MASTERARBEIT / MASTER'S THESIS

Titel der Masterarbeit / Title of the Master's Thesis

"How are Labor Relations affected by Contemporary Processes of Financialization? A Theoretical Review."

verfasst von / submitted by

Janosch Birk

angestrebter akademischer Grad / in partial fulfilment of the requirements for the degree of

Master (MA)

Wien, 2022 / Vienna 2022	
Studienkennzahl lt. Studienblatt / degree programme code as it appears on the student record sheet:	UA 067 805
Studienrichtung lt. Studienblatt / degree programme as it appears on the student record sheet:	Individuelles Masterstudium Globalgeschichte
Betreut von / Supervisor:	Ass. Prof. Emma Dowling

UNIVERSITÄT LEIPZIG

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List of Abbreviations:

ABS: Asset-backed Securities

FIRE Sector: Finance Insurance and Real-Estate Sector

FTSE 100: Financial Times Stock Exchange 100 Index

GFC: Global Financial Crisis of 2007/2008

GVC: Global Value Chain

GPN: Global Production Network

GWC: Global Wealth Chain

HF: Hedgefunds

MBS: Mortgage-backed Securities

MNC: Multinational Corporation

M&A: Mergers and Acquisitions

NFC: Non-financial Corporation

NIF: New Investment Funds

OECD: Organization for Economic Co-operation and Development

OPEX: Operational Expenditure

PE: Private Equity

QE: Quantitative Easing

R&D: Research and Development

RoE: Return on Equity

ROCE: Return on Capital Employed

S&P 500: Standard and Poor's 500 Index

SV: Shareholder Value

SVM: Shareholder Value Maximization

SWF: Sovereign Wealth Funds

TNC: Trans-national Corporation

VoC: Varieties of Capitalism

Table of Contents

Abstract, english

Financialization, besides globalization and neoliberalism, is one of the defining tendencies in the contemporary capitalist system. However, existing literature on processes of financialization has largely neglected labor issues. This is a strong call to focus on the implications of this process for labor as a social relation. This thesis therefore asks how existing social-science literature has integrated and discussed these implications. A semi-systematic literature review is employed to narrow down the various definitions and research objects of the studies and address the theoretical confusion surrounding the concept, so as to then be able to describe important links of financialization and labor as discussed in the relevant literature. Depending on the scope of the research object, different links between financialization and labor can be established along a threefold heuristic. The general tendency of capital's assertion of power over labor can be corroborated. Financialization as a variegated process is reenforcing and sustaining this trend at different levels and with different intensity.

Abstract, german

Financialization ist neben Globalisierung und Neoliberalismus eine der bestimmenden Tendenzen im kontemporären Kapitalismus. Seit den 1990er Jahren ist Financialization ein wichtiges Konzept in den Sozialwissenschaften. Auswirkungen von Prozessen der Financialization auf Lohnarbeit wurden aber bisher weitestgehend vernachlässigt. In dieser Arbeit wird daher die Frage gestellt, wie die bestehende sozialwissenschaftliche Literatur diese Auswirkungen integriert und diskutiert hat. Die Methode einer halbsystematischen Literaturrecherche wird herangezogen, um die verschiedenen Definitionen und Forschungsgegenstände bestehender Studien einzugrenzen und zu systematisieren, um dann anschließend wichtige Zusammenhänge von Financialization und (Lohn-) Arbeit, beschreiben zu können. Entlang einer Heuristik die Financialization auf der Makro-, Meso- und Microebene betrachtet lassen sich unterschiedliche Auswirkungen auf (Lohn-) Arbeit beschreiben.

1. Introduction

There is a long history of business with money. Finance, as the shifting of money from investors to borrowers, has been an integral part of the development of the human society over the last centuries.[1] It has played a central role in capital accumulation, as the investment in an asset with the goal to increase its value.[2] However, the influence and complexity of finance has reached new heights since the 1970s.[3] Indeed, the influence of the financial sector as the provider of money capital has grown substantially.[4]

Beginning in the 1990s and especially after the Global Financial Crisis 2007/2008 (GFC), finances rise, and its influence became particularly apparent. This suggests that these phenomena comprise a certain newness that did not exactly fit in existing frameworks centering on finances´ mediating role between saving and investment.[5] Since then the body of literature has grown immensely. Some authors have focused on the wider effects of finance and spawned the concept of financialization to describe "a host of empirical phenomena at different levels of analysis."[6] The concept describes multiple processes which have elevated the significance of the financial sector including, amongst others, a transfer of income from the non-financial to the financial sector and changes in corporate management and households' reliance on credit.[7]

In a seminal paper, Natascha van der Zwan delivers a comprehensive review and state of the art of the research field. She proposes to divide existing research along three themes: the shifting patterns of accumulation, the increasing influence of shareholder value (SV) maximization principle in corporate management and operations, and the financialization of daily life, which describes how finance increasingly influences subjectivities and how household income is managed relating to spending and borrowing. As she states, "[t]his

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[1] Arrighi, Giovanni (1994): The long Twentieth Century. Money, Power and the Origins of Our Times. London: Verso.

[2] Foster, John Bellamy (2010): The Financialization of Accumulation. In: Monthly Review 62(5), pp. 1+.

[3] Epstein, Gerald A. (2005): Introduction: Financialization and the World Economy. In: Epstein, Gerald A. (Ed.): Financialization and the World Economy. Northampton: Edward Elgar. p. 9.

[4] Sweezy, Paul M. (1995): Economic Reminiscences. In: Monthly Review, 47(1), pp. 1+. Online: https://go.gale.com/ps/i.do?p=AONE&u=43wien&id=GALE|A16892059&v=2.1&it=r&sid=bookmark-AONE&asid=5a9ba75d, accessed 12.10.2021.

[5] Engelen Ewald (2008): The Case for Financialization. In: Competition and Change 12(2) p. 112.

[6] Van der Zwan (2014): Making Sense of Financialization. In: Socio-Economic Review 12, p. 101.

[7] Palley, Thomas I. (2013): Financialization. The Economics of Financial Capital Domination. Basingstoke and New York: Palgrave. p. 17.

threefold heuristic helps to organize definitional issues and approaches, even though the borders between the levels of analysis are not always rigid."[8] It is a nascent field of scholarship, which has produced multiple approaches for analyzing effects of finance on social relationships in recent decades.

Financialization studies have challenged several conventional wisdoms about finance, like it being the optimal way of reallocation of funds in a market-based economy and its ability to discipline the market behavior of economic actors, as well as highlighting the class dimension that financialization entails. Through the study of the different layers of the financialization process, inconsistencies and contradictions within the workings of contemporary capitalism can be rendered visible – over global trends and national categorizations.[9] The concept of financialization necessarily refers to many different processes at once, to be able to describe changes in an increasingly complex and interrelated world.[10]

In this thesis I follow van der Zwan's structure of a threefold heuristic of shifts in patterns of accumulation, SV maximization, and the process of financialization grounded in daily life.

This thesis is thus divided in three principal chapters where I discuss the literature around each theme. First, I identify the main authors that were important for the field and establish a general definition. After providing a general outline, I discuss underlying reasons for the shifts in the modes of accumulation as well as outcomes and phenomenon that are attributed to these shifts or are important for sustaining them.

In the first section, I focus on globalization, the profit-investment nexus, and the impact on non-financial organizations (NFCs) managerial structures. In every chapter I draw connections to implications for labor. These are mostly framed as impacts on the wage share, shifting labor market demands, outsourcing, and offshoring, as well as affecting inequalities and labor's bargaining power in different ways.

In the following I first discuss the theoretical foundations of critical literature on shareholder value maximization, and second an outline of the reasons why this management model became so important and impactful, especially for labor. I also include the concept of a coupon pool capitalism as well as the influence of New Investment Funds (NIF), private equity (PE) and

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[8] Mader, Philip, Daniel Mertens and Natascha van der Zwan (2020): Financialization an Introduction. In: Mader, Philip, Daniel Mertens and Natascha van der Zwan (Eds.): The Routledge International Handbook of Financialization, London and New York: Routledge. p. 6.

[9] Van der Zwan (2014): Making Sense of Financialization. In: Socio-Economic Review 12, p. 103.

[10] Martin, Randy (2002): Financialization of Daily Life. Philadelphia: Temple University Press. p. 9.

how these pools of money interact with firms' management and thus affecting labor. Studies on specific sectors are included to contrast the findings.

The last chapter concerns the ways in which finance impacts practices of everyday life, households, and social reproduction. Again, two important authors for the field are reviewed, focusing particularly on their discussion on the implications for labor of the financialization of daily life. Important for this chapter were the theoretical discussions of Bryan et al.[11] because they focus directly on financialization as securitization and the implications for labor as a social relation and not on the basis of its effects such as diminishing wages. Following out of this discussion, the following two chapters look at the financialization of housing and Asset- and Mortgage-backed Securities (ABS/MBS), household debt and social reproduction, which enables finance to tap in on labor's income through interest and fees.

The concluding chapter tries to connect the different strands of research on the different levels and shows how different phenomenon are co-dependent and interrelated. Overall, the reviewed literature often shows that capital has consolidated its power over labor, whereby processes of financialization amplified and sustained this tendency, at least since the 1970s, and accelerating during the 1990s.

2. Methodology of the Semi-Systematic Literature Review

A literature review is a summary of what is currently known about a particular issue or field based on research evidence, and/or of what lines of argument there are in relation to that issue or field.[12] I am interested in the inclusion of and discussion of labor relations within the research on financialization. Reviewing existing literature since this question is here a useful first step to join the dots between these interrelations in the contemporary financialized capitalist system.

Since the topic I am examining is broader in scope and is being studied in a variety of disciplines, a semi-systematic review seems appropriate. I specifically don't want to include

[11] Bryan, Dick, Michael Rafferty and Chris Jefferis (2015): Risk and Value: Finance Labour and Production. In: South Atlantic Quarterly 114 (2), pp. 307-329. and Bryan, Dick, Randy Martin and Micheal Rafferty (2009): Financialization and Marx: Giving Labor and Capital a Financial Makeover. In: Review of Radical Political Economics 41(4), pp. 458 -472.

[12] Hammersley, Martyn (2004): Literature Review. In: Lewis-Beck, Michael S., Alan Bryman, Tim Futing Liao (Eds.): The Sage Encyclopedia of Social Science Research Methods. Thousand Oaks, London, New Dehli: SAGE. pp. 577-579.

all literature written on the topic selected on the basis of key search terms, because this is simply not possible and would produce more theoretical confusion, than establishing somewhat coherent definitions to be able in a second step to detect themes, theoretical perspectives, or common issues in the included literature.[13] Thus the present review is semi-systematic and relies on the Scopus[14] database for the preliminary selection of literature. The corpus of literature selected in this way is then classified and, where necessary the original selection has been expanded based on cross references within the existing literature. Because the original selection was sometimes very specific to individual topics. In order to make important connections between the individual studies, I often had to refer to the wider field of knowledge in which the individual studies were situated.

Financialization itself is a rather new concept, emerging in the late 1990s and early 2000s[15] Its scope is truly interdisciplinary, ranging from political science, sociology, anthropology, geography, and economics. Over the last three decades a vast body of literature has been produced, but there is an acknowledged collective "theoretical chaos"[16] around the concept. The reasons for this are manifold. On the one hand, knowledge is produced in different communities, sometimes without extensive interrelation and cross-insemination. On the other hand, the field is still very young, and no comprehensive research program has emerged yet. A final and most important reason is that financialization itself as a research object relates to different scales and has implications on different levels.

The research communities can be roughly distinguished as macroeconomic, econometric, and comparative political-economic research on shifting patterns of accumulation, the critical accountant studies on SV and the more heterogenous field of financialization of daily life, which is inspired by post-Marxist and Foucauldian approaches, on the link between finance and social relationships.

The purpose of this review is therefore to assess the theorization and inclusion of labor as a social relation in the body of literature on financialization. The inclusion of different definitions allows a discussion of the pertained consequences of these processes for the social relation of labor.

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[13] Snyder, Hannah (2019): Literature Review as research Methodology: An Overview and Guidelines. In: Journal of Business Research 104, pp. 335.

[14] https://www.scopus.com/home.uri, accessed: 28.08.2022.

[15] Van der Zwan, Natascha (2014): Making Sense of Financialization. In: Socio-Economic Review 12, p. 99.

[16] Bayliss, Kate, Ben Fine & Mary Robertson (2016): Introduction to Special Issue on the Material Cultures of Financialization. In: New Political Economy 22(4), p. 4.

The rationale for this paper is the assessment that financialization's link to labor "remain[s] tenuously explained and [is] in need of further consideration"[17] and the statement that the "financialization discourse addresses labor issues […] "not very much or very well."[18] This is a strong call to focus on the implications that processes of financialization have for labor. Here, the first step is to review the ideas and concepts that existing literature did produce.

The approach of a theoretical review is employed to be able to synthesize a heterogeneous body of knowledge.[19] The dialogue between the disciplines is complicated by variations in the methodological approaches and the different research objects. I include theoretical, qualitative papers which reflect on conceptualizations of financialization and its wider implications for social relations, and at the same time relying on empirical, econometric, and quantitative studies that use data and models to substantiate or refute claims made in the more descriptive literature.

Financialization is an elusive concept and used to describe different phenomena. Because of a variating research object between communities an integration and synthesis of existing research along the threefold heuristic can run into difficulties. Findings can still be related to one another focusing on effects and outcomes. For example, macroeconomic changes can have impacts for corporations, households, individuals, and subjectivities.

However, not all things can be compared with all other things. Phenomena based on the same methodological assumptions on the same research object can usually be analyzed in the same framework. In the case of the three research strands on financialization which operate with different methodological assumptions and different research objects, nevertheless, result in varying degrees of similarities which can then be compared. Some literature will find certain implications of an object that are not necessarily present in other research and vice versa.[20] Selectivity, along the lines of implications for labor, was therefore necessary in this review.

I selected the literature along the following measures. The period of published research was narrowed down to thirty years between 1992 and 2022 because the focus lies on

[17] Martin, Randy, Michael Rafferty and Dick Bryan (2008): Financialization, Risk and Labour. In: Competition and Change 12(2), p. 120.

[18] Thompson, Paul and Jean Cushen (2020): Essay Forum: Labour in Financialization. Value Logics and Labour: Collateral Damage or Central Focus? In: Mader, van der Zwan (Eds.): Routledge Handbook of Financialization. p. 224.

[19] Cronin, Matthew A. and Elizabeth George (2020): The Why and How of an Integrative Review. In: Organizational Research Methods. Online: https://journals.sagepub.com/doi/pdf/10.1177/1094428120935507, accessed: 01.08.2022. p. 4.

[20] Hart, Chris (2003): Doing a Literature Review. Releasing the Social Science Research Imagination. Thousand Oaks, London and New Dehli: SAGE. p. 132.

contemporary processes of financialization. The database for the preliminary search is Scopus. It is an abstract and citation database of peer-reviewed literature which includes journals, books, and conference proceedings.[21]

Search terms were "financialization + labor", with the database including the British spelling automatically. The initial search delivered 397 results. The first 100 results were considered and the filter "cited by (highest)" was used as a sorting mechanism. One problem with the "cited by (highest)" filter is that very recent papers with high relevance are not cited extensively yet. Therefore, I also included the factor "relevance" and newly published papers with high relevance were then included.

Excluded from the selection was literature from Earth and Planetary Sciences, Computer Science, Engineering, Decision Sciences, Agricultural and Biological Sciences, and papers including the terms "media, information, communication, agrarian, peasant, farming, food, dependency, moral economy, biopolitics." The reasoning behind this is this thesis´s focus on political economy and economic sociology literature. I did not want to broaden the perspective and include the aforementioned themes, to keep the conceptualization on what comprises financialization somewhat coherent.

As an extension I used the search term "financialization", which delivered 4,005 initial results. The database automatically includes both spellings. I used the "cited by (highest)" filter to include the literature that is the most important for the respective research field, such as Krippner for the patterns of accumulation, Froud et al. for the study of SV and Martin and Langley for the financialization of daily life. Even though these articles and books don't include "labor" in the title or abstract, they often relate to labor in one way or another.

I again excluded Earth and Planetary Sciences, Computer Science, Engineering, Decision Sciences, Agricultural and Biological Sciences and studies with the terms "financialization of commodities and commodity markets, agrarian, peasant, food and energy markets, financial history, bioeconomy and urban development." This permits a potential narrowing down of the definition.

After the initial research, I broadened the scope and included papers that seemed important for the discipline mostly by following cross citations from other papers. Because the research field is new and definitions not fully developed, I followed a more open approach and included articles and books which seemed important for a definition or proved to be worthwhile to

[21] https://blog.scopus.com/about, accessed: 28.08.2022.

expand on certain concepts. I followed Klinge, Fernandez and Aalbers´s approach of sampling along "hard" metrics as well as "soft" decisions.[22] Where necessary, I extend the review of the concerned literature through the reliance on cross citation. For example, in the section where I focused on sectoral differences of SV, I relied heavily on the cross citations between papers to include more studies that looked at the differences and similarities between sectors.

If a perspective was identified as important for advancing a specific idea related to labor in the broader sense, such as the literature discussing the profit-investment puzzle, I included it. Literature in regard to such specific ideas was again selected by relying on the cross citations by the respective authors. Having an explanation of why NFCs are able to increase their profits but not reinvesting them in production proved useful regarding other theories such as SV and in turn the implications for labor.

In this thesis, I reproduce the same bias as the mainstream body of literature on financialization, namely the focus on the Anglosphere core liberal-market-economies. I am not contrasting financialization in the south or subordinate financialization. While this could constitute a topic for further research it was not possible in this case, because the literature with the implicit focus on the Anglophone core-countries, along the threefold heuristic is itself vast and variegated. Effects on labor of an ideal type of financialization are difficult enough to pin down and I don't want to get lost in a myriad of exceptions. I also don't include the Varieties of Capitalism approach (VoC).[23] Because it would not have been feasible to contrast different outcomes of a complex process alongside other heuristic concepts of liberal or coordinated market economies, which itself by this time has produced a vast body of literature. I intentionally excluded studies that focus on management cultures or discursive practices of SV. The same applies for the selection of literature concerning financialization of daily life. I am more interested in structural changes of a material basis concerning labor and its reproduction. The household and the provision of social reproduction are focal points. I excluded more post-structural-leaning accounts on governmentality of the self, subjectivities and biopower. They provide an important perspective on a complex and variegated phenomenon and related cultural changes, but do not directly relate to structural changes in

[22] Klinge, Tobias J., Rodrigo Fernandez and Manuel B. Aalbers (2021): Whither Corporate Financialization. A Literature Review. In: Geography Compass 15(9), p. 3.

[23] Hall, Peter A. and David Soskice (2004): Varieties of Capitalism. The Institutional Foundations of Comparative Advantage. Oxford: Oxford University Press.

housing, income, and debt. I do explicitly not claim to have integrated all literature published concerning financialization and labor.
The rationale for writing this thesis in global studies is that the field deals with the "analysis of events, activities, ideas, processes, and flows that are transnational or that could affect all areas of the world."[24] Globalization rendered flows of capital and wealth independent from national containers, as well as finance and processes of financialization are internationally interdependent. Financialization is thus a truly global phenomenon. Global studies also focus on connections, specifically between disciplines. This is an important tool and the foundation of this study, not to focus on one field but especially making connections between different scales and disciplines.[25] Thus, considering the different disciplinary perspectives on financialization, dealing with different research objects at various scales, the academic field of global studies is the perfect background for this thesis.
My own rationale for this thesis, is my fascination with labor, following Marx as the primary social relation and the action that accomplishes the appropriation of the world.[26] John T. Dunlop remarked in his 1978 seminal work on labor in the 20th century that important improvements in the social status and economic security of the workers had been made during this long century.[27] However, in the near future, more people will have to manage their reproduction with less income. There is not only a mismatch between labor supply and demand, but a growing number of jobs provide no decent working conditions and adequate income. Unemployment is on the rise, and labor is increasingly underutilized. The number of the so-called working poor is expected to increase. In addition, the labor income share, opposed to the share of national income of capital holders is also declining globally. Being formally employed is becoming the exception. However, having a job is still linked to the idea of a larger "social good."[28]
Financialization is, among globalization and neoliberalism, the most impactful contemporary tendency, however its implications for labor are understudied. Therefore, I want to to shed

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[24] Juergensmeyer, Mark (2012): Global Studies. In: Anheier, Helmut K. and Mark Juergensmeyer (Eds.): Encyclopedia of Global Studies Vol. 1. Thousand Oaks: SAGE. p. 727.
[25] Revel, Jaques (1996): Jeux d'échelles - La micro-analyse à l'expérience. Paris: Gallimard et le Seuil.
[26] Marx, Karl und Engels, Friedrich (1962 [1867]): Werke [MEW], Bd. 23: Das Kapital. Kritik der Politischen Ökonomie. Berlin: Dietz Verlag.
[27] Dunlop, John T. (1978): Introduction. In: Dunlop, John T. and Walter Galenson (Eds.): Labor in the Twentieth Century. New York: Academic Press. p. 1.
[28] Kasmir, Sharryn and August Carbonella Eds. (2014): Blood and Fire: Toward a Global Anthropology of Labour. New York: Berghahn. p. 1.

light on the connections and implications, between this unfolding process and the most important social relation in contemporary capitalism, through a comprehensive review of the existing literature centering on these connections. This master thesis reflects also my own journey though the body of literature, with the urge to understand important interrelated developments in the capitalist sytsem we live in. I did drown in information, especially at the beginning of this review. It was a tour de force in a young, elusive, and fast research field, which is so worthwhile to explore, despite initial feelings of being overwhelmed. Processes of financialization are and will be among the most important tendencies shaping our world. Labor is the prime social relation on which societies and subjectivities are built. Relating both is necessary to be able to criticize processes of financialization and to formulate next steps towards a more just distribution of power between labor and capital.

3. Financialization as Structural Shifts in Patterns of Accumulation

Heterodox studies on the shifting patterns of accumulation mostly concern three recent phenomena. First that an increasing share of the gross domestic product (GDP) in the OECD countries is made by the financial sector.[29] Second, that "international capital flows have grown faster than world output and trade in goods and services."[30] And third, non-financial corporations (NFCs) increasing reliance on finance as a source and use of their profits rather than production, which is termed as shifting patterns of accumulation.[31] The disconnection between profitability and investment, in which financial investment substitutes for investment in production and the relation between accelerating globalization and financialization, as the need for more flexible capital allocation, are other themes, which are treated in the literature.

Econometric studies of financialization analyze national datasets and show how the influence of the financial sector is growing, by relying on aggregate measures like portfolio income and

[29] Epstein, Gerald A. and Arjun Jayadev (2005): The Rise of Rentiers Income in OECD Countries: Financialization, Central Bank Policies and Labour Solidarities. In: Epstein, Gerald A. (Ed.): Financialization and the World Economy. Northampton: Edward Elgar. p. 50

[30] Eatwell, John and Lance Taylor (2002): International Capital Markets. Systems in Transition. New York: Oxford University Press.

[31] Stockhammer, Engelbert (2004): Financialization and the Slowdown of Accumulation. In: Cambridge Journal of Economics 28(5), pp. 719-741 and Crotty, James (2005) The Neoliberal Paradox: The Impact of Destructive Product Market Competition and Impatient Finance on Nonfinancial Corporations in the Neoliberal Era. Research Briefs 35, pp. 77-110.

the proportion of financial assets held by NFCs, compared to other types of assets for example fixed investment in production. The difficulty with these types of studies is that so far there has been no common ground established to empirically show and compare which measures comprise financialization of the NFC. Financialization lacks a sharp definition especially because its material object varies. The variety of implications processes of financialization have for different actors and sectors is another potential source of confusion.[32]

In the following section, I explain how authors theorize and describe financialization and relate respective approaches to implications for the social relation of labor.

I include contributions which were specifically important for the research field and often are referenced when financialization has to be defined. Academic papers concerning changing patterns of accumulation build upon Epstein, Krippner and Orhangazi and extend their findings in different directions. I include them here due to their importance for the research field.

Gerald Epstein describes financialization as ‟the increasing role of financial motives, financial markets, financial actors and financial institutions in the operations of the domestic and international economies."[33] This definition is purposefully casted wide to include a broader range of phenomena and consolidate them under one header. This has the clear disadvantage of including ‟everything finance"[34] and losing analytical scrutiny but is inviting interdisciplinary research to make connections between different scales and scopes.

Greta Krippner refers to financialization as ‟a pattern of accumulation in which profits accrue primarily through financial channels rather than through trade and commodity production."[35] By the examination of interest, dividends, and capital gains on the balance sheets of US NFCs, she is able to substantiate the claim that firms in the US economy have become financialized since the 1970s.[36] They increasingly derive their profits from financial activities rather than by engaging in production and sales. One feature of the post-1970s period is the overall growth

[32] Stockhammer, Engelbert, Stefano Sgambati and Anastasia Nesvetailova (2021): Financialisation: Continuity and Change— Introduction to the Special Issue. In: Review of Evolutionary Political Economy 2, p. 391.
[33] Epstein, Gerald A. (2005): Introduction: Financialization and the World Economy. In: Epstein, Gerald A. (Ed.): Financialization and the World Economy. Northampton: Edward Elgar. p. 3.
[34] Van der Zwan, Natascha (2014): Making sense of Financialization. In: Socio-Economic Review 12, p. 101.
[35] Krippner, Greta (2005): The Financialization of the American Economy. In: Socio-Economic Review 3(2), p. 174.
[36] Krippner, Greta R. (2011): Capitalizing on Crisis. The Political Origins of the Rise of Finance. Cambridge MA and London: Harvard University Press.

in financial assets that the NFC sector is holding.[37] The reverse movement is also taking place, NFCs have increased the volume of transferred funds to the financial sector through interest, dividends, and share-buybacks.[38]

Portfolio income relative to corporate cash flow, as revenue generated through "more traditional activities" has become increasingly important for US NFCs.[39] Especially big TNCs follow this shift. This development can be substantiated through a cross country sectoral analysis which shows that these firms demonstrate signs of financial convergence, in such a way that their mode of accumulation is increasingly financialized, and they behave in the same way, being structured through competition on global capital markets.[40]

Foreign-source portfolio income for US corporations rose more steeply than domestic portfolio income, since the late 1970s.[41] Krippner assumes therefore that globalization contributes to financialization but domestic financialization should not only be seen as the result of the movement of production offshore. This finding can be substantiated by Milberg and Winkler who show that offshoring production affected especially the financialization of big TNCs in the US.[42]

Krippner's scope is solely the US economy; she does not extrapolate her findings to a general trend. By focusing on a national economy, she is able to show that on profits are increasingly generated through financial channels.

Orhangazi examines US NFCs' accounts through three different indicators: "the ratio of financial to tangible assets; the interest and dividend income share of internal funds; and total financial payments as share of gross profits."[43] His findings, based on these indicators point to the fact that financial assets as well as financial payments have increased. He defines financialization, at the general level, as the growth of the US financial sector in terms of value

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[37] See also: Davis, Leila E. (2018): Financialization and Investment: A Survey of the Empirical Literature. In: Veneziani, Roberto and Luca Zamparelli (Eds.): Analytical Political Economy. Hoboken: Wiley Blackwell. p. 214.

[38] Crotty, James (2005): The Neoliberal Paradox: The Impact of Destructive Product Market Competition and 'Modern' Financial Market on Nonfinancial Corporation Performance in the Neoliberal Era. In: Epstein, Gerald (Ed.): Financialization and the World Economy. Northampton (MA): Edward Elgar, pp. 77-110.

[39] Krippner, Greta R. (2011): Capitalizing on Crisis. The Political Origins of the Rise of Finance. Cambridge MA and London: Harvard University Press. p. 33.

[40] Maxfield, Sylvia, W. Kindred Winecoff and Kevin L. Young (2017): An Empirical Investigation of the Financialization Convergence Hypothesis. In: Review of International Political Economy 24(6), p. 1024.

[41] Krippner, Greta R. (2011): Capitalizing on Crisis. The Political Origins of the Rise of Finance. Cambridge MA and London: Harvard University Press. p. 48.

[42] Milberg, William and Deborah Winkler (2013): Outsourcing Economics. Global Value Chains and Capitalist Development. New York: Cambrige University Press. p. 213.

[43] Klinge, Tobias J., Rodrigo Fernandez and Manuel B. Aalbers (2021): Whither Corporate Financialization? A Literature Review. In: Geography Compass 15(9), p. 2.

of global financial assets and the share of national income that goes to the financial sector.[44] At the narrower level he is interested in the increase in the overall volume of financial transactions and specifically the relationship between NFCs and the financial sector.[45] This has changed as NFCs derive more and more income from financial channels, since the 1980s.
Orhangazi refers to Sweezy (1997) for an important argument. Financialization is itself a product of the "monopolization of capital" through the "rise of monopolistic/oligopolistic multi-national corporations (MNCs)."[46] This trend is described by other authors in relation to the rentierization of the economy,[47] a homogenization of the global financial system[48] and the organizational structure of big corporations in which finance is increasingly important.[49]
Orhangazi summarizes the implications of the financialization of the NFCs as reduced spending in fixed capital investment while payments to financial markets increase as at the same time NFCs derive increased profits from financial investment.[50] Notably the pressure of financial markets on NFCs for higher returns translated into corporate downsizing, cutting the number of people employed and repressing wages.[51] Here one could also add the offshoring of production to lower wage countries as another implication of this financialization of NFCs, which promises higher profits through price-markups at the expense of domestic labor markets. This finding is substantiated by Durand and Miroudot.[52]
Deregulation, as a reaction to stagnating profits in the Anglosphere core-countries and the subsequent financialization of the economy regarding the engagement of NFCs with finance, is described as benefitting the owning classes while being detrimental for labor.[53]

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[44] Orhangazi, Özgür (2008): Financialization and the US Economy. Chelthampton and Northapton, MA: Edward Elgar. p. 11.
[45] Ibid. p. 13.
[46] Ibid. p. 53.
[47] Christophers, Brett (2020): Rentier Capitalism. Who Owns the Economy and Who Pays for It? London and New York: Verso. p. 6.
[48] Maxfield, Sylvia, W. Kindred Winecoff and Kevin L. Young (2017): An Empirical Investigation of the Financialization Convergence Hypothesis. In: Review of International Political Economy 24(6), p. 1004.
[49] Serfati, Claude (2011). Transnational Corporations as Financial Groups. In: Work Organisation, Labour & Globalisation 5(1), pp. 10-38.
[50] Orhangazi, Özgür (2008): Financialization and the US Economy. Cheltenham and Northampton, MA: Edward Elgar. p. xvi.
[51] Ibid. p. 132.
[52] Durand, Cédric and Sébastien Miroudot (2015): Is Labour the Fall Guy of a Financial-Led Globalisation? A Cross-Country Inquiry on Globalisation, Financialisation and Employment at the Industry Level. In: Review of World Economics 151, pp. 409-432.
[53] Duménil, Gerard and Dominique Lévy (2005): Cost and Benefits of Neoliberalism: A Class Analysis. In: Epstein, Gerald A. (Ed.): Financialization and the World Economy. Northampton: Edward Elgar. p. 40.

3.1. Restructuring of the NFC

After the conceptualizations of Krippner and Orhangazi, which established the changing patterns of accumulation, other authors have focused on the increasing weight of financial income for non-financial firms. By deciphering the balance sheets of US NFCs beginning in the 1980s, Davis delivers a thorough conceptualization of what the financialization of the NFC entails. Generally, NFCs now hold more cash to other illiquid assets in their portfolios.[54] Large NFCs, in particular, take on more debt, often to finance stock buybacks, whereas smaller corporations have deleveraged.[55]

These findings substantiate the growing influence of SV, a focus on core competencies and the portfolio view of the firm. However, acquiring more financial assets does not automatically entail less investment in fixed capital.[56]

In a study of national statistics of the United States, the United Kingdom, France, Germany, and Japan, Lapavitsas and Powell focus on the capacity of NFCs to engage in financial markets and thus behave more like financial corporations. They rely less on banks and increased the volume of financial assets in their portfolios.[57] However, the observation of differences between countries regarding the engagement of NFCs with finance leads them to the conclusion that this is a variegated phenomenon, which depends on institutional and political variations as well as differences in economic composition.

Durand, expanding Krippner's indicators to other so-called "rich countries", draws on "the weight of the financial sector, the importance of this sector's profits relative to overall profits, and the dynamic of financial profits of non-financial firms."[58] He shows that the financial

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[54] Davis, Leila (2016) Identifying the "Financialization" of the Nonfinancial Corporation in the U.S. Economy: A Decomposition of Firm-Level Balance Sheets. In: Journal of Post Keynesian Economics 39(1), pp. 115-141. and Bates, Thomas W., Kathleen. M. Kahle and Réne M. Stulz (2009): Why Do U.S. Firms Hold So Much More Cash than They Used To? In: The Journal of Finance 64(5), pp. 1985-2021.
[55] See also: Karwowski, Ewa, Mimoza Shabani & Engelbert Stockhammer (2020) Dimensions and Determinants of Financialisation: Comparing OECD Countries since 1997. In: New Political Economy 25(6), pp. 957-977.
[56] See: Durand, Cédric & Maxime Gueuder (2018) The Profit–Investment Nexus in an Era of Financialisation, Globalisation and Monopolisation: A Profit-Centred Perspective. In: Review of Political Economy 30(2), pp. 126-153. and Milberg, William and Deborah Winkler (2012): Financialisation and the Dynamics of Offshoring in the USA. In: Cambridge Journal of Economics 34(2), pp.275-293.
[57] Lapavitsas, Costas and Jeff Powell (2013): Financialisation Varied: A Comparative Analysis of Advanced Economies. In: Cambridge Journal of Regions, Economy and Society 6(3), p. 375.
[58] Durand, Cédric (2017): Fictious Capital. How Finance is Appropriating Our Future. London and New York: Verso. p. 75.

sector is increasing its influence, concerning value added and surplus. Regarding NFCs‘ profits made through finance, he is able to establish a general upward trend.[59]
However, the relation between the financial sector and NFCs is ambiguous, Durand shows that the payments between the two are relatively stable over time, and that no net drain on non-financial firms' resources by the financial sector is observable. Rather, NFCs have "both increased their payments to the financial markets in the form of interest, dividends and stock buybacks, and increased their own financial revenues."[60] In this context, production and subsequently labor is becoming less important for the realization of profits for NFCs. Increasing shares of GDP growth in Durand´s "rich countries" come from financial accumulation through financial, insurance and real estate activities.[61]
Focusing on increasing debt taken by companies in the "major economies", Baines and Hager state that while larger firms stay profitable and take on more debt, smaller and medium size firms struggle and deleverage since the 1980s.[62] They reiterate the arguments that particularly larger firms can increase their profits, while simultaneously smaller ones have to register losses on their balance sheets. Both sizes of firms have to distribute more to shareholders, but only the big ones are able to downsize and outsource, while smaller firms have to expand production to stay compatible. Ultimately, they conclude that due to the ability of large firms to garner high profits and borrow for better conditions, is giving the the ability to leverage, which leads to a concentration of power at the top.
Market concentration and oligopolistic tendencies can also manifest itself as monoposony, in which a single buyer of goods and services controls the market.[63] The effects which market concentration can have for labor are addressed in a recent OECD publication, which found that in oligopolistic markets big employers can exert a downward pressure on wages.[64] This can be counted as a secondary effect of financialization - sustaining market concentration.
I want to briefly return to the discussion about implications for labor which the aforementioned authors provide. The shifting patterns of accumulation and the relationship between the financial and non-financial sector, entail less physical investment which can

[59] Ibid. p. 137.
[60] Ibid. p. 138
[61] Ibid. p. 81.
[62] Baines, Joseph and Sandy Brian Hager (2021): The Great Debt Divergence and its Implications for the Covid-19 Crisis: Mapping Corporate Leverage as Power. In: New Political Economy 26(5) p. 886.
[63] Manning, Alan (2021): Monopsony in Labor Markets: A Review. ILR Review, 74(1), pp. 3-26.
[64] OECD (2021), The Role of Firms in Wage Inequality: Policy Lessons from a Large Scale Cross-Country Study, OECD Publishing, Paris, https://doi.org/10.1787/7d9b2208-en. accessed: 11.08.22.

result in less money for production and less money for labor.[65] Lapavitsas and Powell refer to worsening distributional effects between capital and labor, as a result of less investment in production.[66]

Durand has a more mechanical view in which labor is the social relation which produces value. However, the dynamic of exhausted productive capacities, accompanied by financial expansion, is detrimental for the importance of production and sales in the rich economies. In his conception, finance in itself does not produce value. He states that "[f]inancial profits incarnate value but do not result from value production."[67] He rather wants these activities treated as transfers away from social relations that actually produce value to the sphere of circulation where surplus is constituted through speculation. This echoes Dumenil and Levy's argument that capital has asserted its power over labor through the increased importance of financial profits over production and sales.[68] Following a Marxist conception, due to financialization, labor as the social relation that produces value has become less important in the "rich countries". The phenomenon whereby profits in Anglosphere core and other rich European countries are increasingly made through financial channels, and a lower rate of reinvested profits in production, can be related to globalization as well as the expansion of the global workforce and the relocation of production to low wage countries. In this process, headquarters of TNCs are now more occupied with management, organization, and finance. The process of the globalization of production, requires a heightened capital mobility.

3.2. Globalization and Profits

As early as 1997 Paul Sweezy pointed to the fact that the process of capital accumulation is increasingly becoming financialized.[69] In the US, the people around the Monthly Review Magazine were among the first to describe the tendency of the proliferation of oligopolistic TNCs and the financialization of capital accumulation.[70] This all happened against the

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[65] Davis, Leila (2016) Identifying the "Financialization" of the Nonfinancial Corporation in the U.S. Economy: A Decomposition of Firm-Level Balance Sheets. In: Journal of Post Keynesian Economics 39(1), p. 136.
[66] Lapavitsas, Costas and Jeff Powell (2013): Financialisation Varied: A Comparative Analysis of Advanced Economies. In: Cambridge Journal of Regions, Economy and Society 6(3), p. 362.
[67] Durand, Cédric (2017): Fictious Capital. How Finance is Appropriating Our Future. London and New York: Verso. p. 83.
[68] Duménil, Gerard and Dominique Lévy (2004): Capital Resurgent. Roots of the Neoliberal Revolution. Cambridge MA and London: Harvard University Press. p. 10.
[69] Sweezy, Paul M. (1997): More (or less) on Globalization. In: Monthly Review 49(4), pp. 3-4.
[70] Foster, John B. (2007): The Financialization of Capitalism. In: Monthly Review 58(11), pp. 1-12.

backdrop of expanding globalization. Sweezy and Epstein both indicate that financialization and globalization are interrelated and interdependent processes that are difficult to neatly separate.[71] The expansion of production and the use of value chains and production networks have at least supported and sustained the trend of increased profits through financial channels, in the Anglosphere core and northern European countries.[72]

Christophers mentions the fact that "any identification of fundamental structural shifts in capitalism, such as its 'financialisation', must be framed at the international scale – or, at the very least, must critically interrogate the full array of international capital flows in which individual 'national economies' such as the USA are embedded."[73]

The three classical texts (Epstein, Krippner and Orhangazi) focus on the big OECD economies (the former) and on the US (the latter two), their analysis is framed at the national scale and their focus are the shifting patterns of accumulation.

Krippner mentions the fact that financialization could reflect a "spatial reorganization of economic activity associated with globalization."[74] The increase of portfolio income, vis-à-vis revenues generated by productive activities, is said to be caused by a relocation of production abroad, whereas the financial activities of the firm are handled domestically.

Contemporary economic systems do not exist in isolation. This is especially true for finance and trans-national corporations (TNCs) which operate on a global scale and are strongly interrelated. Indeed, financial capital is increasingly borderless, it can be transferred between national economies and even float above currencies as derivates.[75] Hedge funds manage large portfolios which contain all sorts of assets spread across the globe. The most strongly financialized firms are MNCs and TNCs, they act globally and make use of global value chains (GVCs). This fracturing of the manufacturing corporation into complex chains, production networks and financial flows of global wealth chains (GWC),[76] which hop over national boundaries, poses new challenges for economic data collection and classification. An

[71] Durand, Cédric (2017): Fictious Capital. How Finance is Appropriating Our Future. London and New York: Verso. p. 4.

[72] Milberg, William (2008): Shifting Sources and Uses of Profits: Sustaining US Financialization with Global Value Chains. In: Economy and Society 37(3), p. 445.

[73] Christophers, Brett (2012): Anaemic Geographies of Financialisation. In: New Political Economy 17(3), p. 279.

[74] Krippner, Greta R. (2005): The Financialization of the American Economy. In: Socio-Economic Review 3, p. 195.

[75] See for a more intricate analysis: Bryan, Dick and Micheal Rafferty (2006): Capitalism with Derivatives. A Political Economy of Financial Derivatives, Capital and Class. Palgrave: New York.

[76] Seabrooke, Leonard and Duncan Wigan (2017): The Governance of Global Wealth Chains. In: Review of International Political Economy 24(1), p. 2.

additional challenge is the use of "non-bank financing and non-financial multinationals as originators of significant capital flows."[77]

Due to a lack of profitable domestic investment opportunities, NFCs increasingly accumulate through financial channels. This is reflected through an increase in profits made by the financial sector relative to GDP. However, often it is not exactly clear where the financial incomes of the non-financial sector really come from.[78]

Ergen et al., through a critique and subsequent disaggregation of economic country-level indicators, show that indeed, nonfinancial firms have not benefited so much from increased financial activity as the financial sector has grown at the expense of the nonfinancial sector; NFCs have continuously lost money to pay interests and dividends.[79] The exception here, again are large multinationals, which resemble and act more like financial corporations.

The capacity of economic actors to relocate assets, costs, profits, and liabilities across borders has increased since at least the 1990s.[80] Capital is multijurisdictional channeled through GWCs for the purposes of protection and profit creation, as well as tax avoidance.

Changes in the production processes and the proliferation of GVC/GWC/GPN, with subsequent offshoring and outsourcing of production, allows a minority of powerful and especially internationalized firms to generate higher profits through lowering of input prices and price markups, which can then be recycled into financial capital.[81] The firms involved in GPN are facing increasing financial risk, like exchange rate, commodity prices and contractual risks.[82] The reorganization of production has subsequently promoted the financialization of these firms. Because these they must rely on a pool of highly liquid assets to organize production and logistics, therefore the acquisition of liquid financial assets is essential; this

[77] Ergen Timur, Sebastian Kohl and Benjamin Braun (2022): Firm foundations: The statistical footprint of multinational corporations as a problem for political economy. In: Competition & Change. Online: https://journals.sagepub.com/doi/10.1177/10245294221093704, accessed: 24.05.2022. p. 7.

[78] Durand, Cédric and Maxime Gueuder (2018): The Profit–Investment Nexus in an Era of Financialisation, Globalisation and Monopolisation: A Profit-Centred Perspective. In: Review of Political Economy 30(2), p. 137.

[79] Ergen Timur, Sebastian Kohl and Benjamin Braun (2022): Firm Foundations: The Statistical Footprint of Multinational Corporations as a Problem for Political Economy. In: Competition & Change. Online: https://journals.sagepub.com/doi/10.1177/10245294221093704, accessed: 24.05.2022. p. 22.

[80] Seabrooke, Leonard and Duncan Wigan (2017): The Governance of Global Wealth Chains. In: Review of International Political Economy 24(1), p. 2.

[81] Soener, Matthew (2021): Did the 'Real' Economy Turn Financial? Mapping the Contours of Financialisation in the Non-Financial Corporate Sector. In: New Political Economy 26(5), p. 817.

[82] Coe, Neil M., Karen P. Y. Lai & Dariusz Wójcik (2014): Integrating Finance into Global Production Networks. In: Regional Studies 48(5), p. 572.

tendency of bigger firms with wider reach to financialize is connected to the firms´ power and resources.[83]

Big TNCs can be conceptualized as a category of their own "based upon a centralization of financial assets and a specific organizational structure."[84] It is important to keep this in mind when looking at the different and non-uniform macroeconomic processes of financialization.

A closely related phenomenon is that big TNCs focus more on core planning and global development of the firm, whereas production itself it outsourced.[85] In this configuration these activities need more financial engineering, hence less money is invested in production and more money flows into financial channels where they can be easily relocated. As Orhangazi and Özgür argue "[f]inancialization directed funds to parts of the world other than the US, be it due to cheaper labor or to expanding markets in those places. Hence, finance became a tool through which capital was shifted from one part of the world to another."[86]

A related effect is the transfer of sources of profits from domestic product markets to foreign input markets - along global value chains.[87] Thus, the globalization of production has promoted the financialization of NFCs. Complementing the tendency, of higher profits by NFCs utilized in the financial sphere instead of being reinvested is the liberalization of trade and finance. This opened up opportunities for capital to be valorized beyond national borders. The global labor force increased significantly, while production in low-wage countries reduced the price of inputs. This has translated into higher profits for importing firms due to higher profit margins.

Big firms in concordance with big finance are able to control GPN/GVC and reap the highest benefits. Higher profits come in this sense not only from domestic production but through the control of the networks and chains. In this scenario profits become increasingly disconnected

[83] Soener, Matthew (2021): Did the 'Real' Economy Turn Financial? Mapping the Contours of Financialisation in the Non-Financial Corporate Sector. In: New Political Economy 26(5), p. 823.

[84] Serfati, Claude (2011). Transnational Corporations as Financial Groups. In: Work Organisation, Labour & Globalisation 5(1), p. 12.

[85] Nolan, Peter, Dylan Sutherland and Jin Zhang (2002): The Challenge of the Global Business Revolution. In: Contributions to Political Economy 21, p. 104.

[86] Orhangazi, Özgür (2008): Financialization and the US Economy. Cheltenham and Northampton, MA: Edward Elgar. p. 58

[87] Milberg, William (2008): Shifting Sources and Uses of Profits: Sustaining US Financialization with Global Value Chains. In: Economy and Society 37(3), p. 421.

from investment.[88] NFCs increasingly invest abroad, and preliminary data indicates a trend of banking profits where tax treatment is more beneficial.[89]

This leads subsequentially to the next point of a tendency towards oligopolies where big MNCs, with headquarters in high-income countries, controlling large shares of their respective markets. This development of increasing market concentration is at least prevalent since the 1990s.[90] In an oligopolistic, low-competition environment, the winners can reap high profits and must invest less. It seems plausible that in such a configuration, firms increasingly turn to accumulation through financial channels or use the high profits made to pay out dividends.[91] In the contemporary market structures, large oligopolies prevail in several sectors. Indeed, a small number of firms account for over one half of global sales in their respective sectors.[92] These observations all partially overlap but have the capacity to explain the development of higher profits in the high-income countries, and the altering of investment behavior by NFCs.

Milberg and Winkler delivered a complex account on the globalization of production and financialization.[93] They show that offshoring of US production has allowed firms to raise profits and led to a shift of resources from investment in long-term firm growth to financial assets, this is further fueled by higher rates of returns by this type of investment in financial assets.[94] The situation where big corporations are more concerned with management and organization and less with production, can lead to decreasing domestic demand for blue-collar labor.[95]

In an econometric analysis of 40 advanced and emerging countries, Durand and Miroudot establish connections between financialization, offshoring and employment.[96] They define financialization as diminishing reinvested profits at the industry level and find a correlation

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[88] Durand, Cédric (2017): Fictious Capital. How Finance is Appropriating Our Future. London and New York: Verso. p. 145.

[89] Fiebiger, Brett (2016): Rethinking the Financialisation of Non-Financial Corporations: A Reappraisal of US Empirical Data, Review of Political Economy 28(3), p. 376.

[90] Nolan, Peter, Dylan Sutherland and Jin Zhang (2002): The Challenge of the Global Business Revolution. In: Contributions to Political Economy 21, p. 91.

[91] Durand, Cedric & Maxime Gueuder (2018) The Profit–Investment Nexus in an Era of Financialisation, Globalisation and Monopolisation: A Profit-Centred Perspective. In: Review of Political Economy 30(2), p. 143.

[92] Nolan, Peter, Dylan Sutherland and Jin Zhang (2002): The Challenge of the Global Business Revolution. In: Contributions to Political Economy 21, p. 101.

[93] Milberg, William and Deborah Winkler (2013): Outsourcing Economics. Global Value Chains and Capitalist Development. New York: Cambridge University Press.

[94] Coe, Neil M. and Henry Wai-Chung Yeung (2015): Global Production Networks. Theorizing Economic Development in an Interconnected World. Oxford and New York: Oxford University Press. p. 107.

[95] Milberg, William and Deborah Winkler (2013): Outsourcing Economics. Global Value Chains and Capitalist Development. New York: Cambridge University Press. p. 218.

[96] Durand, Cédric and Sébastien Miroudot (2015): Is Labour the Fall Guy of a Financial-Led Globalisation? A Cross-Country Inquiry on Globalisation, Financialisation and Employment at the Industry Level. In: Review of World Economics 151, pp. 409-432.

between diminishing reinvested profits and employment. This is suggestive of a negative impact on labor demand through this process of financialization.[97] An important caveat to their conclusion is the lack of attention given to different sector- and country-specific dynamics in their aggregate.

In a recent publication Davis and Orhangazi contribute to the research on industrial concentration. They are able to show that concentration is increasing in the majority of the US-economy.[98] This is particularly true in retail and information, whereas for manufacturing industries the trend actually goes in the opposite direction. Furthermore, increased pressure on companies due to heightened international competition may be seen as a driver for US domestic concentration, "as smaller units may be unable to withstand to international competition."[99] Industrial concentration can contribute to downward pressures on wages, as job markets increasingly become dominated by a few employers.

Durand refers to the doubling of the global workforce since China, India and the former Soviet countries became part of the world economy.[100] This allowed new modes of generating profit for capital. Through lower labor costs input prices can be reduced, at the same time higher price markups are possible through the use of GVC. Another effect of the expansion of the global labor market are the downward pressures on wages in the high-income countries. Labor in low-wage countries is facing harsh conditions and barely profiting from the offshoring of production, as input producing firms are pressured through the monopsonist market-power of the big TNCs.

Financialization and globalization are interdependent, they reinforce each other. In this configuration financial capital is increasingly important, as production and sales become more global and fragmented. The global organization of production, sales and logistic necessitates a pool of liquid assets that can be quickly transferred when needed. Relating globalization and financialization to labor is difficult at an aggregate level. However, both processes can be associated with offshoring, the globalization of production and the use of GVC/GPN. The effects of these developments can be summarized as leading to oligopolistic market structures, in which global big firms dominate and exert pressures on foreign input markets,

[97] Ibid. p. 429.

[98] Davis, Leila and Özgur Orhangazi (2021): Competition and Monopoly in the U.S. Economy: What do the Industrial Concentration Data Show? In: Competition & Change 25(1), pp. 3-30.

[99] Ibid. p. 24.

[100] Durand, Cédric (2017): Fictious Capital. How Finance is Appropriating Our Future. London and New York: Verso. p. 142.

as well as through their globalization of production pressure wages of blue-collar jobs in production. When markets are controlled by single buyers, wages are also under pressure. All these trends are sustained by financialization, as the capacity to relocate assets is a premise for the globalization of production. Lead firms in the Anglosphere and European heartlands are now more concerned with firm management of GPN, to reduce costs and to shift risks outwards. Profits made by NFCs are in this configuration rather invested in financial than in productive assets. Domestically less funds are available for production and wages.

3.3. Profit-Investment Nexus

The research on financialization is mostly concerned with defining financialization at the macroeconomic level, as "the higher proportion of financial assets compared to non-financial ones and a higher amount of resources diverted to financial markets."[101] In other words, the balance between the sphere of production has shifted in favor of the sphere of circulation.[102] One consequence of this trend is that less resources are reinvested in production.

I am going to draw on the measures of profits made by NFCs through financial activities and the engagement with finance, following Krippner, Orhangazi and Stockhammer, to describe effects of this type of pf financialization on labor relations. In the OECD countries listed NFCs made increasingly high profits accelerating in the 1990s. To the contrary of what is expected these profits were not re-invested in productive activities, rather distributed in the form of dividends and stock buybacks - thus flowing into financial channels.

The physical accumulation of corporations in the US and Germany is the focus for Van Treeck. He notes that "[it] has generally been declining since the early 1980s, while at the same time corporate profit rates have developed very positively."[103] An individual corporation can face a "growth–profit trade-off over a wide range of its investment possibilities."[104] Profit rates in high-income economies did not decline significantly, but physical investment slowed down. This dynamic has implications in the sense that corporations, which until the 1980s and early

[101] Auvray, Tristan and Joel Rabinovich (2019): The Financialisation–Offshoring Nexus and the Capital Accumulation of US Non-Financial Firms. In: Cambridge Journal of Economics 43(5), p. 1183.
[102] Lapavitsas, Costas (2013): The Financialization of Capitalism: 'Profiting without producing'. In: City 17(6), p. 797.
[103] Van Treeck, Till (2009): The Political Economy Debate on 'Financialization' – a Macroeconomic Perspective. In: Review of International Political Economy 16(5), p. 910.
[104] Ibid. p. 920.

1990 retained their profits for reinvestment in production, now use their profits to pay out dividends to shareholders and finance stock buy backs. Reduced physical investment can be said to have contributed to a slowdown in growth, wage stagnation for workers, and increased overall inequality,[105] this was empirically shown for the UK. [106]

Stockhammer indicates that accumulation has slowed down since the 1970s in the US.[107] Later contributions expanded on these findings and point the same developments unfolding in the EU.[108] Stockhammer draws on microeconomic theories of firms´ management behavior, to explain the macroeconomic phenomenon of a slowdown. Firms face a trade-off between growth and profits, this translates into lower physical investment which results in a slowdown in accumulation.[109]

For these authors financialization comprises a change in NFCs behavior concerning their engagement with finance. Their empirical findings confirm that this is a reaction to a worsening economic outlook, regarding physical investment in the Anglosphere core and Northern European countries. However, Karwowski et al. in an econometric study which includes datasets from 17 different OECD countries, have found that "financialization is not a single process that occurs across all economic sectors simultaneously."[110] Processes of financialization vary across sectors and can indeed be distinct, but they are preceded by financial deregulation and driven by asset price inflation.

Part of the explanation of high profits, without the expected accumulation is managements quest for SV maximization, through which more earnings of the NFCs must be employed to pay out dividends and serve interests. Equally important is the fact that the "liberalisation of finance increases the profitability of financial operations, raising the general level of return on

[105] Lin, Ken-Hou and Donals Tomaskovic-Davey (2013): Financialization and U.S. Income Inequality. 1970-2008. In: American Journal of Sociology 118(5), pp. 1284-1329.
[106] Tori Daniele, Özlem Onaran (2018): The Effects of Financialization on Investment: Evidence from Firm-Level Data for the UK. In: Cambridge Journal of Economics 42(5), pp. 1393-1416.
[107] Stockhammer, Engelbert (2004): Financialisation and the Slowdown of Accumulation. In: Cambridge Journal of Economics 28(5), p. 728.
[108] Barradas, Ricardo (2017): Financialisation and real investment in the European Union: Beneficial or prejudicial effects? In: Review of Political Economy 29(3), pp. 376-413. and Tori, Daniele and Özlem Onaran (2020): Financialization, Financial Development and Investment. Evidence from European Non-Financial Corporations. In: Socio-Economic Review 18(3), pp. 681-718.
[109] Stockhammer, Engelbert (2004): Financialisation and the Slowdown of Accumulation. In: Cambridge Journal of Economics 28(5), p. 739.
[110] Karwowski, Ewa, Mimoza Shabani & Engelbert Stockhammer (2020): Dimensions and Determinants of Financialisation: Comparing OECD Countries since 1997. In: New Political Economy 25(6), p. 975.

equity expected by investors."[111] Corporations are investing more in finance with the prospect of higher returns on these markets.

Data on this trend is, however, inconclusive. In a large sample Soener found that the amount of financial assets held by NFCs as well as financial income has decreased since the 1990s. He concludes that the thesis of a crowding out of productive investment through finance is too simplistic. By a decomposition of 37 national accounts, he is able to show that ‟the vast majority of all financial assets, financial income and shareholder payouts are generated by the largest firms and especially those that are large and international."[112]

Constant high profits made by NFCs in high income countries do not translate into more long-term, growth-promoting investment in production. The growing importance of financial value-added has an influence on management's decisions where to deploy profits. Furthermore, through the ‟spatial disconnection of profits and investment"[113] profits made by big TNCs in middle- and low-income countries are rather invested in financial assets in the core-countries, than in fixed productive capacities. The possibility to generate high profits is also influenced through the ability to offshore, outsource and the utilization of GVC/GPN, this enables firms to lower input prices and benefit from higher price markups.

The underlying mechanisms concerning the shift in NFCs use of profits changed around the 2000s.[114] The period before is distinguished by high interest rates, liberalization and diminishing earnings as well as a slowdown of investment, with aforementioned negative effects for labor. Finance was able to assert its power vis-à-vis other actors. Decreasing invested profits are the result of rising costs of debts, shareholder claims and pressures from heightening competition. The period thereafter is then characterized by low interest rates, a financial hegemony and new forms of monopoly and full utilization of GVC/GPN. Less

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[111] Durand, Cédric and Maxime Gueuder (2018) The Profit–Investment Nexus in an Era of Financialisation, Globalisation and Monopolisation: A Profit-Centred Perspective. In: Review of Political Economy 30(2), p. 131.

[112] Soener, Matthew (2021): Did the 'Real' Economy Turn Financial? Mapping the Contours of Financialisation in the Non-Financial Corporate Sector. In: New Political Economy 26(5), p. 825.

[113] Durand, Cédric and Maxime Gueuder (2018) The Profit–Investment Nexus in an Era of Financialisation, Globalisation and Monopolisation: A Profit-Centred Perspective. In: Review of Political Economy 30(2), p. 138.

[114] Auvray, Tristan, Cédric Durand, Joel Rabinovich and Cecilia Rikap (2021): Corporate Financialization's Conservation and Transformation: from Mark I to Mark II. In: Review of Evolutionary Political Economy 2, pp. 431-457.

reinvested funds are caused by the lack of profitable opportunities, due to monopoly power and centralization of ownership rights of institutional investors.[115]

How do authors integrate labor in the nexus of higher profits accompanied by lower investment in production? When less resources are made available for production, due to shift in investment behavior, then there are also less resources for variable capital. Higher profits are not reinvested in production but rather are put into financial assets or used to maximize SV, thus higher profits do not translate into gains for labor in the aggregate. Through the increased reliance on labor in low-wage countries, labor in high-income countries, especially labor in production, loses out. Deindustrialization in the Anglosphere core-countries is a stylized fact in the literature.[116] Furthermore, deindustrialization in the EU is described in the literature to be related to financialization.[117] Shifts in labor markets are not caused by financialization, but rather reinforced and sustained by it. Through the shift in investment behavior lesser funds available for investment in production and more for funds go into financial activities, less blue-collar and more managerial and clerical staff is needed.

Distributional outcomes also worsen, both between big corporations and smaller ones as well as between contractors and subcontractors. Inequalities between occupations also widened as management has been able to reap the benefits of higher profits through stock options. By focusing on distributional outcomes of the profit-investment nexus outcomes for labor can be shown more specifically. This is on what I will be focusing on in the following chapter.

3.4. Changing Patterns of Accumulation and the Implications for Distributional Outcomes

Sociological approaches have taken the findings of shifting patterns of accumulation and centered on distributional implications for the NFC sector as well as for households. Implicating that the financial sector is able to capture huge amounts of money from NFCs and

[115] Auvray, Tristan, Cédric Durand, Joel Rabinovich and Cecilia Rikap (2021): Corporate Financialization's Conservation and Transformation: from Mark I to Mark II. In: Review of Evolutionary Political Economy 2, p. 450.

[116] See: Pariboni, Riccardo and Pasquale Tridico (2019): Labour Share Decline, Financialisation and Structural Change. In: Cambridge Journal of Economics 43, p. 1094. Brenner, Robert (2006): The Economics of Global Turbulence. The Advanced Capitalist Countries from Long Boom to Long Downturn. 1945-2005. London and New York: Verso.

[117] Svilocos, Tonći and Ivan Burin (2017): Financialization and its Impact on Process of Deindustrialization. In: Proceedings of Rijeka Faculty of Economics, Journal of Economics and Business 35(2), pp. 583-610.

households, increasingly since the 1980s.[118] Krippner and Orhangazi are able to show that NFCs relied more on financial investment at the expense of production.[119] The transfer of value to the financial sector has implications for income inequality. Jobs in this sector pay extraordinarily well, while at the same time the wage share is declining.[120] Income division between employees is also on the rise as top managers´ payouts have risen sharply.

Centering on the connections between financialization and raising income inequality in the US, Lin and Tomaskovic-Davey find that, through the NFCs focus on financial rather than productive income, firms rely less on markets and sales, this development is strengthening the bargaining power of owners and managers vis-à-vis shopfloor labor.[121] Similar to Krippner they show that NFCs increasingly derive profits through interests, dividends, and capital gains over sales.

Arestis et al. connect financialization to social stratification and inequality in the US, contend that associating managerial and financial occupations to high income, has created effects on preferences and social status in the population. The demographic group of white men profit mostly from the financial wage premium.[122] This then has implications on gendered and racial inequalities.

Labor´s share of income is declining; the income share of top earners is increasing alongside earning disparity among workers. Reliance on financial income implicates that the resources which would previously go to production and labor, are now relocated to finance. This income is less dependent on the productive workforce, thus weakening labor´s bargaining power and increasing the agency of management.[123] Financialization can be seen as a change in industrial organization and having effects on the redistribution of profits, this then also entails a significant increase in power and renumeration of a limited set of actors. The restructuring of

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[118] Tomaskovic-Devey, Donald and Ken-Hou Lin (2011): Income Dynamics, Economic Rents, and the Financialization of the U.S. Economy. In: American Sociological Review 76(4), pp. 538-559.

[119]Krippner, Greta R. (2005): The Financialization of the American Economy. In: Socio-Economic Review 3, pp. 173-208. and Orhangazi, Özgür (2008): Financialization and the US Economy. Cheltenham and Northampton, MA: Edward Elgar.

[120] Tomaskovic-Devey, Donald and Ken-Hou Lin (2011): Income Dynamics, Economic Rents, and the Financialization of the U.S. Economy. In: American Sociological Review 76(4), p. 556.

[121] Lin, Ken-Hou and Donals Tomaskovic-Davey (2013): Financialization and U.S. Income Inequality. 1970-2008. In: American Journal of Sociology 118(5), p. 1285.

[122] Arestis, Philip, Aurélie Charles and Giuseppe Fontana (2013) Financialization, the Great Recession, and the Stratification of the US Labor Market. In: Feminist Economics 19(3), p. 171.

[123] Lin, Ken-Hou and Donals Tomaskovic-Davey (2013): Financialization and U.S. Income Inequality. 1970-2008. In: American Journal of Sociology 118(5), p. 1294.

US corporations,[124] with the tendency of increased staff handling finance and organizing productive inputs and production networks and less labor in domestic production, leads to the observed consequences for labor and income inequality. Financialization is at least one factor which contributes to and sustains these trends.

In US industries, finance-oriented investment is found to negatively affect total income and growth; in this trend, labor and governments are losing when controlling for net income. Capital´s share increases whereas labor´s share declines.[125] Total labor income in the US declined by 60% between 1970 and 2008.[126] Finance, in the struggle over the distribution of surplus in society, is increasingly able to capture higher shares from the productive industry and labor, through interest, fees and rents. Overall, financialization is one factor among others that contributed to a more unequal society in the OECD countries.[127] Higher income in the Finance Insurance and Real Estate sector (FIRE) comes at the expense of production and sales. Incomes in this sector as well as in management are generally higher, whereas in other occupations wages as an aggregate are declining, hence class divisions become more pronounced.

3.5. Conclusion: Shifting Patterns of Accumulation and Labor

As Thompson and Cushen rightfully noticed, macro effects of the financialization of NFCs and the downstream effects for labor are difficult to detect.[128] However, macroeconomic developments, concerning shifting patterns of accumulation of NFCs, have impacts on the meso-economic level of firms´ management and objectives, these in turn can have implications for labor and earning disparity among workers.

The increasing weight of financial income for NFCs leads to firm restructuring. Because financial income plays an increasingly important role for NFCs, firms' organizational structures are now more geared towards profits from engagement with finance. Production and sales

[124] Froud, Julie, Colin Haslam, Sukhdev Johal and Karel Williams (2000): Restructuring for Shareholder Value and its Implications for Labour. In: Cambridge Journal of Economics 24, p. 789.

[125] Palley, Thomas I. (2013): Financialization. The Economics of Finance Capital Dominance. Basingstoke and New York: Palgrave. p. 5.

[126] Tomaskovic-Devey, Donald, Ken-Hou Lin and Nathan Meyers (2015): Did Financialization Reduce Economic growth? In: Socio-Economic Review 13(3), p. 538.

[127] Kus, Basak (2012): Financialisation and Income Inequality in OECD Nations: 1995-2007. In: The Economic and Social Review 43(4), p. 492.

[128] Cushen, Jean and Paul Thompson (2016): Financialization and Value: Why Labour and the Labour Process still Matter. In: Work, Employment and Society 30(2), p. 375.

are becoming less important for the realization of profits, thus labor involved in these activities becomes less significant. This entails worsening distributional effects between capital and labor, as profits are not reinvested in production but rather are put into financial assets. Financialization advances and sustains markets concentration, big firms control significant shares of markets or provide most of the jobs in an area, which translate in the ability to control wages and when needed exert downward pressures.

Financialization sustains globalization in the Anglosphere and northern-European core-countries. Through the reorganization of production, big TNCs in particular are able to increase their profits and expand their markets, which then leads to concentration.[129] Through a shift of production in low-wage countries, TNCs are able to lower input prices and reap the benefits of price markups.[130] The global pool of labor has expanded immensely, and low-skilled blue-collar labor in high-income countries has lost in this configuration. In general, the globalization of production sustained by financialization has negative effects on labor demand in high-income countries. Less investment in production produced a shift in demands in labor markets. These are not causal to financialization but again reinforced and sustained by it.

The shifting of investment in favor of financial assets exacerbates inequalities. As the wage share is declining as a whole, jobs in finance and management, the occupations which are responsible for the implementation of strategies that enable and sustain NFCs shift to finance, pay extremely well. The combination of macroeconomic pressures of higher returns on financial capital and the implementation of SV maximizing norms and scripts at the firm level, mostly translates into reducing the variable capital of labor.[131] This can be done through headcount reduction, outsourcing, offshoring and a deepening of the international division of labor along the GVC/GPN.[132] This contributes, alongside various other factors such as globalization and deindustrialization in the OECD countries, to a declining labor share of income.[133] Through the focus on core competences of a firm, labor which is termed auxiliary

[129] Nolan, Peter, Dylan Sutherland and Jin Zhang (2002): The Challenge of the Global Business Revolution. In: Contributions to Political Economy 21, p. 91.

[130] Soener, Matthew (2021): Did the 'Real' Economy Turn Financial? Mapping the Contours of Financialisation in the Non-Financial Corporate Sector. In: New Political Economy 26(5), p. 817.

[131] Bryan, Dick, Randy Martin and Micheal Rafferty (2009): Financialization and Marx: Giving Labor and Capital a Financial Makeover. In: Review of Radical Political Economics 41(4), pp. 458-472.

[132] Dallas, Mark P. (2015): 'Governed' Trade: Global Value Chains, Firms, and the Heterogeneity of Trade in an Era of Fragmented Production. In: Review of International Political Economy 22(5), pp. 875-909.

[133] Autor, David, David Dorn, Lawrence F. Katz, Christina Patterson, and John Van Reenen (2017): Concentrating on the Fall of the Labor Share. In: The American Economic Review 107(5), pp. 180-185. and Dünhaupt, Petra

is outsourced and subcontracted. In particular, the outsourcing of low-skill jobs from high-wage firms has led to a decline in income. This ranges from between 10 and 15% in Germany and to between 4 and 24% in the United States.[134] Powerful firms have the ability to externalize labor costs, as well as to shift of related risks and obligations outward to subcontracting firms.

An important point made by Appelbaum and Clark is that capital mobility is significantly heightened in the contemporary financialized era. Companies are mere bundles of assets, in which can be invested or that can be bought or sold. This also means that firms can more easily exit markets which are not profitable enough.[135] Firms increasingly offshore, outsource and subcontract inputs when it seems to be more profitable or shift risks to arm's length. Labor has to conform to these pressures and come to be more flexible and less costly. Corporations tend to restructure to appeal to investors, which often again translates into intensification and insecurity of labor.[136]

At the turn of the millennium, the basic model of shedding manufacturing capabilities and the focus on core competences in design and branding spread to the computer and electronics industry, consumer goods and pharmaceuticals in the US.[137] Domestic employment in these sectors has tend to fall drastically, as production is done elsewhere. When life cycles of product markets become much shorter, there is less commitment to invest in a workforce. Which was the case until the 1970s and became increasingly less important in the wake of faster business cycles, fragmentation and the heightened importance of financial profits. The outsourcing movement led to more income inequality, decreased upward mobility and more uncertain employment.

Bengtson and Ryner argue that a shift of power towards financial capital is happening at the expense of organized labor.[138] The bargaining position of labor is weakened by the increased

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(2017): Determinants of Labour's Income Share in the Era of Financialization. In: Cambridge Journal of Economics 41(1), pp. 283-306.

[134] Tomascovic-Davey, Donald (2020): Rising Between Workplace Inequalities in High-income Countries. In: Proceedings of the National Academy of Sciences 117(24), p. 9278.

[135] Batt, Rosemary and Eileen Appelbaum (2013): The Impact of Financialization on Management and Employment Outcomes. In: Upjohn Institute Working Paper 13-191. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research. Online: https://doi.org/10.17848/wp13-191, accessed: 14.06.2022. p. 2

[136] Cushen, Jean and Paul Thompson (2016): Financialization and Value: Why Labour and the Labour Process still Matter. In: Work, Employment and Society 30(2), p. 360.

[137] Davis, Gerald F. (2013): After the Corporation. In: Politics and Society 41(2), p. 287.

[138] Bengtsson, Erik and Magnus Ryner (2015): The (International) Political Economy of Falling Wage Shares: Situating Working-Class Agency. In: New Political Economy 20(3), p. 408.

flexibility and mobility of firms in their investment behavior, as well less investment in domestic markets. Union density is negatively affected by financialization, the shifting balance of power between capital and labor is found to influence this shift.[139] The gains of this change away from organized labor are said to be captured by finance capital.[140] An increased weight of a country's equity market is found to influence the strength of unions.[141] Higher levels of labor protection and the role of the welfare state as an institution of income redistribution are considered to have a positive effect on the wage share.[142]

Falling wage shares in the Anglosphere and Northern European core-countries are a stylized fact in the literature, and financialization is established as one of the main drivers.[143] These processes of financialization can exert pressures on corporations to reduce their payrolls.[144] Financialization as shifts in the patterns of accumulation, with increasing importance of finance to the detriment of production and sales, has overall negative effects for labor and distributional outcomes. This seems obvious at first sight but is difficult to uncover in a coherent manner, due to the fact that financialization has an unclear definition and authors tend to include a wide range of objects, causes and consequences under the rubric of said process.

4. The quest for Shareholder Value Maximization

After discussing literature which focuses on the shifting patterns of accumulation and the implications of these processes for labor, I turn to the research strand on managements quest for NFCs SV maximization. The increased financial orientation of the NFC is taken as a starting point for the research on SV maximization. As established in the previous chapter, NFCs are

[139] Kollmeyer, Christopher and John Peters (2019): Financialization and the Decline of Organized Labor: A Study of 18 Advanced Capitalist Countries, 1970–2012. In: Social Forces 98(1), pp. 1-30

[140] Peetz, David (2018). The Labour Share, Power and Financialisation. In: Journal of Australian Political Economy 82, p. 48.

[141] Meyer, Brett (2019): Financialization, Technological Change and Trade Union Decline. In: Socio-Economic Review 17(3), pp. 477-502.

[142] Pariboni, Riccardo and Pasquale Tridico (2019): Labour Share Decline, Financialisation and Structural Change. In: Cambridge Journal of Economics 43, p. 1096.

[143] Stockhammer, Engelbert (2012): Why have Wage Shares Fallen?: A Panel Analysis of the Determinants of Functional Income Distribution. For the International Labour Organisation (ILO) project "New Perspectives on Wages and Economic Growth." Geneva: ILO. pp. 1-53. and Pariboni, Riccardo and Pasquale Tridico (2019): Labour Share Decline, Financialisation and Structural Change. In: Cambridge Journal of Economics 43, pp. 1073-1102.

[144] Kollmeyer, Christopher and John Peters (2019): Financialization and the Decline of Organized Labor: A Study of 18 Advanced Capitalist Countries, 1970–2012. In: Social Forces 98(1), p. 20.

accumulating more financial assets at the expense of production,[145] this is complemented by increased shareholder payouts of publicly traded firms.

Fligstein claimed in 2005 that SV as guiding principle for corporate management is becoming obsolete.[146] He renewed this argument in 2022 centering on an alleged legacy of SV.[147] However, SV is far from dead. It has survived multiple crisis, including the GFC since the 1990s. It is still an important modality of assessing the assumed success of a firm. Against the backdrop of low interest rates and the quantitative easing (QE) policies of central banks during the Covid-Shock, increased volumes of stock buybacks and management's focus on the firm valuation on capital markets can be observed.

Early critical studies described SV as a new ideology for management as a particular set of business practices.[148] These practices have implications for managements decisions, in which the aim is to create more value for the shareholders often to the detriment of labor. SV maximization as guiding principle for management includes a shift from retain and reinvest to downsize and distribute strategies and the focus on core competences of the firm.[149] Most of the early studies describe the US and UK context. Newer studies focus on specific sectors and employ a more fine-grained perspective, also discussing differences between sectors and firm size. In the following I review existing literature on the SV maximization principle, with the special focus on what authors have to say about labor and labor outcomes of these processes.

4.1. Reasons for SV Maximization

The shareholder maximization principle came to light in the 1970s, as a way to solve the problem of diverging interests between owners of the firm and management. The idea, that stock markets provide a mechanism to enforce and sustain optimal decisions of management

[145] Crotty, James (2005): The Neoliberal Paradox: The Impact of Destructive Product Market Competition and 'Modern' Financial Market on Nonfinancial Corporation Performance in the Neoliberal Era. In: Epstein, Gerald (Ed.): Financialization and the World Economy. Northampton (MA): Edward Elgar, pp. 77-110., Krippner, Greta R. (2005): The Financialization of the American Economy. In: Socio-Economic Review 3, pp. 173-208., Orhangazi, Özgür (2008): Financialization and the US Economy. Cheltenham and Northampton, MA: Edward Elgar.

[146] Fligstein, Neil (2005): The End of (Shareholder Value) Ideology? In: Political Power and Social Theory 17, pp. 223-228.

[147] Fligstein, Neil and Adam Goldstein (2022): The Legacy of Shareholder Value Capitalism. In: Annual Review of Sociology 48, pp. 193-211.

[148] Van der Zwan (2014): Making sense of Financialization. p. 107.

[149] Lazonick, William and Mary O'Sullivan (2000): Maximizing Shareholder Value: A New Ideology for Corporate Governance. In: Economy and Society 29(1), p. 15.

in a market economy, offered a solution to the agency problem in publicly traded firms. This problem concerns the conflict of interests between management and the owners of the firm.[150] Management is accused to act in self-interest, lining their own pockets. The enumeration of management through stock is then said to align management and owners' objectives concerning best decisions for the corporation, namely the focus on share price maximization. Acting in the best interest of investors means divesting from underperforming branches of the corporation or, if possible, subcontracting or outsourcing them if this leads to a reduction in operational expenditure (OPEX) at a higher return on capital employed (ROCE). These decisions are always guided by the objective to raise the net worth of the corporation. Building upon these conceptions, a host of metrics was developed by consultancy firms, that are said to provide rational and measurable guidelines for managements decisions towards SV maximization. Financial deregulation, which came with the entry of new institutional investors on capital markets, sluggish growth and new competitors on the world markets contributed to a shift in corporate managements focus on performance of the firm on capital markets rather than in product markets.[151] I refer first to the seminal work of the British critical accountant school around Froud, which provided the basis for subsequent social science research on SV, I also include the work of Lazonick and O'Sullivan who are based and focused on developments in the US.

4.2. Theoretical Foundations of SV Maximization

Shareholder value, in short is a financial performance-based system[152] and an organizational guiding principle at the firm level, that provides metrics on which management can base and rationalize decisions, with the central aim to increase the value of the firm on the capital markets and thus appreciate stock or pay out dividends. This often happens against the principle of a social responsibility of the firm towards their employees and the reinvestment of profits in production.

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[150] Erturk, Ismael (2020): Shareholder Primacy and Corporate Financialization. In: Mader, Philip, Daniel Mertens and Natascha van der Zwan (Eds.): The Routledge International Handbook of Financialization. Oxon and New York: Routledge. p. 46.
[151] Lazonick, William and Mary O'Sullivan (2000): Maximizing Shareholder Value: A New Ideology for Corporate Governance. In: Economy and Society 29(1), pp. 13-35.
[152] Froud, Julie, Colin Haslam, Sukhdev Johal and Karel Williams (2000): Shareholder Value and Financialization: Consultancy Promises, Management Moves. In: Economy and Society 29(1), p. 89.

One problem with these performance-based systems of stock market valuation is the imbalance between product and financial markets. In product markets corporations are often not able to deliver the same returns on equity employed as capital markets.[153] This leads to the conclusion that "financialization denotes a new form of competition which involves a change in orientation towards financial results but also a kind of speed up in management work."[154] This entails shifting forms of competition in which capital-markets become more important than product-markets. Firms are viewed as portfolios where single components have to be managed with the aim to increase overall value. This leads to restructuring in terms of reducing expenditures such as variable capital - labor is here the largest controllable element of cost.[155] SV maximization is interdependent with mergers and acquisitions (M&A) and industrial concentration. Shedding parts of portfolios that do not seem profitable enough and merging with other firms, that provide new parts of the portfolio, is generally appreciated by shareholders. Froud et al. focus on SV and its implications for labor and deliver a concise account of UK firms management decisions guided by SV maximization, stating that "labour is usually the first casualty of restructuring at the firm level."[156]

Corporate restructuring is happening under the pressures to generate more ROCE or obtain more return on equity (RoE). This can be done by labor cost reduction and the saving of productive capital. The response of corporate management, to the demand of high profit rates from the financial markets, is typically cost cutting as there are always limits of profitability in product markets. Corporate restructuring are thus attempts to improve ROCE, to meet the expectations of the markets and serving the shareholders. Corporate restructuring often happens at the expense of labor.[157] Most of the gains for shareholders come not from reshuffling the portfolio to increase value as a whole, "but from a redistribution as managers squeeze other stakeholders, especially labour."[158] Labor shedding can inherit costs, as dismissed parts of the workforce have to be compensated upfront. This happens in a difficult macroeconomic climate, where delivering increasing profitability is becoming more

[153] Ibid. p. 103
[154] Ibid. p. 104
[155] Ibid. p. 108.
[156] Froud, Julie Colin Haslam, Sukhdev Johal and Karel Williams (2000): Restructuring for Shareholder Value and its Implications for Labour. In: Cambridge Journal of Economics 24, p. 771.
[157] Ibid. p. 789.
[158] Ibid. p. 776.

complicated. Stagnating tendencies in specific industries are found to correlate with increased shareholder payouts.[159]

The portfolio conception of the corporation, where the firm is merely viewed as a bundle of assets that are assessed and categorized, based on metrics of profitability, has influenced investment decisions, as well as corporate restructuring and organizational decisions.[160] Attempts to boost values of parts of the firm are mostly short-lived and in the cases of big retailers and big pharma conglomerates which Froud et al. discuss in their paper, did not bring the anticipated success, the reasons for this are found in the difficulty to escape the constraints of the product markets.[161]

Lazonick and O´Sullivan are often cited by other research when the shift of objectives of corporate management is invoked. Up until the 1980s big firm conglomerates in the US followed the management principle of "retain and reinvest", revenues made by these firms were generally reinvested in physical capital, production and in labor.[162] This strategy faced problems beginning in the 1970s, due to poor performance and macroeconomic instabilities, as well as the entry of new competitors on the world market, especially cars and consumer electronics from Japan.

Financial deregulation as a reaction to the oil-crisis induced inflation of the 1970s and the entry of new institutional investors contributed to a shift in objectives in firms' management towards "downsize and distribute".[163] Many of big US firm conglomerates were downsized in the following decades, especially well-paid blue-collar jobs were outsourced or made redundant. Whereas payouts of dividends and stock repurchases increased drastically in volume. Shareholders and top managers were the ones benefitting, while labor mostly was bearing the costs.

Earning disparity is affected, as management often compensated in stock options can profit through SV maximization, whereas shopfloor labor is pressured to deliver more or dismissed entirely during restructuring. Another mechanism through which SV maximization has

[159] Davis, Leila and Shane McCormack (2021): Industrial Stagnation and the Financialization of Nonfinancial Corporations. In: Review of Evolutionary Political Economy 2, pp. 459-491.

[160] Crotty, James (2005): The Neoliberal Paradox: The Impact of Destructive Product Market Competition and 'Modern' Financial Market on Nonfinancial Corporation Performance in the Neoliberal Era. In: Epstein, Gerald (Ed.): Financialization and the World Economy. Northampton (MA): Edward Elgar, pp. 77-110.

[161] Julie Froud, Julie, Colin Haslam, Sukhdev Johal & Karel Williams (2000): Shareholder Value and Financialization: Consultancy Promises, Management Moves. In: Economy and Society 29(1), p. 103.

[162] Lazonick, William and Mary O'Sullivan (2000): Maximizing Shareholder Value: A New Ideology for Corporate Governance. In: Economy and Society 29(1), p. 14.

[163] Ibid. p. 15.

implications for inequalities, is the demand for financial professionals, which increases the income shares of the top 10%, and in general drives incomes at the top.[164]

This has wider implications for the US population concerning inequalities between households. The two decimals of top-income engage significantly more often with the stock market and hold more stocks compared to income. The top decimal owns 84 percent of US stock market portfolio value according to Survey of Consumer Finances on the Federal Reserve Board statistics.[165] They profit more from this mode of corporate governance than the rest of the population, which exacerbates the already ever-increasing income inequalities.

Newer data shows that the richest 10% of U.S. families "owned about 80 percent of the equity market,"[166] therefore the objective of shareholder wealth maximization mostly increase the wealth of the top 10%. Another factor is the racial gap in stock ownership, which again favors white and wealthy Americans. Corporate executives who implement and follow through with the mission to increase SV are often compensated in the forms of stock options, so they are more than often themselves beneficiaries of shareholder return.[167]

Aglietta adds some further points to the theorization on SV. This ideology first justifies the increased importance of shareholders over other actors, moreover it also introduces a capital market conceptualization of the firm in contrast to an industrial one.[168] Capital markets can wield public opinion on the valuation of firms. As well as abstracting from firm specificities and introduce simple metrics of share price on the stock markets. SV maximization is then the promotion of a system of public valuation of the corporation.

Erturk et al. focus on corporate governance, influenced by processes of financialization in the US and UK. They consider the impacts of giant firms' management behavior on inequality as well as inequalities between wages of management and ordinary workers. Companies in the US during the 90s "struggled to generate value through earnings by delivering returns greater

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[164] Huber, Evelyn, Bilyana Petrova and John D. Stephens (2022): Financialization, Labor Market Institutions and Inequality. In: Review of International Political Economy 29(2), p. 447.

[165] FED (2020): Federal Reserve Bulletin. Changes in U.S. Family Finances from 2016 to 2019: Evidence from the Survey of Consumer Finances. Online: https://www.federalreserve.gov/publications/files/scf20.pdf, accessed: 01.06.2022.

[166] Lin, Ken-Hou and Megan Tobias Neely (2020): Divested. Inequality in the Age of Finance. New York: Oxford University Press. p. 156.

[167] Lazonick, William (2017:) The New Normal is "Maximizing Shareholder Value": Predatory Value Extraction, Slowing Productivity, and the Vanishing American Middle Class. In: International Journal of Political Economy 46(4), p. 221.

[168] Aglietta, Michel (2000): Shareholder Value and Corporate Governance: Some Tricky Questions. In: Economy and Society 29(1), p. 148.

than their cost of capital."[169] The solution to generate higher share prices in this environment was bidding up the prices, by investing profits in a limited supply coupon pool. In this way the creation of SV became an important mode of corporate governance, and subsequently reframed the social responsibility of the firm. Before the 1970s managerial guidelines can be outlined as reinvesting profits in production and staff through apprenticeship, training, and the provision of upward mobility in the firm. The shift to SV maximization as guideline entails the conception that the social responsibility of the firm is mediated through stock options, and the possibility to participate in the success of a firm via share price appreciation. The corporation itself is in this framework redefined as producing profits, which are shared with bond holders through a market. Households can participate and have an outlet for their savings.[170] At least this is how the official story goes, in reality because of worse distributional outcomes, ordinary workers are often not in the position to save enough to channel savings in capital markets. In this conception corporate responsibility towards labor is shifted.

From a more sociological angle Davis and Kim define financialization as the spread of financial markets, and the wider societal implications thereof. Especially the changing ways in which businesses are structured and operate. The quest of SV maximization favored the disintegration of the corporation into more profitable production networks and supply chains. This fissuring has implications for exacerbating inequalities. This dynamic of the financialization of the NFC in the US was mostly visible and the most discussed effect of financialization.[171] Referring to the profit-investment puzzle, they describe the consequence of reduced investment in production as wage stagnation and increased indebtedness of wage-earning households. NFCs experienced slower growth and decrease in employment.

The theoretical foundations of the SV concept, focus on distributional outcomes between managers, shareholders, and workers, as the principal agents for the firm. Here, shareholders and management can benefit from these processes of distribution, whereas ordinary labor has to bear the costs.

4.3. Coupon Pool Capitalism

[169] Erturk, Ismail, Julie Froud, Sukhdev Johal & Karel Williams (2004): Corporate Governance and Disappointment. In: Review of International Political Economy 11(4), p. 689.
[170] Ibid. p. 688.
[171] Davis, Gerald F. and Suntae Kim (2015): Financialization of the Economy. In: Annual Review of Sociology 41(11), p. 11.7.

Another perspective on SV maximization, which includes the wider implications for the economy and households, is based on the idea of a shift in the role of capital markets as intermediators between housholds, banks and firms, to a coupon pool capitalism. Coupons are various financial papers, that are traded in the markets. However, these pools do not act any longer as sole intermediary institutions, but actively shape firms and households' behavior and have implications for the macroeconomic trajectory.[172] Households interact with the coupon pool by providing earnings through labor. Firms, on the other side issue financial papers to obtain funds, and through dividends and interests, as well as buybacks divert funds back into the pool.

This model only applies to countries where a significant portion of the population owns stocks. This is not the case for many OECD countries, but the US can be seen as the prime example where 40% of households have some investment in the coupon pool.[173] Firms, following SV maximization strategies behave and organize in a way that their stocks seem profitable. Earnings of corporations increasingly go to financial markets, through the acquisition of financial assets, dividends and share buybacks.[174] Households earnings flow into the coupon pool, with the aim of realize gains in the future. The model establishes a link between corporations' funds and households through the coupon pool. Showing an increasing influence of capital markets at both sides with implications for firms' allocation of earnings and households' savings. Because mostly the upper income households have stakes in the coupon pool inequality gets more pronounced. Households that are not able to save in capital markets cannot profit from price appreciation. In this model labor is included at two sides, it is affected by firm restructuring due to pressures from the capital markets, and earnings through wage labor, which usually form the base of households income, enter the coupon pool as savings.

4.4. New Investment Funds and Labor

[172] Froud, Julie, Sukhdev Johal and Karel Williams (2002): Financialisation and the Coupon Pool. In: Capital & Class 26(3), p. 120.
[173] OECD (2022): Households Financial Assets. Online: https://data.oecd.org/hha/household-financial-assets.htm, accessed: 01.06.2022.
[174] Orhangazi, Özgür (2008): Financialization and the US Economy. Cheltenham and Northampton, MA: Edward Elgar. p. 92

Another perspective, with different actors and implications is provided by Gospel, Pendelton and Vitols.[175] They focus on New Investment Funds, such as Private Equity (PE), Hedge Funds (HF) and Sovereign Wealth Funds (SWF) and the ways in which they interact with NFCs. These funds are all large pools of money, managed by professionals, and invested in different types of assets often in corporations.

Froud et al. compare the functioning of the business model of PE and HF to used car trading. In the latter money is borrowed to purchase a second-hand car, which is refurbished cosmetically but not mechanically and then resold on the market to generate profit above the cost of the amount lent.[176] PE and HF operate along the same idea, money is leveraged to purchase companies or parts of corporations, these then get streamlined, metrics such as RoE or ROCE are enhanced, in the end of this process the same parts of the company can be resold for profit, even if the process of boosting the value is only cosmetic.

Not every investment of NIF in a corporation has the end goal of reselling the company in the medium term, but it most certainly has the aim to generate profit for the investors. In this conception companies are seen as mere bundles of assets, which have to deliver certain gains at the end of the day. These ventures have implications for the investees, sometimes translating in activist governance by the funds. These have consequences for labor through the change of company strategies to reach higher RoE, and labor shedding by reducing controllable costs. Even if these types of funds comprise a rather small portion of the financial system, the amount of assets they control is increasing, as well as the influence on the economic system. However, the impacts and the transformative potential of these funds varies between cases and between countries. Especially important are institutions and laws that allow for more or less interference of investment funds in firms, equally important are labor protection laws that allow for more or less restructuring along labor shedding.

Funds that exert managerial governance can "transfer value from other stakeholders, such as labor, to shareholders, and they sometimes seek to restructure companies in ways which threaten jobs and employment security."[177] The engagement of NIFs in firms is somewhere

[175] Gospel, Howard and Andrew Pendelton (2015): Financialization, New Investment Funds and Labour. In: Gospel, Howard, Andrew Pendelton and Sigur Vitols (2015): Financialization, New Investment Funds and Labour. Oxford: Oxford University Press

[176] Froud, Julie, Sukhdev Johal and Karel Williams (2006): Financialization and Strategy. Narratives and Numbers. London and New York: Routledge. p. 122.

[177] Gospel, Howard and Andrew Pendelton (2015): Financialization, New Investment Funds and Labour. In: Gospel, Howard, Andrew Pendelton and Sigur Vitols (2015): Financialization, New Investment Funds and Labour. Oxford: Oxford University Press. p. 11.

located between the macro- and the meso-level of the analysis. Certainly, NIFs are a relatively new trend; they were born out of deregulation which freed up new opportunities to invest and leverage more freely. NIFs can intersect with the firm at the meso-level and through their engagement exert influence on metrics such as RoE, management decisions regarding SV and labor through restructuring. NIFs are able to "transfer value from existing stakeholders, such as workers, to the funds."[178]

4.5. Sectoral Features of SV Maximization

Froud et al. provide an ample overview of FTSE 100 and S&P 500 firms behavior since the 1980s and situate it with the usual narratives on effects of SV orientation.[179]

They are providing a good account of what shareholder maximization and increased pressure of capital markets can entail for the management of a listed firm. Shareholder value maximization affects distributional outcomes in a way that management profits can augment their income, while ordinary labors´ income stagnates or decreases. Concerning the payouts for shareholders themselves, they are able to show that management is not always successful in raising ROCE or growth of the firm. Surprisingly they do not find a significant decrease of employment numbers in the S&P 500 and FTSE 100 corporations. Their data shows no significant downsizing at the expense of labor.[180] This finding suggests that the story of "downsize and distribute"[181] is just partly true; it tends to rather entail shifting demands in labor markets than just "less jobs". However, large corporations are under pressure to reduce costs and become more efficient. This is done by restructuring and merger and acquisition activity (M&A) as buying or selling parts of the firm. This can indeed be successful and create value on the stock market, which feeds into the pockets of shareholders. But at the same time can also entail plant closures and layoffs of the workforce.

Through a decomposition of US Firms balance sheets, Davis finds three general tendencies of NFCs financial behavior. Firms are holding a growing number of liquid financial assets relative

[178] Ibid. p. 26.
[179] Froud, Julie, Sukhdev Johal and Karel Williams (2006): Financialization and Strategy. Narratives and Numbers. London and New York: Routledge. p. 9.
[180] Froud, Julie, Sukhdev Johal and Karel Williams (2006): Financialization and Strategy. Narratives and Numbers. London and New York: Routledge. p. 89.
[181] Lazonick, William and Mary O'Sullivan (2000): Maximizing Shareholder Value: A New Ideology for Corporate Governance. In: Economy and Society 29(1), p. 14.

to fixed capital in their portfolios, they are increasingly leveraged, especially large NFCs and the role of equity, especially stock buybacks are becoming more important as a mode of corporate governance.[182] She relates these findings to the SV maximization strategies of firms. They often finance stock repurchases through debt, instead of borrowing for investment in production. However, significant differences between firm size and sector, in relation to firm behavior can be described. Bigger firms are exhibiting a deeper financialization in terms of leverage and share buybacks.

In a survey of the existing literature concerning the relation between investment decisions of NFCs and financialization, Davis describes the influence of SV maximization strategies on NFCs behavior. Two findings are worth mentioning here. First, that outside investors increasingly gain influence of management decisions to implement short-term, stock-value enhancing decisions. Shareholders can increase their agency vis-à-vis management through the threat of en-masse selling of stock. Stock-based executive pay is another important factor through which management is compelled to implement short term strategies away from growth-maximizing to profit-maximizing objectives.[183]

Overall, her documentation of gross stock repurchases of US corporations as an indicator for SV orientation validates the argument that SV maximization comprises a "behavioural channel tying changes in firm behaviour to financial outcomes."[184] Which signals a power shift away from labor and product markets towards financial markets.

Focusing on employment dynamics in the US, Lin reflects on the shift from a manufacture driven to a finance-oriented economy, since the 1970s. Corporate governance became more responsive and involved in financial, rather than product markets.[185] The engagement of NFCs operation in finance, growing corporate debt and increased shareholder payouts are important developments in firm operations, which influence the distribution of resources away from investment in production and labor. Through an empirical analysis of employment data, of US Fortune 500 NFCs, between 1982 and 2005 the author finds that "financial investment has a positive effect on managerial, professional, and service employment but a

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[182] Davis, Leila E. (2016) Identifying the "Financialization" of the Nonfinancial Corporation in the U.S. Economy: A Decomposition of Firm-Level Balance Sheets. In: Journal of Post Keynesian Economics 39(1), p. 137.
[183] Davis, Leila E. (2018): Financialization and Investment: A Survey of the Empirical Literature. In: Veneziani, Roberto and Luca Zamparelli (Eds.): Analytical Political Economy. Hoboken: Wiley Blackwell. pp. 224ff.
[184]Ibid. p. 230.
[185] Lin, Ken-Hou (2016): The Rise of Finance and Firm Employment Dynamics. In: Organization Science 27(4), p. 975.

devastative effect on blue-collar production workers."[186] This can be taken as an extension of the findings of Erturk et al. which show no significant downsizing of the workforce in big firms[187] the workforce rather gets reshuffled, with an increased need for organization and management, which also goes well with the observation that big firms are more concentrated on management, organization and less with production itself. A related effect, considered by other authors[188] is the huge enlargement of the workforce through globalization, new technological developments, and the extended use of GVC/GPN. These developments lead to a decrease in employment in manufacturing and an increase in office supportive staff and more personnel in retail and sales in high income countries. In other words, labor in production is more vulnerable to organizational changes in firms which are associated with financialization.[189] Downsize and distribute strategies are mainly followed by corporations with a global reach and with a deep utilization of GVCs.[190] Through outcontracting domestic investment needs can be reduced, which is often demanded by SV maximization metrics as well as from shareholders themselves.[191]

Firms rather reallocate funds to finance than to re-expansion. This partly explains the jobless recovery in the US after the last recession. Financialization is at least a factor, in the wider structural shifts in high-income countries, which include an increase in service-sector jobs, more automation, less production, the expansion of the global workforce and institutional changes. These developments all play a part and are difficult to neatly separate when looking at shifts in labor market demands as an aggregate. Financialization as a process can be outlined as a wider tendency that supports and sustains these shifts.

After discussing literature, with the focus on the big picture of NFCs adoption the SV maximization principle and the outcomes for labor as an aggregate, mostly in the Anglosphere

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[186] Ibid. p. 977.

[187] Erturk, Ismail, Julie Froud, Sukhdev Johal & Karel Williams (2004): Corporate governance and disappointment. In: Review of International Political Economy 11(4), p 688.

[188] Milberg, William and Deborah Winkler (2013): Outsourcing Economics. Global Value Chains and Capitalist Development. New York: Cambridge University Press. and Milberg, William (2008): Shifting Sources and Uses of Profits: Sustaining US Financialization with Global Value Chains. In: Economy and Society 37(3), pp. 420-451.

[189] Lin, Ken-Hou (2016): The Rise of Finance and Firm Employment Dynamics. In: Organization Science 27(4), p. 983.

[190] Auvray, Tristan and Joel Rabinovich (2019): The Financialisation–Offshoring Nexus and the Capital Accumulation of US Non-Financial Firms. In: Cambridge Journal of Economics 43(5), p. 1186.

[191] Milberg, Wiliam and Winkler, Deborah (2013): Outsourcing Economics: Global Value Chains in Capitalist Development, Cambridge, MA, Cambridge University Press. p. 214.

core and to an extend in other high-income countries, I include literature which focuses on industrial sectors, and sectoral specific developments beyond national economies.

4.6. Sectoral Studies

Big pharma is shown to increasingly rely on patent and brands, less resources are diverted to production and research and development (R&D). This is now more frequently conducted by middle-sized biotech firms, which then get acquired by big pharma when development of a new drug is successful.[192] Business organization in this sector resembles increasingly equity funds, which have the sole aim to generate value for shareholders. Companies adopt blockbuster strategies in which single, new, patented drugs generate huge sums of revenue which can boost SV massively.[193] Big pharma increasingly uses corporate funds and leverage to finance stock repurchases.[194] Through their relative market power these firms are able to exert pressure on suppliers.

Tech companies in the decade after the turn of the millennium made huge stock repurchases, at the same time they were globalizing production. Profits made through offshoring were used to finance stock buybacks at home.[195] Big-tech companies have been accumulating "financial assets, in absolute terms as well as compared to their fixed capital"[196] and are currently among the firms with the biggest market capitalization.

Apple pursues a strategy of offshoring production with the aim of minimizing costs and achieving high profit margins, which then are reflected in a higher share price. The company, through its subsidiary Braeburn Capital, behaves like a giant hedge fund that also happens to produce phones. Apple is focusing on the core competences like R&D, sales, and marketing, whereby production and assembling is outsourced. This international division of labor is following the dictum of SV maximization, to create higher returns on capital employed. Apples

[192] Andersson, Tord, Pauline Gleadle, Colin Hasslam, Nick Tsitsianis (2010): Bio-Pharma: A Financialized Business Modell. In: Critical Perspectives on Accounting 61, pp. 631-641.
[193] Montalban, Matthieu and Mustafa Erdem Sakinc (2013): Financialization and Productive Models in the Pharmaceutical Industry. In: Industrial and Corporate Change 22(4), p. 986.
[194] Klinge, Tobias J., Rodrigo Fernandez and Manuel B. Aalbers (2020): The Financialization of Big Pharma. In: Revista Internacional de Sociología 78(4), p. 12.
[195] Lazonick, William (2010): Innovative Business Models and Varieties of Capitalism: Financialization of the U.S. Corporation. In: Business History Review 84(4), p. 698.
[196] Fernandez, Rodrigo, Ilke Adriaans, Reijer Hendrikse, Tobias J. Klinge (2020): The Financialisation of Big Tech. Engineering digital Monopolies. Amsterdam: SOMO Institute. Online: https://www.somo.nl/the-financialisation-of-big-tech/, accessed: 02.06.2022.

RoE is very high compared to other corporations in the sector and beyond.[197] Through a setup of subsidiaries the company is holding large amounts of liquid assets and is reinvesting in a wide range of financial securities, like market funds, treasury securities, commercial paper, and corporate securities. The firm successfully controls supply chains and is able to exert pressure on suppliers and manufacturers, like Foxconn, to generate enormously high profit margins.[198] This again translates into share price appreciation. However, this model of corporate organization proves to be detrimental for the suppliers and assemblers downwards the production chain. In this case Foxconn is not able to generate high profits and subsequently distribute them. Apple can be seen as the prime example of a highly financialized firm, which uses its market power, and multinational setup to generate comparatively high profits and reap the benefits from low-wage jurisdictions and tax heavens. In turn serving the management and shareholders. However, with detrimental effects for domestic labor market composition and workers further down the value chain, employed by the suppliers.[199]

In a sectoral analysis of the five biggest automobile producers do Carmo et al. observed that overall profits from financial branches where higher than those from production itself. This shows that financial activities are increasingly important in the profitability of the corporation itself. Major shareholders of the five firms are mostly financial organizations. Industrial companies such as automobile producers are increasingly resembling financial centers, with the purpose of creating shareholder value. A significant amount of income is spent on dividends and share buybacks, which confirms that SV maximization is one of the priorities for management. Financialization of the automotive sector is comprised by the fact that shareholders become a significant actor in corporate control and decision-making.[200]

The shift in organization and composition of a productive industry with growing importance on financial operations and the creation of SV, has implications for labor and employment. In the deindustrializing high-income countries, employment in production is shifted to low wage countries, while management salaries increase greatly. Profits are spent to buy back shares and pay out dividends. This general trend can be observed across all five major automakers,

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[197] Fernandez, Rodrigo and Reijer Hendrikse (2015): Rich Corporations, Poor Societies. The Financialisation of Apple. Amsterdam: SOMO Institute. Online: https://www.somo.nl/wp-content/uploads/2015/10/Rich-corporations-poor-societies.pdf, accessed: 02.06.2022. p. 14.
[198] Ibid. p. 12.
[199] Froud, Julie Sukhdev Johal, Adam Leaver, Karel Williams, (2012): Financialization Across the Pacific: Manufacturing Cost Ratios, Supply Chains and Power. In: Critical Perspectives on Accounting 25(1), p. 56.
[200] do Carmo, Marcelo, Mario Sacomano Neto & Julio Cesar Donadone (2019): Financialization in the Automotive Industry: Shareholders, Managers, and Salaries. In: Journal of Economic Issues 53(3), p. 860.

with U.S.-based manufacturers more invested in these strategies than those based in the EU or East Asia.

Bryan, Rafferty, Toner, and Wright, in an analysis of the Australian construction sector, show that companies are more concerned with investment, finance, and risk trading than with actual construction work. [201] In this way, they increasingly resemble global property services companies that delegate construction to specialized contractors, shifting risk downward and resulting in a breakdown of work into diverse fluid and unbundled contracts. [202]

In the U.S. apparel and garment industry, brand manufacturers and brand marketers that have outsourced production and own and manage only the brand exhibit the most pronounced financialization. They are holding more cash and short-term investments and make higher financial payouts than general retailers and textile assemblers. This leads to the assumption that supply-chain-types mater in terms of the degree of financialization of the corporation. [203]

The results on labor are interesting and worth mentioning when it comes to the correlation between financialization and unionization levels in the sector. Companies with a stronger union are more likely to be financialized. The explanation is that the tactical use of a diversion of resources into financial channels, away from labor, strengthens the bargaining power of managers vis-à-vis unions. [204]

A recent empirical study examining an extensive panel of data from 37 countries finds that only one measure of financialization has increased, namely shareholder distributions. [205] Very large and international companies account for the highest share of financial assets, financial income and shareholder payouts. [206]

Sectoral studies are able to abstract from the context of a national economy and show how especially large and transnational corporations are increasingly financialized. The ability to organize complex networks of production must come with the increased capacity to manage finance. Sectoral studies also show that for this type of large transnational firm the reliance

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[201] Bryan, Dick, Michael Rafferty, Philip Toner and Sally Wright (2017): Financialsation and Labour in the Australian Commercial Construction Industry. In: The Economic and Labour Relations Review 28(4), p. 506.
[202] Ibid. p. 512.
[203] Soener, Matthew (2015): Why Do Firms Financialize? Meso-level Evidence from the US Apparel and Footwear Industry, 1991–2005. In: Socio-Economic Review 13(3), p. 566.
[204] Ibid. p. 567.
[205] Matthew Soener (2021): Did the 'Real' Economy Turn Financial? Mapping the Contours of Financialisation in the Non-Financial Corporate Sector, New Political Economy 26(5), p. 817.
[206] Ibid. p. 825.

on domestic production and sales is becoming less important. This can have implications for labor market composition and the agency of labor in production.

4.7. Disconnected Capitalism

In 2003, Thompson focused on changes in the management of companies and in the economy as a whole and on what the use of work process analysis could contribute to this area of research.

The disconnection in his "disconnecting capitalism thesis" is between what objectives and demands are expected from labor and employers keeping "their side of the bargain,"[207] i.e., providing sufficient loans, stability, and sustainability of the jobs offered situated within the social compromise between workers and firms. He first refers to the breakdown of old Fordist workplace conditions, which were comparatively more stable and an employer's heightened commitment vis-à-vis their workers. These models slowly eroded through the internal exhaustion of productivity gains and new competitive pressures, through the availability of cheaper work in lower wage countries and the entry of new competitors on the market. Employers reacted through a qualitative intensification of labor, and a heightened flexibility and contingency through different measures.[208] In other words, what changed is the demand of capital towards employees. The connection between financialization and workplace outcomes is rooted in the growing influence of capital markets. Firm behavior is subjected to certain expectations, for example metrics such as ROCE or SV maximization. This increasingly replaces the older notions of reacting to consumer or product markets, thus capital markets and the SV principle becoming regulators of firm behavior.[209]

Ten years after the initial publication of his thesis, Thompson reviews his arguments and puts more emphasis on the distributional implications financialization has for labor. Thompsons thesis can be summarized as the divergence between what employers ask from labor and what they were willing in turn to provide. Demands towards labor are comprised of more investment in effort, commitment, and flexibility. While employers where increasingly

[207] Thompson, Paul (2003): Disconnected Capitalism. Or why Employers can´t Keep Their Side of the Bargain. In: Work, Employment and Society 17(2), p. 361.
[208] Thompson, Paul (2003): Disconnected Capitalism. Or why Employers can´t Keep Their Side of the Bargain. In: Work, Employment and Society 17(2), p. 362.
[209] Ibid. p. 366.

withdrawing from the provision of stability, career opportunities and pensions. For Thompson one of the reasons why this bifurcation happens is management's focus on SV maximization. Macroeconomic developments of financialization, such as the falling wage share, decreasing productive investment, and wider means of extracting value, are also said to be influential for labor. Households' revenue is now a target of accumulation through debts, interests and fees generated through financial products.

Another dynamic, which comes with financialization is the structural disaggregation and hence valuation of different parts of the firms' distinctive assets. To which other authors, albeit in different context refer to as assetization.[210] A side effect of this disaggregation is a fragmentation and fissuring of employment systems,[211] labor termed as auxiliary or redundant is shed or subcontracted. Which has detrimental consequences for employment security, wages and career opportunities. At the same time labor protection policies got weakened in the US and the UK and in a notable amount of EU states. The main pattern which Thompson describes is that capital is increasingly able to reap the benefits of high performing labor, without providing social safety through consolidated employment systems.[212] The mutual gains between firms and employees are diminishing, distributional outcomes are negatively influenced by SV maximization.

4.8. Conclusion: SV Maximization and Labor

The literature on management's quest for SV maximization is the most developed in theorizing implications for labor. This is largely because the main actors in this strand of research are shareholders, management, and workers, and how they are affected in different ways by changes in management; thus, it is often an explicit focus of the literature, to relate and explain the impact of these shifts on employment, wages, job security, and the agency of unions.

[210] Langley, Paul (2020): Assets and Assetization in Financialized Capitalism. In: Review of International Political Economy 28(2), pp. 382-392.
[211] Weil, David. 2014. The Fissured Workplace: Why Work Became So Bad for So Many and What Can Be Done to Improve It. Cambridge, MA: Harvard University Press.
[212] Thompson, Paul (2013): Financialization and the Workplace. Extending and Applying the Disconnected Capitalism Thesis. In: Work, Employment and Society 27(3), p. 482.

Earlier literature focused on aggregate changes in corporate management in the Anglosphere core-countries, whereas newer literature zooms in on sectoral- and firm-size specific mechanisms, without being necessarily bound to a national economy.
Financialization is described as a driver, for "corporate and workplace change"[213] These changes, are based on metrics of firm performance. SV maximization signals a shift in forms of competition, from product markets to the valuation on capital markets. This can entail management's focus on short term goals, which leads to work intensification through performance-based measurement techniques. On the balance sheets, performance can be enhanced through the squeezing of labor costs. Important numerators are OPEX and ROCE, in which OPEX generally should be lowered whereas ROCE should increase. These numerators can improve if a corporation is focusing on core competences, is downsized or the production is streamlined.
Labor is still the social relation which creates value. Financialization is a bundle of interrelated processes which modify the relation of capital towards labor. The underlying current of this changing relationship varies between places, industries and firms. But overall, the heightened importance of financialization feeds into heightened insecurity, intensification and fragmentation of labor and the labor process. This is often the result of restructuring, outsourcing, payroll and headcount reduction in listed firms, following SV maximization. These developments are found to have adversarial effects for organized labor and union density. Through the influence of powerful investors on the capital markets firms can be pressured to reduce headcounts and, in the process, get rid of higher-cost unionized labor.[214] The fissuring of work is said to have heightened the differences of building and upholding solidarity between secure and insecure workers and a fragmentation of interests between groups.[215]
Controlling for the influence of equity markets, Meyer found that in countries where these are more influential, centralization of collective bargaining is negatively affected, whereas union density in membership is not.[216] The explanation for this development is that firms, even if they operate in the same sector, are differently affected by equity market valuation

[213] Cushen, Jean and Paul Thompson (2016): Financializaton and Value. Why Labour and the Labour Process still matters. In: Work, Employment and Society 30(2), p. 355.
[214] Kollmeyer, Christopher and John Peters (2019): Financialization and the Decline of Organized Labor: A Study of 18 Advanced Capitalist Countries, 1970–2012. In: Social Forces 98(1), p. 4.
[215] Grady, Jo and Melanie Simms (2019): Trade Unions and the Challenge to Foster Solidarities in an Era of Financialsation. In: Economic and Industrial Democracy 40(3), p. 491.
[216] Meyer, Brett (2019): Financialization, Technological Change and Trade Union Decline. In: Socio-Economic Review 17(3), p. 480.

and relate differently to SV maximization. The willingness of management to participate in agreements is also said to be affected by SV. Collective bargaining in a sector becomes more difficult and structures that organize such struggles are weakened.[217] Collective bargaining becomes more complicated as unskilled low-wage work and more valued skilled workers interests are pitted against each other.[218] Trade unions now have to justify demands not just vis-à-vis employers, but also against a volatile global capital market and the respective shareholders, which gathered substantial weight in corporate decisions. NFC restructuring and SV orientation is exerting pressures on labor markets, affects the decentralization of bargaining institutions, and accelerates the trend towards more flexible employment relations.[219] SV maximization contributed a so-called "bifurcation of work" in which managers and professionals receive higher enumeration for implementing specific corporate behavior.[220] Other authors speak of a dualization of labor markets, where core employees as minority shareholders can profit from share price appreciation.[221] The argument on inequalities can be broadened by the heuristic concept of a coupon pool, in which especially higher income households can profit from a general share price appreciation.

The composition of the labor markets is also affected by corporate management following SV maximization. Especially in the Anglosphere-core liberal-economies the shift from production to finance entailed the need for more clerical and professional labor, well paid blue-collar jobs in production were reduced in number.[222] This shift is part of a broader dynamic, in which firms were not just restructured to service shareholders, but also to profit from price markups when inputs are sourced from low-wage countries. SV orientation can also entail that firms increasingly resemble hedgefunds that outsource production completely and only engage with finance, managing logistics, brand and retail. Big international corporations are thus more likely to follow SV maximization strategies than those embedded in local markets and institutions.[223]

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[217]Ibid. p. 496.
[218] Grady, Jo and Melanie Simms (2019): Trade Unions and the Challenge to Foster Solidarities in an Era of Financialsation. In: Economic and Industrial Democracy 40(3), p. 491.
[219] Darcillon, Thibault (2015): How des Finance affect Labour Market Institutions? An Empirical Analysis of 16 OECD Countries. In: Socio-Economic Review 13(3), p. 500.
[220] Van der Zwan, Natascha (2014): Making Sense of Financialization. In: Socio-Economic Review 12, p. 109.
[221] Darcillon, Thibault (2015): How des Finance affect Labour Market Institutions? An Empirical Analysis of 16 OECD Countries. In: Socio-Economic Review 13(3), p. 500.
[222] Lin, Ken-Hou (2016): The Rise of Finance and Firm Employment Dynamics. In: Organization Science 27(4), p. 977.
[223] Van der Zwan, Natascha (2014): Making Sense of Financialization. In: Socio-Economic Review 12, p. 109.

Metrics for performance evaluation introduced new so-called scientific measurements through which management decision can be rationalized and legitimized. Corporations are more capital market oriented and follow more short-term profit and earnings strategies. The contradiction between corporations' profits and workers' wages, is amplified by valuation benchmarks on capital markets.

To sum up and conclude SV maximization can be described as a qualitative shift in management practices from retain and reinvest to downsize and distribute.[224] Whereby shareholder payouts have substantially grown over the last years.[225] This happens through the reduction of controllable costs such as labor. The financialization of corporate resource allocation exacerbates inequalities and can have diminishing effects on investment in production, with the expected negative outcomes for labor and labor market composition.[226]

5. Financialization of Daily Life and the Financialization of Households

After concentrating on the macro-level shifts in patterns of accumulation and managements quest for SV maximization at the meso-level of the firm, I am going to focus on the financialization at the micro-level, namely the financialization of daily or everyday life. Which includes the household as the center of research and how its income is increasingly tied to complex relationships with finance and financial products.

There are again different methods of approaching the research object. Cultural economic sociology and the social studies of finance with the main theoretical angles of the sociological study of inequality and household debt. Anthropology and cultural studies inspired scholarship focus on the daily life of people and their experience. These are the sites where cultures and social relations, as well as knowledge are produced and reproduced, and thus can also be contested.

[224] Lazonick, William and Mary O'Sullivan (2000): Maximizing Shareholder Value: A New Ideology for Corporate Governance. In: Economy and Society 29(1), p. 15.

[225] Soener, Matthew (2021): Did the 'Real' Economy Turn Financial? Mapping the Contours of Financialisation in the Non-Financial Corporate Sector. In: New Political Economy 26(5), p. 818.

[226] William Lazonick (2013): The Financialization of the U.S. Corporation: What Has Been Lost, and How It Can Be Regained, Seatle University Law Review 36, pp. 898-899.

Important research objects for the field are asset- and mortgage-backed securities (ABS/MBS) and securitization. Mortgage markets existed for a long time, but their scale and influence grew immensely since the 1990s.[227] Even after the US mortgage market bubble popped which triggered the GFC 2007/2008, they are still influential and a prime site where households income is tied to financial markets. Not only through MBS households became more integrated into finance, in general households displaced NFCs as biggest borrowers and play a growing role in the financial system overall.[228]

The second site of financialization of everyday life is the financial behavior of households, as they are managing the social reproduction increasingly using investment products or saving plans, credit cards, loans, unsecuritized debt and mortgages.

The third field of research focuses is the adoption of financialized subjectivities as the proactive engagement with investment and the associated willingness to take risks in handling daily investment and credit.[229]

I am primarily focusing on the first two sites, because I am more interested in structural premises, that influence broader trends and tendencies concerning labor, and the social reproduction of households in the era of financialization. For example, literature on financial logics, which are embraced and incorporated in subjectivities in workplace environments is not concerned here.[230] The focus is on literature that integrates the social study of finance and centers on the financial engagement of households and their reproduction. What has, or has not changed and how is this change related to labor and class relations?

Contextualizing the discussion on financialized subjectivities and households' relation to finance and its implications for labor is complicated through the fact that the more fine grained the analysis is, the more exceptions will become apparent. Looking at the household

[227] Aalbers, Manuel B. (2008): The Financialization of Home and the Mortgage Market Crisis. In: Competition and Change 12(2), p. 158.

[228] Fuller, Gregory W. (2019): The Political Economy of Housing Financialization. Newcastle upon Tyne: Agenda Publishing. p. 135.

[229] Pellandini-Simányi, Léna (2020): The Financialization of Everyday Life. In: Borch, Christian and Robert Wosnitzer (Eds.): The Routledge Handbook of Critical Financial Studies. London and New York: Routledge. p. 279.

[230] See: Alvehus, Johan and André Spicer (2012): Financialization as a Strategy of Workplace Control in Professional Service Firms. In: Critical Perspectives on Accounting 23(7–8), pp. 497-510.

level, in different spaces and under different institutional, political and economic backgrounds of a nation state, and their relation to the global economy, often delivers varying results.[231]
Literature is mostly occupied with a heuristic conception of an ideal household situated in the Anglosphere core-countries. These ideal types are then studied in due consideration to broader themes such as debt, the securitization of debt, MBS/ABS and the financialization of reproduction. Suffice to say that there are huge differences between households concerning space, class, and individual behavior.
I first attempt to summarize what concepts the existing literature mobilizes to theorize financialization and its relationship to households, and then use these as a basis for some general reflections on implications for labor as a social relation. Thereafter, I am including more nuanced studies which are featuring important sites of financialization of daily life, such as housing and household debt.
As in the other two strands of research, the financialization of accumulation and SV maximizing strategies of NFCs, the financialization of everyday life can be attributed to the same macroeconomic changes since the 1970s, which are theorized as a reaction to a slowing prospect of industrial output and deindustrialization, particularly in Anglosphere core-countries.[232] Financial deregulation and neoliberal policies are seen as a way to counteract the sluggish growth rates and stabilize the economy. These policies often include the retrenchment of the welfare state. The withdrawal of state engagement in specific areas of life such as health, welfare, schooling, and housing had a lasting impact on households. The individualization and privatization of the provision of these services happens against the backdrop of increasing costs of reproduction, a falling wage share, and worsening distributional outcomes between different layers of the society.[233]

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[231] Mikuš, Marek and Petra Rodik (2021): Households and Peripheral Financialization in Eastern and Southern Europe. In: Mikuš, Marek and Petra Rodik (Eds.): Households and Financialization in Europe Mapping Variegated Patterns in Semi-Peripheries. London and New York: Routledge. p. 9.
[232] See: Pariboni, Riccardo and Pasquale Tridico (2019): Labour Share Decline, Financialisation and Structural Change. In: Cambridge Journal of Economics 43, p. 1094. Brenner, Robert (2006): The Economics of Global Turbulence. The Advanced Capitalist Countries from Long Boom to Long Downturn. 1945-2005. London and New York: Verso.
[233] Bengtsson, Erik and Magnus Ryner (2015): The (International) Political Economy of Falling Wage Shares: Situating Working-Class Agency. In: New Political Economy 20(3), pp. 406-430.

Financialization of reproduction[234] concerns mortgages and credit to fund household expenditures. The costs of social reproduction are individualized as well as connected to the financial sphere. To summarize these changes and providing a wider angle, including macro-economic shifts like growth and domestic demand authors refer to the concept of privatized Keynesianism.[235] At the core of this concept lies the fact that households are increasingly taking on debt to keep the demand and thus the economy afloat, which entails a transfer of systemic risks to the individual level. Households are turned into an important "feedstock of global financial markets."[236]

The literature "considers the adoption of financialized subjectivities and the increasing use of financial products as the micro-level consequences of these macro-level changes."[237] Financial inclusion of individuals and households, especially poor ones has deepened since the GFC of 2007/2008.[238] Consumer credits got massively extended over the last two decades.[239] Asset backed securities (ABS) were introduced in the 1970s.[240] As households rely more and more on debt to partake in a housing market, to finance consumption and social reproduction. Extended credit to households thus provides an opportunity for finance to tap into their income streams.

In the following I am going to focus first on the literature that featured important starting points and building blocks for the research field, namely Randy Martin´s book on financialization of daily life and Paul Langley's considerations on saving and spending behavior in Anglo-America. Then turn to Bryan et al., who focus on risk and securitization and its implications for households and labor, and subsequently consider important sites and

[234] Roberts, Adrienne (2016): Household Debt and the Financialization of Reproduction: Theorizing the UK Housing and Hunger Crisis. In: Zarembka, Paul and Susanne Soederberg (Eds.): Risking Capitalism. Bingley: Emerald Publishing Limited. p. 137.

[235] Crouch, Colin (2009): Privatised Keynesianism: An Unacknowledged Policy Regime. In: The British Journal of Politics and International Relations 11(3), pp. 382-399.

[236] Montgomerie, Johnna and Daniela Tepe-Belfrage (2017): Caring for Debts: How the Household Economy Exposes the Limits of Financialisation. In: Critical Sociology 43(4-5), pp. 657.

[237] Pellandini-Simányi, Léna (2020): The Financialization of Everyday Life. In: Borch, Christian and Robert Wosnitzer (Eds.): The Routledge Handbook of Critical Financial Studies. New York and London: Routledge. p. 281.

[238] For an extension of this argument see: Gabor, Daniela and Sally Brooks (2017): The Digital Revolution in Financial Inclusion: International Development in the Fintech Era. In: New Political Economy 22(4), pp. 423-436.

[239] Lai, Karen (2018): Financialization of Everyday Life. In: Clark, Gordon L., Maryann P. Feldman, Meric S. Gertler, and Dariusz Wójcik (Eds.): The New Oxford Handbook of Economic Geography. London and New York: Oxford University Press. p. 613.

[240] Langley, Paul (2008): Financialization and the Consumer Credit Boom. In: Competition and Change 12(2), p. 137.

mechanisms for the financialization of daily live and the household, namely housing, mortgages, and debt.

5.1. Financializaton of Daily Life

Randy Martin coined the term in his book with the same title. He describes a certain new type of financial self-management, through which ordinary people are invited to take part in the financial economy. In a development described in the previous chapters NFCs more and more resemble and behave like financial corporations. This includes that they rely to a lesser extent on banks as their sole lenders, borrow and lend increasingly on open markets and between them. Financial deregulation enabled banks to market new financial consumer products. This development enlarged the scale and reach of financial capital, tapping into households' income streams.

A related development is the increased adoption of financialized subjectivities. It is now rather normal to hold stocks and take on mortgages or debt to finance large acquisitions. Consumer credit and debt are on the rise in a wide host of countries, at least since the 1970s. Securitization of these debts as the repacking and trading of repayments is then the mechanism through which these truly become financialized. Financialization of daily life can thus be described as a tool to manage social live upholding a living-standard, which otherwise would not be possible. This has then consequences for social relationships, subjectivities, social stratification, and inequality.[241]

Through the financialization of daily life, financial self-management, and the redefinition of the family home into a speculative object, financial capital is able to get a reach of households' income streams. Labor is thus associated with claims on capital itself, however also uplinked to financial capital through interest payments.[242]

5.2. Everyday Life of Global Finance

Langley focuses not explicitly on specific actors in finance, but on the relationships that turn out to be conditioned through finance. "The connections between society and the capital

[241] Martin, Randy (2002): Financialization of Daily Life. Philadelphia: Temple University Press. p. 11.
[242] Ibid. p. 197.

markets which have become established over the last 30 years or so are unprecedented in their scope and pervasiveness.”[243] He uses the Foucauldian toolbox of power and knowledge, as well as technologies of the self, to avoid rigid binarities between financial and real economy, or worker and investor to show how agency in finance can be rethought. Through everyday practices of saving and borrowing global finance is constituted. However, these practices underwent important reconfigurations in the recent decades. Savings increasingly go into financial investment as opposed to asset-based purchases. Taking on individual financial risk is now more than ever normalized. Through the introduction of new metrics and financial products like hedging and securitization risk is said to be measurable and thus becomes rationalized.

Welfare retrenchment, as well as the push for pension reforms as defined contribution schemes, have an impact on individual decisions where to put one’s income.[244] These transfers are said to be important mechanisms through which workers income get financialized.[245] The demand for more flexible labor, the insecurities on the labor market that ensued, and rising living costs have spurred the demand for credit.[246] This development can also be related to more consolidated credit card networks and the development of large bond markets for MBS in Anglo-America. The recent boom in consumer borrowing is not just caused by an increase in demand, it is also related to developments on the lending side. The deployment of scientific and calculative assessments of risk and default risk in lending and the management and hedging though securitization or derivate trading, were factors enabling the recent growth of credit.[247] The development of liquid markets for the trade of assessed risks contributed further to the availability of credit. The scale of the credit market today is only possible through the techniques of securitization and the subsequent trading of these. Loans or debts are pooled together with various others into one group, which is then sold on a market to investors. These can profit from continuous receivables over time as the loan is repaid. This frees up capital for the issuer, provides liquidity on the market and makes the issuance of new loans possible. In

[243] Langley, Paul (2008): The Everyday Life of Global Finance: Saving and Borrowing in Anglo-America. Oxford and New York: Oxford University Press. p. 11.
[244] Ibid. p. 66.
[245] Lucarelli, Bill (2012): Financialization and Global Imbalances: Prelude to Crisi. In: Review of Radical Political Economics 44(4), p. 435.
[246] Langley, Paul (2008): The Everyday Life of Global Finance: Saving and Borrowing in Anglo-America. Oxford and New York: Oxford University Press p. 205.
[247] Langley, Paul (2008): Financialization and the Consumer Credit Boom. In: Competition and Change 12(2), p. 134.

other words, by making debt a commodity encourages its provision.[248] Especially middle- and low-income households in the US make extended use of debts either to hold up certain living standards or to be able to finance daily expenditures. Through fees and interest on credit income of households is uplinked to finance. Credit is becoming important to extend income when labor is facing increasingly tight markets, and low wages in a situation when living costs are rising, especially in the Anglo-American societies.[249]

5.3. Financialization, Risk and Labor

Financializations links to labor "remain tenuously explained and [are] in need of further consideration."[250] In the following, I include the conceptual theorization of these links, by Bryan et al. who are focusing on securitization and derivate trading as mechanisms by which finance becomes more pervasive in different fields of the economy and daily life. These play out globally and impose new forms of competition and enclosure on labor and households.
First, securitization and derivates have the capacity to make illiquid assets liquid and tradable. This comes with the ability to dismantle and delocalize risks and values and reassemble them as tradable papers on global capital markets, as well as standardizing and rationalizing the features of non-transparent local commodities.[251] Second, volatilities and consequences can be redistributed. Third, this capability to generate surplus through trading can create new forms of competition, between different parts of capital. If a specific asset is not performing well its value can be written down.[252] And fourth, the pressure to maintain prices is shifted to capital which has to be able to yield ever increasing productivity and profitability. Consequently, this introduces new forms of global competition between capitals and between capital and labor. These pressures can be shifted on to labor as variable capital which has to produce more surplus, through lower wages and longer hours. Labor is in this

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[248] Montgomerie, Johnna (2007): Financialization and Consumption: An Alternative Account of Rising Consumer Debt Levels in Anglo-America. In: CRESC Working Paper Series: Working Paper No. 43. The University of Manchester. p. 11.
[249] Langley, Paul (2008): Financialization and the Consumer Credit Boom. In: Competition and Change 12(2),p. 144.
[250] Martin, Randy, Michael Rafferty and Dick Bryan (2008): Financialization, Risk and Labour. In: Competition and Change 12(2), p. 120.
[251] Gotham, Kevin F. (2009): Creating Liquidity out of a Spatial Fix: The Secondary Circuit of Capital and the Subprime Mortgage Crisis. In: International Journal of Urban and Regional Research 33(2), p. 357.
[252] Bryan, Dick, Randy Martin and Micheal Rafferty (2009): Financialization and Marx: Giving Labor and Capital a Financial Makeover. In: Review of Radical Political Economics 41(4), p. 466.

conceptualization increasingly seen and treated as "a form of capital, a risk to be decomposed, priced, hedged and managed."[253] This is the first and more direct link between securitization and labor.

The second, and more indirect concerns household debts, which in turn can be securitized. As prices of commodities needed for reproduction go up and wages stay the same or decrease, reproduction of labor power is leaving less of a wage residual. Credit, taken by households to cope with this adverse situation can be securitized and binds income through labor to financial accumulation. New modes of dispossession are to follow, as more parts of the daily life become included in processes of financialization. Through securitization "financialization introduces its own forms of enclosure over the household."[254]

Every base asset, such as ground rent, mortgages, or debt, which provide a continuous income stream can be transformed into a financial asset. Labor income streams are an exemption to this. However, considering how securitized asset bases are constructed, wages can be conceptualized as a continuous stream of income which give these products their value by the provision of repayment.[255]

"The process of labor's real subsumption to finance is the transformation of individuals and households by new financialized modes of calculation by capital."[256] Three interrelated points are important to explain what is meant by these modes of calculation. First income through labor is a huge quantity of value. This is normally used for reproduction. Second, households' assets are illiquid. Third and finally, following out of this is the inclusion of formal illiquid household assets as tradable liquid assets on capital markets, through the securitization of household payments and the subsequent trading of these income streams without selling the underlying asset.[257] Households income streams are, in this conceptualization subject to the same risk and return valuations than capital itself.

[253] Martin, Randy, Michael Rafferty and Dick Bryan (2008): Financialization, Risk and Labour. In: Competition and Change 12(2), p. 121.
[254] Bryan, Dick, Randy Martin and Micheal Rafferty (2009): Financialization and Marx: Giving Labor and Capital a Financial Makeover. In: Review of Radical Political Economics 41(4), p. 471.
[255] Leyshon, Andrew and Nigel Thrift (2007): The Capitalization of Almost Everything. The Future of Finance and Capitalism. In: Theory, Culture & Society 24(7–8), p. 108.
[256] Bryan, Dick, Michael Rafferty and Chris Jefferis (2015): Risk and Value: Finance Labour and Production. In: South Atlantic Quarterly 114(2), p. 318.
[257] Ibid. p. 320.

Finance provides a temporary solution to an increasingly felt precariousness of labor; certain living standards can only be upheld through credit.[258] Workers are increasingly bound with private finance to meet their basic needs.[259] Keeping households liquid is in this situation important for the stability of the global financial system. Here, households' income through labor can again be reconceptualized in two important ways. Wages are not only understood as allowing the extended reproduction and a specific standard of living but, through credit scoring techniques, can be treated as cash-flow, with the objective to leverage maximum debt, in which the residual is often the poverty line of consumption. The second way is the reconceptualization of labors income as leveraged access to a domestic housing market, in the form of (subprime) mortgages.[260] The leveraging of labor income thus provides fixes for stagnating wages, job insecurity and flexibility, which are now more prevalent than in the post-war era.

The qualitative and quantitative dimension of the re-attachment of labor to financial capital in Anglosphere core-countries has changed insofar, that the securitization of household debt, and more generally the level of engagement between households and finance, reached new dimensions. Credit relations, as credit card debts or mortgages are not exactly processes of financialization. However, what makes them part of it, is the securitization of the potential interests' payments and the creation of derivates out of these creditor-debtor relations.[261]

In the following chapter I will further focus on housing and its access through mortgages and the securitization of mortgages as an important site of financialization and how this can be related to the daily life and labor.

5.4. Housing Markets in the US and Beyond

[258] Beggs, Mike, Dick Bryan & Michael Rafferty (2014) Shoplifters of the World Unite! Law and Culture in Financialized Times, Cultural Studies 28(5-6), p. 980.

[259] See: Lapavitsas, Costas (2009): Financialised Capitalism: Crisis and Financial Expropriation. In: Historical Materialism 17, p. 146.

[260] Bryan, Dick (2010): The Duality of Labour and the Financial Crisis. In: The Economic and Labour Relations Review 20(2), p. 56.

[261] Bayliss, Kate, Ben Fine & Mary Robertson (2016): Introduction to Special Issue on the Material Cultures of Financialisation. In: New Political Economy 22(4), p. 361.

Housing has become an important store-of-value in the age of financialization.[262] The entry of institutional investors, the recycling of trade surpluses, low interest rates and increasing channeling of profits from TNCs into financial assets created a global pool of liquid assets that seek investment opportunities, which were found in real estate and housing. This engagement of financial capital is said to be one of the defining characteristics of a variegated process of financialization.[263] Most of banks' lending activities can be related to real estate. Housing also increasingly serves as high quality collateral for institutional investors.[264]

How does the financialization of housing correlate with household debt? "Long-term mortgage loans account for between 80% and 90% of all household liabilities in most OECD countries. Even in the United States, where student loan debt accounts for the largest share of non-mortgage household borrowing (around 10% of the total), mortgages still account for 68% of all household debt."[265] The increased qualitative and quantitative impact of mortgages has three wider implications. The construction sector is stimulated, housing becomes an important speculative object. Mortgages and their securitized form are an critical aspect of financialization, they are specifically targeting households' income streams and connecting them to the financial sphere, and securitized debts constitute a commodification of claims on future labor incomes. Mortgage markets take on an increasingly crucial role in national economies. They have the capacity to liquify values, which are usually stored as an illiquid asset and subsequently put them in circulation.[266] Institutions that give out mortgages engage in secondary markets for MBS. Usually, investors seek to acquire these; this provides liquidity for lenders and enables the provision of more mortgages because lending institutions can profit from the engagement of capital in these markets. Securitizing future income flows and trading them on capital markets lowers the costs for issuers and increases the profitability.

[262] Aalbers, Manuel B., Rodrigo Fernandez and Gertjan Wijburg (2020): The Financialization of Real Estate. In: Mader, Philip, Daniel Mertens and Natascha van der Zwan (Eds.): The Routledge International Handbook of Financialization. Oxon and New York: Routledge. pp. 200-212.
[263] Fernandez, Rodrigo and Manuel B. Aalbers (2016): Financialization and Housing: Between Globalization and Varieties of Capitalism. In: Competition and Change 20(2), p. 72.
[264] Fernandez, Rodrigo and Manuel B. Aalbers (2017): Capital Market Union and Residential Capitalism in Europe: Rescaling the Housing-Centred Model of Financialization. In: Finance and Society 3(1), p.35.
[265] Alison Johnston, Gregory W. Fuller & Aidan Regan (2021) It Takes Two to Tango: Mortgage Markets, Labor Markets and Rising Household Debt in Europe. In: Review of International Political Economy 28(4), p. 848.
[266] Gotham, Kevin F. (2009): Creating Liquidity out of a Spatial Fix: The Secondary Circuit of Capital and the Subprime Mortgage Crisis. In: International Journal of Urban and Regional Research 33(2), pp. 357.

Securitization also enables flows of capital from surplus to deficit areas and allows the spreading of risks by portfolio diversification.[267]

The expansion in mortgage markets can be seen as a temporary fix to the increasing inaccessibility of homeownership. Securitization and the secondary market for MBS, are widening the scope and the availability of mortgages for people, as well as linking the continuous repayments, usually provided through labor back to capital markets. Housing is thus becoming more easily affordable for households, even if the prices are rising and the labor share is falling. The financialization of the mortgage market introduced homeowners to new risks, and at the same time expanding their balance sheets. However, it is not only mortgages that affect housing. The involvement of financial capital in local housing and rental markets create adverse effects, worsened housing conditions and heightened inequalities.[268]

Credit scoring of individuals can add a new dimension to the discussion and has wider implications for financialized subjectivities, as it puts lenders in different groups, which differ in the conditions to which loans are accessible. Low-income households typically borrow to much worse conditions compared to high-income ones. Thus, credit scoring techniques have wider implications for social stratification and class.[269]

Another perspective is the active role of households' engagement with finance, especially housing. When wages are no longer sufficient to provide upward mobility through saving, Anglosphere-core households´ increasingly take on a speculative, future-oriented logic.[270] This also entails that investment, such as in housing, are not only made for storing income in a secure asset, but it is also done with the outlook of price appreciation in the future. With the promise of higher returns, households actively managing their balance sheets to be able to partake in a so-called asset economy. Through this engagement middle income households in the US got "over leveraged" because of a concentration of assets in housing, with prices falling these strata lost a lot of their net worth.[271] Which worsened the trend of heightening

[267] Aalbers, Manuel B. (2008): The Financialization of Home and the Mortgage Market Crisis. In: Competition and Change 12(2), p. 154.
[268] Fields, Desiree and Sabina Uffer (2016): The Financialisation of Rental Housing: A Comparative Analysis of New York City and Berlin. In: Urban Studies 53(7), p. 1497.
[269] Fourcade, Marion and Kieran Healy (2013): Classification situations: Life-chances In the Neoliberal Era. In: Accounting, Organizations and Society 38, pp. 559-572.
[270] Adkins, Lisa, Melinda Cooper and Martijn Konings (2020): The Asset Economy. Cambridge and Medford: Polity. p. 21.
[271] Wolff, Edward N. (2015): Household Wealth Inequality, Retirement Income Security and Financial Market Swings 1983 Through 2010. In: In: Weller, Christan E. (Ed.): Inequality, Uncertainty and Opportunity. The Varied

inequalities in the US. This observation follows Piketty, in his finding that rate of return on wealth exceeds the rate of growth which leads to more pronounced inequality and less equal wealth distribution in the high-income countries, [272] but with a more nuanced view of the engagement with housing as an asset in the Anglophone core-countries.

5.5. Household Debt

Overall, households borrow more, household debt in the US grew enormously.[273] In all EU countries, except for Germany individual debt-levels are increasing since the 1990s.[274]

As in the chapter on Paul Langley's considerations on saving and borrowing already mentioned, there are two starting assumptions, on how households turned to finance. First, labor has become less save and remunerative. Real wage growth remained close to zero since the 1980s in the US.[275] In a host of OECD countries wage shares declined significantly.[276] This resulted in the tendency of households to take on more debt to hold up a certain living standard. Second, there are now more financial products available, which are specifically targeting households. This enables a new repertoire of action in engaging with finance, rather than consuming just more financial products and services[277] and has implications for income inequality, which affects different strata in the society in various ways. As expected, the top-income deciles generally use finance to expand their income and use leverage, whereby the bottom 50 percent generally take on more debt.

Since the 1980s the abundance of financial products, and the use of credit or households is hugely extended, enabled through liberalization and new mechanisms of securitization, which

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and Growing Role of Finance in Labor Relations. Labour and Employment Relations Association, University of Illinois at Urbana-Champaign. p. 247.

[272] Piketty, Thomas (2014): Capital in the Twenty-First Century. Cambridge MA and London: Harvard University Press.

[273] Bernardo, Sara M. (2015): Debt Lock-In: Household Debt Burdens and Voluntary Quits. In: Weller, Christan E. (Ed.): Inequality, Uncertainty and Opportunity. The Varied and Growing Role of Finance in Labor Relations. Labour and Employment Relations Association, University of Illinois at Urbana-Champaign. p. 279.

[274] Fernandez, Rodrigo and Manuel B. Aalbers (2017): Capital Market Union and Residential Capitalism in Europe: Rescaling the Housing-Centred Model of Financialization. In: Finance and Society 3(1), p. 38.

[275] Bernardo, Sara M. (2015): Debt Lock-In: Household Debt Burdens and Voluntary Quits. In: Weller, Christan E. (Ed.): Inequality, Uncertainty and Opportunity. The Varied and Growing Role of Finance in Labor Relations. Labour and Employment Relations Association, University of Illinois at Urbana-Champaign. p. 285.

[276] Stockhammer, Engelbert (2017): Determinants of the Wage Share: A Panel Analysis of Advanced and Developing Economies. In: British Journal of Industrial Relations 55, pp. 3-33.

[277] Fligstein, Neil and Adam Goldstein (2015): The Emergence of a Finance Culture in American Households, 1989–2007. In: Socio-Economic Review 13(3), p. 577.

are providing liquidity for the issuers. At the same time income for middleclass and poor families in the US, as an aggregate is decreasing.[278] Nearly all households became more involved with finance over time, through the holding of funds, more credit cards, bank accounts and mortgages.[279] Especially middle income households in the US take on unsecured debts as they experienced stagnant or falling wages since the 1990s.[280] Attitudes of households to take on debt to support one's lifestyle are also changing and showing an upward trend throughout the income distribution variable.[281]

Interest payments work here as a "capture of value."[282] The relation between creditor-debtor is increasingly displacing the labor relation as a fundamental basis of social life. The assessment of creditworthiness of individuals has wider implications for everyday socio-economic life. Thus, through processes of financialization power relations, between debt takers and interest receivers, become mediated and reinforced.[283] This holds especially true for the US, however the same underlying trends, such as increasing income inequality, falling wage share, heightened insecurity concerning jobs, and households' proactive engagement with finance and generally higher debt-levels, are also unfolding in other OECD countries. This leads to the assumption that other high-income countries are following similar trajectories.

Extending the discussion and contributing to the above argument is the assessment, that through credit scoring techniques especially the bottom end of the income scale is adversely included in the sphere of financial products and services for borrowing.[284] Low-income households face poor loan conditions, as they are taking on credit more often, to be able to cope with adverse conditions. Higher income groups can leverage, they take on more risk, but also have the opportunity to use diverse financial products to their benefit, as the value of assets is rising at least since the 1980s.[285] These interrelated developments again exacerbate existing inequalities.

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[278] Ibid. p. 586.
[279] Ibid. p. 589.
[280] Montgomerie, Johnna (2009): The Pursuit of (Past) Happiness? Middleclass Indebtedness and American Financialisation. In: New Political Economy 14(1), p. 19.
[281] Fligstein, Neil and Adam Goldstein (2015): The emergence of a finance culture in American households, 1989–2007. In: Socio-Economic Review 13(3), p. 591.
[282] Lazzarato, Maurizio (2012): The Making of the Indebted Man. An Essay on the Neoliberal Condition. Los Angeles CA: Semiotext(e). p. 19.
[283] Ibid. p. 24.
[284] Fourcade, Marion and Kieran Healy (2013): Classification situations: Life-chances In the Neoliberal Era. In: Accounting, Organizations and Society 38, p. 564.
[285] Piketty, Thomas (2014): Capital in the Twenty-First Century. Cambridge MA: Harvard University Press.

Rising indebtedness can be described as "a product of, and an influence on, financialization as an emerging social dynamic."[286] Through credit households finance their consumption. However, the interaction between the processes of financialization of the household, come in tandem with other macro- and meso-economic developments, which suggests a relational trajectory between different levels of economic changes in the OECD since the 1970s. Financialization of household's consumption can be attributed to, and at the same time represents a part of the wider processes of financialization.

During times of stagnant real wages, un- and underemployment, precarity[287] and labor market deregulation, the extension of credit in the US is said to represent "secondary forms of exploitation" in which workers real income are modified.[288] Thus, an increasing number of working people rely on credit, as a form of social welfare or wage augmentation. The loans are provided by private corporations and can be exploitative through high fees and interests. Here again macro-level changes such as deregulation and growth of the finance sector has implications, for parts of the population, through new techniques of assetization, as in the creation of ABS/MBS and the wider availability of credit and credit cards. Even for the poorest there is subprime lending.[289] The surplus population as people outside wage labor are bound up with new forms of secondary exploitation through relations of indebtedness.[290] These developments can be described as fixes, because inherent contradictions of current developments in the contemporary capitalist system, like capitals need for flexible and cheap labor and the provision of workers with sufficient means to consume, are fixed through credit expansion. Household credit can take on the function of a privatized Keynesianism, in which individuals rather than governments run into debt to stimulate the market economy.[291] At the same time, more and more welfare functions have to be provided at the individual level, as individuals are financially abandoned by the state.

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[286] Montgomerie, Johnna (2007): 'Financialization and Consumption: An Alternative Account of Rising Consumer Debt Levels in Anglo-America', CRESC Working Paper Series: Working Paper No. 43. The University of Manchester. p. 10.

[287] Standing, Guy (2011): The Precariat. A New Dangerous Class. New York: Bloomsbury Academic.

[288] Soederberg, Susanne (2013): The US Debtfare State and the Credit Card Industry: Forging Spaces of Dispossession. In: Antipode 45(2), p. 495.

[289] Montgomerie, Johnna (2008) Spectre of the Subprime Borrower—Beyond a Credit Score Perspective. In: CRESC Working Paper Series, Working Paper No. 58, The University of Manchester. p. 17

[290] Soederberg, Susanne (2014): Debtfare States and the Poverty Industry: Money, Discipline and the Surplus Population. New York: Routledge.

[291] Crouch, Colin (2009): Privatised Keynesianism: An Unacknowledged Policy Regime. In: The British Journal of Politics and International Relations 11(3), p. 390.

Financialization of the daily life and households is therefore not a solution to a problem, it is a fix which in itself is problematic and has wider implications for individuals, households, their income and income distribution. High household debt-levels, have an effect on individual labor market decisions, the cost of job loss is higher for workers holding debt. This also impacts the agency and ability to bargain vis-à-vis employers for better conditions and salaries, as well as the overall mobility on the labor market.[292] Household debt has a disciplining effect on labor.[293] It nudges people to generate constant income through immanent socio-economic insecurity if payments cannot be met.

The extended use of credit siphons off income from households in the middle and at the bottom, as well as providing the conditions for paying wages that are insufficient for the lifestyles many people wish to have.

Households experience financial intensification through a quantitative and qualitative deepening of the relation to the financial sector, either through more investment, more borrowing, or generally an increase in the use of financial products. Comparing borrowing modalities and behaviors, between countries with different socio-economic environments and different institutions, invalidates some Anglo-American specific findings. Especially the connection between welfare retrenchment and borrowing is recontextualized through the high debt-levels in relatively equal countries, with strong welfare systems such as Netherlands, Denmark, Norway, and Sweden. This is implying that high inequality and low welfare provision are not necessarily the most important prerequisites for high consumer debt-levels.[294] The link between inequality and household debt is more difficult to prove in EU countries; the US is said to be a special case in this regard.

This comparative research, which integrates findings on debt-levels in the liberal economies in the Anglosphere-core and the EU, provides novel insights on the interrelatedness of institutions and debt-levels. Two preconditions are found to have a significant impact. Namely labor markets, which provide households with the resilience against "negative

[292] Bernardo, Sara M. (2015): Debt Lock-In: Household Debt Burdens and Voluntary Quits. In: Weller, Christan E. (Ed.): Inequality, Uncertainty and Opportunity. The Varied and Growing Role of Finance in Labor Relations. Labour and Employment Relations Association, University of Illinois at Urbana-Champaign. p. 293.

[293] Mc Nally, David (2009): From Financial Crisis to World-Slump: Accumulation, Financialisation, and the Global Slowdown. In: Historical Materialism 17, p. 73. and García-Lamarca, Melissa and Maria Kaika (2016): 'Mortgaged lives': The Biopolitics of Debt and Housing Financialization. In: Transactions 41(3), p. 323.

[294] Van Gunten, Tod and Edo Navot (2018): Varieties of Indebtedness: Financialization and Mortgage Market Institutions in Europe. In: Social Science Research 70, p. 105.

employment/income shocks, and mortgage finance institutions that govern households' credit access."[295]

Interestingly, household debt is highest in countries with high income security and strong collective bargaining institutions, and where access to credit is easy. The Nordic countries are the best examples here. In Anglo-American countries, where labor markets and collective bargaining institutions usually do not provide this security, households tend not to take on as much debt, even if the accessibility of credit is very high.

The type of credit also matters in this regard there are huge differences between unsecured credit card debt to finance daily purchases and big secured mortgage loans to build a family house. Both types of credits have different implications for risk shifting onto households and individuals. Through this broadened perspective, which moves beyond the usual cases of Anglo-American liberal economies, the interdependencies between labor, labor markets union agency and lending institutions and their mutual influence are becoming clearer. It is not only debt that impacts labor[296] but also labor markets that influence household debt.

5.6. Social Reproduction

The reproduction of labor has itself become a "source of surplus value, in the form of interest payments."[297] Montgomerie describes three routes through which the social reproduction of households can be integrated into the financialization of everyday life. The first route concerns "switching savings flows from interest-bearing accounts to retail financial products."[298] So households' income is becoming increasingly important for finance, because it provides an important basis of available funds. The second one is residential mortgages. These are prominently featured in Anglo-America, enabled through government policies and the general fascination with homeownership and provide an important "way to create money and

[295] Johnston, Aliston, Gregory W. Fuller & Aidan Regan (2021) It Takes Two to Tango: Mortgage Markets, Labor Markets and Rising Household Debt in Europe. In: Review of International Political Economy 28(4), pp. 843.
[296] Bryan, Dick (2010): The Duality of Labour and the Financial Crisis. In: The Economic and Labour Relations Review 20(2), pp. 49-60.
[297] Bryan, Dick, Randy Martin and Micheal Rafferty (2009): Financialization and Marx: Giving Labor and Capital a Financial Makeover. In: Review of Radical Political Economics 41(4), p. 465.
[298] Montgomerie, Johnna (2020): Indebtedness and Financialization in Everyday Life. In: Mader, Philip, Daniel Mertens and Natascha van der Zwan (Eds.): The Routledge International Handbook of Financialization, London and New York: Routledge. p. 383.

generate interest revenue for lenders."[299] The third route concerns consumer debts, such as car loans and credit card debt, which "encompasses an array of retail debt products."[300]

Debts can also take the function of enabling individuals to partake in the labor market in the first place. Taking on a credit to buy a car to take up the job as an UBER driver, is one of the most obvious examples, but also a special case of work in the platform economy. In the case of student debt, having a university degree enables the holder to partake in specific segments of the labor market. Household debt can also take on the function of enabling the reproduction of the capacity to work. Reproduction can thus start with a debt relation when the necessities have to be leveraged by households. Which is often the case in housing.

Personal debt can take on the function to alleviate "the costs of social reproduction being offloaded by the state (through welfare retrenchment) and capital (through low wages and precarious working conditions)."[301] The retreat of the state from systems of provision such as child and health care as well as schooling means that households have to self-supply these services, which comes with heightened expenditures and financial risks. Debt constitutes a new and important modality to extend the costs temporarily as well as link social reproduction to financial capital, caused by the contradiction between capital accumulation and social reproduction. The management of households' finances is itself part of the reproductive economy.[302] More households are drawn into financial relations. This enables lenders to generate surplus through interest. Securitization of debts means that repayments can itself become productive in capital accumulation.[303]

Another aspect of the financialization of reproduction, is that labor is disciplined through debt relations to take on insecure, low paid jobs, to pay for debts and interests. At the same time, through welfare retrenchment, social policies of states target the working poor and introduced workfare programs or heightened up the requirements for getting social benefits. Examples of these developments include the introduction of Hartz 4 in Germany, which compels people into taking jobs available or face cuts in their benefits, in the UK the

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[299] Ibid. p. 384.

[300] Ibid. p. 385.

[301] Roberts, Adrienne (2016): Household Debt and the Financialization of Reproduction: Theorizing the UK Housing and Hunger Crisis. In: Zarembka, Paul and Susanne Soederberg (Eds.): Risking Capitalism. Bingley: Emerald Publishing Limited. p. 145.

[302] Montgomerie, Johnna and Daniela Tepe-Belfrage (2017): Caring for Debts: How the Household Economy Exposes the Limits of Financialisation. In: Critical Sociology 43(4-5), p. 659.

[303] Adkins, Lisa and Maryanne Dever (2016): The Financialisation of Social Reproduction: Domestic Labour and Promissory Value. In: Adkins, Lisa and Maryanne Dever (Eds.): The Post-Fordist Sexual Contract. Palgrave Macmillan, London. p. 135.

mentioned workfare programs and Jobs Seeker Allowances and similarly zero hour contracts, France introduced RSA, which operates similarly to Hartz 4 in Germany.

Welfare provision itself can be financialized, through so called Social Impact Bonds, in which investment in welfare provision should lower the costs and provide profits for investors.[304] Thereby, financializing the terrain of social reproduction by individual or community labor, by introducing new investment opportunities for capital.[305] If welfare is affected by austerity measures, the provision of reproductive activities outside the household for the community is often done by volunteering without compensation, which is another mode of creating surplus out of unpaid reproductive labor.[306] Not just social services and welfare become financialized, other aspects of reproduction like the provision for water, electricity, gas and internet can be financed by repayment schemes which can be securitized. Reproductive labor usually needs such services, and thus becomes linked to the performance of the securitized assets of these services on capital markets.[307]

In general, the aggregate effect of welfare retrenchment can be described as a shift to privatizing and individualizing of the costs of social reproduction.[308] At the same time credit becomes more accessible and is now increasingly used to provide for reproduction itself. For some authors securitizing debt is an important mechanism of financialization.[309] Financialization of housing is another.[310] Both mechanisms influence the provision of social reproduction and household labor. One effect of the financialization of reproduction is the depolitization of struggles over it, as the creditor-debtor relationship replaces social struggles

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[304] Dowling, Emma (2017): In the Wake of Austerity: Social Impact Bonds and the Financialisation of the Welfare State in Britain. In: New Political Economy 22(3), p. 306.

[305] Dowling, Emma and David Harvie (2014): Harnessing the Social: State, Crisis and (Big) Society. In: Sociology 48(5), p. 875.

[306] Dowling, Emma (2016): Valorised but not Valued? Affective Remuneration, Social Reproduction and Feminist Politics Beyond the Crisis. In: British Politics 11, p. 457.

[307] Adkins, Lisa and Maryanne Dever (2016): The Financialisation of Social Reproduction: Domestic Labour and Promissory Value. In: Adkins, Lisa and Maryanne Dever (Eds.): The Post-Fordist Sexual Contract. Palgrave Macmillan, London. p. 140.

[308] Roberts, Adrienne (2016): Household Debt and the Financialization of Reproduction: Theorizing the UK Housing and Hunger Crisis. In: Zarembka, Paul and Susanne Soederberg (Eds.): Risking Capitalism. Bingley: Emerald Publishing Limited. p. 153.

[309] Bryan, Dick, Michael Rafferty and Chris Jefferis (2015): Risk and Value: Finance Labour and Production. In: South Atlantic Quarterly 114(2), pp. 307-329.

[310] Fernandez, Rodrigo and Manuel B. Aalbers (2017): Capital Market Union and Residential Capitalism in Europe: Rescaling the Housing-Centred Model of Financialization. In: Finance and Society 3(1), pp. 32-50. and Fields, Desiree and Sabina Uffer (2016): The Financialisation of Rental Housing: A Comparative Analysis of New York City and Berlin. In: Urban Studies 53(7), pp. 1486-1502.

fought at the workplace, for better loans and condition and struggles in relation to the state for the provision of welfare.[311]

The increased availability and use of securitized debt, to provide for reproduction links reproductive labor to the financial sphere. Therefore, financialization has implications for social reproduction and reproductive labor.

5.7. Conclusion: Financialization of Daily Life, Households and Labor

Different authors, with varying focuses on saving and spending, housing and the financialization of reproduction, follow the line of argument that households and their income are increasingly connected to finance, either through debt relationships, savings in finance, payments of fees and interest or processes of securitization. This shifting relationship then has implications for households' provision for social reproduction and labor. However, financialization is a variegated phenomenon, how national economic systems are constituted and under which legal and institutional conditions they are set up, how markets function, their degree of liberalization and the relationship between finance, the state and the wider socio-economic conditions is important for a further discussion. The degree of how daily lives and households are impacted by processes of financialization depends on the included preconditions.

Randy Martin coined the term of financialization of daily life. This broad account entails relations of debt, financialization of the household and subjectivities. For him processes of financialization can be related to risk shifting. Labor has to bear higher risks of volatile markets as its potential income is pooled and tied to financial capital through securitization.[312] The discussion of everyday saving and borrowing in the US was provided by Paul Langley, he connects reforms of pension funds that handle parts of workers income and increasingly become impactful for individual saving, to individual credit and saving behaviors. More credit is available, and more loans are taken out by households, with implications for decisions and livelihoods.[313]

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[311] Roberts, Adrienne and Susan Soederberg (2014): Politicizing Debt and Denaturalizing the 'New Normal'. Critical Sociology, 40(5), p. 661.

[312] Martin, Randy (2002): Financialization of Daily Life. Philadelphia: Temple University Press. p. 155. and 189.

[313] Langley, Paul (2008): The Everyday Life of Global Finance: Saving and Borrowing in Anglo-America. Oxford and New York: Oxford University Press. p. 66ff and 139ff.

Bryan et al., in a series of papers introduced the notion of securitization and derivate trading as part of financialization and theorized the impact on labor. They conclude that labor is increasingly exposed to pressures mediated through global capital markets and is increasingly priced and hedged as variable capital, consequently bearing higher risks and under pressure to deliver more. Through the mechanism of securitization, especially the securitization of mortgages "financialization introduces its own forms of enclosure over the household."[314] Especially debt relations are said to discipline labor. Interest payments work as a "capture of value"[315] this introduces "secondary forms of exploitation" in which workers real income are modified.[316] These developments are said to increase inequalities, in which affluent households can profit from financial and credit relations, whereas low-income households are included to adverse conditions. Debt relations are increasingly used to provide the means for reproduction, thus reproduction itself becomes financialized.

There are further points worth noting. Labor income now acts more than before as a motor for financial surplus, as a result of interest and fees paid on mortgages and household debt. Through financialization daily lives tend to become more flexible and riskier. Reproduction can start with a debt relation, which makes it more costly, and at the same time creates more value for capital, though imposing interest and fee payments on labor income at the back end. Financialization has a tendency to reorganize social relations, however this reorganization has varying effects depending on the focus. Empirical evidence points to the fact that the correlation between financialization and inequality is driven by household debt, especially loans that are taken out to finance consumption and services.[317] Credit expansion is found to be contributing to income inequality and worsening distributional outcomes.[318] But it is not just lower income households that are indebted. Affluent households also hold debt through mortgages.[319]

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[314] Bryan, Dick, Randy Martin and Micheal Rafferty (2009): Financialization and Marx: Giving Labor and Capital a Financial Makeover. In: Review of Radical Political Economics 41(4), p. 471.
[315] Lazzarato, Maurizio (2012): The Making of the Indebted Man. An Essay on the Neoliberal Condition. Los Angeles CA: Semiotext(e). p. 19.
[316] Soederberg, Susanne (2013): The US Debtfare State and the Credit Card Industry: Forging Spaces of Dispossession. In: Antipode 45(2), p. 495.
[317] De Vita, Glauco and Yun Luo, (2021): Financialization, Household Debt and Income Inequality: Empirical Evidence. In: International Journal of Finance and Economics 26(2), pp. 1934.
[318] Hyde, Allen, Todd Vachon and Micheal Wallace (2018): Financialization, Income Inequality and Redistribution in 18 Affluent Democracies, 1981-2011. In: Social Currents 5(2), p. 208.
[319] André, Christophe (2016): Household Debt in OECD Countries: Stylised Facts and Policy Issues. In: OECD Economics Department Working Papers, No. 1277, OECD Publishing, Paris, online: https://doi.org/10.1787/5jm3xgtkk1f2-en, accessed: 25.07.2022. p. 17.

Thus, by processes of the financialization of daily life, labor as a social relation becomes a potentiality of having access to capital and upholding living standards for lower- and middle-income households, in societies where the distribution of income becomes gradually more unjust. Low-income and younger people are facing more precarious employment.[320] Fostering solidarity between groups of workers and generations and representing their interests in collective struggles against processes of financialization thus become more challenging.[321]
Debt relations have the capacity to alter the calculation of a wage residual, in a way that the amount of what is required for debt service and what is left for subsistence is modified. Implicating that people are experiencing heightened pressures to work for longer, harder and under worse conditions, as they would if they had not to serve debt and the socio-economic environment was less risky. Especially structural changes in labor markets which shifts risks onto the individual, by demanding ever more flexibility undermine the capacity of workers to manage financial risk successfully. At the same time these changes are legitimated by a promise of stable livelihoods through individual calculation, financial literacy and credit.[322] "Financialization thus changes the ways in which households engage in production and balance this with other activities […]."[323] In general, heightening the pressure and linking up households' income back though the financial sphere. Shifting the balance of power from labor to capital.

6. Conclusion: Synthetization and Outlook

This thesis has established links between processes of financialization and labor by reviewing a corpus of literature concerning processes of financialization. Structured along the threefold heuristic, describing these processes as shifting patterns of accumulation,[324] the quest for

[320] Santos, Ana C., Cláudia A. Lopes and Sigrid Betzelt (2016): Financialisation and Work in the EU: Inequality, Debt and Labour Market Segmentation. In: Revista de Economía Mundial 46, p. 113.
[321] Grady, Jo and Melanie Simms (2019): Trade Unions and the Challenge to Foster Solidarities in an Era of Financialsation. In: Economic and Industrial Democracy 40(3), p. 502.
[322] Chan, Sharni (2013): "I am King": Financialisation and the Paradox of Precarious Work. In: The Economic and Labour Relations Review 24(3), p. 362.
[323] Mikuš, Marek and Petra Rodik (2021): Households and Peripheral Financialization in Eastern and Southern Europe. In: Mikuš, Marek and Petra Rodik (Eds.): Households and Financialization in Europe Mapping Variegated Patterns in Semi-Peripheries. London and New York: Routledge. p. 18.
[324] Krippner, Greta R. (2005): The Financialization of the American Economy. In: Socio-Economic Review 3, pp. 173-208. and Orhangazi, Özgür (2008): Financialization and the US Economy. Cheltenham and Northampton, MA: Edward Elgar.

shareholder maximization,[325] everyday saving and spending behavior,[326] secured[327] and unsecured debts of households.[328] Shifting patterns of accumulation and SV maximization have consequences for structures of firms, and how profits are made. Saving and spending behavior and household debt have implications for the size of the financial sector and how risks and obligations are shifted onto households and labor.

Financializations links to labor are not prominently considered in the literature and are in need for further explanation.[329] Implications can be established, even if they are often treated as secondary concerns. Issues for labor are discussed along financializations effects. Themes and theoretical angles include distributional outcomes, the wage share, inequalities, corporate restructuring, and debt relations.

Literature that centers on the labor process itself, how it creates value and how financialization affects the extraction and distribution of value, with a direct implication for workplace outcomes is rare. The reason for this is mostly found in the huge variation of these processes between countries, sectors and individual firms as well as type of labor relation. Bryan et al.[330] highlight the impact of securitization and derivatives on labor as they have the capacities to decompose values, including the variable costs of labor and measure them though performance of the securities on global capital markets. In the aggregate one can assess that labor is pressured to generate higher profitability for capital. Financialization of profits, as the shift in the importance from product to capital markets, and the shifting of investment in favor of financial assets entails worsening distributional effects between capital and labor, affecting the labor share negatively. Less investment in production causes shifts in demands of domestic labor markets. In general, these structural changes cause a shift in the

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[325] Froud, Julie, Colin Haslam, Sukhdev Johal and Karel Williams (2000): Shareholder Value and Financialization: Consultancy Promises, Management Moves. In: Economy and Society 29(1), pp. 80-110.

[326] Langley, Paul (2008): The Everyday Life of Global Finance: Saving and Borrowing in Anglo-America. Oxford and New York: Oxford University Press.

[327] Bryan, Dick, Randy Martin and Micheal Rafferty (2009): Financialization and Marx: Giving Labor and Capital a Financial Makeover. In: Review of Radical Political Economics 41(4), pp. 458 -472.

[328] Montgomerie, Johnna (2020): Indebtedness and Financialization in Everyday Life. In: Mader, Philip, Daniel Mertens and Natascha van der Zwan (Eds.): The Routledge International Handbook of Financialization, London and New York: Routledge. pp. 380-389.

[329] Martin, Randy, Michael Rafferty and Dick Bryan (2008): Financialization, Risk and Labour. In: Competition and Change 12(2), pp. 120-132.

[330] Bryan, Dick, Randy Martin and Micheal Rafferty (2009): Financialization and Marx: Giving Labor and Capital a Financial Makeover. In: Review of Radical Political Economics 41(4), pp. 458 -472.

balance of power from labor to capital; especially the bargaining power of organized labor is negatively affected.[331]

Globalization of production, sustained by financialization affected labor market demands in the high-income countries, to the disadvantage of skilled blue-collar labor in production.[332] Wages in these countries are under pressure though the expansion of the global workforce. Outsourced labor and suppliers have difficulties to bargain vis-à-vis TNCs with immense market power and the control of deep seated GVC/GPN.

Overall, value still must be realized through labor, however variegated processes of financialization affect the relation between the realization of value, the appropriation and the subsequent use of profits. Some authors conclude that profits are increased through price markups and cheaper inputs enabled by offshoring, these are then stored in financial assets, often used to financialize the organization, thus reinforcing this cycle.[333] Other authors find no such correlation, rather a negative impact between financialization and employment when controlling for offshoring.[334]

These changing patterns of accumulation often translate in and are sustained by ‟corporate and workplace change”[335] alongside managements quest for SV maximization. Which entails the financialization of operations, which modifies the relation of capital towards labor. A bifurcation of labor between management and shopfloor and between inhouse and interim or outsourced labor, is described in the literature.[336] Demands must now not just be justified against an employer, but also against global capital markets and respective shareholders. This again heightens contradictions between capital and labor. Contradictions between profits and wages are also amplified by valuation benchmarks on capital markets.

Processes of financialization are at the level of household and at the individual level conceptualized as risk shifting - labor must bear higher risks of volatile markets as its potential

[331] Bengtsson, Erik and Magnus Ryner (2015): The (International) Political Economy of Falling Wage Shares: Situating Working-Class Agency. In: New Political Economy 20(3), pp. 406-430.

[332] Lin, Ken-Hou (2016): The Rise of Finance and Firm Employment Dynamics. In: Organization Science 27(4), pp. 972-988.

[333] Milberg, William and Deborah Winkler (2012): Financialisation and the Dynamics of Offshoring in the USA. In: Cambridge Journal of Economics 34(2), pp. 275-293. and Milberg, William (2008): Shifting Sources and Uses of Profits: Sustaining US Financialization with Global Value Chains. In: Economy and Society 37(3), pp. 420-451.

[334] Durand, Cédric and Sébastien Miroudot (2015): Is Labour the Fall Guy of a Financial-Led Globalisation? A Cross-Country Inquiry on Globalisation, Financialisation and Employment at the Industry Level. In: Review of World Economics 151, p. 429.

[335] Cushen, Jean and Paul Thompson (2016): Financializaton and Value. Why Labour and the Labour Process still matters. In: Work, Employment and Society 30(2), p. 355.

[336] Van der Zwan, Natascha (2014): Making Sense of Financialization. In: Socio-Economic Review 12, p. 109.

income is pooled and tied to financial markets.[337] Welfare retrenchment contributes to an offloading of costs and risks to the individual level. The falling wage share and tight labor markets create adverse socio-economic environments for parts of the population. To deal with this situation households take on debt. Through the mechanism of securitization, especially the securitization of mortgages "financialization introduces its own forms of enclosure over the household."[338]

Connections between the different levels can be made. In the following I synthesize the findings and establish connections to labor in the aggregate. Restructuring at the firm level happens against the backdrop of globalization, which influences the financialization of profits. This has implications for the financialization of operations as the adoption and realization of SV, with its known effects on firm restructuring. Macroeconomic shifts contribute to and sustain meso-economic changes at the organizational level. The profit-investment puzzle, in which higher profits made by cooperations do not translate in more investment in domestic production can be partly explained by the quest for SV maximization. Less investment in production affects labor market demands in high-income countries. Through downsizing and distributing,[339] the focus on core competences and the portfolio view of the firm, labor is constituted as a cost factor on the balance sheets of corporations, thus should become less costly and more flexible. Fragmentation of production and fissuring of the workplace are co-products of these developments. Through these developments labor´s bargaining power is decreasing because the formulation of collective demands vis-à-vis capital is more complicated under this condition; subsequently union power is decreasing.

These general tendencies than have implications for the smallest economic unit - the household. Big corporations, resemble increasingly financial institutions; they rely less on banks as intermediaries and lend and borrow more freely on open markets. As a result, banks turn increasingly to households, which now constitutes their consumer basis. Financial deregulation allowed the introduction of new financial products which are increasingly tailored towards household needs. Mortgages and their subsequent securitization have the capacity to liquify values stored in assets. These assets become tradable and are now more

[337] Martin, Randy (2002): Financialization of Daily Life. Philadelphia: Temple University Press. p. 189.
[338] Bryan, Dick, Randy Martin and Micheal Rafferty (2009): Financialization and Marx: Giving Labor and Capital a Financial Makeover. In: Review of Radical Political Economics 41(4), pp. 458-472.
[339] Lazonick, William and Mary O'Sullivan (2000): Maximizing Shareholder Value: A New Ideology for Corporate Governance. In: Economy and Society 29(1), p. 15.

important as a base of funds and to realize financial profits. Securitization can turn household debt in a commodity which encourages its provision. This recapitalization is enabling financial institutions to provide even more credit.

Under adverse socioeconomic conditions characterized by a falling wage share and shifts in tight labor markets, middle- and low-income households increasingly struggle to maintain their standard of living or provide for social reproduction, taking on a credit can be a temporal fix to cope with this situation.

These developments all entail a shift of power to finance. More resources are available to the sector, the scale and scope of it is extending and more layers of the society are integrated through modes of saving and borrowing. Households in general borrow more.[340] Pressures of debt obligations nudge people to accept to work longer, harder, and under worse conditions. Financialization in high-income is said to be the unintended outcome of providing fixes in an environment, where the realization of ever-increasing profits through domestic production and sales becomes more difficult. Financialization is widening the sphere of circulation, relocates values on capital markets, frees illiquid assets in the form of MBS/ABS as well as providing a wider array of investment opportunities and extending and securitizing credit to households.

This thesis reviewed literature concerned with processes of financialization and how it includes, explains, and frames the implications for labor. Further research could specifically build on these findings and include literature which primarily focuses on labor and labor outcomes and connect these to processes of financialization at the different levels. So, turning the approach this thesis took from its head to its feet. Not starting at the processes of financialization, but at workplace and labor market changes. Especially important are here country- and sector-specific variations, not just in high-income countries, particularly interesting are observable shifts in labor markets of middle- and low-income countries.

Labor, and the realization of value through labor shapes processes of financialization as much as vice versa.[341] It is not only the growing importance of the shifts of patterns of accumulation, where the realization of profits gradually happen in the financial sphere, corporate

[340] Bernardo, Sara M. (2015): Debt Lock-In: Household Debt Burdens and Voluntary Quits. In: Weller, Christan E. (Ed.): Inequality, Uncertainty and Opportunity. The Varied and Growing Role of Finance in Labor Relations. Labour and Employment Relations Association, University of Illinois at Urbana-Champaign. p. 279. and Fernandez, Rodrigo and Manuel B. Aalbers (2017): Capital Market Union and Residential Capitalism in Europe: Rescaling the Housing-Centred Model of Financialization. In: Finance and Society 3(1), p. 38.

[341] Bernards, Nick (2020): Centring Labour in Financialization. In: Globalizations 17(4), pp. 714-729. p. 13

restructuring which entails a growing importance of capital over labor, as well as the exposure of labor to new risks, but also the socio-economic environment in which these changes happen and how they are intricately linked and co-dependent. Further research must keep this in mind and start from this proposition, to give labor and unions back their agency which seems to get lost when the discussion centers on changes in an increasingly financialized capitalism in which labor is merely an object subjected to the forces of ever-expanding capital markets. Financialization is a variegated process which is in itself conditioned by dynamics of labor and social reproduction.

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