WAO Sociology
Discussion Papers

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Jürgen Beyer

WAO Sociology
Discussion Paper 2018/1
ISSN 2196-615X

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English version of the journal article:
Finanzialisierung, Demokratie und Gesellschaft – Zehn Jahre nach Beginn der Finanzkrise. Kölner Zeitschrift für Soziologie und Sozialpsychologie 70 (Suppl 1), 3–36 (2018).
https://doi.org/10.1007/s11577-018-0539-5

Abstract
Ten years after the collapse of investment bank Lehman Brothers and the onset of a global financial, economic, and debt crisis, this article reflects on the extent to which the economic crisis has brought about a turning point in societal terms. In light of the state of research on the relationship between financialization, democracy, and social conditions, it appears plausible that the processes of financialization, which contributed to the emergence of a crisis, were influenced by the financial crisis but not completely reversed. The changes in financial market regulation, which were implemented in response to the crisis, did not create pressure for a redesign of the financial system. Therefore, one cannot deduce a significant turning point in financial market regulation from the reform measures taken. However, there are clear indications that the financial crisis has had a lasting impact on the European integration process, trust in democracy, and the political culture. Accordingly, the financial crisis can be seen as a turning point in history, primarily due to its effects on social areas beyond the financial system.

Key words: Financialization, social change, crisis, democracy, populism, punctuated equilibrium, regulation

Introduction

The year 2018 is rich in commemorative occasions. The 200th birthday of Karl Marx is celebrated with the erection of a statue in his hometown of Trier, alongside numerous exhibitions, conferences, symposia, and congresses. The end of World War I marks its 100th anniversary and is remembered in museums and events, while the year 1968 is extensively recalled as the starting point of a societal change initiated by protest and civil rights movements approximately 50 years ago. These commemorative occasions often point to events that had the character of a turning point. Marx's writings led to the restructuring of societies aspiring to follow socialist ideals. The end of World War I marked the prohibition of chemical weapons as a legitimate means of warfare. "1968" symbolizes a cultural upheaval towards liberalization and democratization, which right-wing populist parties now use to distinguish themselves with explicit reference to that year.

However, if we look back not 200, 100, or 50 years, but ten years, we are reminded of an event that similarly has the potential to be perceived as a turning point. About ten years ago, political decisions were made to prevent the collapse of the financial and economic system. Within four days after the collapse of investment bank Lehman Brothers, the U.S. government initiated a $700 billion rescue package. About a month later, the German government's €500 billion rescue package had cleared all legislative hurdles at an unprecedented speed to prevent the bankruptcy of German banks, which had also fallen into turmoil due to a chain reaction. Similar financial assistance to support the financial economy was also made available at short notice in other countries. In September 2008, an economic recession, which had begun as a contraction in the American real estate market, escalated into a global financial crisis. Further costly rescue and emergency measures were to follow. The financial crisis quickly grew into a worldwide economic and debt crisis, causing severe social, economic, and political upheavals in many societies.

An economic crisis of this magnitude deserves to be reflected upon, especially as current events suggest that the global economic situation is once again tense. The term "crisis" has a double meaning. On the one hand, it refers to a difficult situation; on the other hand, it indicates a turning point in a development (Preunkert 2011).[1] Thus, a reflection raises the question of how the financial crisis can be regarded as a turning point. The following will attempt to position the financial crisis as a societal turning point in view of the state of research. Such a positioning is associated with evaluative challenges because, depending on the frame of reference, entirely different perspectives can emerge. This can be illustrated by the temporal span of the crisis. Regarding the stock price development in Germany and the United States, stock market lows were reached after the financial crisis in March 2009. Since then, the German stock index has experienced a largely uninterrupted upward trajectory, increasing from 3,666 points (March 6, 2009) to a level of 12,633 (May 30, 2018). Similarly, the Dow Jones Composite Average has significantly surpassed its crisis-induced low of 2,195.30 (March 9, 2009) (24,667.78, closing value on May 31, 2018). L d on stock market development, one might conclude that the financial crisis was relatively short-lived and that we have been in a continuous phase of recovery for some time. However, if we instead focus on the central bank interest rates, this indicator suggests that the economic situation in the United States did not normalize until December 16, 2015, to the extent that a first cautious step towards interest rate hikes could be taken, while the ECB's interest rate policy remains in "crisis mode" to this day. According to announcements, the ECB will continue to purchase government and corporate bonds at an interest rate of 0.0 percent until September 2018, thereby adhering to "unconventional monetary policy," which can be interpreted as a sign of an ongoing fragile financial stability. In terms of GDP per capita, the southern European countries of Italy (2007: €28,700 / 2017: €26,300) and Greece (2007: €22,700 / 2017: €17,400) have not yet reached pre-financial crisis levels, while Spain (2007: €24,500 / 2017: €24,500) has only recently shown values comparable to those of the pre-crisis era. In contrast, this indicator for Germany shows only a slight decline during the period between 2007 and 2009, followed by new record highs as early as 2011 (Eurostat 2018).[2] In the United States, the country where the crisis originated, the corresponding level from 2007 was surpassed in the first quarter of 2014 (US Bureau of Economic Analysis 2018). Depending on perspective and context, the financial crisis can therefore be perceived either as a long-overcome historical event of the past or as an ongoing influential starting point of a persistent deviation from the pre-crisis period.

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[1] The term "crisis" has its origins in the Greek language. It is derived from the ancient Greek noun "krisis" (judgment, decision, escalation) and the verb "krínein" (to separate, to distinguish).

[2] Eurostat data refer to real GDP per capita in euros, while data from the U.S. Bureau of Economic Analysis are measured in U.S. dollars. When referring to data sets that convert all currencies to U.S. dollars (such as World Bank data), there may be different peaks and troughs in the data sets due to exchange rates.

Assessing the temporal span of the financial and economic crisis is already challenging, but estimating the societal breadth of its consequences is even more difficult. The scholarly literature has addressed, among other topics, the crisis-induced changes in the business activities of financial and non-financial companies, regulatory changes in legislation, impacts on social inequalities in the population, future anxieties and health effects, the rise and fall of worldviews, and the effects on the economic and social structure of societies, up to doubts about the market economy, capitalism, and democracy. If we measure the scope of scholarly literature as a benchmark, then extremely far-reaching consequences of the financial crisis are not excluded. However, conducting direct causal examinations is challenging, as the effects of historical events like the financial crisis can only be insufficiently isolated.

The aim of article is to address the relationship between the financial market, democracy, and society in light of the ongoing debate, both reflecting on the financial crisis and in a more fundamental perspective. Current debates will be prioritized over the retrospective reconstruction of events from ten years ago. I will explain below, based on four propositions, in what sense it is likely that the financial crisis can now and in the future be perceived as a turning point in the light of the state of research.

Facets of Financialization and Social Dynamics

Since the onset of the financial crisis, countless analyses have been written about the causes of the crisis. Initially, these analyses highlighted various individual aspects, but over time, the view has emerged that multiple causes can collectively be held responsible for the emergence of the financial crisis. For example, the "Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States" emphasizes both the enormous failure of risk management in the financial industry and the inaction of financial oversight and government in leading to the crisis. Warning signals such as unethical lending practices, the rising indebtedness of private households, and the exponentially growing trade in financial derivatives were overlooked or ignored (Financial Crisis Inquiry Commission 2011). To this day, there is no consensus on the weight of various causes—such as the expansionary monetary policy of the Federal Reserve, the development of complex and opaque financial products, misguided risk assessment of structured securities, or excessive faith in the efficiency and self-regulatory capacity of markets—in the emergence of the crisis.[3] As such, the debate in recent years has increasingly shifted from specific cause-finding to analyzing societal processes that favored the emergence of the financial crisis while also influencing further social dynamics. The term "financialization" has crystallized as a central concept in this context.

Proposition 1: The emergence of the financial crisis was facilitated by a bundle of societal processes that are conceptually summarized in the scholarly debate under the term "financialization."

The debate around financialization began even before the financial crisis. In 2000, a special issue of the journal "Economy and Society" examined, on one hand, the effects of the shareholder value trend on national capitalism in France, Germany, and the United States and, on the other hand,

[3] In the aforementioned final report of the commission of inquiry appointed by the US government, only eight out of ten members were able to agree on the final declaration. Two other members gave differing assessments (Financial Crisis Inquiry Commission 2011).

discussed the emergence of a macroeconomic growth regime dominated by financial markets (Williams 2000). The term "financialization" was introduced as a process concept suitable for characterizing changes at the corporate level (Froud et al. 2000) as well as at the macro level of the entire economic system (Grahl and Teague 2000). Since then, a lively academic debate has emerged in which the term has proven to be highly connectable. In a survey article on the state of financialization research, van der Zwan (2014, p. 100) notes that the discussion is now being conducted broadly across various academic disciplines. In addition to sociology, fields such as political science, economics, geography, psychology, and educational science are also engaging with the phenomenon of financialization. The original focus on the United States and Western Europe has been expanded with further studies that include additional regions of the world and further develop views of a broadly impactful dynamic. Moreover, the concept has been applied to individual-level (Martin 2002) and household-level (Kim 2013; Stockhammer 2012) phenomena. Non-profit organizations (Engelen et al. 2014) and government entities (Pacewitz 2013; Trampusch 2015; Orban et al. 2018) have also been included in the analysis, as well as processes in various societal sectors, such as education (Eaton et al. 2016), art (Velthuis and Coslor 2012), social policy (Fine 2012), environmental and nature conservation (Lohmann 2012; Hiß 2014), and many more described as financialization. The term has become so popular that it is now even used by the Bundesbank and the International Monetary Fund (Deutsche Bundesbank 2011; IMF 2015).

The majority of commentators agree that the term "financialization" is an integrating designation for a bundle of societal processes. Accordingly, the quote from Ronald Dore "Financialization is ... a convenient word for a bundle of more or less discrete structural changes." (2008, p. 1097) is often cited. The definitions used in the literature for financialization are not identical but refer to different, more or less interconnected aspects. Following van der Zwan (2014) and Engelen (2008), four main strands in the literature on financialization can be identified:

(1) *Financialization as a strengthening of a form of accumulation*: A first strand of financialization literature emphasizes a change in the accumulation of capital. Representative of such an understanding of financialization is the definition by economic sociologist Greta Krippner: "a pattern of accumulation in which profit-making occurs increasingly through financial channels rather than through trade and commodity production" (Krippner 2005, p. 181). The background assumption is that various national economies have shifted away from industrial capitalism, accompanied by a relative increase in the significance of the financial sector. Indicators that signal this change include, for example, the value-added share of the financial sector in relation to gross domestic product,[4] the relative share of the financial sector in corporate profits, or the proportion of employees in the financial sector compared to all employees. According to a study by Roberts and Kwon (2017, p. 515), the financial sector in 18 studied OECD member countries gained in significance between 1985 and 2005, both in terms of relative value-added share and number of employees, averaging by 44.6% (value-added share) and 79.9% (employment share). However, growth varied greatly across the studied countries. At the corporate level, this understanding of financialization also reflects the change in the accumulation process. An increased share of profits that non-financial companies earn from financial investments (interest, dividends, capital gains)

[4] Typically, the vast majority of studies do not relate to the financial sector in the narrower sense, but to the so-called "FIRE" sector, i.e. finance, insurance and real estate (Finance, Insurance and Real Estate).

is viewed as an indication of the growing significance of the financial sector across all economic sectors (Crotty 2005). For the American economy, Krippner (2005, p.189) noted that, in the 2000s, the ratio of profits from financial investments relative to profits from other business activities in non-financial firms was five times larger than in the 1950s and 1960s. At the individual level, these developments correspond with growing income from financial assets (Epstein and Jayadev 2005), a "hegemony of rentiers" (Deutschmann 2013; Dumenil and Levy 2005), and increasing income and wealth inequality (Phillips 2002; Lin and Tomaskovic-Devey 2013).[5]

(2) *Financialization as a change in corporate control*: A second strand of financialization literature, which particularly shaped the understanding of the term at the beginning of the debate, uses the term to refer to the spread and impact of the shareholder value concept (Froud et al. 2000; Lazonick and O'Sullivan 2000; Lazonick 2013) in corporations. The frequently cited definition of financialization as "ascendancy of shareholder value as a mode of corporate governance" (Epstein 2005, p. 3; Krippner 2011, p. 25) notably comes from authors who sought to distance themselves from this perspective. From the control-oriented perspective, it is assumed that companies adhering to the management principles of the shareholder value concept submit to an increasing financial market control or accept this due to perceived advantages. The financialization of corporations has been linked to various practices of finance-oriented management, such as a focus on core business, conducting hostile takeovers and leveraged buyouts, share buybacks to influence stock prices, increasing dividend payouts, and corporate downsizing (Fligstein and Shin 2007), as well as a focus on finance-oriented performance metrics (e.g., return on equity) and internationally standardized accounting principles (Jürgens et al. 2000). In addition to the corporate level, this strand of financialization literature particularly discusses and investigates the impacts on employees and management. The prevailing interpretation is that the orientation towards the shareholder value concept has had a favorable impact on the compensation of top management but has negatively affected other employees (Dörre and Holst 2009, Fligstein and Shin 2015; Jung 2016, Köhler et al. 2018). There has been and continues to be an intensive debate regarding the scope of this change (for various national contexts, types of companies) (Faust and Kädtler 2018).[6]

(3) *Financialization as a change in forms of financing*: A third perspective in the financialization debate emphasizes the change in financing forms and the changing use of financial instruments over time. Financialization is then understood, among other things, as "a process that attempts to reduce all value that is exchanged (whether tangible, intangible, future, or present promises, etc.) either into a financial instrument or a derivative of a financial instrument" (Peters et al. 2015). The basic assumption of this perspective is that the activity of financial companies varies

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[5] On the one hand, the new accumulation pattern is seen as a consequence of intensifying global competition, as economic elites and companies have reacted to this by shifting investments from production to financial investments (Arrighi 1994), but on the other hand, it is also emphasized that the increase in importance of the financial industry is linked to political decisions that have had an intentional (financial market promotion) and sometimes unintentional effect in this direction (Krippner 2011).

[6] In the German-speaking context, some aspects that also characterize the financialization debate have been discussed under the term "financial market capitalism" (Windolf 2005). Windolf conceives of financial market capitalism as a production model that is strongly characterized by stock markets, financial service providers (investment funds, analysts, rating agencies) and specific transfer mechanisms (e.g. hostile takeovers). In this respect, the concept of financial market capitalism is close to the control perspective of the financialization literature, but also focuses on the transformation of financial market institutions.

in different historical phases (Chiapello and Walter 2016). Various aspects are emphasized to characterize the recent change in financing forms. Commonly mentioned are securitization (e.g., asset-backed securities, collateralized debt obligations, credit default swaps), financial disintermediation (lending through the capital market bypassing commercial banks), and strategies for liquidity enhancement ("liquidization") (Engelen 2008, p. 116). The change in financing forms impacts various societal sectors in this perspective. With regard to state action, for example, the use of derivative financial products in state debt management (Hardie 2011; Trampusch 2015) and the use of "social impact bonds" in social policy measures are discussed (Dowling 2017; Knoll 2018). The establishment of a European emissions trading system can also be understood as an expression of changing financing forms (Rodriguez Lopez et al. 2016; Lovell and MacKenzie 2011).

(4) *Financialization as a tendency towards cultural normalization*: In a fourth perspective, financialization is understood as a process through which the idea of investing inscribes itself into everyday life. The typical definition for this view, "the financial sector influences and transforms culture and social life beyond its formal borders" (Haiven 2014, p. 2), emphasizes the impact of the financial sector on social life in general. Van der Zwan (2014, p. 111) thus names this perspective on financialization in her typology as the "financialization of the everyday." It is assumed that essentially no societal sphere is protected from the influence of investment thinking (Engelen et al. 2014, p. 1072). The cultural change is reflected in this perspective by the increasing interpretation of educational and consumption decisions or even sports and leisure activities as investments, the propagation of conscious risk calculations and active self-management as ideals (e.g., in lifestyle guides, "financial literacy" campaigns), and the significantly expanded opportunities for all members of society to invest ("popular finance") and incur debt (consumer loans, credit cards, etc.) (Clark et al. 2004; Martin 2002; Langley 2004). Cultural normalization is sometimes interpreted as a long-term process. For example, Preda (2005) points out that investing in the 18th century was primarily regarded as gambling and a non-economic activity, and only gradually did the interpretation of investing as a planned, creative, analytical activity following economic rationality become established. On the other hand, the debate is also characterized by an understanding that the financialization of the everyday has developed in parallel with the expansion of financial market activity (Pellandini-Simányi et al. 2015).

The aforementioned bundle of societal processes has facilitated the emergence of the financial crisis. From today's perspective, there is broad consensus in academia on this point. However, before the financial crisis, the growth of the financial sector was mostly not perceived as a crisis-related development, beyond the insightful financialization literature. Rather, this development was seen as a partial aspect of an ongoing transformation from an industrial to an information and knowledge society (Bell 1967; David and Foray 2002; Webster 2006). Economies with large financial sectors, such as the U.S. and the U.K., were sometimes explicitly labeled as pioneers of an almost inevitable or even commendable development (Allen and Gale 1999; Boyd and Smith 1998; King and Levine 1993). Even the exponentially growing trade in financial derivatives was praised as financial innovation and underestimated in importance (Merton 1992, 1995). It was only through the financial crisis that a reassessment of the growth of the financial sector and the focus on financial transactions observable even in non-financial firms took place. The change in corporate control also played a in the spread of the crisis. The orientation of companies towards the principles of "shareholder value" significantly contributed to financial firms possessing far too little core capital, resulting in non-financial firms being affected by the turmoil in the financial markets. The change in financing forms led to the development of increasingly complex financial products. The use of securitization techniques and derivative financial products significantly increased risk appetite in the financial sector, which was ultimately only inadequately considered in the risk assessment of financial assets. This occurred against the backdrop of a cultural development that ensured that societal acceptance of financial market activities was not fundamentally questioned. The passage of financial market promotion laws matched the spirit of the times before the financial crisis (Cioffi and Höpner 2006; Lütz 2004) and elicited virtually no societal backlash.[7]

The authors who had already conducted critical research on various aspects of financialization before the crisis felt confirmed by the crisis-like events, and the debate accelerated after the onset of the financial crisis, which was then used as evidence of the importance of the research field. Financialization thus became the key term in research on the societal significance of financial markets.

Regulation and Legitimization of Financial Activities

The financial crisis caused severe economic and social upheavals in many societies. Under the impression of the crisis's effects, the heads of state and government of the leading industrial and emerging countries (G20) agreed on fundamental principles for the reform of the global financial system at a summit meeting held in November 2008. "We commit to ensuring that all financial markets, products, and actors are regulated or monitored," states the concluding declaration of the meeting. The regulation of financial market activities implemented in the following years was guided by the principles established at this summit and another one in the spring of 2009. Although the impression was widespread in academia, due to the time elapsed until the regulations were adopted, that only a few measures had been taken to regulate financial market activities (Dullien 2010; Mayntz 2012), it can hardly be claimed today that the governments remained inactive. However, the consensus reached in light of the urgency of immediate action affected the scope of the regulatory measures.

Proposition 2: Despite a multitude of regulatory measures in response to the financial crisis, the scope of the changes initiated was limited.

Extensive legislative changes have been put in place in response to the financial crisis in both the United States and Europe. In the United States, the "Dodd-Frank Wall Street Reform and Consumer Protection Act" was enacted in July 2010, comprising 541 provisions over 849 pages, making it the most comprehensive regulatory text in financial market law. The Dodd-Frank Act reallocated the responsibilities of regulatory authorities. Some regulatory agencies were closed, while others, such as the Consumer Financial Protection Bureau (CFPB), were newly established. Additionally, oversight over investment and hedge funds was strengthened. Since the act came into effect, investment funds have been required to register with the Securities and Exchange Commission, and the regulator was granted a number of powers to audit the financial accounting and risk management of the funds. Similar transparency obligations apply to hedge funds.

[7] Deutschmann (2008) describes a "collective Buddenbrooks effect", which makes the tolerance of the middle classes for (financial market) liberalization understandable. Mau and Lux 2018 show that home ownership significantly increases market affinity.

Furthermore, the Federal Reserve has been given the authority to subject financial institutions that cannot legally be classified as banks to banking regulation if they are deemed systemically important. Since the adoption of the Dodd-Frank Act, all systemically important financial institutions have been under special oversight. These institutions are required to undergo so-called "stress tests," which assess credit risk under exceptional conditions. Additionally, trading rules were adjusted based on the experiences of the crisis. In securitization, banks must now retain a greater share of the risks on their own balance sheets, thereby increasing capital requirements. The previously largely unregulated bilateral derivatives trading (over-the-counter transactions) has been restructured, making central clearing mandatory for certain classes of derivatives. The so-called "Volcker Rule" (Richardson et al. 2011) has also significantly limited the extent of banks' proprietary trading (transactions without customer orders). Since excessive incentive structures based on short-term success for management compensation were perceived as problematic, the Dodd-Frank Act has also increased shareholders' influence over the design of these compensation systems. Finally, the Dodd-Frank Act reduces reliance on credit ratings from rating agencies, stipulating that regulatory agencies should remove references to external ratings from regulatory requirements whenever possible. Moreover, rating agencies are monitored separately by the "Office of Credit Ratings," which falls under the Securities and Exchange Commission (U.S. Congress 2010). In May 2018, the "Economic Growth, Regulatory Relief, and Consumer Protection Act" was passed, which weakened or completely repealed some rules from the Dodd-Frank Act. The rollback of regulations was justified on the grounds that regional banks and credit unions should be subjected to less restrictive regulation. In fact, however, the law exempted 70 percent of the largest 38 U.S. banks from previously applicable regulations. Thus, regulations deemed necessary after the financial crisis have been partially repealed in the United States (U.S. Congress 2018).

In contrast to the United States, financial market regulation in Europe has been modified through several individual regulations and directives, such as the "Regulation on Over-the-Counter Derivatives (EMIR)," the "Directive on the Management of Alternative Investment Funds (AIFM)," the "Capital Requirements Regulation and Directive (CRD IV)," and the revision of the Financial Markets Directive (MiFID II). Many of the important regulatory measures were only implemented starting in 2012, meaning that the response to the financial crisis was somewhat delayed compared to the United States. Nevertheless, due to the alignment with the international principles agreed upon immediately after the financial crisis, the regulatory subjects are quite similar.[8] In Europe, capital requirements were also increased (Basel III legislation) with particularly high demands for systemically important banks. A regulatory framework for hedge and private equity funds was established, and the G20 provisions regarding over-the-counter derivatives trading concerning reporting and central clearing of transactions were implemented. The variable components of management compensation were subjected to regulatory limits. Additionally, responsibilities and supervisory responsibilities were redefined, with regulations enacted that have strengthened the uniformity of regulation in line with the deepening of the European Union. Thus, the structure of a "European Banking Union" was created with a single banking supervision (SSM - Single Supervisory Mechanism), a unified resolution mechanism for troubled banks (BRRD - Bank Recovery and Resolution Directive), and a harmonized deposit guarantee scheme (DGSD –

[8] Nevertheless, observers assess the "post-crisis regulation" as having tended to weaken international standards due to varying legislation (Helleiner and Pagliari 2011).

Deposit Guarantee Schemes Directive) aimed at making financial institutions more stable, reducing the risk of their resolution, and ensuring the safety of deposits. In contrast to the United States, future extensive financial market regulations are not entirely excluded in Europe. However, the debated implementation of a financial transaction tax in various EU countries has been postponed due to the British Brexit decision. A draft for a European separation banking law was withdrawn.[9]

Despite the implementation of the above regulatory measures, the scope of the associated changes is assessed as limited by various commentators. The regulations were shaped by the international resolutions of the G20 summits from the early phase after the financial crisis. At that time, the primary focus was on rapidly restoring the functioning of the financial system. The idea of restoration had a decisive influence on the formulation of the long-term agreed-upon goals. The financial system was to be made more crisis-resistant but not fundamentally altered. The goals sought with financial market regulation and then implemented can therefore be understood as repair measures: greater oversight of investment, private equity, and hedge funds, but no fundamental restriction of business models; a moderate increase in capital requirements for financial companies, but no fundamental questioning of private sector money creation; greater centralization of clearing in derivatives trading, but no prohibition of complex structured financial products; slight restrictions in the area of management compensation, but no fundamental redefinition of management responsibility, as well as a moderate reduction in the influence of rating agencies, but no fundamental questioning of risk assessment practices and calculation logics.

The limited scope of regulation is attributed in the literature to various reasons: Many commentators point to the defensive posture of the financial industry, which has prevented extensive regulations through lobbying and association activities (Baker 2014; Boyer and Ponce 2012; Moschella and Tsingou 2013). A key argument of the defense strategy was the warning against "overregulation," which would undermine the functioning of financial markets and the growth of the global economy. Shortly after the financial crisis and prior to the implementation of the initiated financial market regulations, corresponding voices from bank managers and banking associations were publicly voiced, seeking to influence the design of regulations. Due to the common involvement of associations and interest groups in the legislative process ("regulatory capture"), the financial industry was thus able to prevent more far-reaching regulatory measures.

Other voices emphasize the role of financial experts as rule-setting actors (Levine 2012; Mügge 2011; Thiemann et al. 2018). Due to the complexity of the financial economy and the high level of professionalism in the area, there exists an information and expertise monopoly of specialists:

[9] In 2014, the EU Commission proposed a regulation to separate banks, which would have enabled the supervisory authorities to oblige those major banks that are considered "too big to fail" to separate investment banking from the savings deposit business. In October 2017, the draft, on which the EU member states had already agreed in principle, was withdrawn by the European Commission. At least ten member states of the European Union wanted to introduce a European transaction tax together, as a consensus across the EU did not appear to be achievable. Due to the Brexit decision, however, corresponding implementation decisions were suspended, as national interests have fundamentally changed, e.g. due to the prospect of a new intra-European financial center. It is noteworthy that precisely those reforms that were not part of the original G20 decisions on financial market reform have failed for the time being.

“Assessing financial regulations requires coordinated teams of well-informed financial economists, lawyers, accountants, regulators, and individuals with private sector experience” (Levine 2012, p. 2). These specialists have no sufficient commitment to the broader societal interest (Seabrooke and Tsingou 2010). Rather, they would form an "epistemic community," which tends to exclude external perspectives from decision-making processes. In this regard, incremental reform measures would be more likely, as the normative ideas, knowledge, shared causal assumptions, and practical actions fit with the status quo to be changed, from which only modifications would then diverge.

Different national financial cultures are also held responsible for blocking far-reaching reform measures (Adrian and Hyun Song 2009; Kwok and Tadesse 2006; Quaglia 2010; Münnich 2018). A distinction is made between a bank-based financial culture, where the financial system is seen as "serviceable" or "coordinating" in relation to other economic sectors, and a market-based financial culture, where the inherent rights of the financial system as a profit-generating business area are emphasized (Mayer and Alexander 1990; Vitols 2001). Therefore, globally coordinated regulatory efforts aimed at after the financial crisis could only relate to the smallest common denominator of the different financial cultures.

Other voices emphasize the duration of political formation processes. Democratic will-formation processes would encounter speed limits in the task of regulatory adaptation to dynamically changing financial market processes, which is why the means of ongoing observation by oversight bodies would rather be relied upon (Bohmann et al. 2018). Another argument refers to the utilization of opportunity windows. The financial crisis supposedly opened only a narrowly defined “window of opportunity,” within which veto positions could be dissolved (Copeland and James 2013) and regulation proposals made. Geels (2013) argues, based on his analyses, that the window of opportunity induced by the financial crisis had already closed again after two years.

A further explanation for the limited enthusiasm for reform also lies in the close intertwinement of political and financial interests. High state debts are only viable if refinancing opportunities are available, which gives the financial economy significant influence (Bayoumi et al. 1995). The relationship between politics and finance is thus characterized by co-dependence. The intertwining has increased in recent decades as nation-states and political entities at all levels have also taken advantage of the opportunities offered by financial innovations. “State Financialization” (Hendrikse and Lagna 2017), in the sense of applying new forms of financing, has become standard practice. Another explanatory path emerges when focusing on the of politics played in financial market liberalization. Krippner (2011) attributes the financialization of the American economy to political decision-making processes, which were meant to depoliticize distribution issues in a difficult economic situation and contributed to the redirection of capital flows from abroad into American financial markets. In a similar vein, Streeck (2013) interprets the phase of financial market liberalization as "bought time" to mask the internal contradictions of democratic capitalism. Although both Krippner and Streeck suggest a potential end to financialization in their writings,[10] the limited scope of regulatory measures following the financial

[10] Streeck explicitly states: "Today, the means of controlling crises of legitimacy by creating illusions of growth seem to have been exhausted; in particular, the money magic of the last two decades, produced with the help of an unleashed financial industry, has probably finally become too dangerous for anyone to dare to buy time with it again (own translation)." (Streeck 2013, pp. 77-78)

crisis could also be interpreted as a politically motivated attempt to maintain a "growth illusion" (Streeck 2013, p. 77).

The reform impact of the regulatory measures is assessed differently from various perspectives, which is not surprising. Referring to the particularly influential report from the "Committee on the Global Financial System" (2018), which examines developments in global financial markets concerning the support of central bank policies, it has been noted that the reforms contributed to achieving some of the sought goals (higher capital adequacy of banks, lower capital intensity of bank operations, reduced variable compensation in bank management).[11] However, the regulations have also led to new problem situations. Concentration in the banking sector has increased, and the regulatory-induced convergence of business models has made correlated reactions from banks in the event of another crisis more likely from the authors' perspective of the report.

The Euro Crisis and Democratic Legitimacy

Due to the dimensions of the financial crisis, not only were significant short-term consequences anticipated from the outset, but also long-term societal effects. The spillover of the crisis into various sectors of society was certainly expected. The public perception of the crisis quickly shifted towards new crises, in which, due to conceptual distinctions, it was not entirely clear whether they were connected to the financial crisis or not. In the European context, the terms "sovereign debt crisis" and "Euro crisis" soon became just as common as that of the financial crisis. The economic events were also accompanied by noticeable changes in the political systems of various countries, leading to a swift debate on the rise of populist parties and movements as a new crisis phenomenon. Academia has dealt with whether these phenomena are interconnected. The state of research suggests that they are.

Proposition 3: The financial crisis had far-reaching effects on the debt of nation-states, the cohesion of Europe, and the political culture in many societies in the logic of a spreading conflagration.

Impact of the financial crisis on the Euro crisis: Lloyd Blankfein, the outgoing CEO of the American investment bank Goldman Sachs, candidly expressed his views in June 2018 regarding the still high debts of European states: “A lot of the leverage that was with the banks did not disappear from the world. They migrated over to the sovereign” (Blankfein 2018). He acknowledged what has often been overlooked due to the designation of the Euro crisis as a sovereign debt crisis: The European sovereign debt crisis was significantly triggered by the preceding financial crisis. The bank rescue programs, economic stimulus measures, the costs associated with rising unemployment, and declining tax revenues led many EU member countries to be unable to meet certain Maastricht criteria anymore. The national attempts to limit the real economic and financial impacts of the financial crisis caused public debt levels to soar in many countries. Initially, the countries particularly hard hit—Ireland and Spain—had budget surpluses and a debt level of 25 percent and 36 percent of GDP, respectively, in 2007. Portugal's debt ratio was still slightly

[11] However, it is relatively unclear whether the changes that can be seen in the banking statistics and stress test reports are actually due to regulatory effects. They could also be the result of self-renewal in the banking and financial sector. Neckel et al. 2018 and Hiß et al. 2018 find indications of a moderate change in orientation, which is reflected in patterns of interpretation and justification that partly reflect the economic crisis.

below Germany's at 64 percent. Only Greece already had a concerningly high debt level prior to the crisis, which, however, only became apparent after corrections to previously inflated statistics. Yet, even in Greece, net borrowing in 2007 in the private sector was roughly twice that of the public sector. In the annual report of the German Council of Economic Experts for the economic development of the years 2010/2011, it is noted: "The high deficit ratios in the Eurozone are therefore primarily not attributable to unsound fiscal policy. ... The main cause lies in excessive lending by the financial system during the boom years, which led to massive distortions in the real economic sector" (Sachverständigenrat 2011). Compared to the United States and Japan, the Eurozone had lower debt and deficit ratios in 2010. The catalytic effect of the financial crisis caused the existing current account imbalances (Nölke 2018; Höpner and Seeliger 2018) among the individual EU member countries to become a problem only subsequently and with great urgency. Since then, the European Union has found itself in a state between system integration with a coercive character (Langenohl 2018) and latent prospects of disintegration.

The financial crisis and doubts about democratic institutions: Growing doubts about democratic institutions already existed before the financial crisis. A groundbreaking book by Colin Crouch titled "Post-Democracy" was published as early as 2004. In the book, Crouch (2004, p. 22) criticizes, among other things, that democratic processes and institutions often only continue to exist formally but have lost their democratic substance. Elections are significantly influenced by PR experts, opinion polls, and interest-driven political campaigns, thus becoming a spectacle. In fact, they have often been reduced to procedures without consequence. Important economic and financial policy questions are no longer decided in democratically legitimized arenas. The decision-making power has rather been left to anonymous market forces, private actors, or expert committees. The political decision-making processes during the financial crisis seemed to confirm Crouch's criticism in this regard. The immediate measures taken to rescue banks were implemented in Germany and other European countries as seemingly unavoidable actions and were legitimized retrospectively without significant deliberation in parliament. Central banks subsequently rose to "political actors" (Flachmeyer and Paul 2018; Sparsam and Pahl 2018), so that, for example, individual statements by Mario Draghi were attributed greater significance for the survival of the European Union than the actions of elected governments (Lange 2018). Beyond the academic criticism of post-democratic conditions, it remained open whether the financial crisis actually awakened or intensified doubts about democratic institutions among the population. Various studies have since addressed this question. In a large-scale comparative analysis of 78 national surveys, for example, Armingeon and Guthmann (2014) found that between 2007 and 2011, there were significant declines in satisfaction with democratic processes and trust in parliamentarism in 26 EU countries on average. In a similarly designed cross-national study, Codero and Simón (2015) found that the perception of the state of the economy significantly influences satisfaction and willingness to actively support democracy among respondents. However, in European countries that received aid loans from the European Union, the acceptance of democracy remained relatively higher than in those where this was not the case. A current survey by the Pew Research Institute (2017), in which individuals in 38 countries were questioned, suggests that respondents are increasingly open to non-democratic options. For instance, the idea of being governed by technocrats finds support in numerous nations. According to Pew Research, in Hungary, South Korea, Poland, Spain, Japan, Israel, and Chile, over half of the people can envision non-partisan experts, who do not need democratic legitimacy, governing. In the United States, 22 percent of respondents would prefer a political leader figure over parliamentary democracy. The connection between economic assessments and satisfaction with democracy is also evident in the Pew Research Institute survey. People who perceive the economic situation in their country as poor distrust democracy. Conversely, satisfaction with democracy is pronounced among those who view the economy as healthy. Other studies also show that in response to the financial crisis, many extra-parliamentary, pro-democratic protest and civic movements have emerged (Fominaya 2016), although national differences are considerable in this regard (Roose et al. 2018).

The financial crisis and populism: Many of the now-prominent right- and left-populist parties represented in parliaments—including the 5-Star Movement (Movimento 5 Stelle) in Italy, Alternative for Germany in Germany, the Norwegian Progress Party (Fremskrittspartiet), and the "Finns Party" (Perussuomalaiset)—achieved their greatest electoral successes after the financial crisis. In many countries, these parties are now involved in government as coalition partners. In Italy, for example, the coalition government is currently supported by one right-populist and one left-populist party. Just as the question of the connection between the financial crisis and disillusionment with democracy has preoccupied academia, so too has the question of the connection between the financial crisis and the rise of populist parties. Various studies have found clear evidence of an existing link. A study focusing on a relatively early phase after the financial crisis indicates a moderate, but not insignificant increase in the electoral success of populist parties that can be traced back to the financial crisis (Kriesi and Pappas 2015). The narratives surrounding the growing success of populist parties and movements differ significantly, however. A correlation between the respective extent of the financial crisis and the electoral success of populist parties has been established, with notable deviations in some countries, such as Ireland and Romania. Therefore, the rise of populist parties is not seen as an inevitable result of an "external shock," but as a consequence of the varying political dynamics "in the shadow" of a great recession (Kriesi and Pappas 2015). Studies by Funke, Schularick, and Trebesch (2016) and Funke and Trebesch (2017) address the more specific relationship between financial crises and the success of radical right parties from a longer historical perspective. They find that "far-right parties" increased their vote share in elections after financial crises by an average of 30 percent. In contrast, economic downturns and macroeconomic disruptions of other kinds did not have corresponding effects. They attribute the particularity of financial crises to the emergence of creditor-debtor conflicts, which are likely to become moralized. Additionally, financial crises typically have significant implications for income and wealth inequality in the affected countries (Atkinson and Morelli 2011). Finally, bank rescues conducted during financial crises are particularly unpopular (Broz 2005). A central finding of the studies by Funke, Trebesch, and Schularick is that radical right populist parties particularly benefit from financial crises: "In (an) environment of distrust, uncertainty and dissatisfaction, right-wing populists have learned to gain votes by offering seemingly simple solutions to complex problems, and by attributing blame to minorities or foreigners" (Funke and Trebesch 2017, p. 8). The observed strengthening of left-populist parties in some countries has been examined by Viviani (2017). Mobilization on the left side of the political spectrum is primarily based on the emphasis of elite failure and a credible distancing from elites perceived as "delegitimized." The connection between the financial crisis and the emerging populism is also confirmed by an analysis conducted by Anduiza and Rico

(2016). Notably, their analysis shows that the perception of a critical economic situation is more decisive for the inclination towards populist positions than one's own economic situation.[12]

The Financial Crisis as a Historical Turning Point?

The term "crisis" has a double meaning. On one hand, it denotes a difficult situation; on the other, it signifies a turning point in a development. Given the extent of the economic contraction, it is evident that the financial crisis had a crisis character in the first sense. To what extent was the financial crisis also a historical turning point? The following will provide an assessment regarding aspects of financialization, financial market regulation, and societal follow-up effects, which refer to the research status outlined so far. Crisis-like events are generally seen as likely situations for upheavals. Various theoretical justifications can be provided for this. From a conflict-theoretical perspective, it is likely that crises bring conflicting parties into a new, altered constellation. The change in societal (power) relations is generally associated with crises that are either experienced or actively brought about in society (Marx and Engels 1890; Collins 1975, p. 389). From a learning-theoretical perspective, crises are "learning triggers" (Deverell 2009), stimuli for transformative measures. Although the prospects for crisis-induced learning outcomes—in the sense of an improvement of the starting situation—are considered dependent on contextual conditions (Wang 2008) or even relatively difficult (Smith and Elliot 2007), transformative effects due to a departure from confirmation learning through exploration or imitation are regarded as probable (Hulme and Hulme 2012; McGrath 2017). In institutional theory, it is emphasized that significant institutional change typically occurs gradually and takes a long time. Various processes of incremental change are held responsible for this (Thelen and Streeck 2005; North 1981; Mahoney and Thelen 2010). However, from an institutionalist perspective, crises and external shocks create a special situation in which substantial change can also occur abruptly. The corresponding "punctuated equilibrium" model of institutional change assumes extended phases of stability and brief transformation phases due to crises (Capoccia and Kelemen 2007). The reference to these theoretical frameworks should suffice to illustrate that it is not presumptuous to consider a profound economic crisis as a catalyst for a turning point.

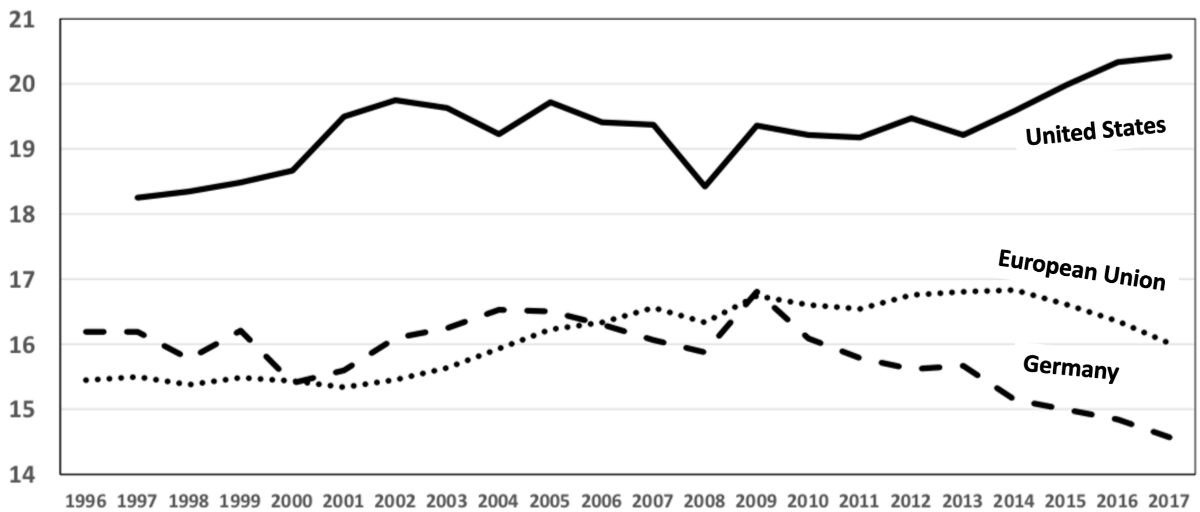
Proposition 4: The financial crisis can particularly be perceived as a historical turning point due to its effects on societal areas beyond the financial sector.

To what extent did the financial crisis affect the processes of financialization? It is conceivable that the financial crisis contributed to a slowdown or reversal of these processes. If one takes into account one of the indicators most commonly used in the accumulating perspective of the financialization literature, the currently available data suggest an inconclusive finding (Figure 1). The financial crisis led to a decrease in the value-added share of the financial sector as a percentage of gross domestic product in the United States, Germany, and the European Union. However, afterward, the share in the United States increased again and is now back to the level prior to the financial crisis. In contrast, the European Union did not experience a comparable increase in the financial sector's value-added share but instead saw a slight flattening trend starting in 2014. In Germany, the relative value-added share of the financial sector has

[12] This finding corresponds with the results of a study conducted by Lengfeld (2017), in which no correlation was found between the status of respondents (low level of education, professional activity as a worker and low income) and the tendency to want to vote for the AfD with regard to the intention to vote in Germany.

significantly decreased since 2009. Therefore, a differentiated development can be observed; it cannot be ruled out that in the United States, the financial crisis did not lead to a permanent departure from the financialized accumulation logic. Regarding the change in corporate control or "control financialization," it is noted that not many American and even fewer German corporations still commit to the shareholder value concept. The public perception of the term has suffered, so it is now much more common for companies to advocate stakeholder management (Freeman and McVea 2001; Berman et al. 1999) and to consider social responsibilities.

Figure 1: Value added by the financial sector as a percentage of gross domestic product, 1996-2017



Source: OECD Database (2018) Value added by activity, Finance and Insurance, Real estate (FIRE)

This could be strategically motivated, and indeed, it can be observed that various practices, such as the utilization of share buybacks or incentive-compatible compensation systems, which spread within companies during the financialization process, continue to be used today. This occurs without any reference to shareholder value management. Nonetheless, there are clear indications suggesting that changes have occurred in the field of corporate control in the period after the financial crisis. The most notable finding is the declining number of public corporations. In 2010, there were 605 companies listed on the regulated market of the Frankfurt Stock Exchange. By 2017, this number had dropped to just 407. A similar trend is seen in the American market. Between 2000 and 2015, the number of listed firms on the NASDAQ and NYSE fell from 6,917 to 5,834. Management researcher Gerald Davis (2016a) has been addressing this trend for some time under the eye-catching title "The Vanishing American Corporation." The reasons for the decreasing number of corporations are manifold. Bankruptcies, mergers, and de-listings have led to a decline in the number of public corporations in Germany and the United States. However, one of the main reasons is that many emerging technology companies, such as Airbnb, Uber, or Pinterest, have had no reason to consider going public to this day. These companies, which have long had a market value of well over one billion US dollars and are therefore referred to as "unicorns," remain under the ownership of venture capitalists, private equity, hedge, and sovereign wealth funds without being publicly traded. Notably, the currently largest publicly traded companies by market value—Apple, Amazon, Alphabet (Google), Microsoft, Facebook, and Alibaba—do not fit into the concept of a shareholder value company at all. They pay out relatively little in dividends, pay little attention to compliance with corporate governance codes (Davis 2016b, pp. 504-506), and, according to their mission statements, view their tasks as being, for example, "the most customer-centric company in the world" (Amazon), "to organize the world's information" (Alphabet), or "to bring the world closer together" (Facebook). There is no mention of meeting shareholders' expectations in the mission statements. Much indicates that the financialized control model, as originally described regarding the shareholder value concept, has been at least complemented by other concepts of control, if not replaced outright. More important than the question of whether the financial crisis can be held accountable for this[13] may be the consideration of whether financialization, perhaps, continues to play a in another sense. For example, Langley and Leyshon (2016) or Vonderau (2017) point out that the rise of digital platform companies is also based on a financial logic, namely the venture capital principle. Therefore, it is conceivable that a financialized control orientation may have been replaced by another one in the area of corporate control. Regarding the novel financing instruments and the process of cultural normalization of financing practices and investment concepts, there is little evidence for a turning point triggered by the financial crisis. Legal restrictions on financing forms did not occur, and the academic debate about the financialization of everyday life really began to gain momentum only after the financial crisis.

As the discussions regarding financial market regulation have shown, the post-crisis reforms have not generated change pressures towards the redesign of the financial system. In this respect, it can be assumed that the financial crisis will be remembered as the reason for the Dodd-Frank Act and the establishment of a European Banking Union in the future. However, one cannot deduce a significant turning point in financial market regulation from the reforms carried out. Thus, the spillover effects of the financial crisis on the European Union, democracy, social inequality in society, and political culture remain candidates for being perceived as a turning point. This presumes that societal changes beyond the financial system are viewed as consequences of the financial crisis. It will likely depend on the course of history whether the financial crisis or later occurring events, such as the Euro crisis, Brexit, or the presidential election in America, will be remembered as transformative turning points of our time. There is no doubt that the times are changing.

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[13] Neil Fligstein (2005) had already proclaimed the "end of the shareholder value ideology" in 2005.

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