The Household Economy and the everyday crises of financialization

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Introduction

The household sector has long been the driving force of economic growth in Anglo-America: household consumption accounts for over two-thirds of GDP; household investment is the bedrock of small and medium-size enterprise, Anglo-American households are the consumers-of-last-resort in the global economy. Still the household, as a unit and/or object of analysis, remains severely under-analysed and under-theorized. Indeed most books about the 2007 financial crisis portray a key moment in time when decisions made by elites at centres of power ultimately shaped events: in this case elite actors on Wall Street or in the City of London and those in elite institutions like the Treasury Department or Central Bank. There is very little detailed analysis of households or the household sector in understanding what went wrong and, more importantly, why stagnation persists. Instead political elites prefer to use ‘the household’ metaphorically to justify further austerity—state borrowing is the household living beyond their means or morally reprehensible attempt to force future generations to pay for government profligacy.

This paper puts households at the centre of the analyses of the rolling crises and failed recovery, as well as alternative visions for political and economic renewal. It adds to newest research highlighting inequality, slack demand, and austerity policies as the root of persistent economic malaise, but does so through a detailed empirical investigation of the household experience of the boom (1993-2000), bubble (2001-2007) and bust (post-2007). It details how Anglo-American households are now hugely indebted are hit hardest by the economic downturn and disproportionately paying for the costs of recovery. Most household can no longer rely on employment or even a government safety-net to sustain their way of life or promote prosperity. On the contrary, the dramatic rise in inequality and decreased social mobility are politically tolerated at the same time as households are expected to work longer, forego employment benefits, delay retirement, and to consume more in order to keep the economy going. Starting with the financial crisis facing households we can begin to see many of the fundamental failings of the Anglo-American financialized growth model without accepting the ‘new normal’ of widening income and intergenerational inequality, the squeezed middle-class and growing precariat-class, the permanent reduction in government services and
support to households. The Household Economy offers a timely and much needed intervention into the on-going debates on the causes of, and potential remedies to, the Great Recession.

What is distinctive is the novel everyday economy framework and original evidence used to detail the financial crisis facing many households and how it relates back to the persistent stagnation gripping Anglo-America. The everyday economy framework reanimates Aristotelian concepts of Oikonomia (management of the household) and combines it with well established feminist political economy insights about the household as the site of consumption, production and reproduction. This offers a bottom-up approach to opening the black box of the household in contemporary political and cultural economy understandings of Anglo-American financialization. This is accomplished with an innovative methodological approach that uses the most up-to-date household survey data from the United States (Survey of Consumer Finances) and United Kingdom (Wealth and Assets Survey) to create a new measure of financial (in)security that singles out sources of and claims against income as the most important determinant of financial well-being. These findings are bolstered by a variety of empirical sources demonstrating how financialization led to profound changes in income and benefits, savings and investment, and debt levels that transformed the household balance sheet. Conceptualizing households’ experience, not behaviour, requires disaggregating and differentiating between different household types, in this case: low- and middle-income, waged and self-employed, two parent and lone parent, young adults and senior citizens, white and minority households. The empirical richness of this method is that it seeks to find corroborating evidence, where independent sources of evidence support the initial findings, to demonstrate key differences as well as important similarities across households.

In doing so we observe how and why the past decade has seen a rapid escalation of household debt levels with declining savings rates, alongside volatile stock markets and fluctuating property prices to create financial insecurity for a large section of Anglo-American households. These trends intimately link households to the problems associated with the on-going crisis of the Anglo-American growth model. Viewing the the financial crisis against this background provides a unique and convincing account of
the degree to which the Anglo-American way of life is in decline: households can no longer expect the levels of employment, income, education and government services enjoyed in the recent past. That is unless household prosperity is, once again, put at the centre of political and economic policy.

**Crisis, crisis everywhere**

The most popular explanations of the causal mechanisms leading to the 2007 credit crunch and events that followed exclusively focus the banking industry and/or the financial services sector. This perspective fails to consider underlying problems in the economy more generally or the wider growth model. Financial markets historians, for instance, emphasize the continuity of crises over time (Ferguson, 2008) as such the events of 2007 are not unique because they follow a recognizable pattern (C. Kindleberger, P., 2000; C. P. Kindleberger & Aliber, 2011). The old wise men of economics offer the most high profile accounts of what went wrong and how to fix it, but unsurprisingly these events tend to simply confirmed what each person already knew to be true before the crisis even began. Robert Shiller’s (2008) *The Subprime Solution* re-iterates his behavioural explanation of the psychological origins of bubbles and contagion to suggest that better education and information together with a futures market in housing will prevent future financial market crises because markets will operate more efficiently. George Soros (2008) *New Paradigm for Financial Markets*, again draws on his experience as multi-billion dollar investor to challenge key assumptions of financial economic theory (especially the efficient market hypothesis) and offer his well rehearsed call for an appropriate regulatory system. Notable exceptions are Paul Krugman and Joseph Stiglitz: having both initially offered recycled arguments about ‘depression economics’ (Krugman, 2008) or the misaligned incentives and market imperfections created by asymmetric information (Stiglitz, 2010) both have since expanded beyond financial markets to include growing inequality and insufficient household demand in their analysis of the problems facing the American economy (Krugman, 2012; Stiglitz, 2012). If the great and the good illustrate the enduring nature of their ideas, then another track is to highlight the uniqueness of the events leading up to the 2007 credit crunch. Such accounts of the financial crisis offer detailed people-centred analysis of the key individuals essential to creating the market conditions that made the financial crisis happen. This can be either in the careers of CEOs like Angelo Mozilo of Countrywide and Ronald Arnall at Ameriquest
(Muolo & Padilla, 2008); or a small group of bankers using campaign finance and ‘revolving
door jobs’ between government and Wall Street to ensure politics operates to their benefit
(Johnson & Kwak, 2010); or the small number of investors used what they knew to make big
money out of America’s housing market meltdown (Lewis, 2010). In each case the events are
result of specific conditions and decisions made by important people. Journalistic ‘insider
scoops’ offer detailed accounts of how individuals knew about the key failings at Lehman
Brothers (MacDonald & Robinson, 2010; Paulson, 2010; Ward, 2010), in subprime mortgage
markets (Bitner, 2008) or in Bernie Medoff’s investment practices (Markopolos & Casey,
2010) but could not, or would not, do anything about it. Here we find out how key people ‘in
the know’ and at the centres of financial power contributed to systemic collapse.
Alternatively, some accounts of individuals actions emphasize that their decisions are only
important if we adequately understand the institutional setting they are made in, namely in
places of political power like the Federal Reserve, Treasury Department or Securities and
Exchange Commission (Morris, 2008; Sorkin, 2009). Therefore, the individuals behind key
financial innovations, regulatory institutions, and policy changes did not foresee the 2007
crisis, but nonetheless enabled systemic collapse through the sheer force of greed facilitated
by ‘captured’ regulators and promoted by political ideologues (Madrick, 2011; McLean &
Nocera, 2010). Analysing financial collapse through the lens of the individuals tells a story of
powerful men making big decisions that everyone else must live with.

Another perspective emphasizes the role of knowledge failure in creating financial crisis
(Bryan, Martin, Montgomerie, & Williams, 2012). Through this lens the calculative
techniques as well as models that made sense of financial innovation as ‘risk management’
cultivated a particular narrative of systemic economic stability that did not exist. In effect,
highly sophisticated financial products and trading techniques were doomed to fail because
they did not accurately reflect or predict the ‘real world’. Pablo Triana (2009) argues that the
mathematical models, like the value at risk (VAR) and Black-Scholes-Merton (BSM), are to
blame for giving bankers a false sense of security, which is why they did not anticipate the
financial crisis. In particular, the growing use of quantitative techniques, which migrated
from academic financial economics to mainstream market practice and, ultimately, fostered
financial market collapse (Fox, 2009; Patterson, 2010). Gillian Tett’s (2009) best-seller
Fool’s Gold takes up these very same points through the micro chasm of the JPMorgan
derivatives team, and shows how financial products and trading techniques were embedded in
institutional practices that were increasingly reckless to the risks to the financial system.
These accounts make the world of high finance seem truly remote, where a select group of individuals wield enormous power to shape events and pay very little attention to the rest of us.

The common thread running through these differing accounts is they tell a story of elite actors in important institutions making key decisions that eventually led to market meltdown. Such top-down and centre-out perspectives ultimately limit our understanding of the causes and consequences of the financial crisis; more importantly, it inhibits how we evaluate possible avenues for reform and recovery. By constantly focusing on the small group of elite actors on Wall Street and in The City, or politicians and regulators in Washington and London, we perpetuate the idea that finance is remote and inaccessible. Even more problematic is ending up in the precarious position of continuing to rely on experts to understand how to get out of the current economic malaise—the very same experts that were, at very least, unable to prevent the crisis and, at worst, actively fostering it.

What emerges from this top-down centre-out framework is a very basic supply-side explanation of the financial crisis: low-interest rates, excess liquidity, slack monetary policy and rapidly innovating financial markets all contributed to easy credit inflating an asset bubble. While this may be true, it is an insufficient explanation, especially in terms of how the financial crisis became the present-day economic stagnation. This is because it fails to adequately consider the role of the household. For their part, households simply responded to this stimuli in a functional way by borrowing heavily in the hope of realize speculative asset-price gains. In effect we are meant to accept that those in centres of power make decisions that that the rest of society perceived in some unknowable way and act accordingly, or rationally. At best household activities like savings and borrowing are functional responses to wider trends; at worst, ordinary people are rendered invisible because their actions appear inconsequential to the workings of financial markets, and the global economy as a whole.

More recent efforts to evaluate the ‘demand-side’ approximate the household experience by evaluating growing income inequality (Krugman, 2012; Stiglitz, 2012) and the ‘squeezed’ middle-class (Parker, 2013; Warren & Tyagi, 2003) which are a step in the right direction, but there is still no systematic integration of households into analyses of current economic malaise.
Still there are some that argue that households, especially middle-class households, are not any worse off because of the financial crisis. In this case consumer welfare, or the redistribution of living standards, is more important than the redistribution of income when evaluating the performance of the economy (Edsall, 2013; Krueger & Perri, 2006). By using household consumption (not income) as a benchmark for assessing material well-being and a proxy measure of living standards (Rajan, 2010; Wilkinson, 2009) the Anglo-American household experience appears as prosperous as ever. Using consumption levels-money spent on goods and services by the rich, middle-class and poor-as a gauge for prosperity reveals that little has changed over the decades even as income inequality worsens (Hassett & Mathur, 2012). It is argued that households have more discretionary income today because the cost of necessities is steadily falling as a proportion of income (Boudreaux & Perry, 2013). Yet, this argument totally overlooks the problems associated with rising household debt levels; in part because access to credit is an important redistributive tool in the consumer welfare paradigm, but also because it might show that households spend as much or more on servicing their debts as they do on ‘necessities’. As such, the aim here is to give closer consideration to transformations in household balance sheet as a way of evaluating who is made worse off, or better off, by financialized growth.

The ‘Other’ Financial Crisis

The starting point of this analysis is the financial crisis facing Anglo-American households. From here we see the ultimate failings in the financialized growth model: it depends on a robust mobile household sector while simultaneously undermining the very processes that make it possible. The term Anglo-America denotes the distinct commonalities between the United States and United Kingdom, which originates in their shared history and language but is most evident in their mutual trajectory of political and economic change since the mid-1970s (Gamble, 2006; van der Pijl, 1998). One need only consider the preeminent role of Wall Street and The City as drivers of domestic and global financial expansion and, ultimately, crisis to concede that there is a considerable degree of complimentarity between the two nations. Of course there are significant differences between the two political systems and in the institutional specificity of economic governance; nevertheless, the similarities in their growth model, especially since the mid-1990s, is remarkable despite the pronounced differences the day-to-day functioning of government and commerce. More importantly,
financialization is considered a uniquely Anglo-America phenomenon, be it in the congruity of corporate management structure and capital markets (Froud, Haslam, Johal, & Williams, 2000; Froud, Johal, Williams, & Leaver, 2006) or the political management of the economy since the 1980s (Krippner, 2005, 2010). Here, financialization is evaluated as a growth model, like the finance-led growth regime initially hypothesized by Boyer (2001), in which the congruity between macroeconomic conditions, corporate practice and household management creates a recognizable pattern of growth. It was as a result of the pervasive politics of abandonment needed to realize financialised growth that created financial insecurity for a large cross-section of Anglo-American households; in turn, this eroded economic stability and growth, leading to our present-day economic malaise.

Households are central, not incidental, to financialization. Their monthly interest payments to a wide variety of outstanding debts and regular remittances to portfolio investment products and pension plans were the feedstock of ballooning credit and asset markets. In effect, both became essential elements of social participation and social protection during the boom, bubble and bust. Apart from supply-side understanding, we see that households demand for financial products was a response to long term efforts at re-defining of the Anglo-American growth regime—creating unique pressures that households had to overcome in order to maintain their way of life. Households play a pivotal role in maintaining social cohesion and prosperity. It was the building of a mobile and flourishing household sector that made Anglo-America a global economic powerhouse. In turn, consumerism became a powerful socio-cultural norm that defined prosperity, while driving growth domestically and globally. A prolonged process of eliminating key features of economic management that supported household prosperity, such as full employment and social insurance programs as well as stalled funding for education and government services, undermined the very pillars that supported growth and provided stability. We see that in the lead up, and response, to the 2007 financial crisis is a profound ambivalence towards households: they are expected to continue working, consuming, investing as it did before—yet, fiscal austerity, persistent unemployment and a protracted credit crunch all act to erode the very processes that make this possible.

Any analysis of households requires the incorporation of long-standing insights from feminist scholarship because it exposed ‘the household’ as a major blind spot in economic theory and policy (Allsopp, 1995: ch.7; Katz, 1997; Pearson, Whitehead, & Young, 1981). Feminist political economy specifies the overlooked role of the household where paid and unpaid
labour coalesce to create output, where the daily care of human beings is required if
droduction and consumption are to be sustained (Gibson-Graham, 2006; LeBaron, 2010;
Whitehead, 1981). As such the household is simultaneously a site of production, consumption
and social reproduction on which the entire economy rests (Bakker, 2007; Bezanson &
Luxton, 2006; Steans & Tepe, 2010). Janine Brodie (2003: p.60) initially outlined this
process as the neoliberal ‘paradox of necessity’: simultaneously maximizing the need for
social intervention in the name of human security while, at the same time, minimizing the
political spaces and strategic instruments necessary to achieve this public good. Feminist
political economy has succinctly demonstrates the degree to which economic and fiscal
restructuring demanded after a financial crisis disproportionally affects women (Marchand &
Runyan, 2011; Van Staveren, 2002). Gender analysis of budget reports and structural
adjustment packages reveal the degree to which governments download fiscal adjustment
onto households, effectively relying on women-and their work in the home-to make the
necessary savings for the national economy to survive (Elson, 2002; Elson & Cagatay, 2000;
Sparr, 1994; Young, 2003). Feminist political economy offers many insights into the role of
the households in the wider economy; but while it can confidently explain how neoliberalism
is gendered, how production is feminized and social reproduction privatized (Marchand &
Runyan, 2011; Peterson & Runyan, 2009; van Staveren, 2008; Walby, 2000); it has less to
say about the impact of these changes on household finances. Therefore, these feminist
political economy insights are adapted into an everyday economy framework, which is used
to expose the financial crisis facing households that links back to key facets of the Anglo-
American growth model. This approach offers new evidence on the effects of financialized
growth on household finances at the same time as it demonstrates how financialized growth
failed.

Evaluating the long-term transformations to the Anglo-American growth model from the
household’s point of view tells us how the conditions of life changed under the auspice of
financialized growth. At its most basic neoliberalism is permanent restructuring. Reform of
labour markets and welfare state benefits meant Anglo-American households faced greater
employment insecurity and less government income transfers and services. Central banks
curbed inflation by stifling wage growth while letting asset-prices increases without limit,
and when markets collapsed they abandon all pretence of inflation fighting by simply printing
money to support profits in the financial sector. Similarly, the Anglo-American corporate
sector had endless rounds of restructuring involving outsourcing and layoffs, pushing hard
against wage gains and curtailing non-wage benefits (especially pensions) for non-management workers in the name of delivering returns to shareholders. Meanwhile the ranks of management multiplied with ever higher pay and bonuses, especially for executives. Yet today’s economic woes are never considered a failure of corporate management strategies; on the contrary, it is the ‘uncompetitive’ labour markets that must be restructured and the workforce that must improve. What makes this perspective wholly unsustainable is that households have long been the driving force behind economic growth and consumers-of-last-resort in the global economy. Household consumption is the bedrock of the Anglo-American economies, making up over two-thirds of final demand. Household investment has long been driver of small and medium-size enterprise, and in recent years essential to asset market growth via residential property and pension/mutual funds. Therefore, unemployment, slow wage growth directly and limited state support for the household sector over time inhibits economic growth.

The Anglo-American growth model attempted to resolve this through asset-based welfare initiatives that promoted asset ownership and private credit expansion, which only led to greater household indebtedness and over-exposure to collapsing asset bubbles. Over time it became apparent that having a well educated flexible and productive workforce required households to borrow heavily not only to meet rising education costs but also during times of unemployment or family illness because the state offered ever-less support to households. Raising a family requires an even heavier debt burden to buy the (ever more expensive) family home and pay for childcare alongside deep cuts to family income transfers and services enjoyed by previous generations. For a time debt allowed households to maintain their standard-of-living. Households debt fuelled consumption drove domestic and global economic growth, but also acted as safety-net. Admittedly, Anglo-American households have been amassing higher and higher debt levels for a long time; and debates about its sustainability are not new (Barty-King, 1991; Clayton, 2000; Ford, 1988). It is true that debt was an essential part of promoting mass consumption (Calder, 1999; Klein, 1999; Lyons, 2003) and in may very well be true that debt contributed to our present-day hyper-consumerist society (Manning, 2000; Ritzer, 1995; Schor, 1998). Nevertheless, the most recent expansion of household debt also demonstrates the wide-ranging transformations in the Anglo-American growth model:

What has changed in the past thirty years is that families used to enjoy growth in real earnings and, if they borrowed, they did so to buy a house, a car, or finance a college
education with the expectation that wage levels would continue to rise… Today, they owe money for the TV, refrigerator, restaurant meals, and their children’s education (Medoff & Harless, 2000: p.7).

Evaluating change from households’ point of view offers an altogether different picture of what constitutes a ‘financial crisis’. Moreover, it renders the bewildering complexity of contemporary financial markets more accessible by evaluating personal finance as series of interactions and processes embedded in social and political practices.

Financialization as the politics of abandonment

Key facets of Anglo-American growth model during the boom (1992-2000), bubble (2001-2007) and bust (2007-present day) and led to significant transformations in households everyday experience of work and pay, savings and investments, homeownership, debt and consumption. Specifically, Anglo-American households shaped the contours of financialized growth and contributed to its ultimate crisis. Framing the current crisis in terms of the everyday economy of the household because allows for a closer consideration of the underlying problems facing the economy, and the global economy beyond that. It demonstrates how households are incorporated into existing efforts to analyze everyday financial practices. Cultural economy approaches to the everyday life of finance explore the discursive creation of financial subjectivities that act upon, and are constituted through, individual action (Aitken, 2008; Langley, 2008; Pryke & du Gay, 2007). Political economy approaches to everyday politics focus on individual actions inform and shape financial power and economic policies more generally (Hobson & Seabrooke, 2007; Seabrooke, 2006, 2010). The everyday economy framework used here draws on Aristotle’s idea of economy as Oikonomia (Watson, 2006), or the management of the household over the long run, and adapting it to include feminist scholarship on the political economy of the household. In this case the household is the unit of analysis; except when crude abstraction is required then the household sector is used to distinguish households as a distinct segment of the global/domestic economy.

Importantly, the impact of change on the household is demonstrated through descriptive analysis of household survey data as well as macroeconomic data on the household sector. Using numbers to illustrate change and highlight important trends requires we rely on measures of central tendency which are necessarily imprecise: because ‘the average’ implies
that there are those doing much better and others much worse. Adopting a gender lens for household-level analysis requires that we integrate gender, race and class into our evaluation; this is accomplished by highlight key differences between types of households to provide a richer understanding of the complexities of social change while allowing sufficient room to show the important commonalities across households. This method seeks to create a picture of how households experience change but also shape change through their own actions, reactions and inactions.

The everyday economy approach is then used to analyze the key facets and failing of the Anglo-American financialized growth model. Chapter three begins with the biggest flaw of the financialized growth: the inability of households to transcend their dependence on earned income. For the vast majority of Anglo-American households wages and salaries are still the only major source of income, despite efforts to promote wealth creation through asset-based welfare initiatives. This is significant when analyzing economic policy priorities around inflation, trade and welfare which all enabled the 2007 financial crisis. Current efforts to supplant income for consumption levels to measure the relative prosperity and redistribution of financialized growth are simply political efforts to circumvent the structural failings of the Anglo-American growth model. As deepening income inequality persist the implications to growth are becoming increasingly obvious. This chapter demonstrates this by evaluating how households experience transformations in employment and work, the availability of non-wage benefits, and state welfare provisions. Over time these transformations manifest as new constraints facing household budgets that are only overcome by using debt.

Asset-based welfare initiatives sought to provide households with wealth gains through portfolio investments (pension and mutual funds) and homeownership. Namely, it highlights how asset markets cannot provide a welfare function because the propensity for bubbles leads to households accruing debt rather than income from investments. The fundamental weakness of portfolio investment is made evident in the pronounced wealth inequalities in the US and UK, the volatility of asset markets, and the fact that many households are simply passive investors in these products. It puts forward the case that having an investment portfolio may not be as important as the income earned from these investments when assessing the merits of asset-ownership and wealth creation as public policy or household strategy. The same critical assessment is applied to homeownership in chapter five, which reveals the important limitations to generalizing about the potential gains of owning a home. For the majority of
households their primary residence is their largest (and usually only) major asset, but also their largest source of debt which means that the timing of a home purchase, the size of down payment, the size, length and cost of mortgage loan as well as the location of the home are all significant factors in determining whether one can profit from homeownership over the long term. These same factors apply to assessing the potential benefits of investing in residential property: either as a landlord, property flipper or simply making home improvements. Moreover, the most recent housing boom has highlighted other important downsides to the Anglo-American homeownership welfare strategy, namely: there are long term implications to the debt overhang, a pronounced affordability trap and huge intergenerational inequalities.

In addition to housing related debt household use all manner of borrowing: education loans, car loans, lines of credit, payday loans and store cards. Each form of borrowing is considered individually as well as cumulatively to evaluate the underlying causes and potential consequences of rising household debt levels. There is already widespread agreement that these high levels of borrowing fuelled household consumption and, ultimately, economic growth during the boom and bubble years. Yet, not many have considered the degree to which consumer credit was used to start-up and sustain small businesses or its contribution to the Treasury through consumption taxes. More importantly, it demonstrates that households used to debt to supplement wage income by using it to fund consumption and as a safety net to deal with one-off events like job loss or illness. Taken together the chapters in this section demonstrate the significance of wages, as the single biggest segment of annual income, for the vast majority of households and what this means in terms of long-term trend of stagnant wage growth and increasing income inequality. Importantly, it allows us to contextualize the key failings of asset-based welfare principles, which seek to promote asset ownership as a means of transcending the tyranny of earned income. Namely that access to credit is no replacement for real wage growth or adequate welfare provisions; otherwise the long-term impact of household asset accumulation is to simply increase indebtedness.

Even more important than observing these trends at the level of the household sector we much consider how different households were affected by these trends. We find a common thread running through their highly variegated experiences: increased financial insecurity. Detailed analysis of household surveys data from both the US and UK demonstrates the above trends in terms of changes in the composition of the household balance sheet. In particular, we see how different households were affected by almost a decade of easy credit, volatile asset markets and stagnant income growth. To understand the impact of these
changes on the composition of the household balance an inclusive measure of financial
insecurity is used, because insecurity can derive from lack of income, too much debt or a
stock of assets that does not easily translate into income, especially in times of hardship or
falling asset values. Therefore, household financial security is evaluated based on the sources
of and claims against income. Then the relative financial (in)security of households is
compared across income-levels, age, race, family-composition as well as homeowners,
renters and small business owners in order to capture the diversity but also the commonalities
of experiences. Doing so demonstrates how a large cross-section of Anglo-American
households are struggling to cope with their own financial crises.

This approach allows us to dispense with the ‘prime’ ‘subprime’ definition of financial
inequality by evaluating low-income, middle-income and self-employed households to how
their relative access to credit still meant rising debt levels. Although different in absolute
terms, these three groups share important similarities in their experience of intensifying
financial insecurity. For instance, the family composition of households impacts financial
security by comparing the experiences of two-parent, single-parent and multi-generational
households we see that family-structure and breakdown influence financial stability. Family
dynamics, especially the social reproduction of the household, profoundly shape financial the
relative financial security of the household because they impact income patterns, debt use and
the ability to save or invest. Chapter nine examines the intergenerational dynamics of
financial instability and its relationship to welfare state provisions. Comparing young adults
(under-35s) and senior citizens (over-65s) shows how debt has become essential for both
social participation and protection: debt is today’s safety-net.

By way of conclusion we need to consider what these trends can tell us about potential
avenues for reform and recovery that are most likely to remedy the problems facing Anglo-
American households. Unlike the current consensus that focuses on technical or institutional
fixes to improve workings of financial markets, government austerity and continued
dominance of the central bank in governing the economy this chapter calls for political
reform of economic governance priorities which until now have overwhelmingly privileged
finance-led growth. Specifically it makes a case for the reform of inflation policy by
including asset prices in core inflationary measures; therefore bringing asset markets into low
inflation policy priorities. Doing so would go some way in preventing the economic
imbalance we currently face: consumer price inflation is low (slowing wage growth) while
asset prices increase (largely fuelled by the availability of cheap credit). Next, it advocates for the sharing the tax burden across all sectors of the economy. Government needs to abandon its overwhelming focus on income-tax and move toward taxing exchange across all markets. Political acceptance of a financial transaction tax is a step in the right direction, especially because the financial services industry should share the costs of their bailout. The final section re-introduces the long-standing arguments that favour a guaranteed-minimum income as a way of addressing the failures of employment policy to remedy the economic calamity we now face. Employment has been the main, if sole, mechanism for redistributing the gains of economic growth but its ability to provide the necessary standard-of-living for most households is waning.