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# Seeing financialization? Stylized facts and the economy multiple

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ABSTRACT

One of the most prominent stylized facts about contemporary capitalism concerns its "financialization." Like all economic stylized facts, however, facts about financialization are recognized by some commentators and not by others. This article offers one explanation why. It argues that the claims we can make about "the economy" depend upon how we envision that economy in the first place. The economy can be pictured in myriad ways – it is multiple, not singular – and different pictures of it enable the identification of different stylized facts about it. So it is with financialization. The article illustrates this by examining the history of two different traditions of picturing the economy. One – national accounting – increasingly has enabled financialization to be seen; the other – mainstream economics – generally has not.

## 1. Introduction

Some two decades ago, the economic geographer Gordon Clark (1998) argued that one of the most notable differences between geographers and economists concerns the significance that the latter attach to stylized facts. Stylized facts are found across several social sciences, but especially in economics.[1] Indeed, an economist, Nicholas Kaldor, coined the term, to refer to broad empirical regularities that are normally, if not always true. Stylized facts are not facts per se but a stylized view of them.

Kaldor identified six such facts. Maybe the most famous was the "fact" that the shares of national income received by labour and capital are roughly constant over time; twenty years before Kaldor, Keynes (1939: 48) had called this "one of the most surprising, yet best-established facts in the whole range of economic statistics." For Kaldor and for subsequent generations of economists, stylized facts play a vital epistemological role. They are the foundation-stones of economic theory construction, the "things" in need of explanation. Hence, as Clark (1998: 73) observes, they "dominate intellectual reasoning" in the field. Not so in geography. In geography, Clark said, they barely register.

Stylized facts come and go. Some stand the test of time, some do not. Keynes and Kaldor were actually both wrong about capital-labour income shares, for example. These may have been roughly constant through the first half of the twentieth century, but they were not in the second half: in the United Kingdom and United States, labour's share rose until the early 1980s but has been on a downwards trajectory ever since. And as some "facts" wither on the vine, others replace them.

One newish stylized fact, or collection of stylized facts, concerns *financialization*. Financialization is a widely-recognized feature of many advanced capitalist societies. Scholarly discussion of the process (or processes) of financialization has captured it in terms of empirical trends that are normally, if not always in evidence – in terms, that is, of stylized facts. Orhangazi (2008: chapter 2), for example, presents the stylized facts of the US economy's financialization and Stockhammer (2008) presents the stylized facts of the capitalist "finance-dominated accumulation regime" more generally.

In this article I am interested in one particular stylized fact concerning financialization (and perhaps the dominant one), corresponding with one particular understanding of what financialization actually is. This is the fact that since the 1970s in many countries finance has been growing into a bigger and bigger part of the economy (e.g. Krippner, 2005). Till van Treeck (2009: 467) succinctly expresses this claim. "Financialisation," he writes, "is the more general development towards an increased importance of the financial sector of the economy relative to the non-financial sector." If the relevant process of financialization is the relative growth of finance, then, the relevant "fact" about it is that it has – as per all stylized facts – normally or "generally" occurred.

My specific interest in this stylized fact concerns its *visibility*. Who "sees" it – perceives it, documents it, and attempts to explain it – and who does not? As Dymski (2015) has shown by performing a topic-word search in representative journals from 1981 to 2014, geographers have no problem seeing financialization (Fig. 1). Nor do "heterodox"

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[1] And especially, it is worth stating at the outset, in *macro*economics. Microeconomics is much less attached to stylized facts. In this article, where I refer to mainstream economics and economists, it is (unless stated otherwise) very much the macro side of the discipline that I have in mind.

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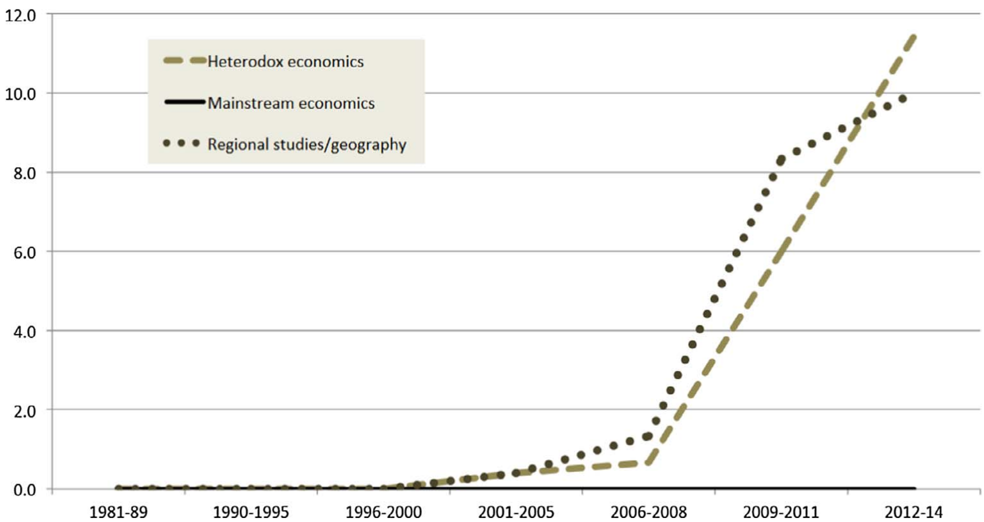


**Fig. 1.** "Financialization" or "financialisation" as topic words in Web of Science, average uses in selected journals, 1981–2014.
Source: Dymski (2015).

economists, that is, those such as Orhangazi, Stockhammer and van Treeck working explicitly outside the ("orthodox" or "neoclassical") mainstream. But mainstream economists do *not* see financialization, or at least have not begun to do so until very recently, from the very end of the long period examined by Dymski.[2] They appear to have been blind to it. Financialization therefore represents an abrupt reversal of the pattern identified by Clark. Those ordinarily invested in stylized facts about the economy – mainstream economists – do not see the facts of financialization; other observers, including those like geographers who generally disregard stylized facts, do see them, and do attend to them.

Why? This article offers one possible answer to this question. In other words, it attempts to understand how and why a certain stylized fact about the economy might be seen by some but not by others. In doing so, it follows the work of Daniel Hirschman (2016) on "the 1%" and what after Murphy (2006) he calls "regimes of perceptibility," ways of seeing that make certain features of the world visible while rendering others invisible. Hirschman notes that while the growth of top incomes (especially the "top 1%") has been a feature of Western societies for several decades, it was not widely noticed until the 2000s. The reason, he argues, is that until then the relevant economic experts had been looking at the world through lenses that essentially made the growth of top incomes invisible.

Like all stylized facts, I argue, the facts of financialization are only visible under certain regimes of perceptibility, certain representational and analytical conventions. A regime of perceptibility encompasses the data we look at, the lens through which we consider those data, and the types of question we ask of the data we see. Regimes conducive to seeing financialization obtain widely in geography and heterodox economics; indeed, I will suggest that they obtain further afield, too, in lay understandings of the economy. But historically at least they have *not* obtained in mainstream economics. That is why mainstream economists have not "seen" financialization while others have. Their "way of seeing," as the late John Berger would have put it, does not allow it.[3]

I claim that regimes of perceptibility that do allow financialization to be seen have one cardinal feature, one absolute sine qua non. In order for it to be possible to see (pace van Treeck) the increased importance of the financial sector of the economy relative to the non-financial sector, the financial sector must *be* part of "the economy" in the first place. After all, finance cannot grow its share of the economy if it is not already *of* the economy. A particular framing of "the economy" – one including, rather than excluding, the financial sector – is thus a perceptual precondition of financialization's identification. And this precondition, long fulfilled in heterodox economics and geography, has traditionally eluded mainstream economics, where a very different "economy" has featured.

The article elaborates these arguments across three sections. The first foregrounds the idea of "the economy" as a discursive artefact. The economy can be (and is) pictured in multiple different ways, and different pictures of the economy occasion – or permit – the identification of different stylized facts *about* the economy. Imagine if we thought "the economy" was just manufacturing activity; economic stylized facts would be constrained accordingly. The point is that our picture of the economy always prefigures the economic facts that we can or cannot see, and this includes "facts" about financialization.

Equipped with this theoretical insight, the article proceeds in its second and third sections to analyze histories of, respectively, seeing and not seeing financialization. Section two focuses on a regime of perceptibility through which historically it *has* increasingly become possible for financialization to be seen: national accounting. As what were initially highly-varied national accounting treatments harmonized during the twentieth century, they increasingly converged on a picture of "the economy" incorporating finance and showing the latter growing its proportional share – that is, a picture of financialization. Meanwhile, mainstream economics, I demonstrate in section three, followed a different path. It has until very recently cleaved to a very different economic picture, one in which "the (real) economy" and the financial sector are held at arm's length. The result, I argue, is that financialization has conventionally not been seen or seeable, instead remaining hidden, so to speak, in plain sight.

## 2. The economy multiple

What does it mean to say that "the economy" is a representational artefact, or, in the words of Timothy Mitchell (1998: 91), "just a discursive construction"? It does not mean that activities we categorize as "economic" are somehow unreal, or that they exist only representationally. What does exist only representationally, rather, is the bundling together of those activities as an integrated and bounded whole, as "a self-contained sphere, distinct from the social, the cultural, and other spheres" (Mitchell, 1998: 91). Posited as a definable thing with internal integrity – "the totality of the relations of production, distribution and consumption of goods and services within a given

[2] As I will show, this is not simply a case of economists seeing the phenomenon – pace van Treeck, the increased importance of the financial sector relative to the non-financial sector – but calling it ("factualizing" it as) something else. They have not seen the phenomenon.

[3] Note that regimes of perceptibility can mislead not only by preventing us from seeing things that are there, but by encouraging us to see things that are not. Elsewhere (Christophers, 2012), I have argued that the latter type of *trompe l'oeil* may also affect certain understandings of financialization.