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Financialisation, financial chains and uneven geographical development: Towards a research agenda

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ABSTRACT

This paper examines a critical relationship between finance and uneven geographical development, using Europe as a point of reference. It argues that the existing economic geography literature fails to fully address the implications of financialisation for uneven geographical development. In particular, and despite recent renewed interest in geographies of finance, there does not seem to be a coherent theory of debt and its spatialities. The paper argues that the lack of a coherent theoretical framework on spatialities of credit–debt is a major shortcoming and highlights the need for a geographically-informed view of financialisation and its implications for uneven development. As a way forward, the paper proposes a new approach based on the concept of 'financial chains' understood both as channels of value transfer and as social relations that shape socio-economic processes over space and time.
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1. Introduction

Europe is at the crossroads. The impact of the global financial crisis that hit the continent in 2008 continues to cast a long shadow over European economies. The financial core of Europe has been badly shaken. The continuing trouble in the Eurozone and its possible fragmentation not only threatens the single currency (the hallmark of European economic and financial integration), but has wider political and economic implications. Indeed, it is no exaggeration to say the European integration project itself is under a threat. The future of the European Union (EU) is at stake.

If there is anything positive about the on-going financial and economic crisis at all (and the particularly virulent form it took in Europe), it is that it raises fundamental questions about what kind of Europe we (the Europeans) actually want and what needs to be done to get there. If the economic, social and territorial cohesion and sustainability is still a goal for the EU (an aspiration that sets it apart from the US) then the processes that undermine such a goal need to be thoroughly investigated and properly understood in order for them to be successfully addressed. Rehearsing the old stereotypes about prudent (Northern) core and feckless (Southern) periphery as a way of understanding economic differences and crisis in Europe is not necessarily helpful[1].

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[1] For a recent intervention in this stereotypical vein see Jürgen Stark's article in the Financial Times (Stark, 2015) in which he argued that 'in contrast to many eurozone countries, Germany has reliably pursued a prudent economic policy. While others were living beyond their means, Germany avoided excess. These are deep cultural differences and the currency union brings them to light once again'. Such views are all the more surprising giving that their author is a former European Central Bank board member.

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This paper argues that one such process that deserves full attention from academics, policy-makers, practitioners and public alike is the process of *financialisation*. Financialisation, shorthand for the growing power of finance over societies and economies, has already attracted a considerable attention from among the social scientists (while, ironically, making only limited progress in academic finance – for an exception see Lagoarde-Segot, 2015). In fact, there is a growing consensus among social scientists (political economists, political scientists, sociologists, business studies scholars and geographers alike) that financialisation represents the key feature of contemporary capitalism and its dynamics (e.g. Epstein, 2005; Krippner, 2005; Froud et al., 2006; Engelen, 2008; Pike and Pollard, 2010; Marazzi, 2011). Simultaneously, there is also a growing recognition that mainstream economics is ill-equipped to fully appreciate the role of finance in the economy and its crisis tendencies (e.g. see Toporowski, 2010; Keen, 2011; Pettifor, 2014). This has been fully demonstrated in the global financial and economic crisis, giving further impetus to the studies of financialisation. Numerous accounts have convincingly demonstrated that financialisation has, in fact, been the key factor behind the crisis (e.g. Aalbers, 2008; Stockhammer, 2012; Lapavitsas, 2013).

This paper argues, however, that there are a number of aspects of financialisation that have been neglected so far. Indeed, limited attention has so far been paid to the 'financialisation of the state' and 'financialisation of finance', for example. In addition to this, and despite a growing realisation that financialisation is essentially a *spatial* process, geographically-informed view of financialisation remains underdeveloped. This shortcoming is compounded by the fact that the bulk of the literature on financialisation has so far focused on advanced capitalist countries (especially US, UK and Western Europe) at the expense of other geographical contexts. Yet, it is through the elucidation of the ways in which the tentacles of finance are connecting various geographical places that insights into the links between financialisation and uneven development can be gained. Such insights, in turn, are of crucial importance for the territorial cohesion in Europe and for debates on uneven geographical development more generally.

This paper thus aims to examine a critical relationship between finance and uneven geographical development, using Europe as a point of reference. It argues that the existing economic geography literature –despite its potential to do so – fails to fully address the implications of financialisation for uneven geographical development. In particular, and despite recent renewed interest in geographies of finance, there does not seem to be a coherent theory of debt and its spatialities. We are therefore left without critical theoretical insights precisely at the moment when such insights are needed the most. The paper thus calls for a mobilisation of new approaches and tentatively proposes a novel approach based on a notion of 'financial chains'. The concept of 'financial chains' introduced here understands 'financial chains' both as channels of value transfer (between people and places) and as social relations that shape socio-economic processes and attendant economic geographies. Prime examples of 'financial chains' are credit–debt relationships that criss-cross Europe and link households, financial institutions, enterprises, nation-states, supra-national structures and financial markets together, with significant implications for economic fortunes of localities, regions, and whole nations. The paper suggests that approaching the issue of uneven development in Europe through the lens of 'financial chains' opens up a whole new research agenda. Ultimately, such an approach can contribute not only to the debates on the eradication of territorial disparities in Europe, but also to social and economic sustainability more broadly.

The paper is organised as follows. First, dominant approaches to financialisation will be briefly reviewed. Second, the gaps in financialisation literature will be highlighted. Third, emerging research agenda based on the 'financial chains' approach will be outlined. Finally, conclusions will reiterate the importance of such research agenda for territorial cohesion in Europe and beyond.

2. Financialisation: Dominant approaches

Financialisation has been studied from a number of viewpoints, although largely centred on the most advanced and (apparently) the most financialised capitalist economies (US, UK and Western Europe). Three *dominant* approaches to financialisation can be broadly identified as (i) *Regime of accumulation* approach, (ii) *Critical social accountancy* approach, and (iii) *Financialisation of everyday life*. I will briefly summarise these in turn (for an extensive review, see Van der Zwan, 2014).

(i) *Regime of accumulation* approach places emphasis on the macro-economic transformation at the level of national economies. Financialisation is understood as a new regime of capitalist accumulation based on finance, emerging at the back of neo-liberalism from 1970s onwards. The new 'finance-led growth regime' (Boyer, 2000) or 'finance-dominated accumulation regime' (Stockhammer, 2008) is characterised by the shift of investment away from production/manufacturing (which displays signs of declining profitability) and towards finance as the key channel of profit-making. Financialisation thus can be defined as a pattern of accumulation in which 'profits accrue primarily through financial channels' (Krippner, 2005, 174). In this new accumulation regime (and amid neo-liberal retrenchment of the welfare state), real wages of workers are stagnating. Financial instruments of credit (and debt) therefore must be mobilised to compensate for stagnating incomes, in order to prop up aggregate demand and to prevent the system from collapsing. The result of this is (an illusion of) growth, which is based on high levels of indebtedness among workers, and is ultimately unsustainable in the long-run (see also Foster and Magdoff, 2009; Lapavitsas, 2009).

(ii) *Critical social accountancy* approach focuses on capitalist corporations and their increasing dependence on financial markets and financial logics (Froud et al., 2006). The emphasis is on the ways in which financialised corporations are increasingly focusing on maximising 'shareholder value' (Lazonick and O'Sullivan, 2000) via (short-term) *financial* gains rather than engaging in (long-term) *productive* investment[2]. The result of this financialisation of the corporate sector is that even non-financial firms are increasingly dependent on financial profits (and indeed many 'manufacturing' firms nowadays draw most of their profits from their financial arms; see also Krippner, 2005). The imperative of 'shareholder value' mediated via financial markets creates a new form of financial competition in which 'every quoted firm must compete as an investment to meet the same standard of financial performance' (Williams, 2000, 6). The disciplining force of financial markets, in turn, leads to job losses and cutbacks, shifting the balance between capital and workers in favour of the former (see also Froud et al., 2006; Erturk et al., 2008). The growing tendency of firms to raise finance via financial markets (as opposed to traditional borrowing from banks) also has implications for the banks: declining lending to the corporate sector must be compensated for, among other things, by increased lending to households, much of which has been in the form of mortgage lending (e.g. Lapavitsas, 2009; Stockhammer, 2012).

(iii) *'Financialisation of everyday life'* approach turns attention to workers and households and the ways in which the increasing enrolment into circuits of finance manifests itself in their daily lives (Martin, 2002). Echoing the pressures imparted on firms, the financialisation of everyday life is turning an individual into a 'financial subject' (Langley, 2008) which is supposed 'to think of himself or herself as a two-legged cost and profit centre' (Blackburn, 2006, 39). Within this strand of work, particular attention has been given to the way in which ordinary people are exposed to financial logics and drawn into consumer credit and debt (Martin, 2002), and how everyday practices of saving and borrowing are now inextricably linked to global finance (Langley, 2008), not least via consumer credit and mortgage debt.

The issue of *debt* in general (and indebtedness of households in particular) has also been highlighted by many commentators as an important aspect of financialisation and therefore deserves further elaboration. Debt has, of course, existed in human society for a long time (Graeber, 2012), and in various forms (Dodd, 2014), 'like a balance sheet that enters into every human relationship and interaction' (Dodd, 2014, 89). But it seems that the volume of financial debt accelerated dramatically since the onset of financialisation (Stockhammer, 2012; Streeck, 2013; Aalbers, 2015), reaching unsustainable levels (Pettifor, 2006; Keen, 2011; Ross, 2013) and triggering the 'great financial crisis' (Foster and Magdoff, 2009). It is important to note, however, that the crisis has not resolved the issue of debt and this will continue to shape socio-economic landscapes for decades to come.

Indeed, the pervasiveness of debt in today's societies has led some commentators to suggest that debt is in fact 'central to understanding ... neo-liberalism' (Lazzarato, 2012, 25), not least because in neo-liberalism 'what we reductively call "finance" is indicative of the increasing force of the creditor–debtor relationship' (Lazzarato, 2012, 23). According to Lazzarato (2012, 7) 'everyone is a "debtor"' now and the 'indebted man' (sic), or *homo debitor* (Lazzarato, 2012, 127) 'now occupies the entirety of public space' (Lazzarato, 2012, 8). We therefore live in a 'debt economy' characterised by an increasing force of the creditor-debtor relationship, but we lack theoretical tools to analyse this new 'debt economy' (Lazzarato, 2012). And while the literature on financialisation offers a good base from which new theoretical tools to analyse the 'debt economy' can be built, the literature also suffers from series of shortcomings. Indeed a number of aspects of financialisation have been neglected so far. These will be highlighted in turn.

3. Financialisation: Omissions and shortcomings

I would like to argue that the literature has so far paid insufficient attention to the below aspects of financialisation.

3.1. Financialisation of the state

To date, the literature on financialisation has paid only limited attention to the way in which the state itself is increasingly subjected to the power of financial markets and financial logics. As I will show below, this is a significant omission. Most accounts of financialisation rightly point to the fact that the states (directly or indirectly) are instrumental in creating regulatory, institutional and other conditions for 'successful' financialisation. The state is thus constructed as an important actor, facilitator and/or promoter in fostering financialisation (see also Cloke, 2010). Active de-regulation of finance through neo-liberal policies in the US and the UK is a case in point. The importance of the state in financialisation has been further highlighted through the global financial crisis. Indeed, it was the state intervention (directly and/or through central banks) on both sides of the Atlantic that prevented the whole financial system from collapsing. To date, however, the literature on financialisation has paid only limited attention to the way in which the state itself is increasingly subjected to the power of financial markets. This is a significant omission.

Indeed, as Streeck (2013) recently argued, even the most advanced capitalist countries have been transformed, thanks to decades of neo-liberal financialisation, into 'debt states'. In the 'debt state', and in its post-crisis 'consolidation state' sequel, redistributive functions are severely curtailed by the need to reassure creditors about the state's ability to repay its debts, even if this goes at the expense of its citizens (Streeck, 2013, 155). There is no better illustration of these tensions than the current debates about the sovereign debt of Eurozone's peripheral economies (of which Greece is the most extreme

[2] Not to mention the impact of such narrow short-termism on social and environmental sustainability.

example). As the events in Europe clearly demonstrate, the ways in which are states involved in the debt dynamics matters a lot. The 'financialisation of the state' (as I refer to it here) therefore cannot be omitted from the analytical framework of financialisation. There is an urgent need to advance our understanding of the role of state in the financialisation process by examining the 'financialisation of the state' in the context of the EU.

3.2. Financialisation of finance

The entire financialisation debate is based on the assumption that finance is gaining upper hand over the rest of the economy (see above). Indeed, the accounts of financialisation in which 'finance' came to dominate the 'real economy' are commonplace (e.g. Stockhammer, 2012). There is also a tendency to describe *financial* capital as 'parasitic' (as opposed to *productive* capital which actually produces tangible outputs), while others describe the financial sector as having a 'despotic power' over society and economy (Pettifor, 2014). In a popular discourse, this often translates into a perception of banks (and bankers) as all-powerful actors, as the movers and shakers of the financialised capitalism.

However, this neglects a possibility that financial capital itself may be subject to the very forces of financialisation, including the disciplining forces of financial markets. I here refer to this phenomenon as the 'financialisation of finance' and suggest that the picture of financialisation is incomplete without considering it and its implications. Indeed, the increasing pressure of financial markets may explain a lot about the strategies that financial institutions such as banks take, what lending policies they pursue and who (social groups) and where (geography) they target. In other words, we cannot fully understand what social and spatial patterns of household financialisation that banks help to create at local and regional levels without understanding how banks themselves have become financialised. The same could be said about the lending patterns at the European scale, e.g. cross-border lending by German or French banks to the European periphery. Indeed, what we need are insights into the 'financialisation of finance' in the case of European banking corporations (and other financial actors) in order to consider what implications this has for geographies of finance at regional, national as well as European levels and thus for the overall territorial cohesion in Europe. These geographically-related concerns are intimately linked with a further aspect of financialisation that has been so far largely neglected by the dominant financialisation approaches, namely the connection between financialisation and space.

3.3. Financialisation and space

At first glance, geography may seem rather irrelevant for the study of money and finance. However, as a succession of financial geographers have long argued, money and finance are inherently geographical phenomena (e.g. Corbridge et al., 1994; Leyshon and Thrift, 1997; Martin, 1999; Clark and Wójcik, 2007; Wójcik, 2011). It is also clear that the most recent financial crisis has both geographical origins and geographical consequences (Aalbers, 2009; French et al., 2009; Lee et al., 2009; Wójcik, 2009; Martin, 2011). All this work clearly demonstrates that geography simply cannot be ignored in any debate on finance. Finance is geographical, whether we like it or not.

However, what is the link between financialisation and geography? Here, financial geographers have rightly pointed out that the dominant debates on financialisation lack explicit engagement with space. Simply put, in most writings, the geographical dimension of financialisation is either underdeveloped or neglected altogether. Indeed, as French et al. (2011, 800) recently argued, the literature on financialisation has been 'insufficiently attentive' to the role of space and place and the geography of money and finance. This is a serious shortcoming, because financialisation is a 'profoundly spatial phenomenon' (French et al., 2011, 800). They rightly highlight the fact that the literature on financialisation has so far focused on three spatial scales only (national economic space; firm/corporation; household/individual), while neglecting both local/regional and international dimensions, and often treating geography as a 'mere empirical surface upon which processes of financialisation are enacted and inscribed' or as an 'abstract, spatial container of socio-economic relations' (French et al., 2011, 808). They also argue that in order to address 'missing geographies of financialisation', there is a need to move 'beyond a scalar geographical imaginary' and towards 'a network approach to money and finance' (French et al., 2011, 809).

This view has been echoed by others, who see the need to understand finance as part of the networks and circuits of value (e.g. Lee et al., 2009; Pike and Pollard, 2010; Sokol, 2013). In turn, this opens the way for defining financialisation as an inherently *spatial* process. Indeed, building on the insights by Harvey (1982, 2006) one can re-cast financialisation as 'a search for a spatial-temporal fix' (French et al., 2011, 798). French et al. thus argue that there is 'an urgent need for a much more explicit conceptualisation of the way in which financialisation operates as a form of *spatial fixity*' (French et al., 2011, 812; emphasis orig.). In this context, and building on Harvey's related work on *circuits of capital* (Harvey, 1978, 1982, 2006), it has been suggested that financialisation can be understood 'as capital switching from the primary, secondary or tertiary circuit to . . . the quaternary circuit of capital' Aalbers (2008, 149). However, it should be noted that Harvey's original theorisation of *spatial fix* and *circuits of capital* goes back to 1970s. In other words, it pre-dates the acceleration of financialisation in advanced capitalist countries. It is therefore not clear if simply adding a quaternary circuit of capital into the equation is sufficient to capture the full complexity of the change and its geography. Indeed, if we accept the argument that financialisation has fundamentally transformed capitalism, then earlier theoretical models need a thorough revision. As so while the importance of geography in financialisation is increasingly understood, there is no up-to-date theoretical framework that would pin down the spatialities of financialisation and its connections to uneven geographical development.

In other words, building a geographically-informed view of financialisation and its implications for uneven development is therefore an unfinished business.

3.4. Financialisation: Beyond the capitalist core

Closely linked to the concern above is the fact that financialisation literature has so far predominantly focuses on the capitalist core, at the expense of other geographical contexts. Indeed, the bulk of the literature is concerned with financialisation in advanced capitalist countries (US, UK, Western Europe) while neglecting other contexts, including those of 'developing', 'emerging' and 'post-socialist' countries (Becker et al., 2010; Bonizzi, 2014; Sokol, 2013). A limited engagement of the financialisation literature with more 'peripheral' contexts represents another crucial omission in the field of financialisation. In Europe, we need a much better understanding of how core economies and peripheral economies have been tied together through a multitude of financial links and how this impacts on the functioning of the entire European economy and its economic, social and territorial cohesion.

As is clear from the above, there is a need to progress financialisation research in a number of ways and to develop theoretical tools that would help us to analyse the 'debt economy'. I would like to suggest that one such tool can be a 'financial chains' approach, the contours of which will be sketched out below.

4. Towards a research agenda: Debt and financial chains

As stated earlier, debt appears to be the key feature of the new financialised capitalism. Yet, it could be argued that economic geography approaches has so far failed to fully take into account the explosion of various forms of debt in the contemporary economy and its implications for uneven development. And so, despite a recent renewed interest among economic geographers in geographies of finance, there does not seem to be a coherent geographically-informed theory of debt and its spatialities. We are therefore left without critical theoretical insights precisely at the moment when such insights are needed the most. The issue of household debt is a case in point.

Indeed, it is clear that financialisation has dramatically accelerated the enrolment of households into debt-related instruments (e.g. via mortgages, credit cards and other means). This facilitated 'financial exploitation/expropriation' (Lapavitsas, 2013) of households, which can be defined as the extraction of 'financial profits directly out of personal income of workers' (Lapavitsas, 2009, 115)—occurring primarily through lending to working people who have been 'increasingly drawn into the realm of private finance to meet basic needs, including housing, consumption, education, health and provision for old age' (Lapavitsas, 2009, 146). I have argued elsewhere that the increasing enrolment of households into credit–debt instruments can be best described as 'exploitative inclusion' (Sokol, 2013, 507). In essence, credit–debt relationship transfers value from a debtor to a creditor, thus reproducing social and spatial inequalities (Sokol, 2013, 506). The move towards exploitative financial inclusion is significant because, in addition to the 'traditional' exploitation in workplace/production, a second 'space of exploitation' is clearly emerging within the 'debt economy' (Fig. 1).

Geographers (and others) have made a significant contribution to the understanding of social relations of production, the attendant divisions of labour, and how these in turn shape and are shaped by space (e.g. Massey, 1995). But, until now, there has been very little attention on spatialities of the second 'space of exploitation'. Indeed, there is an obvious lack of geographically-informed thinking related to the aforementioned concepts of 'financial exploitation' and/or 'financial expropriation' (Lapavitsas, 2013). These have been so far been discussed in *aspatial* terms only. The same critique applies to the debate on debt and 'debt economy'. Lazzarato (2012, 29) rightly points out that debt is a 'mechanism for income redistribution' and that debtor–creditor relationship 'intensifies mechanism of exploitation and domination at every level of society' (Lazzarato, 2012, 7). What this omits, however, is the realisation that the debt–credit relationship is an inherently *spatial* relationship—involving both the transfer of values and the stretching of social relations over space. We therefore urgently need tools that would help us to understand the ways in which financial relations between various actors/agents

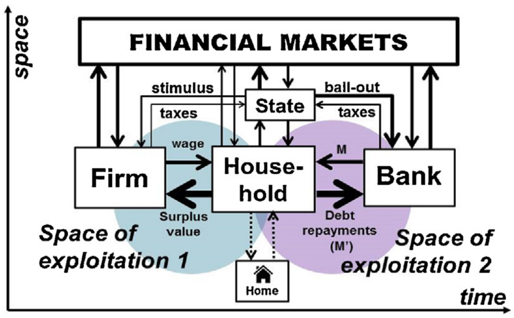

Fig. 1. Stylised flows of value in the 'debt economy' (*Source:* adapted from Sokol, 2013, 508).

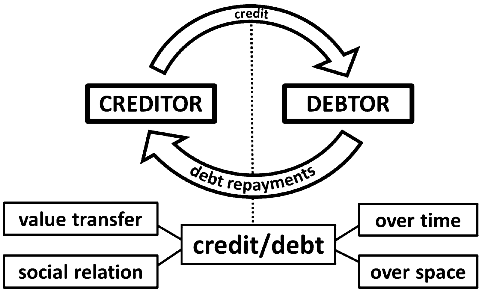

Fig. 2. The 'financial chain' concept.

(households, financial institutions, enterprises, nation-states, supra-national structures and financial markets) shape (and are shaped by) uneven geographical development. As a first step, I hereby propose a 'financial chains' approach.

Financial chains, prime examples of which are credit–debt relationships, could be understood both as channels of value transfer (between people and places) and as social relations that shape socio-economic processes and attendant economic geographies. The 'financial chain' metaphor therefore has a double meaning: it connotes both the way in which actors are interconnected with financial linkages (which transfer values over space and time) and the way they are 'chained' to each other in a social relation, shaping each other's actions in the processes (Fig. 2).

There is no doubt that the examination of 'financial chains' (and how they contribute to uneven geographical development) represents a methodological challenge because it implies a mobilisation of both quantitative measures such as financial flows (data on which are often missing) and social relations (which cannot be easily quantified). Standard quantitative approaches therefore cannot work here. In addition, it may be difficult to establish the geographical detail needed. The existing data on household debt, for example, are often aggregated at the national level and even central banks and regulators have difficulties of knowing of what is happening at the regional level. Besides, the figures describe the volumes of lending advanced to households, while the 'financial chain' logic suggests that the focus should be on money flowing in the opposite direction–i.e. value extracted from households over time and across space and beyond national boundaries. What is needed, therefore, is hands-on research that will try to capture the mechanisms of how 'financial chains' function in space and time.

First inroads into such research can be done by mobilising a set of interlocking case studies of three key groups of actors in the 'debt economy': states, banks and households. Looking separately at financialisation of states, banks and households respectively has its own merits. But the value of 'financial chains' approach rests in its effort to elucidate the ways in which all these actors are interconnected, with each other and with a wider political economy; and how this produces new spaces of financial exploitation. In other words, we need research that will go beyond the current state-of-the-art by building a geographically-informed conceptualisation of financialisation and specifically addressing the urgent need to develop a geographical approach to credit–debt relationships through the prism of 'financial chains'. The implications of these 'financial chains' for uneven geographical development, need to be teased out (see also Sokol, 2013).

5. Conclusions

This paper argued that achieving the goals of economic, social and territorial cohesion and sustainability in Europe can only be achieved if the processes that undermine such goals are thoroughly investigated and properly understood. The paper focused on one such process, that of financialisation. While there is a growing consensus among social scientists that financialisation represents the key feature of contemporary capitalism, significant gaps in our understanding of financialisation remain. In particular, limited attention has been paid to (a) the way in which states are increasingly subjected to the power of financial markets and financial logics ('financialisation of the state') and (b) the way in which the financial sector can itself be subject to financialisation pressures ('financialisation of finance'). Furthermore, (c) despite a growing realisation that financialisation is inherently a *spatial* process, geographically-informed view of financialisation remains underdeveloped. Finally, (d) the bulk of the literature on financialisation has so far focused on advanced capitalist countries (especially US, UK and Western Europe), while neglecting other geographical contexts.

The paper further highlighted the fact that, at the moment, economic geography does not have a coherent theoretical take on debt. The lack of a coherent theoretical framework on spatialities of credit–debt, however, is a major shortcoming, especially given the crucial importance of debt in the financializing economies. The need for a geographically-informed view of financialisation and its implications for uneven development has been emphasised.

The paper then proposed a new approach based on the concept of 'financial chains'. 'Financial chains' are understood both as channels of value transfer and as social relations that shape socio-economic processes over space and time. What we urgently need, is hands-on research that will try to capture the mechanisms of how 'financial chains' function and how they shape (and are being shaped by) uneven geographical development. In the first instance, interlocking case studies of three key groups of actors in the 'debt economy' – states, banks and households – could be mobilised to reveal 'financial chains' between them and with the wider political economy (enterprises, supra-national structures, financial markets, etc.). Such a research would go beyond the current state-of-the-art by advancing a geographically-informed conceptualisation of financialisation. It would also address the urgent need to develop a geographical approach to credit–debt relationships, or 'geographies of credit and debt' (Sokol, 2013, 510), through the prism of 'financial chains'. The importance of debt-related 'financial chains' for uneven geographical development cannot be overstated. This is especially true in Europe in the wake of the financial crisis, where diverging economic pathways between countries are threatening the future of the monetary union and of the European integration project itself.

One could add that the pursuance of the above research avenue can, in turn, lead to a further list of promising research ideas and agendas. One of the most fascinating questions is how the 'financial chains' approach can inform (and transform!) mainstream economic thinking. As stated earlier, mainstream economics appears to be ill-equipped to deal with the implications of finance for the functioning (and for break-downs) of economic systems. And this issue is not going to go away. Indeed, it may only get worse, as the importance of finance in general, and the importance of debt in particular, will continue to rise in the economy. Under these circumstances, the lack of engagement of mainstream economics with financialisation literature is untenable. Indeed, a full dialogue is needed across disciplines to understand the workings of financialising economies. This may lead to potentially significant revisions of core tenants of economics.

It has been argued already back in the 1970s, for example, that the issue of 'debt' and 'overdraft' can have profound implications for well-established economic theories (Hicks, 1974). What Hicks (1974, 51) called 'overdraft sector' can easily be equated with the 'debt economy' that Lazzarato (2012) talks about. One of the things that is different now, of course, is that households account for a significant proportion of the overall debt circulating in financialising economies. And this household debt – while apparently occurring at micro-economic scale – can have devastating macro-economic consequences, as evidenced by the recent global financial crisis. The 'financial chains' perspective can elucidate the ways in which different scales (from micro to macro and back again) are inseparably 'chained' together. Keynes once described economics as a 'technique of thinking' (quoted in Hicks, 1974, 8) and it is this 'technique of thinking' that needs to change in response to financialising processes in economies in Europe and beyond. Thus, echoing calls by Lagoarde-Segot (2015) to 'diversify' academic finance, one could argue that a parallel process of 'diversification' (and transformation) needs to happen in economics at large.

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