
The financialisation of the nonfinancial corporation. A critique to the financial turn of accumulation hypothesis

Joel Rabinovich*¹

¹Centre d'Économie de l'Université Paris Nord – université Paris 13, Centre National de la Recherche Scientifique – France

Abstract

One aspect in which nonfinancial corporations (NFCs) are said to be financialised is that they emulate the asset and income structure of financial corporations. Moreover, it is claimed that the involvement in financial activities has been dramatic: in the USA, the ratio of financial assets to non-financial assets is said to have increased from 40% in 1950 to 120% in 2001 (Orhangazi, 2008, p. 866), while the ratio of portfolio income is said to have increased from less than 10% in 1950 to 40% in 2001 (Krippner, 2005, p. 185). Based on this and her own evidence, Davis (2016, p. 138) states that there has been a "shift in NFC activities toward banking activities".

However, in this article we will scrutinize the empirical evidence used to support that type of claim, or what we define as the *financial turn of accumulation* hypothesis. We define this hypothesis as the contention that there has been an aggregate trend in which NFCs increasingly resemble financial corporations (FC) both in terms of their asset and income composition.

In order to perform our analysis, we make use of three different and complementary databases. The Federal Reserve's Financial Accounts of the USA and the Statistics of Income (SOI) provide aggregate, domestic information for all corporations. Moreover, the latter presents information disaggregated by size of assets. The third database is Compustat firm-level consolidated information for listed US corporations. This provides an approximate notion of the worldwide activity of those firms.

Our results show that mimicking finance was not a strategy verified in aggregate terms for US NFCs. Some of the assets taken into account to support the financial rentierization hypothesis are, in fact, intangibles and FDI. In terms of income, financial income has increased in the last decades but remained around 2.5% of total income since 1980, even decreasing in the last years. These results also hold when we distinguish among different sizes of enterprises.

Keywords: financialisation of the non, financial corporation, firm strategy, corporate governance, USA

*Speaker