

Mapping the Pathways of Corporate Financialization: A Critical Review of the Literature

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1. INTRODUCTION

“Financialization” has become a giant buzzword in the social sciences. Along with “globalization” and “neoliberalization” it has become the third member of a trifecta of “izations” thought to define the contemporary stage of capitalism (Christophers 2015) and the go-to term to diagnose its crises (Soener 2020). As the most recent of these terms, “financialization” has become the subject of frenetic and now sprawling research effort spanning every discipline of the social sciences (see the chapters of a recent handbook to get a sense of its scope (Mader *et al.* 2020)). Many have come to regard it as the underlying master process driving structural change in the world system, of which neoliberalization (and to a lesser extent globalization) are in various ways derivative. Thus even as there has been a relative turn towards the micro and the local, a core ambition in the field has been to establish clear causal connections between financialization and distinctive macro patterns of contemporary capitalism like secular stagnation and rising inequality. Central to this agenda is the expansive subfield of research on the financialization of nonfinancial corporations (NFCs). Public corporations in most advanced economies account for giant shares of employment and output and are major engines of innovation - so it's inevitable that any macro theory of financialization will have to implicate them as central actors.

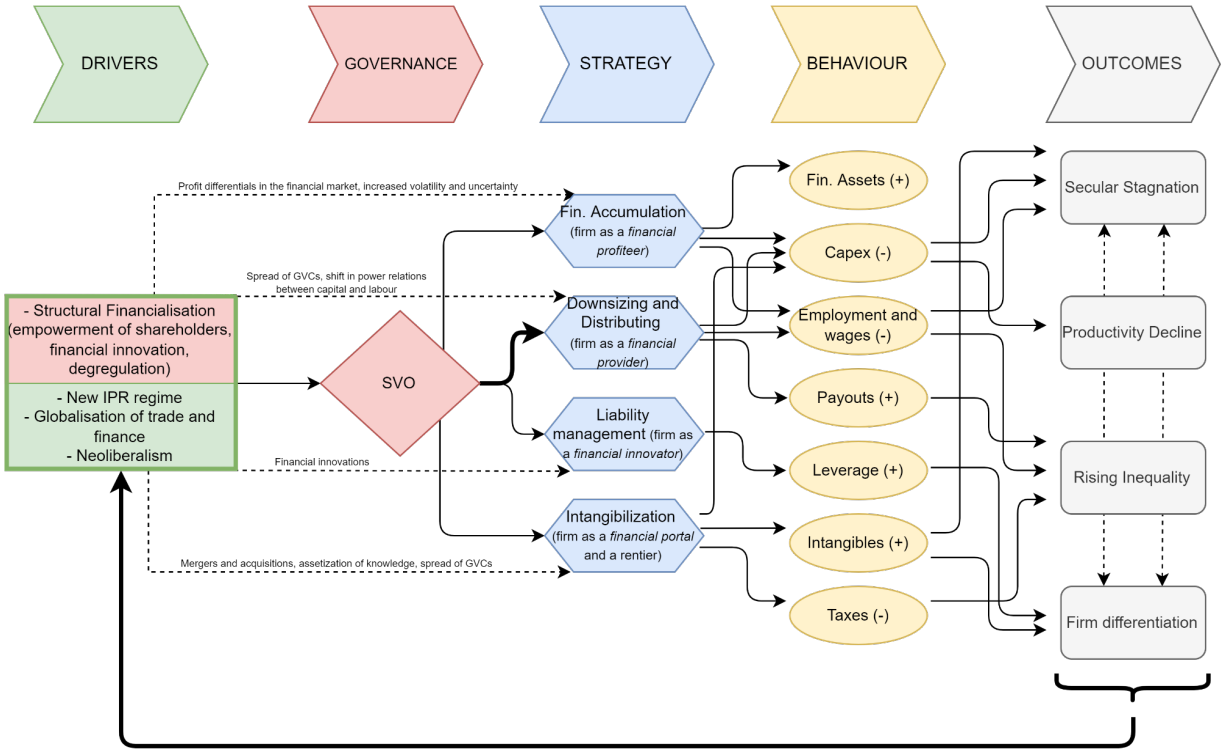
“Financialization” has been subject to relentless conceptual stretching as the field has expanded, feeding an ongoing debate around its continued usefulness (Christophers 2015). Similar problems have afflicted the subfield of research on NFCs making it hard to offer any succinct definition of “corporate financialization”. The term has come to refer to a bundle of distinctive processes that have transformed the governance, strategic outlooks and behaviours of NFCs. These have each come to be classified under the heading of financialization either on *intrinsic* grounds - because they involve in some way the deepened imbrication of NFCs in financial markets and practices - or *extrinsic* grounds - because they are deeply woven into the wider nexus of causal relationships surrounding financialization. This creates some confusion because certain things now considered to be part of financialization - like the shift to intangible business models - don't have any immediately obvious connection to the “increasing role of financial motives, financial

markets, financial actors and financial institutions” in the corporate sector - which is how ‘financialization’ is most generally understood (Epstein 2005). Additionally, “corporate financialization” has come to refer to things that are causes and effects of each other, which complicates efforts to elucidate a general theory of corporate financialization. We therefore avoid the term as far as possible in this review - instead referring directly to whichever element of NFC financialization we are dealing with at the time.

Broadly, our review suggests “corporate financialization” is used mainly to refer to changes occurring in NFCs at two levels: governance and strategy. In terms of the former, the term has become effectively synonymous with shareholder value orientation (SVO) - a governance framework in which share price (and returns to shareholders) becomes the key metric of success. At the strategic level, we identify four main trends towards the financialization of the business model that have been the focus of scholarly research. First, NFCs have become financial *profiteers* by undertaking a ‘financial turn in accumulation’, substituting productive for financial activities. Secondly, they become financial *providers* for their shareholders - adopting a ‘downsizing and distributing’ allocative regime, intended to benefit financial investors by ruthlessly maximizing return on capital employed (ROCE) and freeing up earnings for disbursement. It should be emphasized that these two strategies have concentrated the largest part of the empirical and theoretical work done on corporate financialisation. Third, firms increasingly act as financial *innovators* expanding their leverage with different consequences on their day-to-day operations. Fourth, partly in an *extrinsic* dimension, NFCs have come to rely on intangible assets that reflect both a capitalization of the future and an increasing reliance on rents.

These shifts have themselves been propelled primarily by SVO and, in certain cases, changes in the competitive environment ushered in by the unleashing and internationalisation of financial markets. At what we refer to as the ‘behavioural’ level, they’ve manifested in a distinctive set of patterns in the ways that firms have generated and used funds. Cumulatively, the financialization of the business model is thought to have resulted in declining physical investment, increasing financial and intangible investment, an expansion of financial balance sheets, declining employment and wage shares and a marked increase in shareholder payouts. These behavioural changes are posited as a key microfoundations of the macro-trends characteristic of financialized capitalism, like secular stagnation and rising inequality. Putting this together we get the causal map presented in Figure 1.

Figure 1. Causal map of corporate financialisation



This paper is not the first to review the literature on corporate financialization. Davis (2017a) carries out a similar survey, although restricted to the relation between financialisation and investment. Klinge, Fernandez and Aalbers (2021) also review the corporate financialisation literature focusing on quantitative studies and grouping studies based on the level of aggregation -a) national-level and macro-comparative analysis, b) sector- and firm-level analysis- and c) in terms of effects of corporate financialisation on various economic variables. Our work builds on these studies in two main ways. Firstly, we organise our survey differently, following the causal map presented above, which means that we cover different terrain within what is a capacious and vaguely delimited field. Secondly and more importantly, this paper is both a review and a critique of corporate financialization studies. To do so, in many cases we depart from the literature strictly using the term financialisation and include adjacent research, both from mainstream and heterodox perspectives. We identify numerous ways in which attempts to prove the causal account laid out in Figure 1 have run into problems of both an empirical and conceptual nature.

These problems start with SVO - the key causal node in the theory of corporate financialization. We argue that the balance of existing evidence cannot support the claim that SVO has been the dominant process acting on NFCs nor that structural financialisation is in turn the central driver in changes in corporate behaviour. Financialization, it seems, is simply “one piece of the puzzle” - suggesting a need to diversify our research efforts and better account for other structural processes - like the rise of “intellectual monopoly capital” - that have been occluded by the hyper-fixation on finance (Schwartz 2021). On top of the relevance of SVO in driving changes in corporate behaviour, the literature has traditionally added another layer to that type of corporate governance which is its short-termist nature (what we call SVO II). We find weak evidence for this claim. Problems continue with one specific strategy, namely ‘financial accumulation’ in which the data leading to conceive the firm as a financial profiteer has been simply misinterpreted.

Besides these problems, we also note the impressive range of studies achieved under ‘corporate financialisation’. This unifying term has served as shared ground for the study of multiple aspects of corporate behaviour within different disciplines, mobilising new databases that were typically only used in mainstream studies and also generating both new quantitative and qualitative data. ‘Corporate financialisation’ has thus served as a fairly common road map to make sense of the changes in the corporate world. In trying to navigate this map, the rest of the article is organised as follows. Next section deals with SVO, both in its historical dimension and its impact for strategy in the corporate financialisation literature. Sections 3, 4, 5 and 6 deal with those specific strategies, namely ‘downsizing and distributing’, ‘financial accumulation’, ‘liability management’ and ‘intangibilisation’ respectively. In Section 7 we sketch-out a discussion and some non-exhaustive paths looking forward. Section 8 concludes.

2. SHAREHOLDER VALUE ORIENTATION

The rise of SVO as the dominant mode of corporate governance is at the heart of the story of NFC financialization. SVO at its most basic denotes a governance regime in which the interests of shareholders are prioritised above other stakeholders. This translates broadly into a fixation on maximising returns to shareholders as the end goal of governance - achieved both through increases in the share price and through high payouts. We can contrast this with other modes of governance, like managerialism, in which both workers and managers wielded more influence, and were able to re-orient the firm away from narrow profit goals towards an equal consideration for growth and long term stability. SVO started to become dominant in liberalised economies from the 1980s but became understood as a facet of financialization only much later, in the 2000s, as connections were drawn between it and a wider suite of changes related to finance’s increased prominence in economic life. There are at least three good reasons to subsume SVO under financialization (therefore, we use the same colour for them in Figure 1). The first is that the ‘shareholder revolution’ which brought SVO to predominance was itself rooted in the deeper structural process of financialization: deregulation, the spread of financial innovations and the general empowerment of financial actors, in particular through ownership reconcentration (Dobbin and Zorn 2005). It was the growing scale of pension fund portfolios and the innovations of the junk bond market that combined to launch the hostile takeover movement in the late 1980s, signalling the start of the shareholder revolution. A second phase of that revolution occurred in the 1990s, when *voice* (activist campaigns, voting, public pressure) became the dominant means through which investors exerted an influence on governance.

Secondly and as a consequence, SVO can be seen as part of financialization because it involves the ascendance of financial *interests* within the firm. SVO is underpinned by both relative empowerment of shareholders - chiefly institutional investors - within the firm, and by the partial transmutation of managers into shareholders, through various reincentivisation mechanisms. In “class-analytic terms”, the role of the shareholder revolution was to break “the postwar détente between managers and labour, coopting the former in order to weaken and displace the latter” (Fligstein and Goldstein 2022, p. 200). Management was brought over through the carrot and stick of financial discipline and reward but also through a culturo-educational transformation. Top management was increasingly drawn from business leaders with backgrounds in the financial sector or with training in financial economics, and those occupying financial portfolios - like Chief Financial Officers - came to exercise more influence (Baronian and Pierre 2022). Thus a third, and closely

related sense in which SVO constitutes financialization is that it involves an elevation of financial ideologies and metrics within the firm. Fligstein (1993) famously argued that SVO came about through the embrace among decision makers of a “financial conception of the firm” which reduces the company to its financial essence, conceiving it as fungible of bundle assets to be deployed and re-arranged with the sole objective of share-value maximization. Increasingly a diverse range of metrics tied into productive efficiency and growth potential get collapsed into a single index of (financial) success - namely share value maximization (Baronian and Pierre 2022).

Like financialization more generally, SVO is seen as a regressive development. Underlying this view is a far more sympathetic appraisal of the corporate model that SVO is thought to have replaced. The managerialist firm is commonly regarded to have been an major institutional ballast of the more equitable and expansionary variety of capitalism that existed widely across the West in the post-War period. It is seen as both more socially efficient - capable of accommodating the interests of non-elite stakeholders - and more productively efficient - better suited to managing the inherent uncertainties of innovation and production. In this the field has been heavily influenced by Chandlerian theorists, notably William Lazonick. Lazonick's (2010) “theory of the innovative” enterprise distills three basic ‘social conditions’ underpinning the success of the managerialist firm. First, an appropriate arrangement of incentives and capacities ensuring that decision makers allocate resources to innovative investment strategies. Second, a requisite level of 'organizational integration' allowing for the skills of large groups of employees, occupying different operational niches, to be directed at key strategic objectives. Third, supplementation of internal revenues with sufficient "patient capital" allowing firms to commit resources long enough for the cumulative gains of innovation to be realised. The managerialism firm thus follows a strategy of “retain and reinvest” - securing the long-term loyalty of its core workforce while ploughing revenues back into innovation and expansion.

But the growth-centrism that Chandlerians extolled was, for Agency theorists, the central flaw of the managerialist firm. Far from constituting a rational strategy for managing the uncertainties of competition and innovation - they argued that it was rooted fundamentally in the ‘empire-building’ tendencies of unpolicied managers (Jensen and Meckling 1979, Aggarwal and Samwick 2006). Free from disciplines of “residual claimants” managers had a tendency to spend on projects that increased their status but which destroyed value. The central imperative of the shareholder revolution was thus to cut the excessive fat that had built up in the corporate system as a result, replacing bloated conglomerates with ‘lean and mean’ enterprises singularly devoted to maximising returns on capital employed, and thus capable of restoring flagging profit rates. This led to a by now extensively documented series of reforms that changed the face of the US corporate system (Dobbin and Jung 2010). Firms were de-diversified and winnowed down to their “core competencies”. Labour regimes were flexibilized and mass layoffs became more commonplace. Higher hurdle rates were placed on new investment projects. Demands to “disgorge the cash” were used to prevent managers engaging in discretionary spending, while firms were encouraged to gear up and reduce their reliance on equity. Governance reforms sought to lock in shareholder priorities by empowering owners through things like more independent boards, and through co-opting managers through stock based remuneration and other incentives.

This, it is argued, financialized the business model (Froud *et al.* 2017). Specifically, SVO is seen as the key factor propelling four major trends in NFC strategy. Firstly, NFCs became *financial providers* as allocative

regimes shifted from “retain and reinvest” to “downsize and distribute”. Increasing the flow of earnings to shareholders came to take precedence over product market strategies. Secondly, firms became *financial profiteers* as they turned away from their ordinary lines of business and towards financial activities to generate the quicker, yielding, less risky returns that investors demanded. Third, firms became *financial innovators*, deepening the integration of financial markets, instruments and logics into their liability management. Finally, NFCs become increasingly intangible both through goodwill and as they outsourced and divested from productive activities, relying on their control of ‘intellectual capital’ to generate revenue. Collectively, these shifts are seen as undermining the social conditions of the ‘innovative firm’, producing in its stead a corporate form better suited to value extraction. In the following sections we critically evaluate the literature on each of these elements of NFC financialization.

3. FINANCIAL ACCUMULATION - THE FIRM AS A FINANCIAL PROFITEER

It’s long been understood that financial and real accumulation might act as alternatives. Grossman (1929) pointed out as far back as predicted that when "money capital in search of investment can no longer be applied profitably in production" it would turn instead to the "stock market". A similar idea was raised within the mainstream by James Tobin (1965), who speculated that higher rates of return on financial assets may cause firms to divert available funds to financial markets, depleting resources for productive expansion (Orhangazi 2008, p. 867). Various Marxist writers have argued that a prolonged re-direction of capital towards finance could result from conditions that led to persistently depressed real sector profitability. For Arrighi (1994), such episodes were a recurring feature of periods of hegemonic transition in the world system. For Sweezy (1994), an important precursor to contemporary theorists of financialization, it was monopolization that stifled avenues for real accumulation and pushed capital towards finance.

Financial accumulation is theorised at a system level in these accounts. They see a general trend of financial expansion at the expense of real accumulation but they tend not to unpack the microfoundations of this process. Consequently, it's not really clear if what they are analysing involves an expansion of financial relative to non-financial firms or, what we are interested in, a “financial turn” among NFCs. Isolated remarks suggest that believed both were occurring¹. But it was left to Krippner (2005) to more firmly establish that financialization wasn’t occurring merely at the expense of NFCs, but through their very active participation. Using aggregate US data, she showed a fourfold increase in the ratio of NFC portfolio incomes to productive profits. She also demonstrated a twofold increase in the size of financial balance sheets relative to tangible assets.

But she arrived at a different explanation of these trends. Similarly to Marxist writers her account emphasised shifting relative profit opportunities in the real and financial sectors. But it was changes internal

¹ Sweezy () wrote that what fuels financial accumulation are the same high profits of the same “oligopolists” who dominate the real economy, but who lack profitably productive outlets for investment owing to the same structures that secure high profits in the first place. Foster notes that although evidence suggests that the profits of financial corporates have outstripped those of NFCs, “in practice there is no easy divide between the two since non-financial corporations are also heavily involved in capital and money markets. “Unable to find profitable productive investment opportunities in the face of excess capacity and flagging demand, [corporations] have been eager participants in the merger, takeover, and leveraged buyout frenzy that has swept the country in recent years, becoming in the process both lenders and borrowers on an enormous scale.” (Magdoff & Sweezy, 1987, p. 17).

to finance, rather than limits to productive accumulation, that drove these shifts. She argued that high and volatile interest rates pushed up hurdle rates of return, causing managers to withdraw from new productive investments and instead seek yield from financial assets that afforded greater returns. In a similar vein, Crotty (2005) argued that rising financial profit rates as a result of liberalisation constituted an important pull factor, dissuading firms from productive investment. Hence, financial accumulation has been characterised as *crowding-out* productive investment. However, both authors also argued that changing frameworks of corporate governance, in particular the rise of shareholder value orientation, mediated the response of NFCs to profit stimuli and played an important role in directing them towards financial accumulation. Most recent accounts see SVO as a sufficient cause of financial accumulation, with no role in the story for shifting relative profitabilities (Stockhammer 2004, Orhangazi 2008, Hein and Truger 2012, Davanzati *et al.* 2019).

There are two main mechanisms through which SVO is thought to promote financial accumulation. The first is ideational in nature. Managers adopt "shareholder conception of the firm", coming to perceive their companies as simply a bundle of different assets rather than a free-standing institution. The firm's productive assets, viewed through this lens, do not hold any inherent importance over other asset classes and hence are regarded as freely interchangeable with financial investments based on narrow profitability criteria. Secondly, shareholder pressures for short-term returns create incentives for managers to favour financial investments which are seen as quicker yielding, more easily reversible and more predictable than the alternative (Stockhammer 2004, Hein and Truger 2012, Davis 2018, Davanzati *et al.* 2019). Davis (2018) sought to establish this link empirically - finding a positive relationship between the average industry level payouts - a proxy for SVO - and higher ratio of cash and short-term assets in a firm's balance sheet. She also finds that the gap between interest income and expenditure is associated with a higher proportion of liquid assets - potentially indicating that the growth of NFC financial balance sheets is linked to their engaging in the provision of financial services.

Along with 'downsize and distribute', financial accumulation is thought to have had a major impact on the investment and labour policies of NFCs and consequently to have been a driver of macro dynamics, including SS and rising inequality. The first concern is that financial accumulation has come to crowd out real investment as indicated before. As with payouts, this concern is largely motivated by Post-Keynesian models that stress the importance of internal funds. The deviation of firm earnings from real to financial accumulation could be expected to have a net depressing effect on capital expenditure. Various econometric studies seem to validate this hypothesis, demonstrating a negative association between financial income and investment (Stockhammer 2004, Orhangazi 2008, Hecht 2014, Tori and Onaran 2020). This is argued to have fed through to declining productivity and value added growth (Hein and Truger 2012, Tomaskovic-Devey *et al.* 2015, Pariboni *et al.* 2020) and a weaker labour market ((Lin 2016). But others note that the theory is actually more ambiguous about the relationship between financial and real investment. If successful, financial investment itself generates internal funds that could be used to *support* productive activities. A range of other studies have actually found a positive association between different cash and short-term investments and capital expenditure (Hecht 2014, Davis 2017b, Auvray and Rabinovich 2019).

The second concern is that financial accumulation undercuts labour's bargaining power and exacerbates inequality. The reliance on financial activities, it is argued "decouple[s] the generation of surplus from production and sale" which undermines the position of non-financial workers (Lin and Tomaskovic-Devey

2013, p. 1285). Furthermore, the threat of financial investment, much like the threat of offshoring, effectively expands the *exit* options of employers and thus grants them additional leverage in wage negotiations (Kohler *et al.* 2019). Financial actors, on the other hand, gain from both an enhancement of their status within the firm and from the asset price inflation that FA promotes (Huber *et al.* 2022). Empirically, it's thus been connected to declining labour shares at the firm (Alvarez 2015, Guschanski and Onaran 2020), industry (Kristal 2013, Lin and Tomaskovic-Devey 2013) and national (Kohler *et al.* 2019) level, to income dispersion (Lin and Tomaskovic-Devey 2013, Davanzati *et al.* 2019, Huber *et al.* 2022) and to de-unionization (Kollmeyer and Peters 2019, Dupuis *et al.* 2020).

The firm as a financial profiteer has also been prominent in analyses of corporate financialisation in emerging market economies. The motives allegedly making firms move towards finance were, in many cases, also present in these countries. The falling rate of profit, higher returns in the financial sector and poor macroeconomic performance are examples of them (Demir 2007, 2009). Besides these common explanations, scholars have highlighted some specific causes which make the quest for financial profit more compelling in emerging countries. First, interest rates tend to be consistently higher in these economies due to different factors such as higher inflation, foreign-denominated debt burden, current account deficits, and default history, among others (Cantor and Packer 1996, Bellas *et al.* 2010). Higher interest rates offer the opportunity to simply hold high yielding bonds or engage in more complex and speculative activities like carry trading, which involves exploiting interest rates differentials by becoming indebted in AE (typically with lower interest rates) and investing in EME (typically with higher interest rates).

Outside the financialisation literature, researchers related to the Bank of International Settlements have put forward similar ideas regarding EME firms engaging in speculative carry trade operations. In this explanation, EM firms are thought to borrow on international financial markets at lower interest rates to invest those funds in highly liquid assets (cash) in the domestic economy at higher interest rates (Shin and Zhao 2013, Bruno and Shin 2017a, Acharya and Vij 2020), or lend it to related partners (Hardy and Saffie 2019). NFCs are found to have comparative advantages in bypassing capital controls compared to financial institutions mainly through intracompany loans (McCauley *et al.* 2013, Avdjiev *et al.* 2014).

Second, speculative activities by NFCs from emerging market economies may not only be limited to carry trades. Farhi and Borghi (2009) report cases from Brazil, Mexico and Hong Kong in which financial derivatives were used to bet that their national currencies wouldn't depreciate against the dollar rather than hedging, and had enormous losses. Although in most cases these NFCs were exporters, therefore making sense to protect themselves from appreciation, the amounts were much higher than the volume of exports. Chui *et al.* (2014) add the cases of South Korea and China and discuss the contracts with a "knock-in, knock-out" (KIKO) feature which had lower costs but were more risky, as exporters would be forced to sell their dollars at below market prices if domestic currency depreciated. Zeidan and Rodrigues (2013) focus on the example of a Brazilian company, Aracruz Celulose, who lost more than US\$2 billion with currency derivatives. Using a panel of 200 Brazilian NFCs which represent approximately 68% of all market capitalization in Brazil, Júnior (2013) shows that approximately 15% of derivatives users could be classified as speculators in 2008 and 2009.

And yet a growing critical literature raises serious doubts about whether any generalised 'turn to finance' ever took place. It shows that the original evidence supplied to demonstrate the increased importance of

financial channels of profit generation is fatally flawed. That evidence was hampered by the fact that publicly available datasets do not disaggregate profits operationally in a way that would allow straightforward comparison between real and financial activities. It is generally possible to obtain information on the total income generated from the holding of financial assets as well as some measure of total financial expenditure. However much of this expenditure will relate to the financing of real sector activities which means it cannot be subtracted from financial income to obtain “pure” financial profit. The second-best approach adopted by most authors (Crotty 2005, Krippner 2005, Davanzati *et al.* 2019, Lin and Neely 2020) is to compare financial income (i.e gross of costs) to total profit. But as Crotty (2005, p. 105) himself warned long ago this method severely biases the importance of financial income in an upwards direction because it compares a revenue stream to a profit (net of cost) stream (Rabinovich 2019).

Consider, for example, a situation in which a firm has large interest-bearing items on both sides of its balance sheet. If interest rates were to suddenly go up, the resulting rise in financial incomes would be offset by increases in interest expenses, moderating any growth of financial profit. In Crotty’s measure, however, interest expenditure forms part of total expenditure which is subtracted from total income to form the denominator of the term. Measured this way, financial accumulation would spike every time interest rates increase since financial income would be boosted while the increase in total profit (the denominator) is moderated by the interest expenditure effect. It’s therefore not surprising that Fiebigler (2016) finds the trend in aggregate “financial accumulation” to have closed tracked prevailing monetary conditions, giving it a historical evolution that is very difficult to square with the standard narrative of a ‘turn to finance’. The Crotty measure suggests that financialization crested in the late 1980s, with high interest rates, and then declined steadily since.

The absence of suitable profit data means that the only evidence for a widespread turn to finance comes from the growing size of NFC financial portfolios. However, Fiebigler shows that the aggregated statistics used by Krippner and others to show this misleadingly classifies FDI assets as financial and thus partly misconstrues the internationalisation of firms for their financialization. This also affects profit data, as repatriated profits from overseas operations get billed as return on equity (a financial stream) (Rabinovich 2019). Even more misleading is the fact that both intangible assets and ‘goodwill’ (largely from mergers) were included as financial assets in these statistics when they are plainly not (Rabinovich 2019). These problems can be avoided with corporate databases, which allow for a finer disaggregation of balance sheets. But those databases do not actually show any trend of financial accumulation. The ratio of financial to total assets has been steady or decreasing over the last several decades in both the US (Reddy 2023) and most other advanced economies (Soener 2020). Reddy shows that this changes if we restrict our focus to one specific category of asset - cash and short-term investments - which have been increasing proportionately on the balance sheets of a plurality of US firms. But he finds little connection between this trend and increased shareholder power.

On the other hand, growing corporate “cash piles” have been extensively studied by mainstream economists, contrary to frequent claims that the mainstream is entirely blind to financialization. This research shows fairly convincingly that the increase in the average size of financial balance sheets is driven largely by a sample composition effect: namely the entrance, in large numbers, of smaller, R&D intensive firms with risky business models (Brown *et al.* 2009). These firms have large portfolios of short-term assets for precautionary reasons. The aggregate increase in financial holdings, on the other hand, is accounted for

solely by the largest multinationals. In fact just handful of health and technology firms which are highly tech and IP intensive and consequently have considerable means to engage in profit shifting account for the vast majority of existing “cash piles”. Their increased financial holdings are almost exclusively offshore (Faulkender *et al.* 2019). The evidence strongly suggests that it’s tax arbitrage opportunities that explain why these firms have retained and financialized their earnings rather than returning them to shareholders.

All of this suggests that the auto and tech firms with large financial divisions, which have become the emblems of “financial accumulation”, may be more the exception than the rule. An example of this is General Electric (GE) and GE Capital. The latter ranked among the top 20 financial companies in asset size between 1986 and 2014, reaching the 2nd position in 1993 and stayed within the top 6 for most of the 1990s and early 2000s. GE Capital provided different types of financial services, from insurance, securities broking and dealing to financing both appliances and houses. However, the competitive advantage that GE Capital had compared to, for example, Ford Credit, was that it enjoyed triple-A rating coming from its parent company (Froud *et al.* 2006, p. 338). To provide some context, in the early 2000s only 15 companies had triple-A rating (Dash 2011) (Dash, 2011). On top of this, GE at the time was characterised for its successful diversification strategy. The case of Ford and Ford Credit was different. Here, “the two businesses are practically inseparable because Ford assembly could not survive in its present form without support from Ford Credit, while Ford Credit has limited capacity to stand alone without a parent that puts business its way.” (Froud *et al.* 2006, p. 263). Even if Ford entered in non-related financial businesses such as mortgages, revenue of Ford Credit largely depended on sold cars (Froud *et al.* 2006, p. 273) (Froud *et al.*, 2006, p. 273).

Similar problems of generalizability and methodology appear in the literature on financial accumulation in emerging economies. Powel (2013, pp. 266–268) presents macroeconomic data from Mexico firms showing the incentives to engage in carry trades (Bloomberg carry trade index and the spread between the proxy for corporate funding rates and 1-day fixed term deposit rate) between 2004 and 2008 rather than an *actual* engagement. Demir (2009) estimates a return gap which is the difference between the rate of return on fixed assets and the rate of return on financial assets but the latter does not include the cost of holding those assets. Demiröz & Erdem (2019, p. 189) similarly measure financial profitability as the ratio between non-operating income over pre-tax profit for Turkey. Not surprisingly, the return gap in Demir (2009) largely follows nonfinancial profitability in Turkey and Argentina (see Figures 1 and 2) while it’s always positive in Mexico. Moreover, results on financial assets are consistent with other motives for holding liquid financial assets such as precautionary. A similar critique can be raised of Bruno and Shin (2017b) who use national interest rates differentials to estimate bond issuance, later accumulated as financial assets. Rather than national interest rates, Rabinovich and Perez Artica (2020) use firm-level interest income and find it is not a significant driver of financial asset accumulation in Latin American firms besides Brazil (although it is not economically significant for the latter). Similarly, Kaltenbrunner, Karaçimen and Rabinovich (2023) use a mixed-method analysis to study the financial behaviour of Brazilian and Turkish firms and find no evidence of generalised speculative activities.

Note finally that the link between SVO and financial accumulation is also somewhat dubious in theory. One of the main imperatives of the shareholder revolution was to impose greater discipline on managers by depriving them of control over ‘excess funds’. It seems more logical that short-termist investors would generally demand that funds not used for productive activities be immediately disgorged to them, rather

than allowing managers to retain those funds as intermediary investors (Reddy 2023, p. 14). It might be a different matter in cases where financial accumulation takes the form of firms acting as financial service providers. But this would seem to offend a different principle of the shareholder revolution - namely that firms should focus solely on core competencies and resist the temptation to diversify (Kaltenbrunner *et al.* 2023, p. 14, Reddy 2023, p. 14).

4. DOWNSIZING AND DISTRIBUTING - THE FIRM AS A FINANCIAL PROVIDER

The second major focus of empirical work on corporate financialization is more strongly associated with SVO and its investment, employment and distributive effects (hence, the thicker liner in Figure 1). This work centers on the “downsizing and distributing” thesis. In the name of boosting returns on capital employed (ROCE) and increasing the appeal of the firm’s stock to financial investors, shareholder oriented firms are thought to embrace stringent labour and capital discipline. Breaking with managerialist norms, they apply ruthless cost minimization strategies to workforce management - laying off unnecessary workers and compressing the wages of those that remain. Hurdle rates of return on new undertakings are ratcheted up, with the cash flow released as a result of these policies channelled back to shareholders. The financialization literature tends to see these policies as both socially regressive and self defeating (Lazonick and O’Sullivan 2000, van der Zwan 2014). They undermine the basis for decent work by destroying the “career in one company” norm - creating flexibilized, low paying jobs in the place of secure ones. At the same time, they fail to effectively create (rather than extract) new value for shareholders because they undermine the organisational cultures and patient investing needed to sustain innovation. “Downsizing and distributing” is therefore seen as inherently short-termist (Orhangazi 2008, p. 882, van Treeck 2008, p. 383, Hein and Treeck 2010, van der Zwan 2014, p. 108, Davis 2017b, p. 280, Fasianos *et al.* 2018, p. 45, Tori and Onaran 2018, p. 1397).

Empirically, “downsizing and distributing” has been heavily studied in relation to two elements of labour policy: employment and wages. Fligstein and Shin (2007) in an early paper found that “SVO strategies” - in particular mergers - increased in the likelihood that a firm would engage in layoffs. Jung (2016) found more direct evidence linking SVO to downsizing, observing a significant association between both investor power and share based remuneration and the likelihood of a firm announcing layoffs. In a more recent paper, Jung and Lee (2022) find that downsizing tends to occur shortly after firms miss earnings targets. Lin (2016) however raises doubts about the usefulness of focussing on downsizing episodes, since these capture events and not trends. He studies employment growth with an ECM model, showing that greater indebtedness, higher payouts and financial accumulation lead to hiring cutbacks of a significant magnitude. He also shows that the same variables shift employment composition away from service and productive workers and towards managerial employees. Similarly, Goldstein (2012) finds a rise in the number and earnings of managerial positions. Private equity firms have further negative consequences beyond layoffs such as health and pension benefits, and retirement income (Appelbaum and Batt, 2014).

More restrictive hiring policies slacken labour markets which undercuts labour’s bargaining power. But financialization studies also suggest that wages are directly impacted by the pursuit of more aggressive cost minimization strategies (Deakin and Reberioux 2009, Gospel *et al.* 2014, Cushen and Thompson 2016). Higher interest and dividend payments may also become perceived by firms as new effective overhead,

which may filter into increased mark-ups under cost plus pricing models. SVO has thus been linked to declining wage shares at the firm (Dünhaupt 2017, Guschanski and Onaran 2020, Palladino 2020), sectoral (Palladino 2020) and national level (Barradas 2019, Kohler *et al.* 2019). Appelbaum and Batt (2013) find a connection between ownership concentration in private equity firms and reduced health and pension benefits. The exclusive focus on wage shares rather than levels in this literature presumably has to do with data limitations - wage data in corporate datasets is typically patchy and unreliable. More aggressive labor policies within the firm are also thought to have wider effects on the industrial relations environment. Darcillon (2015) and Meyer (2019) connect SVO to a weakening of bargaining institutions as business actors seek to remake labour regimes in line with their preferences for greater flexibility. Kollmeyer and Peters (2019) and Dupuis (2020) link it to declining unionisation rates. Gospel *et al.* (2014) find that regulation supporting worker consultation and voice affects the capacity of labour representatives to influence the outcomes of private equity, hedge funds, and sovereign wealth funds on labour and employment. At the other end of the distribution, Shin (2014) links the “appearance” of SVO - in the form of monitoring and incentive-alignment mechanisms - to higher executive pay. At the national level, Huber *et al.* (2022) find that SVO, proxied by stock market capitalization, increases the top 1% income share in 18 advanced economies, contradicting an earlier result from Godechot (2016) which found little impact of NFC financialization on top incomes. SVO in these ways is thought to be a major driver of inequality. At the firm level, Willman and Pepper (2020) indicate that intra-firm inequality for the UK FTSE 100 is driven both by increases in executive payment and outsourcing of low paid work.

In the asset space the focus of work on ‘downsizing and distributing’ has been investment policy. Post-Keynesian models which stress the non-equivalence of internal and external funds are the inspiration for most of this work (Fazzari *et al.* 1988). These predict a negative impact of payouts, which drain internal revenues, on future investment. At the same time most studies regard higher payouts as indicating the presence of SVO norms among managers. Payouts in this sense both directly represent a mechanism through which investment is reduced and proxy for an underlying cause of that mechanism which also affects investment through other channels. Most studies confirm a strong negative correlation with investment in various countries at the firm (Hecht 2014, Schoder 2014, Seo *et al.* 2016, Davis 2017b, Tori and Onaran 2018, 2020, Auvray and Rabinovich 2019) and aggregate level (Stockhammer 2004, Clévenot *et al.* 2010, Barradas 2017). Theoretical work, mostly based on a stock-flow consistent modelling, arrives at similar findings (Hein 2008, Hein and Treeck 2010, Dallery and Van Treeck 2011, Duwicquet 2021). One weakness of this work is that it adopts a narrow conception of investment - equating it capital expenditure and excluding R&D in accordance with standard accounting procedures which treat R&D as an expense. The logic for this exclusion, always weak, has grown weaker in the information economy - R&D today in fact comprises the majority of aggregate investment expenditure among US corporations. More recent studies have found a decline in the radicalness of technological innovation with financialisation (Lee *et al.* 2020) as well as a more general decrease in R&D, both as a result of financial investments (Yu and Jo 2022) and buybacks (Swift 2022). Reddy and Rabinovich (2022) find that R&D with ownership concentration in high-turnover - likely impatient - investors.

Differences between public and private firms may also yield clues as to whether shareholder pressure reduces capital investment. For a sample of firms from eleven Western European countries, Drobetz *et al.* (2019) find a higher investment cash-flow sensitivity for public firms and attribute the results to the unexpected part of cash flow, indicating that managers exploit information asymmetries to inefficiently

allocate those unexpected resources at the expense of shareholders. For US firms, Feldman et al (2021) indicate that publicly-listed firms invest around 45 percentage points more than privately-held firms while Asker et al (2014), on the other hand, find that private firms are 3.5 times more responsive to changes in investment opportunities than are public firms. There is no consistent evidence regarding firm's innovation capacities either (Bernstein, 2015; Lerner et al., 2011).

A small mountain of evidence linking SVO to downsizing has thus accumulated over the last decade and a half. But the scale of this research masks some serious underlying problems. The central complication facing researchers is that their variable of interest is a set of dispositions or cognitive frames influencing decision makers, which cannot be directly observed or measured. The standard response to this has been to proxy for SVO using one or more of its assumed behavioural correlates - above all payouts. The great majority of the empirical studies listed in the previous paragraphs, concerning both employment and investment, use a combination of dividends and/or buybacks as their focal independent variable. This is a potentially significant problem. It is generally agreed that buybacks are an instrument for returning "excess" funds to shareholders. They will tend to be higher in firms where managers are subject to greater discipline and impose higher hurdle rates. But they will also increase simply when the firm faces fewer viable investment options (of sufficient profitability) and thus finds itself with additional "excess funds" (DeAngelo et al., 2006). The negative coefficient on payouts in both investment and employment equations might therefore be picking up changes in the firm's (or nation's/sector's) *growth opportunities* - which cannot be perfectly controlled for. The importance of the growth outlook for payouts also means that in time series terms they are highly erratic, which makes them questionable as a proxy for a generally stable variable like SVO.

There are other ways of getting at SVO. Some studies use managers' own words, constructing SVO indexes from the frequency of shareholderist phrases in CEO letters and other communications (Shin 2014). Others use measures of shareholder power (like ownership concentration) and incentive alignment (like stock based compensation) in effect capturing the causal mechanisms behind SVO (Jung 2016, Reddy and Rabinovich 2022). These might be prone to endogeneity problems of their own. There is an urgent need for more innovative solutions to identification problems but, as always, no guarantee that such solutions actually exist. In light of this, many will be inclined to regard the existing data as "good enough" evidence of a link between SVO and downsizing. On its own, however, this is a fairly modest finding. Proponents of SVO would find it entirely unsurprising. It was, after all, the explicit ambition of the shareholder revolution to reign in managerial "empire building". The relative softening of investment and employment growth at the firm level could fairly be seen simply as evidence that SVO is doing its job. Skeptics would doubt that this softening has had much to do with secular stagnation or rising inequality since it is ultimately efficiency enhancing and should have beneficial secondary effects.

Focusing on the short-termist aspect of "downsizing and distributing" might be a way to regain some interpretative leverage since this is a hypothesis that is particular to critical accounts. Agency theorists expect in common with financialization theorists that SVO will reduce investment and employment. But since they see this as really a correction from "overinvestment", they differ in not predicting any harmful consequences for the firm (Richardson 2006). If they can be refuted by showing that SVO is in fact associated with inferior long-run performance this would strengthen critical accounts. But Reddy and Rabinovich (2022) find no such link between performance and SVO as a whole. Their results suggest that

negative performance effects are associated only with particular investor types - like hedge funds - highlighting once again the importance of accounting for shareholder heterogeneity.

Another problem for financialization theories is that the descriptive trends don't seem to validate the notion that downsizing has become a "guiding maxim" for the corporate sector. Shareholder principles might have restrained growth at the margin but they haven't stopped US firms from expanding extremely rapidly for most of the financialization period. Physical investment rates having remained subdued indicating a decoupling of accumulation from firm size which likely reflects various factors including the increased importance of intangible capital (Rabinovich, 2023), the globalisation of value chains (Milberg and Winkler, 2013) and more intensive M&A activity (Martynova and Renneboog, 2008). "Merge and monopolize" might be a better characterization of financialization's "guiding maxim" as Blakely (2019) notes.

Payout patterns better align with financialization theories - there has indeed been a substantial increase in rates of profit distribution across a wide range of both advanced and emerging economies (Seo *et al.* 2016, Soener 2020, Finello Corrêa and Feijo 2022, Valeeva *et al.* 2022). However, as Kahle and Stulz (2020) show in the US case these increases don't map neatly on to the shareholder era - they happen primarily *after* the turn of century, when the turn to "merge and monopolize" was well underway. At an aggregate level, payouts are overwhelmingly accounted for by the largest companies - the ones most likely to have benefited, and contributed to, market re-concentration (although rates of distribution have increased widely). Whether higher payouts are generally a cause or consequence of slowing accumulation is therefore very unclear. Auvray *et al.* (2021) argue that it will depend on which sub-period of financialization we are looking at. They argue that a transition occurred sometime in the late XXth century, early XXIst century, marking the start of "Financialization Mark II is characterised by strongly established financial hegemony with new forms of intellectual and financial monopoly" (p.431). The direction of causality between payouts and investment, they contend, is reversed with this shift - higher payouts in the recent period derive from lower investment rates rather than the other way around. This is a significant break with the "downsize and distribute" thesis.

The final point in relation to downsizing is the specific competitive environment in which it started. In the case of the USA, in the beginning of the 1980s the typical big US corporation was a diversified conglomerate (G. F. Davis, Diekmann, & Tinsley, 1994). This type of corporation grew through unrelated lines of business in the 1960s and 1970s, rather than horizontal or vertical product-related acquisitions, due to government opposition to increasing concentration in product lines which resulted in strong antitrust policy -e.g., the Celler-Kefauver Act of 1950 (Fligstein, 1985). Also, compared to the "relatively quiet and uncompetitive '60s" (Shleifer & Vishny, 1991, p. 54), US corporations faced a number of major economic challenges in the beginnings of the 1980s such as high inflation, high interest rates, low profits and increased foreign competition. In the case of the latter, US NFCs were facing an increased competition in both mass-production and high-tech industries specially from Germany and Japan which were able to generate lower-cost and higher-quality products (Brenner, 2006). In parallel, historical methods associated with Taylorism were no longer able to raise productivity, and rising absenteeism, turnover, and strikes were evidence of increasing discontent among workers with their role in the production process (O'Sullivan, 2001, p. 108). The competitive pressure would only increase with globalisation (Brenner, 2006). Downsizing both in terms of workforce and investment (divesting from non-core activities) cannot therefore be isolated from this

general picture. While this has been noted in the financialisation literature (Orhangazi 2008, Davis 2016), the emphasis has been typically put on SVO

Theories that put SVO at the center of secular stagnation and rising inequality could be rescued if we had reliable estimates of the magnitude of negative investment, wage and employment effects. But this is where the identification problems become a real issue. We can be confident in some (arguably unsurprising) link between SVO and growth slowdowns, but the specificities of that link remain blurry. Many papers simply fail to deal with effect sizes (and certain that do, like Kohler et al 2019, Reddy and Rabinovich 2022 find them to be of a low order). Compounding the problem is the issue described in the last section - that we have little understanding of how widespread and how dominant SVO norms have actually become.

5. LIABILITY MANAGEMENT - THE FIRM AS A FINANCIAL INNOVATOR

If financial profit-seeking is thought to have been the major driver of growth in financial assets, a different facet of financialization is thought to have wrought significant changes on the other side of the balance sheet. Acting as financial innovators, NFCs have adapted the ways they raise, manage and use debt. Corporate debt has been considered in two different, contrasting, ways. Paraphrasing Mehrling, ‘the seductive allure of present credit and the crushing burden of future debt are two faces of the same creature’ (2011, p.11). Following a Minskyan tradition, debt has most frequently been used to proxy the *financial fragility* of the firm (i.e., as a *crushing burden*). A large stock of debt reduces the margin of safety to deal with adverse shocks and may signal future solvency problems, in both cases negatively affecting investment decisions. This effect is identified in certain empirical studies (Davis, 2017; Orhangazi, 2008) but not others (Hecht, 2014; Schoder, 2014; Barradas, 2017) possibly reflecting the fact that only at a certain level does debt become a crushing burden (ie. when firms enter speculative or Ponzi phases of liability management, to continue with Minsky typology). Debt growth also comes with higher interest payments that by definition imply a drain of resources and thus have a negative impact on investment decisions.

An additional nuance with corporate debt is that rather than being used for productive purposes as in Minsky’s original formulation, the “cult of debt finance”, as Palley (2007) denotes the increase in debt, found its origins in changing tax codes and in SVO. In terms of the former, interest payments reduce taxable profits while equity does not. Regarding the latter, issuing debt instead of equity automatically improves the weighted average cost of capital which reduces discount rates, boosts share prices and increases the net present value of assets held on the balance sheet at fair value. And, if assets are marked to market, this process then gives further justification for share price increases (Baker et al, 2020). Mason (2015) in fact finds a declining correlation between new borrowing and physical investment after the early 1980s, with borrowed funds being used rather for stock repurchases (Fiebiger, 2016). A third alternative for debt, when not connected to productive investment, is the acquisition of financial assets (Kliman and Williams 2014). When this alternative is explored, it is usually connected to the firm acting as a financial profiteer (Davis 2017).

On the other hand, the quantitative and qualitative changes in debt (or leverage as will be discussed later) have also been analysed in a different fashion, i.e., emphasising the *power* dimension of corporate debt. Knafo and Dutta (2020, pp. 482–483) in fact define the financialisation of the firm foremost as “the story

of the construction of new forms of corporate power that involved systematically capitalising on financial markets.” In that sense, the origins of corporate financialisation go back to the 1960s in which leverage fuelled mergers and acquisitions that targeted undervalued assets with the objective of making capital gains. The later shareholder revolution was, to some degree, the shaping of shareholder interests by those early practices and the intent to reap part of those gains being made by corporate raiders.

This way of understanding corporate financialisation extends, in fact, to broader financialisation since it “was largely predicated on banks essentially following a similar path as the one taken by corporations: they began exploiting the vulnerabilities of the financial system to leverage their strategies” (Knafo, 2022, p. 39). Without necessarily sharing the power dimension associated with leverage, Lapavitsas (2013) also highlights the relevance of the financial operations of non-financial firms for the whole financialization of the economy. The latter stands, in fact, as “the transformation of the mix of financial and non-financial activities that are integral to the circuit of productive capital” (Lapavitsas, 2013, p. 215), with funds obtained in open markets gaining in importance relative to funds obtained from banks. As a result of this, banks are forced into a new business model, lending the households and relying on fees from trading financial assets.

In the conceptualization of financialisation as power through leverage, a conceptual distinction between debt and leverage has been proposed by Sgambati (2019). Whereas the former refers to borrowing in order to settle obligations or make payments, leverage is borrowing to invest in assets with the aim of making a profit in the future. This distinction also truncates power relations among creditors and debtors: while traditionally debt relation allowed creditors to exert a disciplinary control over debtors, leverage empowers debtors vis-à-vis creditors by allowing them to affect prices and markets through levered-up investments. Building on this perspective, Baines and Hager (2021) find what they call the ‘great debt divergence’: whereas in recent decades large firms have increased their leverage, their debt servicing costs plummet and their net profit margins increased. Small firms, despite deleveraging have seen borrowing costs soar and net profit margins gone into negative territory. The shift in power relations can also explain the increasing bond-holder activism in opposition to shareholder value orientation (Apkarian, 2018) while it also puts into question the rentier conception of finance given the multiplication of financial means (Knafo, 2022).

To conclude this section, the two sides of debt which ultimately reflect different moments of the global financial cycle (Rey, 2013) have been picked in Auvray et al (2021). Interest payments is one of the different dimensions that define Financialisation Mark I and Mark II. The former, running since the early 1980s to the late 1990s is characterised by high interest payments that depress investment whereas the latter, starting afterwards and running until pre-covid, verifies lower interest payments.

6. INTANGIBILIZATION - THE FIRM AS A FINANCIAL PORTAL AND A RENTIER ENTITY

The fourth and last major focus of work regarding corporate financialisation deals with another transformation in the asset structure of the firm: the rise of intangible assets. Two different classes of intangible assets should be distinguished, both of which have seen significant growth in the last 30 years. The first and larger class contains intangible assets generally related to knowledge intensive production including computerised information (computer programs and computerised databases, especially the

purchase and development of software), scientific and creative property (patents, licenses and non-patented know-how and also the innovative and artistic content in commercial copyrights, licenses and designs), and economic competences (marketing and branding) (Corrado, Hulten, and Sichel 2005). The second contains just one asset: goodwill, which is the amount that an acquiring company pays for a target company over the target's book value - purported to reflect things like the acquired company's brand name, proprietary technology etc. (IFRS 3 - Business Combinations).

Goodwill account is broadly related to the practice of bringing anticipated future income to the present through financial mechanisms and instruments. This practice started towards the late XIXth century in the USA and UK (Palan, 2015). Accounting regulations were key to its emergence. The law of brand name recognition, trade marks and logos developed as a result of the acknowledgement that companies could signal quality to their clients and/or create 'attachment' to products (Palan, 2015). More recently, the fact that goodwill has increased as a proportion of total assets is partly due to the fact that it is valued through impairment (IAS 36 — Impairment of Assets). Contrary to amortisation, by which assets' value is reduced according to a specific schedule, impairment implies that the value of an asset, in this case goodwill, is decided by a test that compares the total profit expected to be generated by that asset with its book value. Therefore, goodwill does not necessarily disappear from the accounts throughout time. Prior to 2001 under FASB and 2004 under IFRS, it was a requirement that goodwill be amortised over a maximum of 40 years (Leaver, 2018). Critical studies on accounting have highlighted that impairment, and, more generally, 'fair value' or 'mark-to-market' accounting techniques give a specific procyclicality to the non-corporate sector which was traditionally found in the financial sector (Baker et al 2020, Boyer 2007, Palan 2015). For instance, faced with diminished cash flows, the firm will experience a rise in the cost of borrowing which will then feed through discount rate into the value of assets held at fair value (not only goodwill), leading to impairment losses.

The relevance of future income on market capitalisation in general and goodwill in particular is put as the defining feature of corporate financialisation by some scholars. For Leaver (2018, italics in original), the financialisation of the firm is "about *staggering the temporalities of asset-based income and liability-based costs to produce a yield in the present.*" Firms thus assume a "portal-like quality, moving income through time and space, blending and converting apparently different income items realised through different channels and mechanisms" (Baker et al, 2020, p.24). Similarly, Lysandrou (2016, pp. 444-445) understands financialization as the 'colonization of the future', "the extension of the commodity principle along the axis of time in the same way that globalization represents its extension along the axis of geographical space." This colonization happens through the expansion of the supply and demand of financial securities, i.e., tradable claims on future income streams. The temporal dimension emphasised by this group of studies resonates in other analyses that focus on similar phenomena but do not use the term financialisation such as Palan's 'futurity' (2015), this is "the reorientation of economies towards the future, and specifically to the fledgling practice of treating businesses as 'going concerns' and measuring its value in terms of their anticipated future profits." Or Nitzan and Bichler's (2009) 'capital as power' framework with 'capitalization', this is the discount to present value of expected future earnings being not only the engine of capitalism (Nitzan and Bichler, 2009, p.155) but also "the organizing 'economic' principle that shapes and directs daily life on our planet" (Nitzan and Bichler, 2009, p.217). The emphasis on future income stream also has many connections with the previous group of work on corporate financialisation (i.e., liability management). The practice of bringing future revenue into the present is done by issuing bonds as

emphasised by Lysandrou (2016). Following this line, Palan (2015, p.369) identifies two phases of futurity. The first one began in the 1880s and ended around the beginning of the first depression centered in the extraction of value against future earnings capacity. The second one started after WWII and centered on debt.

Analyses on goodwill have two main differences with those focusing on the more general group of intangibles. First, whereas financial markets play a clear role for goodwill as its materialisation is, ultimately, a “pure creation of stock markets” (Serfati, 2008, p.48), other types of intangibles linked to corporate financialisation have a less clear relation with finance - they are *extrinsic* as we said earlier. Generally speaking, the shift to the latter type of intangibles can be understood as part of firms’ reorientation core competences (Prahalad & Hamel, 1990). Companies from developed economies have tended to focus mostly on intangible-intensive activities, such as development and design, trans-divisional research, technology and business intelligence, while dropping the non-core activities, usually related to manufacturing (Gereffi et al., 2005; Lee & Gereffi, 2015). As noted in previous sections, the turn to core competences is one key principle of SVO ideology which therefore becomes a relevant mediating factor for this focus of work too.

Second, from a theoretical perspective, the emphasis on expectations attached to goodwill is based on the works of Keynes and institutionalists such as Veblen and Commons (the concept of futurity appears in Commons, in fact) while the focus on the more general group of intangibles points towards other theoretical basis, typically - but not limited to - Marxists studies on *intellectual* monopolisation. Faced with the same puzzle related to the disconnection between book value and market capitalization (and productive investment and profits), the intellectual monopolisation anchors the split more concretely in *existing, rent-generating* assets (which, in some cases, may not be properly reflected in the balance sheet). Emphasis on the future recognises that while stock valuations ultimately need to be backed by present income, “[t]he only general rule of future forecasting in the world of futurity that Veblen could identify was captured by the adage: ‘whatever the market will bear’.” (Palan, 2015, p.381)

The disconnection between investment and profits has been at the center of financialisation analyses (Auvray et al., 2021; Durand & Gueuder, 2018; Durand & Milberg, 2020; Lapavitsas, 2013; Orhangazi, 2018; Rabinovich, 2021; Stockhammer, 2005; see section 4), sometimes even being used to define financialisation (Auvray et al., 2021). The interest in those phenomena is because they represent a ‘puzzle’ for different theoretical perspectives (for a review, see Rabinovich, 2021). From the point of view of the firm, the puzzle points to firms’ ability to remain profitable with a reduced capacity to supply goods and services as well as one of their main weapons in competition diminished. Intangible assets are a solution to this puzzle by allowing the creation and maintenance of different types of rents. Orhangazi (2018) identifies four distinct functions of intangible assets. First, intangible assets such as patents can generate absolute monopolies for certain products. Second, in industries such as high-technology and telecommunications they can act as barriers to entry. Third, assets like brand names and trademarks can give pricing power. Finally, assets like copyrights for software can generate artificial scarcity for products that have a cost of reproduction that tends to zero. Durand and Milberg (2020) mainly focus on non-legal rents. Legal monopoly rents are derived from patents, copyrights and trademarks which ration production via exclusive rights on products. Natural monopoly rents appear as a result of network externalities in the presence of

return to scale and sunk costs. They also identify dynamic innovation and intangible-differential rents associated with data centralization and uneven returns to scale on intangibles respectively.

In other cases, the rise in intangible assets has been examined without a reference to the investment-profit puzzle but put as a defining characteristic of the financialisation of the firm (Baranes, 2017; Baranes & Hake, 2018; Klinge et al., 2020). Inspired in this case in the work of Veblen (1908), the key difference between tangible and intangible assets such as patents and brand names is that intangibles “do not produce socially necessary goods and services on their own. Rather, they are seen as ownership rights that increase the income stream already generated by the tangible asset.” (Baranes, 2017, p. 352). Therefore, they simply perform a locking-out function. According to Veblen, earnings depend on ‘sabotage’ rather than efficiency, i.e., on the overall damage that an owner can inflict on the industrial process (Nitzan and Bichler, 2009, p.223).

This generalised process is assumed to represent a new era of capitalism termed “intellectual monopoly capitalism” (Pagano, 2014; Rikap, 2021) or the “franchise economy” (Schwartz, 2021). Compared to traditional monopoly capital, an intellectual monopoly capital “is not simply based on the market power due to the concentration of skills in machines and management; it becomes also a legal monopoly over some items of knowledge, which extends well beyond national boundaries.” (Pagano, 2014, p. 1411). Similarly, “[f]irms’ central problem in the Franchise economy ... is creating exclusion around information generated by consumers and workers. Political and legal processes generate exclusion, transforming otherwise free public goods into club (non-rival but excludable) goods, enabling monetization of information.” (Schwartz, 2022, p.82). As it becomes clear in both definitions, legal changes play a key role. In the early eighties, the Bayh-Dole Act authorised US academic institutions to patent public-funded research results and to transfer this knowledge to private firms by providing exclusive licences or creating joint ventures (Berman, 2011; Bok, 2003; Mowery, 2005; Orsi & Coriat, 2006). This was the beginning of a massive process of knowledge enclosures that, with the support of US, European and Japanese transnational corporations, expanded at the world scale via the WTO and bilateral or regional trade agreements (Abbott, 2006; Drahos, 1995; Dreyfuss & Frankel, 2014; Sell, 2003, 2010; Shadlen, 2008).

Among the many characteristics of this new era of capitalism, one of them is a strong firm differentiation. While the literature on corporate financialisation has distinguished between different types of firms, this distinction has typically revolved around size in empirical and especially econometric analysis (Orhangazi, 2008). The differential holdings of intangible assets allows for a more grounded distinction among firms. Schwartz (2021, p.3) distinguishes a three-layered industrial structure. The top captures the bulk of profit via IPR-based monopolies and shifts fixed capital and labor costs onto the other layers, therefore having a low propensity to invest and weak multiplier effects from that investment. The second layer of firms controls most of the physical capital-intensive assets while engaging in horizontal concentration to deter competition (and constantly running into the risk of excess capacity). The final layer of firms concentrates labor-intensive manufacturing and service production with no barrier to entry and depends on the hyper-exploitation of labor to generate profits. Rikap (2021, p.35) indicates a fourth type of firm, the ‘innovating’ one which is still subordinated to the leader but only participates in the innovation process.

7. DISCUSSION

SVO I and SVO II

In its most basic sense - call this SVO I - that term is identified with a governance regime in which shareholder interests are prioritised over those of other stakeholders. As a consequence, decision makers view the maximisation of share prices, or more generally shareholder returns, as their primary objective. Share prices, however, reflect present values of expected future profits. Unless further assumptions are introduced, SVO I can be hard to distinguish from simple profit maximisation. Because it is structurally imposed, profit maximisation will be widespread across different governance regimes. Because it is abstract, it will be compatible with an infinite range of different business strategies. We may wish to emphasise its distinctiveness from growth maximisation - often assumed to be the norm before the shareholder revolution (in the US). But here again, further assumptions will be required to sustain the distinction - since the two objectives are interrelated. Managers may face clear growth-profit trade-offs within a given horizon as Post-Keynesian models tend to assume, but those tradeoffs will mutate and sometimes dissipate as that horizon changes. Profit maximisation, in short, is highly indeterminate of firm strategy. Financialization outcomes cannot be clearly derived from SVO I.²

What most financialization writers actually mean by SVO is something different. SVO refers not share price maximisation in general, but to *short run* share price maximisation - call this SVO II. This amounts not to a prioritisation of shareholders *as such* but of impatient shareholders. Short-termism, in other words, is implicit in the definition of SVO. Indeed, in many cases it is made explicit. Numerous writers identify SVO with a focus on the short-term when introducing the term (Orhangazi 2008, p. 864, van Treeck 2008, p. 383, Hein and Treeck 2010, van der Zwan 2014, p. 108, Davis 2017b, p. 280, Fasianos *et al.* 2018, p. 45, Tori and Onaran 2018, p. 1397). The trouble is that the field does not generally seem to recognize this as something that is *integral* to the definition. The result, as we illustrate below, is a tendency to slip incongruously back and forth between SVO I and SVO II. SVO I is frequently observed in practice but mistaken for SVO II. The lack of conceptual clarity, moreover, has distorted research efforts. Despite being patently central to the story financialization theory wishes to tell about NFC transformation, short-termism has been almost entirely ignored by the field.

The lack of clarity about whether SVO refers to share value maximisation in general (SVO I), or to an exclusive focus on short-term share prices (SVO II) has resulted in definitional instability - the tendency to slip back and forth between the two - especially when the second, more stringent definition becomes threatened by contravening evidence. This emerges most clearly in the firm and sectoral level case study literature on corporate financialization. Consistent with the wider field, that sub-literature places enormous causal importance on SVO - seeing it as the primary factor driving profound changes in business models across a wide spectrum of industries. It's fingered in the dramatic intangibilization of operations in the apparel (Soener 2015) and pharmaceutical industries (Baranes 2017, Tulum and Lazonick 2018, Klinge *et al.* 2020); to the globalisation of value chains in retail (Baud and Durand 2012) and apparel (Soener 2015); to the expansion of financial balance sheets and activities in auto (do Carmo *et al.* 2019, Lin and Neely

² However, as noted by Dallery (2009), shareholders do not necessarily consider the profit rate, or the whole amount of profits earned by the firm, as their main objective but, rather, the part of those profits that can be claimed by them, the free cash flows. This distinction is relevant because while in his graphical representation the profit rate that maximises free cash-flow is close to the maximum profit rate (Dallery 2009, p. 507), in reality there are many cases where firms distribute generous payouts while having negative operating income (Lazonick 2014). An additional distinction is that shareholders might also be interested in maximising the firm's value on the market, something that implies calculations over an infinite span of time and, in the absence of relevant knowledge in order to do so, firms follow rules of thumb such as the well-know 15% return on equity

2020) and tech (Klinge *et al.* 2022, Fernandez and Hendrikse n.d.); to the cyclical investment policies in mining (de los Reyes 2017, Bowman 2018); to the imposition of aggressive labor regimes in (xxx); and to increased financial payouts in all of the above.

Yet what is striking is that in not one of these cases is there any convincing evidence that strategies driving these changes have been short-termist in nature. Quite the opposite in fact. In most cases financializing firms in industries such as pharma and technology seem to have performed extremely well during the period they were studied - in whichever way one chooses to measure it. They've achieved superlative rates of profit (which have made possible generous handouts to shareholders), assumed positions of global dominance within core markets and remained at the forefront of corporate innovation. It's of course possible that all sorts of confounding factors have been at play - firms might have benefited from unobserved windfalls that have occluded the damaging effects of short-termism - but we're given no reason to think that this has been the case. Hence, having postulated SVO II, what these studies actually show is SVO I, without any acknowledgement of the slippage. While often socially regressive - the ways in which financialized firms have adapted their business models appear to be entirely rational from the standpoint of profit-making (and profit-dependent) institutions. Reddy and Rabinovich (2022), in fact, only find SVO II being associated with specific types of investors, namely hedge funds and private equity. This lack of distinction within institutional shareholders is our point to discuss.

Heterogeneity within institutional shareholders

Whether a shareholder oriented firm fixates on its short-run share price or takes a more holistic approach to maximising profits will depend in large part on which shareholders it is oriented to. The fuzzy conceptualization of SVO common in the financialization literature in this sense reflects an underlying problem - its brushing aside of the importance of shareholder heterogeneity. The field has adopted a "simplifying assumption" common in comparative political economy which treats investors in market-based financial systems as uniformly impatient (). This may be encouraged by the fact that shareholders are in general relatively more impatient than (autonomous) managers - Post-Keynesian models rooted in Chandlerian theories have to emphasise inter-stakeholder divisions above all. But in doing so they miss considerable intra-stakeholder variation. Institutional investors vary enormously in the asset structures, governance regimes and regulatory environments - and consequently in their investment strategies. Only certain of these investor types are likely to espouse the short-termist versions of share value maximisation - SVO II - on which financialization theories have focussed. Shareholder primacy, in other words, is to imply very different things for business strategy depending on which shareholders are being prioritised.

Awareness of the importance of shareholder heterogeneity has belatedly spread because of the meteoric rise of one particular investor class: passive index funds. Several scholars argue that ownership shifts have been so far reaching as to have surreptitiously brought us out of the shareholder era and into one of 'asset management capitalism'. The defining feature of the current stage is the combination of concentration and diversification: the portfolios of large index funds now span entire markets, but their extreme scale means that they still own significant chunks of each firm in those portfolios. This yields an odd configuration: unparalleled potential for shareholder control but with highly ambiguous incentives for the exercise of that control. The implications for governance remain unclear. Asset managers portray themselves as proponents of long-termism, but their voting records show a more complicated picture (Baines and Hager, 2022). Many believe that the low-margin business model of the industry will continue to make active stewardship

economically unsensible, whatever CEOs may claim. Passivity on behalf of the largest investors in the market may provide space for owners to recoup authority. Or it might simply create openings for other activist investors - like hedge funds - to assert themselves, enlisting the voting power of the Big Three to their cause.

Index funds are likely to add to the complexity and variegation of governance regimes. But the reality is that shareholder capitalism has always been not only variegated but uneven - another feature missed by much of the financialization literature. Much of the field remains wedded to what Knuffo and Dutta call a 'dominant model' theory, which treats governance as transitioning between well defined epochs. This view treats the shareholder revolution as bringing about a kind of 'end of history' in corporate governance. Once it succeeded in displacing managerialism, and bringing managers to its side, its principles were effectively universalized. The reality is of course far more complicated. Political contestation within the firm did not cease in the 1990s however much it might have moderated following the victories of SVO activists and their "détente" with managers. As any regular reader of the business press would know, open clashes between 'principals' and 'agents' remained a relatively frequent occurrence, right throughout the shareholder era. And even where conflict wasn't out in the open, it cannot be assumed that governance was simply harmonious. As the literature on "symbolic management" suggests - managers often succeeded in diffusing conflict by appearing to adhere to shareholder norms, while in practice defining their own priorities. Family and other forms of control have remained prevalent throughout the period. Surveying the terrain over a decade ago, Shin () concluded that shareholder principles were "far from hegemonic" in the US.

SVO's geographical scope

One of the main consequences of this failure to grapple with the complexity of shareholder capitalism is a complete dearth of attention provided to the problem of scope. If SVO - or really SVO II - is the main causal factor propelling corporate financialization then it's obviously critical to establish a detailed picture of its dissemination. But no attempt to do so has been made. This is true of the US, but also at a global level - where there is far more reason to doubt the 'dominant model' thesis. The quantitative literature has concentrated on demonstrating the existence of the mechanisms linking SVO (really, SVO II) to different elements of firm strategy and ultimately behaviour. But unless we know more about the prevalence of SVO, there is little we can say about the contribution of such mechanisms to macro-dynamics like secular stagnation - which have been so important in motivating research. The critique we are making here therefore goes beyond pointing out matters of overlooked nuance.

The variety of modes of corporate governance across regions is testimony of these concerns. On the one hand, there's evidence of an increasing homologation or americanisation of corporate governance in advanced economies such as France (Morin, 2000) and Germany (Roper, 2018). In these cases, the State and/or systems of cross-shareholdings are increasingly replaced by foreign (mostly US) institutional investors who impose new techniques and practices of corporate governance. Japan, on the other hand, despite having an increasing participation of foreign shareholders has refrained to maximise returns for shareholders in the form of dividends and buybacks (Vogel, 2019). Foreign ownership has been found as a significant contributor to the increase in payouts in a case study of three South African firms (Andreoni et al, 2023). China is the opposite example, with more controlled foreign ownership being identified as a relevant factor in China's 'resistance' to financialisation (Xie et al, 2022).

On the other hand, EMEs put a harder test on the SVO rhetoric. In a study dealing with ownership and control of East Asian corporations between 1996 and 2008, Carney and Child (2013) find that family control remains the most dominant form of ownership, verifying an increase in the case of Thailand. State control has also become more important in Hong Kong, Malaysia, Singapore, Thailand and Indonesia. In a review on corporate governance in emerging markets, Claessens and Yurtoglu (2013) indicate that large shareholdings by families owning 50% or more in listed companies are found not only in East Asian countries but also Latin America, India, Israel, Kenya, Tunisia, Turkey and Zimbabwe. It is important to highlight that these structures affect the nature of the agency problem as ownership and control are much more entrenched. In these cases, the agency issue is about minority versus controlling shareholders rather than manager and outside shareholder (typical of diffuse ownership as in the case of the US and UK). If there's no separation of ownership from control, then, it is safe to say that firms in most emerging economies have always been run in the interest of the shareholders. Of course the fact that firms are still managed by the State or families does not imply that, for instance in the case of the latter, newer generations haven't interiorised the new business practices that prioritise maximising free cash flow to growth. Results found at the international level could be partly interpreted along these lines (Finello & Feijo 2022; Seo et al 2016; Soener 2020; Valeeva, Klinge and Aalbers 2022). However, EMEs pose two serious challenges. First, it is harder to understand the pursuit of SVO II in the case of controlling families. Second, it not only shows that shareholder-oriented firms can perfectly seek growth but also that they can be more productive (in their 1970s and 1980s Korean version for instance) than managerialist firms.

Once the mediation of SVO is relativized, other structural forces become more relevant to explain similar strategies followed by EMEs firms. The financial subordination framework pays special attention to the structural conditioning factors that emerge as a result of the productive and financial subordination of emerging economies (Powell 2013, Alami et al, 2022). At the macro level, the decrease in investment can be better explained by macro forces associated with financial liberalisation such as exchange-rate volatility (Stockhammer, 2008, Karwowski and Stockhammer, 2017). At the level of the firm, the financial subordination is verified through an increasing reliance on foreign-denominated, market-based debt as well as higher proportion of financial assets held in foreign currency, mostly for precautionary motives rather than speculative (Kaltenbrunner, Karaçimen and Rabinovich, 2023).

Historicity and phases of corporate financialisation

The great majority of papers locate both general and corporate financialisation as a phenomenon starting in the last quarter of the XX century. However, in the case of broad financialisation, a number of studies question whether financialisation, rather than a unique historical episode, can be either a recurring phenomena or a stage of a long-run process (Vercelli, 2013). As a recurring phenomena, financialization has been typically associated with the dynamics involved in systemic decline in the global hegemon and the rise of a new one (Arrighi, 1994). When the emphasis is put on the role of money in the economy and society, financialisation can even predate capitalism going almost to the very origins of civilization (Sawyer, 2014; Vercelli, 2013). Still within this last (very) long run perspective, smaller cycles can be identified. For instance, Fasianos et al. (2018) study four different phases of financialisation in the US during the XX century.

In the specific case of the corporate sector, those papers emphasising the role of intangible assets in rent generation can establish a point in continuity with the early XX century, as Veblen himself wrote about that period (Baranes & Hake, 2018; Klinge et al., 2020). The control exerted by concentrated investment banking on the corporate sector before the Glass-Steagall Act along with the high distributions of dividends that characterised the period before the Great Depression has been interpreted in the lines of quasi-SVO practises (Fasianos et al., 2018). Knafo and Dutta (2020, p. 483) also trace back the practises of growth by leverage carried out by conglomerates to the 1920s and early post war era. Finally, although sticking to the traditional periodisation, Auvray et al (2021) identify two phases of corporate financialisation. Overall, we note this as a mostly vacant area of research within corporate financialisation.

8. CONCLUSION

The ‘corporate financialisation’ or ‘financialisation of the nonfinancial corporation’ has served up to this moment as an umbrella definition in which researchers from different disciplines and diverse theoretical backgrounds have advanced our knowledge on recent changes in corporate strategy and behaviour such as investment habits, labour policies, competitive strategies and allocative regimes. However, the evidence of these associations remains inconclusive. In certain cases, like with financial accumulation, financialization theory seems to have simply misinterpreted what has been transpiring. The growing financial portfolios of certain NFCs, heavily weighted towards cash and short-term investments, do not seem to be the result of any sudden preference for financial sources of income. In the cases where firms have engaged heavily in financial markets seem to be more the results of regular operations of liquidity and risk management.

In other cases, the literature more accurately identified important shifts in the behaviour of NFCs. There’s been an undeniable reduction in rates of capital expenditure and a concomitant increase in rates of profit distribution in recent decades. There has also been notable intangibilisation of business models. But whereas one can hardly argue against these stylized facts, the main weakness we find in the literature is about the causal links leading to them. While we are skeptical of the short-termist version of SVO, or SVO II, there are also motives to suspect of SVO itself. In every instance changing business models have been prompted in part by structural changes in the economy - computerization, the spread of value chains, the rollback of labour unions etc - which create new opportunities and incentives. In centering SVO, financialization theory implicitly claims that the way NFCs respond to these incentives is filtered heavily through their governance structure. Yet, we observe paradigmatic behaviours such decreases in investment and increases in payouts across different institutional ownerships in the USA (Reddy and Rabinovich, 2022) and, more generally, across firms from different regions with different types of ownership (Soener 2020; Valeeva, Klinge and Aalbers 2022). . In which case it's not clear why we should focus on governance at all. Given certain conditions - markets of a kind that will impose profit dependence on firms - structural changes like value chain globalisation are likely to have been sufficient on their own to induce a shift in business models. It seems more logical to assign causal primacy to these other structural changes.

Moreover, many would question whether changing norms could have had much effect on distributional outcomes within the firm since these are primarily decided through a contest of *power*. SVO might have given managers new incentives to try and squeeze workers - it can’t account for why they were *able* to do so, or why workers failed to resist. One possibility is that wages simply hadn’t adjusted fully to the new

balance of forces established by globalisation, neoliberalism, computarisation, etc. They might have been sticky downwards due to a range of factors, including residual managerialist norms. SVO sweeps away such norms and encourages managers to compress wages to the fullest of their abilities. As put by O'Sullivan (2001, p. 154), under the new competitive conditions, "US corporate managers faced a strategic crossroads: they could find new ways to generate productivity gains on the basis of 'retain and reinvest', or they could capitulate to the new competitive environment through corporate downsizing." We can add that they only succeed in doing so because other factors have already acted to diminish labor's bargaining power. SVO matters - but its impact may be more on the speed of adjustment to a new distributional equilibrium, rather than in determining the equilibrium itself.

As it has become increasingly difficult to provide the *theory* of 'corporate financialization' - centered on the causal chains in Figure 1 - the term has been subject to repeated redefinition. In its earlier versions that term was used to refer to the strategic frameworks emanating from SVO and from the unleashing of financial markets (and occasionally to SVO itself). No longer associated with a certain set of strategic orientations, nowadays, it gets linked instead to the balance sheet and cash flow behaviours which were initially thought to flow from these strategies. In particular, corporate financialization gets equated to the expansion of financial balance sheets and to the increase in financial payouts. Hence anywhere where we see these two phenomena firms can be said to have "financialized" even if the factors bringing them about are totally different to financialization theorists first assumed.

This is the basis on which large tech firms have been inducted into the ranks of the financialized even though, by most standards, they represent the very antithesis of that term (). In the first place, institutional investors have notably less influence over Big Tech than most industries. Founders have generally retained substantial or absolute control through the widespread use of dual-class shares and other instruments. These founders may have been more outwardly concerned about shareholder value than was common during the managerialist era, but they've also patently been devoted empire builders. Hence tech firms have pursued competitive strategies that are avowedly growth-centric and long-termist. Amazon is an important case in point - its efforts to capture market share through predatory pricing, aggressive acquisitions and extremely high rates of reinvestment (in both plant and R&D) have landed it in the sights of antitrust regulators (Khan XXX). Amazon has leveraged both its platform and informational advantages to expand across a wide range of industries and activities including logistics, payments services, film production and hardware manufacturing. As Rikap (2020) describes, its abilities to "continuously plan and organise innovation networks" has given it access to giant "intellectual rents". Amazon's business model, like many of its comparators, has thus been characterised by managerial autonomy, aggressive expansionism, long-termism, diversification and innovation intensity - a kind of perfect inverse of the archetypal financialized firm.

As these firms have successfully monopolised intellectual property rights their marginal propensity to invest has declined without this compromising the market dominance (Schwartz 2021). This has provided them space to distribute generously to shareholders from the giant "cash" reserves they've amassed largely in low tax offshore jurisdictions. In order to do this while still benefiting from tax arbitrage they've engaged in complex financial operations, issuing their own (high-quality) debts to fund payouts in the domestic (US market) while retaining cash hoards abroad and earning a spread from investments in lower tier corporate bonds and other security markets. This has left them with bloated balance sheets at the same time payouts have ballooned. Hence these firms have "financialized" in the narrowly behavioral sense but through ways

inverse to what canonical theories have predicted. Naturally, the practical and policy implications of this financialization are also very different - there is far less reason to see either payouts or financial investing as *causes* of slipping investment.

This 'behavioural' definition might be entirely legitimate on its own terms. There are compelling reasons to regard high payouts and large balance sheets as *intrinsically* an aspect of corporate financialization. But if the term is to be used in such disparate ways this calls for far higher definitional awareness. Researchers ought to be explicit about how they are deploying the term, and how their own usage relates to the field as a whole. In particular, there ought to be far greater clarity on the point that behavioural definitions have no necessary relation to SVO or indeed to the structural processes of financialization. This also applies to the other strategies, 'liability management' and 'intangibilisation' which, in the case of the latter, most of the time does not even have a clear relation to finance.

This awareness has generally not been the case however - despite some sensitivity of the wider field to the problems of conceptual stretching (Christophers 2015), it has not at all been common to grapple with these issues in the corporate financialization subfield. Researchers generally conceive of themselves as working towards a unified theory of NFC financialization. That sense of common purpose continues, even as the object of study is subtly redefined and originating theories dispensed with in the face of contravening evidence. Definitional vagueness has functioned in this sense as a kind of defense mechanism for the conceptual dominance of - structural - "financialization" and its buzzword status. It's allowed researchers to continue telling a story of NFC transformation that puts financialization at the center of everything, even as the evidence points towards the need for a more pluralistic approach that takes account of diverse structural forces acting on corporate institutions. A more pluralistic approach is also needed for those studies focusing on rather unilateral strategies identified within corporate financialisation. First, studies emphasising the decrease in investment due to the drain of resources ought to bear in mind that firms are not only holding larger amounts of cash reserves but also in a position of receiving funds through debt issuance. Second, analyses on debt and equity issuance should not be conducted in isolation of the asset-counterpart that allow these firms both to extend their power through leverage and capitalise future income streams.

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