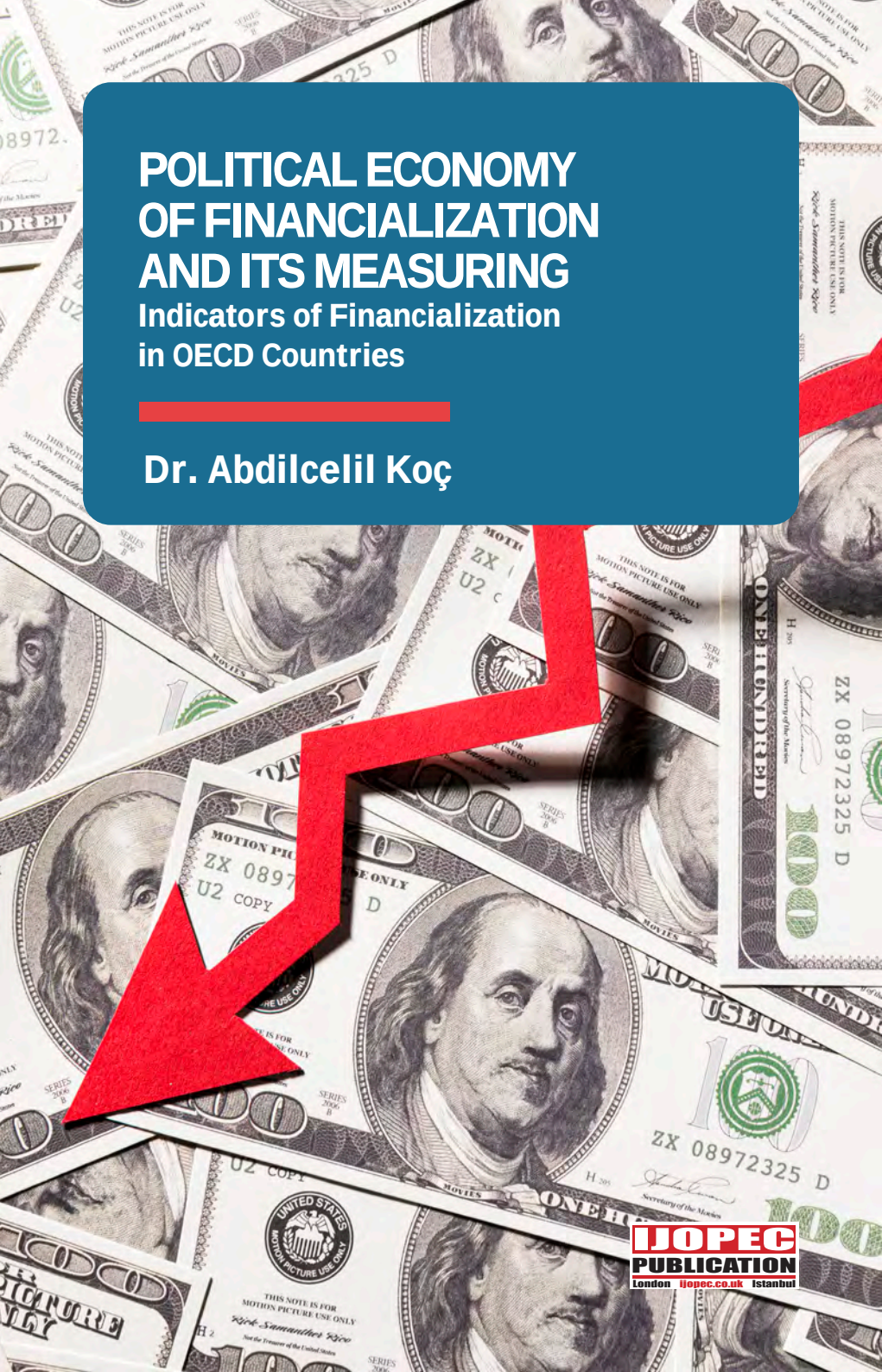

POLITICAL ECONOMY OF FINANCIALIZATION AND ITS MEASURING

Indicators of Financialization in OECD Countries

Dr. Abdilcelil Koç

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IJOPEC PUBLICATION
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IJOPEC Publication Limited
60 Westmeade Close
Cheshunt, Waltham Cross
Hertfordshire
EN7 6JR London

www.ijopec.co.uk
E-Mail: info@ijopoc.co.uk
Phone: (+44) 73 875 2361 (UK)
(+90) 488 217 4007 (Turkey)

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FINANCIALIZATION INDICATORS IN OECD COUNTRIES

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LIST OF ABBREVIATIONS

BIS:	The Bank for International Settlements
CEOs:	Chief Executive Officer
CFOs:	Chief Financial Officer
CPI:	Consumer Price Index
EU:	The European Union
FESSUD:	Financialization, Economy, Society and Sustainable Development
FIRE:	Finance, Insurance and Real Estate
GDI:	Gross Domestic Income
GDP:	Gross Domestic Product
ILO:	International Labor Organization
IMF:	International Monetary Fund
NGOs:	Non-Governmental Organization
NFC:	Non-Financial Companies
NPISHs:	Households and Non-Profit Institutions
OECD:	The Organization for Economic Co-Operation and Development
UN:	The United Nations
WB:	World Bank

AUS	AUSTRALIA
AUT	AUSTRIA
BEL	BELGIUM
CAN	CANADA
CHE	SWITZERLAND
CHL	CHILE
CZE	CZECH REPUBLIC
DEU	GERMANY
DNK	DENMARK
ESP	SPAIN

EST	ESTONIA
FIN	FINLAND
FRA	FRANCE
GBR	UNITED KINGDOM
GRC	GREECE
HUN	HUNGARY
IRL	IRELAND
ISR	ISRAEL
ITA	ITALY
JPN	JAPAN
KOR	KOREA
LTU	LITHUANIA
LUX	LUXEMBOURG
LVA	LATVIA
MEX	MEXICO
NLD	NETHERLANDS
NOR	NORWAY
NZL	NEW ZEALAND
POL	POLAND
PRT	PORTUGAL
SVK	SLOVAK REPUBLIC
SVN	SLOVENIA
SWE	SWEDEN
TUR	TURKEY
USA	UNITED STATES

PREFACE

In the heterodox political economy, much literature on financialization has emerged over the past fifteen years. However, it still does not have a single definition agreed upon, and its measurement has not yet been made on an annual or country basis. Therefore, there are many questions regarding financialization that need to be tested and answered empirically. Here are some of these questions:

Is the phenomenon of financialization exist? If so, what is financialization, and how is it explained in the literature?

What is the relation of financialization to Neo-liberalism?

What is the relationship between financialization and globalization?

What are the primary and sub-components that make up the financialization?

What kinds of changes have national economies experienced during the financialization period?

What kind of changes occurred in the financial sector during the financialization period?

What were the changes in the non-financial (real) sector during the financialization period?

What kind of changes did households experience during the financialization period?

Why did households, firms, and governments go to excessive borrowing during the financialization period?

What is the situation in terms of financialization after the global crisis?

This book seeks answers to some of the above questions. Besides, a step has been taken to measure financialization. In this context, by scanning the financialization literature, mainly composed of Neo-Marxist and Post-Keynesian political economy approaches, 22 variables were determined using the elimination method among the many variables belonging to four sectors that are thought to

constitute financialization. Then, these variables' long-term behaviors were analyzed by taking the averages of OECD countries for which data were available between 1995 and 2016.

Immediately after this book study, it is aimed to create a country-based composite financialization index and four sub-financialization indices (national economy, financial sector, non-financial sector, and household) by using the panel data set of OECD countries.

Since my Ph.D. thesis in 2013, I have dreamed of creating a comprehensive financialization index to measure financialization. Years have passed to determine the variables that will constitute this index and compile these variables' data. This book is the first step in this dream.

However, I accept some of the shortcomings of the book in advance. I think some critical studies may have been overlooked while evaluating the literature in this area. This error is entirely mine. I apologize to these authors in advance.

I hope this book will be useful to all readers in general and researchers working in financialization in particular.

I would like to thank my dear wife Sevim and my dearest daughter Durul for their patience and moral support during the writing of this book. I would like to thank lecturer Yasemin DURAN, who contributed to creating the figures in the book, and lecturer Faruk ÇELİK, who contributed to the translation into English. I would like to thank my dear friend Prof.Dr.Turan SUBASAT contributed by reading the book and sharing his criticisms of the financialization approach with me. Also, I would like to thank Prof.Dr.İsmail ŞİRİN for their support and valuable contributions, and the staff of the publishing house for their meticulous work in preparing the book for publication.

Dr. Abdilcelil KOÇ

1
INTRODUCTION

Political economy as a phenomenon, in the most general sense, contains any economic-social-political activities and struggles which affect commodity –service production and their share oriented toward meeting the basic needs of people so that they could survive their lives as a social entity. In this process, the surplus value created along with the emergence of social classes and private property ownership in the means of production, in particular, has provided the making of capital accumulation. In the formation of capital accumulation, class contradiction and conflicting interests have taken place in the center of social development. These struggles devoted to providing the continuity of capital accumulation have sometimes led to some bloody wars, although a certain degree of balance with solidarity and cooperation has been provided among states and social classes in the state from time to time. So, the history of capital accumulation is as old as human history.

Political economics as a scientific discipline is a social scientific branch that examines and analyzes class relations and struggles affecting capital accumulation mechanisms and various institutions, tools, state and government policies formed in this process by tracking capital accumulation. Sometimes, it deals with the situation as a cross-section (related to moment experienced) and from the historical developmental perspective point of view from time to time. Capital accumulation has become more concrete as a result of the emergence of capitalism. Capital accumulation for capitalism, which is in progress for six centuries, is vital for the continuity of the system. The history of capitalism is full of the formation of tools, mechanisms, institutions, rules, laws, and systems that provide more capital accumulation.

The use of precious metals, such as gold and silver, as money[1], was the core of the future financial system. A financial system, in addition to production and trade, the beginning of credit-loan mechanism after the emergence of banking,

1 The First ancient coins found in history that date back to 600 BC consisting of a mixture of gold and silver, are Lydia coins called 'Electrum' (Ferguson, 2008, p.24).

trading of bonds developed for the state loan, and the formation of stocks after the set-up of companies where equity shares are bought and sold, has emerged as well. Financial activities beginning by giving short-term loans to farmers (agricultural production unit) or merchants in return for a certain amount of interest have gradually been turned into a structure giving long-term loans (usury) to emperors or states.

While capital accumulation has been provided by the money obtained as a result of the sale of agricultural products, products of handicraft, spices, even slaves in the markets, fairs, among countries even in overseas countries, it has also been provided by way of earning money from money through speculative games in newly-developing banking and equity share stocks on the other hand. Both in commercial capitalism and industrial capitalism, its primary function is to meet the need for cash credit in the development of production and trade. However, it supports the development of the financial sector and capital accumulation gradually. In other words, it always has remained in the background of capital accumulation. In addition to this function in the process of historical development, it is seen that it is in the process of becoming one of the main fields where capital accumulation has been made through financial tools and institutional frameworks marching forward in time.

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The source of profits obtained from industry in industrial capitalism is the surplus value created by labor. The industrial bourgeoisie provides capital accumulation

by multiplying the profits obtained through labor exploitation through financial tools, institutions, materials and mechanisms. It is in the form of (M…C… M'…, M"; M'>M) in Karl Marx's formulation. Here, M: is the initial beginning capital. This capital has been used for factory building, machinery, the whole outfit, raw material, and labor force to make production. C: is the goods produced for the market. M': is the gross revenue obtained in consequence of the sales of the goods produced in the market. M'- M is equal to the profit. However, a particular rentier section of the society (usurers) has been providing capital accumulation by earning money from money. They augment their money in the financial sector through speculative profits (interest, stock market, exchange trade, etc.) and capital accumulation. If we state it by Marx's formulation, it is in the form of (M… M'…M", M'>M) Here M: is the initial capital and M' and M" are financial capital. At the end of the period, to be able to form a surplus value out of financial profit, it must be M"> M'>M. M" or M'- M is equal to financial profit (Marx, 1971: 151-159).

In the six hundred years that capitalism came to history; Stock markets emerged where securities were bought and sold. Over time, futures and options markets emerged in which future commodities, currencies, or securities were traded. All this created the capital markets. In these markets, huge amounts of money began to change hands.

Since the industrial revolution, continued to credit entrepreneurs in establishing factories and meeting operating expenses. The financial system as a whole, with all its institutions, tools, and markets, has become an increasingly important position in the economy and the formation of capital accumulation after production and trade.

The institution where the money is produced and managed in the financial markets is undoubtedly the central bank. The fact that central banks are the only institution with the authority to print money increases its importance. The obligation to keep a hundred per cent gold reserve in exchange for the banknote issued by the central banks was gradually eliminated. Central banks had the authority to issue banknotes without any provision by first removing the partial reserve provision. Thus, the importance of 'seigniorage' revenues obtained from this monopoly right has increased.

Therefore, the capital accumulation power of capital groups, which affect central banks, has also gained a different dimension. This opportunity created by capitalism in terms of capital accumulation has also formed the basis for future financialization. This mechanism has always worked in forming financial balloons experienced by various countries in the history and financial crises that followed.

Individual and institutional actors transacting in financial markets take place in this field by the motivation of earning money from money. Instead of creating real value in this field, it has been gained profit from speculative transactions made from possible positive or negative developments in the future that are taken as a basis. At certain times, speculative processes lead to balloon formation. When the prices of some financial assets have entered a rapid upward trend, many people or institutions enter these markets with the dream of earning much money in a short period, causing the transaction volume to increase. In this process, the prices of the financial assets in question will go up wildly. Unfortunately, the formation of financial balloons often ends with a tragedy. While vast amounts of profits are being obtained in consequence of the formation of speculative balloons, many people and institutions go bankrupt and incur serious amounts of losses as a result of the blowup of the balloons after a certain amount of time; capital passes into other hands, but some have been increasing their capital accumulation by turning crisis into an opportunity as well. These balloons, mostly in financial markets, are either formed at stock prices or commodity prices. After the emergence of capitalism, financial history is full of crises[2] formed due to the blowup of these speculative balloons.

The financial markets that developed rapidly and became a center of attraction in the 1980s gained a global quality with the 1990s. They turned into centers of attraction of capital accumulation. Over time, the volume of transactions in the financial markets occurred hundreds of times more than the value-added resulting from production. The natural link and balance that should exist between production and financial markets have been broken. When the bubbles formed in these markets burst over time, financial markets were negatively affected firstly. Then the whole national economy went into a deep crisis. These crises also spread to other countries' markets simultaneously, and these countries also entered the

2 It is recommended that readers look at the following sources to have detailed information about the history of financial bubbles and crises: Kindleberger (2005), Ferguson (2008), Reinhart and Rogoff (2008).

crisis. In the 1990s and 2000s, many regional financial crises occurred in Europe, Asia, and the Far East. Most importantly, it was undoubtedly the crisis that started in the USA in Autumn 2007, in the Mortgage sector. The crisis overgrew and spread to the whole economy in 2008, and in 2009 it spread to the whole world and turned into a real global crisis[3].

In 2019; Although nearly twelve years have passed since the global crisis, many economic experts and social scientists have said that the global crisis has not been eliminated and that a severe financial crisis is coming soon. The pandemic crisis caused by the Covit-19 virus, which is said to have spread worldwide from Wuhan, China, at the beginning of 2020, has deeply affected all the world countries. Economies have been closed for months. Many service sectors, mainly tourism, stopped completely. Production in other sectors has decreased drastically. Hundreds of thousands of people died from viruses. Millions of people became unemployed. In the upcoming period, with the effect of the second possible wave of the virus, it is widely discussed that the world economies are drifting towards a much larger financial-economic and social crisis. In this new crisis, these discussions emphasized that the monetary and financial system may collapse entirely and that the states cannot afford to save the sinking companies by simply pressing money and lowering interest rates. It is also evident that severe unemployment and poverty will increase social and political tensions in countries. It is widely discussed that capitalism will evolve into a 'new' form, possibly creating new capital accumulation channels.

In the history of capitalism, there is a consensus in the literature that the 1980s was a turning point. According to many social scientists, the critical development that provides this turning point is that capitalism has entered the financialization process. This period that started after 1980 is called 'Financialized capitalism.' The most important characteristic feature of this period is that the capital accumulation mechanism shifted gravity from the industrial sector to the financial field. Different social scientists named this period with different concepts. Some heterodox social scientists have defined it as the 'Globalization of capitalism,' some as 'Post-Fordist Accumulation' and some as 'Neoliberalism' or 'Financialization' (Foster, 2007). Therefore, today's financialization story started in 1980.

3 See Subasat (2016), where different views have been discussed widely on the reason for the emergence of this crisis, whether it stems from the errors in government policies, of the systemic origin, or structural reasons.

As explained above, the subject of this study is financialization. However, since capitalism's financialization process is considered a top concept that left its mark in the post-1980 period, it also includes the other three concepts. In the political economy literature, financialization is mostly discussed on a theoretical basis, and generally, by taking the example of the USA, historical emergence and development, financialization approaches of different schools are examined. Unfortunately, a composite financialization index measuring the level of multi-dimensional financialization for different countries has not yet been found in the literature. This issue remains a significant deficiency.

Some studies perform econometric analysis in the literature by creating some financialization indices in the context of OECD countries. Although these indices are an essential step to measure financialization, they cannot be accepted as a standard index that measures financialization because it does not reflect the broad scope of financialization.

Some of these dealt with a single country, while others dealt with a small number of countries and a single sector (Orhangazi, 2008); (Assa, 2012); (Kus, 2012); (Stockhammer, 2012); (Gemzik-Salwach and Perz, 2018); (Kim, 2013); (Dünhaupt, 2013); (Gibbon, 2013); (Tellalbaşı & Kaya, 2013); (Koç, 2013); (Tunalı and Özdemir, 2017). Therefore, the financialization index covering many countries, many dimensions (several sectors) and a certain time period is not yet available.

The measurement of a multi-dimensional concept such as financialization - that is, creating a numerical index over a certain period (such as the globalization index created in previous years) can be realized in five stages. First of all, this stage is to define all aspects of financialization theoretically. In the second stage, it is discussed by determining which variable or variables will represent each component. Again, at this stage, compiling country data of these variables and creating multivariate panel data set. The third stage is to determine the indexing method. A combined financialization index is created for each country or group of countries (such as OECD, EU). At this stage, it is statistically to test the robustness and consistency of the indices created for each year in a specific time interval (e.g., 1990-2017). Finally, countries can be ranked according to this criterion in the fifth stage by comparing their financialization levels. Also, the financialization process of each country from a historical perspective can be followed. The relations between calculated financialization indices and many economic, social, and

political facts can be examined by establishing statistical and econometric models. Thanks to the established econometric models, the social effects of financialization and its relationship with macroeconomic indicators can be analyzed. Therefore, a more realistic interpretation can be made about the multifaceted social effects of financialization. Some policy suggestions can even be put forward. Financialization indices can be updated every year, and datasets may be provided to researchers working in this field.

In this book, a step has been taken to measure financialization, and this study covers the first two phases mentioned above but mainly focuses on the second phase. Since there is severe literature on what financialization is and what it contains, four main components that form financialization have been identified with the help of the information obtained from the literature review, without going into much detail in the theoretical part. These;

1. Financialization of national economies as a whole,
2. Financialization of the financial sector,
3. Financialization of the non-financial sector,
4. It is the financialization of the household.

In addition to these four main components, eight sub-components and 22 different variables that represent them have been identified.

In the second stage, the data of these 22 different variables were obtained by scanning data banks of international institutions such as the United Nations (UN), World Bank (WB), OECD, International Monetary Fund (IMF), The Bank for International Settlements (BIS). In this context, a data set of 22 different variables covering the years 1990-2015 has been created for most OECD countries. With the help of the data set created, the following methods were used to analyze each variable:

- Between 1990 and 2015, long term line-graphs were created by calculating the OECD average of each variable from all member country data.
- On each line graph; The linear slope line of each variable, the linear trend equation, and the R^2 value of this equation is shown. Long-term trend analysis of the variables was made with the help of this information.

- In this process, the development of each variable was examined, and it was observed how it followed in the pre-crisis, global crisis, and post-crisis periods.
- In this period, it is evaluated whether the general trend of each variable is compatible with the assumptions of the financialization theory.
- Also, it was determined how many folds each variable increased compared to the beginning of the period. The values obtained are ranked from large to small, and for each variable, the countries that are most and least affected by financialization are determined.
- With the 22-Variables Model, the last 25 years of financialization in OECD Countries were tried to be explained.

The book is composed of two main parts. Section one is 'Financialization as a concept' and is comprised of three parts. Chapter 1 is 'Introduction', and Chapter 2 is 'What is the financialization?' Here, some literature on the definition of financialization has been summarized. As for Chapter 3, it is 'Creator conditions of the financialization phenomenon in the 1980s.' Chapter 3 comprises these subtitles: 'Essential Developments in Central Capitalist Countries,' 'Emergence of Globalization,' and 'Ideology of financialization: Neoliberal transformation of states and active role in financialization process.'

Section Two: 'Financialization Indicators in OECD Countries.' In this section, financialization indicators in OECD countries have been analyzed. Section two is comprised of four chapters. In these four chapters, 22 variables that might represent the financialization of OECD countries have been analyzed as a financialization indicator. Chapter 4, 'Financialization of National Economies,' has been examined in two subtitles, and it considers the development of six different variables between the years 1970-2015. These subtitles are 'The Shift of Capital Accumulation from Industry to Finance,' and 'The Debt in National Economies.'

Chapter 5, 'Financialization of the Financial Sector,' has been analyzed in two subtitles with the help of seven different variables. These are 'The Dominance of Financial Markets in National Economies,' and 'The Debt in the Financial Sector.'

Chapter 6, 'Financialization of Non-Financial Sector', has been examined in three subtitles by considering six variables' attitudes. These are 'Transformation

in Non-Financial Companies', 'Inclusion of Non-Financial Companies in Financial Markets', and 'The Debt in Non-Financial Sector.'

As for Chapter 7, 'Financialization of Households' has been examined using three variables and two subtitles. These are 'Inclusion of Households in Financial Markets' and 'The Debt in Households.'

Twenty-two variables used in these analyses, which belong to OECD countries, are important as financialization has been considered and measured multi-dimensionally and has been used as a whole in literature for the first time.

The book concludes with a general evaluation. The book's most important feature is that it has been considered according to the historical developments of OECD countries by determining 22 different variables used to measure financialization. Although some countries' data have been ensured until 1970, they mostly cover between 1990-2015. Missing data related to this period have been obtained through the "linear interpolation" method. Necessary explanations related to the whole variables have been given in Appendix I.

It should be clearly stated that a financialization index is not created in this book, but variables that are thought to constitute the financialization index are introduced. Each of these variables is discussed in the context of the financialization theory. Besides, the general trend of each variable between 1990-2015 is examined. However, the financialization index will be a typical combination of all these variables. The author's motivation will be to create a composite financialization index covering OECD countries.

SECTION I

FINANCIALIZATION AS A CONCEPT

2
WHAT IS FINANCIALIZATION?

When the concept of 'financialization' was scanned on the 'Search the Library with Summon' page on 24.02.2012, 1281 article[4] were found. When it was scanned as 'Financialization' on 07.07.2020, it was found 28.268, and when it was scanned as 'Financialisation', 14.288 scientific studies were found. On the Google Scholar search page, there are 47,400 scientific studies in the title of 'Financialization' and 21,800 scientific studies in 'Financialisation'. These figures show that scientific studies in the field of financialization have increased rapidly. Looking at the contents of the articles, studies in many fields take place on a broad spectrum. Especially in heterodox social science literature, financialization draws much attention. However, it should be emphasized that although there is wealthy financialization literature, there is not a single definition that has been fully agreed yet. Different financialization approaches are briefly summarized below. If some critical work has been overlooked in this section, we apologize to readers and authors already.

2.1. The first use of the financialization concept

Although the term 'financialization' has not been used thoroughly, Paul Sweezy from the Ecole of Monthly Review, Paul Baran, and Harry Magdoff have often given place to the dominance of the financial sector in the USA economy after the 1950s gradually in their analyses later on.

However, even though the origin of the term 'financialization' is uncertain, it has been used initially in its present meaning by Kevin Phillips (Foster, 2007:11). Although Phillips did not make a definition in his book 'Boiling Point', he used financialization in the sense of escalation in accumulation, public debts and unearned incomes in the years of 1990 in US economy, tendency to fall of the middle class in homeland and increase of gap among social classes. He also evaluated financialization as the last step of great powers' hegemonies, typical indicators moving toward collapse. As for the present, starting from the sample of the

4 http://sdu.summon.serialssolutions.com/#!/search?ho=f&l=tu-TU&q=financialization

Netherlands and Britain historically, Phillips stated that the USA reached the last step of its hegemonic power. So, while Kevin Phillips considers the concept of financialization as an area where capital accumulation has been formed, on the one hand, he has brought a historical dimension to it on the other hand (Phillips, 1993). He defined financialization in the part' Financialization of America' in his book called 'Arrogant Capital' as a prolonged split between the divergent reel and financial economies (Foster, 2007:11).

2.2. The historical dimension of financialization

Giovanni Arrighi, where he made a reference to Phillips (1993) in his famous work 'The Long Twentieth Century', stated that financialization is not a phenomenon that has emerged for the first time and that it is a process being moved toward collapse along with an orientation to finance in Habsburg's Spain, the Netherlands of the 18th century and England of Edwardian Period with similar tendencies (Arrighi, 2010).

Financialization is seen in many examples in history. The Dutch East India Company balloon formed in the early sixteenth century, the Tulip bulb balloon in 1636-37, then the South Sea Company balloon in England and the Mississippi Company balloon in France show similar experiences of financialization in the past.

2.3. The introduction of a new era of industrial capitalism and the evolution of today's financialization to a global scale

It is stated that the capitalist economy has entered a new period since the 1980s (Sawyer, 2014). The 1980s can be taken as the beginning of today's financialization (Fine, 2011). In the 1980s and 1990s, its institutional and legal infrastructure was completed, and in the mid-2000s, financialization gradually became dominant in national economies.

2.4. Financialization approaches in terms of shifting profits and capital accumulation from industry to finance

Gretta Krippner defines "financialization as a pattern of accumulation in which profits accrue primarily through financial channels rather than through trade and commodity production" (Krippner, 2005: 181).

Monthly Review editor John Bellamy Foster made a similar definition; "Financialization defines as the long-run shift in the center of gravity of the capitalist economy from production to finance" (Foster, 2010).

Epstein and Jayadev (2005) stated that while the non-financial sector in total profit decreased slightly between the 1960s and 1990s, the financial sector share increased more than twice in this period.

Again (Dore, 2008 and Lapavitsas, 2013), economic financialization emphasized the real capital's profit from financial channels rather than commodity production and trade.

2.5. The financial sector has become a dominant power in the economy

In the introduction part of the book called 'Financialization and the World Economy' edited by Gerald A. Epstein, by stating that each of different researchers stresses a specific dimension of financialization, he defined it as follows: "Financialization refers to the increasing importance of financial markets, financial motives, financial institutions, and financial elites in the operations of the economy and its governing institutions, both at the national and international levels" (Epstein, 2005: 3).

(Campbell and Bakir, 2016: 127), "Very broadly, financialization can be defined as the expanded influence of finance on real production and Financialization includes: (1) expansion of the financial sector; (2) numerous fundamental changes in the operation of the financial sector; (3) an expanded role for financial operations in the non-financial sector (with this finance possibly coming from the non-financial sector itself); (4) an increased economic and political power of the financial sector; (5) a change in corporate governance to pay more attention to financial goals; (6) increased debt throughout the economy; and (7) asset inflation (including bubbles)."

Emphasizing that the financial field's role in the accumulation of capital is not new, Fine (2010: 18) argues that the distinctive feature of today's financialization is that "finance goes beyond its traditional boundaries and gradually spreads to the personal and economic-social reproduction process." Besides, in Fine (2011),

the financialization process has been developing since 1980, and the eight characteristics of financialization are stated below:

Fine (2011) stated that the financialization process has been developing since about 1980. Besides, the eight characteristics of financialization in FESSUD (2011) are summarized as follows: "First, it refers to the massive–scale expansion and proliferation of financial markets over the past thirty years. Second, the process has been closely interwoven with the deregulation of the financial system and the economy more generally. Third, financialization understood as both the expansion and the proliferation of financial instruments and services has been associated with the birth of a whole range of financial institutions and markets, and corresponding acronyms that are bewilderingly complex, quite apart from futures markets for trading in commodities yet to be produced (for which futures carbon trading is the most striking) and, infamously, subprime mortgages. Fourth, at a systemic level, financialization has been located in terms of the dominance of finance. Fifth, financialization is strongly associated with market mechanisms, complemented, or even reinforced by policies underpinning rising inequality of incomes and inequality more generally. Sixth, though, consumption has often been sustained by the extension of credit, not least through capital gains in housing as collateral. Seventh, it is not merely the expansion and proliferation of financial instruments and markets that are striking but also the penetration of such financing into a widening range of economic and social reproduction – housing, pensions, health, and so on. Finally, financialization is associated with a particular culture that is to be interpreted broadly. In short, financialization is a complex term, containing several different dimensions and aspects" (from FESSUD Description of Work, Part B, p.3).

2.6. Non-financial companies have become increasingly dependent on financial markets and institutions in their profits

They have become increasingly dependent on financial institutions and markets as non-financial companies have increasingly increased their incomes from financial activities to compensate for the decline in industrial profit rates.

Therefore, non-financial firms have undergone a significant transformation in their internal structures to participate in this process (Milberg, 2008; Stockhammer, 2004).

During the financialization period, the share of portfolio revenues of non-financial companies in the corporate cash flow increased sharply in the United States. It increased from around 14 per cent in the mid-1960s to over 40 per cent in the 1980s and 1990s (Crotty 2006, p. 107).

Fine (2013), in his study evaluating financialization from the Marxist perspective, emphasized that the accumulation based on the profits of the firms was converted into earnings in financial markets instead of productive investments.

2.7. Financialization approach in shareholder value

The most crucial change created by financialization in non-financial companies is a new corporate governance model. In other words, it is the shareholder value of the firm. In this Model, finance-oriented managers (CEOs) took over the leadership of large companies. The main objective of these managers; By focusing on activities that will increase the stock price of the company in the stock market; both the shareholders gain more from these value increases in the stock market, and the managers gain more bonuses themselves. (Useem, 1993; Fligstein, 2001; Fligstein and Shin, 2007; Stockhammer, 2004; Davis, 2009). This trend has gradually spread to most NFCs. The most crucial change created by financialization in NFCs is a new corporate governance model. Thus, firms became more focused on short-term financial gain than on long-term investment and production.

2.8. Share of capital and labor incomes during financialization

Financial and non-financial companies increased capital gains during the financialization period, while the share of labor income decreased (Krippner, 2005) and (Mishel et al., 2009). There has been a downward trend in wage shares in all major developed economies, with real wages falling or lagging behind productivity growth. In most countries, this started in the 1980s and continued unabated in the new millennium, both before and after the 2008-2009 crisis. So, income inequality has increased. One of the factors that contributed to this increase was financialization (Akyüz, 2020).

2.9. Transformation and financialization in financial markets and their institutions

With financialization, the banking sector has also transformed. With the development of various types of financial innovation, traditional banks have become market-oriented institutions.

Some examples of changes in the banking system: financial transaction speeds, speculative trading, asset securitization, shadow banking, internet finance, geopolitical finance, such as banking finance, are shifting their operations to open financial markets (Lapavitsas, 2011; Lapavitsas, 2013). According to (Anseeuw et al., 2017), income from financial services and financial derivative markets increases GDP.

2.10. Financialization and households

Lapavitsas (2011), on the other hand, emphasized that individual households are not only creditors or financial asset holders but are increasingly involved in financial markets.

Karwowski et al., (2016) also refer to the increase in the ratio of total household debts to disposable income.

2.11. How can be defined 'financialization'?

It has been defined on the Internet site called Investopedia[5] like this "Financialization: An increase in size and importance of a country's financial sector relative to its overall economy. Financialization has occurred as countries have shifted away from industrial capitalism. This impacts the macroeconomy and the micro economy by changing how financial markets are structured and operated and by influencing corporate behavior and economic policy."

After all these explanations, Financialization can be defined as becoming an essential element of capital accumulation of increasingly speculative revenues in financial markets in sharing the positive externalities caused by surplus-value created from real production (Koç, 2020: 30).

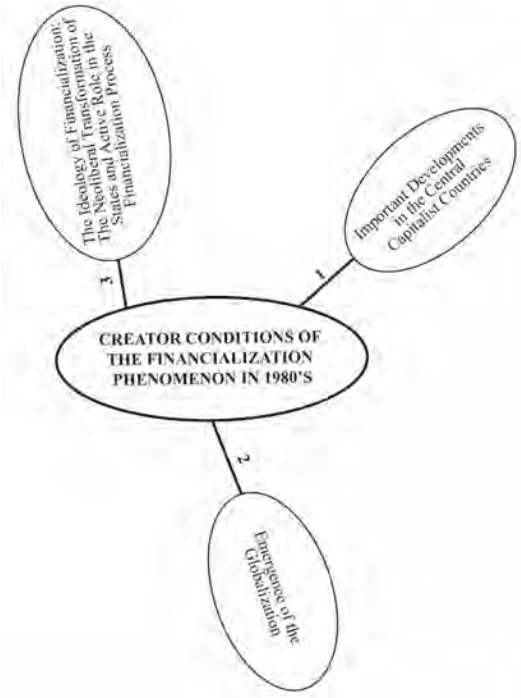
5 https://www.investopedia.com/terms/f/financialization.asp. Access date: 13.03.2019

3

CREATOR CONDITIONS OF FINANCIALIZATION PHENOMENON IN THE 1980S

The conditions that created the phenomenon of financialization in the 1980s are examined under three sub-headings. The first is the crucial developments in central capitalist countries, the second is the emergence of globalization, and the third is the process of the neoliberal transformation of states (Figure 1).

Figure 1: Creator Conditions of Financialization Phenomenon in the 1980s



3.1. Essential Developments in Central Capitalist Countries

Especially between 1970 and 1980, there were significant developments in the central capitalist countries. These developments played a crucial role in the financialization of capitalism after 1980 (Koç, 2013: 48).

Thanks to the Bretton Woods System led by the USA, in the bipolar world formed after the Second World War; Until the mid-1970s in the capitalist countries, international trade, industrial investments, growth rate, and level of welfare increased, mostly capital accumulation continued to increase.

However, from the 1950s to the mid-1970s, after approximately 25 years, serious problems started in the bloc of capitalist countries. Significant developments leading to severe blockages in capital accumulation channels towards the end of the 70s can be summarized as follows:

- After the mid-1960s, the rate of profit in the industrial sector in central capitalist countries gradually declined (Shaikh and Tonak, 1994); (Mohun, 2005).
- In the second half of the 1970s, severe decreases in fixed capital investments started in the industrial sector in OECD countries. Lack of both new investments and capacity-increasing investments led to an increase in unemployment.
- The collapse of the Bretton Woods System in 1973, the 25-year expansion period after World War II – 'The Golden Age' ended. Thus, the international monetary and exchange rate system became unstable, the balance of payments deficit increased in most countries, and world trade volume contracted.
- In the same years, due to the rapid rise in oil and other commodity prices in world markets, a cost-based inflationary process started. The decline in total supply, the real wage increase demands of the strong unions led to a further decline in the profit rates of firms in the industrial sector, a slowdown in the growth rate of countries, and even a decline in real GDP some years.

Although they had implemented the traditional Keynesian monetary and fiscal policy to get out of the stagflation environment and restore economic stability to find solutions to the problems caused by the deteriorations in all internal and external balances, the national governments failed to succeed.

The signs that the capital accumulation channels were obstructed and that capital accumulation were complicated were as follows:

The capital is gradually losing value,

Due to the deterioration of the "investor trust environment," which is very important for capital, large-scale fixed capital investments were paused by the private sector.

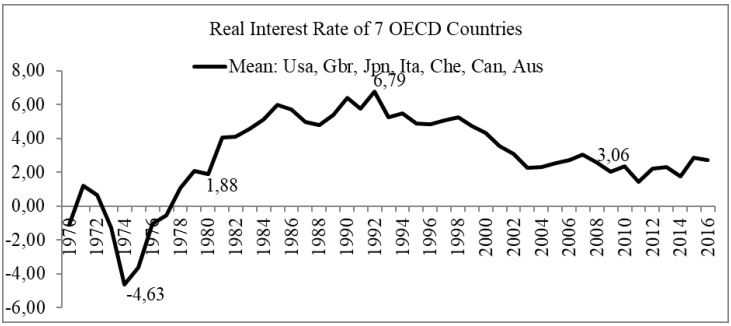
Hence, towards the end of the 1970s, capitalism was in severe crisis again after 1929.

The strategy developed by finance capital to overcome this crisis was the restructuring of capitalism with neoliberal ideology. In this context, many steps were taken. The first step was the US central bank Fed's decision to raise interest rates in 1979, which was undoubtedly vital for the finance capital.

This event, called 'Volcker Shock' in the literature, is accepted as the beginning of neoliberalism and the financialization process (Campbell, 2005). The upward trend in interest rates, which started in the US, gradually spread to all capitalist economies. In this period, not only nominal interest rates but also real interest rates started to increase.

Figure 2 shows the mean of the seven OECD countries' real interest rates (USA, UK, Japan, Switzerland, Italy, Australia, and Canada) for which data are available. In the year 1974, when inflation rates were high while the real interest average of seven countries were -4.63 % (the lowest level between the years 1970-2016), as a result of the increase in nominal interests and the fall of inflation rates, real interest rates reached the ratio of 6.79% in 1992 by following an escalation tendency. This real interest rate is the highest between 1970 and 2016. In these seven countries, due to the lowering nominal interest rates in parallel with the decrease in inflation rates after 1992, it is observed that real interest rates have decreased gradually.

Figure 2: Mean of the real interest rate of 7 OECD countries (1970-2016)



Source: The author has calculated it out of the raw data obtained from the address. http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators&l=en#

In this process, the rapid rise in interest rates affected different groups of countries differently. The United States and the United Kingdom became the center of attraction for financial capital and a period in which money-making money gradually increased. Speculative income has been at the forefront, financial markets, and the financial transactions traded in these markets have become increasingly diversified, and transaction volumes have increased enormously (Magdoff and Sweezy, 1987).

The adverse effects on the US economy in the following years can be summarized as follows:

- Valued against US Dollar, German Mark (DM) and Japanese Yen,
- Record increased current account deficits as a result of decreases in exports while imports increased,
- Between 1979-1985, the industrial sector gradually declined, stagnation occurred, firm bankruptcies and unemployment increased, and the capital changed hands again (Brenner, 2003).

3.2. Emergence of Globalization

In social sciences, the term that marked the process developed with the 1980s was globalization. Because there were fervent advocates besides anti-globalization activists, both in academia, in the media, and politically. The third approach to

globalization is a natural consequence of historical development, a reality that must be experienced that regards globalization as more neutral, accepts many of the disadvantages of globalization, and some advantages.

Globalization is considered a phenomenon; it has and continues to affect economically, socially, politically, and culturally all countries, all public and private enterprises, all social classes, and all segments of society. Serious literature has emerged that examines many aspects of globalization and analyzes the economic-social consequences of globalization[6]. Various globalization indices are created by measuring the extent that globalization reaches for each country, and these are published annually[7].

Globalization; in the literature, economic, social, and political are considered in three main dimensions. There are two sub-dimensions of economic globalization. These are trade and financial globalization. Trade-in goods and services and trade partner diversity constitute globalization of trade; foreign direct investment, portfolio investment, international debt, international reserves, and international income payments constitute financial globalization. Social globalization, on the other hand, consists of three sub-dimensions. These are interpersonal globalization, informational globalization, and cultural globalization. Embassies, UN peacekeeping missions, and International NGOs constitute political globalization (Gygli S. et al., 2019).

Here, significant technological developments, transformations in the production system, and political developments that lead to a global dimension of capitalism after the 90s are discussed (Koç, 2013: 48).

When we look at the interaction between financialization and globalization, financial globalization plays a vital role. There are two intertwined concepts. Many authors prefer the term financial globalization over financialization (Kose et al.,2006); (Lane and Gian, 2005); (Schmukler, 2004). However, financialization has broader content, including financial globalization. Financialization is the shift of the capital accumulation mechanism towards the financial sector in a national economy.

6 There is extensive literature in Dreher (2006).

7 The indices aimed at measuring globalization are listed as follows: The AT Kearney / Foreign Policy Globalization Index (ATK / FP), The KOF Globalization Index, The CSGR Globalization Index, The Cultural Globalization Index, The Maastricht Globalization Index (MGI), The New Globalization Index (NGI) and The DHL Connectedness Index (Gygli S. et al., 2019).

Therefore, the spread of financial activities to the center of the whole economy includes non-financial companies and even households in this mechanism. Financialization does not necessarily have an international character. The economy of a single country may also become financialized over time. However, the post-1980 financialization process became global after the 1990s. Thus, current financial globalization has been included in the financialization process.

In the formation of financial globalization (which can be called the infrastructure of financialization), technological innovations that marked this era have an essential function. The most important of these technological innovations are;

- The rapid expansion of personal computers (PCs) introduced into the market in the early 80s, and later the introduction of laptops and tablets,
- Rapid expansion of satellite technology, which is a crucial step in communication and TV broadcasting, and periphery countries starting to benefit from this opportunity,
- Undoubtedly, the most important technological innovation that left a mark at the beginning of the 21st century is the use of the internet and mobile phones by people of all ages and worldwide.
- Smart mobile phones have become an indispensable object in people's daily life.

Within the phenomenon of globalization, these technological innovations constituted the technical infrastructure of financialization, while financial reforms constituted the legal infrastructure. Thanks to these technologies, twenty-four hours of continuous transactions were carried out globally in financial markets. Both individual and institutional investors have access to these markets, making transactions in these markets possible without the time and geographical distance constraints. This situation significantly increased the volume of transactions in the financial markets, the number of traders, and the variety of financial products. Therefore, financial markets have become a dominant power both in the national and world economies.

Globalization has also led to significant changes in production processes. Here are some of them:

The production structure of the Fordist accumulation/production model, which prevailed between 1930 and 1980, was based on an extensive integrated factory system. In both public and private sector industrial enterprises, many blue-collar workers worked in shifts and engaged in mass production. For example, the entire production of an automobile was made in a factory. There were powerful trade unions in this period. The bargaining power of the unions was quite high. Using production power, the working class had achieved considerable economic, social, and political gains during this period. As industrial investments increased, economies grew, employment increased, and real wages increased relatively. The dominant sector in the economy was the industrial sector, especially the manufacturing industry. Most of the employed workers were employed in the industrial sector. Investment and consumer goods from the central countries to the periphery were exported.

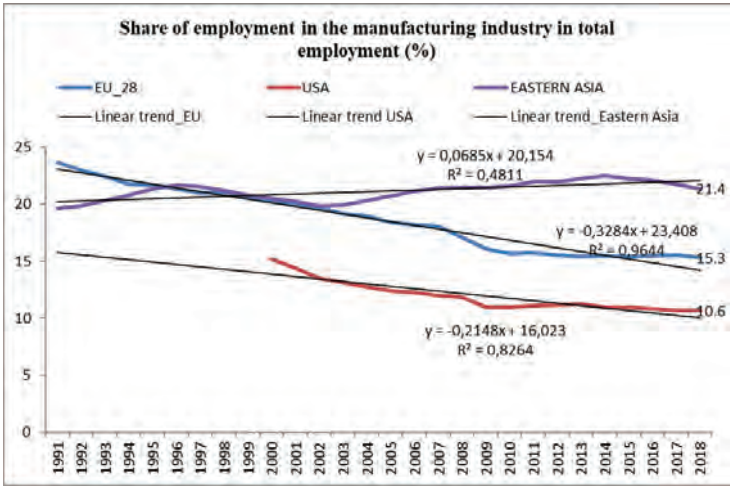
However, with the globalization that emerged in the 80s, the Fordist accumulation/production model came to an end and was replaced by the post-Fordist accumulation/production Model. The characteristic structure of this new production model was quite different. The change created by globalization in the production process can be summarized as follows:

- In this period, due to the pressure of decreasing the costs triggered by increasing competition in industrial production, the production process has undergone a severe transformation. During the production process, a new division of labor has emerged between Central and Peripheral countries. Production of traditional industrial products shifted from central countries to peripheral countries.
- The share of industrial production in total value-added decreased in central countries. However, the production of products that require high technology and have high value-added came to the forefront. Alternatively, global internet companies based on software emerged. However, investments in labor-intensive sectors that do not require highly qualified labor have shifted to many Far East Asian countries, particularly China and India. Since social security and union rights are not very high, and the cheap labor force is abundant, these countries are preferred by global capital.
- As in automobiles, the enormous Fordist manufacturing process in which one commodity was produced in one country, one factory, was abandoned. Instead, global companies in central countries result from high-cost and long-term

design and product development activities (R & D), strategic products that produce high added value, rely on qualified knowledge and require monopoly power, and other parts are produced in Far East Countries.

Figure 3, based on ILO data, shows the share of manufacturing industry employment in total employment in central capitalist countries and Far East Asian Countries between 1991-2018. While this ratio tends to decrease continuously in both the USA and EU countries, the trend is increasing in Far East Asian countries. These data confirm the above explanations.

Figure 3: Share of employment in the manufacturing industry in total employment (%)



Source: The author has calculated it out of the raw data obtained from the address. https://www.ilo.org/shinyapps/bulkexplorer16/?lang=en&segment=indicator&id=SDG_0922_NOC_RT_A

The production of parts that require relatively low added value is produced in the 'Global Factories' in these countries, and in the last link of the production chain, these parts produced in different countries are combined to create their final products. All famous brands produced as a result of these processes are offered for sale in the world markets at low costs (Fröbel, Heinrichs, and Kreye, 1980).

A complex process of production, called the global commodity chain, formed by these integrated production units scattered throughout different geographies, marked this period (Wallerstein, 1984); (Gereffi and Korzeniewicz, 1994).

As a result of the Second World War, a bipolar world system was established under the US and USSR leadership, the two dominant forces as the winner of the war. These two superpowers followed a severe strategy of competition, primarily military, economic, and political. In the early 1990s, the cumbersome bureaucratic socialist system in the USSR and all Eastern European countries collapsed. With the rapid capitalization of Russia and other countries, capitalism turned into a global character.

3.3. The Ideology of Financialization: Neoliberal Transformation

Neoclassical economists and political scholars, who completed their theoretical preparations from 1960 to 1980 under the guidance of the neoliberalism ideology they developed, first opened a theoretical front against the Keynesian economic policies at the academy.

The neoconservative parties, which came to power in the 1980s, started to implement these neo-liberal policies as governmental policies and transformed the state mechanism by changing the legal and institutional structure to ensure the policies that prioritized the interests of the finance-capital class.

Thus, states played an active role in establishing the legal and institutional infrastructure of financialization under this ideology's guidance. With the slogan: 'No alternative!' these neoliberal policies, which are very similar to each other, was implemented in almost most countries.

The main headings of the neoliberal policies, also called 'the Washington Consensus' (Williamson, 2000), which are imposed on the periphery countries by the World Bank and the IMF, are:

- Abolition of regulations (financial and banking sector) and public controls (prices, interest, and exchange rates) were implemented during the Keynesian period (deregulations).
- Implement financial liberalization by removing barriers to capital movements.

- Opening education and health to the market as a result of the free-market economy and privatization of public enterprises,
- Reducing the tax rates paid by the capitalist class and implementing supply-side economic policies,
- They were making workers' organizations disreputable. Policies to de-unionization for workers. The extortion of the vested rights of workers,
- Atypical employment, flexible working system, and subcontracting system instead of secure employment,
- Restriction of social-state expenditures through tight fiscal policies under the name of fiscal discipline (Dumenil and Levy, 2005a, b); (Dumenil and Levy, 2011); (Campbel, 2005); (Koç, 2013: 48).

Figure 4: The Infrastructure of Financialization: Financial Reform Index

Source: The author created from raw data from the address. https://www.imf.org/en/Publications/WP/Issues/2016/12/31/A-New-Database-of-Financial-Reforms-22485

The OECD Mean of the Financial Reform Index[8] prepared by Abiad, Detragiache, and Tressel (2008) and calculated from the country data obtained from the IMF website, is shown in Figure 4. The steady increase in the OECD average of this composite index after 1980 shows that the reforms that make up the

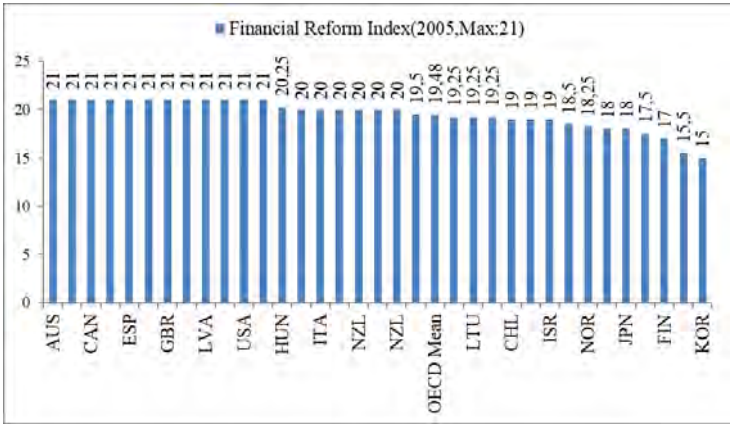
8 'The Financial Reform Index' is an index published on the IMF website covering information on seven dimensions from 1973 to 2005, covering 91 countries. The seven dimensions of the Financial Reform Index are Credit controls, Interest rate controls, Entry barriers, Bank regulation and Supervision, Privatization, Capital account, and Securities market. Each of these dimensions was scored between 0-3 for each country. The country with 21 points belongs to fully liberalized, and 0 points indicate that it has fully repressed.

infrastructure of financialization have spread to all countries. This index was last calculated in 2005 and reached 19.5. Twenty-one full points represent full financial liberalization in countries. Therefore, the financial reform index in OECD countries is considered the number one variable in forming the financialization index in this study.

Financial Reform Index-OECD Mean increased from 9.26 in 1980 to 13.78 in 1990, 18.95 in 2000, and 19.48 in 2005. The first countries to achieve full liberalization by taking 21 points in the Financial Reform Index were Ireland (1993) and Canada (1994). Countries that completed more than 90% of the financial liberalization reform in 1995 are Aus, Bel, Che, Can, Deu, Dnk, Esp, Fra, Gbr, Irl, Nld, Lva, Nld, Nzl, Swe, and the United States.

Figure 5 shows the Financial Reform Index values of the countries as of 2005. A total of 11 countries received 21 full points and completed the financial reform process. These countries are Aus, Bel, Can, Dnk, Esp, Fra, Gbr, Irl, Lva, Nld, and the USA. With the 15 points, the last two ranked countries are Turkey and Korea.

Figure 5: Financial Reform Index Values of the Countries as of 2005



Source: The author created from raw data from the address. https://www.imf.org/en/Publications/WP/Issues/2016/12/31/A-New-Database-of-Financial-Reforms-22485

SECTION II

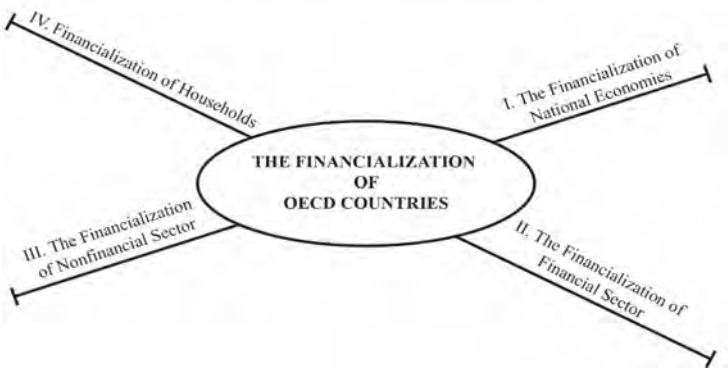
FINANCIALIZATION INDICATORS IN OECD COUNTRIES

4

FINANCIALIZATION OF NATIONAL ECONOMIES

In this section, 'Financialization indicators in OECD countries' have been considered under four main titles. Financialization of national economies, Financialization of the financial sector, Financialization of non-financial sector, and Financialization of household (Figure 6).

Figure 6: Main Financialization Components of OECD Countries



In the period of financialization, the most attention-grabbing feature in national economies is that finance markets settle into the very core of the whole economy. Momentary developments formed in financial markets have been followed closely minute by minute in national borders and on a global scale. Developments in these places have been impactful in the decision processes of governments. Declarations made principally by important political actors on any issue lead to severe fluctuations in financial markets, or these political actors have been obliged to make different statements to alleviate fluctuations in financial markets in contrast (Tonak, 2007).

Financial markets, the types of which increase gradually and exhibit a complicated structure, execute a function penetrating the entire economy by settling into the economy's core in the financialization period. The most important actors of these markets are public institutions that provide capital savings and private financial institutions, making transactions in markets performing a mission on a national and international scale and carrying out an arrangement and controlling function.

When we look at the markets, global players obtain high incomes in the geographies they desire by making speculations simultaneously. The main markets in various geographies are; money and exchange markets, capital markets (stock markets), forward transaction (future) markets, and commodity markets where any precious mine, oil, and agricultural products are bought and sold. There have been so many diversifications in financial institutions transacting in these markets. As traditional financial institutions out of these, holding companies, deposit and investment banks, and insurance companies have turned towards working more market-based by getting new functions and financialization. Apart from these, as for the consumer financing companies, leasing and factoring firms, and credit card institutions, they are mostly the institutions that appear along with financialization. Also, public and private pension institutions, individual pension funds, private investment funds, and portfolio management companies own a considerable amount of funds. These funds make billions of dollars of transactions continually in financial markets of different geographies in the world.

Although these funds were primarily traded in the central country markets, with the financial liberalization process after 1980, they had the freedom of movement on a global scale with the support of the IMF and the World Bank. Thus, they increased their financial profits by entering the periphery country markets called 'emerging markets.'

These countries have begun to present various facilities and incentives which belong to international capital. While they were called 'Underdeveloped countries' in the years 1960, 1970, even in 1980, they were called 'Developing countries' after the 1990s. These funds have begun to make serious investments in 'Emerging Markets.' These investments were sometimes in the form of buying great public enterprise (such as Telecom) through privatization or portfolio investments called 'hot money flow.' Principally in these countries where IMF's stabilization programs were put into practice, the periods in which political and macroeconomic

stabilization were provided relatively; capital inflow increased in conjunction with note escalation of international rating agencies. As a result of the widespread support of national and international media, higher stock price increases have been formed in stock markets through positive cash flows as the markets of these countries are relatively shallow. These funds lead to the formation of financial balloons called a rally by remaining for a long time in these countries' financial markets. These funds enlarge capital accumulations by providing serious amounts of profits in the financial markets of these countries. However, as time goes on, political stability problems arise in these countries, borrowing based on foreign trade deficits increases, and economic vulnerabilities based on currency risk occur.

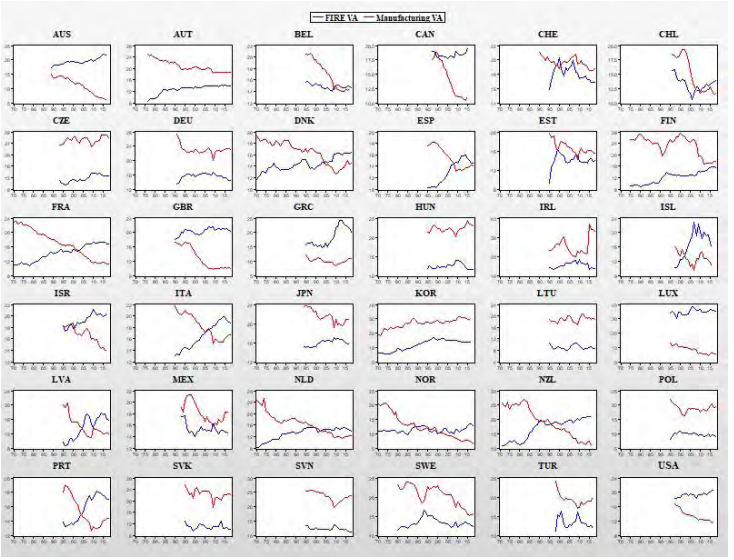
Along with the increase of risk in the country, due to the outflow of foreign capital, severe financial crises occur in the course of events in consequence of being shaken of macro-economic balances in the country national economy. As a requirement of the structure of financialization, the financial crisis in a country simultaneously spreads over other countries. It almost does not exist in any peripheral country, not experiencing these kinds of practices after the 1990s (BSB, 2011); (Boratav, 2016 and 2020); (Yeldan, 2009).

4.1 The Shift of Capital Accumulation from Industry to Finance

Foster (2010) identifies financialization as shifting the capital accumulation mechanism of capitalism from production to finance. So, this shifting has been accepted as a very significant indicator of financialization.

Figure 7 shows the shares of FIRE and the manufacturing sector in total value-added, based on OECD countries. Table 1 shows the correlation coefficients between these two variables for each country. According to this table; In 25 OECD countries, a significant and negative relationship was found between these two variables. In 3 of them, the meaning and the positive relationship were found, whereas, in 8 countries, no meaning was found. A significant and negative relationship was found in the average of OECD countries. While the share of FIRE in total value-added increases in most countries, the manufacturing industry's share decreases.

Figure 7: Finance-Insurance-Real Estate (FIRE) Value-Added and Manufacturing Value-Added: 1970-2018 (% Share in total value-added)



Source: The author has calculated it out of the raw data obtained from the address. https://data.oecd.org/natincome/value-added-by-activity.htm

Table 1: Pearson Correlation Coefficients Between FIRE and Manufacturing Sector's Share in Total Value Added

AUS		AUT		BEL		CAN		CHE		CHL		CZE		DEU		DNK		ESP		EST		FIN	
Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.
-0.88	0.00 (***)	-0.92	0.00 (***)	0.51	0.01(**)	-0.24	0.33	0.29	0.17	0.47	0.02(**)	0.04	0.83	-0.83	0.00(***)	-0.87	0.00 (***)	-0.98	0.00 (***)	-0.50	0.01(**)	-0.70	0.00 (***)

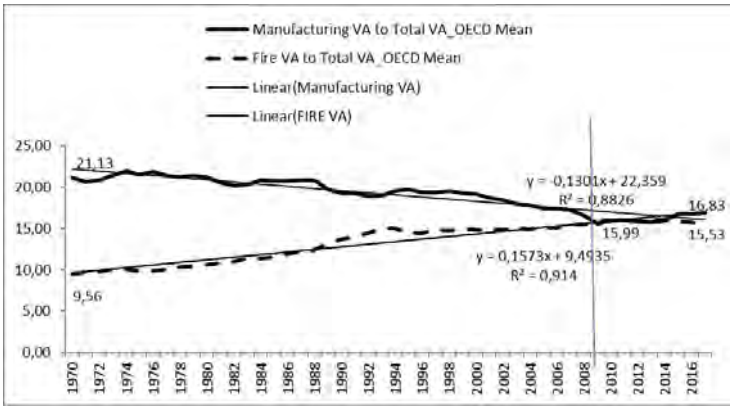
FRA		GBR		GRC		HUN		ICL		IRL		ISR		ITA		JPN		KOR		LTU		LUX	
Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.
-0.98	0.00 (***)	-0.63	0.00 (***)	-0.43	0.03(**)	-0.66	0.00 (***)	-0.65	0.00 (***)	-0.66	0.00 (***)	-0.77	0.00 (***)	-0.97	0.00 (***)	-0.84	0.00 (***)	0.75	0.00 (***)	-0.54	0.00 (***)	-0.48	0.01 (**)

LVA		MEX		NLD		NOR		NZL		POL		PRT		SVK		SVN		SWE		TUR		USA	
Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.	Corr.	Prob.
-0.88	0.00 (***)	0.02	0.92	-0.86	0.00 (***)	-0.29	0.04 (**)	-0.93	0.00 (***)	-0.56	0.00 (***)	-0.93	0.00 (***)	0.13	0.55	-0.26	0.22	0.00	0.98	-0.21	0.37	-0.76	0.00 (***)

Significance level: (***): 1%; (**): 5%; (*): 10%

Similarly, in Figure 8, the OECD mean of these two variables has been shown. The countries included in the calculation of the OECD Average are: Between 1970-1975; Korea, the Netherlands, Norway, France, and Denmark; Between 1975-1980; Austria and Finland; Sweden was included in 1980, and the United States in 1997. Between 1990 and 2018, all OECD countries are included. Between 1970-2018, while the share of the manufacturing industry in value-added tended to decrease, on the contrary, the share of the FIRE sector showed a continuous upward trend.

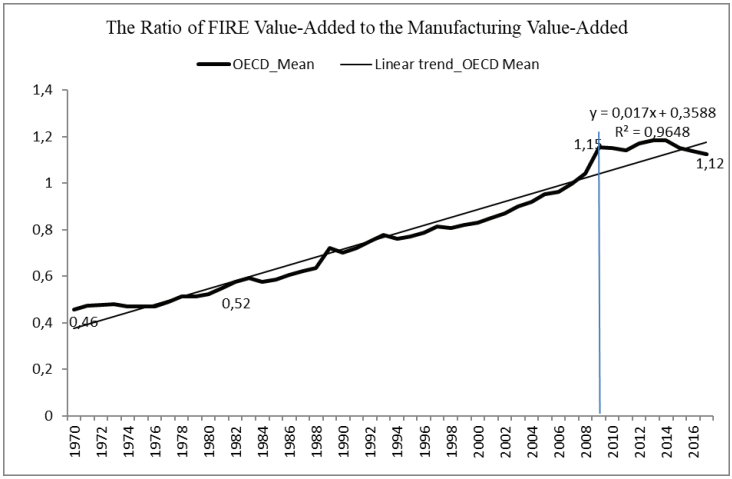
Figure 8: The Ratio of FIRE Value Added and Manufacturing Industry Value Added to Total Value Added



Source: The author has calculated it out of the raw data obtained from the address. https://data.oecd.org/natincome/value-added-by-activity.htm

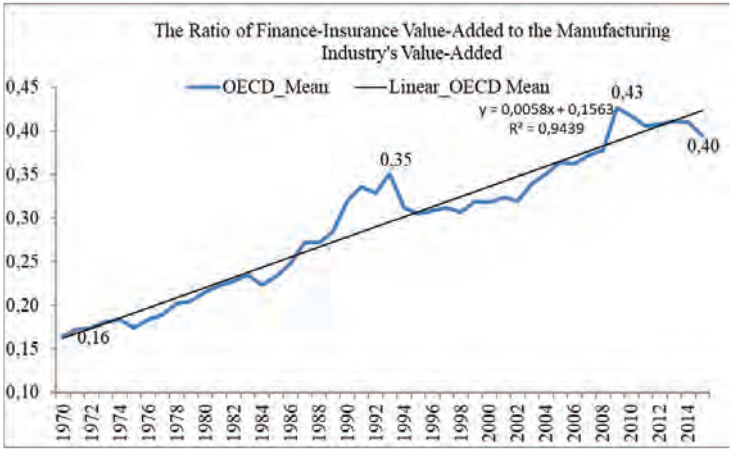
Figure 9 shows the ratio of the FIRE sector value-added to the manufacturing industry value-added. One of the critical assumptions of financialization is that the broad financial sector, which is considered FIRE, is increasing in the long term compared to the manufacturing industry. In this sense, the long-term trend of this variable is significant. As seen in this graph, the OECD average of this variable has a significant upward trend between 1970-2018. This ratio increased from 0.46 in 1970 to 0.52 in 1980. This upward trend continued until the 2009 crisis. After this ratio increased to 1.15 in 2009, the downward trend started, and in 2017 it decreased to 1.12. This rate increased 2.21 times between 1980 and 2009. Since this variable's long-term trend supports the financialization thesis, it is appropriate to measure financialization. Therefore, this variable is included as the number 1 variable in the model.

Figure 9: The Ratio of FIRE Value-Added to the Manufacturing Value-Added



Source: The author has calculated it out of the raw data obtained from the address. https://data.oecd.org/natincome/value-added-by-activity.htm

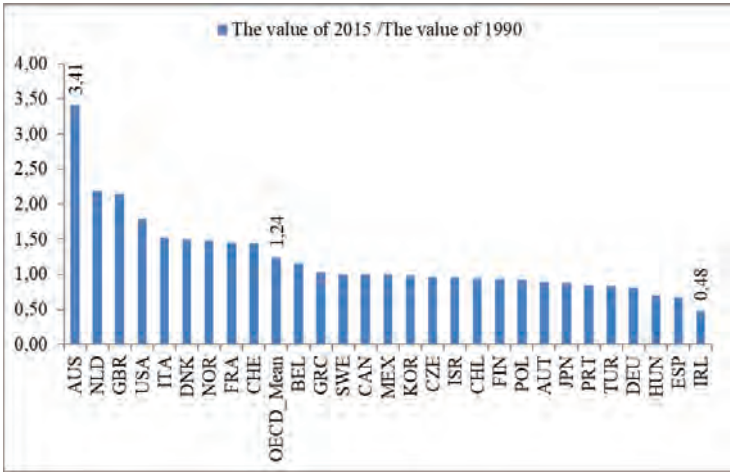
Figure 10: The Ratio of Finance-Insurance Value-Added to the Manufacturing Industry's Value-Added



Source: The author has calculated it out of the raw data obtained from the address. https://data.oecd.org/natincome/value-added-by-activity.htm

In Figure 10, instead of FIRE, only the value-added ratio of the finance-insurance sector to the manufacturing sector is examined. Similarly, in this graph, the finance-insurance sector share is continuously increasing compared to the manufacturing industry. In particular, this increase between 1984 and 1993 is more pronounced. Then, the increase that started in 1995 lasted until 2009. Following the global financial crisis, the downward trend in the finance-insurance sector ratio to the manufacturing sector started. While this ratio was 0.16 in 1970, it doubled in 1990 and rose to 0.32. In 2009, it rose to the highest level of 0.43. It dropped back to 0.40 in 2015. This ratio increased 2.50 times between 1970 and 2015 and 1.95 times between 1980 and 2009.

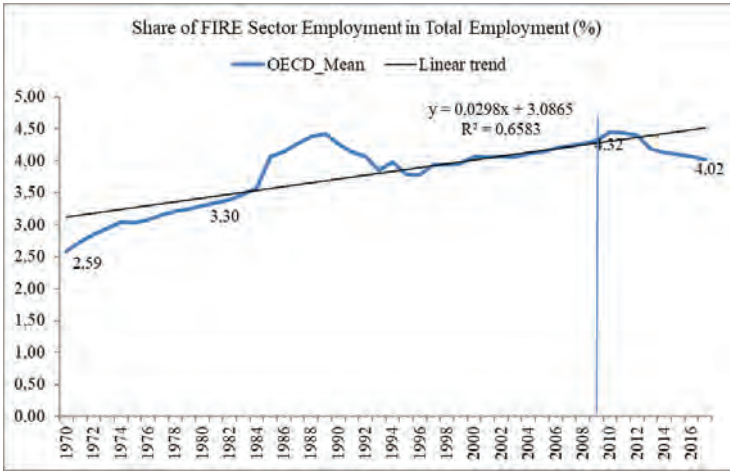
Figure 11: How Many Folds have the Ratio of the Value-Added Financial Sector to the Manufacturing Industry Increased in This Period? Country ranking



Source: The author has calculated it out of the raw data obtained from the address. https://data.oecd.org/natincome/value-added-by-activity.htm

Figure 11 shows the country ranking according to the value of this variable in this period. The first five countries; It is ranked as Australia, Holland, England, and the USA. In Australia, which ranks first, the ratio of financial value-added to the manufacturing industry value-added increased 3.41 times between 1990 and 2015, while the least increasing country was Ireland, with a value of 0.48. The OECD average is 1.24 times.

Figure 12: Share of FIRE Sector Employment in Total Employment (%)

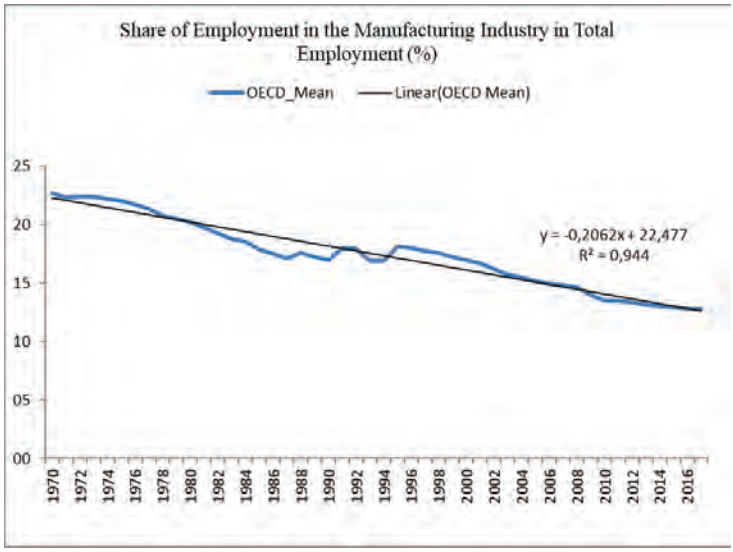


Source: The author has calculated it out of the raw data obtained from the address. https://stats.oecd.org/Index.aspx?DataSetCode=SNA_TABLE3#

In this section, general trends in employment will be examined. Here, the shares of the FIRE sector and the manufacturing industry in total employment will be compared. Figure 12 shows the share of the FIRE sector and the manufacturing industry in total employment. As seen, while the upward trend continued from the 1970s to the Global Crisis (2009), a relative decrease started in 2010. While this rate was 2.59% in 1970, it increased to 3.30% in 1980 and 4.32% in 2009. It was 4.02% in 2017. This ratio increased 1.3 times between 1980-2009, 1.2 times between 1980-2017, and 1.5 times between 1970-2017.

Figure 13 shows the share of manufacturing industry employment in total employment. This ratio is in a downward trend between 1970-2017. While it was 22.6% in 1970, it decreased to 20.3% in 1980, 13.9% in 2009 and 12.8% in 2017. This ratio increased 0.7 times between 1980-2009, 0.6 times between 1980-2017, and 0.6 times between 1970-2017.

Figure 13: Share of Employment in the Manufacturing Industry in Total Employment (%)



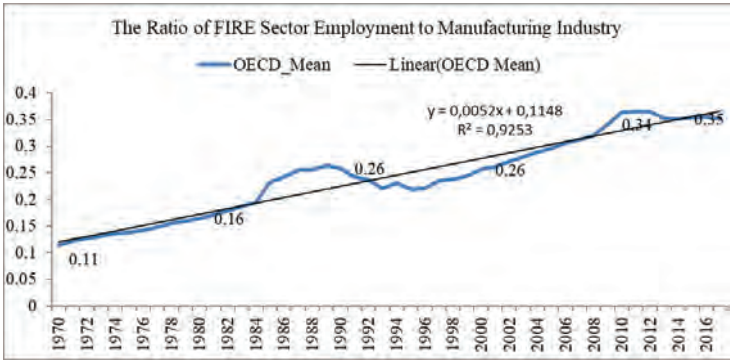
Source: The author has calculated it out of the raw data obtained from the address. https://stats.oecd.org/Index.aspx?DataSetCode=SNA_TABLE3#

The ratio of employment in the FIRE sector to that of the industrial sector is another variable considered in creating the financialization index. The financialization thesis states that this rate is increasing gradually. As a result of the gradual decrease in industrial investments in OECD Countries, employment in the industrial sector decreases. There is a severe loss of employment in the industry. However, the rate of people working in the service sector is increasing gradually. While those working in the industrial sector constitute the working class as the 'proletariat,' those working in the service sector are called precariat[9]. Those working in the service sector are incredibly heterogeneous. While there are relatively high wages in the finance, education, and healthcare sector, an essential part of the service sector is those who do not have job security such as marketing and

9 In sociology and economics, the precariat is a social class formed by people suffering from precarity, which is a condition of existence without predictability or security, affecting material or psychological welfare. The term is a portmanteau obtained by merging precariously with proletariat". https://en.wikipedia.org/wiki/Precariat

sales, fast-foot sector, do not have a union organization in their workplaces, work temporarily or according to the flexible working system. In these sectors, wages are low and social rights are very insufficient.

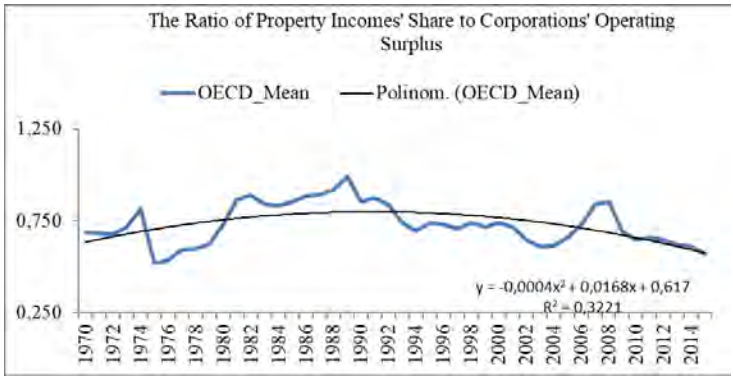
Figure 14: The Ratio of FIRE Sector Employment to Manufacturing Industry



Source: The author has calculated it out of the raw data obtained from the address. https://stats.oecd.org/Index.aspx?DataSetCode=SNA_TABLE3#

In Figure 14, the ratio of employees in the FIRE sector to manufacturing industry employees is shown. It is this variable that is considered to represent the shift in employment within the financialization index. The long-term behavior of this variable tends to increase. In other words, between 1970 and 2017, while the share of the manufacturing industry in total employment decreased, the share of the FIRE sector increased. This result supports the assumption of the financialization theory. While it was 0.11 in 1970, this rate increased to 0.16 in 1980, to 0.34 in 2009, and 0.35 in 2017. This ratio increased 2.06 times between 1980-2009, 2.13 times between 1980-2017, and 3.07 times between 1970-2017. Therefore, this variable is included as the number 2 variable in the model.

Figure 15: The Ratio of Property Incomes' Share to Corporations' Operating Surplus

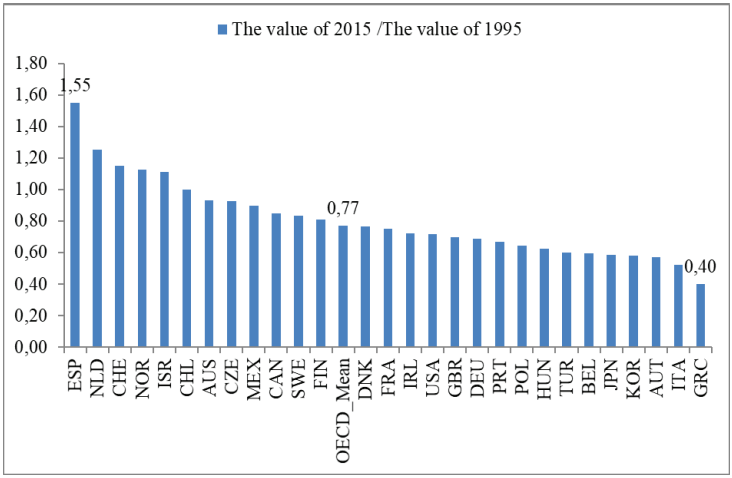


Source: The author has calculated it out of the raw data obtained from the address: https://stats.oecd.org

The variable number 3, which is considered to be used to measure the financialization of the national economy, is the ratio of all kinds of property income (or speculative earnings) to the companies' operating income. This tendency has been defended to increase in financialization thesis. However, financialization, in short, defines the period of earning money from money. In the pre-financialization (industrial capitalism) period, the firms' primary income sources are primarily based on production and sale. The incomes out of production and sale are of secondary importance, and their share in total income is low.

According to the OECD average, figure 15 shows the ratio of property income in the national economy to the companies' operating surplus. It cannot be said that the OECD average of this variable had a significant trend between 1970-2015. The slope line is polynomial and has a low r^2 value. So, it is statistically insignificant. Between 1975 and 1990, this rate increased by 1.92 times, from 0.51 to 0.99. This ratio has subsided to 0.60 between the years 1990-2003. In 2008, it scaled up to 0.85 again. The increase between the years 1975-2008 has become 1.65 times. It is seen that it has fallen into a decline after the global crisis again. In 2015, this ratio materialized as 0.57, and it has increased 1.1 times totally between the years 1975-2015. Therefore, it does not seem possible to use this variable in creating the financialization index according to the OECD average. However, the decision belongs to the researchers.

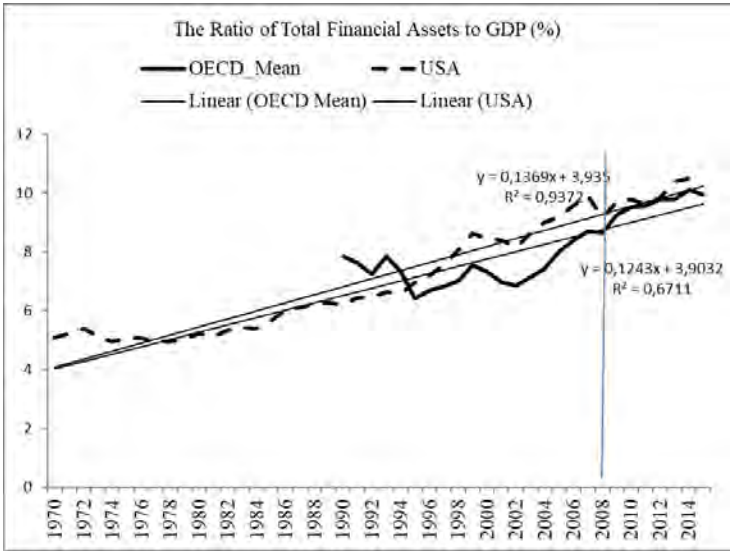
Figure 16: How many folds did the ratio of property incomes' share to corporations' operating surplus increase in this period? Country ranking



Source: The author has calculated it out of the raw data obtained from the address: https://stats.oecd.org

Figure 16 shows how many folds the 'Share of property revenues to company operating income' variable increased between 1995 and 2015, according to country ranking. The first five countries are; Spain, the Netherlands, Switzerland, Norway, and Israel. The ratio of Property Incomes' share to corporations' profits has increased the most in Spain by 1.55 times between 1995-2015. The lowest increase has become 0.40 times in Greece, and the OECD mean been materialized as 0.77 times in the same period.

Figure 17: The Ratio of Total Financial Assets to GDP (%)

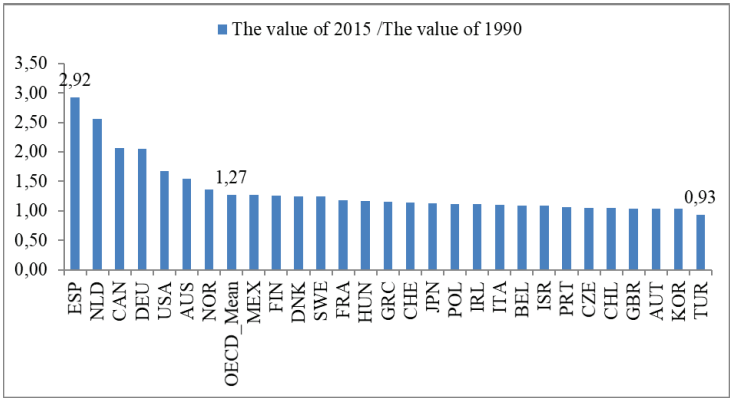


Source: The author has calculated it out of the raw data obtained from the address: https://stats.oecd.org

Financial assets do not have any real value; it consists of cash, all kinds of foreign currency, stocks, bonds, bills, notes receivable, and bank deposits. The share of financial assets in GDP, which belongs to all institutions (financial and non-financial corporations, government, and households) in the national economy, has been accepted as a significant financialization indicator. It is assumed that this variable will gradually increase in the financialization period. Therefore, this variable is included as the number 4 variable in the model.

Figure 17 shows the OECD average between 1990 and 2015 and the USA data between 1970 and 2015. Both series are in the tendency of escalation. This situation is compatible with the financialization theory. While the ratio of financial assets to GDP was 5.2 in 1980 in the USA, it increased to 9.9 in 2007. In this period increased by 1.9 times. However, it increased 5.2 times between 1980-2015. Considering OECD mean, this ratio has come up to 8.7 from the ratio of 7.8 by increasing 1.1 times between the years 1990-2007. As for the years between 1990-2015, this ratio scaled up to 10.0 by increasing 1.3 times.

Figure 18: How many times did the ratio of total financial assets to GDP increase in this period? Country ranking



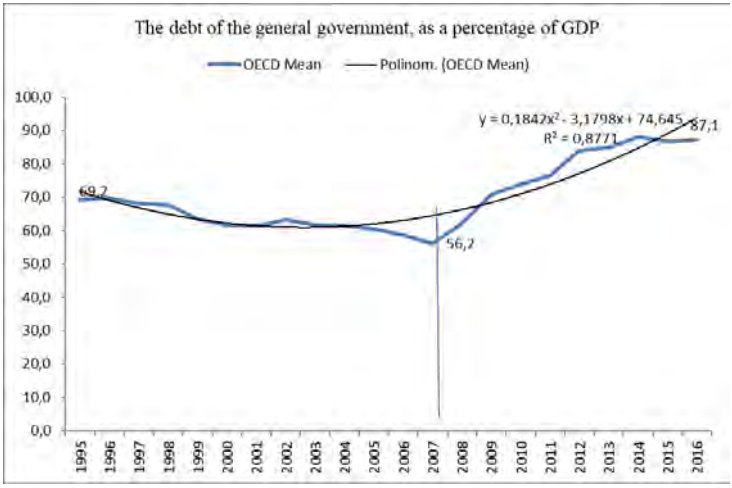
Source: The author has calculated it out of the raw data obtained from the address: https://stats.oecd.org

Figure 18 shows how many times the ratio of Total Financial Assets to GDP increased between 1990-2015. The highest increase is in Spain (2.92 folds), and the other top five countries are the Netherlands, Canada, Germany, and the USA. Turkey ranks last with 0.93 folds. The OECD average of this rate is 1.27 folds.

4.2. The Debt in National Economies

One of the indicators of financialization is the increasing borrowing level of national economies too. In this study, borrowing in the national economy is measured with two different variables. One of these is the share of the general government debts in GDP, while the second is the share of total debts in GDP. According to the financialization approach, the value of both variables is expected to increase over the years.

Figure 19: The Debt of the general government, as a percentage of GDP

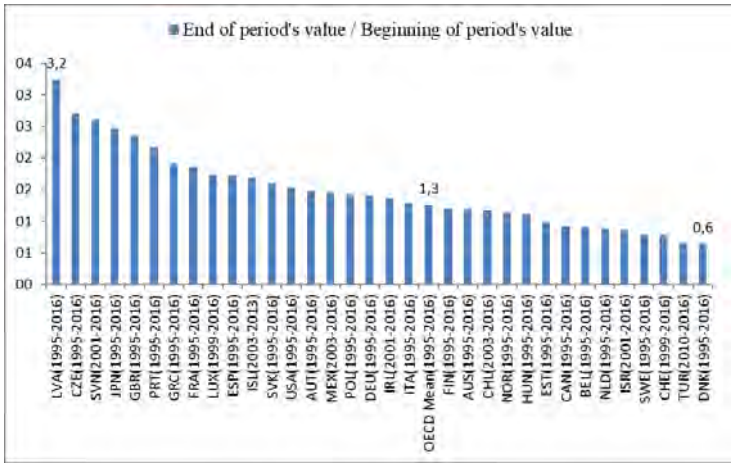


Source: The author has calculated it out of the raw data obtained from the address: http://stats.oecd.org/Index.aspx?DataSetCode=FIN_IND_FBS#

Figure 19 shows the OECD average of the share of the general government debt in GDP. While this rate was 69.2% in 1995, it dropped to 56.2% until 2007 and increased to 87.1% in 2016 with the global crisis. Therefore, the global crisis caused an increase in the debts of the governments. The most important reason for the increase in the share of government debts in GDP is the lack of sufficient taxes from upper-income groups (finance-capital). Besides, they are the budget deficits that arise due to the debt of banks sinking during the crisis. Significant increases in government debt in most OECD countries after the global crisis in 2009 also prove this. Therefore, it is thought that this variable, which shows the share of general government debts in GDP, can be used as the number 5 variable in measuring the financialization of national economies.

Figure 20 shows how many folds the share of the general government debts in GDP increased in this period compared to countries. The top five countries with the highest increase in this value are Lithuania 3.2 folds, Czech Republic 2.7 folds, Slovenia 2.6 folds, Japan 2.5 folds, and England 2.4 folds. The OECD average is 1.3 folds, and the lowest increase was in Denmark with 0.6 folds.

Figure 20: The Debt of the general government as a percentage of GDP. How many folds has this variable increased during this period? Country ranking

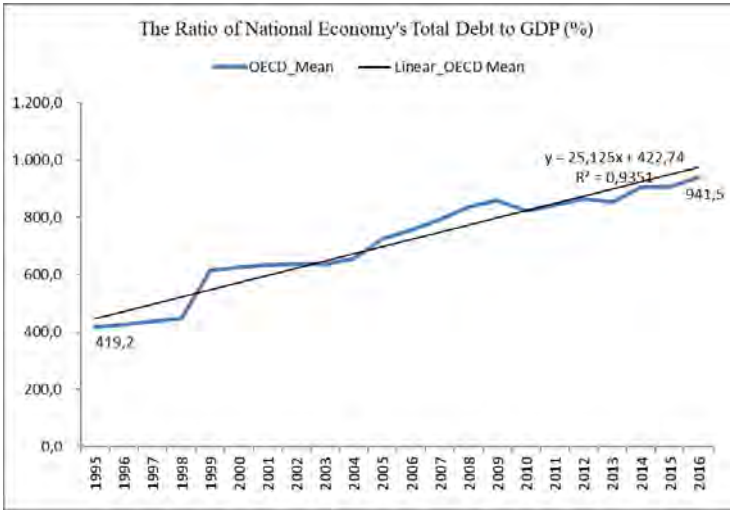


Source: The author has calculated it out of the raw data obtained from the address: http://stats.oecd.org/Index.aspx?DataSetCode=FIN_IND_FBS#

Total debts in the national economy include debts from the public, the private sector, and the household. Therefore, the share of total debts in an economy in GDP is considered an essential financialization indicator of the national economy. In this model, it is included as the number 6 variable.

Figure 21 shows the OECD average of the share of total debts in the national economy in GDP. This variable has an increasing trend between 1995-2016, supports the thesis of the financialization approach. While this rate was 419.2% in 1995, it increased rapidly and reached 941.5% in 2016.

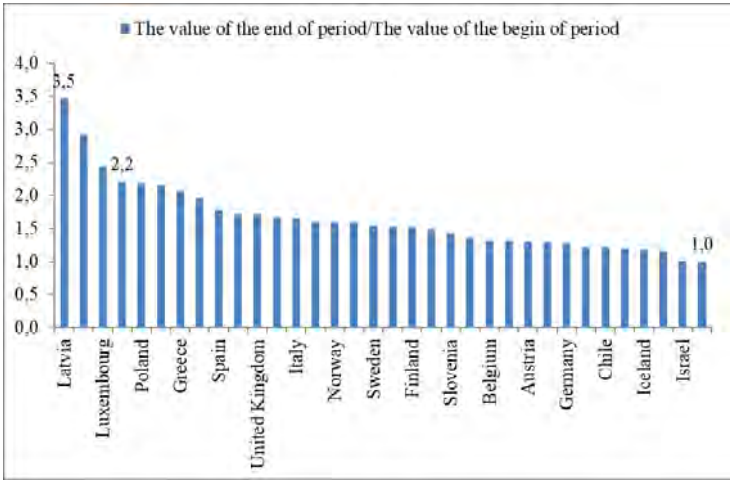
Figure 21: The Ratio of National Economy's Total Debt to GDP (%)



Source: The author has calculated it out of the raw data obtained from the address: http://stats.oecd.org/Index.aspx?DataSetCode=FIN_IND_FBS#

Figure 22 shows how many folds this variable increased on a country basis during this period. The top five countries with the highest increase in this value are listed as follows: Lithuania increased 3.5 folds, Estonia 2.9 folds, Luxembourg 2.4 folds, Poland 2.2 folds, and Australia 2.2 folds. The OECD average was 2.2 folds. In this period, the lowest increase was the Slovak Republic with 1.0 folds.

Figure 22: How many folds did the ratio of the national economy's total debts to GDP increase in this period? Country ranking



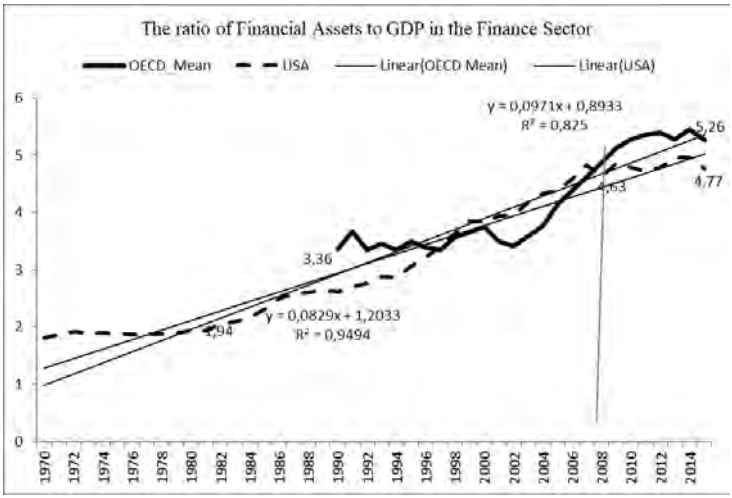
Source: The author has calculated it out of the raw data obtained from the address: http://stats.oecd.org/Index.aspx?DataSetCode=FIN_IND_FBS#

5
FINANCIALIZATION OF FINANCIAL SECTOR

5.1. The Dominance of Financial Markets in National Economies

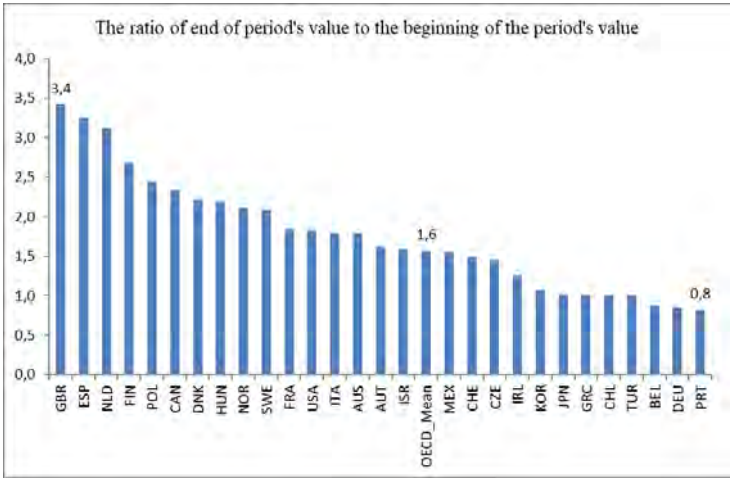
The ratio of financial assets of the financial sector to GDP is shown in Figure 23. It is checked whether the value of this variable has increased over the years, and its increase indicates financialization. While the OECD average of this rate was 3.36 in 1990, it increased by 1.45 times in 2008 to 4.87, and in 2015 it increased by 1.57 times to 5.26. USA data for this variable goes back to the 1970s. While it was 1.87 in 1970 in the USA, it increased to 1.94 in 1980, 4.63 in 2008, and 4.77 in 2015. Both the OECD average and USA data support the financialization theory. Therefore, this variable is included as the number 7 variable in the model.

Figure 23: The Ratio of Financial Assets to GDP in the Finance Sector



Source: The author has calculated it out of the raw data obtained from the address: https://stats.oecd.org

Figure 24: How many folds did the ratio of financial assets in the finance sector to GDP increase in this period? Country ranking



Source: The author has calculated it out of the raw data obtained from the address: https://stats.oecd.org

The country ranking of the ratio obtained by dividing each country's 2015 value to the year 1990 and the ratio of financial assets in the finance sector to GDP from large-scale to smaller ones between 1990-2015 has been shown in Figure 24. In this process, the first five countries are England (with an increase of 3.4 times) on the top rank, later in Spain, the Netherlands, Finland, and Poland. While the lowest increase was in Portugal with an increase of 0.8 times, OECD mean is 1.6 times.

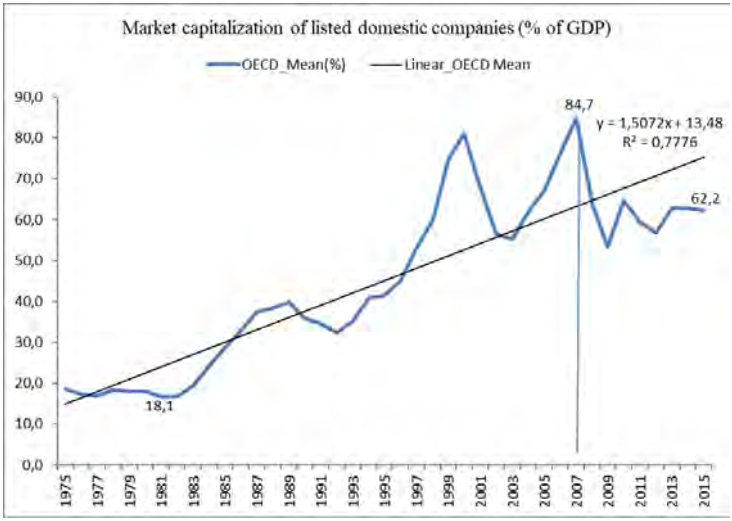
Undoubtedly, stock exchanges are the most traditional among the financial markets in the national economy. The importance of these markets increased more during the financialization period. Another variable considered for the measurement of financialization is 'The Ratio of the Market capitalization of listed domestic companies to GDP.' Therefore, this variable is included as the number 8 variable in the model.

Figure 25 shows the OECD average of this variable. The average of 14 OECD countries, which provided data between 1975-80, was taken. These countries;

Austria, Belgium, Canada, Switzerland, Germany, Denmark, Spain, France, England, Japan, Mexico, Netherlands, Sweden, and the USA. Australia, Finland, Israel, Korea, and Norway, which provided data between 1980-90, were included. Between 1990 and 2015, all OECD countries. This variable also showed an upward trend between 1975 and 2015. This result is in line with the financialization thesis.

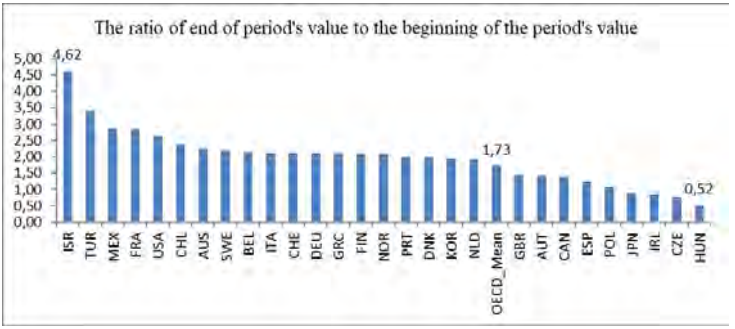
The uptrend that started in the 1980s continued until 2007 after the decline in the early 90s and 2000s. While this rate was 18.1% in 1980, it increased to 84.7% in 2007. It increased 4.7 times between 1980-2007. It fell after the 2007 crisis and dropped to 62.2 in 2015. The increase between 1980-2015 was 3.45 folds.

Figure 25: Market capitalization of listed domestic companies (% of GDP)



Source: The author has calculated it from the raw data obtained from the address: Data from World Bank database: World Development Indicators http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators&l=en#

Figure 26: How many folds did the ratio of the market capitalization of listed domestic companies to GDP increase in this period? Country ranking

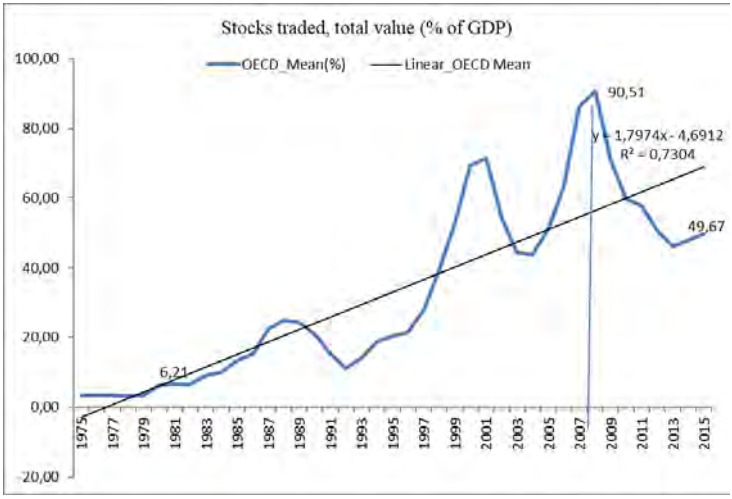


Source: The author has calculated it from the raw data obtained from the address: Data from World Bank database: World Development Indicators http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators&l=en#

Figure 26 shows how many folds this variable increased between 1990 and 2015 according to country ranking. The top five countries where this rate increased the most during this period were as follows: Israel (4.62), Turkey (3.40), Mexico (2.86), France (2.84), and the United States (2.63). The least rising country was Hungary (0.52), while the OECD average was 1.73.

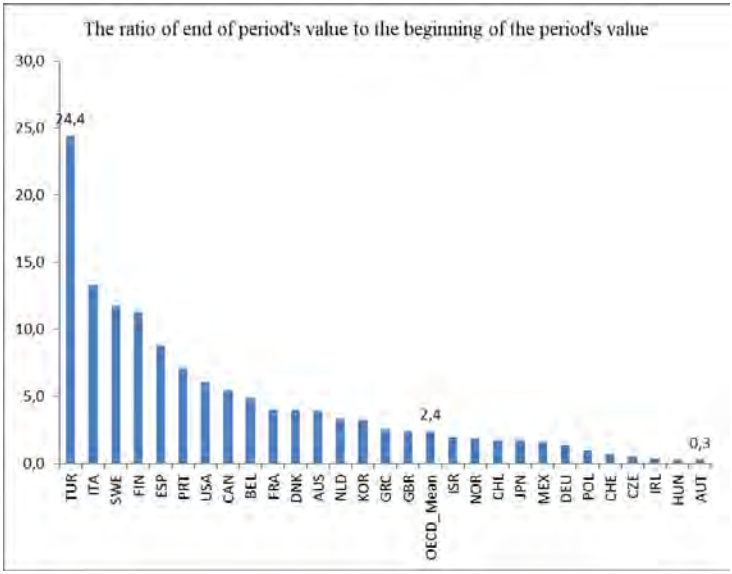
A similar variable for measuring the financialization of the financial sector is 'The Ratio of Total Value of the Stocks Traded to GDP.' This ratio is included in the model as variable number 9. Figure 27 shows the OECD Average of this variable. The average of 14 OECD countries, which provided data between 1975-80, was taken. These countries; Australia, Austria, Belgium, Canada, Germany, Denmark, Spain, France, England, Italy, Japan, the Netherlands, Sweden, and the USA. Between 1980-90, in addition to these countries, data were added in Switzerland, Chile, Finland, Greece, Israel, Korea, Mexico, and Norway. Between 1990 and 2015, all OECD countries. The behavior of this variable over time is in line with the behavior of the previous variable. While this rate was 6.2 in 1980, it increased by 14.6 folds and reached 90.5 in 2008. After the big collapse in 2008, it tended to decrease and dropped to 49.7 in 2015. This ratio increased eight folds between 1980-2015.

Figure 27: Stocks traded, total value (% of GDP)



Source: The author has calculated it from the raw data obtained from the address: Data from World Bank database: World Development Indicators http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators&l=en#

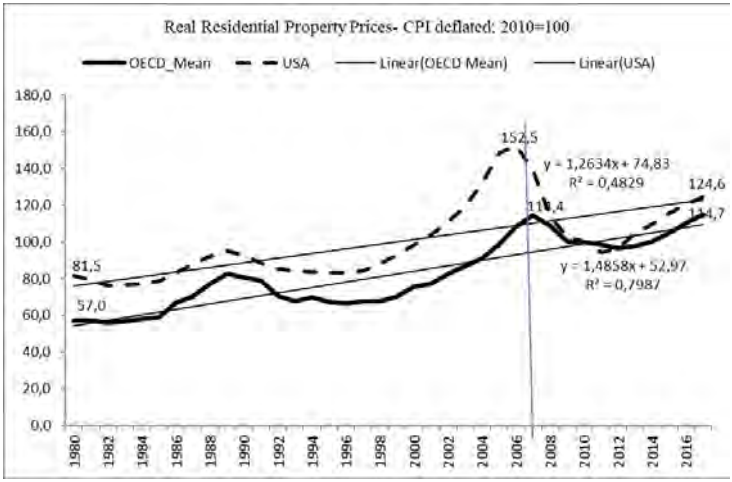
Figure 28: How many folds did the ratio of the total value of traded stocks to GDP increase in this period? Country ranking



Source: The author has calculated it from the raw data obtained from the address: Data from World Bank database: World Development Indicators http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators&l=en#

Figure 28 shows how many folds the ratio of the total value of stocks traded to GDP increased in this period, according to the country ranking. Up to a 24.4-fold increase in Turkey, in Italy (13.3), Sweden (11.7), Finland (11.3), and Spain (8.8) times increased. While the OECD average was 2.4, the least increase was 0.3 times in Austria.

Figure 29: Real Residential Property Prices- CPI deflated; 2010=100



Source: The author has calculated it out of the raw data obtained from the address: https://stats.bis.org/statx/srs/table/h3

In the financialization period, the real estate market is one of the areas where speculative balloons are formed in most countries. In this study, the real housing prices variable was created to measure the financialization of the financial sector. Firstly, the nominal residential property prices were deflated with the consumer price index (CPI), and real residential property prices were obtained. Then, the index was created as the base year of 2010. At the last stage, the average real housing prices index of OECD countries is taken. This created variable will be used to measure financialization in the financial system. Real residential property prices take place as the 10th variable in this model.

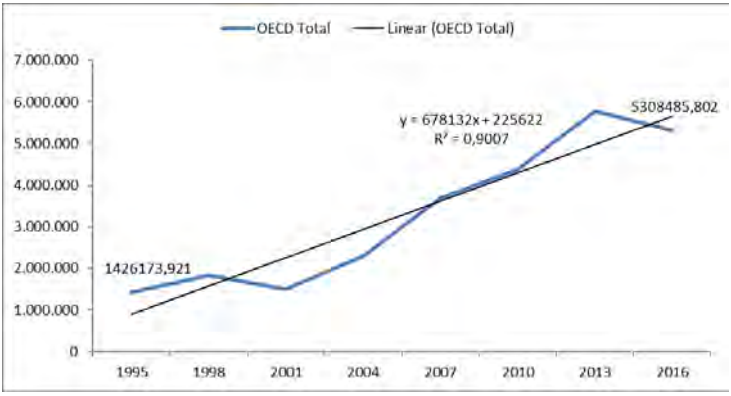
Figure 29 shows both the OECD average and the US data of the real housing prices index between 1980-2015. Both have an upward trend. Therefore, it supports the financialization assumption. While the average real housing prices index of five OECD countries, whose data was available in 1980, was 57.0, in 2007, the average of 30 countries peaked at 114.4. The index, which started to decline in 2007, dropped to 96.7 by making a bottom in 2012 and increased to 114.7 in 2017. This index increased by 2.01 times between 1980 and 2017.

One of the symbols of financialization is derivative markets. In the financialization period, the diversification of financial products in the derivative markets

increased considerably, and the resulting transaction volume reached enormous dimensions. More professional players, especially investment banks, mutual funds, insurance, and pension companies, operate in these markets. The most common derivatives markets are futures and options markets, where future and options contracts are traded. A considerable number of monetary transactions are carried out in these markets every day. In the derivative markets, trades are made on future contracts regarding foreign exchange, securities, commodities, and interest rates. It has turned into a gigantic casino where all kinds of financial transactions can be made. Trading volume in derivative markets is also considered an important financial indicator. Therefore, the trading volume in derivatives markets is included as variable number 11 in this model.

Figure 30 shows the daily average trading volumes in the derivatives markets in 22 OECD countries, where data can be obtained between 1995-2016. While the average daily trading volume of OECD in derivatives markets in 1995 was 1,426,174 million USD, it increased 3.7 times in 2016 and reached 5,308,486 million USD. Considering the vast transaction volumes in these markets, the commissions and profits from these markets, the dimensions of financialization are better understood.

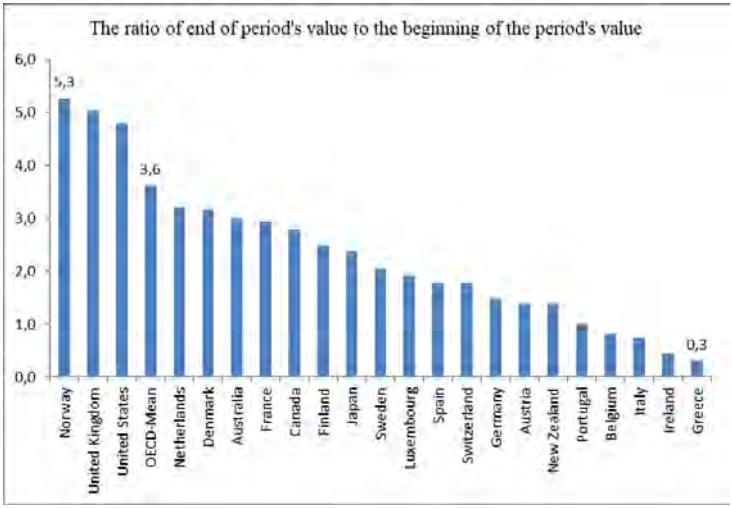
Figure 30: Trading volume in derivatives markets: Foreign exchange turnover by country and instrument in April, Total (all instruments) Daily averages, in millions of US dollars



Source: The author has calculated it out of the raw data obtained from the address: https://stats.bis.org/statx/srs/table/d11.5?o=8%3ATO1%2C9%3ATO1&p=1995&c=

Figure 31 shows how many folds the daily average trading volumes in the derivative markets increased between 1995 and 2016, based on the country ranking. The most significant increase was realized in Norway with 5.3 folds and occurred in England, the USA, Netherlands, and Denmark. The least increasing country was Greece, and the OECD average was 3.6 folds.

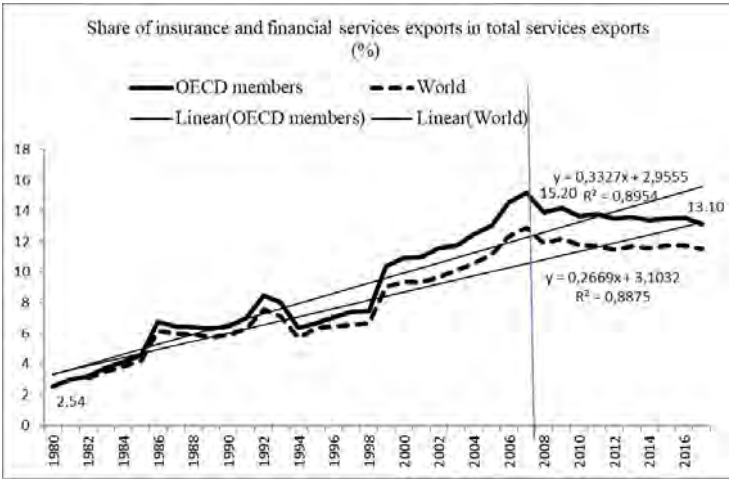
Figure 31: How many folds did the daily average trading volumes in the derivatives markets increase in this period? Country ranking



Source: The author has calculated it out of the raw data obtained from the address: https://stats.bis.org/statx/srs/table/d11.5?o=8%3ATO1%2C9%3ATO1&p=1995&c=

In recent years, besides exports of goods, service exports are an essential source of income for countries and companies. It covers all kinds of software, know-how systems, consultancy, and tools related to insurance and financial services. The share of Insurance and financial services exports in total service exports is included as variable number 12 in this model.

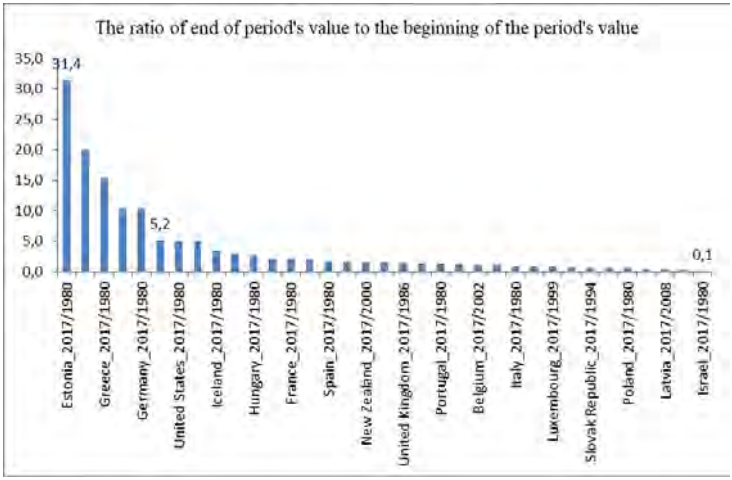
Figure 32: Share of insurance and financial services exports in total services exports (%)



Source: The author has calculated it out of the raw data obtained from the address: https://data.worldbank.org/indicator/BX.GSR.INSF.ZS?locations=OE&view=chart

Figure 32 shows the share of financial services exports in total service exports (%) in the Worldwide, Euro Area, and OECD countries between 1980-2017. While the OECD average was 2.5% in 1980, it increased to 15.2% in 2007. During this period, this rate increased to six-folds. After 2007, this rate has decreased slightly and reached 13.1% in 2017, and the increase between 1980-2017 has been 5.2 folds.

Figure 33: How many folds did the share of insurance and financial services exports in total services exports increase in this period? Country ranking



Source: The author has calculated it out of the raw data obtained from the address: https://data.worldbank.org/indicator/BX.GSR.INSF.ZS?locations=OE&view=chart

Figure 33 shows how many folds this variable increased during this period. The top five countries with the highest increase are listed as follows. Estonia 31.4 folds, Norway 20.0 folds, 15.4 folds Greece, Turkey, and Germany, are 10.3 times. The OECD average was 5.2 folds. Israel was the last place in this ranking with 0.1 folds.

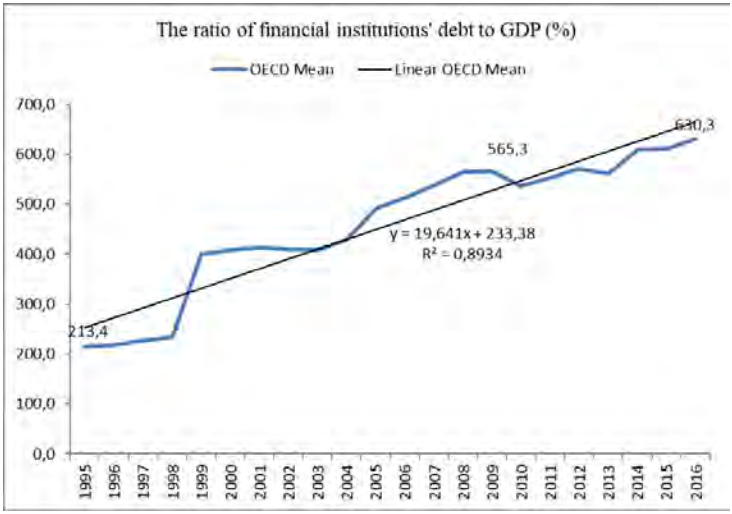
5.2. Debt in the Financial Sector

Another variable used in the financialization of the financial sector is the ratio of debts of financial companies to GDP. The increase in the ratio of this variable over the years indicates financialization in the financial sector.

The OECD mean of the share of financial institutions' debts in GDP is shown in Figure 34. This ratio showed an upward trend between1995-2016, and this situation is in line with the financialization theory. Therefore, the share of financial institutions' debts in GDP is included as the 13th variable in this model. While this rate was 213.4% in 1995, it increased to 565.3% in 2009 and increased by

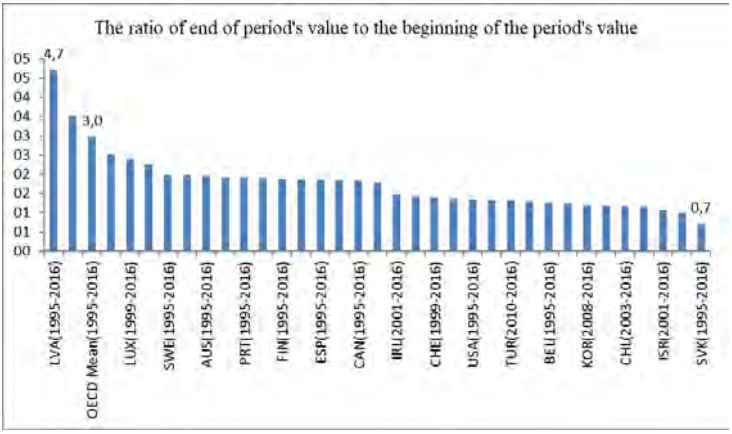
2.6 folds. After falling slightly after the global crisis, it rose again to 630.3% in 2016. This rate increased by 2.95 folds between1995-2016.

Figure 34: The Ratio of Financial Institutions' Debt to GDP (%)



Source: It was calculated by the author out of the raw data obtained from the address http://stats.oecd.org/Index.aspx?DataSetCode=FIN_IND_FBS#

Figure 35: How many folds did the ratio of debt of financial institutions to GDP increase in this period? Country ranking



Source: It was calculated by the author out of the raw data obtained from the address http://stats.oecd.org/Index.aspx?DataSetCode=FIN_IND_FBS#

Figure 35 shows how many folds the ratio of financial institutions' Debt to GDP increased in this period, according to the country ranking. According to this, it was in Lithuania with a 4.7-fold increase between 1995 and 2016, whereas it took place in Estonia, Poland, Luxemburg, and Italy. While the OECD average of this ratio was three folds, the lowest increase was in Slovakia with 0.7 folds.

6

FINANCIALIZATION OF NON-FINANCIAL SECTOR

6.1. Transformation in Non-Financial Companies (NFC)

The financialization process also affected non-financial companies significantly. A very crucial process of change has been experienced in real sector firms and the process of Financialization (Orhangazi, 2008). The first of the most important changes in this area is the changes in the management area. The period of CEOs has begun in the management of companies. The priority that CEOs focus on; to increase the value of the company in the stock market by increasing the short-term profitability of the companies. In this way, they have gained the support of both the major shareholders and earned high income from the increase in their shares in the company they manage (Erturk et al., 2004).

To reach this goal, they made radical changes in companies. Mostly, these changes have been made under the name of austerity measures. These are; going backward in social rights, a decrease in employment, putting an end to some activities of a company or shrinking the company via asset sales, getting some work done to subcontractors, making union enmity and, de-unionization of workers, grow horizontally or vertically, through buying leveraged companies.

In the financialization period, firms started to operate in more financial markets, and the importance of financial departments in firms gradually increased (Dumenil & Levy, 2005a); (Stockhammer, 2004).

Some automobile companies have created Consumer Finance Institutions as separate company to carry out their financial transactions. Examples include Ford Finance, GE Capital Services (Froud, et al., 2006) or Koç Finans.

Thus, real sector firms were more involved in financial markets. By selling bonds and bills in the capital markets, they borrowed directly from the market at a

cheaper cost and provided these resources to consumers as loans. They also obtained high financial income from these transactions. Besides, they evaluated short-term money market funds rather than holding cash. Non-operating speculative revenues from buying and selling foreign currency, earning interest income, or any other financial instruments in these markets have become more attractive. Therefore, they preferred financial income rather than the industrial profit they would receive with long-term fixed capital investments. The share of the non-operating income of many real sector firms in total profits was higher than the share obtained from main activities (production and sales) (Krippner, 2005; Stockhammer (2004: 720); (Dumenil and Levy, 2005a).

Another concept that stands out in this period is 'Shareholder Value' (Lazonick & O'Sullivan, 2000); (Froud, et al., 2000). In this context, companies, to increase the price of company shares in the stock market, increased their dividend payments to shareholders and bought the company's shares in the stock market, albeit through borrowing (Brenner, 2003, p.76).

The CEO's over-winning ambition has led to a moral breakdown. In this context, examples of resorting to illegal ways, which constituted a serious crime, were frequently seen in the press. Increasing the company's stock market value by making the loss-making companies' accounting tricks shows them as a profitable company (Enron example). Also, making significant gains in the stock markets by illegal means such as insider trading.

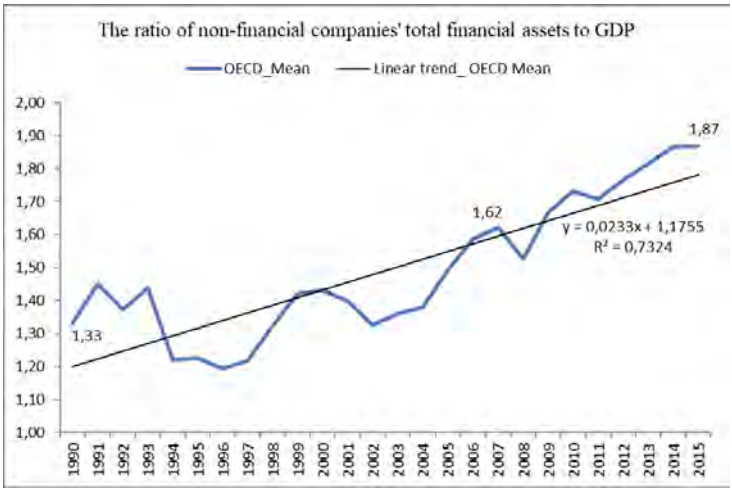
6.2. Inclusion of NFCs in Financial Markets

Non-financial companies are called the real sector in the economic literature. While the relations of non-financial companies with financial institutions and financial markets were relatively lower before the financialization period, this relationship turned into a more widespread and tighter relationship during the financialization period. Non-financial companies also started to monitor financial markets closely and take part in them as active players. All kinds of developments in financial markets started to affect these companies either positively or negatively. Non-financial companies have gradually started to create financial departments within themselves and increase their functionality, if any. The relative importance of finance departments within the company began to increase. They

started to employ more specialist financiers (CFOs) to be employed in these departments. In the senior management of the company, financial experts started to get ahead of engineers. Thanks to the financial departments, which are strengthened by expert staff, they have sought to monitor financial markets more closely and make speculative gains. Therefore, there have been severe increases in the financial assets of NFCs.

For this reason, 'The Ratio of Total Financial Assets of the Non-Financial Sector to GDP' is considered an indicator of financialization. The increase in the value of this variable supports the financialization thesis. Therefore, the ratio of the total financial assets of non-financial companies to GDP is included in this model as variable 14.

Figure 36: The ratio of non-financial companies' total financial assets to GDP



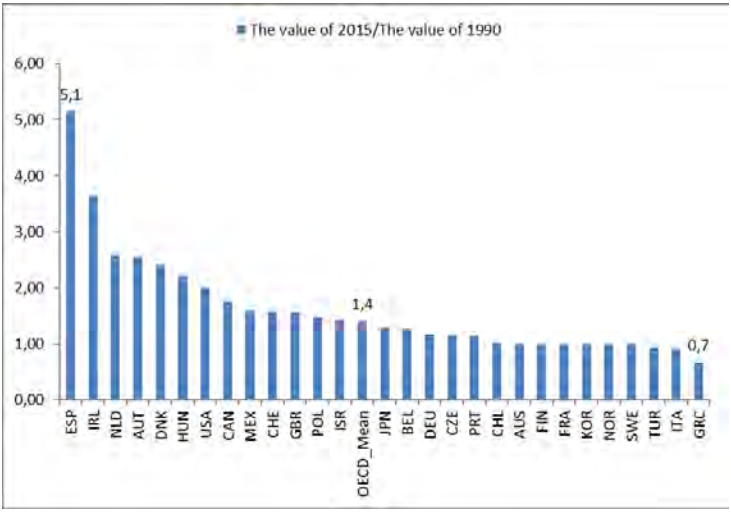
Source: It has been calculated by the author out of the raw data obtained from the address https://stats.oecd.org

Figure 36 shows the Ratio of Non-Financial Companies' Total Financial Assets to GDP. It is seen that the general trend of this rate is in an increasing direction. Securitization, which is one of the essential characteristic features of financialization, seems to affect the non-financial sector seriously. While the ratio of

total financial assets of Non-Financial Companies to GDP was 1.33 in 1990, it reached 1.62 in 2007 and 1.87 in 2015. This ratio increased by 1.22 folds between 1990-2007 and 1.4 folds between 1990-2015.

Figure 37 shows how many folds the ratio of total financial assets of NFC to GDP increased in this period, according to the country ranking. In this context, the top five countries with the highest value are Spain, Ireland, the Netherlands, Australia, and Denmark. Between 1990 and 2015, the share of total financial assets of NFC in GDP increased by 5.15 folds in Spain, while it increased 0.66 folds in Greece, which has the lowest value.

Figure 37: How many folds did the ratio of total financial assets of NFC to GDP increase in this period? Country ranking



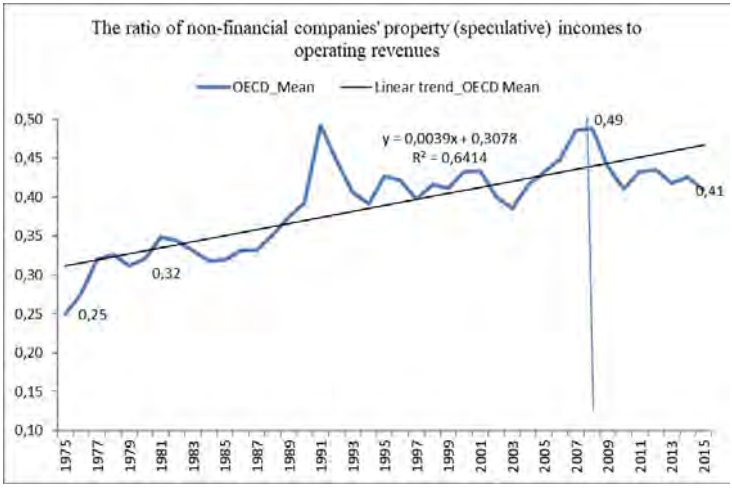
Source: The author has calculated it out of the raw data obtained from the address https://stats.oecd.org

With financialization, some big companies such as automotive, white goods manufacturers, and real estate companies established their own consumer finance companies. In this way, they have given credit to the customers of the related company to purchase these products. This process can be called a kind of banking activity. Besides, they carry out all kinds of financial transactions of the parent company.

These consumer finance companies made financial profits by making transactions in the financial markets. The profits of such consumer-finance companies have become significant in the total profits of the parent company. For example, GE Capital, the financial institution of General Electric (GE), and Ford Credit, which is the financial company of Ford Motor. When these examples are taken into consideration, it is seen that the profits of the GE Capital and Ford Credit companies increase their share in the total profits of parent companies (Froud et al., 2006). It is possible to see these examples in other countries. Therefore, the ratio of non-financial companies' property (speculative) incomes to operating revenues is included in this model as variable 15. The increase in the value of this variable confirms the financialization thesis.

The ratio of property income of non-financial companies to operating income is shown in Figure 38. The averages from 1975 to 1990 belong to six OECD countries, Finland, Sweden, the USA, France, Korea, and Norway. The averages between 1990 and 2015 belong to all OECD countries. According to this, while this rate was 0.25 in 1975, it increased to 0.32 in 1980 and 0.49 in 2008. It decreased to 0.41 in 2015 after the global crisis. While it increased by 1.52 folds between 1980 and 2008, it increased by 1.28 folds between 1980 and 2015. In this process, non-financial companies' property revenues, which consist of speculative gains, are in an increasing trend compared to their operating income, confirming the financialization thesis. However, it is noteworthy that it entered a downward trend after the 2008 crisis.

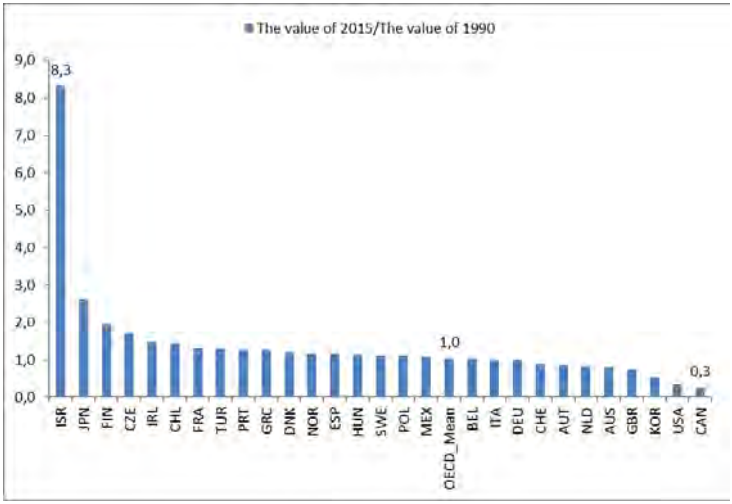
Figure 38: The ratio of non-financial companies' property (speculative) incomes to operating revenues



Source: The author has calculated it out of the raw data obtained from the address https://stats.oecd.org

Figure 39 shows the ranking of the ratio of the property (speculative) income of non-financial companies to the operating income how many folds increase in this period. The top five countries with the highest increase in this context are Israel, Japan, Finland, the Czech Republic, and Ireland. Between 1990 and 2015, this rate increased to 8.32 folds in Israel and 0.26 folds in Canada, which has the lowest value. The OECD average is 1.04 times.

Figure 39: How many folds did the ratio of property incomes' share of Non-Financial Companies to Operating Income Increase in this period? Country ranking



Source: The author has calculated it out of the raw data obtained from the address https://stats.oecd.org

6.3. Debt in Non-Financial Sector

One of the critical assumptions of financialization is the increase in borrowing at all levels of the economy. In this context, four different variables are analyzed.

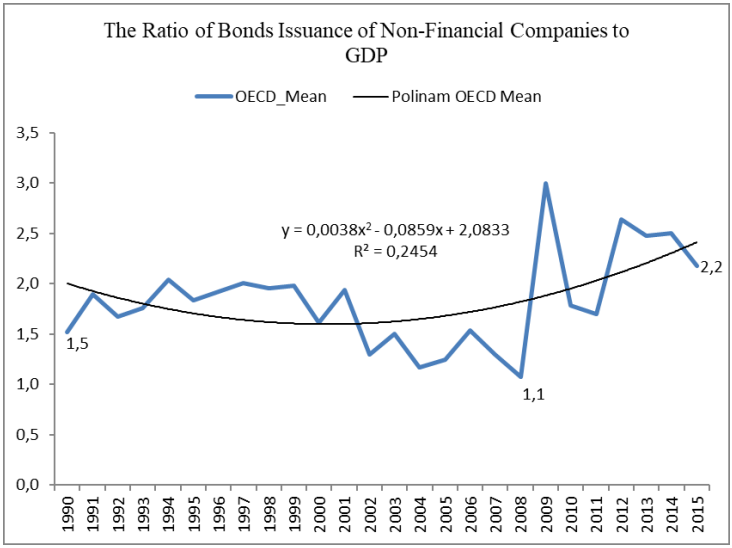
In this period, NFCs gradually went to obtain their credit needs from the market. NFCs started to cover their funding needs from financial markets at a partially lower cost by issuing bonds through financial institutions.

Some NFCs borrow from the capital markets by issuing bonds through their own consumer finance companies and some firms through investment banks. Therefore, the ratio of NFCs' bond issue to GDP is included in this model as the 16th variable.

Figure 40 shows the Ratio of Bond Issuance of Non-Financial Companies to GDP. While this rate was 1.52 in 1990, it was 1.94 in 2001, 1.07 in 2008, and 2.18 in 2015. This ratio increased by 1.43 folds between 1990-2015. Especially

after the 2009 crisis, companies accelerated to obtain funds from the market by issuing bonds and bills.

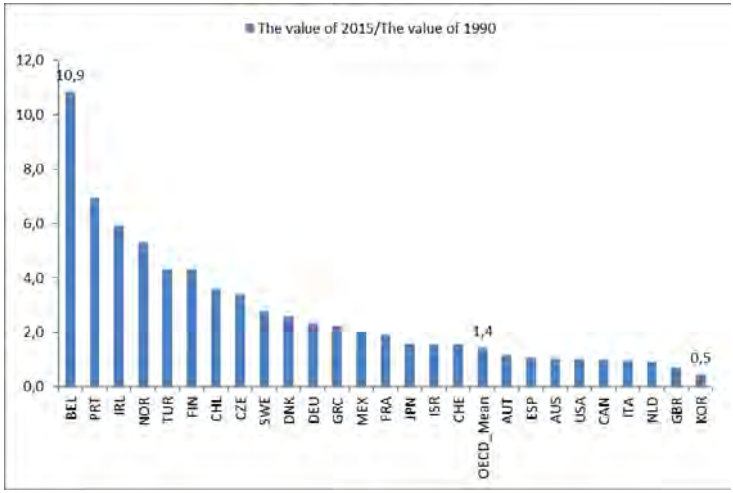
Figure 40: The Ratio of Bonds Issuance of Non-Financial Companies to GDP



Source: The author has calculated it out of the raw data obtained from the address http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators&l=en#

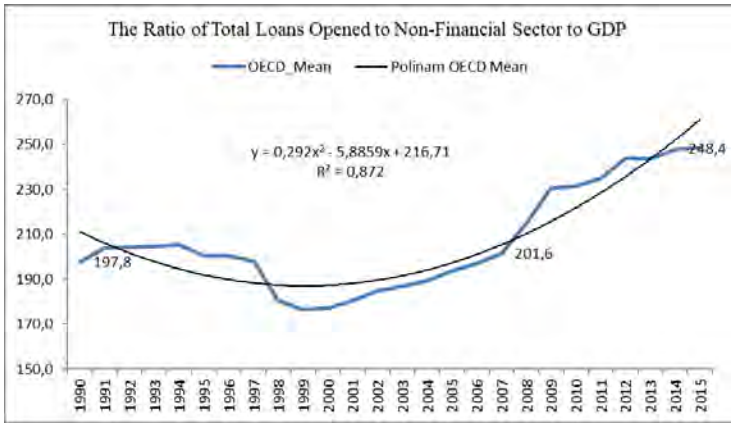
Figure 41 shows how many folds the ratio of Non-Financial Companies' Bond Issuance to GDP increased in this period, according to country ranking. The five countries where this rate increased the most; Belgium, Portugal, Ireland, Norway, and Turkey. This rate increased 10.9 folds in Belgium between 1990 and 2015, while the lowest increase was 0.5 folds in Korea. The OECD average is 1.4 folds.

Figure 41: How many folds did the ratio of Bonds Issue of Non-Financial Companies to GDP increase in this period? Country ranking



Source: The author has calculated it out of the raw data obtained from the address http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators&l=en#

Figure 42: The Ratio of Total Loans Opened to Non-Financial Sector to GDP



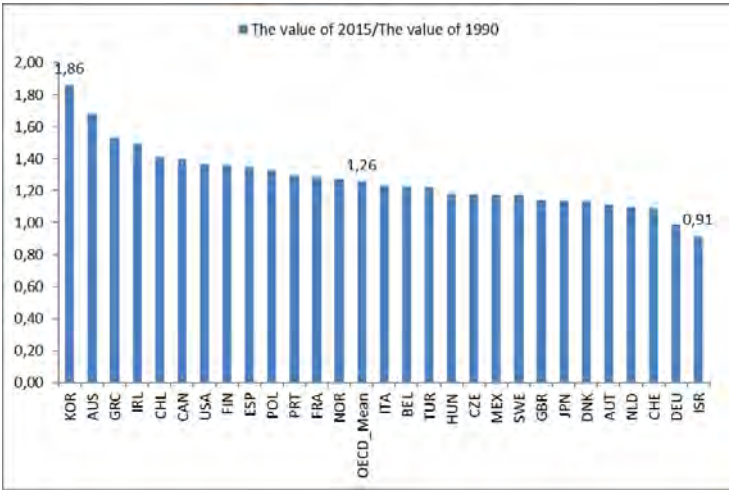
Source: The author has calculated it out of the raw data obtained from the address; The Bank for International Settlements (BIS) https://stats.bis.org/statx/toc/CRE.html

'The Ratio of Total Loans Opened to the Non-Financial Sector to GDP' is an important variable that can be evaluated to show the companies' relations with the financial sector. The ratio of total loans opened to the non-financial sector to GDP is included in the model as the 17th variable.

Figure 42 shows the ratio of loans extended to the non-financial sector to GDP. While this rate was 197.8% in 1990, it dropped to 176.4% in 1999 and started to increase again in the following years. It increased to 201.6% in 2007 and 248.4% in 2015. This rate increased 1.02 times between 1990-2007 and 1.26 times between 1990-2015.

Figure 43 shows how many folds the ratio of loans extended to the non-financial sector to GDP increased between 1990 and 2015, according to country ranking. Although there is no great difference between the countries, the top five countries with the highest rate; Korea (1.86), Australia (1.68), Greece (1.53), Ireland (1.49), and Chile (1.41). The country with the lowest increase in this rate was Israel (0.91). The OECD average is 1.26 folds.

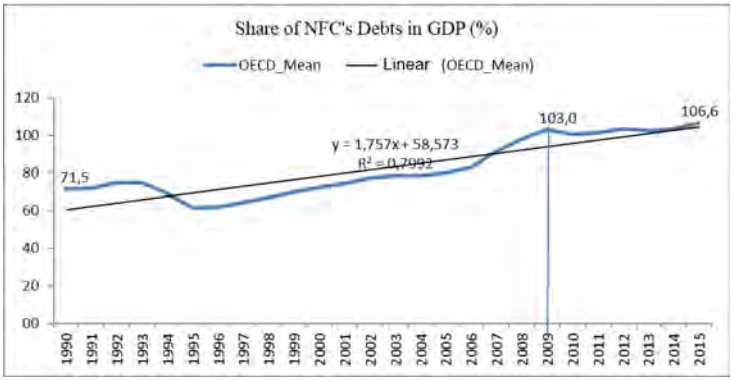
Figure 43: How many folds the ratio of loans extended to the non-financial sector to GDP increased between 1990 and 2015? Country ranking



Source: The author has calculated it out of the raw data obtained from the address; The Bank for International Settlements (BIS) https://stats.bis.org/statx/toc/CRE.html

The variable number four that measures borrowing in this sector is 'The share of non-financial companies' debts in GDP.' This variable is expected to have a long-term upward trend. Therefore, the share of non-financial companies' debts in GDP is included in the 18th variable in this model.

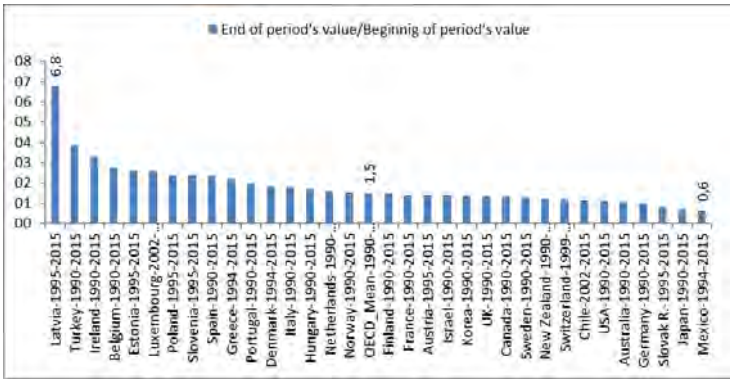
Figure 44: Share of NFC's Debts in GDP (%)



Source: The author has calculated it out of the raw data obtained from the address; https://www.imf.org/external/datamapper/NFC_LS@GDD/AUS/AUT/BEL/CAN/CHL/DNK/EST/FIN/FRA/DEU/GRC/HUN/IRL/ISR/ITA/JPN/KOR/LVA/LUX/MEX/NLD/NZL/NOR/POL/PRT/SVK/SVN/ESP/SWE/CHE/TUR/GBR/USA

Figure 44 shows the share of non-financial companies' debts in GDP. This rate is in an upward trend between 1995 and 2016, which is in line with the expectations of the financialization theory. While the OECD average of this rate was 102.8% in 1995, it peaked in 2009 and reached 159%. After the global crisis, it fell by almost 9.5 points to 149.5%. It increased 1.55 folds between 1995-2009- and 1.45-times folds 1995-2016.

Figure 45: How many times the share of NFC's debts in GDP increased in this period? Country ranking



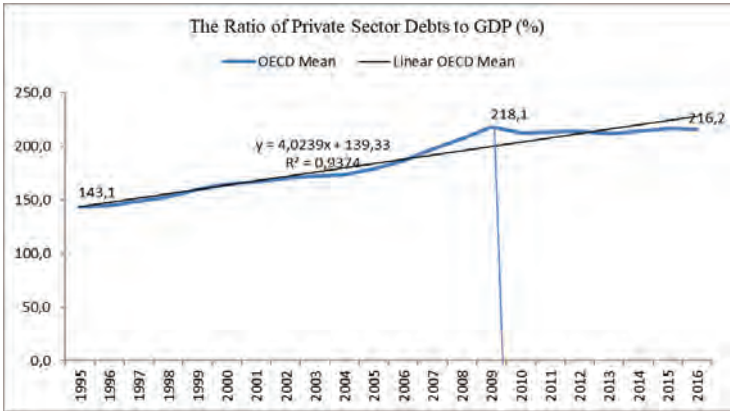
Source: The author has calculated it out of the raw data obtained from the address; https://www.imf.org/external/datamapper/NFC_LS@GDD/AUS/AUT/BEL/CAN/CHL/DNK/EST/FIN/FRA/DEU/GRC/HUN/IRL/ISR/ITA/JPN/KOR/LVA/LUX/MEX/NLD/NZL/NOR/POL/PRT/SVK/SVN/ESP/SWE/CHE/TUR/GBR/USA

The country ranking of the loans of non-financial companies in the share of GDP to the ratio of end of period's value to the beginning of the period's value has been shown in Figure 45. Latvia has been a country with the most escalation (6.8 times) between the years 1995-2015. The other countries have been lined up as Turkey, Ireland, Belgium, and Estonia. As for OECD mean between the years 1990-2015, it has been 1.5 times.

Another variable as an indicator of financialization is the ratio of private-sector debts to GDP. This variable is expected to have a long-term upward trend. Therefore, the ratio of private-sector debts to GDP is included in the model as the 19th variable.

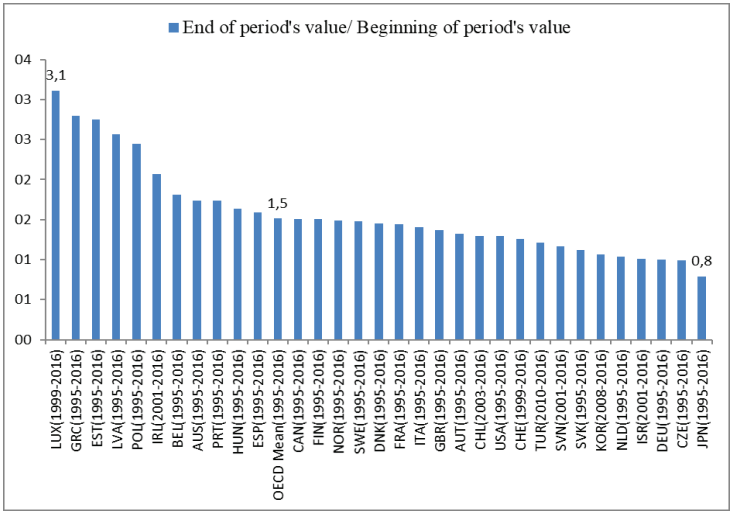
Figure 46 shows the ratio of private-sector debts to GDP. The increasing trend of this variable between 1995 and 2016 is in line with the expectations of the financialization theory. While this rate was 143.1% in 1995, it increased to 218.1%, the highest level in the 2009 global financial crisis. In the following years fell very little, and it was 216.2% in 2016. This rate increased 1.52 times between 1995-2009 and 1.51 times between 1995-2016.

Figure 46: The Ratio of Private Sector Debts to GDP (%)



Source: The author has calculated it out of the raw data obtained from the address; http://stats.oecd.org/Index.aspx?DataSetCode=FIN_IND_FBS#

Figure 47: How many times did the ratio of private-sector Debt to GDP increase in this period? Country ranking



Source: The author has calculated it out of the raw data obtained from the address; http://stats.oecd.org/Index.aspx?DataSetCode=FIN_IND_FBS#

Figure 47 shows how many times the ratio of private-sector Debt to GDP increased in this period, according to the country ranking. The country with the highest increase in this value between 1999 and 2016 was Luxemburg, with a 3.1-fold increase. The next countries are; Listed as Greece, Estonia, Latvia, and Poland. The least increasing country was Japan, with an increase of 0.8 times, and the average of OECD between 1995 and 2016 was 1.5 times.

7
FINANCIALIZATION OF HOUSEHOLD

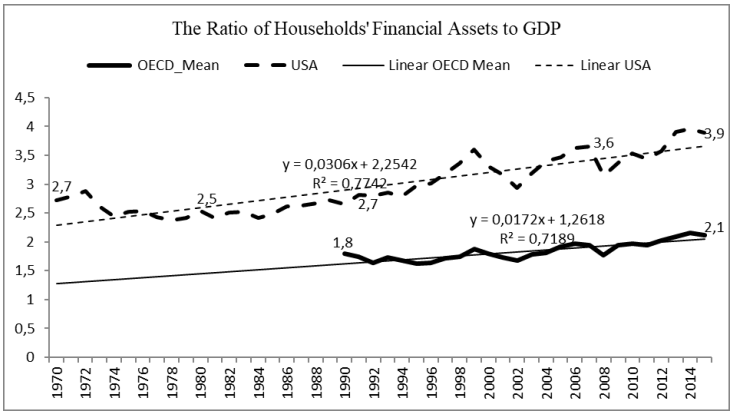
7.1 Inclusion of Households (Working Classes) in financialization

According to Lapavitsas (2009: 135-136), non-financial companies whose borrowing opportunities have increased since the 1980s have started to meet their financing needs from financial markets rather than banks. For this reason, banks directed their funds to households, and households borrowed to banks by using various consumer loans, primarily mortgages. If the workers could not pay the loans they received, the transfer of their homes and all their savings up to that time to the banks was called 'financial confiscating of property.' Against the fluctuations in house prices and the risk of the laborers' failure to pay the loans they received; the banks opened the way for rampant financialization that caused the 2008 crisis when they started to sell these risks through collateral loans.

The working class has become unionized with neoliberal policies, its social rights have gradually been taken away, and its real income has decreased. Thus, it was included in the financialization process by borrowing with credit cards or consumer loans to meet its needs. (Koç, 2013: 48).

In this part, the inclusion of households into the financialization process has been analyzed with three variables. These are; The Ratio of Households' Financial Assets to GDP, The Ratio of Credits of Households and Non-profit Organizations to GDP and finally, The Share in Total Incomes of Households and Non-profit Organizations' Debts.

Figure 48: The Ratio of Households' Financial Assets to GDP



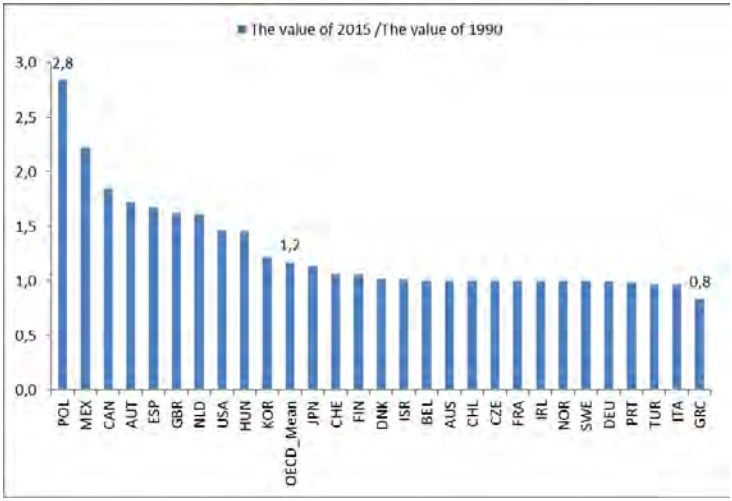
Source: It was calculated by the author out of the raw data obtained from the address https://stats.oecd.org

Household is an economic concept and has no class character. Therefore, it does not have a homogeneous structure. However, an essential part of the household consists of workers. In the financialization period, it became imperative that every employee have an account to receive wages. Later, a 'forced' credit card holder was made to take advantage of attractive credit cards so that he could spend. As unemployment rose and real wages fell, excessive consumption was encouraged. Banks expanded consumer loans, and households started to borrow banks. The middle-class household, which can save money, tried to find new ways of earning money through online banking through electronic banking, by buying and selling stocks, bonds, or foreign currency from financial markets. Therefore, banks turned to households during the financialization period. They started to generate considerably higher income from household financial transactions under expenses, commissions, or transaction fees. Thus, 'The Ratio of Households' Financial Assets to GDP' is considered an essential variable in measuring the financialization of households. The ratio of a household's financial assets to GDP is included in the model as the 20th variable.

Figure 48 shows the Ratio of Households' Financial Assets to GDP during the Financialization period. In this chart, the OECD average covers between 1990-2015 and is in an upward trend. While the ratio of household financial assets to GDP

was 1.8 in 1990, it increased to 2.1 in 2015. The ratio of household financial assets to GDP is much higher in the USA, where data is provided between 1970-2015. While this rate was 2.5 in 1980, it increased to 3.6 in 2007 and reached 3.9 in 2015. The increasing trend of both the USA and the OECD average in the financialization period supports the assumptions of the financialization theory.

Figure 49: How many folds did the ratio of household financial assets to GDP increase in this period? Country ranking



Source: It was calculated by the author out of the raw data obtained from the address https://stats.oecd.org

In Figure 49, how many folds the ratio of the Household's Financial Assets to GDP increased is shown according to country ranking. The highest 2.8-fold increase occurred between 1990 and 2015 in Poland, and then the top five countries are Mexico, Canada, Austria, and Spain, respectively. The lowest increase was in Greece, and it was 0.8 times. The OECD average is 1.2 times.

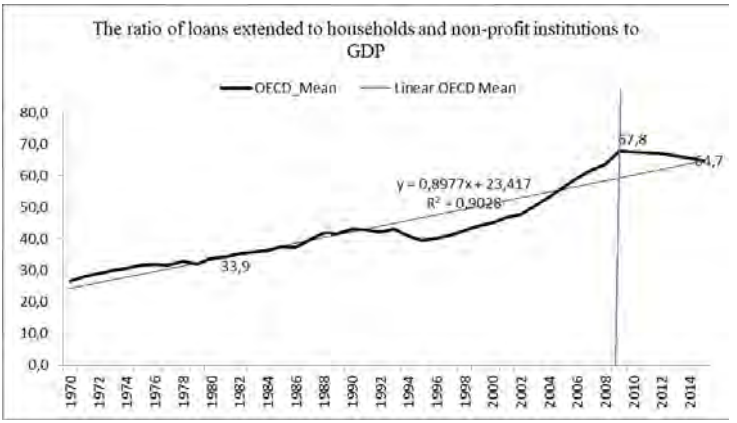
7.2. The Debt in Households

Another variable that indicates the household's financialization is the ratio of loans extended to households and non-profit institutions to GDP. It is assumed that

this variable will tend to increase over time. The ratio of loans extended to households and non-profit organizations to GDP is the 21st variable in this model.

Figure 50 shows the ratio of loans extended to households and non-profit institutions to GDP. This variable shows an upward trend between 1970 and 2015 and is in line with the assumptions of the financialization theory. While this rate increased from 33.9% in 1980 to 67.8% in 2009, it decreased after the global crisis and decreased to 64.7% in 2015.

Figure 50: The ratio of loans extended to households and non-profit institutions to GDP



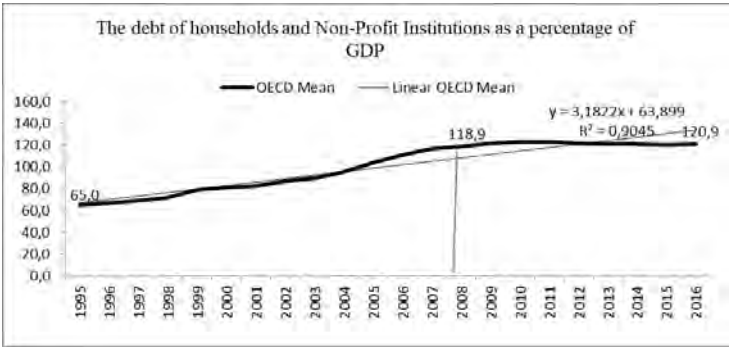
Source: It was calculated by the author out of the raw data obtained from the address https://stats.bis.org/statx/toc/CRE.html

Figure 51: How many folds did the ratio of loans extended to households and non-profit institutions to GDP increased in this period? Country ranking

Source: It was calculated by the author out of the raw data obtained from the address https://stats.bis.org/statx/toc/CRE.html

Figure 51 shows how many folds the ratio of loans extended to households and non-profit institutions to GDP increased in this period, according to the country ranking. While the country with the highest increase in this rate between 1990 and 2015 was Portugal with a 3.05-fold increase, the top five countries were Australia, Italy, Spain, and Greece. The lowest increase was 0.62 times in Ireland, and the OECD average was 1.5 times.

Figure 52: The ratio of Debt of Households and Non-Profit Institutions (NPISHs) to Gross Disposable Income (GDI)

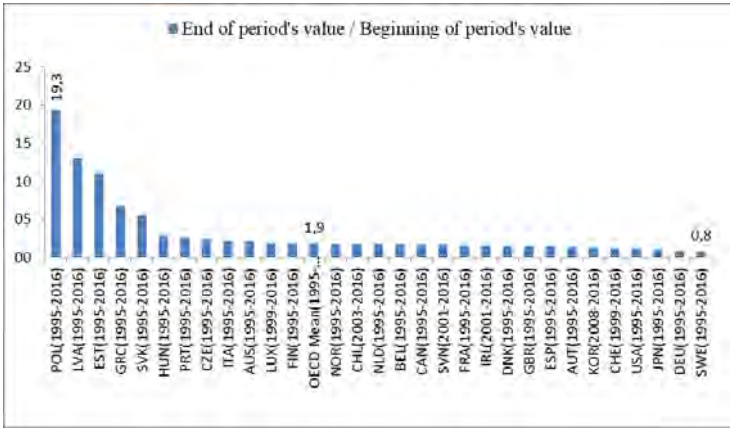


Source: It was calculated by the author out of the raw data obtained from the address. http://stats.oecd.org/Index.aspx?DataSetCode=FIN_IND_FBS#

Figure 52 shows the ratio of debt of households and non-profit institutions to Gross Disposable Income. While this rate was 65% in 1995, it increased to 118.9% in 2008. Although it showed a little downward trend after the global crisis, it increased to 120.9% in 2016. This variable had an upward trend between 1995 and 2016. The behavior of this variable is compatible with the financialization hypothesis. The ratio of households and non-profit organizations' debt to Gross Disposable Income (GDI) is the 22nd variable in this model.

Figure 53 shows how many folds the ratio of debt of households and non-profit institutions to Gross Disposable Income in this period increased according to country ranking. The most increase (19.3 folds) between 1995 and 2016 occurred in Poland. The top five countries are listed as follows; Lithuania, Estonia, Greece, Slovakia. The OECD average is 1.9 folds, and the lowest increase was in Sweden.

Figure 53: How many folds did the ratio of debt of households and non-profit institutions to Gross Disposable Income increase in this period? Country ranking



Source: It was calculated by the author out of the raw data obtained from the address. http://stats.oecd.org/Index.aspx?DataSetCode=FIN_IND_FBS#

8
CONCLUSION

As a result of the blockage of capital accumulation channels with the spread of the crisis to all capitalist economies in the 1970s, with the 1980s, the representatives of "finance capital" aimed to "secure" capital accumulation by finding a new way out.

The exit way of capitalism found by representatives of 'finance capital' was conceptualized mainly by heterodox social scholars as 'Financial Globalization,' 'Neoliberalism,' 'Post-Fordism,' and 'Financialization of Capitalism.' These concepts often describe similar things. The characteristic feature of all of them is the change in the functioning of capitalism after the 1980s. In order to express the process starting from the 1980s to 2007, in this book, 'Financialization of Capitalism'; The concept of 'Financialized capitalism' was preferred for 2007 and after, representing the peak of this process.

Therefore, the concept of the 'financialization of capitalism' includes other concepts mentioned above. In particular, the concept of 'neoliberalism' refers to the ideological dimension of financialization. After 1980, capitalist states, and even after the 1990s, the former socialist East-European states were restructured according to neoliberal ideology. At the core of neoliberal ideology; There is a systematic attack on the gains of labor and labor organizations by representatives of 'finance capital.' They have achieved severe success in this regard. Public enterprises remaining from the Keynesian era were rapidly privatized, in addition to all areas of banking, insurance, and finance, many areas such as education, health, some security services, infrastructure, energy production and distribution, mining provided by the public authority were left to the private sector. Thus, new profit fields were created for international capital in both central and peripheral countries.

With the collapse of the Soviet system in the late 1980s, periphery countries were incorporated into the increasingly financialized global system built-in Washington Consensus architecture, under pressure from organizations such as the IMF and the World Bank. In this context, national economies have been reorganized

with market orientation, and market economy principles have started to be applied quickly. Necessary legal and institutional infrastructure was prepared. Later, all kinds of laws restricting international capital movements were changed to ensure the integration of national markets with other country markets.

Globalization has enabled markets to become integrated thanks to new technological inventions. In other words, 'global markets' have formed all over the world. Apart from that, significant changes occurred in industrial production in the globalization process. Industrial production has mainly shifted to relatively inexpensive labor to China, India, and the Far East countries. Thanks to the 'global commodity chains,' a new division of labor has emerged between countries. The 'lion's share' of surplus-value created in the production process entered global companies' crates.

In the global markets formed in the 1990s, severe financial gains were made. With the complete liberalization of international capital movements, huge funds created balloons in specific markets and made high gains in the short term. At the same time, they abandoned these markets whenever they wanted to put countries with a fragile economy (with twin deficits) into financial crises.

They forced these countries to make many economic and political concessions in favor of capital as a prerequisite for providing financial support, helping them get out of the crisis.

In this process, they create a perception with the support of their media to 'persuade' the internal public of these countries. These relations between the central capitalist and peripheral countries can be called part of the 'new colonial' mechanism.

From the author's point of view, the main problem in the financialization literature is that financialization can be measured as a phenomenon. Because academic studies that measure financialization for all countries, examine the standard variables to be used in this measurement, and examine the historical development of these variables for different countries are wholly insufficient in the literature. Moreover, there is no composite financialization index covering the multi-faceted characteristic of financialization. In the literature, few studies are conducted with financialization indices formed from numerical data of minimal variables belonging the US economy. However, these indices do not represent the financialization

index because their cover variables are insufficient and belong to a single country. Therefore, it has not yet been possible to empirically measure the historical development of financialization in all world countries, or at least in OECD countries, before, during, and after the global crisis.

Therefore, this book is designed as the first step to achieving this goal. With the literature's help, 22 variables representing the four primary and eight sub-dimensions of financialization were determined. Historical data was compiled in the context of OECD countries belonging to these variables, and a panel dataset was created. With the help of this data set, OECD averages were calculated, and graphs were created for each variable, and long-term trend analyzes of the variables were made. The behavior exhibited by each variable has been evaluated by considering before and after the global crisis. Based on each variable, the countries that are most and least affected by financialization have been identified. In this context, the results obtained about each variable can be summarized as follows:

The first of the four main dimensions of Financialization in OECD countries is the national economy's financialization. There are two sub-dimensions of the financialization of the national economy. In the first sub-dimension; Four different variables were determined to measure 'Shift from the manufacturing industry to finance.' These variables are: The ratio of the value-added of the financial sector to the manufacturing industry; Ratio of financial sector employment to industry; It is the ratio of total financial assets in GDP in the national economy. The long-term trend of these three variables is on the rise and supports the financialization assumptions. Also, these three variables tended to decline after the global crisis. The last variable is the ratio of property revenues in the national economy to the companies' operating income. The long-term slope line of the OECD average of this variable is polynomial, and since it is not statistically significant, it is unlikely to represent financialization. Therefore, this variable may not be included in the OECD financialization index, but its inclusion in the financialization index to be calculated on a single country basis can be considered.

The second sub-dimension of 'the financialization of the national economy is the debt of the national economy. Two different variables were determined to measure this dimension. The first variable is the ratio of General government debts to GDP. The long-term slope line of this variable is polynomial and statistically

significant. It is observed that this variable increased after the global crisis (2008). The second variable is the ratio of the total debt of the national economy to GDP. This variable shows a regular upward trend in the long run.

The second primary dimension of Financialization in OECD countries is the financialization of the financial sector. The financialization of the financial sector also has two sub-dimensions. The first is that financial markets in the national economy become dominant. Six variables were determined to measure this sub-dimension. These variables are: The share of financial assets of the financial sector in GDP; The ratio of the market value of domestic companies traded in the stock exchange to GDP; Ratio of the total value of stocks traded in exchanges to GDP; Real estate prices; Daily average trading volumes in derivatives markets; It is the share of insurance and financial services exports in total services exports. All of these variables have an upward trend in the long run. Most of them entered a downward trend after the global crisis.

The second sub-dimension of the financial sector's financialization is the borrowing of the financial sector. A variable was determined to measure this sub-dimension. This variable is the ratio of debts of financial companies to GDP. This variable shows a regular upward trend in the long run.

The third primary dimension of Financialization in OECD countries is the financialization of the non-financial sector. The financialization of this sector is also explained in two sub-dimensions. The first is the inclusion of non-financial companies in financial markets. Two variables were determined to measure this sub-dimension. 'The ratio of total financial assets of the non-financial sector to GDP' is the first variable. This variable has an increasing trend in the long run. The second variable is the ratio of 'speculative' income of non-financial companies to operating income. This variable has an upward trend in the long term and has entered a downward trend after the global crisis. Thus, both variables support the assumptions of financialization.

The second sub-dimension of the non-financial sector is debts in the non-financial sector. Four variables were determined to measure this sub-dimension. These variables are: Share of Non-Financial Sector debts in GDP; The ratio of private-sector debts to GDP; Ratio of total loans opened to non-financial sector to GDP; It is the ratio of the bond issue of non-financial companies to GDP. The first two variables have a long-term linear increase trend. Therefore,

it is compatible with financialization assumptions. The long-term trend line of the last two variables is polynomial. Especially the last variable is not statistically significant.

The fourth primary dimension of Financialization in OECD countries is 'Financialization of the Household.' The financialization of the household is explained in two sub-dimensions. The first is the inclusion of the household in the financial markets. The variable determined to measure this sub-dimension is the ratio of 'Household financial assets to GDP.' While this variable was in an upward trend between 1990 and 2015, it is observed that it has entered a downward trend after 2008.

The second sub-dimension of household financialization is 'Household Borrowing.' Two variables were determined to measure this sub-dimension. These variables are as follows: Ratio of Loans Opened to Households and Non-Profit Organizations to GDP; It is the Rate of the Gross and Disposable Income of the Debts of the Households and Non-Profit Organizations. Both variables have a linear upward trend in the long run.

At the end of this study, it is seen that the behavior of 22 variables as a whole is compatible with the financialization thesis. Therefore, with the data set of these 22 variables, it is concluded that financialization can be measured for OECD countries.

These variables are open to discussion of researchers working in the field of financialization. Thanks to creating this data set, it will be possible to create a composite financialization index for OECD countries using statistical methods. The measurement of a phenomenon that marked the last 40 years of capitalism, and the calculation of the general and sub-indices of financialization on a country basis, the development of these indices over the years, and the course of these indices during crisis periods can be analyzed. Moreover, the relationships between economic, social, and political variables related to financialization can be analyzed through extensive research using statistical and econometric methods. Some of them can be listed as follows:

What is the effect of financialization on countries' long-term average growth rate? Does the average growth rate increase as mainstream economists claim? Or, does the average growth rate decrease as heterodox economists claim?

What is the relationship between fixed capital investments and financialization?

Similarly, what is the relationship between financialization and unemployment, poverty, income, and wealth inequality?

What became the inequality between the labor and capital classes in the financialization period?

What is the relationship between financialization and union membership?

What has become gender inequality in the financialization period?

What effect did financialization have on income inequality between central and peripheral countries?

What were the state, corporate, and household (working classes) debts in the financialization period?

What is the relationship between financialization and volatility in food and other commodity prices? The relationship between financialization and environmental carnage, the commodification of nature?

What are the relationships between financialization and economic crimes and new generation organized frauds?

Is it possible to return without financialization? Can new arrangements be made to prevent financialization? Who will do how, if it can be done?

How does the digitalization of capitalism affect financialization?

Do digital currencies/cryptocurrencies lead to financialization? What kind of dangers are there in this area?

These research topics can be further increased.

Our greatest wish is that this book will be useful for researchers who aim to measure financialization and study financialization in different fields of social sciences.

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APPENDIX I:

FINANCIALIZATION INDICATORS IN OECD COUNTRIES[10]

1. THE FINANCIALIZATION OF NATIONAL ECONOMIES (6)

1.1 Shift of Capital Accumulation from Industry to Finance Sector (4)

The ratio of FIRE value-added to the manufacturing value-added

The ratio of FIRE sector employment to industry sector employment

The ratio of property incomes' share to corporations' operating surplus

The ratio of total financial assets to GDP

1.2. The Debt in National Economies (2)

The debt of the general government, as a percentage of GDP

The debt of the total economy, as a percentage of GDP

2. THE FINANCIALIZATION OF THE FINANCIAL SECTOR (7)

2.1. The Dominance of Financial Markets in National Economies (6)

The ratio of financial assets to GDP in the finance sector

The market capitalization of listed domestic companies (% of GDP)

The ratio of the total value of stocks traded to GDP

Real residential property prices- CPI deflated; 2010=100

Trading volume in derivative markets

The ratio of insurance and financial services in service exports

2.2. The Debt in the Financial Sector (1)

The debt of financial corporations, as a percentage of GDP

10 This section was presented by the author as an oral presentation titled "THE MAIN COMPONENTS OF COMPOSITE FINANCIALIZATION INDEX IN OECD COUNTRIES" at the "OECD COUNTRIES CONFERENCE ON POLITICAL SCIENCES & ECONOMY" held in Ankara on March 20-22, 2020.

3. THE FINANCIALIZATION OF THE NON-FINANCIAL SECTOR (6)

3.1. Inclusion of Non-Financial Companies in Financial Markets (2)

The ratio of the non-financial sector's financial assets to GDP

The ratio of non-financial companies' property income to an operating surplus

3.2. The Debt in Non-Financial Sector (4)

The volume of non-financial companies' bond issues to GDP

The ratio of the non-financial sector's total credits to GDP

The debt of non-financial corporations, as a percentage of GDP

Private sector debt, as a percentage of GDP

4. FINANCIALIZATION OF HOUSEHOLDS (3)

4.1. Inclusion of Households in Financial Markets (1)

The ratio of household's financial assets to GDP

4.2. The Debt in Households (2)

The ratio of Household's and NPISHs' credits to GDP

The Debt of Households and NPISHs, as a percentage of GDI

APPENDIX II:
NAME OF VARIABLES, EXPLANATION AND SOURCE

FINANCIALIZATION INDICATORS IN OECD COUNTRIES	
1. THE FINANCIALIZATION OF NATIONAL ECONOMIES	
Name of Variables	Explanation and Source
1.1 Shift of Capital Accumulation from Industry to Finance Sector	
The ratio of FIRE value-added to the manufacturing value-added	The serial "FIRE (Finance and Insurance + Real Estate) % of value-added" of the "Value-Added by activity" chart, which takes place in the OECD databank, has been divided into" Manufacturing, % of value-added" serial in the same chart and annual values related to each country have been found. Later, this variable has been obtained by calculating the OECD average by year. Source: https://data.oecd.org/natincome/value-added-by-activity.htm
The ratio of FIRE sector employment to industry sector employment	The serial 'Employment in FIRE (% of total employment)' in the databank 'World Development Indicators' by World Bank has been divided into the serial 'Employment in industry (% of total employment)' annual values related to each country have been found. Later, this variable has been obtained by calculating the OECD average by year. Source: https://stats.oecd.org/Index.aspx?DataSetCode=SNA_TABLE3#

The ratio of property incomes' share to corporations' operating surplus	The serial 'Property Income' on the chart 'non-financial accounts by sectors' in the OECD databank has been divided into the serial 'Operating surplus, and mixed-income, gross' and annual values related to each country found. Later, this variable has been obtained by calculating the OECD average by year. Source: https://stats.oecd.org
The ratio of total financial assets to GDP	The serial 'Financial Assets-Total economy' on the chart 'Financial Balance Sheets SNA-TABLE 720R' in the OECD databank has been divided into GDP, and annual values related to each country have been found. Later, this variable has been obtained by calculating the OECD average by year. Source: https://stats.oecd.org
1.2. The Debt in National Economies	
The debt of the general government, as a percentage of GDP	This variable was obtained by calculating the OECD average of the 'Debt of general government, as a percentage of GDP' series in the OECD dataset. Source: http://stats.oecd.org/Index.aspx?DatabankCode=FIN_IND_FBS#
The debt of the total economy, as a percentage of GDP	This variable was obtained by calculating the OECD average of the 'Debt of total economy, as a percentage of GDP' series in the OECD dataset. Source: http://stats.oecd.org/Index.aspx?DatabankCode=FIN_IND_FBS#

2. THE FINANCIALIZATION OF THE FINANCIAL SECTOR	
2.1. The Dominance of Financial Markets in National Economies	
The ratio of financial assets to GDP in the finance sector	The serial 'Financial Assets-Financial corporations' on the chart 'Financial Balance sheets SNA_TABLE 720 R' in the OECD databank has been divided into GDP, and annual values related to each country have been found. Later, the OECD average has been calculated by years, and this variable has been obtained. Source: https://stats.oecd.org
The market capitalization of listed domestic companies (% of GDP)	The OECD average of the serial 'Market Capitalization of listed domestic companies (% of GDP)' of 'World Development Indicators' by World Bank in databank has been calculated, and this variable has been obtained. 'Market capitalization (also known as market value) is the share price times the number of shares outstanding (including their several classes) for listed domestic companies. Investment funds, unit trusts, and companies whose only business goal is to hold shares of other listed companies are excluded. Data are end of year values.' Source: http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators&l=en#
The ratio of the total value of stocks traded to GDP	The OECD average of the serial 'Stocks traded, total value (% of GDP)' of 'World Development Indicators' by World Bank in databank has been calculated, and this variable has been obtained. 'The value of shares traded is the total number of shares traded, both domestic and foreign, multiplied by their respective matching prices. Figures are single counted (only one side of the transaction is considered). Companies admitted to listing and trading are included in the data. Data are end of year values.' Source: http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators&l=en#

Real residential property prices- CPI deflated; 2010=100	The OECD average of the serial 'Real residential property prices, CPI deflated; 2010 = 100' in the BIS Property Prices databank has been calculated by years, and this variable has been obtained. https://stats.bis.org/statx/srs/table/h3
Trading volume in derivative markets	The OECD average of the serial 'OTC foreign exchange, turnover by county and instrument in April, Daily averages, in millions of US dollars in the BIS Derivatives Statistics databank has been calculated by years, and this variable has been obtained. Source: https://stats.bis.org/statx/srs/table/d11.5?o=8%3ATO1%2C9%3ATO1&p=1995&c=
The ratio of insurance and financial services in service exports	This variable has been obtained by calculating the OECD average of the 'Insurance and financial services (% of service exports, BoP)' series in the World Bank database by years. Insurance and financial services cover various insurance types provided to nonresidents by resident insurance enterprises and vice versa, and financial intermediary and auxiliary services (except those of insurance enterprises and pension funds) are exchanged between residents and nonresidents. Source: https://data.worldbank.org/indicator/BX.GSR.INSF.ZS?locations=OE&view=chart
2.2. The Debt in the Financial Sector	
The debt of financial corporations, as a percentage of GDP	This variable was obtained by calculating the OECD average of the 'Debt of financial corporations, as a percentage of GDP' series in the OECD dataset by years. Source: http://stats.oecd.org/Index.aspx?DatabankCode=FIN_IND_FBS#

3. THE FINANCIALIZATION OF THE NON-FINANCIAL SECTOR	
3.1. Inclusion of Non-Financial Companies in Financial Markets	
The ratio of the non-financial sector's financial assets to GDP	The serial 'Financial Assets-Non-financial corporations' on the chart 'Financial Balance Sheets SNA_TABLE 720R' in the OECD databank has been divided into GDP, and annual values related to each country have been found. Later, the OECD average has been calculated by years, and this variable has been obtained. Source: https://stats.oecd.org
The ratio of non-financial companies' property income to an operating surplus	The serial 'Property income of non-financial corporations /Operating surplus and mixed-income (gross) of non-financial corporations' on the chart 'non-financial accounts by sectors SNA 93' in OECD databank has been divided into GDP, and annual values related to each country has been found. Later, the OECD average has been calculated by years, and this variable has been obtained. Source: https://stats.oecd.org
3.2. The Debt in Non-Financial Sector	
The volume of non-financial companies' bond issues to GDP	This variable was obtained by calculating the OECD average of 'Corporate bond issuance volume to GDP (%)' in 'WB Global Financial Development.' Source: http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators&l=en#

The ratio of the non-financial sector's total credits to GDP	The OECD average of the serial 'Total credit to the non-financial sector (core debt) Percentage of GDP' on the chart 'Table F1.1' presented by 'The Bank for International Settlements (BIS)' in databank 'Credit to the non-financial sector (CRE)' has been calculated by years and this variable has been obtained. Source: https://stats.bis.org/statx/toc/CRE.html
The debt of non-financial corporations, as a percentage of GDP	This variable was obtained by calculating the OECD average of the 'Debt of non-financial corporations, as a percentage of GDP' series in the OECD dataset by years. Source: http://stats.oecd.org/Index.aspx?DatabankCode=FIN_IND_FBS#
Private sector debt, as a percentage of GDP	This variable was obtained by calculating the OECD average of the 'Private sector debt, as a percentage of GDP' series in the OECD dataset by years. Source: http://stats.oecd.org/Index.aspx?DatabankCode=FIN_IND_FBS#

4. FINANCIALIZATION OF HOUSEHOLDS	
4.1. Inclusion of Households in Financial Markets	
The ratio of household's financial assets to GDP	The serial "Financial Balance Sheets SNA_ TABLE720R" on the chart "Financial assets-Households and NPISH" in the OECD databank has been divided into GDP, and annual values related to each country have been found. Later, the OECD average has been calculated by years, and this variable has been obtained. Source: https://stats.oecd.org
4.2. The Debt in Households	
The ratio of Household's and NPISHs' credits to GDP	The OECD average of the serial 'Total credit to households (core debt) Percentage of GDP' on the chart 'Table F3.1' presented by 'The Bank for International Settlements (BIS)' in databank ' credit to the non-financial sector (CRE)' has been calculated by years and this variable has been obtained. Source: https://stats.bis.org/statx/toc/CRE.html
The Debt of Households and NPISHs, as a percentage of GDI	This variable was obtained by calculating the OECD average of the 'Debt of Households and NPISHs, as a percentage of GDI' series in the OECD dataset by years. Source: http://stats.oecd.org/Index.aspx?DatabankCode=FIN_IND_FBS#

ABOUT AUTHOR

Dr. Abdilcelil KOÇ, Faculty Member, Isparta University of Applied Sciences, Isparta Vocational School, Department of Management and Organization. Email: acelilkoc@gmail.com

He was born in 1959 in Arslanköy/Mersin and completed his primary, secondary, high school, and education institute in Mersin. He taught in various primary schools. He completed his undergraduate education at Anadolu University, Department of Economics and International Relations. Cukurova University in the department of economics Institute of Social Sciences "Inflation and Dynamic Analysis Model in Turkey" masters and with his Ph.D. thesis "Global Financialization Process and Experience of Turkey" has completed his doctoral studies. He worked as a lecturer at Süleyman Demirel University for many years. Currently, Isparta University of Applied Sciences, Isparta Vocational School. He works as a Faculty Member. His main interest is in heterodox social sciences and especially political economics. Study topics are financialization, capital accumulation channels of capitalism, wage, and capital income analysis. His academic studies have been published in international symposiums, as articles and book chapters in various scientific journals.

POLITICAL ECONOMY OF FINANCIALIZATION AND ITS MEASURING
Indicators of Financialization in OECD Countries

In the history of capitalism, there is a consensus in the literature that the 1980s was a turning point. According to many heterodox social scientists, the critical development that provides this turning point is that capitalism has entered the financialization process. This period that started after 1980 is called 'Financialized capitalism.' This period's most important characteristic feature is that the capital accumulation mechanism shifted gravity from the industrial sector to the financial field. In the heterodox political economy, much literature on financialization has emerged over the past fifteen years. However, it still does not have a single definition agreed upon. Unfortunately, a composite financialization index measuring the level of multi-dimensional financialization for different countries has not yet been found in the literature. In this book, first of all, the financialization literature of Neo-Marxist and Post-Keynesian political economy approaches has been scanned, and four dimensions of financialization have been determined. These are the financialization of the national economy, the financial sector, non-financial firms, and households. In this context, to measure financialization, a panel data set covering 22 variables that can represent the four dimensions of financialization, OECD countries, and the period between 1995-2018 was created. The OECD averages of each variable were found through this data set, and their long-term developments were analyzed. In addition, the behavior of each variable before, during, and after the 2008 Global Crisis caused by financialization was also evaluated. As a result of the analyzes made, it has been seen that these variables are suitable for the creation of a composite financialization index. Our greatest wish is that this book will be helpful to students in fields such as economics, political science, international relations, sociology, and researchers who aim to measure financialization.

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