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THE PROBLEMATIC CONCEPTUALIZATION OF FINANCIALISATION: DIFFERENTIATING CAUSES, CONSEQUENCES AND SOCIO ECONOMIC ACTORS' FINANCIALISED BEHAVIOUR

LA PROBLEMÁTICA CONCEPTUALIZACIÓN DE LA FINANCIARIZACIÓN: DIFERENCIANDO CAUSAS, CONSECUENCIAS Y LA ACCIÓN FINANCIARIZADA DE LOS ACTORES ECONÓMICOS

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Abstract
Financialisation is a structural and incomplete process of change in contemporary economies. The growth of the financial system in last few decades has been accompanied by an increasingly complex relationship between socio-economic actors and financial markets. In this paper we analyse the causes and consequences of financialisation regarding: an erosion of the capital-labour relationship; the rise of labour income inequality; and the marketization of daily life and social rights. We review the main conceptualizations of financialisation on various research sites corresponding to the main economic actors, that is: non-financial corporations; the state and individuals; and their complex relationship with financial markets. Our primary objective is to evaluate the contributions and limitations of financialisation studies in these research sites and to identify the main methodological challenges in conceptualising financialisation.

Keywords
Financial valuation processes; Financialisation; Capital-labour relationship; Marketisation.

Resumen
La financiarización es un proceso de cambio estructural e incompleto en las economías contemporáneas. El crecimiento del sistema financiero en las últimas décadas ha estado acompañado por una relación cada vez más compleja entre los actores socioeconómicos y los mercados financieros. En este artículo analizamos las causas y consecuencias de la financiarización con respecto a: la erosión de la relación capital-trabajo; el aumento de la desigualdad del ingreso laboral; y la comercialización de la vida cotidiana y los derechos sociales. Revisamos las principales conceptualizaciones de la financiarización en varios sitios de investigación correspondientes a los principales actores económicos, es decir: corporaciones no financieras; el estado y los individuos; y su compleja relación con los mercados financieros. Nuestro objetivo principal es evaluar las contribuciones y limitaciones de los estudios de financiarización en estos espacios de investigación.

Palabras Clave
Procesos de valoración financiera; Financiarización; Relación capital-empleo; Mercantilización.

1. Introduction

Financialisation refers to the increasing importance of financial actors, markets and values in economic and social life (Dore 2008; Epstein 2005). Although the term is widely used in socio-economic literature, its conceptualization is often unclear and diffuse (van der Zwan 2014). The aim of this paper is to review the most relevant contributions and limitations of financialisation literature by differentiating the causes and social consequences of financial expansion. The main causes refer to a series of innovations in platforms, products and regulations (Arthur 2017) that have enabled the emergence of new tradable instruments and the growth of trading volumes in these markets (Gospel et al. 2014). Beside this, our article explores the social consequences of these transformations regarding the erosion of the capital-labour relationship, the growth of income inequality, and the marketization of daily life and social rights.

Additionally, as the growth of the financial system in the last few decades has been accompanied by an increasingly complex relationship between socio-economic actors and financial markets (Erturk et al. 2008; Mader et al., 2020), financialisation studies have become more and more specialised. For this reason, we explore the main contributions of financialisation literature on various areas or research sites such as non-financial corporations, the state, and individuals, and their relationship with financial markets. These areas have developed specific definitions of financialisation, how it works, and appropriate empirical measures. For reasons of focus, we will address the operational conceptualization of the process of financialisation itself and general methodological issues related to the indicators more commonly used in literature.

Debt, financial assets and instruments are, in the wide variety of forms they can take, the essential elements through which the spread of financial markets occurs. Evidently, neither element is exclusive of a financialised model of behaviour, but it is the increasing expansion and complexity of the relationship between the financial sphere and non-financial actors at interconnected levels that defines financialisation as a transformation in process with multiple outcomes in employment, company profits and social protection systems (Aalbers 2008; Krippner 2005). In addition, the strength of these processes is accompanied by a narrative that shapes identities, values, public policies and entrepreneurial practices (Mazzucato 2014).

This paper discusses these questions through research on shifts in the financial structure of modern societies and their consequences on the behaviour and outputs of productive companies, the state and individuals. We show how these processes are potentially reshaping the primacy of capital-labour relationships in Europe and their economic interdependencies (M. Davis 2011b; Elias 1991) with the restructuring of welfare states and the primacy of commercial market obligations over political citizenship rights.

The remainder of this article is organised into five sections. Section two offers a general theoretical framework for the concept of financialisation as an incomplete process of change in global economies. Section three develops a conceptualisation of financialisation differentiating the causes and consequences of financialisation. This is followed by the research on financialisation literature specialised in non-financial-corporation behaviour, the state and individual subjectivities. Section five concludes the article with a discussion of our major findings and suggested directions for future research.

2. Financialisation as an uncompleted stage of capitalist economies

As a consequence of the 2007/8 global financial crisis there has been renewed interest in analysing the impact of financial markets on the social, political and economic/production spheres. This attention has not always been accompanied by efforts to appropriately conceptualise the term financialisation, however (Engelen 2008). As the preceding discussion suggests, financialisation shares analytical similarities with the concept of globalisation, being simply '… a convenient word for a bundle of more or less discrete structural changes in the economies of the industrialized world' (Dore 2008: 1097). Somewhat tautologically, the concept of financialisation is often used simply to describe the increasingly predominant role finance plays in everyday life (Epstein 2005).

The growth of the financial system in recent decades has gone hand-in-hand with the emergence of new social actors, such as financial intermediaries and investment funds (Folkman et al. 2008), together with more complex and frequently opaque legal structures that regulate financial markets (Pistor 2019). Financialisation, therefore, represents a deepening and widening of the financial system throughout society, generating new relationships between the principal economic actors and financial markets. The dynamics of these relationships vary in accordance with the particular characteristics of each actor and market. Likewise, the subjective and cultural dimensions of financialisation have played an important role in the expansion of the financial sphere in so far as the acquisition of financial assets and debt is always associated with particular understandings of the distribution of risks and opportunities (Lazzarato 2015; 2011; Martin 2002).

Given the potential variation of relationships at various interdependent levels between financial markets and economic actors, financialisation studies concur

in stressing the unstable and risky nature of financialised capitalism, as long as investment fluctuates in accordance with future expectations of prospective yields (Beckert 2013; Erturk et al. 2008; Keynes 1973). Minsky (1986) highlighted the fact that economic instability is an inherent feature of capitalist market economies, but we also know that speculative activities (Adkins 2018; Konings 2018; Stäheli 2013) and the propensity of embedded actors to behave according to the spontaneous optimism of 'animal spirits', rather than mathematically calculated expectations (Keynes 1973: 161), are contributory factors. In a deeply financialised economy, instability and the fluctuation of economic outcomes are therefore far more likely and severe.

That said, as Erturk et al. (2008: 27) and Krippner (2011) have shown, it would be inaccurate to conceptualise financialisation as a new and distinct stage of capitalism, which somehow goes beyond previous system characteristics. Certainly, income from current employment remains primary for most households[1], and financial income is frequently a complement to, and not a substitute for, non-financial profits for most corporations. However, considering profits long-term trends, there is evidence of a structural tendency in all capitalist economies by which the financial sector has been increasingly important as source of profits, as well as production has become more dependent on financial income, either as a substitute of, or a supplement to, earnings from the production of goods and non-financial services (Mader, Mertens and Van der Zwan 2020; Krippner 2011). In addition, significant cross-country heterogeneity avoids the acceptance of a general and restrictive conceptualization. Indeed, financialisation needs to be addressed in specific scenarios, in accordance with social, spatial, economic, and historical contexts.

In sum, the expansion of the financial system is a process that is structural to modern capitalism (Keynes 1973) and can be found at various periods in the long history of market economies (Arrighi 1999). Financialisation is not a new concept that has emerged in our 'neoliberal times', somehow beginning *ex novo* in the 1980s (Davies 2016; Mirowski 2013; Erturk et al. 2008; Harvey 2007). What is new is the *intensity* of this process and consequently the *scale* of its social impact.

2.1. What is new in financialised economies?

According to Arrighi (1999), the spread of the financial system is a process that has characterised the cyclical evolution of capitalism since its origins in the 15th century. Financialisation represents the end of the cyclical trajectory of what he refers to as a particular 'hegemonic power' (Gramsci 1971). The historical path of this hegemony has traversed various territories combined with particular government and trade organisational arrangements, from Geneva (15th – 17th centuries), the Netherlands (16th – 18th centuries), Britain (18th – 20th centuries) and the USA (19th – 21st centuries century). On Arrighi's understanding, our current 'neoliberal' era of financialisation is thus an 'interregnum' (M. Davis 2011a; Gramsci 1971), a transition phase between an old and a new model of hegemony. This is manifest as a dual process of declining productive returns that is causing the current waning of hegemonic power, and also the subsequent expansion of the financial system in search of new business opportunities that produce higher profits from financial transactions compared to other activities. Against this view, we might instead propose that financialisation is not a transition phase but rather a new model for the hegemony of 'moneyed men', exercising their cultural, economic and political authority through the praxis of linguistic dominance over other members of society.

What does differentiate this hegemonic process in present-day capitalism, however, is its *intensity* and *structural* character, as we stated already above. The structural transformation of financial markets and their relationship with the productive economy has been possible thanks to an intense process of financial deregulation and innovation, which favoured the emergence of new actors: financial intermediaries (Folkman et al. 2008), institutional investors (Gospel et al. 2014), and the rise of new models of corporate governance and ownership (Erturk et al. 2008). The roots of these changes can be found in the early years of the 20th century when intense scholarly debate regarding the rights of shareholders' claims, and the consequences of the separation of ownership and control for corporate performance, led academics to analyse the 'financial turn' of capitalism (see Keynes 1973). Not since the 1980s, however, has an intense process of financial deregulation and innovation allowed for such an unprecedented expansion of the financial system, encompassing the emergence of new financial instruments and consequently new channels for monetary accumulation.

In sum, financialisation is not a new epochal stage of capitalism which simply inverts previous system characteristics. Nor is it a new national 'variety of capitalism' (Hall and Soskice 2006), spreading from its original Anglo-American base, since financialisation does not establish a behavioural coherence for all economic actors. We suggest instead that financialisation remains an 'unfinished hegemonic project' with the capacity to transform all central economies. It may wear out the stability of the capital-labour relationship or else, as we will argue, seek to supress it beneath credit-debt relations. But it does not vanish, provided that income from employment remains the primary source of monetary resources for individuals and companies.

3. A conceptualisation proposal: Differentiating causes, research sites and the consequences of financialisation

In this section, we identify the causes and consequences of financialisation, in order to elaborate our argument above. Financialisation is broadly understood as the spread of the financial system, as a result of new actors, products, regulations and technological structures. These transformations permit new models of relationships among socio-economic actors and the financial sphere at various interdependent levels. In addition, environmental factors may influence financial expansion, such as general macroeconomic conditions and tax regimes (Frame and White 2004). These dimensions show how financial innovation and by extension, financialisation, are also a *political* matter (MacKenzie 2009).

Following Max Weber's (1949) differentiation between economic, economically-relevant and economically-conditioned phenomena, we will now analyse the distinguishing causes, consequences and the process of financialisation itself. Evidently, these three levels are very often intrinsically interconnected, but recurrent confusion among causes and consequences of financialisation impedes advancing towards more operative measures and explanatory theories.

3.1. The causes of present day financialisation

The present intensification of financialisation has been caused by a series of changes in financial systems that have enabled their expansion and an unprecedented increase in their business opportunities. According to Engelen (2008), contemporary financialisation encompasses a set of processes developed on a global scale at least since the 1980s, which created new organisational, mathematical and technical structures. These processes include financial innovation (Mazzucato 2014; MacKenzie 2009), deregulation (see Krippner 2011) and 'liquidification' (MacKenzie et al. 2012; Carruthers and Stichcombe 1999) as the most significant developments. In turn, these processes are typically understood within the context of a 'neoliberal' order, which emerged initially in the United Kingdom and the United States in the late 1970s under the leadership of Thatcher and Reagan respectively, and that subsequently expanded into Continental Europe and around the world (Duménil and Lévy 2014; Harvey 2007). Each of these processes is discussed separately below.

Firstly, the recent expansion of the financial system has been supported by an intense process of financial innovation. This is understood as the creation of new financial products and exchange mechanisms, thanks to a mix of deregulation and entrepreneurial activities in alternative finance spaces (M. Davis and Braunholtz-Speight 2016; Langley 2016), as well as the application of advanced mathematics, data analytics and probabilistic techniques (Lash and Dragos 2016; Hacking 1990). Following Khraisha and Arthur (2018), it involves the creation, promotion and adoption of new products, platforms, processes and enabling technologies. This process is shaped and modelled by legal structures, political processes, and even cultural differences (Wherry 2011; MacKenzie 2009).

Financial innovation is not a linear process driven by individuals but, as Mazzucato (2014) has so clearly shown, is the result of wider social factors such as market opportunities, academic research and development, and through state 'patient capital' investment in early-stage product development. In this process, technology, science, the environmental context, and different categories of users of financial instruments interact in an embodied expertise process (Mackenzie 2009). Beunza's (2019) concept of performative spiral exemplifies this reciprocal relationship between investment practices, economic models and financial instruments: on the one hand, financial devices and tools lead to changes in investment practices, metamorphosing the properties of securities; and on the other, these new properties are exploited by new financial devices and economic models.

Secondly, and closely related to the above, financialisation is the result of a new type of regulation. The sophistication of financial products and practices to manage risk and uncertainty, especially from the 1970s onwards, required the inclusion of the normative and regulatory body as a core element of the innovation process. This dimension shows how financial innovation is also a political matter (MacKenzie 2009). Legal frameworks, self-regulatory mechanisms and policies are endogenous parts of the financial innovation process (Pistor 2019). Since the 1980s, financial markets have experienced a complex and ever-increasing process of financial deregulation and liberalisation focused on the removal of interest rate ceilings, the management of competition among banks, and the promotion of securitization practices to develop secondary markets.

Paradoxically, financial deregulation occurs by creating new rules to ensure the free movement of capital and the creation of complex financial products. Deregulation is therefore not equivalent to eliminating rules to relieve excessive regulation, but rather the application of regulatory power to the creation of freer, more competitive markets. In short, and strictly speaking, we argue that it is more accurate to understand deregulation as *re-regulation with intent*.

Thirdly, liquidity refers to the process by which the monetary value of a financial asset is created (Massó and Yruela 2017). Economists understand the 'liquidity' of a market to be the standardisation of products that can be bought and sold continuously at a price that everyone knows. A perfectly liquid market, then,

is one in which participants know at all times what the buy/sell price is, and only one is obtained in the market. According to the classic definition provided by Carruthers and Stichcombe (1999), the spread of the financial system from the 1970s onwards presupposes the creation of conditions for liquidity in the various markets through implementing technological and legal arrangements to exchange homogeneous and standardise financial instruments in a continuous and competitive auction. As Chiapello (2015) has pointed out, however, the conditions for liquidity creates the illusion of liquidity "based on the assumption that investments are perfectly liquid and interchangeable, which is never in fact the case, since money loses its liquid form as soon as it is invested" (Chiapello 2015: 18). More broadly, we can think of 'liquidity' as the desire to withdraw money from financial circuits, hoarding money in its more flexible form (e.g. 'cash dividends') rather than investing in more 'solid' and inflexible parts of the economy (e.g. physical equipment and machinery for the productive process).

To sum up, these three changes have affected the nuclear components of the financial system in its institutional, organisational and technological dimensions.

3.2. The social consequences of financialisation

Existing literature has recognized the limitations of measuring empirically this complex process and consequently its net effects on the employment relationship, social protection systems, wages and subjectivities, among other areas. This section reviews the principal contributions to the analysis of the social effects of financialisation in the employment relationship and the marketisation of daily life.

The first area concerns the impact of financialisation on employment and industrial relations. Literature on financialisation reveals a negative effect on labour costs and income distribution (Tridico and Pariboni 2018; Alvarez 2015; Hein and Van Treeck 2010; Crotty 2005). Kohler, Guschanski and Stockhammer (2018) have already reviewed the principal literature on financialisation and income inequality, concluding that there is a negative and significant association that operates through various channels requiring different empirical measures. These contributions confirm the well-known conclusion supported by Lazonick and O'Sullivan (2000) of a shift in corporate strategy from 'retain and reinvest' to 'downsize and distribute' as a consequence of shareholder value maximization.

Further research is needed, however, to identify the strengths and limitations of financialisation measures by non-financial corporations (NFCs) and their effects upon labour income distribution. As we already mentioned, the concept of financialisation is often unclear, and requires considerable attention in order to differentiate it from other 'near neighbour' concepts such as: privatisation, globalisation, neoliberalism, offshoring, mergers and deregulation. At the same time, the lack of a consensus on how to measure financialisation empirically leads to a plurality of indexes that serve to impede relevant advances in financialisation studies. Measuring financialisation through the capitalisation of listed companies (Tridico and Pariboni 2018) or financial income (L. Davis 2017a; 2017b) is a valid, but incomplete, proxy. Clarifying its relationship with financial costs, fixed investment, financial investment and stock variables (such as debt or financial assets) is needed to develop an appropriate measure. Advances in this direction can contribute to developments on how to link theory with empirical data in order to understand how financialisation takes place and its main effects on income distribution.

In addition, changes in corporate ownership by new financial actors – such as investment funds or private equity funds – is associated with corporate restructuring. Gospel et al. (2014), for example, have offered systematic evidence of employment reductions and decreasing labour costs. Financialisation has also changed the nature and institutional practices of industrial relations (Barradas, 2019; 2017; Gospel et al. 2014). The temporal orientation of investments to maximize shareholder value, and in detriment to the longer-term interests of the firm and workers (Appelbaum et al. 2013), has reduced workers participation and the bargaining power of employees' representatives (Wilke et al. 2009). It must be stated, however, that the consequences of financialisation on industrial relations and social dialogue constitute an underdeveloped field of research, even though it has grown notably in the last decade.

The second area relates to the hegemonic expansion of financial values and market norms and culture into everyday life practices and discourses. A first group of contributions to this area focus attention on the effects of financialisation on individual actions and subjectivities, exploring diverse ways in which finance is grounded in practices of everyday life (Sandel 2013). As Chiapello (2015: 24-30) has stated, financial reasonings have "colonized" spaces where they were previously not present, exacerbating the configuration of new modes of subjectification, in the quest for total dominance over language and ideas we noted above.

A complementary line of research analyses the consequences of the market as the sole mechanism by which to distribute access to various economic, social and cultural resources, such as welfare (Lazzarato 2015; Farnsworth 2012). As a result, social and public policies shift the responsibility for welfare provision from the State to individuals (with the latter moving as a consequence from citizens with rights to consumers with credit cards). The erosion of the capital-labour relationship, mentioned above, is also connected to the welfare state crisis, based on a process of decommodification in the provision of goods

and services. In a context whereby labour remains the formal basis of access to social rights and protection, the increasing insecurity and precarity of labour affects government revenues and by extension social and public policy, leading to greater social and economic vulnerability (Edmiston 2020; Standing 2011; 2009). This process is analysed in association with the rise in the credit-debt relationship as the new antagonistic nexus that characterises a financialised economy in which citizenship rights are increasingly substituted by contractual links to the financial systems through loans and mortgages (M. Davis and Cartwright 2019a; Lazzarato 2015; Streeck 2015). To sum up, studies on financialisation make several contributions to understanding the effects of the financialised economy on the social sphere. Definitions of financialisation vary considerably across these analyses, however. To help navigate the reader, the next section explores the main conceptualizations of financialisation in various research sites corresponding to the main economic actors and their complex relationship with financial markets.

4. The process of financialisation: strategic research sites and actors

Much of the specialised literature talks about how to approach financialisation in specific areas, such as non-financial corporations (NFCs), public entities and individual practices and discourses. Consequences, causes and processes are frequently integrated in the same empirical measures and theoretical accounts, as we have seen in previous sections. For analytical purposes, in what follows we focus upon the process of financialisation itself in isolation to its consequences on employment, economic inequality, culture and indebtedness, in order to offer a more comprehensive understanding of the process.

4.1. Non-financial corporations

Studies of corporate financialisation have increased significantly in recent decades. The empirical conceptualisation for NFCs, however, remains unclear and is often imprecise. Following L. Davis (2017a; 2017b; 2016), the shift in the financial behaviour of NFCs is measured empirically by analysing three different elements of corporate balance sheets and income statements. First, there is the portfolio composition and the correlative types of debt. This is done in order to find evidence of the evolution towards more intangible portfolios and their relationship with financial markets. Second, there are the various sources of income. And third, there are the characteristics of investment, which is pursed in order to examine the evolution of financial profit and investment fluxes generated by financial assets in relation to the main corporate business.

Approaches to corporate financialisation typically utilise a framework of agency theory and address the problem of maximising shareholder value (Ireland 2008; Jensen 2008). These contributions have been enriched more recently with analysis on changes on corporate ownership (Appelbaum and Batt 2014; Gospel et al. 2014) and the relationship between financialisation and investment (L. Davis 2017b; Crotty 2005).

The shareholder value orientation[2] of the firm involved a new conceptualisation of management whereby it is aligned with the principal interests pursuing financial performance indicators, such as 'earnings per share' or 'dividends paid' rather than by the goods and services produced (See Froud et al. 2006). Additionally, the maximisation of shareholder value has become an increasingly dominant corporate governance ideology (L. Davis 2017a; 2017b; 2016). This results in a radical redefinition of the company as a set of financial assets, rather than as an organisation intended for production purposes.

The term 'shareholder value' became commonplace only in the 1980s, deployed by financial analysts as a way to increase the profitability of listed companies and to align managerial and ownership interests (Williams 2000). Later, in the 1990s, its use was associated with processes of corporate restructuring and downsizing. This was due to the predominance of shareholder incentives over productive purposes across a range of areas, such as: corporate strategies, the time frame of productive investment, profitability, the remuneration of the senior management team and the entire workforce, as well as workers' representation and participation (Gospel et al. 2014; 2011).

Literature on financialisation has positioned short-term shareholder orientation as being a result of institutional ownership restructuring to deal with declining fixed investment rates. Total or partial acquisition of companies by institutional investors (i.e. hedge funds, equity funds, sovereign wealth funds) (Gospel et al. 2014) has been accompanied by a set of regulatory changes that support this maximization of shareholder value (L. Davis 2017a; 2017b). The relationship identified between ownership structure and investment, however, has so far failed to yield any definitive results. Some have suggested a negative relationship between financialized, or 'rentier-dominated', firms and investment in the physical assets of equipment, machinery and industrial plants (Demir 2009; 2007; Orhangazi 2008; Stockhammer 2004). These approaches show how 'impatient capital' has contributed to an prioritisation of short-term over long-term firm performance objectives. The robustness of the results across contexts and specifications, however, has caused this 'crowding out' hypothesis to be questioned (L. Davis 2017b). In this sense, no conclusive evidence can be drawn from

this hypothesis due to the lack of an intermediate theory capable of explaining corporate financial behaviour, or to explain adequately how and why financialisation occurs in different types of businesses, sectors and national contexts.

4.2. The state

The financialisation of the state is an emerging field of research (Karwowski 2019). Even though there is a growing number of contributions studying the privatisation of pensions (Van der Zwan 2014), new models of finance for public infrastructures and services (M. Davis and Cartwright 2019b), and government debt markets (Massó, 2016; Streeck 2015; Lemoine 2013), to date insufficient attention has been given to the conceptualisation of the role, functions and structure of the State and public administration bodies in the process of financialisation (Karwowski and Centurion-Vicencio 2018; Aalbers 2017).

Following in part the proposal made by Karwowski and Centurion-Vicencio (2018) and Karwowski (2019), we suggest that the analysis of state financialisation can be structured around two main categories[3].

The first category encompasses the financialisation of the social protection systems (e.g. pensions, health, education) and organisations that support these services, such as universities and hospitals. Existing studies focus their attention on the privatisation of these formerly public services and systems as supported by regulatory and normative changes, such as fiscal benefits for owners of private pension schemes and the development of student loan markets, especially in the UK and USA. This process exemplifies the process through which financialisation as a set of values (Chiapello 2015) that is applied to essential areas of society that are basic public services (educational, health and pension budgets) and that were formerly detached from market provision. As we have suggested, it is in turning social provision and physical infrastructure into the logic of financial assets of investment and return that this new model of hegemony takes hold. For example, funded pension schemes turn contributions into deferred returns, which transforms a monetised quantification into a financialised one that has to be optimized and managed (Engelen 2003). Similar schemes can be found in education (Engelen et al. 2014) and the health systems in Europe and US (Mulligan 2016).

The second category is related to public finances. The accumulation of government debt in OECD member countries has acquired an unprecedented significance in the social, economic and political spheres of advanced capitalist societies. Indeed, the concept of the 'debt state' reflects a process characterised by the steady rise in government debt, which began in the 1980s in all wealthy capitalist democracies (Hager 2016; Green 1993). The mechanisms employed by states in order to finance their deficit has fostered the development of government debt markets and debt instruments seeking liquidity. In the case of government debt markets, financialisation is associated with an intense process of deregulation and financial innovation that began in the 1980s in most European countries. The financialisation of government debt markets depends on the legal restrictions to make certain types of operations related to the commercialisation of risk through financial instruments, and on the existence of a variety of authorized transactions ensuring liquidity and reducing credit risks.

The sovereign debt crisis suffered by southern European countries since 2007/8, especially in Portugal, Italy, Greece and Spain, is attributable mainly to the institutional and technological structure of these markets, which enabled investors to speculate with different types of sovereign risks. The harshest criticisms of the role played by the state in debt markets are levelled at the balance between private and general interests, as well as between the role of the state as a regulator capable of designing the microstructure of specific markets, and as a 'lean state' that is receptive to market pressures coming from banks, investment funds and market participants (Massó 2016).

4.3. Individuals: financial subjectivities and the marketisation of daily life

In terms of individual and household economic practices, financialisation refers to the rapid encroachment of the financial sector into various aspects of everyday goods and services, consumption, housing, insurance and pensions. Today, financial institutions are increasingly focused on the business opportunities presented by individuals. This is the result of the considerable expansion of financial markets and the growing participation of non-bank financial intermediaries (Lapavitsas 2009: 7-8). Financialisation has revealed the emergence of new economic and financial values that are spreading to everyday economic practices, whilst at the same time disseminating new patterns of economic behaviour (Lapavitsas 2009: 8-10). Non-financial activities, and specifically private spheres, have been gradually invaded by the language of finance as part of the hegemonic process we identified above. According to Chiapello (2015), financialised valuation processes have "colonized" the everyday life of individuals and households, with basic rules of finances and private capital valuation becoming embedded into everyday personal projects and daily life more broadly (Chiapello 2015: 24-30). By participating in financial markets, individuals are encouraged to internalise a new cultural discourse, including embracing risk-taking norms and developing new subjectivities as investors and the owners of financial assets (Van der Zwan 2014).

Sociology has long-engaged with the concept of risk and its association with the rise of a marketized existence (Giddens 2002; Beck 1992). Martin et al. (2008: 122) develop a similar argument in stating that actions resulting from financialisation represent a new ontology for 21st century life, whereby risk is not only a form of rational calculation, but also a complete way of life. Risk is understood as the motivation for participating in financial markets, guided by a desire to avoid future vulnerability from possible illness, underfunded retirement or enduring unemployment. And, the state and linked public institutions have also played an active role in promoting this type of behaviour through the promotion of social and public policies that shift responsibility for social protection provision from the State to individuals, resulting in what Martin (2002) labels as "the financialisation of daily life".

Much of this research has to date focused upon the context of the UK and USA, characterised by their liberal welfare protection model. An emerging branch of literature is beginning to consider the degree to which the financialisation of daily life is present amongst other national contexts and cultures, a direction for future research that we also encourage.

5. Conclusions

The enduring consequences of the 2007/8 crisis have highlighted the centrality of financial markets in contemporary economies and individual lives. The causes of financialisation can be found in the intense process of deregulation in the 1970s and 1980s, which allowed the expansion of the financial system in central economies. This process has been supported by the proliferation of innovation in market processes and products and the creation of conditions for liquidity in these dimensions. The subsequent growth of the financial system in the last few decades has been accompanied by an increasingly complex relationship between economic actors and financial markets, and between state, market and individuals (L. Davis, 2017a; 2017b; 2016; Erturk et al. 2008).

Our analysis in this paper has shown that financialisation is a structural and incomplete process of change in the behaviour of the non-financial companies (NFCs), the state, individuals and associated outcomes. The diverse approaches surveyed in this paper, we argue, reveal that financialisation is an 'unfinished hegemonic project' still in the process of transforming central economies and the interdependencies that sustain them. It *intensifies* economic instability and fluctuations of economic outcomes, but it does not reverse the main characteristics of capitalist economic organisation. It may wear out the stability of the capital-labour relationship, and supplant this with new credit-debt relations instead of social protection rights as the basis of a new form of governance, but income from employment remains the primary source of monetary resources for individuals, and profit generated in non-financial sectors remain the principal one for NFCs.

Following Weber's (1949) approach to economic sociology and the constitution and scope of socio economic phenomena, in this article we have differentiated the process of financialisation in several key research sites, including the causes and consequences of this process. This analytical differentiation aims to contribute to future research on the elaboration of appropriate empirical measures that distinguish the net effects caused by financialisation from other related phenomena that can not necessarily be identified with financialised mechanisms, such as privatisation or indebtedness.

Financialisation has been defined here as an interdependent relationship, at different levels, of individuals, non-financial companies and the state with financial markets (Epstein 2005). The notable expansion and specialisation of literature in this area has led to several definitions of how financialisation works in different research sites and actors. At the individual level, this relationship operates through a process of financialised values (Chiapello 2015) being applied to social, economic and intimate life, where market norms increasingly live together with social norms in "the financialisation of daily life". Non-financial corporations (NFCs) get financialised through changes in their ownership structure and an increasing dependence of financial investment and profits as a complement to core business operations (see L. Davis 2017a; 2017b; 2016). The financialisation of state activity is achieved by the development of debt markets that allow the commercialisation of different types of risk and the adoption of financial logics in the management of public services and infrastructures (Karwowski 2019).

The social consequences of this process continue to be documented at length and in great empirical and theoretical depth. For example, the financialised behaviour of NFCs is manifest in a shift in the business model from a strategy of 'retain and reinvest' in productive processes, to one designed to 'downsize and distribute' (Lazonick and O'Sullivan 2000). The financialised behaviour of companies has major implications in terms of investment decisions and labour income inequality. Studies also suggest that financialisation has reduced workers participation and bargaining power of employees' representatives (Wilke et al. 2009), although consequences for industrial relations continues to be an underdeveloped field of research, despite some recent interest (see Gospel et al. 2014). Other studies highlight the varying extent to which financialisation impacts on industries, depending upon their structural characteristics, institutional settings and government actions.

Regarding the consequences of financialisation on individual subjectivities and economic action, studies into the marketisation of daily life reveal the expan-

sion of new attitudes towards a multitude of risks that are managed through the market and the acquisition of financial assets. The transfer of public goods and services to private markets means that individuals are increasingly 'governed by debt' (Lazzarato 2015). This process is accompanied by a requirement to develop new subjectivities based on the application of financial models of calculation to social and intimate spheres of life (Chiapello 2015).

The financialisation of non-financial spaces also involves consequences for the structure of welfare state in terms privatisation of public infrastructures and the provision of social protection systems. Welfare states are likewise subjected to the pressures of private interests as a new means of generating profit for shareholders. The result, we argue, is that the public sector is at risk of becoming a vast and complex bureaucratic mechanism for transferring wealth through a contractual credit-debit relationship between citizen-consumers and financial markets.

In conclusion, we have shown that literature on financialisation sheds considerable light on the profound transformations experienced by contemporary economies. Greater efforts are now needed to link empirical data from a plurality of research sites with a carefully elaborated theoretical approach. In this way, studies of financialisation will be able to contribute to our collective understanding of the complex transformations within and across advanced economies.

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Notes

[1] Indeed, from 2011 to 2017, Euro area households earning income from assets has considerably decreased (European Central Bank). However, considering a larger span of time we can appreciate the structural change in the growth of household financial gains: In 1973 the average household in the OECD had less than 2% of the income coming from finance (bonds, equity, etc.) whilst in 2018 the income from "finance" represented on average 20% of the income.

[2] The share-holder value orientation is a set of theoretical principles according to which corporations must be run exclusively for the private benefit of shareholders despite their social and public nature (Ireland 2008). Agency Theory claims that for an efficient corporate performance and for mitigating the effects of conflicting interests between ownership and management, shareholders (owners) and managers should align their interest through a set of internal control mechanisms including greater equity ownership for managers, the encouragement of activist investors or limiting the management prerogative (Jensen 2008). Within this frame, any enforcement of shareholders objectives would automatically deliver social benefits.

[3] These authors consider monetary policy and deregulation as the third category of financialisation. For analytical purposes we have included that category as a cause of 'neoliberal' financial expansion that began in the UK/USA in the 1970s and expanded to all central and peripheral economies.

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