I. Introduction: financialisation has several aspects

During the last three decades, the world-economy has been marked by financialisation, typified by the dominant position of finance and the extraordinary growth of financial activities.¹ Financial systems have grown in terms of employment, profits, size of institutions and markets all of which have been promoted by technological revolution. However, financialisation has been associated with a number of further developments. One of these has been the transformation of the relationship between state and economy.

An indication of the changing relationship between state and economy is given by the role of the central bank. Throughout the process of financialisation, central banks have become ostensibly independent from political decision-making mechanisms. Moreover, the importance of central banks has increased

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and their main goal has been reduced to price-stability. Inflation-targeting policy has become the main monetary-policy agenda across the world.

Financialisation has also changed the relationship between developed and developing countries. Huge international capital-flows to developing countries forced the latter to accumulate international reserves which, in turn, served to finance the US current-account deficit. The main beneficiary of this process has been the US as issuer of the main form of the international means of payment. The result has been net lending by the poor to the rich in the world-economy thus positing the issue of imperialism afresh. Following Harvey’s definition, echoing Ranajit Guha, this can be referred to as ‘domination without hegemony’.

Further phenomena of financialisation include deregulation of the financial sector, proliferation of new financial instruments, liberalisation of international capital-flows and increasing instability on foreign-exchange markets. There has also been a shift toward market-based financial systems, emergence of institutional investors as major players in financial markets, and domination of corporate governance (of financial and non-financial business) by shareholder-value.

The literature on financialisation has also expanded, and the phenomenon has been differently described by scholars. According to Epstein, financialisation refers to ‘increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies’. Aglietta and Bretton focused on equity-markets as the dominant force of ‘new financial system’ which shapes the growth-régime. For the regulationists, financial liberalisation has been the most important institutional driver of changes in the growth-régime.

Stockhammer, Crotty, Skott and Ryoo mostly focused on macroeconomic results of financialisation and used the term to describe the transformation between non-financial and financial market-relations. Other authors, such as Froud, Haslam, Johal and Williams, have analysed financialisation at the

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2. See Lapavitsas in this volume.
5. Epstein 2005, p. 3.