
Financialization, Intra-Financial Lending, and Capital Accumulation in the US, 1950-2012

Gerald Epstein*^{†1}, Juan Montecino , and Iren Levina

¹University of Massachusetts (UMASS) – 300 Massachusetts Ave Amherst, MA 01002, États-Unis

Résumé

In the era of financialization, to what extent does finance contribute to capital accumulation and social efficiency? In the case of the United States in the Post-War Era, we document that, increasingly, banks in the United States have been lending to each other, rather than to non-financial corporations. In particular, we examine the evolution of intra-financial sector lending in the United States, 1950-2012, presenting estimates constructed from the Federal Reserves Flow of Funds Accounts. We find that intra-financial lending as a share of total financial sector lending appears to have grown nearly five-fold since the 1950s. After comprising a tenth of all lending throughout 1950-1980, by 2011 lending between financial institutions accounted for nearly half of all financial sector lending. In the run up to the financial crisis of 2007-2008, the growth of intra-financial lending was concentrated in assets highly implicated in the genesis of the crisis, suggesting that this growth may have contributed to the crisis. This growth in intra-financial lending also raises questions about the contribution of the financial sector to the real economy: in the years before the financial crisis only 40 percent of financial lending was to the real economy. We then assess econometrically the impact of this increase in intra-financial lending on capital accumulation. Using a vector auto-regression model, we find that intra-financial lending is negatively related to gross capital formation and present evidence that this operates through a credit channel.

*Intervenant

[†]Auteur correspondant: gepstein@econs.umass.edu