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STATE OF THE ART

Making sense of financialization

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Since the early 2000s, scholars from a variety of disciplines have used the concept of financialization to describe a host of structural changes in the advanced political economies. Studies of financialization interrogate how an increasingly autonomous realm of global finance has altered the underlying logics of the industrial economy and the inner workings of democratic society. This paper evaluates the insights of more than a decade of scholarship on financialization. Three approaches will be discussed: the emergence of a new regime of accumulation, the ascendency of the shareholder value orientation and the financialization of everyday life. It is argued that a deeper understanding of financialization will lead to a better understanding of organized interests, the politics of the welfare state, and processes of institutional change.

Keywords: economic systems, financialization, financial markets, institutional change, multidisciplinary review

JEL classification: G32 financing policy, capital and ownership structure, N2 financial markets and institutions, P1 capitalist systems

1. Introduction

The exponential growth of financial markets in the post-war period, and their subsequent collapse more recently, has spurred a broad scholarly interest in finance capitalism and its impact on economy and society. Since the late 1990s and early 2000s, scholars from a variety of disciplines—including political science, sociology, anthropology, geography and economics—have used the concept of *financialization* to describe this shift from industrial to finance capitalism. Studies of financialization have covered a range of different topics, from ethnographic studies of Wall Street to discourse analyses of investment manuals, and from historical narratives on the Great Depression to contemporary reflections on the Great Recession. What unites these studies is a view of finance beyond its traditional role as provider of capital for the productive economy. Instead, studies of financialization interrogate how an increasingly autonomous realm of global finance has altered the underlying logics of the industrial economy and the inner workings of democratic society.

The emergence of financialization studies as a body of scholarly work has been well documented (Engelen, 2008; Montgomerie and Williams, 2009; Van Treeck, 2009). In a special volume in Economy and Society (2000), British social accountants and French regulation theorists argued that the globalization of production, which pre-occupied the field of political economy at the time, provided only a partial understanding of contemporary capitalist development. In particular, the authors maintained that the focus on international competitiveness as the major challenge to the nation-state overemphasized the role of the productive economy. Instead, this group of scholars identified financial imperatives, in particular shareholder value, as important drivers of change within the advanced political economies. Some contributors provided a critical assessment of the epistemology of shareholder value and its subsequent dissemination to corporations in different national contexts (Froud *et al.*, 2000; Jürgens *et al.*, 2000; Morin, 2000; Williams, 2000). Others hypothesized the arrival of a post-Fordist growth regime in which the Keynesian compromise had given way to a finance-led economy (Aglietta, 2000; Boyer, 2000). Brought together, the articles challenged the assumed stability of national models of political economy and questioned the continued existence of the post-war social accord with its strong ties between wages and demand.

Although the authors themselves were somewhat cautious in their assessments of these changes, their work has been followed and elaborated upon in numerous ways since then. As the financialization thesis became further developed, scholars have begun to explore this phenomenon more broadly. First, the disciplinary scope of financialization studies has widened to include multiple social science disciplines, such as geography and development studies. Furthermore, the geographical focus on the USA and Europe has been supplemented with work on other regions in the developed and developing world (Gabor, 2010; Rethel, 2010; Ashman *et al.*, 2011). Finally, although still concentrated in political economy journals like *Review of International Political Economy* and *Competition & Change*, scholarly work on financialization has increasingly appeared in mainstream publications in the social sciences (cf. Tomaskovic-Devey and Lin, 2011). These are strong signs that financialization studies are moving beyond the 'periphery' of the social sciences (Engelen, 2008, p. 113).

The popularity of financialization studies is not surprising, as many of the initial hypotheses have borne out. From the collapse of the dot-com bubble in the early 2000s to the subprime mortgage crisis in 2008, scholars have come to realize that 'something has actually radically changed in contemporary capitalism, which warrants the search for new conceptual tools' (Engelen, 2008, p. 118). The aftermath of the most recent financial crisis has made it painfully clear how important finance has become for national economies *and* individual livelihoods. At stake is therefore not only a deeper understanding of the financialization process, but also the question how we can create a more stable and equitable capitalist system in the context of expanding financial markets. The analytical task at hand is a complicated one and perhaps for that reason a straightforward definition of financialization has yet to emerge. Definitions have ranged from including 'everything finance' (Epstein, 2005*a*) to narrower descriptions of new 'financial market activities' (Stockhammer, 2004). As Ronald Dore (2008, p. 1097) put it eloquently: ''Financialization' is a bit like 'globalization'—a convenient word for a bundle of more or less discrete structural changes in the economies of the industrialized world'.[1]

This state-of-the-art evaluates the insights of more than a decade of scholarship on financialization. Despite the usage of a common terminology, financialization covers a host of empirical phenomena at different levels of analysis. To do justice to this diversity, this state-of-the-art will therefore identify three different approaches within this growing scholarship. The first approach considers financialization as a regime of accumulation. French regulationists first began to consider financialization as the successor of the Fordist regime of accumulation, whose decline had already been described by Michel Aglietta in his *A Theory of Capitalist Regulation* (1979). To regulationists like Boyer (2000), a finance-led growth regime began to develop in response to declining productivity in the late 1960s, when the relationship between rising wages and demand for industrial production became severed. In its stead developed an alternative regime that combined flexible labour markets with the expansion of credit, among other things, to sustain consumption in the face of stagnating real wages.[2] Although often associated with the Regulation School, the accumulation approach described in this paper includes a broader group of scholars: post-Keynesian economists, economic sociologists and critical international political economists have explored the relationship between the declining profitability of manufacturing and the growing financial activities of non-financial firms. There is a strong Marxist slant in this literature, with multiple scholars drawing on Hilferding's (1981 [1910]) account of early twentieth century finance capitalism. Closely connected are post-Keynesian analyses that

[1]The term *finance* is used here to describe the management of money and other assets by households, businesses and governments. *Finance capitalism* or *financial capitalism*, then, denotes a form of capitalism, in which finance has become the dominant function in the economy and has extended its influence to other areas of life (e.g. social and political). *Financialization* refers to the web of interrelated processes—economic, political, social, technological, cultural etc.—through which finance has extended its influence beyond the marketplace and into other realms of social life.

[2]In the USA, Marxist economists Paul Sweezy and Harry Magdoff were among the first to connect the explosive growth of financial markets during that period to the stagnation of industrial production (cf. Magdoff and Sweezy, 1987; for a good overview see Foster, 2007).

place the figure of the *rentier*—the functionless investor—at the centre stage of an inherently unstable financial system.

The second approach identified here centres on the financialization of the modern corporation. Scholars have attributed the financialization of the corporation to the emergence of shareholder value as the main guiding principle of corporate behaviour (cf. Rappaport, 1986). Shareholder value refers to the idea that the primary purpose of the corporation is to make profit for its shareholders. According to Aglietta, shareholder value has become the 'norm of the transformation of capitalism' (2000, p. 149) and as such has provided the justification for the dissemination of new policies and practices favouring shareholders over other constituents of the firm. The contributions in this body of work respond directly to agency theorists like Michael Jensen and Eugene Fama, to whom the maximization of shareholder return offered the solution to Berle and Means' problem of the separation of ownership and control. For scholars in this body of work, however, shareholder value is not a neutral concept, but an ideological construct that legitimates a far-reaching redistribution of wealth and power among shareholders, managers and workers. Empirical phenomena interrogated in this body of work include executive compensation practices, corporate restructuring, shareholder activism and other investor behaviour, as well as the spread of the shareholder value ideology from the USA to other political economies.

A final body of work, stemming from social accounting and cultural economics, zooms in on the financialization of the everyday. Scholars of the everyday have abandoned the focus on the corporation in favour of an approach that appreciates the diverse ways in which finance is grounded in practices of everyday life. These studies have interrogated projects and schemes aimed at incorporating low-income and middle-class households in financial markets through participation in pension plans, home mortgages and other mass-marketed financial products. Finance has become a decentralized form of power in this body of work, exercised through individuals' own interactions with new financial technologies and systems of financial knowledge. By participating in financial markets, individuals are encouraged to internalize new norms of risk-taking and develop new subjectivities as investors or owners of financial assets. Finance thus becomes, in Foucauldian terms, a 'governmentality'. Although each of the three approaches is informed by different theories of capitalism, they share a common concern for financialization as a structural transformation of contemporary capitalism. Finance becomes politicized in this scholarship: its practice is not the neutral allocation of capital, but rather an expression of class, a control mechanism, or even a rationality associated with late twentieth-century capitalism.

On the basis of the three approaches identified in this article, I maintain that financialization studies make several contributions to the field of political economy. First, financialization studies challenge several conventional wisdoms on state–market relationships in scholarship on finance capitalism. On the one hand, they question neoclassical economic assumptions about the ability (and desirability) of unrestrained markets to discipline social behaviour. On the other hand, financialization scholars draw attention to the role of the state in the creation of financial markets, thus challenging the idea of the post-war interventionist state as a market-embedding institution. Second, financialization scholars have scrutinized the class dimensions of contemporary capitalism. By making apparent the uneven distribution of financial power among social classes, they shed light on the structural inequalities that exist in an equity-based economy. Third, and finally, financialization studies bring a more complex understanding of contemporary capitalism to institutionalist schools of thought by emphasizing the tensions and inconsistencies within contemporary capitalisms over global trends or national categorizations.

The first three sections of this paper will describe each of the approaches to financialization studies identified above. The sections outline the main assumptions of these approaches, the insights they have garnered, as well as any open questions that may persist. The article will then continue with a discussion of what financialization studies can contribute to other approaches to the study of contemporary capitalism, in particular institutionalist accounts of political economy. It will be argued that financialization studies offer a welcome complication of political identities and organized interests, the politics of the welfare state and national models of capitalism, yet could benefit from a more comparative approach to adequately assess the local manifestations of financialization in diverse institutional contexts. Two caveats are in order. First, the schema identified in this article is the author's own. Like all categorizations, the one employed here attributes a degree of internal coherence to each of the three approaches that may not do justice to the nuances in the scholarship it presents. Second, this review reproduces the geographical bias that is present within financialization studies by focusing predominantly on North America and Western Europe. This limited geographical focus is not to discount the important work that is being done on financialization in other regions of the world, which unfortunately falls outside the scope of this paper.

2. Financialization as regime of accumulation

A first approach involves scholarship that examines financialization as a new regime of accumulation. In her much-cited study of the US economy, for instance, Krippner defines financialization as 'a pattern of accumulation in which profits accrue primarily through financial channels rather than through trade and commodity production' (2005, p. 174). Since the 1970s, she finds, American corporations have increasingly derived profits from financial activities. Not only has the financial industry increased its share of GDP, but profits from interest, dividends and capital gains for non-financial corporations have outpaced those from productive investment. Here, Krippner follows Marxist sociologist Arrighi (1994), for whom financialization constitutes a recurrent phase in capitalist development. According to Arrighi, financialization takes place during a period of hegemonic transition, when capitalist elites respond to increased international competition by shifting their investments from production to finance. Like Krippner, Arrighi situates the most recent manifestation of financialization in the final quarter of the twentieth century, at the height of American superpower.

The analysis of financialization by sociologists like Arrighi and Krippner complements research by Marxist and post-Keynesian economists, who empirically examine the centrality of the financial industry in the US economy. Not only do they confirm Krippner's thesis that non-financial corporations increasingly derive profits from financial activities. They also suggest that a reverse process is taking place: non-financial firms have increased payments to the financial sector through interest payments, dividends payments and share-buy-backs (Crotty, 2005). This dual movement creates an interesting bind for non-financial corporations, as they end up with limited capital available for productive investment despite increased profits from financial activities (the 'crowding out' thesis). An important insight that follows is that financialization has led to 'a slowdown of accumulation', a reduced investment in tangible assets, although firm-level data suggest some variation depending on firm size (Orhangazi, 2008). While most scholarship has focused on the USA, research suggests that these processes are also at work in the European political economies (Stockhammer, 2004; Duménil and Lévy, 2005; Akkemik and Özen, forthcoming).

The slowdown of accumulation is rooted in what Crotty (2005) has called 'the neo-liberal paradox'. The internationalization of global markets has been a major impetus for firms to withdraw from productive activities. Faced with increased international competition and domestic demands for shareholder return, American manufacturers have off-shored production and controlled foreign supply chains to cut back on costs. Productivity gains have not been reinvested in the corporation, but rather been distributed to shareholders or used for the purchase of financial products (Crotty, 2005; Milberg, 2008; Baud and Durand, 2012). Says Milberg: 'the globalization of production by US firms has helped sustain higher levels of financialization of the US non-financial corporate sector and this financialization creates great incentives for cost-reducing and flexibility-enhancing offshore production by US lead firms' (2008, p. 421). Financialization and globalization are therefore not mutually exclusive analytical frameworks, but rather two sides of the same coin.

Heterodox economists have taken the financialization thesis a step further by integrating these empirical insights into a broader class analysis of finance-led capitalism. In particular, they argue, financialization has empowered those individuals and institutions that derive their incomes from financial assets and transactions: the rentiers. Research shows that the incomes of finance owners and financial institutions have substantially increased throughout the 1980s and 1990s (Epstein and Jayadev, 2005). The victory of the rentiers has come at the expense of wage-earners and households, who have faced stagnating real wages and increased indebtedness, respectively. According to these scholars, the resulting rising levels of income inequality are highly problematic. High debt levels in combination with low economic growth have created an inherently unstable system in which a temporary decline in income can have widespread effects, when households start to default on their loans (Stockhammer, 2012).

Accumulation scholars argue that the volatility of asset prices and the accumulation of debt have heightened systemic risk in financialized capitalism, making it prone to reoccurring crisis (Stockhammer, 2012). Drawing on Keynes and Minsky, accumulation scholars explain how increased financial fragility in combination with declining wages has created a growth regime that relies on debt-driven consumption and housing bubbles—'an enormous superstructure of debt, critically undermining its own liquidity and solvency' (Lapavitsas, 2009, p. 138). It is therefore not surprising that the subprime mortgage crisis of 2008 has been regarded by accumulation scholars as the culmination of the financialization process, thus rejecting alternative explanations of regulatory failure or investor irrationalities (Blackburn, 2008; Lapavitsas, 2009; Deutschmann, 2011). Internationally, these authors state, the liberalization of capital flows has created imbalances between states that maintain current account surpluses and those that maintain deficits. Particularly in the developing economies, this has led to boom-bust cycles and exchange rate volatility (cf. the essays collected in Epstein, 2005*b*; Becker *et al.*, 2010; Kaltenbrunner, 2010). Financialization has thus increased the vulnerability of economies worldwide.

By emphasizing the inherent instabilities of financialization, scholars of the new regime of accumulation have presented an important corrective to neoclassical assumptions about the efficiency of financial markets. Instead, they present financialization as a political project, one that is linked to the global spread of neoliberalism and the hegemony of the USA. Financial globalization offered a solution to America's 'crisis of hegemony', brought on by the increased international competition confronting American firms and the loss of international prestige after the Vietnam War (Arrighi, 2003; Brenner, 2003). The globalization of American finance was not only made possible by the collapse of the Bretton Woods regime of fixed interest rates, but also by banks' securitization of assets and firms' participation in the booming Eurodollar markets of the post-war period (Konings, 2008). The resulting inflow of capital into American markets protected the state's global hegemonic status, keeping the Soviet Union at bay and the global South under its control (Arrighi, 2003; Dickens, 2005). The global dissemination of financialization is furthermore linked to the spread of neoliberal ideas and practices, although their interrelationship is still debated. Some authors have argued that financialization has been the main driver of neoliberalism (Duménil and Lévy, 2004), whereas others have identified a reverse causality (Kotz, 2010).

For scholars in this body of work, financialization is a logic of capitalism, either driven by a wealth-maximizing rentier class or the imperial aspirations of the American state. A critique of this approach to financialization is that it is overly deterministic, assuming both intent and efficacy on the part of the capitalist class. Even though path-breaking events, such as the demise of Bretton Woods, are considered, a political analysis of these historical events remains absent. This reduces the state to a singular entity and ignores the political contestations at the basis of the neoliberal turn in American politics, including the role of non-elite actors in the expansion of financial markets (cf. Seabrooke, 2006). In the absence of historical contingency, the specific mechanisms underlying financialization's development remain unclear. Financialization is rendered abstract, anonymous and teleological: 'finance' becomes the driving force behind its own expansion.[3]

Recent work by historical sociologist Greta Krippner and historian Judith Stein, however, provides a good starting point to overcome some of the ahistorical tendencies in this body of research. Krippner (2012) has shown how the policies supporting financialization—deregulation of foreign capital flows and interest rates plus changes in monetary policy—were the response to a set of crises of the American state stemming from domestic distributional conflicts, balance-of-payment problems and a loss of public confidence in the state's problem-solving abilities. She explicitly presents financialization as the unintended consequence of these decisions, motivated by American policy-makers inability to see capital as anything but a scarce resource. Her arguments complement Stein's observations (2011). Stein situates the historical roots of the slowdown of accumulation in the economic crisis of the 1970s—a structural crisis, according to Stein—in particular the declining productivity of American industry vis-à-vis its international competitors like Germany and Japan. Stein details the failure of various proposals for industrial policy and economic planning, which lost out against the Carter Administration's commitment to contain inflation and keep a balanced budget. By failing to restore the international competitiveness of American manufacturing, Stein argues, the Carter Administration ultimately reinforced the movement of capital away from the real economy and thus solidified the deindustrialization of the American economy. Both authors leave more room for historical contingency than most scholars within the accumulation approach, stressing instead the importance of prevailing policy paradigms and the bounded rationalities of the actors that

[3]Duménil and Lévy state, for instance 'Finance took over the state and institutions of the Keynesian compromise' (2005, p. 25).

apply them. The next section, on financialization and shareholder value, will further explore these dynamics.

3. Financialization and shareholder value

A second approach to financialization studies examines the ascendancy of the shareholder value orientation as a guiding principle of corporate behaviour. This perspective on financialization builds on the regime of accumulation approach by taking the increased financial orientation of non-financial corporations as its starting point. First, it considers how financial markets exert pressures on non-financial corporations, and the managers running them, to adopt business practices promoting shareholder value. Second, it interrogates how these corporations themselves establish shareholder value by diverting financial market pressure onto other constituents of the firm, in particular the employees. Like the regime of accumulation approach, financialization is conceptualized as a redistributive process. Yet where scholars of capital accumulation talk about rentiers as a broad social class, scholars of shareholder value shift their attention to the social classes within the corporation: managers, shareholders and employees. The studies reveal that financialization has particularly benefited managers of large corporations, as their remuneration has become tied to the corporation's stock market performance.

Shareholder value has first of all been described as a *theory* of corporate performance, one that prioritizes the shareholder over other constituents of the firm. The shareholder value orientation has been linked to principal-agency theory, proposed by financial economists like Eugene Fama and Michael Jensen in the late 1970s (Boyer, 2005; Dobbin and Jung, 2010). Agency theory posits that the residual claims of the corporation belong to the shareholder, as the latter has no contractual guarantee of rewards on investment (unlike workers, for instance). Managers, according to agency theorists, face no incentives to maximize the return of shareholders and merely introduce corporate strategies to maximize their own wealth. This situation, agency theorists argue, needs to be remedied by reuniting ownership and control: disciplining corporate managers through shareholder activism on the one hand, while creating a community of interest between managers and owners through the introduction of performance-based executive compensation on the other hand. In this financial conception of the firm, corporate efficiency is redefined as the ability to maximize dividends and keep stock prices high (Fligstein, 1990, p. 298).

Agency theory was put into practice during the 1970s and 1980s, when institutional investors leveraged their holdings in the large conglomerates of the industrial era and used their shareholder rights to significantly restructure them. Since then, shareholder value has been associated with a particular set of *business practices*, including the introduction of financial performance measures such as return on equity, the adoption of international accounting standards, and a short-term business outlook as manifested by the publication of quarterly reports (Jürgens *et al*., 2000; Börsch, 2004; Widmer, 2011). These practices have been accompanied by a managerial concentration on the 'core competencies' of the firm (Dobbin and Zorn, 2005): to satisfy the company's investors and business analysists, managers will shed off underperforming branches of the firm in attempts to raise the net worth of the corporation. Other restructuring activities include mergers and acquisitions, hostile takeovers and leveraged buyouts as well as the outsourcing of productive activities (Davis *et al*., 1994). What sets the financialized corporation apart from its industrial-age predecessor is that the financial gains from these operations are not reinvested in the firm's productive facilities, but rather are distributed to shareholders through dividend payouts and share buybacks (Lazonick and O'Sullivan, 2000). It is for these reasons, that Blackburn has dubbed the financialized firm 'the disposable corporation' (2006, p. 42).[4]

Finally, shareholder value has been conceptualized as a *discursive construct*, a language of financial market expectations that operates independently of a firm's performance. What explains for shareholder value's lack of materiality, according to Froud *et al*. (2006), is the absence of an empirical connection between managerial policy and financial performance. The authors write: '*Ex ante*, the firm and its management strategy is represented by the corporate CEO as purposive action for financial results, which is then *ex post* vindicated by the achievement of positive financial numbers on earnings which are celebrated by management, analysts and business press' (2006, p. 126). Other scholars have likewise interrogated the discursive dimensions of shareholder value. Fiss and Zajac (2004), for instance, have argued that a significant number of the largest 100 corporations in Germany have engaged in the 'symbolic management' of shareholder value. German managers used the language of shareholder value to placate foreign investors, but avoided full-scale implementation of its associated policies. The authors explain these findings by pointing at the critical role of German banks in disseminating shareholder value, thus hinting at the importance of national context for the adoption of value-creating policies.

Like the regime of accumulation approach, the shareholder value literature has framed financialization as a redistributive process. Empirical evidence shows that the past 30 years have witnessed steady increases in dividend payouts and share buybacks to shareholders (cf. Lazonick, 2010).[5] Still, there is something particularly

[4]For the same reason, Davis (2009) even announces the demise of the modern corporation as the dominant social institution in the USA.

[5]Lazonick makes an important point about the difference between share buy-backs and dividends. Whereas share buy-backs involve the sale of stock by investors to the corporation, dividend payouts

paradoxical about shareholder value (Boyer, 2005). Although meant to empower shareholders in the face of self-maximizing managers, shareholder value policies—in particular, incentive pay—have enabled top-level managers to enjoy unprecedented degrees of wealth. Due to the shift away from salaries to stock options, executive pay has risen exponentially since the 1980s. CEO's of the largest corporations now earn several hundred times higher incomes than the average worker (DiPrete *et al.*, 2004; Englander and Kaufman, 2004; Bebchuk and Grinstein, 2005). These findings do not merely apply to the USA, where these compensation practices originated. Executive stock options have also been increasingly adopted by large, public corporations on the European continent and in Japan (Miyajima, 2007; Chizema, 2010). Moreover, studies show that executive compensation has continued to rise despite drops in corporate performance (Erturk *et al.*, 2007*a*). This suggests that 'the power of managers has been more significant than the power of financiers' (Boyer, 2005, p. 40).

In the USA, scholars generally agree that the enrichment of shareholders and managers has been at the detriment of workers' wages of benefits. Corporate restructuring activities in the name of shareholder value have been associated with job loss and other cutbacks (Lazonick and O'Sullivan, 2000). Moreover, the jobs that remain have undergone significant changes: employees have to work longer hours for lower pay and fewer benefits. Shareholder value is therefore said to have created a 'bifurcation of work' or a dual labour market: all participants experience increased job insecurity and job intensity, yet high-skilled workers (managers and professionals) receive higher rewards and have more job satisfaction. Low-skilled workers are working at lower wages and fewer benefits (Fligstein and Shin, 2004; Lin and Tomaskovic-Devey, 2013). This strand of research thus presents a dramatic picture, in which the pursuit of shareholder value is directly linked to declining working conditions and rising social inequality for large segments of the population.

The empirical connection between shareholder value and job loss is less straightforward in the European context. Few authors have found an unequivocal impact of shareholder value policies on industrial relations. Instead, negative consequences for workers seem to be tempered by various intermediary factors, such as the temporal orientations of international investors (Gospel *et al.*, 2011), the level of autonomy enjoyed by corporate managers (Vitols, 2002; Pendleton and Gospel, 2005) as well as the strength of organized labour (Jackson *et al.*, 2005; Kädtler, 2009). The impact of shareholder value on industrial relations is therefore perhaps not a *breakdown* of traditional institutions, but

require a continued ownership of stock by the investors. For this reason, Lazonick maintains that dividend payouts might actually result in more patient capital than generally assumed (2010, p. 696).

rather a change in institutional *practices*. The decentralization of collective bargaining and the growing importance of works councils in negotiations with management in the case of Germany has been well-documented in this regard (Jackson, 2005). Such results suggest the possibility of hybrid regimes of corporate governance, which combine shareholder value practices with stakeholder systems of capitalism (Vitols, 2004; Deeg, 2005).

Whereas regime of accumulation scholars consider financialization a global phenomenon, driven by the hegemonic financial power of the USA, scholars of shareholder value have more consideration for the institutional diversity of national political economies. Early scholarship on financialization suggested that shareholder value policies would be more likely to be adopted in political economies that fulfil three preconditions for financialization: the existence of value-oriented investors, opportunities for value investment and management prerogatives that allow for labour shedding (Froud *et al.*, 2000, p. 105). Recent scholarship, however, has revealed that not all of these conditions need to be fulfilled for the spread of shareholder value policies. Research on Japan and Germany has shown that shareholder value is more likely to be adopted by internationally oriented corporations than those embedded in local institutions (Höpner, 2003; Ahmadijan and Robbins, 2005). Moreover, timing seems to be a pivotal factor in overcoming the institutional hurdles to the dissemination of shareholder value outside the USA. For instance, Ahmadijan and Robinson (2001) have found that once a few firms adopt shareholder value policies, other corporations feel more comfortable to follow—a pattern the authors call 'safety-in-numbers'. The dissemination of shareholder value outside the USA is therefore a highly uneven process, whose intricacies require further research.

In short, scholars of shareholder value do not assume a linear relationship between financialization and corporate behaviour, but instead interrogate shareholder value through more complicated mechanisms of dissemination and transmission. By critically evaluating shareholder value as a distributive project, scholars within this body of work not only analyse to what extent financialization has changed corporate practices, but also interrogate its normative dimensions. One critique of this approach, however, is that scholars of shareholder value privilege the top-level managers in public corporations, like agency theorists before them (Erturk *et al.*, 2007*a*). The expansion of financial ownership among broad layers of the population complicates these analyses, which almost exclusively identify corporate managers and international investors as the beneficiaries of financialization. However, as capital ownership becomes more widespread, wage-earners themselves become entangled in a complicated web of financial interrelationships. To understand this development, we should therefore turn to studies of the financialization of everyday life.

4. Financialization of the everyday

A third approach involves studies of financialization that concern themselves with the rise of the citizen as investor. What distinguishes these studies from those investigating financialization at the macro or meso level is a cultural perspective on financialization, particularly with regard to the encroachment of finance into the realms of everyday life. According to scholars working within this body of work, the transition of finance into daily life has been made possible by the democratization of finance, whereby financial products and services have been made available to large parts of the population, rather than merely the prerogative of an elite rentier class (Erturk *et al.*, 2007*b*). Underlying these analyses is the assumption that financialization involves the making of finance capitalism through specific narratives and discourses that emphasize individual responsibility alongside risk-taking and calculative assessment in financial management (Martin, 2002). At stake in this body of scholarly work are therefore not merely the material outcomes of financialization for the broader population, but also its impact on the subjective understandings of one's role within the political economy.

Scholars of the everyday have abandoned the exclusive focus on the global in favour of an approach that appreciates the diverse ways in which finance is grounded in practices of everyday life. These studies have interrogated what Aitken (2007) has called 'popular finance' or those projects and schemes aimed at incorporating low-income and middle-class households in financial markets: capital-funded pension plans (Langley, 2004; Waine, 2006), consumer credit (Montgomerie, 2006), home mortgages (Langley, 2008*a*) and other mass-marketed financial products. Coinciding with the financialization of the everyday is a shift towards financial markets for the provision of people's basic needs. Whereas such 'cradle to grave' services were previously provided by the welfare state, the employer or the savings account, the individual is now required to purchase financial products to protect against the uncertainties of life. The result of the democratization of finance is therefore not just a growth in financial flows, but an increased convergence of finance and the life cycle.

The financialization of the everyday has been facilitated by important technological and institutional developments in the second half of the twentieth century. Davis (2009), for instance, describes how the advancements in information technology spurred the development of retail investment banking, allowing people from all walks of life to become investors. At the same time, the development of new financial products has made life itself a commodity—evidenced to the extreme by Davis' chilling examples of 'viaticals' (third-party life insurance policies on the terminally ill) and employers' 'dead peasants insurance' on their employees. This financialization of the everyday is supported by intermediaries that connect individual households to global financial markets, such as banks (Erturk and

Solari, 2007; Hardie and Howarth, 2009), pension funds (Engelen, 2003; Dixon, 2008) and mutual funds (Davis, 2008). Other scholarship in this area describes the development of novelty products like derivatives and asset-backed securities (Bryan and Rafferty, 2006), the mathematical models and economic theories legitimating these new practices (Mackenzie, 2006) and the global institutions that monitor them (Sinclair, 2008).

Whereas scholars of financialization at the macro level focus predominantly on the role of elite actors in the expansion of global financial markets, scholars of the everyday share a concern for non-elite actors, particularly at the level of the household.[6] They do not only analyse the material conditions of finance but they also interrogate its representations through the symbols and discourses that permeate the lives of ordinary people.[7] To this end, they have analysed financialization through various images and texts, such as advertising campaigns, money magazines, investment manuals and financial literacy campaigns (cf. Clark *et al.*, 2004). These cultural representations show that finance is performed on a daily basis by financial managers, marketing professionals and political actors.[8] The performativity of finance leads these authors to regard financialization as an ongoing development that is 'partial, uneven and in the making' (Langley, 2004, p. 554).

Furthermore, the financialization of the everyday has been facilitated by discourses of risk-taking, self-management and self-fulfilment. In a move away from the security provided by postwar welfare schemes, individuals today encounter a world of risk, in which they themselves are responsible for dealing with the uncertainties of life (Cutler and Waine, 2001). This risk does not only stem from the flexibilization of work and the retreat of the welfare state, but it is also created by the volatility of financial markets on which individuals rely for their needs. However, under finance capitalism, risk or the possibility that something *might* happen is not to be feared, but to be embraced: financial theory dictates that it is only through risk-taking that the individual can achieve the type of investment return necessary to sustain himself. Risk itself thus becomes the motivating force to enter financial markets for protection against possible unemployment, poor health or retirement. By actively managing risk, the investing individual can

[6] Although not explicitly adopting the analytical framework of financialization, scholars like Harrington (2008) and Schimank (2011) have offered fascinating insights on the investment practices of small investors. (cf. Harrington, 2010; Schimank, 2011). Other authors, such as Ho (2009) and Zaloom (2006), have provided important insights of daily life in the financial industry.

[7] Montgomerie (2006, p. 302), for instance, states that accumulation scholars too often portray financialization as 'an elite process of a highly technical nature, whereby financial transactions take place on a massive scale by nameless and faceless actors, which states, and households, can merely observe at a distance and experience only after the fact'.

[8] For performativity and finance, see also the seminal work by Mackenzie (2006).

adequately prepare for a future that is never secure and always rife with uncertainty. As a result, life itself becomes an asset to be managed (Martin, 2002).

With this focus on self-management, scholars of the everyday maintain, financialization has created a new subjectivity: the 'investing subject' (Aitken, 2007, p. 13). The investing subject is the autonomous individual who insures himself against the risks of the life cycle through financial literacy and self-discipline. What sets this investing subject apart from prior forms of identification is his individual nature: he acts on his own for the benefit of himself and his household.[9] This individualism of the everyday financial regime has narrowed the space for collective subjectivities, which have been subsumed by the expectation of the universality of investment (Langley, 2007). The figure of the investing subject is moreover closely intertwined with discourses of economic citizenship; as a citizen, he belongs to a national polity that thrives on the success of prudent investors, both in terms of economic performance and in terms of national security (Aitken, 2007).[10] Yet, scholars of the everyday warn, democratic society does not allow a lot of freedom for the investing subject, whose prudence is ensured by the disciplinary forces of financial education and financial norms of creditworthiness.

Despite everyday scholars' commitment to a non-elitist approach to financialization, the role of political agency remains murky. Throughout this body of work, we read how ordinary people have become vulnerable to financial risk and do not possess the financial literacy to make informed decisions about financial planning. This skepticism towards the non-elite actor is expressed, for instance, in the conclusion that the middle classes 'generally have a misplaced confidence in their own capacity to make financial judgements' (Erturk *et al.*, 2007*b*, p. 555). Yet, even though financialization has increased exposure to risk, it hardly follows that ordinary people are docile followers of financial markets. In particular, scholars of the everyday cannot explain why so many people have opted out of individualized retirement schemes or have shown a general preference for risk-averse investment. This suggests that the financial discourses may not be as powerful as they are prevalent. In any case, we need a counter-narrative that explains this risk-averse behaviour in ways that goes beyond just fear. Otherwise, the financialization of everyday life merely implies 'when finance becomes you' (Martin, 2002, p. 55).

Moreover, the role of the state remains underdeveloped in this body of scholarly work. The expansion of financial markets has coincided with the retreat of the

[9] Here, I consciously use male pronouns to signal the gendered nature of these financial discourses. Marieke de Goede has analysed these gendered representations of finance in her *Virtue, Fortune and Faith: A Genealogy of Finance* (2005).

[10] As examples of the former, Aitken mentions the War Bonds campaign of the 1910s, the People's Capitalism campaign in the mid-1950s and the post-9/11 Patriot Bonds. The latter are exemplified by the New York Stock Exchange's mass investment programs.

welfare state in many of the advanced political economies, but particularly in the USA and the UK. Through policies stimulating the flexibilization of employment or the privatization of social security, governments have actively shaped the financialization of the everyday. Yet, while scholars of daily life consider the state complicit in financialization processes—Martin *et al.* (2008, p. 123) state that financialization is ‘a way that the state calls upon and organizes population [sic] so that some will flourish and others will be left behind’—their work lacks an analysis of the different interests, motivations and strategies behind this political agenda. When driven by a neo-Foucauldian research agenda that stresses governmentality or the exercise of power over the self by the self, all investing subjects appear to be implicated in the making of finance capitalism. Through the consumption of financial products and services, investing subjects internalize the discourses of self-management and risk. Even though investing subjects may not be the ‘sovereign originators of their actions’ (De Goede, 2005, p. 10), they actively reproduce these discourses in their daily lives by imposing on themselves the same expectations and forms of discipline imposed by the state.

The possibilities to challenge the financialization of the everyday are therefore limited, yet not impossible. Dissenting practices may include socially responsible investment by pension funds and mutual funds which ‘succeed in politicizing the routines and rhythms of everyday investment by stimulating, supporting, and embodying alternative approaches to investment’ (Langley, 2008*b*, p. 134–5). Still, scholars question the extent to which non-elite actors can exercise political agency and realize political change in the financialized political economy. Not only are investment funds prone to their own principal-agent problems, but they also remain implicated in the financialized regime due to the requirements for investment return placed upon them, in particular shareholder value (Soederberg, 2009). How the democratization of finance leads to full-fledged democracy thus remains an open-ended question.

5. Financialization and institutional change

Studies of financialization make an important contribution to the analysis of contemporary capitalism. Financialization challenges several conventional wisdoms associated with Fordist frameworks of analysis, such as the centrality of the wage-demand nexus, the social compromise between labour and capital, and the market-embedding role of the state. Moreover, the literature on financialization questions the assumed neutrality of finance and repoliticizes its daily operations in terms of class and discipline. Still, there is a tension between the conceptualization of financialization as a structural transformation of contemporary capitalism and the wish to do justice to its ‘disruption, incompleteness and unevenness’ (Froud *et al.*, 2007, p. 342). In particular, the portrayal of financialization as a decidedly Anglo-American phenomenon easily blends into an assumption that political economies affected by these processes will converge towards this model of capitalism. Here, financialization studies enter the territory of institutionalist analyses of political economy, such as the Varieties of Capitalism approach, and it is not surprising that recent years have seen a stimulating exchange between the two bodies of thought.

Institutionalist studies look at political economies as configurations of interconnected and complementary institutions, assemble these into national or regional models of capitalism, and analyse the ways in which they change over time (cf. Hall and Soskice, 2001; Amable, 2003). Scholars of financialization have been very critical of the institutionalist approach for the assumed coherence of its national models of capitalism and its adherence to an analytical paradigm, in which finance is still subservient to the productive economy (Froud *et al.*, 2007). This critique they share with, for instance, Wolfgang Streeck who argues that institutionalist political economy prioritizes form over substance. According to Streeck, institutionalist research too often treats the transformations within political economies as case studies for studying general processes of institutional change rather than interrogating their historical specificity to learn more about the development of capitalism itself (Streeck, 2010).

At the same time, it should be recognized that scholars of financialization adhere to their own conception of order, by strongly embedding the empirical phenomena described above in the Anglo-American institutional context.[11] When afflicting other political economies, then, financialization takes the shape of an exogenous shock—the very type of dramatic transformation institutionalists have shied away from in favour of analysing the endogenous, more evolutionary patterns through which political economies change (Streeck and Thelen, 2005). As a result, studies of financialization cannot fully explain the uneven impact that financial markets and financial interests have had on national political economies. Here, institutionalist contributions to political economy might be capable of complicating accounts of how financialization evolves, particularly outside the Anglo-American world.

One important dimension of the growing importance of financial markets is the degree of foreign ownership of domestic firms within a political economy. Empirical evidence reveals that even in political economies with relatively small stock markets and traditions of concentrated ownership like France or Germany, the ownership stakes of foreign investors are on the rise. Scholarly evaluations of the presence of foreign investors, however, have varied. Some have assessed changing

[11] Writes Engelen, '. . .many scholars have simply assumed that financialization is a universal process, which articulates itself similarly in different institutional contexts and actually causes divergence towards an ideal-typical conceptualization of a financialized economy, which looks surprisingly similar to the picture of the US painted by its liberal critics' (2008, p. 114).

ownership patterns as transformative (Goyer, 2006), while others argue that domestic political actors have been the real driving forces behind these changes (O'Sullivan, 2007). Most authors agree that foreign ownership in itself is not enough to bring about change within domestic institutions or practices, and some show that local managers can still quite capably use financial markets to their own advantage rather than dancing to the tunes of foreign investors (Höpner and Jackson, 2006; Johal and Leaver, 2007). Moreover, not all sectors of the political economy move in the same direction or at the same pace; large, public firms in particular are oriented towards international financial markets, while the overwhelming majority of firms remains solidly entrenched in the national model of capitalism (cf. Deeg, 2009).

Reforms of national pension systems are also forging new connections between European citizens and global financial markets. Over the past few years, many continental economies have switched from PAYGO to funded pension systems and as a result, the presence of large pension funds is no longer unique to countries like the USA, Switzerland or the Netherlands (Ebbinghaus, 2011). One area of scholarship investigates the ways in which pension funds are deepening the financialization of national political economies. Again, the story is not as a straightforward as it seems. In their study of pension reforms in Finland, France and Germany, for instance, Dixon and Sorsa (2009) find that global investment practices became embedded in local contexts through intricate processes of endogenous institutional change. Institutional entrepreneurs in each country mobilized support through existing institutional arrangements, which resulted among other things in the survival of pre-existing commitments to domestic investments and a large role for unions and other stakeholders in the creation of new financial institutions. The authors therefore conclude that the 'increasingly relational proximity of a particular political economy to global finance does not require necessarily a major 'convergence' to other capitalist forms' (2009, p. 348).

The same applies to studies of the welfare state. The goal of the welfare state is commonly identified as decommodification, or the protection of wage-earners against market risks through the provision of social policy (Esping-Anderson, 1990). The assumption that the welfare state embeds the marketplace in social life undergirds many studies of its expansion as well as its more recent retrenchment (cf. Hacker, 2008). Yet, studies of finance show that the emphasis on decommodification only leads to a partial understanding of the welfare state. One only has to trace the history of the mortgage-backed security to its original goal of raising capital for low- and middle-income housing to realize that welfare states are as much in the business of creating (financial) markets, as they are in the business of embedding them (Schelke, 2012). This has led to exciting new scholarship in which the market-expanding activities of the welfare state are explored in various policy realms, including home mortgages (Aalbers, 2008), pensions (Dixon, 2008) and consumer credit (Trumbull, 2012).

What we have witnessed over the past few decades is therefore not the retreat of the state at the behest of the market, but rather the emergence of an altogether different type of state intervention. Crouch (2009, 2011) has coined the term 'privatized Keynesianism' to describe the Anglo-American policy regime in which citizens, not governments, take on debt to stimulate the economy. Like the financialization scholars discussed in this paper, Crouch traces this policy shift to the economic and political crises of the 1970s. Some scholars disagree with this periodization. Monica Prasad (2012), for instance, situates the historical roots of this policy regime—she calls it 'mortgage Keynesianism'—in the US' policy response to agricultural overproduction in the first decades of the twentieth century. According to Prasad, the USA took the path to financialization, when policy-makers opted for progressive taxation and loose credit in the hopes of keeping deflation at bay and consumption in line with productive output. Prasad contrasts these policy choices with those made by the war-torn European countries at the time, where wages were purposively kept low in order to curtail consumption and rebuild the productive capacities of their economies. In Prasad's analysis, the roots of financialization can be located well before the neoliberal shift of the 1970s, which demonstrates the usefulness of a more evolutionary approach to the study of financialized capitalism.[12]

While Crouch and Prasad still adhere to a conventional typology of the welfare state, positioning the Anglo-American world against the European continent, other research has shown that the strong linkages between social policy and financial expansion are not unique to the liberal welfare states of the USA and the UK, but can also be found in the conservative and social-democratic welfare states. Schwartz and Seabrooke (2008), for instance, point at the high levels of mortgage securitization that helped to facilitate private home ownership in Denmark and the Netherlands. This phenomenon cannot be explained by the governments' preferences for retrenchment alone, as both countries maintained relatively generous government-sponsored renting schemes. Belfrage, meanwhile, documents the creation of a new market for first-pillar pensions and the cultivation of a mass investment culture in Sweden, the paradigmatic social-democratic welfare state, through a process he calls 'state-sponsored financialization' (2008, p. 282). This research suggests that the association of financialization with Anglo-American capitalism needs more nuance.[13]

[12]Prasad's analysis thus corresponds well with other recently published work on the history of US finance capitalism (cf. Ott, 2011; Hyman, 2011).

[13]Complementing the analyses by Crouch (2011) and also Krippner (2012) is Wolfgang Streeck's most recent work on the recurring tensions between democracy and capitalism in the late twentieth and early

What's at stake in this scholarship, therefore, is not just doing justice to these 'varieties of financialization', but also explicating the possibilities for agency by local actors, when financial imperatives are gradually becoming more important in the political economy.[14] Financialization studies have successfully drawn attention to the myriad ways in which economic actors participate in financial markets. This applies not only to managers and shareholders, whose compensation is tied to the financial performance of the firm, but also to wage-earners and their households. Whether through capital-funded pension schemes, employee stock ownership plans or home mortgages, wage-earners increasingly rely on financial markets for the provision of social goods. Yet while wage-earners' financial market participation presents an interesting paradox for scholarly analysis (Ghilarducci *et al.*, 1997), financialization scholars tend to privilege wage-earners' employment position when discussing the consequences of financialization on wage levels and job security. In these portrayals of financialization as a shift in power from labour to capital, wage-earners come across as victims of finance, even though they may benefit from value-maximizing corporate policies as owners of capital.

Scholarship on the political manifestations of wage-earners' 'split identities' (Boyer, 2010, p. 350–351) therefore remains relatively underdeveloped. In the context of weakening forms of interest mediation (labour unions, collective bargaining), associated with Fordism, new forms of political organization are likely to emerge. A number of scholars, for instance, have explored the cross-class alliances between workers and owners that have formed in the wake of the financialization process (Aguilera and Jackson, 2003; Höpner, 2003; Gourevitch and Shinn, 2007; Engelen *et al.*, 2008). Essential to these alliances has been the expansion of funded pension schemes that align workers' interests with those of owners. What's more, these anti-managerial coalitions have not just emerged as substitutes

twentieth centuries (Streeck, 2013). In *Gekaufte Zeit*, which translates to 'bought time', Streeck argues that democratic capitalist states have consistently delayed crisis for more than four decades by resorting to inflation, public debt and privatized Keynesianism. Streeck attributes these developments to the financialization process—in particular, the deregulation of global financial markets, which unleashed the power of global investors with clear interests in low levels of taxation. Such policy choices heralded the creation of so-called consolidation states, at the mercy of an international class of creditors. Focusing on the interdependencies between states and global investors, Streeck shows how the mutual dependencies between states and global investors have severely limited the potential for redistributive social policies. Streeck's analyses also points at another underexposed topic in financialization studies, namely utilization of financial instruments by governments (for an exception, see Pacewicz, 2013), which in the wake of the European debt crisis promises to be a fruitful avenue for future research.

[14] Some scholarship already exists on the important role that American social movements have played in providing access to credit to previously excluded groups, like women and African-Americans (Seabrooke, 2006; Hyman, 2011)—which Panitch and Konings have called 'equal-opportunity financialization' (2009, p. 79).

for traditional institutions of collective bargaining, but rather in addition to them: unions want to have more transparency in the corporation to support their own agenda. In the United States, for instance, labour unions have successfully leveraged their ownership stakes in public corporations through union-controlled pension funds (Jacoby, 2008). In Europe, capital-owning employees are also experimenting with shareholder activism to advance better employment conditions, thereby using their 'split identity' to their own advantage (Van der Zwan, 2013).

The extent to which political actors are capable of transforming local manifestations of financialization also impacts the long-term sustainability of finance capitalism. Scholars of financialization have generally been less than optimistic about the prospects for a more equitable capitalist system. After all, financialization has been portrayed in this paper as a regime of differentiation, in which corporate executives and large-scale investors are reaping the spoils of the financial markets, while households are piling on debt despite stagnating real wages. It is to be expected that this latter group will suffer the most from the periodic crises that financialized capitalism creates, as their reliance on credit is unlikely to be compensated by more secure employment conditions. Such conclusions make further research into the diversity *within* financialization all the more pressing, as it might lead to the exposure of residual or emergent forms of collectivity and solidarity within the financialized political economies. A number of scholars have therefore proposed the socialization of finance through the development of alternative practices and organizational forms, ranging from socially responsible investment (Langley, 2008*b*) and corporate social responsibility (Crouch, 2011) to altogether new institutions like a Fund for Economic Renewal (Engelen, 2006) or the creation of a global network of social funds similar to the Meidner funds (Blackburn, 2008).

5. Conclusion

Whether conceptualized as a new regime of accumulation, a guiding principle of corporate behaviour or a central feature of everyday life, studies of financialization have made several important contributions to the scholarship on contemporary capitalism. Scholars of financialization have questioned some of the fundamental assumptions prevailing in neoclassical economics (the efficient market hypothesis) and Keynesian growth theory (positive relation investment and growth). Instead, they have linked the collapse of the post-war wage compromise and the ascendency of the shareholder value orientation to rising levels of income inequality and financial volatility. Concomitant with this economic critique, scholars of financialization have proposed an altogether different view of the role of the state, with arguments about the state's promotion of financial markets and its role in the commodification of the life cycle. Finally, financialization scholars have offered a critique of institutionalist political economy by offering a more dynamic understanding of contemporary capitalism. Instead of neatly dividing political economies into varieties of capitalism, financialization scholars have questioned the assumed order of national economic systems.

The insights garnered by financialization studies have important implications for the analysis of contemporary capitalism. The increased centrality of the financial industry and the growing power of the shareholder question the relevance of placing the large, manufacturing firm at the centre of analysis. Meanwhile, the democratization of finance has relegated large segments of the population to the status of capital owner, thus upsetting notions of class that regard labour and capital as binary opposites. Still, it is argued here that this research suffers from the notion that financialization is a decidedly Anglo-American phenomenon, which operates as an exogenous shock to other political economies. This understanding of financialization has unwittingly held back the potential of these studies to provide a comprehensive analytical framework for twenty-first century capitalism. Instead of looking for paradigmatic change, therefore, scholars of financialization should pay more attention for the complex processes of transformation, which sometimes advance and at other times hamper the advent of finance capitalism in the advanced political economies.

Nonetheless, the central claims of financialization studies have been vindicated by the subprime mortgage crisis of 2008, which has exposed the shaky fundaments on which our economies are based: frantic trade in inscrutable financial products like derivatives and asset-backed security; a Wall Street bonus culture that incentivized risk-taking and speculation; predatory lending practices that convicted low- and middle-income individuals to a lifetime of debt; and lax oversight by government and private monitoring agencies, rife with conflicts of interest. The question remains to what extent the lessons of the subprime mortgage crisis have been internalized by policy-makers. At least in the United States, policy responses have been piecemeal at best with modest regulation of the financial sector to curtail predatory lending practices and the creation of consumer protection to make financial services more transparent. The federal government curbed executive compensation at financial institutions receiving bailout money, while shareholders gained the right to say-on-pay. Still, executive bonuses were soon restored to pre-crisis levels and shareholders have refrained from using their new-found influence to adjust levels of executive compensation. Meanwhile, in what has become a jobless recovery, the position of workers has not been significantly improved. In fact, major struggles by unions to keep employment protections in place, like the battle of Wisconsin public sector unions over their collective bargaining rights, have failed. This uneven policy response, focused on the containment of financial excess rather than its socialization, is therefore not like to fundamentally restructure the financial system.

What are the implications for scholarship on financialization? Throughout the twentieth century, finance has exuded a powerful imaginary of almost unlimited consumption, inclusive citizenship and self-improvement. Gaining access to credit markets after years of racial and gender discrimination made finance an achievement for large segments of the population, who were previously excluded from the world of home mortgages and credit cards. Only in the most recent years have these economic and political gains been transformed into losses: of homes, of jobs and of a general sense of security. Yet while the subprime mortgage crisis has rendered visible the fictitious nature of this financial imaginary, it is hard to visualize an equally powerful alternative. Recent years have seen the development of promising new initiatives that go against the grain of the financial regime, both inside the realm of finance (peer-to-peer lending platforms, community cooperative banking) as well as outside (new forms of community ownership and systems of sharing). Still, as Kädtler (2011) has pointed out, the financial crisis has not led to a paradigmatic shift in economic thinking, like the one that resulted in the New Deal of the 1930s. This leaves the difficult yet important task for policy-makers and academics alike to propose alternative models of twenty-first century capitalism that may bring long-term sustainability, inclusiveness and equality.

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