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IPE of Financialisation 1

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Cecilia Rikap (City, University of London and CONICET): BlackRock: a (financial) data-driven intellectual monopoly
Karsten Kohler, Univ of Leeds: Capital Flows and the North-South Divide in the Eurozone: Scrutinising the Finance-centric View"
Engelbert Stockhammer: Considering financial cycles in financialisation and currency hierarchies
Ingrid Kvangraven, Kai Koddenbrock and Ndongo Samba Sylla "Beyond Financialisation: The Need for a Longue Durée Understanding of Finance in Imperialism".

BlackRock: a (financial) data-driven intellectual monopoly
Cecilia Rikap (City, University of London and CONICET)
The concentration of intangible assets within the digital economy has been mostly studied by focusing on platforms, in particular, tech giants. These companies harvest big data and process them with secretly kept algorithms. The resulting digital intelligence informs their ongoing businesses and opens new avenues of innovation. Given the potentially never-ending innovations that this process triggers, big tech companies have been conceptualized as data-driven intellectual monopolies. In this presentation, I will argue that BlackRock is also concentrating data and algorithms, therefore digital intelligence, thus eventually becoming a data-driven intellectual monopoly. BlackRock's Aladdin platform has become indispensable for asset management. It bases its recommendations and analysis on processing data compiled over the last 50 years ranging from financial data to any type of event that may affect capital markets anywhere in the world. From the millions and millions of correlations, it detects possible future scenarios and suggests investments to avoid adverse scenarios. To provide evidence of the relevance of Aladdin and more broadly of intangible assets for BlackRock's business, I perform a text mining analysis of the company's annual reports for the last 10 years, analysing the context of appearance and the increasing relevance of terms like 'Aladdin', 'innovation' and data ('data analytics', 'data processing', etc.). This is complemented with an overview of BlackRock's intangible assets over time as well as by looking at BlackRock's "Technology services" business results in relation to its overall business.

Capital Flows and the North-South Divide in the Eurozone: Scrutinising the Finance-centric View
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Abstract
Since the 2010-12 crisis, Comparative Political Economists attribute an important role to capital flows for the north-south divide in the Eurozone. The present paper offers a critical analysis of this 'finance-centric' narrative. It argues that while the narrative rightly emphasises destabilising financial factors, it provides a partly flawed account of capital flows due to its reliance on neoclassical loanable funds theory and an overemphasis of interbank flows. The paper draws on post-Keynesian monetary theory combined with an analysis of accounting relationships and empirical data to make the following points. First, the focus on the financial account as a driver of current accounts should be abandoned in favour of an analysis of gross capital flows. Second, different types of gross flows have different effects: speculative portfolio and FDI flows into asset markets are causally more relevant than interbank flows. Third, the notion of a recycling of northern surpluses in the southern periphery conceals the geography of multilateral gross financial flows. Fourth, rising spreads in the periphery during the Eurozone crisis and the outbreak of the pandemic were not triggered by balance-of-payments problems but by a reversal of gross flows into government bond markets. Taken together, speculative asset flows do contribute to the north-south divide, but a broader framework is needed that considers factors such as domestic financial cycles, austerity, and the separation of monetary and fiscal policy.

Considering financial cycles in financialisation and currency hierarchies
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The paper adopts a Minskyan perspectives, which highlights endogenous financial boom-bust cycles, and explores their implication for financialisation and financial globalisation and the role of the state therein. First one can distinguish, with respect to macroeconomic performance three phases of financialisation. A first phase (late 1970s/1980s) with high interest rates and relative low growth; a second phase (mid 1990 up to 2008) with mostly low growth and high asset price growth and relatively low interest rates. Then a third phase (since the GFC) with low interest and depressed house prices. Second, while in most formal economic models of the financial cycle there is a symmetry of mechanisms between upswing and downswing; in practice one would expect an asymmetry due to political economy factors: in a crisis pressures on the state will rise. This has two implications for the theory of currency hierarchies. First, a key difference arises between countries with core and peripheral currencies. While the former experiences capital inflows, which enable gov't deficit spending, the latter experience outflows, which makes gov't spending more difficult. Thus the position in the currency hierarchy impacts state capacity. Second, the management of a crisis by the central bank (and the respective government) matters. Letting the crisis spin out of undermines the hegemonic position of the currency. This enters the traditional field of the IPE of international currencies. The Minskyan perspective favours an emphasis on financial factors, but also highlights the importance of state policies in determining the position in the currency hierarchy.

Title: Beyond Financialisation: The Need for a Longue Durée Understanding of Finance in Imperialism
Authors: Kai Koddenbrock, Ingrid Harvold Kvangraven and Ndongo Sambra Sylla
Abstract: One of the central premises of the literature on financialisation is that we have been living in a new era of capitalism, characterised by a historical shift in the finance-production nexus. Finance has begun to behave 'abnormally' towards production. It has expanded to a disproportionate economic size and, more importantly, has divorced from 'legitimate' economic pursuits. In this paper we explore these claims of 'expansion' and 'divorce'. We argue that although there has been expansion of financial motives and practices the 'divorce' between the financial and the productive economy cannot be considered a new empirical phenomenon having occurred during the last decades and even less an epochal shift of the capitalist system. The neglect of the needs of a self-centered economy has been the 'normal' and structural operation of finance in most of the former European colonies in the Global South during the last 150 years. We provide evidence to that effect with a longue durée study of the finance-production nexus in Senegal and Ghana. A main result of our empirical exploration is that an understanding of the historical developments of finance under colonialism is key for understanding how capitalist finance works globally. Such a de-centered perspective requires however a serious engagement with the concept and logics of imperialism.

Membership

Track Classification: International Political Economy Working Group