

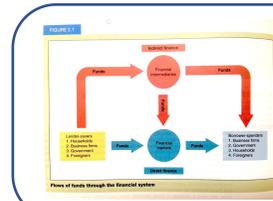
# Financial chains in financialized economies: the role of central banks

Martin Sokol, Trinity College Dublin, Dublin, Ireland

## Abstract:

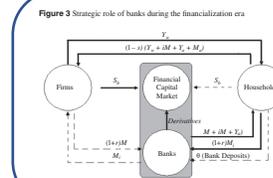
This poster aims to provide a simplified graphic model of a circulation of finance in a financialized economy. It first reviews three existing models of financial flows (mainstream, post-Keynesian and Marxist models) highlighting their strengths and weaknesses. Moving beyond these models, the poster then outlines a model based on the concept of 'financial chains'. This model captures the interconnectedness (via financial chains) of main economic players – firms, banks, households, financial markets, and the state – and their relative position in the system. In addition to this, the model highlights the pivotal role of the central bank in sustaining the financialized economy (an aspect often overlooked by the financialisation literature). This role has been further highlighted by the extraordinary monetary operations that central banks around the world undertook during the Covid-19 pandemic. Spatial manifestations of these monetary interventions remain unclear and require urgent attention of economic and financial geographers.

**Keywords:** finance, financialisation, financial chains, economy, central banks



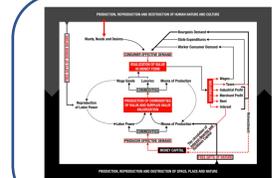
## Mainstream

Source: Mishkin et al. (2013, p. 24, Fig 2.1)



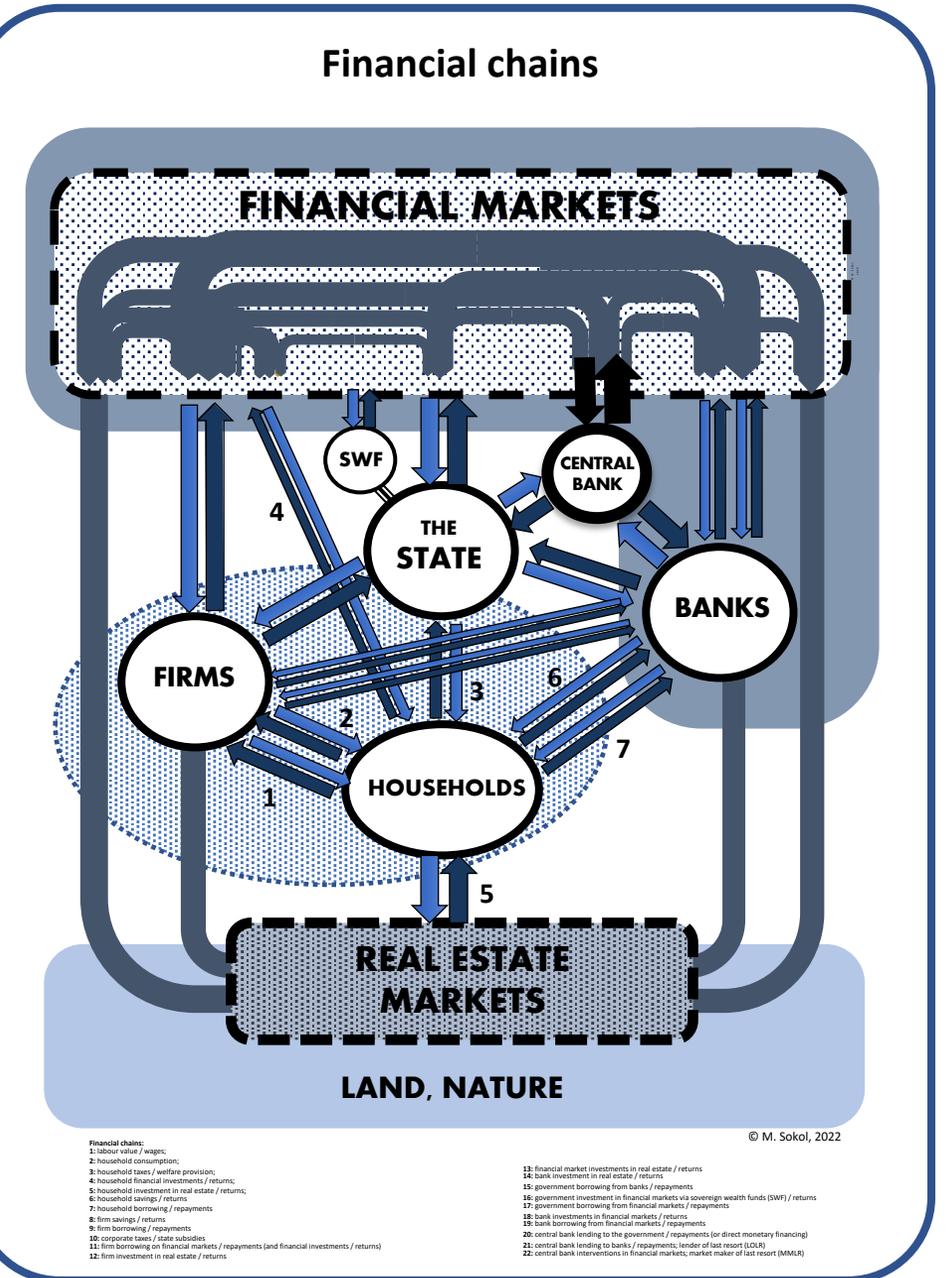
## Post-Keynesian

Source: Seccareccia (2012, p. 284, Fig. 3)



## Marxist

Source: Harvey (2018, p. 433, Fig. 1)



- Financial chains:**
- 1: labour value / wages
  - 2: household consumption
  - 3: household taxes / welfare provision
  - 4: household financial investments / returns
  - 5: household investment in real estate / returns
  - 6: household savings / returns
  - 7: household borrowing / repayments
  - 8: firm savings / returns
  - 9: firm borrowing / repayments
  - 10: corporate taxes / state subsidies
  - 11: firm borrowing on financial markets / repayments (and financial investments / returns)
  - 12: firm investment in real estate / returns
  - 13: financial market investments in real estate / returns
  - 14: bank investment in real estate / returns
  - 15: government borrowing from banks / repayments
  - 16: government investment in financial markets via sovereign wealth funds (SWF) / returns
  - 17: government borrowing from financial markets / repayments
  - 18: bank investments in financial markets / returns
  - 19: bank borrowing from financial markets / repayments
  - 20: central bank lending to the government / repayments (or direct monetary financing)
  - 21: central bank lending to banks / repayments; lender of last resort (LLSR)
  - 22: central bank interventions in financial markets; market maker of last resort (MMLR)

© M. Sokol, 2022



Trinity College Dublin  
Coláiste na Tríonóide, Baile Átha Cliath  
The University of Dublin