economic woes and instability are in the capitalist private sector, especially by taking on more debt. Governments meddling, spending and their taking on more debt are given a pass. He tries to justify all this with some fancy math, much lacking in empirical support. Palley depicts the neoliberal paradigm with a graphic box. Workers are inside the box, and outside the box are forces pressuring them: globalization, less than full employment, small government, labor market flexibility. He depicts his advocacy with another box. Corporations and financial markets are inside the box, and outside the box are forces pressuring them: managed globalization, full employment, social democratic government, and solidarity labor markets. Managed globalization includes managed capital flows — all by government intervention, of course.

The term financialization is a term that has become popular to describe developments within the global economy, and particularly within developed industrialized economies, over the past thirty years. The book is divided into four sections, which together give a comprehensive treatment of the economics and political economy of financialization.

About the Author THOMAS PALLEY is an economist living in Washington DC, USA. He is currently Senior Economic Policy Adviser to the AFL-CIO in Washington DC. He was formerly chief economist with the US — China Economic and Security Commission. Prior to joining the Commission he served as director of the Open Society Institute's Globalization Reform Project and as assistant director of Public Policy at the AFL-CIO. He is the author of *Plenty of Nothing: The Downsizing of the American Dream and the Case for Structural Keynesianism*, Princeton University Press (1998); *Post Keynesian Economics: Debt, Distribution and the Macro Economy*, Macmillan/St. Martins Press (1996); *From Financial Crisis to Stagnation: The Destruction of Shared Prosperity and the Role of Economics*, Cambridge University Press (2012); and *The Economic Crisis: Notes From the Underground*, CreateSpace (2012). He has published in numerous academic journals, and written for *The Atlantic Monthly*, *American Prospect* and *Nation* magazines. His numerous op-eds are posted on his website www.thomaspalley.com. Dr. Palley holds a B.A. degree from Oxford University, UK and a M.A. degree in International Relations and Ph.D. in Economics, both from Yale University.