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Limits to Financialization

Sociological Analyses of the Financial Crisis

Abstract

In the discussion on the causes of the financial crisis three main lines of argument can be distinguished: The ,,regulatory failure" argument, the theory of the cyclical instability of financial markets, and analyses of ,,financialization". From a sociological point of view, the latter analyses deserve particular interest, as they consider the crisis in the context of the larger structural changes of mature capitalist societies that have developed since the last decades of the 20th century. The paper first provides an overview of the financialization literature, focussing of the interplay between the changes on the macro-, meso- and micro levels of society that led to the present dominance of the financial services sector over the economy. Moreover, the historical analyses of Arrighi and Silver are considered. The second part of the paper offers a theoretical reconceptualization of the empirical findings in the framework of a multilevel model of capitalist dynamics. The model shows how a prosperous capitalist economy like the Western one in the second half of the 20th century can be transformed into a financialized economy due to its own internal dynamics. From a sociological perspective, financialization can thus be understood as a hegemonial regime of financial investors over entrepreneurs.

Keywords: Capital markets; Institutional investors; Shareholder value; Multileves analysis; Wealth inequality; Innovation; Social mobility; Social exclusion.

DISCUSSION IS CURRENTLY under way on the global financial and economic crisis of 2008/2009 and its consequences and causes. In a broad overview, three lines of argument can be distinguished. A first, widespread type of explanation can be subsumed to the keywords "human" or "regulatory failure". It is being argued that key actors and decision makers in the political and banking system neglected their supervisory duties, failed to assess risks properly, and failed to meet adequate regulatory measures. The Financial Crisis Inquiry Commission of the US Congress (FCIC) has provided a detailed record of these failures in its final report (FCIC 2011). While all these points are undoubtedly correct, it is likewise clear that this type of

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reasoning can only be a first step in the task of a true explanation. How is it possible that so many actors failed at the same time and that their failures interacted in such a fateful manner? Is the framework of individual responsibility at all sufficient to understand an event of such dimensions? Outside the closed world of mainstream economics it had been well known for a long time that investment decisions and risk perceptions are not made by isolated rational actors but are socially framed. They follow collective moods and herd instincts which shape individual decisions and perceptions, often in an inadvertent way; these moods are "social facts" which the individual actor cannot ignore. That it might have been a mistake to follow them can often only be recognized ex post. Therefore it is also unlikely that the human failure argument could be used to prevent future crises.

The point of herd instincts and contagion effects is taken up by the second type of explanation running under the heading of "financial instability". Central to this argument is the financial instability-hypothesis going back to Keynes and Minsky. According to that hypothesis there is no built in equilibrium mechanism in capital markets; instead imbalances tend to reinforce each other and to generate a cyclical pattern of "manias" and subsequent "crashes". In this sense, financial crises are considered as a "normal" recurrent phenomenon of capitalist development (Kindleberger and Aliber 2005, Reinhart and Rogoff 2009, Peukert 2010). Certainly this approach is much closer to empirical reality than the "efficient market hypothesis" of the economic mainstream, and it can illuminate the mechanisms of the actual crisis in a more convincing way than the human failure argument. Nevertheless, the financial instability approach clearly also has its limits. It focuses on cyclical movements but fails to consider long term structural trends, and the possibility that the current crisis may also mark a culmination point of such trends.

To analyze these trends, a third group of conceptions has been developed under the title of "financialization". The authors following this approach argue that the meltdown must be seen from the background of structural transformations of advanced capitalist economies during the last thirty years, advancing financial services as a key sector of the capitalist economy. It is this third line of explanations that I am going to discuss in this paper. What I want to do is first provide a recapitulation and systematic review of the recent "financialization" literature. Beyond a mere review, however, my aim is a theoretical reconceptualization of the financialization thesis which draws on concepts and analytical tools of economic sociology. As I

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hope to show, such a reconceptualization can clarify the internal mechanisms and contradictions of finance led capitalism in a more convincing way than the existing literature does. On such a basis it will be also possible to provide a more concise answer to the future prospects of financialization.

The discussion on the backgrounds of the crisis revisited

In its already mentioned report, the American Financial Crisis Inquiry Commission stated: "The profound events of 2007 and 2008 were neither bumps in the road nor an accentuated dip in the financial and business cycles we have come to expect in a free market economic system. This was a fundamental disruption – a financial upheaval, if you will – that wreaked havoc in communities and neighborhood in this country" (FCIC 2011: XV). The crisis, however, did not only mark a socio-economic rupture, but a scientific one too. The profession of academic economics, which took the main responsibility of advising political decision makers, failed almost completely in a double sense: not only were mainstream economists unable to forecast the crisis; they were not even able to take the mere possibility of such a collapse into account. Moreover, it seems that the widespread failures in financial regulation and supervision went back not to a small degree to the pervasive influence that the free market ideology of mainstream economics had on key actors in the political and finance system (Cassidy 2009, Fligstein and Goldstein 2010, Campbell 2010, Vogl 2010). The removal of essential legal "firewalls" between the banking and investment businesses, the marketing of extremely complex and risky financial "products", the permissive regulatory and monetary policies – almost everything had been justified by the alleged superiority of spontaneous market forces over political intervention. With the regulative context withering away, individually rational decisions produced increasingly irrational collective outcomes. The crisis resulted in a dramatic loss of reputation of a long tradition of neoclassical mainstream economics, culminating in the once celebrated "efficient market" theories of Fama and Lucas – "utopian economics" according to Cassidy's (2009) verdict.

How can the scientific vacuum left behind by the crisis be filled? According to Cassidy and many other voices, a new "reality based" economics is now being demanded, but what could it look like? In his

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critique of mainstream economics, Cassidy – and following him largely, Vogl – recalls a long list of market failure scenarios and arguments against the allegedly inherent rationality of market self-regulation. Although not wrong, these objections against neoclassic theory are not new and widely recognized outside mainstream economics (see only Beckert 2002). Likewise it is known that financial markets show a particular susceptibility to systemic imbalances. All these insights are necessary steps towards a more reality orientated economic science; nevertheless it is obvious that they alone do not suffice. Markets do not always fail, and not every expansion of credit financed investment ends up in a bubble. Financial crises are more likely to occur in certain historical periods than in others. It is vital to understand under which conditions markets and financial markets tend to fail and under which they can work. This, however, is not possible in the framework of purely economic models, and it is also doubtful whether the widely discussed approaches of "behavioral economics" can be of great help here. What is required is rather a more contextualized type of analysis, taking account of not only the interaction between the financial and the nonfinancial spheres of the economy but also of the larger political and social environment. As Sorge notes, much of the literature on the financial crisis is "not very aware of the world of normal work and America's industrial problems beyond Wall street, banks, financial instruments and statements" (Sorge 2011, p. 176). Indeed, to explain the financial crisis it is important to consider the world *beyond* the financial sphere, the changes of "real" work and society outside the markets.

To be sure, studies of this kind do exist. A number of authors, coming partly from economic history, partly from political economy and economic sociology, have diagnosed a continuing process of "financialization" of society over the last thirty years (Arrighi and Silver 1999, Davis 2009, 2010, Froud *et al*. 2000, 2006, Krippner 2005, Epstein 2005a, Phillips 2006, Orhangazi 2008, Reinhard and Rogoff 2009) and some of these authors have analyzed the collapse of 2007/2008 in their recent contributions. "Financialization" indeed has become a keyword for empirically orientated studies taking a broader historical and sociological perspective on the crisis. Krippner proposes an economic definition of the term, focusing on the question of "where profits are generated in the economy" (Krippner 2005, p. 177). She shows that for the American economy the FIRE (Finance, Insurance and Real Estate) – sector has become the dominant source of profits at least since the mid-1990s. In a recent essay, Krippner

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(2010) argues that the financial crisis can be interpreted as the culmination point of a long term process of financialization of the American economy which had been initiated by the economic policy of the Reagan administration in the early 1980s. By raising interest rates and cutting taxes simultaneously, the Reagan adminstration attempted to find a way out of the "stagflation" dilemma of the 1970s, with rising inflation, mounting distributive conflicts and declining real growth rates all occurring at the same time. What first appeared to be the quadrature of the circle – stimulating the economy by high public debts while nevertheless following a restrictive monetary policy –, worked unexpectedly well, because the high rate of interest attracted large inflows of foreign capital that made it possible to finance the mounting public and private deficits. The underlying structural problems of the economy, however, were not resolved but only temporarily suspended. As an unintended consequence of "Reaganomics", external debt grew and the financial sector expanded strongly. A big financial bubble developed, which manifested itself in a historically unprecedented rise of stock prices since the mid-1980s (Shiller 2008). At the same time, the appreciation of the dollar contributed to eroding the industrial base of the American economy, thus accentuating the trend toward financialization even further. Krippner argues that the crisis did not simply reflect normal "irrational exuberance" and its subsequent collapse that always could be observed in the history of financial market manias. Rather it marked the culmination point in a decade long trend of the entire economy towards financialization, which due to its internal contradictions and growing external debt could not be sustained any longer.

A similar point had been made already by Phillips (2006). Two years before the collapse of Lehman brothers he presented a clear diagnosis of the problems, like Krippner pointing to the rise of the financial industry as a dominant sector in the American economy. What actually lay behind the growth of financial services and financial "value creation" was, as Phillips showed, a historically unprecedented rise of debts – not only of public, but also of private, *i.e.* corporate and household debts (including consumer credits and mortgages). The era of financialization was a period of profound social change with a mounting inequality of wealth, declining real mass incomes, credit-financed waves of consumerism and investor greed. Conventional legal and ethical standards of responsible financial conduct eroded: "The first steep rise came in the 1980s. The 1990s then carried what economists call total credit-market debt – government,

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business, financial, and household – above its previous top (287 percent of GDP) in the era surrounding the 1929 crash. The transition from the stock-market expansion of 1997-2000 into the subsequent credit and housing expansion raised the peak higher still. By 2004 total credit-market debt reached 304 percent of GDP, the sort of Himalayan altitude generally associated with dizziness and nosebleeds" (Phillips 2006, p. 273).

Different levels and arenas of financialization

Financialization is a process that is not confined to the American economy but is of a global nature, involving most OECD-nations, albeit to different degrees. At the same time it develops at different levels of society and permeates large arenas of social and political life. "What emerged can be called a *portfolio society*, in which the investment idiom becomes a dominant way of understanding the individual's place in society" (Davis 2009, p. 6). Financialization implies far reaching macro-economic transformations, such as shifts in the sectoral structure of the economy, in the distribution of national income between profits, rents, wages and taxes, and in the international division of labor. No less important are changes at the meso-level, such as transformations in corporate governance, shifts in the power balance between corporate owners, management, unions and employees, and changes in the role of the national state and political power. Last but not least the changes at the micro level, such as the boom in credit financed consumerism and the spread of a middle class investor culture deserve attention. Analyses of financialization extend to each of these levels, including their interactions with each other. Additional insights are offered by historical studies of financialization, concentrating on the dynamics of financial crises and long term trends in the rise and decline of financial oligarchies.

In the next section of this paper I will recall how these different levels and perspectives of analysis are being considered in the financialization literature. There is no doubt that valuable insights into the long term dynamics of financial markets and their social and economic determinants have been collected so far. What is still lacking, however, is an integrated, theoretically guided perspective that allows us to synthetize these findings. It is only such a systematic analysis that can provide an answer to our question of the

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sustainability of the financialization process. As I want to show subsequently, economic sociology with its repertoire of conceptual and analytical tools could be helpful in systematizing the findings of the financialization literature.

Structural trends and changes at the macro-level

With the contributions of Krippner and Phillips, I have already cited two macro-oriented studies of financialization. However, although these authors are well aware of the global character of financialization, their perspective is still strongly concentrated on the US-economy and the policies of the US-Government and the Federal Reserve Board. What they hardly consider are parallel developments in other parts of the world, and changes in global economic power structures intertwined with the financialization process. The structural shifts that have been described as characteristic of the process of financialization by Krippner and Pillips are not confined to the American Economy, but can also be observed in many other advanced economies. This is confirmed by Krippner's own finding that in the revenues flowing from overseas subsidiaries of US nonmanufacturing companies, finance generated profits were even more important than in domestic production (Krippner 2005, p. 195). Since the end of the 1980s, the FIRE-sector (financial services, insurance and real estate) has steadily increased its relative contribution to total economic value creation in most OECD countries. Within the EU-27, for example, the FIRE-sector contributed to no less than 28.8 percent of GDP in 2010, topping industry (18.5 percent) and every other sub-branch of the service sector. In Germany with its strong industrial sector the FIRE-share of GDP was even above the EU-average (30.4 percent), again topping industry (23.4 percent) significantly (Eurostat 2011).[1]

What lay behind this trend was the significant, long term growth of financial assets which reflected the peaceful and comparatively prosperous development of western capitalism during the second half of the 20th century. Wars and galloping inflation, which in former historical periods repeatedly extinguished large amounts of private wealth, did not occur. Since the 1970s, the growth rate of global

[1] It has to be admitted that calculations about value creation in the FIRE-sector are open to many questions. In terms of employment, the Share of the FIRE -sector is much lower than in terms of value creation.

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private financial assets had been around three times as high as that of the social product in 23 highly developed OECD countries, and the trade volume on markets for foreign exchange, stocks and loans grew five times as fast (Sassen 2005, p. 19 f.). Crotty notes that the value of financial assets and finance based income as a percentage of GDP "has risen dramatically in many countries and across the global economy" (Crotty, 2005, p. 85). Likewise, financial assets held by institutional investors as a percentage of GPD grew markedly between 1980 and 2001 in most countries, for example from 69.9 to 198 percent in the US, from 49.4 to 212 percent in the UK, from 11.3 to 113 percent in France, and from 17.5 to 81 percent in Germany (OECD 2005). Moreover, capital incomes flowing from assets increased markedly; correspondingly, the rentiers' share of national income went up in most OECD countries, first between the 1960s and the 1970s, and even more after 1980 (Duménil and Lévy 2005, Epstein and Jadayev 2005). Conversely, the wages' share of national income dropped. The growth of the rentier's share of national income was less accentuated in countries with strong union movements, as demonstrated by the negative correlation between rentier's shares and unionization rates (Epstein and Jayadev 2005, p. 65). Last, but not least, the growth crisis in the 1970s and the subsequent decline of average real economic growth rates were not a unique American experience, but a world-wide phenomenon. Between 1950-1973, global GDP grew at an annual rate of 3 percent; during the "neoliberal" epoch between 1973 and 1998 annual growth dropped to 1.3 percent (Afheld 2003, p. 127). The relative decline of profitable investment opportunities in the non-financial (manufacturing and service) sector (Crotty 2005, p. 83), and the parallel increase of rent seeking financial assets after the mid-1970s were particularly marked in the advanced economies of Europe, North America and Japan. The subsequent liberalization of international capital markets after 1973, which in Europe had been promoted by the treaty of Maastricht, was motivated by the interest in opening up new global investment opportunities for liquid capital which could no longer find satisfactory returns in domestic investments.

Initially, a large part of this capital flowed to emerging economies where apparently it was most needed. However, repeated financial crises – Mexico (1994/94), South-East Asia, Brazil, Russia (1997-98), Argentina (2001/2) – revealed the high risks of these investments. From this background, the US capital market gained the reputation of an apparently "safe" harbor and attracted larger and larger flows of capital, in spite of Greenspan's temporary low interest rate policy after

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the burst of the dot.com bubble. The strategic decisions of US economic policy referred to by Krippner reveal their full significance only in such a global perspective. The US capital market took on the role of a huge "sponge" absorbing large quantities of abundant global capital.

In a lecture, delivered at the Virginia Association of Economics in Richmond, Virginia on April 14, 2005, Governor Ben Bernanke, later Chairman of the Federal Reserve Board, gave a precise description of this constellation. "Why is the United States, with the world's largest economy, borrowing heavily on international capital markets – rather than lending, as it would seem natural?" asked Bernanke. His answer was that the current account deficit of the US resulted from a coincidence of two factors: a low and further declining national saving rate in the US on the one hand and a "global saving glut" on the other. The excess of global saving diagnosed by Bernanke was in turn due to two causes: first, the situation in mature industrial economies like Germany and Japan, with aging populations, decreasing workforces, high capital-labor ratios and diminishing domestic investment opportunities. These conditions would produce a strong saving motive; given the parallel decline in domestic investment returns, this would result in a strong propensity to run current account surpluses and capital outflows. However, according to Bernanke, the global saving glut had a second, even more spectacular cause: some developing and emerging economies in Asia and Latin America themselves, partly being badly hit by the financial crisis of the late 1990s, changed from the role of capital importers to net exporters. Again the US capital market with its highly profitable housing boom was chosen as a "safe harbor" in which to allocate these funds. In other words, the net borrowing of capital by the US could be viewed as the reverse side of the global saving glut. In a world full of liquid excess capital somebody must take on the role of the debtor – and should the US be blamed for doing so? This had been Bernanke's point. One could ask why Bernanke apparently was not aware of the particular risks for the US in taking on such a role, being itself a "mature", rich economy with limited domestic investment opportunities.

The meso-level: financialization, corporate governance and the national state

The bird's eye view of global macroeconomic changes alone cannot be sufficient to understand the phenomenon of financialization. What

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is needed is a more detailed look at the transformations of the banking system, of the structure of corporate governance and of the state and state finances lying "behind" the shifts in the above noted statistical aggregates. These changes have also been broadly considered in the financialization literature. They can be categorized under three headings: (a) the advance of mutual funds and institutional investors as collective actors at the capital market ; (b) the mounting influence of shareholder interests on corporate governance and the consequences for economic and political leadership; (c) the impact of financialization on the state and state finances.

a) Transformations of the banking system. The key phenomenon to be considered here is the rise of investment banks and the parallel decline of traditional commercial banking. While investment banks are specialized in the placement of securities, commercial banks earn their money by holding deposits and lending. In the US, the experiences of the Great Depression of the 1930s had led to a strict separation between the two business fields by the Glass-Steagall Act (1933); on the European continent the traditional universal banking system was maintained. After the war, the expansion of the investment banks in the US started as early as the 1960s due to rising mass incomes. With increasingly affluent middle classes and more savings the demand for financial expertise rose. Instead of traditional savings accounts, alternative forms of investment such as mutual funds and money market funds became attractive for larger circles of customers. Thus, the banks lost a major source of their capital at the same time their lending activities were hampered, as nonfinancial corporations started ending directly to one another, or going to the stock market. Due to the decline in their traditional business, the banks moved into service-oriented activities, becoming more similar to investment banks (Davis and Mizruchi 1999, Mizruchi 2010). A further factor supporting the expansion of institutional investors was the spread of capital based private pension schemes in the US, which were strongly supported by the leading political forces and even the American unions (O'Sullivan 2000). Under the pressure of the investment banks, the Glass Steagall Act was formally repealed in 1999. In 2010, the Investment Company Institute (ICI), the national association of US investment companies, included 7,559 mutual funds, 620 closed-end funds, 920 exchange-traded funds (ETFs) and three sponsors of unit investment trusts (UITs). Members manage assets totaling $12.9 trillion and serve almost 90 million

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customers (ICI 2011). George W. Bush's vision of the "ownership society" became realized to a large degree: "The shift from corporate-run pension plans to 401(k)s during the 1980s and 1990s, coupled with the broad reallocation of household savings from low-interest bank accounts to retail mutual funds, had turned the majority of American households into shareholders by the turn of the 21th century – compared to only 20 percent of households in the early 1980s" (Davis 2010, p. 341).

In Europe, similar developments took place somewhat later. In the 1980s, the Thatcher Government in Britain took the initiative of privatizing the pension system. After the fall of the iron curtain, capital based pension schemes were also promoted by continental governments and were supported by tax breaks (Blackburn 2002). The existing pay-as-you go public pension systems met with heavy propagandistic attacks because of their apparently negative impact on economic growth and their alleged incapability to cope with the problems of demographic change; even the World Bank actively engaged in that campaign. "Financial market capitalism" (Windolf 2005) as a hegemonic regime of institutional investors gained ground in Germany and other coordinated market economies of the European continent. The formerly close network relations between the large banks and industrial cooperation were dismantled, as the banks decided to sell their industrial majority shareholdings in order to participate in the global investment business. At the same time, the game of investing money into stocks and investment funds became popular in the middle classes.

b) Changes of corporate governance. The rise of mutual funds and institutional investors and their increasing dominance in the capital markets had far reaching consequences for corporate ownership and governance. Whereas in the 1950s households still owned about 90 percent of US corporate stock, the relationship between household and institutional ownership had reversed by 2000: households held only 42 percent of public shares, while institutional investors owned 46 percent (Crotty 2005, p. 91). Since the 1970s, institutional investors and mutual funds gradually became the dominant party on the owner's side in US corporations. This led to sweeping changes in the structure of corporate governance starting at the end of the 1970s. Faced with declining corporate profits and low stock prices, institutional shareholders enacted a "revolt" to wrest control from management. A wave of hostile takeovers was initiated, and new forms of

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concerted action between stockholders were developed in order to make management more responsive to shareholder interests and demands (Useem 1993). An indication of the increasing shareholder pressure on management was the substantial decline of CEO tenure between the early 1980s and the turn of the century (Mizruchi 2010, p. 125). Parallel to this, the ideology of "shareholder value" and the portfolio theory of the firm gained influence in managerial economics. Managers were no longer considered as skilled professionals but as agents of shareholder value maximation. Increasing the value of the investor's portfolio by leveraged buyouts, stock repurchases, mergers and acquisitions became a first priority of business strategy (Fligstein 2008, Dobbin and Jung 2010). According to the new priority of finance, financial backgrounds and expertise became crucial criteria for the hiring of CEOs (Fligstein 1990). Again, all these transformations were not confined to the US and other liberal market economies, but also developed in the coordinated market economies of the European continent. As a consequence, mutual funds and institutional investors became influential on the owner side in Germany as well (Windolf 1994, Streeck and Höpner 2003, Beyer 2006, Freye 2009).

In practice, financialization confronted corporate managers with four challenges. First, as fund managers themselves were rewarded according to the financial performance of their firms, they tended to pass this imperative on to corporate management. Thus, maximizing shareholder value for the owners became a first priority for corporate managers. Of course, there are different ways of implementing this goal such as paying out larger dividends, or alternatively buying back shares of the own company in order to boost share prices. In practice, the pressure to choose the first option often seems to have been high: "The rise of the shareholder value movement caused the dividend payout ratio to double from the mid-1980s to the late 1990s, severely draining NFC- (nonfinancial corporation) funds" (Crotty 2005, pp. 96-97, corresponding findings for Germany Beyer and Hassel 2003, for the UK Froud *et al*. 2006).

Second, for the corporate managers it became vital to meet the profit targets agreed upon with the owners, because the market value of the firm would decline if profits came under the projected rate (Dobbin and Zorn 2005, Dobbin and Jung 2010). Given the often weak actual profitability of companies, management had, as Epstein shows, three options to conform to this expectation, "none of them healthy for the average citizen: 1) they cut wages and benefits to workers; 2) they engaged in fraud and deception to increase apparent

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profits; and 3) they moved into financial operations to increase profits" (Epstein 2005b, p. 7). With diminishing internal funds and close external monitoring by the owners it became difficult for CEOs to engage in long term planning (Mizruchi 2010, p. 126). Sophisticated projects of process or product innovation, which would perhaps improve the profitability and market position of the firm in the long term, but created only costs in the short term, would be difficult to justify to the owners. Under such conditions, the generation of profits was no longer a positive sum game for all parties (owners, managers, workers) involved, but became transformed into a zero sum game, with profits coming from the redistribution of a given cash flow in favor of the owners instead of coming from innovation driven growth. Moreover, the situation created strong incentives for managers to leave the complex and uncertain world of real innovation all together, and to move to cosmetic innovation and the virtual world of finance.

Third, both owners and managers were highly interested in boosting the market value of the firm. As bonuses and options for managers were largely coupled to share prices they would benefit from rising share prices too. However, how can share prices be pushed, given the often meager actual profitability and the curtailed real innovative potential of the firm? Finance market "narratives" (Froud *et al*. 2006), framing the actual numbers in a way that makes them appear promising, became a widespread way out of this dilemma. Rather than engaging in real innovation, managers saw themselves faced with the challenge communicating "stories" about their business strategies which could convince the markets and would stimulate their "imagination". In their analysis of the economic performance of 500 large US and UK firms in the period between 1983 and 2002, Froud *et al*. showed that share prices indeed increased enormously, as did management bonuses and options (see also Dobbin and Jung 2010, p. 37). To that extent, the "narratives" communicated by the managers seem to have fulfilled their function. According to conventional, more hardcore economic indicators such as profits, turnover and employment, however, the performance of most companies had been far less impressive and showed no significant improvement over the entire period.

Fourth, de-diversification and disassembling of industrial conglomerates became key imperatives of business strategy. Until the 1970s, the multidivisional form had still been propagated by leading management theorists as a way to spread risk across different sorts of industries and to hedge the company against the possibility of

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downturns in particular industrial branches. However, according to the agency theories now becoming dominant, diversification decisions should be left to the investors, not to the managers (Dobbin and Jung 2010, p. 40). Managers should concentrate on their "core business" and "key competencies", and all units that were not linked to the core became candidates for downsizing or disposal.

In a concise analysis, Mizruchi (2010) has highlighted the structural change of the American business elite due to the financialization process. Drawing on Marx's analysis of Bonapartism, Mizruchi argues that it was the rise of financial investors as powerful collective actors that led to an increasing fragmentation of the American business elite and undermined its capacity for political leadership. In his eyes, the postwar period from 1945 to the early 1970s had been "the golden age of the moderate orientation of the American elite" (Mizruchi 2010, p. 114), with an "inner circle" of business leaders representing the largest banks and showing a high degree of cohesion. According to Mizruchi, the members of this older elite group were highly involved in civic activities and held moderate and pragmatic positions *vis-à-vis* the unions and the state; they largely supported Keynesian deficit spending and federal antipoverty programs. With the "shareholder revolution" of the 1980s and with the declining tenure of CEOs, the corporate elite lost its cohesiveness and had to give way to the new layer of fund managers. The new elite, showing a strong aversion to government regulation and unions, was interested almost exclusively only in the returns on their investments with no concerns beyond those narrow confines. Thus, what replaced the old corporate elite, was "not a new coherent group of actors, but instead a void… The group was fragmented, with no cosmopolitan leading edge able to speak for the community as a whole. It is not that the networks had disappeared. On the contrary, connections to the inner circle within Wall Street provided the key to enormous riches. But these connections were used as instruments for very specific goals, and not as the basis for institutional or societal leadership, as the corporate elite of the postwar period had done" (Mizruchi 2010, p. 127). For Mizruchi, this disorganization of the American business elite is the key to explaining the failures of political regulation in the present crisis. The Federal Government itself no longer seems to be in a position to coordinate divergent interests of business sections and social groups through its economic policies. The resistance of the financial community to any regulation even after 2008 could not be successfully counteracted by the Obama administration. To that

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extend, it has indeed reduced itself into an agency of the dominant institutional investor groups.

c) The impact on the state and state finances. One of the most striking aspects of financialization has been the assault of financial corporations on the fiscal and territorial sovereignty of the national state, as highlighted by Davis (2009). The superiority of financial market actors *vis-à-vis* the state results from the fact that they are globally mobile and can choose where to register at will, whereas the power of the national state continues to be largely confined to territorial borders. As a consequence, "states increasingly find themselves in competition as vendors to a corporate and financial clientele. States compete for many types of consumers: for foreign direct investment, for portfolio investment, for taxes, for incorporation" (Davis 2009, p. 171). In order to attract investors, many governments competed to cut corporate taxes and tax rates on high incomes. In the 20 key OECD countries, the average corporate tax rate fell from 44 percent in 1985 to 29 percent in 2009, and the top individual income tax rate declined from 65 to 46 percent; in the Eastern European transformation economies the reductions after 1990 were even more marked (Genschel and Schwarz 2011, p. 356). An industry of well-staffed accounting firms and consultancies helped its top income clientele to find ways how to evade taxation. Until the end of the 1990s, interest rates were kept high in order to attract international capital, resulting in a depressive effect on the national economies. The erosion of tax revenues forced governments to cut social expenditures, public investments and to downsize public sector personnel. Moreover, public property and public corporations in sectors like energy, communication, transport, health, education were privatized on a large scale. Between 1990 and 1997 alone the revenues from such privatizations rose from 33 billion to 153 billion globally (Huffschmid 2002, p. 79). In this way governments followed the pressure of investors to open new outlets for their idle capital. Public debts nevertheless continued to increase, and again the investors profited from rising interest payments on state bonds. As a consequence of their increasing dependence on the capital market, many states themselves have come to act like private financial corporations. Like finance dominated corporations they feel required to establish privileged "investor relations"; they have to concentrate on their "core business" and outsource "non-essential" government activities to contractors. "Using the markets for debt places the states into a position directly

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analogous to corporations in how they deal with customers" (Davis 2009, p. 178).

The micro-level: financialization and the small investor

For a full understanding of the phenomenon of financialization it is not sufficient to consider the transformations at the macro- and meso-levels discussed above. Again, we need to go one step further and focus on the level of individual action. What did financialization mean for the individual citizen and everyday culture? This is a field where the financialization literature still has white spots and thorough studies are lacking. I will confine myself to a brief sketch. In the earlier historical phases of capitalism, the worlds of finance and of the working population were strictly separated from each other. Becoming rich, of course, had always been a popular dream; however, most people were quite aware that it was only a dream. In order to attain even only a moderate level of wealth, there appeared to be no other way forward except for thriftiness and hard work. Even lotteries were shunned by the Protestant reform movements in the 19th century (Lutter 2010).

In the course of the post war boom, the traditional hard work ethic lost its credibility. Hedonistic and "post-materialistic" (Inglehart) value orientations gained ground in the younger generation growing up under prosperous conditions. The "market populism" (Frank 2000) that spread in the US since the late 1980s and, to a lesser degree, also in Europe (Birenheide *et al.* 2005) under the impact of campaigns by the financial industry, marked a further step in the demise of the traditional work ethic. Even among the lower middle classes this seems to have raised aspirations for an "immediate" way to financial wealth that would bypass the need for hard work. "I decided I didn't want to be a secretary any more. I wanted to be rich", said one of the persons interviewed by Harrington in her study on investment clubs (Harrington 2008, p. 2). Neoliberal politics did its part to promote the dream of unlimited wealth. Since the Reagan era, stock ownership was propagated as a panacea for social problems; later, G.W. Bush would come up with his ideology of the "ownership" society (Davis 2010). Tax reductions were introduced to encourage private savings plans and investment into stocks and funds. As owners, people were expected to change their political views and to

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become natural supporters of neoliberalism and the Republican party. The housing campaign after 2002 continued this strategy.

Still, the extremely uneven social distribution of wealth continued to exist; in fact inequality became even stronger. However until the 1980s even the middle classes had been able to accumulate a moderate level of wealth. Under these conditions, the political and business campaigns to "naturalize" stock-market investment that started in the US already in the 1980s (Harmes 2001, p. 3), fell on fertile ground. Financial "supermarkets" and consulting agencies flourished, and speculating with funds and stocks was acclaimed as a way for individual emancipation and self-expression for both men and women. Individualized "products", allowing for a wide range of personal identities, were marketed: "In 1997, the Mouvement des Caisses Desjardins launched a mutual fund investing exclusively in Quebec stocks and bonds, 'a move aimed largely at placating patriotic customers who want to keep more of their money at home'. For the more socially progressive, the emergence of 'ethical' mutual funds – including labour-sponsored venture-capital funds and green funds – can provide an alternative, financial outlet for activist tendencies. In a similar fashion to the 'liberation-marketing'-strategies of *soi-disant* Che Guevara and Malcolm X products, funds of this type help to channel forms of everyday resistance into directions compatible with the interests of finance capital" (Harmes 2001, p. 10). In their campaigns for "financial literacy", the funds even targeted children.

Still, the bulk of financial assets fell on owners of the upper and upper middle classes; the extreme inequality of the distribution of financial assets even showing a trend to increase since the 1980s (for the US Keister 2000, pp. 62 f.). However, despite the relatively small sums involved, the mass investment culture met large popular resonance and gained ground even in the lower middle classes, where "investment clubs" mushroomed (Harrington 2008). In the US, 51.1 percent of families directly or indirectly held stocks in publicly traded companies by 2007, up from 48.9 percent in 1998. Even in the lowest and second lowest income quintiles the percentages of stock holders grew from 13.6 to 34 in 2007 (Bucks *et al.* 2009, A27). The broad diffusion of stock ownership surely is an important factor explaining why neoliberal deregulation met with so little political resistance in the public.

In Europe, parallel developments could be observed. A European survey of 2001 covering six countries (Belgium, Britain, France, Germany, Italy, Spain) revealed that a large percentage of respondents

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of households holding assets (varying between 30 percent in Belgium and 57 percent in Spain) had no higher education (De Bondt 2005, p. 168). The data indicate that ownership of shares had also spread to some degree even into the lower middle classes in Europe (Birenheide *et al*. 2005, Schimank 2011). While this can partly be explained by the need for private provision for retirement after the dismantling of public pension systems as in the US, this is surely not the only motive. The dream of immediate access to the utopia of wealth via stock market speculation has perhaps never found more popular resonance than since the 1990s. Even in Germany, where reluctance towards the stock market among the broad public had traditionally been high, the ownership of stock market and mutual fund shares showed a steep rise after the mid-1990s up to a peak of more than 12 millions shareholders in 2000; today (2010) it amounts to 10.5 million in a population of 82 million (Deutsches Aktien Institut 2011). The stock market crash in 2001 and 2002 apparently did not have a lasting negative impact on the popularity of holding shares. In spite of the obvious risks, small investors continued to believe in the "success-stories" delivered by the financial industry and to "buy a place in a base camp for day-dreaming" (Schimank 2011, p. 118), showing in this some mental affinity with lottery gamblers (Beckert and Lutter 2008).

The small investor boom, however, took place under conditions of declining economic growth and worsening employment opportunities. Real incomes even of the middle classes started to decline in the 1980s, leaving less and less room for savings. The reverse side of the small investor boom therefore was a steep increase in private debt, observed in particular in the US and also in the UK. According to the US data delivered by Phillips, consumer debt represented a record of 87.7 percent of GDP at the end of 2004 (Phillips 2006, p. 289), and it continued the rise between 2004 and 2007. Besides credit financed speculation, the main factors were installment loans, outstanding credit card balances and mortgage debts. In 2007, 46.9 percent of all American families had installment loans with a median value of $13,000 and 46.1 percent had outstanding credit card balances with a median value of $3,000. The percentage of families holding debt was particularly high in the middle income groups (Bucks *et al*. 2007, A40/41). Investing and consuming no longer seemed to be alternatives for many families, but occurred at the same time. After 2002, the strong expansion of mortgage credits contributed further to increasing the overall level of consumer debts. "Instead of investing their wages in the stock market, households had come to rely on increases of the

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value of their asset ownership – homes and stock portfolios – to fund consumer spending that outstripped their employment income" (Davis 2009, p. 4).

The rise of credit card as well as of mortgage debts was also the outcome of political deregulation aiming to "democratize" the credit market and to open credit opportunities to hitherto apparently "discriminated" low income groups. The banks discovered "sub-prime" borrowers with a low, irregular or unverifiable income as a profitable clientele for their business and developed new techniques of structured risk pricing. Sub-prime lending far outpaced the growth rate in the "prime" mortgage sector; by 2006 between one fifth and one quarter of all new mortgage originations fell into the sub-prime sector (Langley 2008, pp. 473-474). A similar development could be observed in the credit card business, where overdue debts were charged with excessive interest rates and 40 percent of the issuer's profits came from penalty fees by 2005 (Phillips 2006, p. 296).

A long term historical perspective

Financialization is a long term process that transformed the economies of Western capitalism during the demise of the Bretton Woods system. It should not be equated with the phase of "mania" in Minsky's model of financial market fluctuations, but is of a more lasting nature. The financial crisis of 2008 was only one of several others that occurred in the world economy since the late 1970s. While Minsky's financial instability hypothesis can provide a more or less adequate description of every single one of these crises, it does not offer a conceptualization of the underlying trend. In order to understand the determinants of this trend, a more encompassing historical perspective is required. Such a perspective has been offered by Giovanni Arrighi and Beverly Silver (1999, similarly also Phillips 2006) in their analysis of different phases of financialization in the modern age, where they draw largely on Immanuel Wallerstein's concept of "hegemonic" cycles and Braudel's analysis of financial expansions.

In their broad historical overview, the authors identify three hegemonic regimes. First, the Dutch one, covering the phase from the Westphalian peace to the Napoleonic wars. Second, the British one, lasting from the end of the Napoleonic wars to World War I. Third, the US hegemony, starting after the first World War and still

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continuing. Each of these regimes was characterized, as they show, by a particular sequence of systemic transitions which lead to a progressive undermining of the original military, political and economic power bases. In all cases, hegemony was the outcome of long periods of competitive expansion, leading to a concentration of political and economic power. After the military dominance of the hegemon had been consolidated, the next phase that followed in all three instances was a period of economic liberalism, where the economic edge of the hegemon in production and trade came into full play. But global liberalism tends to undermine itself, as it gives rise to a spread of the technological expertise of the hegemon to its competitors. Moreover, it cannot prevent the "creeping rise of real income of both the working strata and the cadres located in the hegemonic power", as Arrighi and Silver (*ibid.,* p. 24) argue in line with Wallerstein. Mounting international rivalries within the ruling classes on the one hand, and increasing class conflicts on the other, tend to reinforce each other. These challenges give rise to financial expansion as an ultimate form of hegemony: "Systemwide financial expansions are the outcome of two complementary tendencies: an overaccumulation of capital and intense interstate competition for mobile capital" (*ibid.,* p. 31). Financialization goes hand in hand with an increasing social polarization of wealth which in turn undermines the "middle class consent" underlying the hegemonic order (*ibid*., p. 151). Financial dominance is the last area where the hegemon can temporarily consolidate his economic superiority, after having outsourced his productive capacities to lower cost locations and losing his edge in production and commerce. However, even financialization cannot remove the basic contradictions of the hegemonial regime and cannot prevent its final breakdown. It can thus be interpreted, as Arrighi and Silver cite Braudel, as a sign of "autumn": "As the 'autumn' of major capitalist developments, financial expansions are also the autumn of the hegemonic structures in which these developments are embedded. They are the time when the leader of a major expansion of world trade and production that is drawing to a close, reaps the fruits of leadership in the form of a privileged access to the overabundant liquidity that accumulates in world financial markets" (*ibid*., p. 33). What follows is a new systemic crisis which paves the ground for the rise of a new hegemon. Accordingly, the authors interpret the contemporary US dominated era of financialization as a sign "that we are in the midst of a hegemonic crisis. As such, the expansion can be expected to be a temporary phenomenon that will end more or less catastrophically,

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depending on how the crisis is handled by the declining hegemon" (*ibid*., p. 272). One has to remember that was written ten years before the collapse of Lehmann Brothers under conditions of a booming US economy, indicating anything else but a decline of the US hegemony.

An integrated view

Financialization and social theory

Financialization – this had been Arrighi and Silver's point – does not occur only in the short term, as the final phase of the boom in business cycles, but also in the long term, as the final phase of a particular hegemonic regime. Given the empirical evidence we have collected above, it appears promising to also consider the actual financial crisis within such a wider historical context. Still, we do not know whether the current crisis will indeed turn out to be the terminating crisis of American global hegemony. However, it is reasonably clear that the crisis cannot be explained sufficiently by actual deficiencies of regulation and supervision, but goes back to structural tensions in the capitalist world economy that have been built up in a decade long process. Ultimately, these tensions must somehow be resolved, and even the current crisis may not yet mark such a definitive turning point. There is much intuitive evidence that the present era of financially dominated capital accumulation cannot be sustained, the question being only when an even larger crisis will occur. Of course, as the future is open, we can never be completely certain about that. However, due to its largely descriptive character, Arrighi and Silver's analysis fails to provide clear analytical criteria to assess the anticipated breakdown of the current hegemonic regime. According to the authors, the process of financialization will come to an end as soon as "the redistribution can no longer be sustained economically, socially, politically" (Arrighi and Silver 1999, p. 273). Nor is it clear why financialization requires an ever increasing amount of redistribution or which kind of redistribution between which groups is precisely meant. Nor do the authors explicate the reasons for, why a given amount of redistribution may no longer appear "sustainable", and for whom. Is it rather the decline of manufacturing industries occurring in parallel with financialization that causes the terminal crisis, as Philipps (2006) argues?

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At this point it could be helpful to take recourse to some concepts and tools of theoretical sociology, in particular the concept of dynamic interaction between social structures and individual actions, and the methodology of multi-level analysis. In the following section I will try to show how the findings of the financialization studies could be reformulated in such a framework, and how this reformulation could help to understanding the dynamics of long term cycles of financial expansion in a more precise manner than Arrighi and Silver's work does.

For a long time, sociological theory has ceased to engage in the earlier unproductive controversies between action theories and structural functionalism. Instead, starting with Merton's concept of "latent functions" and Berger and Luckmann's approach of a "social constitution" of reality, the idea of a recursive dynamic relationship between action and structure has gained ground. More elaborate versions of this idea have been presented by such influential writers as Anthony Giddens with his concept of the "duality" of social structures, and Pierre Bourdieu with his concept of social "habitus". Technically, the inquiry of the interaction process between action and structure can be carried on in the form of a dynamic multilevel explanation (Coleman 1990, Esser 1993). Such an analysis aims to clarify how actors perceive a given social situation, how they respond to the situation by their actions, and how the aggregate outcome of individual actions may transform the initial situation. Technically speaking, the following three steps are required (Esser 1993, 1999): first, a reconstruction of the social situation of the actors, focussing on both the characteristics of the situation as viewed by the scientific observer and as viewed by the actors themselves ("logic of the situation" according to Esser); second, a theoretically based interpretation of individual action in the given situation ("logic of selection"); third, an explanation of the newly constituted collective situation from the aggregated effects of individual actions ("logic of aggregation"). Multilevel analysis can thus open the view on unintended collective consequences and emergent effects of individual action.

As we have seen, financialization is a social process which is largely characterized by such unplanned aggregate outcomes of individual action; therefore it offers itself to the application of the methodology of multilevel analysis. Such an analysis can show, as I will argue subsequently, how a prosperous capitalist economy, as it prevailed in Western Europe and North America until the 1970s, can transform itself into a financialized economy due to its own internal dynamics.

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First I will briefly present a general multilevel model of capitalist dynamics, proceeding according to the aforementioned three formal steps: (a) the logic of the situation, (b) logic of selection, and (c) logic of aggregation (see also Deutschmann 2009, 2011). I will then apply the model to the historical transformations of Western capitalism in the second half of the 20th century, aiming to provide a theoretical reconstruction of the financialization thesis. My conclusion will not be far from Arrighi and Silver's argument: I want to show that financialization can be interpreted as an unanticipated result of the structural transformations of capitalism brought about by a prior period of expansive capital accumulation. With Arrighi and Silver I agree that financialization can be interpreted as a sign of capitalist "maturity". Thus, in contrast to Davis (2009) I argue that neither post-industrialism nor the diffusion of information and communication technologies are factors which can explain financialization sufficiently, although I do not deny the importance of these factors. Rather it is the success of capitalist dynamics itself which, due to its inherent logic tends to create a structural imbalance in capital markets resulting in an excessive accumulation of liquid private assets finally turns out to no longer be tenable.

A Multilevel Model of Capitalist Dynamics

Capital is usually defined as a sum of money dedicated to profit oriented investment. However, it makes a crucial difference where that profit comes from: does it come from an investment of funds into other financial assets, or into labor (including always, of course, "knowledge") and other "real" factors of production? In both cases, the return on capital is not something that can be generated at will by the investor, but is the result of market processes more or less beyond his control. However, whereas in the case of financial investment, capital market communication plays a crucial role, and profits may arise in an "auto-suggestive" way from the interdependence of financial market actors in evaluating assets, profits on "real" investments do not depend only on capital markets, but on a much larger range of producer and consumer markets in the entire economy. Thus, two types of capital circuits can be discerned: a narrower one being confined to the financial sphere, and a larger one involving the entire economy. If money were a mere "symbol" as opposed to the real "objects" which it represents, the two circuits could be distinguished

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from each other as easily as the word "table" from the table itself. Unfortunately, things are not that easy, since money is not only a symbol, but a generalized private claim on wealth. As such it represents and "embodies" wealth at the same time. This double character of money as a symbol and substance of wealth constitutes the root of all mysteries and manias of money (Deutschmann 2011). Due to it, both circuits are intertwined and difficult to discern from each other (for a theoretical interpretation see Pahl 2008). Nevertheless, to understand the phenomenon of financialization, a precise analysis of the relationship between both circuits is crucial. The "real" economy is always a "monetary" economy too, since all transactions are based on the medium of money. However it would be erroneous to conclude from this that only money and finance are relevant. The financial circuit in turn is embedded in a larger social context of "real" capitalist dynamics from which it can never detach itself completely. Clarifying that larger context is the purpose of the following model.

a) Logic of the situation. At the macro level, the focus of our model is first on the class nature of capitalist societies, being characterized by a highly uneven distribution of wealth. The bulk of capital is concentrated in the hands of a relatively small class of owners, assigning the large majority of the population to the market and the labour market as the principal basis of subsistence. In contrast to earlier class societies, however, individual affiliation to classes in capitalism is not fixed by social origin or ascription. Individual rise from the working to the propertied classes by virtue of market success is basically possible, either within the individual life course, or at least between generations. Since capitalism is a global system, such rises occur not only within national boundaries but can also follow transnational paths. Due to the extremely uneven distribution of resources, the actual odds of changing class positions in the upward direction are small as a rule. Nevertheless, despite the strong structural barriers against market based social rise, the poor have a strong motive to work hard for pecuniary success, since in a capitalist society money wealth is the key for individual status and autonomy (Keister 2000, p. 3). In order to move socially upward, they may even incur debts, thus putting themselves under pressure to perform. The creative efforts of entrepreneurs and employees, in turn, nourish the profitability of capital and the growth of the economy.

From the viewpoint of an analysis of capitalist dynamics a key question is whether and how far the *structural* polarization of classes is

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socially framed in a way that makes it appear *individually* surmountable for the unpropertied. The class structure must, in other words, be kept collectively intact and individually variable at the same time. As we shall see in more detail later, sustainable capitalist growth is largely dependent on the successful development of innovations. Innovations, however, depend on "entrepreneurs", promoting "new combinations" in the real world, such as new technologies, new products or the disclosure of new resources or new markets, as Schumpeter had shown (Link and Siegel 2007). Entrepreneurship is a decisive factor in economic growth; the growth potential of a capitalist society being largely due to its capacity to generate entrepreneurial individuals. Entrepreneurs, in turn, are motivated to a large degree by the prospect of market based social rise, as had been emphasized likewise by Schumpeter. Often they have from petty-bourgeois origins and a strong disposition to achieve and to move socially upward. A young age and orientation to the future are further important conditions. Not only self-employed persons (in a formal juridical sense) but also employees may develop "entrepreneurial" aspirations and build their careers on innovative performances in their jobs in organizations (Kanter 2000); the German literature on the "labor-power entrepreneur" (Voß and Pongratz 1998) has also focused on this point.

Of course, there is never a guaranteed way to market success; rather, entrepreneurship is always confronted with the problem of uncertainty. However, as Lippmann *et al*. (2005) have pointed out, uncertainty can be connoted positively or negatively. Referring to the categorizations of the Global Entrepreneurship Monitor Survey, in the first case they speak of "entrepreneurship by opportunity", which is motivated by the quest to exploit hitherto undiscovered economic chances. The second case is called "entrepreneurship by necessity", going back to the sheer absence of alternative employment opportunities. Based on the data of the survey, the authors argue that entrepreneurship always presupposes social inequality in terms of wealth as a structural frame. However, while entrepreneurship by opportunity is correlated with a moderate level of inequality and tends to decline with further increasing inequality, entrepreneurship by necessity shows a linear positive correlation with inequality and reaches its highest levels with extreme inequality of wealth.

The distribution of wealth certainly is not the only factor relevant to the social framing of entrepreneurship; institutional and social network conditions appear to be no less important. The institutional guarantee of property rights and the containment of corruption is vital

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(North 1990). Moreover, a non-discriminating educational system and/or a production oriented welfare system may generate individual ambitions, and motivate individuals with lower class backgrounds to invest in their qualifications and to work hard for social ascension. Conversely, a highly exclusive and status conservative educational system may have a discouraging effect, in particular in combination with a strongly uneven distribution of wealth; the same may apply to an excessively generous welfare system. The availability of network support by families, neighborhoods or ethnic communities is a further important factor (Portes and Zhou 1992, Aldrich 2004, Granovetter 2005, Corsino and Soto 2005, Mizrachi 2005). Last but not least the individual perception of the situation is important. Not everybody is endowed with entrepreneurial instincts, and not all individuals of lower class origin are inclined to move socially upward. Cultural and religious traditions may support or discourage entrepreneurial orientations (Mc Cleary 2007).

b) Logic of selection. The social framing of capitalist entrepreneurship varies considerably between regions and national economies; the constant, however, is that there is never a "consistent" arrangement of frames opening a guaranteed way to success. The message is always a double-bind, intriguing and discouraging at the same time. How do individuals actually respond to conditions of uncertainty, be they connoted positively or negatively, as they prevail in capitalist markets? Uncertainty is a key characteristic not only of the situation of the entrepreneur, as I have emphasized, but also of the capital owner making investment decisions. Both are different, but necessarily intertwined, as the entrepreneur always needs an advance of capital and credit to finance his projects. Whereas the entrepreneur must have visions and concrete plans for his project, the capital owner must assess the chances of his capital to flow back with profit, requiring first-hand knowledge on the project and the person of the borrower. In both cases decisions are made under conditions of uncertainty. They can never be based on an accurate prediction of the future, but always contain an element of trust based imaginary anticipation – "fiction", as Beckert calls it (Beckert 2011).

Here I will focus on the situation of the entrepreneur. The sociological analysis of entrepreneurship continues to be strongly influenced by Weber's definition of capitalism as an individually rational pursuit of money gain (Swedberg 2000). Individual rationality of action not only presupposes the actor being fully of over his own

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preferences, but also a situation where the outcomes of potential actions are basically known and open to evaluation to the actor. Uncertainty, however, is defined by the absence of these premises. The actor is deeply involved in the perplexing nature of the situation and has first to disentangle him/herself from the situation and to develop a consistent perception of the environment and his/her own position. Rational choice based concepts appear too narrow to understand and conceptualize such conditions; instead, pragmatist interpretations of action are more promising (Beckert 2003, Lester and Piore 2004, Stark 2009, Deutschmann 2009, 2011). In his concept of "inquiry", John Dewey (1938) has analyzed how actors can transform an indeterminate situation into a determinate one in an experimental process of practically testing possible problem definitions and problem solutions. Rational action becomes possible only after a given hypothesis on the nature of the problem and the position of the actor has been repeatedly confirmed and can now be taken for granted (until new irregularities occur).

In his classic theory of anomie, Robert K. Merton (1965) has characterized "innovation" as a key individual option in coping with inconsistent conditions. Being confronted with the conflict between institutionalized social goals and lacking access to legitimate means, the individual will choose irregular means in order to comply with the goals. What Merton had in mind were unlawful means, or a kind of action at the verge of law. As is well known, innovation is not the only option for the individual in dealing with inconsistent social conditions in Merton's model, the other ones being ritualism, retreatism and rebellion (Merton 1965, p. 140). While innovation and, even more so, rebellion represent options in coping with uncertainty in an active, positive way, ritualism and retreatism are based on a negative connotation of uncertainty, where the individual renounces his or her own claims or even disengages completely from society.

Although Merton's analysis is largely concentrated on the issue of individual conformity to legal norms, it can also be extended to the sphere of economic action. It can easily be shown that the logic of "entrepreneurial" action, as described by Schumpeter, is very similar to the pattern of "innovation" typified by Merton. Just as Merton's innovative actor cannot succeed without breaking or creatively reinterpreting the law, the entrepreneur cannot achieve his aim of profit without disrupting or creatively rearranging the given economic routines of production and demand. In order to be successful in the market, entrepreneurs need to act "creatively", not only "adaptively",

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as Schumpeter (1991 [1947], p. 411) emphasized. To define his position in the market, the entrepreneur first has to establish his "niche" (White), where he develops his unique profile and enjoys some kind of "monopoly" that gives him an edge in the competitive process. Such a niche position might not necessarily result from innovation, but can result also from skillful engineering of given social and political network relations (Burt 2000), or from opportunistically exploiting deficiencies of institutional regulation (Streeck 2011). In his analysis of the careers of the very rich of his time, C. Wright Mills concluded that these careers could be characterized neither as bureaucratic nor as entrepreneurial; rather the key to success had been the accumulation of personal advantages (Mills 1957, p. 114). Nevertheless, the promotion of "new combinations" in the aforementioned wide sense is a key option for economic actors in building an at least temporary monopoly, allowing them to reap profits and to buffer the challenges of competition.

By illuminating empirical case studies, Lester and Piore (2004) and Stark (2009) have highlighted the characteristics of "innovation" as a particular mode of managing uncertain situations. While the conventional "analytical" approach of management always presupposes a given problem definition, allowing a rationally ordered sequence of problem solution steps, "innovation" is directed to finding solutions to problems still unknown. Consumer wants, for example, are not a treated simply as given, but are developed in a process of "joint discovery" between supplier and customer (Lester and Piore 2004, p. 78). As the actors are not faced with a clear cut "task" but with contradictory expectations – such as the Web site designers considered in one of Stark's case studies who had to serve the wants of their customers and reinvent them at the same time – they have to both move permanently between contradictory criteria of relevance. The search for the unknown is based on an "interpretive" integration of diverse fields of knowledge; "interpretation" not "analysis" is the dominant mode of proceeding. Entrepreneurship is "the ability to keep multiple evaluative principles in play and to exploit the resulting frictions of their interplay" (Stark 2009, p. 15). Since innovations are always an investment in an uncertain future, their success and with it the monopoly of the entrepreneur are anything but guaranteed. As a consequence, there is a strong pressure for innovative activity to be continued.

c) Logic of aggregation. Innovation, as can be argued with Dewey, is a genuinely individual capacity. It is only the human individual who

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can be "creative", *i.e.* initiate the deliberate break with technical and social routines in order to do something new. However, if innovation were to be exhausted in the idiosyncratic actions of individuals, it would indeed end up in collective anomie, as Merton contended. For the price of the innovator creating certainty for himself by building his niche is generating uncertainty for others. This dilemma can be overcome only if innovation becomes communicated and institutionalized in a dynamic way (Deutschmann 2008, pp. 72 f.). Actually, capitalist innovation is always a social process which, although starting with individual action, develops at the material as well as the symbolic level of action (Dopfer 2006). Entrepreneurs need to communicate their projects (Kanter 2000) and develop "social skill" (Fligstein 2001) in finding financiers, partners and customers; communicating the innovation in some sense is even more important than doing it. And not all entrepreneurs are genuine innovators; many like to jump on running trains or to swim in a convoy. As the vast research literature on innovation has shown, the diffusion of innovations is communicatively framed in a multiple, spatial, social and temporal way. These frames reduce the inherent uncertainty of entrepreneurial and investment decisions to a degree that makes action possible. Partially they belong to the institutional context and, to that extent, must be attributed to the logic of the situation. This applies to national and regional "systems of innovation" (*e.g.* Lundvall 1992), providing an infrastructure for innovative enterprises and facilitating the transfer of research ideas, personnel and new technologies between firms and public research institutes. Other frames emerge only in the innovation process itself, such as "innovation networks", shaping the context of cooperation in concrete projects, or technological "visions" or "paradigms" (*e.g.* Dosi 1983, Sturken *et al.* 2004). The latter configure the temporal dimension of innovation as they create a common horizon for promising future lines of development and motivate cooperation between functionally diverse units. These visions develop in different economic fields, including technology, organization, logistics and consumption, as well as on different social levels, ranging from firm and product specific inventions to "meta-paradigms" covering macro-social developments, such as the "information society".

As innovative projects become communicated, they may evoke cooperation as well as competition. Depending on the social resonance that they meet, they will change the initial structural frame and produce emergent aggregate effects which cannot be fully anticipated by any of the participants. Some firms and some markets will grow,

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others will decline, and the overall growth of the economy likewise may be positive or negative. In an overall view, innovative processes are path dependent and show a characteristic cyclical pattern which can be differentiated into the phases of invention, diffusion, institutionalization and decline (Garud and Karnoe 2001, Freeman and Louca 2002). Not only the structure of the economy may change in the course of these cyclical movements but also the larger institutional context of society.

The resonance which innovations find in the market (or not), will ultimately "ratify" the original investment decisions and make the individual and aggregate capital grow (or not). Conversely, the resonance of the markets themselves will depend on the prior advance of credit required to finance the investment. Entrepreneurs who want to sell their products with a profit, presuppose a level of demand *higher* than that which they have created by their own cost payments, the only possible source of the additional demand being credit (Binswanger 1996). To be sustained, capitalist dynamics requires a permanent inflow of additional credit financed demand which goes back to individual investment decisions into an uncertain future; again this underlines the importance of "fictionality" for economic action, as noted above. The upshot is that sustainable capital growth is dependent on an emergent coincidence between the innovation process in the real economy (whether manufacturing or services) and a prior expansion of credit to finance the same process. Neither financial speculation alone nor mere redistribution of a given cash flow among different economic actors can make the economy grow as a whole, eventhough they might appear profitable for the individual enterprise in the short term.

The financialization thesis revisited

Having outlined a multilevel model of capitalist dynamics, I will now apply this model to the rise of financialization and try to reconstruct the recent transformations of Western Capitalism in terms of that model. When focusing on the historical period preceding the era of financialization – the first three decades after World War II which in Arrighi and Silver's terms can be characterized as the "liberal" phase of American hegemony – one can safely assume that the structural as well as the subjective conditions for capitalist growth were overall positive in Western Europe and North America. Wealth

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inequality decreased in comparison to the period between the wars (Phillips 2002). Social mobility from the working into the new middle classes became a widespread phenomenon; the size of the working classes decreased, the middle classes grew (Breen 2004). The expansion of higher education, the reforms of the welfare state (also in the US) and the development of internal labor markets and career opportunities in large corporations supported these developments. Unemployment was low, real mass incomes rose and with mounting standards of living the cultural "embourgeoisement" of the working class made significant progress too, as contemporary studies of industrial sociologists (*e.g.* Goldthorpe *et al.* 1968) showed. At the same time, the years between 1950 and 1973 were a period of sweeping technical and cultural innovations. The "Fourth Kontratieff wave" (Freeman and Louca 2002, pp. 139 f.), whose foundations had already been laid before the First World War by Ford's invention of the automobile assembly line and Burton's process for cracking heavy oil, came into full play after the Second World War, first in the US and then also in Western Europe. Mass motorization and the corresponding infrastructure developed at a rapid pace; moreover, the aircraft industry became a key sector also in the civilian economy. New media of mass communication (TV and radio) and, in connection with them, a new mass culture spread. The markets for mass consumer durables (washing machines, refrigerators etc.) boomed. In the political-economic literature this era is usually referred to as the era of "Fordism", a term referring to the technologies of mass production and scientific management which were dominant at that time. An interesting question, which cannot be followed further here, would be whether analogous favorable conditions for entrepreneurship, social rise and innovation also prevailed in the liberal phase of the British hegemonial regime in the mid 19th century.

The point which is of key interest to us here relates to the structural outcomes of the almost three decade long period of high capitalist growth after the Second World War. Three of these outcomes deserve special attention: first, the structural upward mobility in most societies of Western capitalism; second, the growth of private financial assets; and third, the rise of financial services, mutual funds and institutional investors. As we have already seen, these developments were causally linked with each other: the initial impulse came from economic prosperity and the resulting upward mobility of large parts of the working population into the middle classes (which in many countries should leave room for migrants filling the – albeit

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declining – places of the former blue collar working class). Social rise, in turn, led not only to higher incomes but also to higher savings, and with higher savings investments into assets and securities rose too. As we have seen above, the growth rate of private financial assets was already around three times as high as that of GNP in most OECD countries since the 1970s. Although the small group of the most wealthy, already owning the bulk of capital, did participate more than proportionally in this growth, the middle classes also profited and were able to accumulate a moderate level of wealth. The growth of assets, in turn, gave rise to increased demand for financial expertise and laid the ground for the increasing dominance of mutual funds and institutional investors as collective actors in the capital markets.

How are these developments to be interpreted from the viewpoint of our model? If we start with the growth of financial assets, the immediate question is how such an excessive growth of rent seeking securities can be possible. Assets are always debts; the value of rent seeking securities depends precisely on their chance to meet solvent debtors in the capital market who are able to repay the debt with interest. In the last instance, capital debts must always be redeemed by work. This is obvious in the case of a mortgage, where the house owner has to repay the debt from the income he receives for his work. However, it also applies to other types of loans and even to shares, where the capital of the shareholders must be redeemed by the work of the managers and employees of the company. Money is a private claim on wealth, and wealth is the totality of everything that can be achieved by work. Thus, if the supply of financial assets rises, there must be a corresponding increase of solvent debtors on the demand side in order to avoid a decline in the value of the assets. Solvent debtors, in turn, need to be "entrepreneurs" in the real economy in the widest sense, coming from the lower classes and having a strong motive to move upward, as we have seen in our model. Their work should materialize itself in higher real value creation. From this viewpoint, the above noted parallel *decline* of real economic growth rates since the 1970s is all the more puzzling.

Is a parallel increase in the supply of financial assets and solvent debtors possible at all? Given the trend toward structural upward social mobility in advanced capitalist societies, such an "equilibrium" scenario appears rather unlikely. On the contrary, a growing disequilibrium is to be expected, for four reasons (see also Deutschmann 2010).

First, structural upward mobility means that the rich and the comparatively wealthy upper middle classes are becoming more

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numerous in relation to the lower classes. Still, the capital incomes flowing to middle class households in most cases are not sufficient to free them completely from the need to earn income through work. However, what prevails in the upper middle class milieus is a habit of relative economic and social saturation with no urgent drive for further social rise. Many of these persons occupy qualified clerical or service jobs and may still have ambitions to move up intra-organizational career ladders. The inclination to take the risks and hardships of a market based *entrepreneurial career*, however, is mostly low. With the exception of Italy only 3 to 6 percent of the respondents in De Bondt's European investor survey were self-employed, and the statements that found the highest approval were "I am happy" and "I like my family" (De Bondt 2005, p. 168, p. 171). On the other hand, potential entrepreneurs from the lower classes with much to gain from market based rise are becoming less numerous at least in relative terms. According to the data of the 2010 Global Entrepreneurship Report the overall level of Early Stage Entrepreneurship Activity, measured in terms of the percentage of active national population (age 18-64) being engaged in starting or running new businesses, is significantly lower in mature economies as compared with emerging and developing ones (on average 5.6 percent as compared with 11.7 and 22.8 percent, *cf.* Kelley *et al.* 2011, pp. 21-22). While the share of opportunity oriented entrepreneurs, as compared with entrepreneurship out of necessity, tends to be higher in mature economies, the social attractiveness of the entrepreneurship role is lower than in emerging and developing economies. As the authors of the Report conclude: "In wealthier economies, with relatively good infrastructure, education and other basic and efficiency factors, shaping attitudes may be more critical because entrepreneurs are more likely to enter this role because of choice. At the same time, with status rated higher than perceptions about entrepreneurship as a career, it appears that people in these economies may admire entrepreneurs more than they want to become one" (Kelley *et al.* 2011, p. 21). With the social class structure moving upward, the social milieus potentially generating entrepreneurial motivations will decline; at the same time the conditions for the spread of rentier mentalities will improve. It is this shift of attitudes alone that may give rise to a disequilibrium in the capital market: more rent seeking assets are meeting less promising debtors.

Second, the possibility of a capital market disequilibrium is enhanced by increasing objective and subjective barriers against

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entrepreneurial rise. According to our model, the social framing of upward mobility has a significant effect on capitalist dynamics. If the signals to invest in one's career are positive for the lower classes, the effect on growth will be positive; conversely in the case of negative signals. There are many indications that the signals for the lower classes have become more and more negative at the end of the 20th century in the advanced capitalist countries. The mounting inequality of wealth and declining employment and career opportunities tend to have a discouraging effect on social climbers. In their international studies on the impact of globalization on the life courses and employment chances of the young generation ("GLOBALIFE"-study), Hans-Peter Blossfeld and his collaborators concluded that for young adults, and especially those with low qualifications and little social and financial resources, the labor market situation has deteriorated significantly since the end of the 20th century. They were exposed to higher insecurity and burdened by precarious and flexible employment contracts, without commanding the resources needed to buffer the risks (Blossfeld *et al*. 2005) This decline of objective and perceived social chances is also mirrored by the findings of the already mentioned 2010 Global Entrepreneurship Monitor Report, according to which the percentage of Early Stage Entrepreneurs indicating that they are "involved into entrepreneurship out of necessity" showed a rising trend over the period 2002-2010 in the majority of mature countries considered (Greece, Ireland, Germany, the UK, Italy, the United States, the Netherlands, Norway, Iceland; see Kelley *et al*. 2011, p. 54, Fig. 26; for Germany see also Brixy *et al*. 2011, p. 17).

The phenomena observed by Blossfeld *et al*. may be attributed not only to the economic consequences of globalization, as the authors have done, but may also be explained as an after-effect of the structural upward mobility of former generations. On the one hand the offspring of the social climbers are in a privileged position. They grow up in a warm and confortable nest and do not need to fight for their rise and success. Financial and also educational assets are passed on from one generation to another. This guarantees a wide margin for the descendants of the well-off, with hardly a chance for the others to catch up. With ever more qualified positions already blocked by the privileged, it has become difficult for young men and women from the lower classes to enter into occupational careers and to find access to qualified positions in the market. In the US and Britain something like a new financial "aristocracy" has emerged, reserving key economic and political positions for itself (Haseler 2000). In Germany,

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the chances of lowly qualified youths (migrants as well as ethnic Germans) seem to have deteriorated to such a degree that many of them have completely abandoned the hope of social upward mobility (Neugebauer 2007). A vicious circle between the objective deterioration of social chances and individual resignation has developed, which is being discussed under the keyword "social exclusion" (Kronauer 2002, Byrne 2005, Bude 2008, Stichweh and Windolf 2009). Of course, many factors need to be taken into account in order to explain these phenomena, such as ethnic segregation, disorganization of families (with the consequence of decreasing network support), the social selectivity of the educational system, or the devolution of internal labor markets due to the downsizing and decentralization of firms. I will not discuss these issues in more detail, since my point here concerns their relevance for the development of capital markets. It is not only the relative decrease of the social reservoir of "good" debtors that gives rise to imbalances at the capital market, as I have argued above. These imbalances are reinforced by mounting barriers to upward social mobility and the corresponding discouragement of the advancement motive.

Third, we have to take into account the mounting influence of mutual funds and institutional investors on corporate governance as a further factor disrupting a balanced development of the capital markets. As we have seen above, management in finance dominated firms is often put under pressure to meet profit targets agreed upon with the owners, and to increase the percentage of the cash flow being paid out to shareholders as dividends, or alternatively to buy back shares of the own company. The effects of all of these interventions on the innovative potential of firms is negative, as innovative projects with uncertain financial prospects are discouraged, and the internal funds required to finance them are curtailed. Due to these restrictions and also due to the increasing turnover of managerial personnel, management is less able to develop long term business strategies, and tends to comply with the short term priorities set by the owners. Given the strongly formalized control regime of finance dominated management there is little hope that the decline of self-employed entrepreneurs (as pointed to above) could be compensated for by a parallel rise of internal entrepreneurship. With profits coming from mere downsizing, outsourcing and cost-cutting and innovation moving from the real to the virtual dimension, internal entrepreneurship will decline, and real growth will suffer. Profit generation then is no longer a positive sum game but becomes a zero sum game at the cost of

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employees and the public. Certainly, the degree of financialization of firms differs among countries and economic sectors and shows a large variance. However, there is considerable evidence for the conclusion that the rise in the influence of mutual funds and institutional investors over firms will hamper their growth potential. Hence it will undermine real investment opportunities, while at the same time boosting the nominal value of capital owned by the shareholders (Deutschmann 2008, pp. 151 f.).

Fourth, there is another disequilibrating factor that had not been extensively discussed in our model but undoubtedly plays a key role: demography and the ageing of the population. The motive for social advancement and entrepreneurial success tends to be strong in the juvenile stages of the individual life cycle, and tends to weaken in the more mature phases. The habitual orientation to the future which, as I have argued above, is an important cultural precondition for capitalist growth, is the privilege of the young. Again this assumption is confirmed by the data of the Global Entrepreneurship survey, according to which early state entrepreneurship tends to be concentrated in the 25-34 and 35-44 age groups (Kelley *et al.* 2011, p. 32). With chronically low birth rates and the continuing ageing of the population in Europe, North America and partly also East Asia, the economically active part of the population will diminish, as will the individual orientation to the future. At the same time, the layer of wealthy pensioners will increase. Demographic change is thus a further factor reinforcing the preponderance of capital rentiers over entrepreneurs.

Conclusion

There is considerable evidence that the mature economies of Western capitalism are faced with a growing general mismatch between rent seeking financial assets on the one hand, and declining real investment opportunities on the other. What lies behind the phenomenon of financialization is the gradual transformation of advanced capitalism into a rentier society, where the private asset holder has become dominant over the entrepreneur. From a sociological view, financialization can be characterized as a hegemonic regime of rentiers over entrepreneurs. When speaking on a "global savings glut", Ben Bernanke in his aforementioned lecture surely was on the right track. One could ask why the excessive accumulation of financial

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assets did not lead to a crisis earlier, resulting in an immediate depreciation of capital. The answer is fairly clear: financial "innovation". Confronted with the lack of primary investment opportunities in the real economy, the financial industry invented secondary (and tertiary etc.) investment opportunities in the financial sphere itself. New derivative products were created in order to compensate for the lack of primary investment outlets. Financial capital was invested into bets on the changes in the market value of other financial assets, or into securitized credits. Due to the mechanism of "securitization", the purchasers of loans no longer had access to first-hand knowledge on borrowers and their projects, but had to rely exclusively on ratings by agencies, thereby loosing contact with the social reality of the economy. "Securitization" means "to release debts from relationship, disembed them, and give them 'thing-like' qualities, to make them liquid. Once reified (turned into things), debts can circulate more freely, and be bought and sold on markets" (Carruthers 2010, p. 161). With practically no chance of relating them to primary field knowledge, the ratings generated herd instincts and performative effects. The "autosuggestive" component in financial capital evaluation became stronger and stronger, as was already evident long before the crisis in the historically unprecedented lasting rise of stock market prices and private assets since the 1980s.

This does not mean that the finance sector does not intervene in the distribution of incomes in the nonfinancial sector. On the contrary, as we have seen, mutual funds and institutional investors tend to increase the share of revenues flowing to shareholders and rentiers. However, beyond mere redistribution it is the quest of the financial industry to uncouple entrepreneurship and ownership and to establish an autonomous circuit of financial accumulation that is no longer hampered by the restrictions of the "real economy". Although such a strategy may work for a considerable time, it is ultimately doomed to failure, since financial capital can never detach itself completely from its embeddedness in the larger social context of capitalist dynamics which we have depicted in our model. Ultimately, the property claim which capital represents cannot satisfy itself, but must be redeemed by the work of debtors in the real world. If, as I tried to show, the overall constellation for redemption is negative, then the buildup of financial assets will finally result in a collapse, as occurred in 2007/08.

The last act of that collapse, however, has apparently still not appeared. The amount of uncovered private assets that has been piled up has reached such tremendous dimensions that they cannot simply

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be written off. Due to impending "systemic risks", the crisis became a political issue, and governments intervened by voluminous parcels of credit, credit guarantees, subsidies and public expenditures in order to prevent a complete meltdown. That helped to bring about an immediate stabilization, but did not remove the underlying problem. The political interventions did not tackle the issue of excessive uncovered debt itself, but only transformed private into public debt. As a result, the financial markets became suspicious of the creditworthiness of the very agency that saved them from collapse, the nation states. This means that the financial industry has managed to externalize its own problem and to transform it into a problem of the state. Considering the worldwide explosion of public debts and their contemporary amount, it is fairly clear that such a "solution" cannot be sustainable. As is the case for airplanes the question is only how, not whether they will come down; the question for private assets is only how their imminent depreciation will be accomplished: by an ordered restructuration, a general "haircut", a new and even deeper collapse, or by a wave of high inflation? Unfortunately the latter two possibilities appear to be the more likely ones at present. The crisis may also, as one could argue well with Arrighi and Silver, turn out as the final termination point of American hegemony. Nobody can know who the new hegemon will be.

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Résumé

Dans le débat sur les causes de la crise financière, on peut isoler trois argumentaires : le déficit de régulation, la théorie de l'instabilité cyclique des marchés financiers, et l'analyse de la « financialisation » elle-même. Pour le sociologue, cette dernière ligne mérite un intérêt particulier parce qu'elle place la crise dans le contexte plus large de changements structurels intervenus dans les sociétés capitalistes avancées à la fin du XXe siècle. Notre étude s'ouvre avec une vue d'ensemble de la littérature sur la financialisation en fustigeant les changements aux trois niveaux : micro, meso et macro dont les interrelations ont conduit à la domination des services financiers sur toute l'économie. Référence est faite aux travaux historiques de Arrighi et Silver. La seconde partie présente à partir des données empiriques une recomposition théorique. Le modèle, à plusieurs niveaux, montre comment une économie capitaliste prospère comme celle de l'Occident dans la seconde moitié du XXe siècle peut se transformer en une économie financialisée du fait de ses dynamiques internes. Du point de vue sociologique, on parlera d'hégémonie des investisseurs vis-à-vis des entrepreneurs.

Mots clés : Inégalité patrimoniale ; Innovation ; Mobilité ; Exclusion sociale.

Zusammenfassung

In der Diskussion über die Ursachen der Finanzkrise lassen sich drei Argumentationslinien unterscheiden: Die These des ,,Regulationsversagens", die Theorie zyklischer Instabilität der Finanzmärkte und Analysen der ,,Finanzialisierung". Aus soziologischer Sicht erscheinen die zuletzt genannten Ansätze besonders interessant, da sie die Krise im Kontext umfassender gesellschaftlicher Strukturveränderungen der entwickelten kapitalistischen Länder seit den letzten Jahrzehnten des 20. Jahrhunderts untersuchen. Der Beitrag gibt zunächst einen Überblick über die Literatur zum ,,Finanzialisierungs"ansatz; dabei stehen die Veränderungen auf den gesellschaftlichen Makro- Meso- und Mikroebenen und deren Wechselwirkungen im Mittelpunkt, die die gegenwärtige Hegemonie des Finanzsektors herbeigeführt haben. Ergänzend werden die historischen Untersuchungen von Arrighi und Silver herangezogen. Gestützt auf neuere Ansätze in der Wirtschaftssoziologie wird anschließend eine theoretische Konzeptualisierung der Befunde der ,,Finanzialisierungs"literatur in Form eines Mehrebenen-Modells kapitalistischer Dynamik vorgeschlagen. Das Modell zeigt, wie eine prosperierende kapitalistische Wirtschaft, wie sie in den entwickelten westlichen Ländern in der 2. Hälfte des 20. Jahrhunderts vorherrschte, sich aufgrund ihrer eigenen Dynamik in eine ,,finanzialisierte" Wirtschaft transformieren kann. ,,Finanzialisierung" kann aus dieser Sicht als ein hegemoniales Regime von Rentierinteressen über die unternehmerischen Kräfte der Gesellschaft verstanden werden.

Schlagwörter: Ungleiche Verteilung des Reichtums; Innovation; Mobilität; Soziale Ausgrenzung.

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