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Financialization, State Action and the Contested Policy Practices of Neoliberalization

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The view that neoliberalism has become, and remains, the dominant ideology of economic statecraft in most parts of the world is widespread within critical social science scholarship. But there is no settled view on the nature of 'the neoliberal state' (see Plant, 2009; Weiss, 2012). Is there such a thing? Despite many scholars' confidence in the influence of neoliberalism on economic and social policy across many countries, the sheer diversity of policy practices and institutional structures to which the label 'neoliberal' has been applied means the archetypal stateform of neoliberalism is difficult to discern. This is partly because the defining characteristics of neoliberalism are contested (allowing some to claim the category is redundant as anything other than a broad heuristic). And it is partly because of the concurrence of a widespread adherence to neoliberal ideas and the process of financialization (allowing some to claim that the category has been overtaken in importance in explanatory terms). The response to the pandemic has muddied the waters still further. There are now lots of suggestions that there can now be 'no going back' to the economic world as it was before. But when it is so difficult to specify what the characteristics of that world were, problems obviously arise in describing what lies beyond it.

Yet critical scholars remain largely wedded to the notion of neoliberalism in accounts of state transformation. This is not to suggest the literature offers only a simplistic account of the neoliberal state, or the neoliberalization of the state. First, there is recognition of a more nuanced role for the state in the neoliberal imaginary than the notion of neoliberalism as a pro-market creed might suggest (see for example Berry, 2016; Davies, 2014; Mirowski, 2013; Schmidt and Woll, 2014). Second, there is recognition of an interaction between neoliberal ideas with non- or pre-neoliberal policy practices and interventions in various contexts, giving rise to important work on hybridised forms of economic governance (see for example Ban, 2016). Related to both of these is scholarship which identifies the resilience of neoliberal ideas

in the wake of economic crises and ideational challenge (see for example Berry, 2020; Schmidt and Thatcher, 2014). Third, many critical social scientists qualify the neoliberal label with concepts such as ‘authoritarian’ to designate a new, distinct phase or turn in neoliberal governance (see for example Bruff and Tansel, 2019). Related to the second and third points is scholarship which provides an account of economic governance which is ‘post-neoliberal’ (Davies and Gane, 2021) or ‘after neoliberalization’ (Green and Lavery, 2018). The debate today is clearly much more subtle than once it was, and the extra nuance in the conceptualization is to be celebrated as an advance. At the same time, though, it might also be the source of less conceptual coherence when the literature is viewed panoramically. We seem to be left with an unappetizing choice between blunt but operational specifications of the essence of neoliberalizing tendencies or richer but much less stable conceptualizations.

It is not our intention to critique this large and varied literature as a whole. However, it is important that critical scholars seek also, and above all, to account for instances of state action irrespective of what they may – or may not – tell us about the nature, scope or strength (or future) of neoliberalism. Centring neoliberalism in analysis often implicitly requires *a priori* assumptions about various issues which should in fact be explored empirically. These include:

- whether the concept of neoliberalism is being used in a descriptive or explanatory sense;
- whether it is assisting the understanding of certain policy outcomes or instances of state action;
- whether neoliberalization is the principal driver of policy and institutional change, or epiphenomenal of some other trend;
- the role of financialisation in neoliberalisation; whether all neoliberal models require financialisation and how financialisation may function differently in different models
- the variegated nature of neoliberalism across institutional, cultural and economic contexts
- how it is related to other macro-social trends, both causally and constitutively;
- the relative influence of ideational and material factors in producing entities that are conventionally attributed to neoliberalism;
- the extent to which neoliberal ideas are influences beyond, or because of, the immediate material interests of actors who may benefit from their application;
- the nature and extent of international influences on domestic processes of neoliberalization;
- the identity of the actors who generate and transmit this transnational influence.

This collection is most relevant to the ease with which appeals to neoliberalism may serve to mask more proximate causal mechanisms, and specifically the question of the role of financialization in shaping the process of neoliberalization, and *vice versa*. Financialization is itself of course a highly complex process, with no singular manifestation, or impact on the state (Ward *et al.*, 2019). We can say, crudely, that the critical literature tends to treat financialization as an economic process (with social and political implications), but neoliberalization as a political process (with social and economic implications). However, this has rightly been

questioned empirically by some scholars (see Davis and Walsh, 2017; Sparkes and Wood, 2021).

As such, the purpose of this collection is to consider various examples of what could be seen as neoliberalization and/or financialization. In exploring policy and institutional change in very specific contexts, the authors discover the array of ideas, interests and practices which act *within* and *upon* these wider processes of transformation. The phenomena analysed are not treated as emblematic of some form or phase of neoliberalization or financialization, but as products of specific policy agendas, evolving institutional practices, constellations of political and economic interests (and their interaction), and particular industrial characteristics (including finance industries). These accounts, in turn, tell us something important about *how* neoliberalization and financialization happen, and the processes relate to each other. In this way, the authors make contributions to specific literatures on policy and institutional change in various European countries, and to debates around state theory, the political power of business, the influence of ‘ordoliberalism’, and municipalism and the local state.

Inga Rademacher explores the dynamics of neoliberalization in a case usually considered resilient to neoliberal influence and financialisation: the implementation by successive German governments of a series of corporate tax reforms which radically curbed business taxes, eliminated ‘patient capital’ and added a short-term and cost-cutting component to investments and corporate finance. While these changes indeed point towards neoliberalization, they were distinct from some of the features identified in other contexts: crucially, the German reforms did not follow the common trend of reducing taxes for individuals, and entailed a particular emphasis on enhancing multinational firms’ access to international capital – but did not liberate financial incomes from tax in general. Based on archival documents from the *Bundestagsarchiv*, the paper traces the process of German tax reforms and finds that neoliberal dynamics were at play but received a local (export-oriented) colour through processes specific to the German polity. Because consensual institutions granted power to a specific business coalition, radical change was consistently blocked, and reforms could only be implemented once the state forged a new coalition.

Craig Berry advances the notion of ‘the substitutive state’ to explore the changing character of state institutions and state action in the context of neoliberalization. The paper focuses upon the UK, and three domains of economic statecraft in particular: industrial policy, housing policy, and private pensions policy. The paper argues that state action in the UK increasingly encompasses new mechanisms for intervention in the private economy, supporting processes commonly understood as part of financialization in relation to housing and pensions. However, associated policy practices are rarely strategic or purposeful – in contrast with the imaginary which underpins, for example, industrial policy. Interventionist mechanisms are often populated by the private economic actors implicated in the problem that the intervention is designed to solve, or are used to relieve the private sector from serving unprofitable market segments. Substitutive statism is aligned with a wider accumulation regime which state actors perceive as immutable; they are therefore willing to intervene to sustain this regime,

irrespective of market signals. In short, state institutions have a more expansive interventionist footprint, but are doing *less* with *more*.

Thomas Da Costa Vieira and Emma Foster also consider the UK case, focusing on the British state's attitude towards co-operatives. The paper shows that, after the 2008 crisis, the Cameron-led government, under the umbrella of its 'big society' project, developed measures to shift responsibility to society for the development of the co-operative model as a contribution to self-help, the pursuit of economic growth, and the rebuilding of social bonds. The paper traces the origins of these efforts to the Thatcher governments. As such, the authors find the concept of ordoliberalism, rather than neoliberalism alone, particularly useful for explaining the nuances of the governments' relationship with the co-operatives, including the symbolic backing of co-operatives for embodying the self-help and entrepreneurial spirit of popular capitalism. Both the Thatcher and Cameron governments, in the spirit of ordoliberalism, instrumentalized co-operatives as part of a project that sought to govern through society, in order to reshape and depoliticize society – with co-operatives subjected to financialized imperatives around generating investment in the process. The paper argues this was an attempt to simultaneously eliminate British society's political demands while recasting the role that the state is expected to play in social and economic policy.

Laura Deruytter, Griet Juwet and David Bassens explore the case of Eandis, a Flemish energy grid company, in order to examine the causal mechanisms involved when state-owned utilities become subject to financial logics. During the 2000s, Flemish municipalities increased their ownership of Eandis, while the company deepened its debt exposure to optimize return on capital. To explain how a state-owned company became increasingly entangled with financial markets, the paper identifies two causal mechanisms in the fields of market-making and ownership strategies by the multi-scalar state. First, regulatory models caused Eandis to focus on financial metrics such as credit ratings, subjecting management to financial market disciplines. Second, budgetary constraints, combined with top-down utility governance, made municipalities dependent on financial returns on utilities. The interaction between market-making and financial ownership strategies institutionalizes a financialized gridlock, in which municipal shareholders' interests conflict with the need for low consumer fees and green grid investment.

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