Are Households Financialized? An everyday economy account of financial change

Dr. Johnna Montgomerie
Centre for Research on Socio-Cultural Change (CRESC)
University of Manchester
178 Waterloo Place, Oxford Road
Manchester, M13 9PL
T: 44 161 275 8997
M: 44 7833 675 292
E: j.montgomerie@manchester.ac.uk

There is a somewhat unchallenged assumption that households have been adversely affected by the 2007 financial crisis because they were systematically integrated into the processes of financialization in the Anglo-American growth model. The financialization the households refers to how they forged closer connections to capital market by purchasing assets, like portfolio investments and residential property, or credit using a variety of debt instruments including: mortgages, home equity loans and consumer credit (Langley 2007; Leyshon and French 2009; Montgomerie 2009). In turn, these connections exposed them to the consequences of the credit crunch, fall in stock markets and residential property prices and, finally, to the overall downturn in the economy. What remains unknown is the degree households are 'financialized'. In other words, can we observe the financialization of households in terms of the range and amounts of assets and liabilities they own? To date there is limited disaggregated or detailed analysis of the key differences in scale and composition of assets and liabilities between types of households. This is relevant because it facilitates a richer understanding of what financialization entailed for households and what it meant when a large-scale financial crisis began. Interestingly for most households wages are (still) the primary source of income and the primary residence is (still) the only major asset (Carliner 1998; Boehm and Schlottmann 2004). Therefore, for all that financialization has changed in the everyday life of Anglo-American finance it has not fundamentally altered how households earn money and where lifetime wealth is stored. Rather, the transformations attributed to greater levels of financialization demonstrate how the Anglo-American growth model is realized by households, which is indicative of its main failings. Over the longer term households had to cope with slow wage growth, insecure employment and underemployment, roll-backs in non-wage benefits and declining state welfare provisions and transfers. Efforts to create an asset-based welfare failed because mass portfolio investment and housing proved an unreliable source of wealth creation and social protection and, in fact, contributed to greater financial insecurity for households when the 2007 financial crisis struck. Add to this the shockingly slow pace of economic recovery and intensifying government austerity we begin to see the financial crisis facing Anglo-American households.