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Financialization

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Abstract: This entry explains the rising popularity of the concept of financialization, despite it being considered a vague and chaotic concept. It also summarizes the wide-ranging multidisciplinary literature on financialization and makes a distinction between seven dimensions, or elements, of financialization, upon which a new definition of financialization is put forward that suggests that the power of the financialization literature lies in how it tries to understand the increasing dominance of financial actors, markets, practices, measurements, and narratives at various scales, resulting in a structural transformation of economies, firms (including financial institutions), states, and households. In discussing the different elements of financialization, the entry focuses on the financialization of the economy, nonfinancial firms, the state and households, but also on the processes of banking disintermediation and assetization. Finally, some avenues for future research are suggested.

Keywords: assets, contemporary capitalism, economic geography, financial geography, financial markets, global financial crisis, housing, globalization, lobbying, neoliberalism, political economy, real estate, state

The Rise of Financialization

The concept of "financialization" has rapidly become popular in social science. On April 22, 2011, there were 1950 and 4680 hits, respectively, for "financialisation" and "financialization" on Google Scholar (Engelen 2012). Almost 40% of those were added between the beginning of 2009 and April 2011. Three years later, on April 22, 2014, there were, respectively, 5940 and 12 600 hits for the UK and US spelling of the concept. This means that 64% was added in those 3 years – a true explosion of the concept of financialization. More than four years later, on September 12, 2018, there were, respectively, 16 600 and 34 200 hits, which suggests the concept is still gaining in academic use. What is it that makes this concept apparently so attractive to academics, and what do they mean when speaking of "financialization"?

It would be hard to deny that the global – or North-Atlantic – economic crisis in 2007–2008 and its persistence in the following years explain part of the popularity of the use of the term "financialization." The economic crisis is often framed as a financial crisis caused by unscrupulous financial practices in both the global financial command and control centers (London, New York, and so forth) and the daily life of consumer banks and their customers. There is a feeling that both the economy at large and daily life have become more financialized: that is, finance is thought to play a bigger part in both the Economy with a capital "E" and in the many economies with a minor "e." The burgeoning literature on financialization tries to answer the who, what, how, why, when, and where questions of the presumed financialization of the E/economies. One might assume geographers would have prioritized the "where" question, but they have rarely studied the where in isolation of the other questions. Furthermore, political economists of different stripes and different disciplinary backgrounds have also included the where question in many of their analyses.

The literature on financialization is truly multidisciplinary, in the sense that most contributors to the financialization debate appear to rely on literature from different disciplines. The authors of the 25 most cited (i.e., at least 250 citations in Google Scholar) publications on financialization have backgrounds in economics, sociology, political science, cultural studies and arts, history, and geography, and most of these papers reach their high citation scores by receiving cross-disciplinary citations. Until a few years ago, all highly cited papers on financialization appeared to share the conviction that mainstream, neoclassical theories provide little fertile ground to understand the contemporary financialized economy. Most of the economists active in financialization debates rely on Keynesian, Marxist, or, more generally speaking, heterodox and political economics, but some of the highly-cited papers published after 2010 include some studies by more mainstream economists. Many of the noneconomist protagonists rely on either some form of multidisciplinary political economy or on some combination of poststructuralist and cultural-economy accounts. Many of the financialization protagonists suggest or explicitly argue that a great deal of work *within* their discipline or subdiscipline for too long has either ignored finance or presented an outdated view on the role of the financial sector in contemporary capitalism.

Financialization also has been criticized, either because the concept is considered imprecise, vague, and chaotic or because the presented evidence supporting the financialization claim is disputed. To some extent, the critics are right: financialization can be a very loosely defined concept that covers many processes, structures, practices, and outcomes at different scales and in different time frames. Furthermore, sometimes financialization is the *explanandum* (the phenomenon to be explained), sometimes the *explanans* (the thing that explains), and at other times it is not even clear which of the two it is. In that sense, financialization is not that different from other concepts whose academic (and media) popularity rose quickly and which are simultaneously criticized for being imprecise and vague – globalization and neoliberalism are cases in point.

The popularity of each of these concepts lies, at least in part, in their imprecision: that is, in their ability to transcend different lines of argument, originating from different disciplines, and taking place at different scales. It is the inability of existing perspectives, concepts, and data to deal with the complex realities of contemporary societies that explains an important part of the popularity of such imprecise concepts. Moreover, these concepts become popular so rapidly exactly because in the real world it may be hard to tell the *explanandum* from the *explanans*. Part of the intellectual journey of the use of concepts is that they problematize existing conceptualizations and understandings of what caused what. While this may initially create more confusion, it also reflects an, often implicit, acknowledgment that we do not live in a closed system in which causations are linear, one-dimensional, and single-scalar. The literature on financialization thus is part of a larger attempt to understand the nonlinear, multidimensional, multiscalar complexity of contemporary societies/economies. This entry, by adding a little to the complexity, seeks to shed light on the different elements of the financialization literature and their interrelations.

Defining Financialization

The financialization literature is commonly divided into three different conceptualizations: financialization as a regime of accumulation, financialization as the rise of shareholder value, and the financialization of daily life. This division has become problematic: a great deal of the literature makes connections between these strands or moves outside the arguments presented within them. Thus the following seven themes are proposed as encompassing contemporary scholarship on financialization:

1. financialization as a historically recurring process that signals the autumn of hegemonic powers
2. the financial services revolution: that is, the rise of nonbank financial institutions and the growing importance of leveraging and charging fees to banks' business models
3. financialization of the economy in narrow terms: that is, the financial sector becoming increasingly dominant in economic terms
4. financialization of nonfinancial firms: that is, traditionally nonfinancial firms becoming dominated by financial narratives, practices, and measurements and increasingly partaking in practices that have been the domain of the financial sector

5. financialization as assetization: that is, the transformation of a range of commodities into tradable financial assets
6. financialization of the state and (semi-) public sector: that is, government, public authorities, education, health care, social housing, and a range of other sectors becoming dominated by financial narratives, practices, and measurements
7. financialization of households: that is, financial motives, rationales, and measures becoming increasingly dominant, both in the way individuals and households are being evaluated and approached, and in how they come to make decisions in life

Here financialization is not separated out as a regime of accumulation, although it shares a focus with the first and third elements. A regime of accumulation is more than the sum of different elements: understanding it means focusing on both macro and material aspects as well as meso, micro, and discursive aspects. Furthermore, it is impossible to think of financialization as an accumulation regime without considering the role of the state in its different constitutive elements. An additional dimension could have been added, namely the financialization of the discourse: that is, finance becoming increasingly dominant as a narrative and metaphor, as a language to see/view/measure/assess/evaluate all things economic and noneconomic. While not ignoring financialized discourses, these will not be discussed separately from the other elements.

A definition of financialization that builds on Epstein's definition and encompasses these different dimensions would be: **the increasing dominance of financial actors, markets, practices, measurements, and narratives, at various scales, resulting in a structural transformation of economies, firms (including financial institutions), states, and households**. Of course, all these elements are related, which is why they are not discussed as different conceptualizations of financialization (although that would arguably result in a less vague and more precise definition) but rather as different dimensions of a complex phenomenon that can only be understood – whether as *explanans*, *explanandum*, or purely as discourse – by a strong awareness of their interdependence. For analytical as well as practical reasons, however, it may be necessary to study some elements in relative isolation; holistic understandings do not always fit together very well with empirical research projects. This would require researchers to translate the conceptual definition provided here in operational definitions that can foster empirical research. In what follows, these elements will be discussed one by one.

Financialization as a Historically Recurring Process

The "-ation" part of financialization suggests that it is not a state or end result but an action, something that is made. Many financialization scholars situate the beginning of financialization in the 1970s with the rise of neoliberalism, the industrial crisis in the West, the breakdown of the Bretton Woods system, and further developments. Others have pointed at financial deregulation and the associated changes on Wall Street and the City of London in the 1980s, including technological developments and the rising influence of pension funds and other institutional investors. The decline of communism and the fall of the USSR at the end of that

decade are mentioned as contributing factors, in part because they discredited noncapitalist alternatives and underwrote how neoliberal and financial discourses became hegemonic. Structural changes in welfare states are also seen as crucial, although it is not always clear to what extent welfare state changes drive financialization and to what extent financialization drives welfare state changes. More generally speaking, financialization is *part of* and *key to* structural transformations of advanced capitalist economies. According to some scholars, *we have been here before*, and financialization therefore should be understood as a recurrent phase in capitalist development.

When studying the historical trajectory of financialization, the work of Giovanni Arrighi (1994) has been highly influential. Building on seminal contributions by Braudel and Wallerstein, Arrighi argues that hegemonic capitalist powers in the autumn of their hegemony can be characterized by a phase of financial expansion. Earlier hegemonic capitalist powers – Genoa, Holland, England – had already started their decline when their economies became financialized internally but also financially hegemonic externally. Arrighi sees the financial expansionary phase as a response to overaccumulation. Capital is switched to the financial sector to avert a crisis, but the real economy and hegemonic power nevertheless decline. Yet, financial power typically remains with the declining hegemon while the next hegemonic power is in its initial stages. Typically, the old hegemon finances the new one, not because they want to hasten their own decline, but because they see this as the best way to keep on realizing return on investment. The "autumn hegemon" produces a rentier class that comes to dominate the real economy but continues to produce profits that can extract financial rent. Typically this financialized stage of the declining hegemonic power benefits fewer citizens than in the prefinancialized state. This tends to undermine middle-class consent, and social polarization and inequality increase.

The historical parallels appear clear and partly justify the focus of financialization scholars on the United States, which can be considered to be in the autumn of its hegemony, having entered the financial expansionary phase and the associated decline in middle-class consent and rise in income inequality and social polarization. From this perspective, other OECD (Organisation for Economic Co-operation and Development) countries can be seen as under American hegemony, with the United Kingdom as the United States's closest ally. That does not explain, however, how and why the City of London in some ways has become more important than – or at least as important as – the main financial center of the "autumn hegemon," Wall Street. It also does not explain how US debt is, in fact, increasingly financed and backed by foreign, particularly Chinese, capital. This could be a new development in the historical trajectory of declining hegemons, which in an era of globalized finance no longer need their own excess capital to enable financial expansion. It could be equally a sign of financial power and of the real decline of the hegemon. Arrighi's analysis suggests neither the one nor the other: the fall of world hegemonic powers is at least as slow as their rise, and the seemingly paradoxical combination of increasing financial power and decreasing political-economic power more generally is just another fundamental contradiction of capitalism. For our purposes, it is important to keep in mind that the different elements of financialization may at times be more advanced and visible in the United States than elsewhere but that financialization is increasingly visible in other Western and non-Western countries. This does not necessarily mean that financialization is as advanced elsewhere, but that the trend in different places and at different scales often goes in the same direction.

The Financial Services Revolution

It appears counterintuitive to separate banking from finance. But finance is not just the business of banks. First, the role of banks has shifted from more or less passive intermediaries towards active financial actors. Second, traditional banking has become less important vis-à-vis other financial actors and activities with the explosion of nonbanking financial institutions, ranging from pension funds and mortgage companies (so-called "nonbank lenders") to private equity and hedge funds. As finance has moved beyond its traditional intermediating functions, it has come to be seen as a growth industry in its own right.

In the popular discourse, banks make money through the difference between interest charged on loans and interest given on savings, but the real moneymakers for most financial institutions, including banks, are leveraging and charging fees. This may have happened to varying degrees in different countries, but no Western country on either side of the Atlantic and ever fewer non-Western countries have escaped the trend towards transaction- and leverage-based banking business models – some speak of a financial services revolution (Moran 1990). For many banks, issuing loans is primarily interesting because they can be repackaged into new financial products for which fees can be charged. Furthermore, once the loans are repackaged and sold, the money can be reinvested in other financial products. Thanks to the financial leveraging powers of banks, this pumping around of money, mostly between financial institutions, could continue unprecedented for some years. The crisis that started in 2007–2008 slowed down the leveraging and debt machine, but has not stopped it.

Not only do nonfinancial firms rely less on banks for their finances, but banks also invest less in the so-called real economy and increasingly put their money in financial assets: "During the 2000s, lending for finance, real estate and household purposes replaced 'productive' lending as the driving force in the loan portfolio of banks" (Lapavitsas and Powell 2013, 371). This appears to be an international trend, although there is quite some variation in who receives most of the loans (e.g., real estate firms, homeowners, financial intermediaries). All in all, we can speak of a debt explosion, not just in volume but also in the geographical scope of debtor–creditor relations.

Financialization of the Economy in Narrow Terms

Financialization is, among other things, a pattern of accumulation in which profit-making occurs increasingly through financial channels rather than through trade and commodity production (Krippner 2011). Due to the slowing down of the overall growth rate and the stagnation of the real economy, capitalism has become increasingly dependent on the growth of finance to enlarge money capital (Sweezy 1995). Therefore the capital accumulation process becomes financialized, focused on the growth of finance to benefit actors within financial markets, such as investors, rather than benefitting the real economy. Furthermore, some commentators argue that financial investment is replacing physical investment.

To illustrate this argument, different authors cite different statistics to show that a whole range of financial markets have grown rapidly since the 1970s. The market for derivatives, in particular, has virtually exploded between 1990, when the market was almost too small to measure, and 2006, when the number of outstanding contracts added up to $370 trillion, as the Bank for International Settlement has demonstrated (BIS 2008). Krippner (2011) demonstrates that finance has become the dominant source of profits since the 1990s, a trend that may be particularly pronounced in the United States but can be witnessed in most OECD countries. For the 27 member states of the European Union (i.e., before the accession of Croatia), EUROSTAT has calculated that the FIRE (finance, insurance, and real estate) sectors together contributed to 29% of gross domestic product (GDP). Even in Germany, which is said to have a less financialized economy, the FIRE sectors contributed more to GDP than industry (respectively, 30% and 20%). Financial assets held by institutional investors as a percentage of GDP grew rapidly in all OECD countries and now represent more than 200% in countries like the United States and the United Kingdom and around 100% in countries like Germany and France, increasing threefold (United States) to tenfold (France) between 1980 and 2001 (Deutschmann 2011). By contrast, the wage share of national income has fallen across the board, although less so in countries with strong labor unions (Epstein 2005).

Financialization of Nonfinancial Firms

Nonfinancial firms have always been dependent on credit, but the rules and logics of Wall Street are increasingly becoming the rules and logics outside Wall Street. The corporate narrative has also become financialized. The idea of shareholder value has become dominant in how firms "ought" to be run, and senior managers have become responsive to such demands: "Managers were no longer considered as skilled professionals but as agents of shareholder value maximation" (Deutschmann 2011, 358). Financial numbers had to be framed to make them appear promising. Many senior managers became busier with communicating positive stories to convince credit rating agencies, market watchers, and stockholders than with innovation or production gains (Froud *et al.*2006). In the past twenty years, the increasing financialization of nonfinancial firms has been noted for almost all sectors of the economy, and has, arguably, become the most widely discussed dimension of financialization.

An important driver of the financialization of nonfinancial firms has been the ownership of publicly traded firms. In the 1950s, US households held approximately 90% of corporate stocks. Fifty years later their share was just 42%, whereas the share of institutional investors, including pension funds, had increased to 46% (Crotty 2005). Furthermore, since the 1980s nonfinancial firms are increasingly led by CEOs with a financial or legal background (Fligstein 1990). The ideology or myth of shareholder value is prioritized in leveraged buyouts, stock repurchases, mergers, and acquisitions over long-term profitability or firm survival. Many financialized firms seem able to prop up their stock prices or impress the rating agencies for some time, but the effective return on capital rarely goes up structurally and appears more vulnerable to both conjunctural and structural shifts in the industry.

One reason that it is important to consider the financialization of nonfinancial firms, beyond the creation of shareholder value, is that many companies are not publicly listed and traded, but are still financializing. Financialization changes the way money is made in many industries: there generally is a narrow focus on outsourcing and short-term profits at the expense of integrated development, long-term investment, and nonfinancial innovation. As a result, nonfinancial firms have increased financial flows to the financial sector through interest payments, dividends payouts, and share buybacks (Lazonick and O'Sullivan 2000; Crotty 2005). The financial market's and financialized management's response to unsuccessful cases of financialization is typically more, not less, financialization.

If profits are the bottom line, firm management may be expected to engage in activities that generate the highest profits. As the profit rates in the financial industry for some time were higher than in most of the so-called real economy, some nonfinancial firms became mixed nonfinancial/financial firms. Derivatives, in particular, proved hard to resist for many formerly nonfinancial firms. As a result, nonfinancial corporations increasingly derive profits from financial activities and own a greater proportion of financial relative to nonfinancial assets (Krippner 2011; Lapavitsas and Powell 2013).

Optimists say that if a nonfinancial firm realizes high profits through investments in, say, derivatives, this results not in "crowding out" real investment but in additional funds becoming available to investments in the nonfinancial parts of the firm. Critics, however, argue that this overlooks the fact that once a firm is investing in financial assets, it will most likely use profits to expand such activities – that is, if such financial investments create higher profits than nonfinancial investments, they will be tempted to shift more money towards investments that deliver higher profits. The bigger problem of the optimistic argument is that financial investments tend to be quite volatile and may jeopardize the survival of the firm, or at least its nonfinancial activities.

An important consequence of this element of financialization is that statistics of the "real economy" versus the "financial sector" become blurred. Measuring financialization as the increasing dominance of the financial sector in GDP statistics and financial firms' profits misses an important dimension of financialization. There clearly is more room for studies that investigate how traditionally nonfinancial firms increasingly partake of practices that used to be the domain of the financial sector. It is crucial that such studies include the practices of publicly traded companies as well as nonlisted firms. Research methodologies focusing explicitly on individual firms, such as developed by Julie Froud and colleagues (2006), are important in this respect.

Financialization as Assetization

The financialization literature offers rich empirical accounts on how the increase in institutional capital, e.g. from pension funds, has transformed a wide variety of (public) goods, firms and economic activities into financial assets. Institutional investors have transformed the most spatially fixed investment class, real estate, despite its indivisibility, immobility, illiquidity, long-term investment horizon and dependence on specific local rules and practices, into tradable financial assets such as shares, bonds and securities (Gotham 2012; Van Loon and Aalbers

2017). Accordingly, state agencies and public policies are increasingly steered into facilitating financial investments into land, real estate and infrastructure, thereby triggering changes in organisational culture and transforming urban planning from providing public goods to facilitating the creation of financial assets.

In order to explain what drives assetization (Birch 2017), it is important to understand the nature of institutional investors, pension funds in particular as these are among the largest investors in the world (Clark 2000). Since the late 20th century, the investment strategies of institutional investors have become structured around financial metrics. Since the 1970s and in particular since the turn of the century, we see that commercial real estate is increasingly owned by (international) real estate funds who own large portfolios of properties, sometimes concentrated in one country or macro-region but increasingly globally. Many funds specialize in office buildings, the largest chunk of commercial real estate, but others focus on shopping/retail and leisure/hotels. Others assets – including agricultural land, seeds, data and so on – have also been turned into assets.

Assetization is not a seamless process. A range of regulatory and socio-technical changes and constructions are mobilized to enable this process. These studies confirm that there is nothing natural about financial markets – or markets more generally speaking – and that they need to be imagined and performed before and while they can be enacted, institutionalized and made in both the material and financial sense. The literature on assetization also stresses the role of the state in creating and remaking financial markets.

Financialization of the State

States and (semi-) public industries are increasingly dependent on financial markets and are also evaluated in similar ways to firms. Rating agencies provide scorecards for governments, not only national governments but also local ones. States are not only evaluated like companies; with the popularity of New Public Management, both public and semipublic institutions also became managed more akin to private firms than at any time in the past.

A stream of the literature analyses the financialization of the local state. In recent decades, financial actors, state bureaucracies, professional and local government associations as well as consultancies have jointly pushed in this direction, although there is also agency on the municipal level in the form of policy experimentation to respond to reduced fund allocations and uphold certain public services. The Hammersmith and Fulham debacle in the UK and the Orange County debacle in the US were early illustrations of a trend that has unfolded more widely in recent years. Financialization, on the one hand, changes the organizational culture of local governments, and on the other, entails moving towards more sophisticated techniques, such as derivatives instruments, to manage interest rates and risk, or reconfiguring the governance of municipal entities into private or public–private partnerships to capitalize on future income streams from public services and utilities. The newly financialized municipal debt management is a ‘bricolaged’ response to fiscal constraints and financial market euphoria (Deruytter and Möller 2019).

The spread of New Public Management and of the domination of financial narratives, practices, and measurements is not limited to government institutions, but is also apparent in the working of other public authorities as well as semipublic and commodified sectors such as education, health care, and social housing. Both Engelen, Fernandez, and Hendrikse (2014) and Beverungen, Hoedemaekers, and Veldman (2012), for example, argue that universities have become increasingly financialized. Academic management is controlled by, and controlling, employees though financial metrics, measurements, and increasingly also narratives. This is not only visible in university annual reports but also in the expectations it has of its employees. The consequences are mostly negative: "less professional autonomy, more administrative chores, more overhead, more standardization, higher throughput and less academic exchange" (Engelen, Fernandez, and Hendrikse 2014, 16). Indeed, "by extending its leverage and balance sheet, [it] is in danger of strangulation by debt, risking the funding streams to the activities for which it was established: teaching and research" (Engelen, Fernandez, and Hendrikse 2014, 16).

Financialization of Households

Finally, financialization not only affects businesses and state institutions, but increasingly also households. As a result of the shift from a Fordist to a financialized society (Boyer 2000), finance is seeping deeper into the fabric of everyday life and individuals' economic security is increasingly exposed to the performance of financial markets. Under financialized capitalism, we can witness a "great risk shift" (Hacker 2008) in which households can rely less on public institutions for their long-term security and become increasingly dependent on private firms, and in particular on financial institutions. This implies that there is not only a shift towards the financial sector, but also that households are expected to think increasingly in financial terms. "It asks people from all walks of life to accept risks into their homes that were hitherto the province of professionals. Without significant capital, people are being asked to think like capitalists" (Martin 2002, 12). One important consequence is a redefinition of citizens into consumers and a further redefinition of consumers as financial assets or cash cows, as Allen and Pryke (2013) have argued.

Housing has been a key domain to study the financialization of households. The financialization of daily life or home thesis (Martin 2002; Aalbers 2008) can be related to critiques of the asset- or property-based welfare thesis suggesting that "rather than relying on state-managed social transfers to counter the risks of poverty, individuals accept greater responsibility for their own welfare needs by investing in financial products and property assets which augment in value over time" (Doling and Ronald 2010, 165). Homeownership is discursively supported almost everywhere and fiscally underpinned in many countries. In some cases, states become more interested in supporting mortgage markets than supporting homeowners directly, although different state agents may advocate and advance different positions. As Fields (2017) has demonstrated, by overemphasizing exchange value rather than use value, financialization transforms the social relations of home. Housing risks are increasingly financial market risks—and vice versa (Aalbers 2008).

Financialization of households extends from the home to the workplace. It can be an employee control strategy that aims to transform the working lives of employees into an investment activity in its own right, using billable hours as both a measure of profitability and investment in future higher pay, and possibly entry to the firm's partnership. Working lives are transformed in this financialized system of controlling and steering "human capital" and come to be defined in monetary terms and discussed in terms of investment, trade, speculation, and leverage (Faulconbridge and Muzio 2009; Alvehus and Spicer 2012). Financialization also puts pressure on workers' wages, the amount of hours they work, and the rights they have or can exercise (Lazonick and O'Sullivan 2000).

Geography and Financialization

Geographers have repeatedly stressed that financialization is an inherently spatial phenomenon that should be much more central to economic geographic analysis. Local, national, and macroregional institutions act as filters of how financialization plays out and is perceived. Often, financialization is not much limited by existing institutions, but these institutions are mobilized and transformed to enable financialization. Human geographers have contributed to the idea that there are not only varieties of capitalism (VoC) but also varieties of financialized capitalism (VoFC) that do not entirely flow from the expectations of the VoC framework of liberal market economies versus coordinated market economies. The embeddedness of national political economies in global capital markets is not limited to liberal market economies, as one would expect based on a reading of the VoC literature. Small, open economies like those of the Netherlands, Belgium, and Ireland appear both globalized and financialized (Engelen 2012).

A singular focus on national economies, however, stifles a full understanding of financialization, not because the national scale is irrelevant but because it is only one of the many relevant scales, including but not limited to the global, macroregional, and metropolitan scales. The financialized economy is perhaps not concentrated in global cities (although the financial industry is); yet, these cities are command and control centers for both the financial industry and the globalized, financialized economy more generally (Bassens and Van Meeteren 2015). Furthermore, national statistics can both over- and underestimate levels of globalization and financialization. Thus the Netherlands appears to be one of the major investors in many countries, but such statistics largely reflect the attractiveness of the Netherlands as a tax shelter rather than real or Dutch globalized investment: money flows *through* rather than *from* the Netherlands.

The state actively promotes this movement away from the state and into financial markets. The state is no bystander in the financialization of the economy, firms, households, and of *the state itself*. It has actively promoted financialization, although rarely in a linear and one-dimensional way – state institutions at different scales and with different responsibilities have often acted in diametrically opposing ways. The global financial crisis that has been dragging on since 2007 made this painstakingly clear. In this crisis, "the financial industry has managed to externalize its own problem and to transform it into a problem of the state" (Deutschmann 2011, 384). States became "victims of the transformation they helped to bring about, and have been forced to bail out their debt-encumbered banks and financial systems … the state role of 'risk

absorber' is expanded for the private market sector rather than for the citizenry" (Christopherson, Martin, and Pollard 2013, 352).

Lobbying plays a significant role in this financialization. A study by Corporate Europe Observatory, together with the Austrian Federal Chamber of Labour and the Austrian Trade Union Federation, suggests that the financial industry spends at least 120 million euros a year on lobbying the European Committee through more than 700 organizations. They are estimated to outspend trade unions and civil society by a factor of more than 30. Furthermore, of the 17 European Union (EU) official advisory councils that the researchers investigated, 15 were dominated by the financial industry. Although it is hard to measure the success of 600 million euros of "investment" in 5 years' time, it would be hard to imagine that this would not bring the industry *at least* 600 million euros in beneficial regulation. Indeed, in a financialized political environment it will be difficult (but not necessarily impossible) to get anything done that runs counter to the expected benefits of the most powerful group.

Financialization, globalization, and neoliberalism are interdependent. Offshoring, for example, whether financial or nonfinancial in nature, may be *motivated* by financialization but its *effect* is economic globalization. Furthermore, both globalization and financialization are often promoted and furthered through a neoliberal agenda, sometimes through false pretenses of leveling the playing field while in fact redrawing the field in favor of corporate and financial elites, and their shareholders. Duménil and Lévy (2004) suggest financialization causes neoliberalization, but it is hard to disentangle the causal relationships for two concepts that are both so widely defined and in fact part and parcel of each other.

Although the literature on financialization has exploded, many avenues for research remain underexplored. For financialization to be taken seriously, not only by academics but also by policymakers and the public at large, financialization needs to be measured more rigorously in different countries and in internationally comparative ways. It is important to focus on all dimensions of financialization. It is justified for studies to isolate one aspect from the others to make empirical investigation possible in the first place, but this should not take away from the inherent complexity of financialization, nor should it be limited to the aspects of financialization that can be researched relatively easily through readily available statistics. Qualitative and discursive analyses, including corporate case studies, are equally important. Furthermore, geographers and other social scientists should not ignore the study of spaces of financial exclusion, expropriation, and exploitation. Finally, the financialization of the state is also an important avenue for future research. Research into the financialization of public and semipublic institutions is still in its infancy, while the interlinkages between finance and power have also been too much assumed rather than put to empirical scrutiny.

SEE ALSO: Corporations and the nation-state; Economic geography; Financial geography; Firms; Globalization; Labor geographies and the corporation; Mainstream and shadow banking; Neoliberalism; Regulation; World cities

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