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Corporate financialisation: A conceptual clarification and critical review of the literature

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SOUTHERN CENTRE FOR INEQUALITY STUDIES

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Abstract

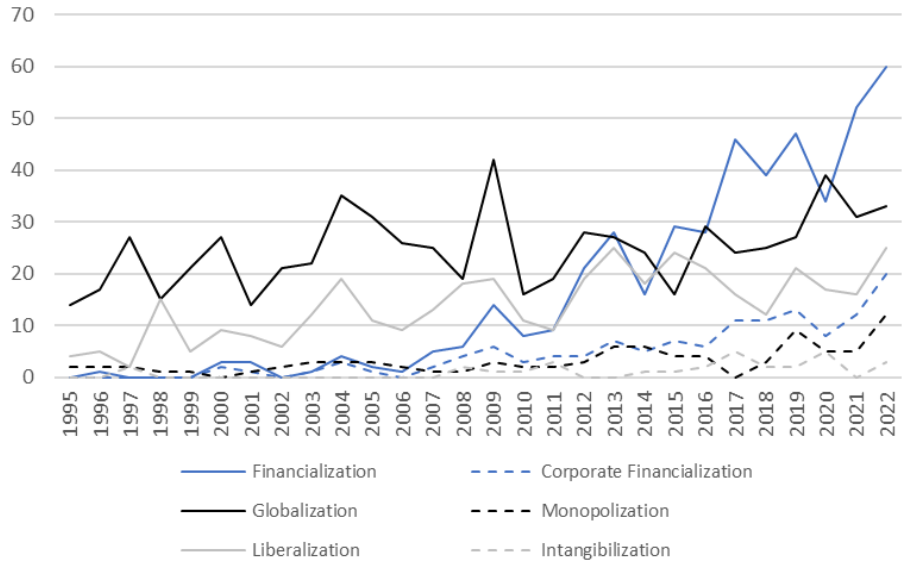
Corporate financialisation (CF) comprises a major field of financialisation studies centred on the belief that significant changes in corporate governance and business models have been driven by financial imperatives, which have had a profound impact on investment habits, labour policies, organisational practices and the distribution of revenues. Experiencing explosive growth in recent years, this field has become mired in conceptual ambiguity, mirroring problems with financialisation studies as a whole. While seeking to restore some conceptual clarity and clearly delineate the boundaries of the concept, this paper offers a detailed review of empirical work on CF. At the core of the field, we identify four sub-theories, each addressing distinct aspects of the way business models have become financialised under the influence of shareholder value principles. Our dissection of the literature shows, however, that these theories mostly remain under-substantiated. The connection of financialisation strategies to key outcomes of interest, such as declining investment and rising inequality, remains nebulous in most cases. Beyond this, we identify key weaknesses in the way shareholder value orientation – the causal lynch pin of CF accounts – has been theorised. The field as a whole has paid insufficient attention to the variegated and uneven nature of the shareholder revolution, which has prevented a single uniform set of governance principles from diffusing. We also argue that the tendency to dilute definitions of corporate financialisation across *explanans* and *explanandum* has masked problems of verification. The critique concludes with a call for conceptual clarity and more care in distinguishing financialisation from causal channels associated with other structural dynamics, such as monopolisation.

Introduction

"Financialisation" is one of the biggest buzzwords in the social sciences today and a major, discipline-spanning field of research. The term refers to an interconnected set of structural and institutional shifts broadly related to the increasing influence of financial markets and actors. For many, these constitute the most important vector of transformation in the world economy. We observe this in the growing popularity of terms such as "financialised capitalism" or "finance dominated capitalism" and in the

bibliometric ascendence of financialisation over other macro-structural concepts, such as globalisation (Figure 1). This paper reviews empirical research on one subfield of financialisation focussed on nonfinancial companies (NFCs). While corporate financialisation (CF) represents just one small corner of research within a very wide corpus (see the chapters of a recent handbook to get a sense of the thematic sprawl within the field (Mader et al., 2020)), it occupies a position of special importance due to its centrality in accounting for the macro-developmental trends associated with so-called "financialised capitalism". Financialisation has gained the analytical traction it has precisely because it offers a means of explaining these big picture trends. Yet, its ability to do so, in turn, hinges on its causal influence over the institutions directly responsible for the most impactful decisions concerning investment, employment and distribution. Our review of CF thus covers issues at the heart of financialisation studies. We focus on advanced capitalist countries, with a particular focus on the United States of America (USA) where financialisation is generally thought to be most pronounced and where the literature is most advanced.

Figure 1. Bibliometrics of Financialisation



Source: Own elaboration based on Scopus, accessed in September 2023.
Note: See elaboration details in Appendix 1

Almost a decade ago, Brett Christophers (2015) warned that financialisation was being pushed beyond its conceptual limits as it ascended to buzzword status. With exploding use the term came to encompass an ever-widening and increasingly disparate set of meanings, which increasingly obstructed efforts to clearly delineate and verify causal claims. Similar problems have played out in the subfield of corporate financialisation.

The term now refers to an array of distinctive processes occurring at different analytical levels, which affect the governance, strategic orientation and behaviour of NFCs. These include, among others, the rise of shareholder value orientation, the increasing importance of financial channels of profit generation, the expansion and functional differentiation of leverage, the growth in intangible assets and the increase in shareholder payouts.

For this reason, our first intervention is to impose some conceptual order on the field. We do this by parsing CF processes into their appropriate analytical layers and then specifying their causal inter-relations, the results of which are depicted in Figure 2.[1] On the far left of the figure is what we label structural financialisation. This refers to financialisation proper (rather than CF) – forces outside the firm, such as deregulation and accelerated financial innovation, which have metastasised finance. One major effect of these forces is to have elevated financial (shareholder) interests to a position of dominance within the firm. We define shareholder value orientation (SVO) – the governance dimension of CF – as a framework in which greater weight is given to shareholder preferences in managerial decision making. We are, therefore, careful to distinguish the prioritisation of shareholder interests from the actual things done to further those interests. The latter - the strategic layer of corporate financialisation, should properly be seen as an *effect* of SVO, and of a set of other mechanisms stemming independently from structural financialisation itself (the dotted lines in Figure 2).

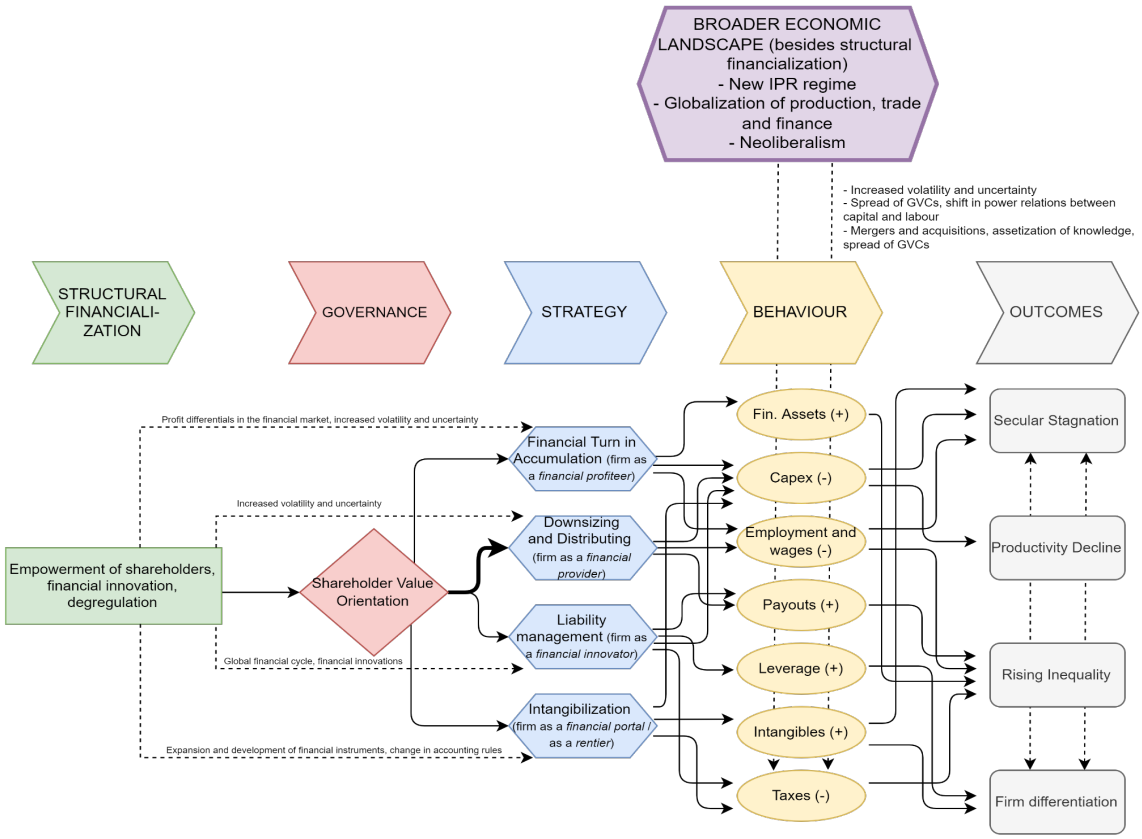
While we define SVO narrowly, we define CF more broadly and loosely as encompassing both the governance and strategic dimensions of Figure 2. The *theory* of CF, which is really a family of related but not mutually conditional theories, consists of a set of claims about how the adoption of new governance practices and associated business models have transformed NFCs, leading to a profound shift in investment and allocative behaviours – the fourth layer in Figure 2. Different types of financial behaviour play a key role in each of these theories.

Specifically, we identify four main trends towards the financialisation of the business model that have been the focus of scholarly research.[2] First, NFCs have become

[1] In distinguishing and structuring the article along these analytical layers, our review differentiates itself from previous reviews such as Davis (2017a) and Klinge et al. (2021).
[2] Throughout the article we treat business model and strategy as synonyms.

financial *profiteers* by undertaking a financial turn in accumulation, substituting productive for financial activities. Second, they have become financial *providers* for their shareholders – adopting a downsizing and distributing allocative regime, intended to benefit financial investors by ruthlessly maximising return on equity (ROE) and freeing up earnings for disbursement. Third, firms increasingly act as financial *innovators* expanding and adapting the ways they use liabilities in their day-to-day operations. Fourth, NFCs have become financial *portals*, relying increasingly on intangible capital to change the temporalities of value streams and/or enhance their rent capture. The latter two of these are newer and less developed fields of research; empirical work has concentrated on the first two aspects of financialised strategy. Cumulatively, the financialisation of the business model is thought to have resulted in declining physical investment, a shift towards financial and intangible assets, expanding financial balance sheets, declining employment and wage shares, and a marked increase in shareholder payouts. These behavioural changes are posited as key micro-foundations of the macro trends characteristic of financialised capitalism, including secular stagnation and rising inequality.

Figure 2: Causal map describing corporate financialisation



Source: Authors' elaboration

The bulk of this paper reviews, sequentially, the empirical research on each of these elements of the financialised business model. The conclusions we reach are fundamentally sobering. The surmounting of conceptual limits only helps to reveal the "empiric limits" of CF, to return to Christophers (2015) terminology. Progress in verifying core hypotheses has been limited. Theories of a financial turn in accumulation at this stage seem largely defunct; we argue that the ballooning financial portfolios of NFCs mostly derive from factors other than a sudden preference for financial profit seeking. Arguably, the most substantively important aspect of CF theory concerns investment and employment policies of firms – the subject of the downsizing and distributing thesis. We highlight issues in the existing evidence that make it extremely hard to parse the effects that downsizing imperatives have had, independent of other factors, in driving down rates of accumulation. Causal relationships are also somewhat murky in accounts of liability management and intangibilisation, both in terms of backwards links to SVO and forwards links to outcomes of substantive importance.

In the second half of the paper, we argue that conceptual issues have acted to obscure underlying problems with the theory and its verification. First, we identify persisting ambiguities surrounding SVO – the causal lynchpin of CF. Specifically, we argue that while CF theories implicitly treat short-termism as integral to the definition of SVO, applied researchers often do not appreciate its integrality. This leads to persistent slippage between a narrow short-termist version of SVO and looser conceptualisation of it, which reduces it to a form of profit maximisation that lacks explanatory power. Related to this, we identify a persisting failure to examine the scope of the shareholder revolution and to attend its uneven and variegated nature – oversights which have led to an overstatement of its importance.

Finally, we identify a problem in which the definition of CF tends to migrate tacitly from the governance and strategic level towards the behavioural level. In other words, financialisation comes to be associated not with the causes of rising payouts or declining investment but with those outcomes themselves, even when they do not appear in any way related to shareholder value orientation or its cognate business models. We illustrate the problem with the example of Big Tech, which has strongly exhibited the behaviours listed in column four of Figure 2 above. Such behaviours have, consequently, been identified by various researchers as an exemplar of CF. And yet, tech companies have routinely defied the shareholder model – adopting long-termist business models and protecting managerial autonomy. We argue that the

apparent financialising behaviours they have adopted ultimately have little to do with structural financialisation but are a result of the market power they accumulated through globalisation and knowledge enclosure. In this way, conceptual ambiguities have worked to inflate the importance of financialisation, or at least to preserve its relevance in the face of the confirmation challenges. We argue that the health of the broader research agenda around financialisation relies on restoring some respect for conceptual limits. With such a move, this paper shows that the substantive importance of CF is clearly diminished. In our view, heterodox political economy has somewhat over-indexed on corporate financialisation; we call for diversifying research efforts to better account for other structural processes that have been occluded by the hyper-fixation on finance (Schwartz, 2022a).

Shareholder value orientation

The rise of SVO as the dominant mode of corporate governance is at the heart of the story of NFC financialisation. SVO at its most basic denotes a governance regime in which managers are expected to run the corporation for the benefit of the majority of shareholders, whose interests are ultimately measured by the market value of the corporation. Other stakeholders, such as creditors, workers, suppliers and customers, should have their interests protected by other contractual means (Hansmann and Kraakman, 2009). We can contrast this with other modes of governance, such as managerialism, in which both workers and managers wield more influence, and are thought to reorient the firm away from narrow profit goals towards an equal consideration for growth and long-term stability (Lazonick, 1992). It can also be contrasted with labour-oriented models, state-oriented models and other shareholder-oriented models in which non-controlling shareholders are not properly protected from controlling shareholders, for instance, family-dominated business groups (Hansmann and Kraakman, 2009).

SVO started to become dominant in liberalised economies from the 1980s but became understood as a facet of financialisation only much later in the 2000s. This happened when connections were drawn between SVO and a wider series of changes related to finance's increased prominence in economic life. There are at least three good reasons to subsume SVO under financialisation. The first is that the shareholder revolution, which brought SVO to predominance, was itself rooted in the deeper structural process of financialisation: deregulation, the spread of financial innovations and the general

empowerment of financial actors, in particular through ownership reconcentration (Dobbin and Zorn, 2005). Secondly and as a consequence, SVO has involved the ascendance of financial *interests* within the firm. Institutional investors were the primary force behind the shareholder revolution, but internal financial actors such as chief financial officers, have also been empowered in its wake (Baronian and Pierre, 2022). A third and closely related sense in which SVO constitutes financialisation is that it involves an elevation of financial *ideologies* and *metrics* within the firm. Fligstein (1993) famously argues 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 and conceives it as fungible with bundle assets to be deployed and re-arranged with the sole objective of share-value maximisation. The diverse metrics of productive efficiency and growth potential that formerly measured operational success are collapsed into a single index of financial wellbeing, namely share-value maximisation (Baronian and Pierre, 2022).

Financialisation scholars' hostility to SVO is underpinned by a far more sympathetic appraisal of the corporate model it is thought to have replaced. The managerialist firm is widely regarded to have been a major institutional ballast of the more equitable and expansionary variety of capitalism that dominated in the post-War period. High reinvestment propensity and workforce retention were seen as sensible responses to the fundamental uncertainties entailed in processes of innovation and growth (Lazonick, 2010). But Agency theorists, who provided the intellectual armour for the shareholder revolution, offered an opposing view (Jensen and Meckling, 1979, Aggarwal and Samwick, 2006). Firms' obsession with growth reflected the empire-building tendencies of unchecked managers who pursued size and status over value creation. Their views gained traction as a triple crisis of over-competition, falling profits and rising inflation gripped the corporate sector of the USA (US) (Fligstein and Shin, 2007). "Cut the fat" became the rallying cry of the shareholder revolution. This pushed through a sweeping set 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". Governance reforms sought to lock in shareholder priorities by empowering owners and co-opting managers through stock-based remuneration and other incentives.

Crucially, the financialisation literature sees these reforms as self-defeating for the firm. Share values and shareholder payouts may get boosted in the short-run but this

starves the firm of resources and undermines the social conditions of the innovative enterprise, producing in its stead a financialised corporate form better suited to value extraction than value formation (Lazonick, 2010). SVO is, in this sense, inherently short-termist – not from the perspective of the investors who might exit happily with their boosted earnings, but from the perspective of the firm whose long-term competitiveness is compromised (Davis, 2017b: 280; Fasianos et al., 2018: 45; Hein and Treeck, 2010; Orhangazi, 2008: 882; Van der Zwan, 2014: 108; Van Treeck, 2008: 383). Thus, in practice and very often in principle, the financialisation literature operates with a definition of SVO that is narrower than the one we started with in this section. It is defined as a governance orientation that specifically serves *impatient* or short-termist shareholders.[3] The financialised stratagems emergent from SVO, which we survey in the next sections, actually imply this orientation. And yet, this distinction is often not appreciated – a problem we return to later.

Financial turn in accumulation – the firm as a financial profiteer

The first element of a financialised business model involves NFCs becoming *financial profiteers* – seeking to generate revenue through financial activities rather than their ordinary lines of business. The possibility that finance might supplant production in NFCs has long been recognised (Grossman, 1929). Marxists writing towards the end of the 20th Century argued that such dynamics could become entrenched and generalised, feeding crisis tendencies at the system level. For Arrighi (1994), episodes of this kind were a recurring feature of periods of hegemonic transition in the world system. For Sweezy (1994), they reflected a lack of outlets for productive investment, which were a result of the excessive concentration of capital.

Modern theories of a financial turn in accumulation originate with Krippner (2005) and Crotty (2005). They were the first to document the phenomena quantitatively, providing aggregated statistics showing a fourfold increase in the ratio of NFC portfolio incomes to total profits, and large increases in financial balance sheets. In connecting these trends to changing relative profit opportunities, they built on their Marxist precursors, but located financial profiteering in the structural conditions of

[3] In fact, much of the literature tends to see all shareholders as impatient.

financialisation. High and volatile interest rates acted as a push factor that deterred NFCs from productive investment, while higher returns on financial assets drew them into speculative investments. But they added a crucial element to the story: SVO was seen as mediating the response to changing profit stimuli. Subsequent work has tended to focus squarely on SVO as the explanation for financial accumulation (Davanzati et al., 2019; Hein and Truger, 2012; Orhangazi, 2008; Stockhammer, 2004).

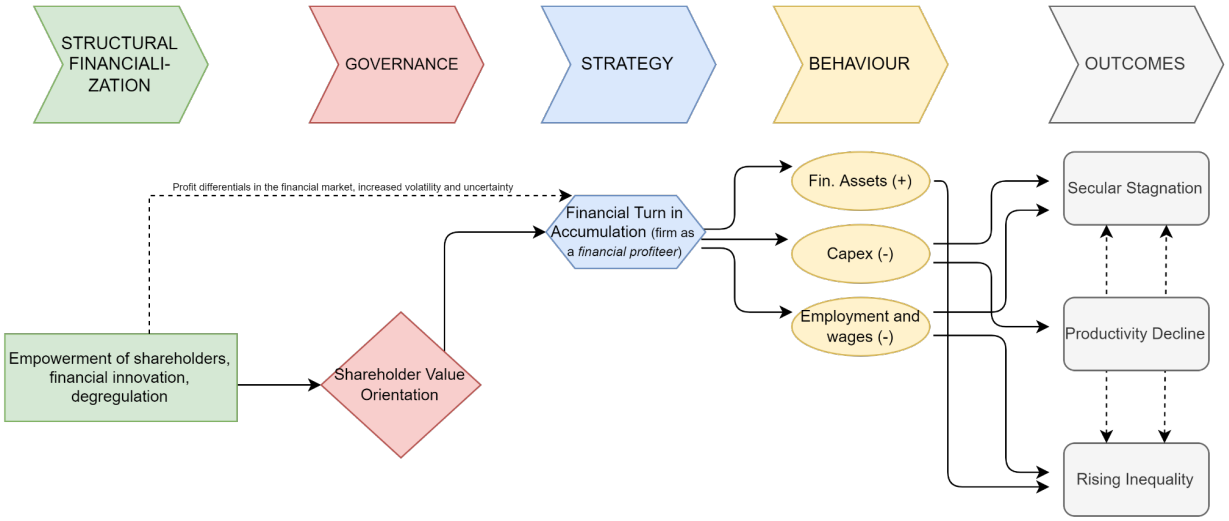
There are two main mechanisms through which SVO is connected to the financial turn. The first is ideational in nature. Managers adopt "shareholder conception of the firm", coming to perceive their companies as simply a bundle of indistinct profit-making assets rather than a free-standing institution. Second, 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 (Davanzati et al., 2019; Davis, 2018; Hein and Truger, 2012; Stockhammer, 2004).

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 secular stagnation and rising inequality. The chief concern is that it has acted to crowd out real investment. Various econometric studies seem to validate this hypothesis, demonstrating a negative association between financial income and investment (Hecht, 2014; Orhangazi, 2008; Stockhammer 2004; Tori and Onaran, 2020). This is argued to have fed through to declining productivity and value added growth (Hein and Truger, 2012; Pariboni et al., 2020; Tomaskovic-Devey et al., 2015) and a weaker labour market (Lin 2016). And yet, there is no necessary reason for expanded financial investment to be a substitute for capital expenditure. 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 liquid financial assets and capital expenditures (Auvray and Rabinovich, 2019; Davis, 2017b; Hecht 2014).

The second concern is that financial accumulation undercuts the bargaining power of labour 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 nonfinancial workers (Lin and Tomaskovic-Devey, 2013: 1285).

Opportunities for financial investment, moreover, expand the *exit* options of employers and thus bolster their leverage in wage negotiations (Kohler et al., 2019). Financial actors, conversely, gain from both an enhancement of their status within the firm and the asset price inflation that financial accumulation promotes (Huber et al., 2022). Empirically, it has been connected to declining labour shares at the firm (Alvarez, 2015; Guschanski and Onaran, 2020), industry (Lin and Tomaskovic-Devey, 2013) and national (Kohler et al., 2019) level to income dispersion (Davanzati et al., 2019; Huber, et al., 2022; Lin and Tomaskovic-Devey, 2013) and to de-unionisation (Dupuis et al., 2020; Kollmeyer and Peters, 2019). These pathways are illustrated in Figure 3.

Figure 3: Causal map describing the financial turn in accumulation



Source: Authors' elaboration

A growing critical literature raises serious doubts about whether any generalised turn to finance ever took place. It uncovers major weaknesses in the original evidence supplied to demonstrate the increased importance of financial channels of profit generation. 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. While it is typically possible to gather data on total income from financial assets and some related expenses, much of these expenses are tied to real sector activities. This makes it impossible to derive a pure financial profit. Instead, most authors resort to comparing financial income (gross of costs) to total profit (Crotty, 2005; Davanzati, et al., 2019; Krippner, 2005; Lin and Neely, 2020). But, as Crotty (2005: 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 stream (net of cost). It is not clear why we are licensed to infer anything about financial profit from financial income. As a proportion of total income, financial income registers a modest 3% at its highest in the 1980s (Rabinovich, 2019).

The absence of suitable profit data means that the only evidence of a widespread turn to finance comes from the growing size of NFC financial portfolios. However, Fiebiger (2016) shows that the aggregated statistics used by Krippner and others misleadingly classifies foreign direct investment (FDI) assets as financial and thus partly misconstrues the internationalisation of firms for their financialisation. This also affects profit data, as repatriated profits from overseas operations get billed as return on equity (a financial stream). 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 could be avoided with corporate databases, which allow for a finer disaggregation of balance sheets. But the databases do not actually show any strong trend of financial accumulation. The ratio of financial to total assets has been steady or decreasing over the last several decades in most advanced economies (Soener, 2020). In the USA, Reddy (2023) shows that this changes if we restrict our focus to one specific asset category – cash and short-term investments – but he finds little connection between this trend and increased shareholder power.

Growing corporate cash piles have been extensively studied by mainstream economists, contrary to frequent claims that the mainstream is entirely blind to financialisation. This research shows 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 retain large portfolios of short-term assets for precautionary reasons. The aggregate increase in financial balances is accounted for by a handful of giant tech and pharmaceutical companies. As heavily IP-intensive businesses, these companies have extensive capacities for in-profit shifting. The cash balances they have amassed are almost exclusively held offshore (Faulkender et al., 2019). The evidence strongly suggests that this is a tax arbitrage opportunity that explains why these firms have retained and financialised their earnings rather than returning them to shareholders. Financialisation of this kind is unlikely to have had the same deleterious effects on investment and wages.

Note finally that the link between SVO and financial accumulation is also 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: 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: 14; Reddy, 2023: 14).

Downsizing and distributing – The firm as a financial provider

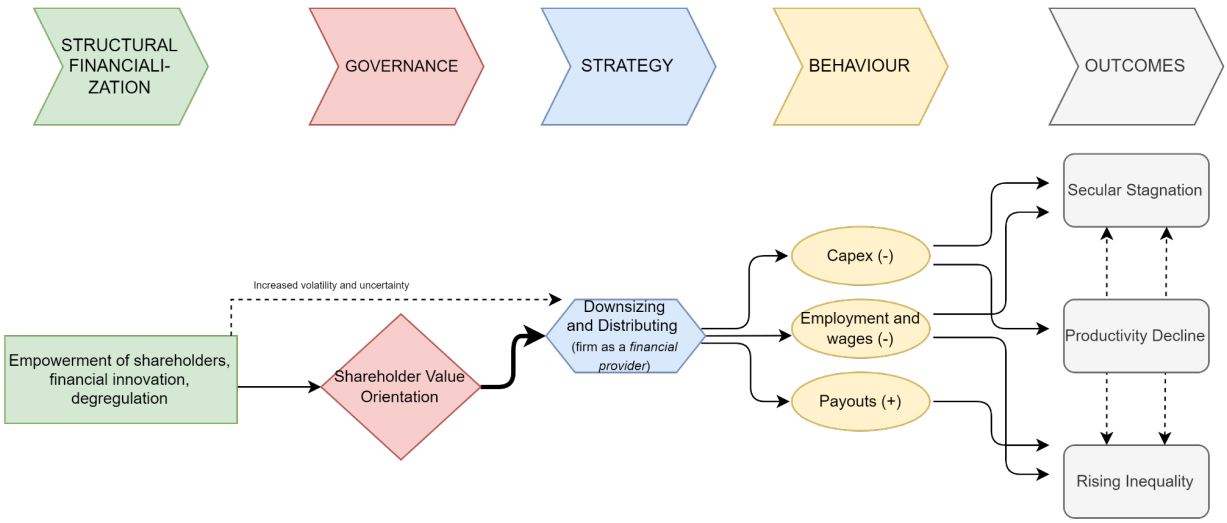
The second element of a financialised business model involves the adoption of a downsizing and distributing allocative regime (Lazonick and O'Sullivan, 2000). In the name of boosting short-run returns on equity (ROE) and increasing the appeal of the firm's stock to financial investors, shareholder-oriented firms are thought to embrace stringent labour and capital discipline. Breaking with managerialist norms, they apply ruthless cost minimisation strategies to the workforce – laying off non-core workers and compressing wage rates. At the same time, hurdle rates of return on new undertakings are ratcheted up, with the increase in free cash flow channelled back to shareholders. It is argued that this starves the firm of the resources and organisational capabilities needed to sustain innovation and growth, which leads to long-term decline.

Lazonick and O'Sullivan (2000) who coined the term downsizing understood this term primarily in terms of labour policy. Subsequent quantitative work has linked SVO to layoffs (Fligstein and Shin, 2007; Jung, 2016) and lower employment growth (Lin, 2016). Jung and Lee (2022) find that downsizing episodes tend to occur shortly after firms miss earning targets. Other studies find that the adoption of SVO principles leads to a decline in wages (Cushen and Thompson, 2016; Deakin and Rebérioux, 2009). SVO has thus been linked to declining wage shares at the level of firms (Dünhaupt, 2017; Guschanski and Onaran, 2020), sectors (Palladino, 2020) and national level (Barradas, 2019; Kohler et al., 2019). More aggressive labour 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 this to declining unionisation rates. At the other end of the distribution, various studies find that SVO is associated with the expansion of managerial employment (Goldstein, 2012), increasing incomes for executives (Shin, 2014) and top earners generally (Huber et al., 2022).

A second major strand of research looks at investment. This work is primarily based on post-Keynesian models, which stress the non-equivalence of internal and external funds (Fazzari et al., 1988). These predict the negative impact of payouts on future investment, which drains internal revenues. At the same time, most studies regard higher payouts as indicating the presence of downsizing and distributing norms among managers (Figure 4). Hence payouts are both a mechanism through which investment is reduced and a correlate of managerial preferences for lower investment. Most studies find payouts to be negatively associated with investment at the firm (Auvray and Rabinovich, 2019; Davis, 2017b; Hecht, 2014; Seo et al., 2016; Tori and Onaran, 2018, 2020) and aggregate level (Barradas, 2017; Stockhammer, 2004) across a range of countries. Similar findings emerge with respect to R&D (Reddy and Rabinovich, 2022; Swift, 2022; Yu and Jo, 2022).

Figure 4: Causal map describing downsizing and distributing



Source: Authors' elaboration

A small mountain of evidence linking SVO to downsizing has piled up over the last decade and a half. But causality remains elusive. The overreliance of this work on payouts as a proxy variable for SVO is a potentially serious problem. Payouts function

to return excess funds to shareholders. They tend to be higher in firms where capital discipline is imposed by powerful shareholders or embraced by managers. But they 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*. This cannot be perfectly controlled.

There are other ways of getting at SVO. Some studies use managers' own words, constructing SVO indexes from the frequency of shareholder friendly phrases in chief executive officer (CEO) letters and other communications (Shin, 2014). Others use measures of shareholder power, for example, ownership concentration. and incentive alignment, such as stock-based compensation, which, in effect, captures the causal mechanisms behind SVO (Jung, 2016; Reddy and Rabinovich, 2022). However, these variables might be prone to endogeneity problems of their own. Another approach has been to infer shareholder effects by comparing listed with private companies. Asker et al. (2014) find that private firms are more responsive to investment opportunities, but their results are contradicted by others (Drobetz et al., 2019; Feldman et al., 2021). In general, there is an urgent need for more innovative solutions to causal identification problems.

Yet, in view of the complexities of the subject matter, there is no guarantee that more conclusive findings will emerge. 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 discovery is somewhat limited. Advocates of SVO would find it entirely unsurprising. They championed the shareholder revolution precisely to counter managerial empire building, so declining growth rates might be taken as evidence that SVO is simply functioning as intended. They would deny that this decline is genuinely linked to 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. But Reddy and Rabinovich (2022) find no strong negative association between long-term performance and SVO *in general*. Instead, such links only emerge in relation to specific (declining) investor categories. Froud et al. (2006: 78) are even more sceptical about the link

between SVO and performance, questioning whether management agency had any effect *at all* in the rise of share values during the 1990s.

Beyond the partial effects, another problem for financialisation theories is that the observed trends do not seem to validate the stronger claim that downsizing has become a guiding maxim for the corporate sector. Shareholder principles might have restrained growth at the margin but they have not stopped US firms from expanding extremely rapidly for most of the financialisation period (Rabinovich, 2023). Similarly in the US case, the profit-investment puzzle, which has been a major motivator of CF theories, on closer inspection, turns out to manifest mostly after the turn of the millennium and not alongside the shareholder revolution (Reddy, 2024). Similarly, payout rates only increase in a generalised way around this time (Kahle and Stulz, 2020). CF cannot account for these temporalities – there is little reason to suspect that shareholder norms suddenly deepened after 2000. Auvray et al. (2021) place concentration processes, particularly related to intellectual monopoly capitalism, at the heart of the millennial watershed, which they see as inaugurating a new macro-regime in which the investment–payout causality is inverted relative to CF theories: higher payouts in the recent period are *primarily* derived from lower investment rates rather than the other way around. In the absence of strong shareholder value norms, it is likely that surplus profits would have, at least partly, found other outlets. But it is nonetheless significant that payout rates only increase strongly when such *excess* profits emerge. This poses a challenge to stronger versions of the downsizing and distributing hypothesis.

The evidence linking SVO to declining wages faces challenges of a more theoretical nature. It is a fundamental postulate of critical political economy that power, above all, is the arbiter of distributional conflicts. The shareholder revolution reconfigured power within the elite nexus, but did not do anything to directly strengthen the hand of capital over labour. It might have given managers new incentives to squeeze workers, but it cannot account for the reason they were *able* to do so, or the reason workers failed to resist. A plausible explanation for correlations observed is that SVO played a kind of precipitating role. Wages are a sticky variable, and might have been generally slow to adjust to the new balance of class forces established by other structural processes occurring concurrently with financialisation, such as globalisation and neoliberalism. Managerialist norms might be one cause of their stickiness. SVO erodes these norms, prompting managers to push wage limits. But they succeed in this only

because other factors have already acted to diminish the bargaining power of labour. The shareholder revolution supervenes upon the neoliberal one – its impact is on the speed of adjustment to a new distributional equilibrium rather than the determination of that equilibrium.

Liability management – The firm as a financial innovator

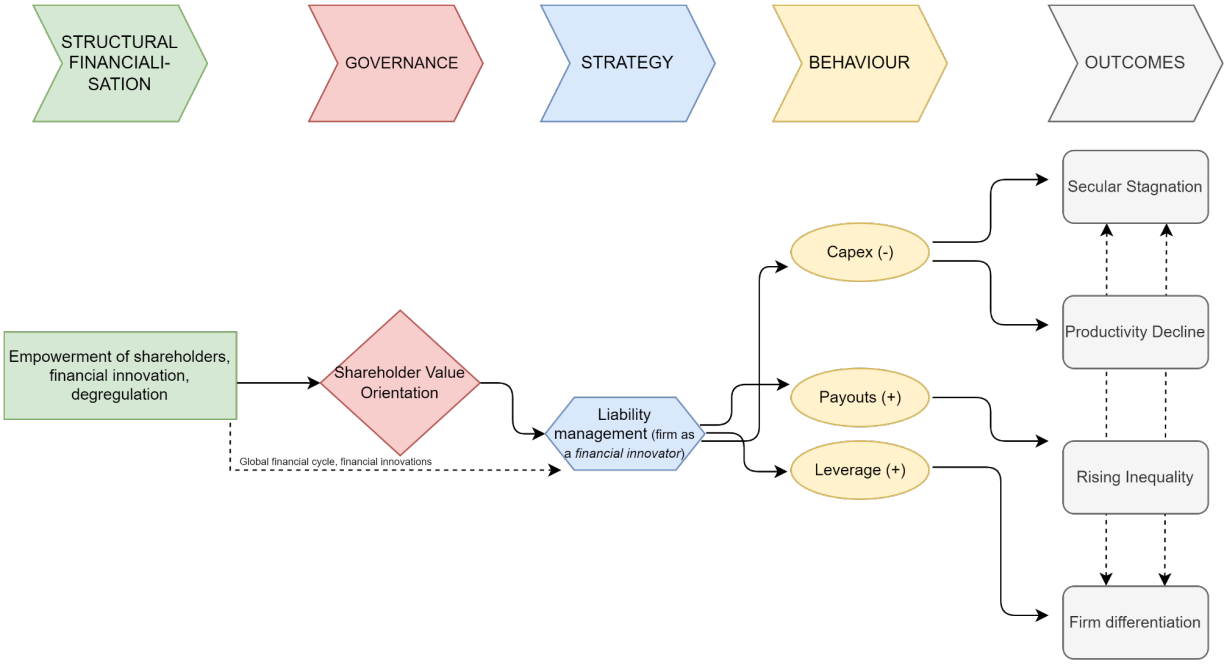
If financial profit seeking is thought to have been the major driver of growth in financial assets, a different facet of financialisation is thought to have wrought significant changes on the other side of the balance sheet. Acting as financial *innovators*, NFCs have adapted the ways they raise, manage and use debt. Corporate debt has been theorised in two different and contrasting ways that reflect two phases of credit: the "the seductive allure of present credit" and "the crushing burden of future debt" (Merhling, 2011: 11). Following a Minskyan tradition, debt is commonly studied as an indicator of the *financial fragility* of forms, that is, as a crushing burden. A large stock of debt reduces safety margins needed to deal with adverse shocks and may signal future solvency problems. Both dynamics can deter investment. This relationship is confirmed by some studies (Davis, 2017b; Orhangazi, 2008) but contradicted by others (Barradas, 2017; Hecht, 2014), which possibly reflects the fact that only at a certain level does debt become a crushing burden, that is, when firms enter speculative or Ponzi phases of liability management to continue with Minsky typology. Debt growth also comes with higher interest payments that imply a drain of resources and thus have a negative impact on investment decisions.

SVO is thought to have contributed to the cult of debt finance – the rapid gearing of NFCs beyond what is mandated for productive purposes (Palley, 2013). This stems again from an intensified drive to maximise ROE (return on equity). Issuing debt instead of equity automatically improves the weighted average cost of capital. This reduces discount rates, boosts share prices and increases the net present value of assets held on the balance sheet at fair value (Baker et al., 2020). Debt incurrence has been used to directly fund stock repurchases, according to Mason (2015), who finds a declining correlation between new borrowing and physical investment after the early 1980s (see also Fiebiger, 2016). Debt has also been linked to financial accumulation, with credit used to fund the acquisition of financial assets (Davis, 2017b; Kliman and Williams, 2015). Liability management, like downsizing and distributing, has therefore

fed into declining capital expenditure and rising payouts, although here the magnitudes of these effects are even less clear.

A different strand of work has focussed on the power dynamics underlying corporate indebtedness. Leverage was promoted as a disciplinary instrument by early architects of the shareholder revolution. On the one hand, agency costs are fundamentally an outgrowth of equity financing, which entails no contractual obligations. Debt, on the other hand, reduces managerial freedom of movement and limits free cash flow. It also signals managerial confidence in new undertakings (Dobbin and Jung, 2010). Higher leverage is therefore a marker of shareholder power. Knafo and Dutta (2020: 482–483), however, seek to turn this narrative on its head. They see the origins of financialisation in a set of strategies pioneered by *managers* of US conglomerates, who began "systematically capitalizing on financial markets" in order to construct new forms of corporate power. They drew heavily on debt markets in order to fund aggressive acquisition strategies, targeting undervalued assets with the objective of making capital gains. This not only prefigured but helped to precipitate the later shareholder revolution, which applied the same practices in order to yield part of the gains being made by corporate raiders. In a sense, this account sees SVO as the result rather than the cause of the new techniques of liability management. Focussed again on the power dimension of corporate finance, Sgambati (2019) distinguishes between debt, or borrowing in order to settle obligations or make payments, and leverage – borrowing to invest in assets with the aim of making a profit in the future. Building on this perspective, Baines and Hager (2021) identify a great debt divergence. Large firms have increased their leverage while their debt-servicing costs have plummeted and net profit margins have increased. Small firms, despite deleveraging, have seen borrowing costs soar and net profit margins go into negative territory. Financialisation in this sense feeds into and reinforces the structural differentiation between large firms and the rest. The full range of mechanisms involved in this strategy is depicted in Figure 5.

Figure 5: Causal map describing liability management



Source: Authors' elaboration

Intangibilisation – The firm as a financial portal and as rentier

The fourth feature of the financialised business model involves 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 forty years. The first of these comprises 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, licences and non-patented know-how, and also the innovative and artistic content in commercial copyrights, licences and designs), and economic competences (marketing and branding) (Corrado et al., 2005). The second contains just one asset: goodwill. Goodwill is the amount that a company pays into an acquisition over the target's book value.

In one conception, goodwill can be conceived as a reflection of a more general process of bringing anticipated future income into the present through financial mechanisms and instruments. This is regarded as the defining aspect 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*". In this sense, firms assume a portal-like quality moving income not only through time but also space (Baker et al., 2020). Similarly, Lysandrou (2016) understands financialisation as a colonization of the future that happens through an expansion of the supply and demand of financial securities, that is, tradable claims on future income streams. Goodwill allows for the capitalisation of the future in two ways. First, through the bull period that typically characterises the bidding process in the weeks preceding the sale of a company, this inflating its value (Serfati 2008) and, second, because it is valued through impairment. Critical studies on accounting highlight how impairment and, more generally, fair value or mark-to-market accounting techniques have procyclical financial effects on assets through changes in the discount rate (Baker et al., 2020; Palan, 2015).

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. This is not necessarily the case in those accounts focussed on the broader category of intangibles. Faced with the same growing disconnection between book value and market capitalisation, such accounts anchor the split more concretely in *existing, non-reproducible* and therefore *rent-generating* assets rather than market expectations. The pivotal role of intangibles in rent generation might offer a solution to another long-standing puzzle that has been central to the financialisation literature – the disconnection between profits and investment (Auvray et al., 2021; Durand and Gueuder, 2018; Durand and Milberg, 2020; Lapavitsas, 2013; Orhangazi, 2018; Stockhammer, 2005; Rabinovich, 2021). The puzzle dissolves, however, if it turns out that profits have increasingly been derived from the legal and non-legal rents facilitated by intangibilisation (Durand and Milberg, 2020; Orhangazi 2018).

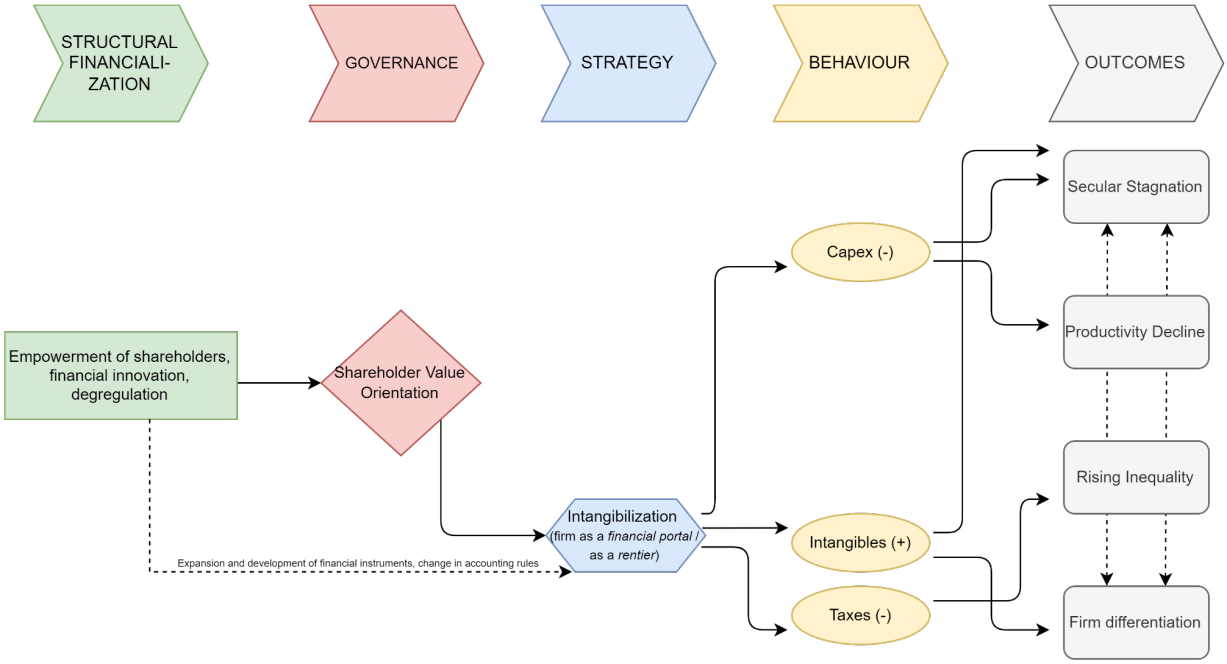
Several studies see intangibilisation as constitutive of financialisation (Baranes, 2017; Baranes and Hake, 2018; Klinge et al., 2020). The key difference between tangible and intangible assets, Baranes (2017: 352) argues, is that the latter "do not produce socially necessary goods and services on their own" but rather increase the income generated by tangible assets. Generalised processes of the assetisation and appropriation of knowledge are widely thought to have ushered in a new era of industrial organisation: intellectual monopoly capitalism (Pagano, 2014; Rikap, 2021) or the franchise model of corporate organisation (Schwartz, 2022b). This is associated with a layered industrial structure, in which profits increasingly concentrate in

intangible-intensive firms with low marginal propensity to invest. This shifts the risks associated with fixed investment and labour management onto firms in other layers. The lower tiers are composed of (physical) capital-intensive firms at risk of excess capacity – which deters investment – and labour-intensive firms that engage in hyper-exploitation (Schwarts, 2022a).

Several writers connect intangibilisation to the quest for shareholder value (Davis, 2011; Soener, 2015; Baranes, 2017). The move towards a focus on high-level, knowledge-intensive functions and the "shed[ding] of physical assets" could be seen as part of the same imperative to concentrate on core competencies (Davis, 2011: 93). International outsourcing, an early form of intangibilisation, allowed firms to recycle windfall profits into higher payouts, allowing firms to satisfy shareholder pressures, according to Milberg and Winkler (2010). But these links are ultimately highly tenuous. Clearly, technological forces bear primary responsibility for the advent of intellectual monopoly capitalism. Legal changes in the eighties via the World Trade Organisation and trade agreements have also been key (Dreyfuss and Frankel, 2014; Sell, 2010). There's been no real attempt to establish the causal contribution of SVO independent of these structural dynamics. Intangibilisation has been broadly cross-national and not confined to highly financialised countries (Gereffi et al., 2005; Lee & Gereffi, 2015).

There is, moreover, no clear theoretical reason to conflate intangibilisation with financialisation. They might be non-physical but intangible assets are not (generally) financial assets. Finance does not play any necessary role in the generation or use of the funds to which they give rise. Conversely, strong intellectual property rights (IPR) probably play a strong role in the generation of high financial profits (Schwartz, 2022a). Products that have been key to the super-profitability of the finance sector, like derivatives, are IP (intellectual property) and human capital intensive. Financialisation might better be subsumed under the IPR revolution than vice versa, as Schwartz (2022a) argues. A murky picture thus emerges regarding this element of CF. One aspect of intangibilisation – the rise of goodwill – falls clearly within the conceptual field of CF. But its substantive importance for macro outcomes is unclear. Knowledge based intangibilisation, however, has had clear and significant impacts on investment and distributional trends. But only through another instance of unwarranted conceptual stretching can it really be regarded as part of CF.

Figure 6: Causal map describing intangibilisation



Source: Authors' elaboration

Conceptual challenges

Short-termism and the meaning of SVO

The preceding sections document the numerous challenges faced in showing how financialisation strategies have steered corporate behaviour. An arguably more fundamental set of problems – both conceptual and empirical in nature – surround the notion of shareholder value orientation, which as Figure 2 shows is the causal lynch pin of the whole story. Although largely unnoticed, there is a persisting lack of clarity about what SVO actually refers to. At the heart of the problem is the short-termist element of shareholder driven governance. As we noted, certain definitions of SVO, call them SVO I, treat short-termism as integral to the concept. This makes sense since many of the theories above assume short-termism of some kind. Narratives of financial accumulation, for example, are premised on the notion that shareholders prefer quick yielding investments.

Yet the importance of short-termism to the causal architecture of corporate financialisation theory does not seem to be widely appreciated, even among those who include it in their definition of SVO. We see this most clearly in the firm- and sector-level case study literature. That body of work has placed SVO I at the centre of a wide

range of outcomes, including intangibilisation in the apparel sector (Soener, 2015) and pharmaceutical industries (Baranes, 2017; Klinge et al., 2020; Lazonick and Tulum, 2011); the globalisation of value chains in retail (Baud and Durand, 2012); the expansion of financial balance sheets and activities in auto (do Carmo et al., 2019; Lin and Neely. 2020) and tech (Fernandez et al., 2020, Klinge et al., 2023); the cyclicality of investment trends in commodities (Baines and Hager, 2022; Bowman, 2018; De los Reyes, 2017); and the increase financial payouts in all of the above. Yet, it is striking that none of these papers offers evidence that the strategies driving these outcomes have been short-termist in nature. If anything, the reverse seems true. The financialising firms featured in these papers mostly seem to have performed extremely well during their periods under study. They have achieved exceptional rates of profit, which have made possible generous handouts to shareholders, assumed positions of global dominance within core markets and maintained themselves at the innovative frontier.

Tacitly then, a slippage seems to occur in which these studies move from a narrow to a broader definition of SVO. In the broader definition, let us call this SVO II, firms prioritise shareholders in general. This is consistent with their seeking to maximise investor returns, but this definition makes no assumptions about the horizons over which they do so. However, in the absence of such assumptions, share-value maximisation becomes difficult to distinguish from simple profit maximisation.[4] Share prices, afterall, reflect present values of expected future profits. Consequently, SVO II's *explanatory* power is necessarily limited. It might be entirely correct that profit objectives drove firms to undertake the changes in their business models described in the above literature. It is much less clear why this is analytically relevant. Profit maximisation, in most critical theories, is more a system-level trait than an agent-level one. It is a logic of strategic action imposed on the firm by basic facts of the market environment in which it is embedded. It is, therefore, an imperative of all normal capitalist firms at all normal times; it cannot really be adduced to explain novel developments of the kind that inspired the literature above. In every instance, these developments occurred in response to new opportunities opened up by changing structural, institutional and political conditions – computerisation, the spread of value

[4] We are aware, as noted by Dallery (2009), that certain 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, in reality, there are many cases where firms distribute generous payouts while having negative operating income (Lazonick, 2014).

chains, the rollback of labour unions, etc. If SVO's only causal function was to ensure firm's adherence to the profit imperative, then it is not entirely clear why it, rather than these conditions, should be the centre of our explanatory effort.

Of course, SVO II's explanatory relevance can be rescued if we deny the premise above, namely that profit maximisation is the normal condition of the capitalist firm. Clearly, many if not most of those working in the financialisation tradition believe that profit maximisation was *not* the guiding maxim of the corporation in the era preceding the shareholder revolution. The implicit counterfactual in their accounts is the growth-oriented managerialist firm. When they ascribe causal powers to SVO they are describing the difference that it makes relative to a situation in which autonomous managers (and empowered stakeholders) are calling the shots. But this is ultimately a weakness of the theory. Managerialism was the product of a very particular historical conjuncture, and not any kind of normal state of affairs under capitalism. It is highly contested whether managerialism, in fact, led to any significant displacement of the profit motive (Useem, 1980).

Heterogeneity, unevenness and the problem of SVO's scope

Whether a shareholder-oriented firm fixates on its short-run share price or takes a less myopic approach to maximising profits will depend in large part on *which* shareholders it is oriented to. The fuzzy conceptualisation of SVO common in the financialisation literature, in this sense, reflects an underlying problem – its brushing aside of the importance of shareholder heterogeneity. A simplifying assumption common in comparative political economy, which treats investors in market-based financial systems as uniformly impatient, seems widespread within the field (Deeg and Hardie, 2016). 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 tended to emphasise inter-stakeholder divisions above all. But, in doing, so they miss considerable intra-stakeholder variation. Institutional investors vary enormously in their 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. Shareholder primacy, in other words, is likely to imply very different things for business strategy depending on which kinds of

institutional investors are being prioritised – a fact which the financialisation literature has largely glossed over.

In recent years the dramatic ascendance of one particular investor class – passive index funds – has prompted greater awareness of shareholder heterogeneity issues within the field. Short-termist motives are harder to impute to passive asset managers. The Big Three funds that overwhelmingly dominate the sector have cast themselves as advocates of socially responsible governance. Their voting records, however, show a more complicated picture (Baines and Hager, 2023). Many believe that the low-margin business model of the industry will continue to make active stewardship economically insensible, whatever CEOs may claim. Passivity on behalf of the largest investors in the market may provide space for managers to recoup authority. Or it might simply create openings for other activist investors, such as hedge funds, to assert themselves, enlisting the voting power of the Big Three to their campaigns. The unusual binary of asset manager capitalism – concentration with diversification – yields an odd configuration: unparalleled *potential* for shareholder control but with highly ambiguous incentives for the exercise of that control (Braun, 2020).

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 also *uneven* – another feature missed by much of the financialisation literature. The field remains largely wedded to what Knafo and Dutta (2020) call a dominant model account, which treats governance as transitioning between well-defined institutional epochs. SVO principles are seen as having diffused universally following the victory of the shareholder revolution over managerialism. The reality is, of course, far more complicated. Shareholders and managers might have achieved some partial rapprochement after the hostile takeover movement subsided in the early 1990s, but by no means have intra-elite antagonisms been entirely superseded. Clashes between principals and agents have remained a frequent and visible occurrence, right throughout the shareholder era (Bebchuk and Fried, 2004). And even where conflict was less open, it cannot be assumed that governance was simply harmonious. As the literature on symbolic management suggests, managers often succeeded in diffusing conflict by signalling adherence to shareholder norms while, in practice, pursuing their own interests (Bebchuk and Fried, 2004; Westphal and Zajac, 1998). Surveying the terrain over a decade ago, Shin (2013) concluded that shareholder principles were far from hegemonic in the USA. They might have lost much more ground since as a far

lower proportion of CEO's expressed support for shareholder primacy in Graham's (2022) surveys relative to a dozen years prior.

What the variegation and unevenness of shareholder influence add up to is a problem of *scope*. If SVO – or really SVO I – is the main causal factor propelling corporate financialisation, then it behooves us to establish a detailed picture of its dissemination. But the financialisation literature has overlooked this critical task. This naturally limits what we are able to conclude about macro dynamics from the evidence on partial effects, which has been the near-exclusive focus of quantitative work. This is true of the USA, but far more so of the rest of the world, where there is even more reason to doubt the dominant model thesis. Comparative political economists have long since put to bed strong notions of convergence, yet, much of the financialisation literature seems to assume that SVO constitutes a globally dominant institutional model, despite enormous evidence to the contrary. Italy, for example, appears to have retained almost all of the traditional features of its distinctive governance regime (Bulfone 2017; Enriques and Volpin, 2007). In Spain, there has been a very gradual trend towards marketisation, but little progress on key reforms related to shareholder empowerment, such as board independence and variable compensation packages (Gutiérrez and Surroca, 2014: 1012). In Germany, a very slow process of Anglo-Saxonisation appears to have been largely arrested following the 2008 crisis (Rühmkorf et al., 2019). In the Netherlands, Bezemer et al. (2015) show how resistance from anti-SVO corporate and family owners acted to partially stymie the advance of the shareholder revolution. Both Jung and Mun (2016) and Vogel (2019) conclude that, despite the increasing influence of foreign institutional investors, the stakeholder model of governance remains alive, if not entirely well, in Japan.

CF: strategy or behaviour?

A final problem we note is the increasingly common tendency to dilute the definition of corporate financialisation across *explanans* and *explanandum*. In its dominant and earliest uses, financialisation refers clearly to a set of changes in the governance of the firm and to the strategic orientations to which these give rise. Increasingly, however, the term has come to refer to not only financialised strategies but also the behaviours which are in actual fact *effects* of those strategies (the fourth column in Figure 2). Specifically, corporate financialisation is equated to the expansion of financial balance sheets and to an increase in financial payouts. Problems arise because this definition is

adopted irrespective of whether these behavioural outcomes are related to the causal processes identified in the original theory.

This is the basis on which large tech firms have been inducted into the ranks of the financialised. Although abiding by its earlier meaning, they represent the very antithesis of that term (Klinge et al., 2023). Institutional investors, for starters, have notably less influence over Big Tech than they do over firms in most other industries. Founders have often retained substantial or absolute control through the use of dual-class shares and other instruments. While their rhetoric might echo shareholder value principles, their actions have been closer to the supposed empire-builders of the managerialist era. Amazon is an important case in point. Their aggressive pursuit of market share through predatory pricing, promiscuous acquisition and extremely high rates of reinvestment, in both plant and R&D, have landed the company in the sights of antitrust regulators (Khan, 2016). The company has leveraged both its platform and informational advantages to expand across a wide range of industries and activities, including logistics, payment services, film production and hardware manufacturing. Its business model, in short, has been characterised by managerial autonomy, aggressive expansionism, long-termism, diversification and innovation intensity – a kind of perfect inverse of the archetypal financialised firm.

As tech firms have successfully monopolised intellectual property rights, their marginal propensity to invest has declined without this compromising their market dominance (Schwartz, 2022a). This has provided them space to distribute generously to shareholders from the giant cash reserves they have amassed, largely in low-tax offshore jurisdictions. In order to do this while still seizing arbitrage opportunities, they have engaged in complex financial operations, issuing their own high-quality debts to fund payouts in the domestic (USA) market while earning a spread by reinvesting cash hoards in sovereign debt and lower-tier corporate bond markets (Pozsar, 2013). This has left them with bloated balance sheets at the same time as payouts have ballooned. Hence, these firms have financialised in the *behavioural* sense but through means and motives entirely distinct to what canonical theories would have assumed. Naturally, the practical and policy implications of this financialisation are also very different. There is far less reason to suspect that either payouts or financial investing will feed through to declining investment (Reddy, 2023). The case of Big Tech firms actually illustrates the scope limits of CF theory. Both their ballooning balance sheets and their payout propensity are a function of the market power they have amassed, which is ultimately

rooted in structural processes entirely distinct from financialisation, namely globalisation and intellectual monopoly. Conceptual stretching obscures this, smuggling financialisation back into a position of analytical primacy to which it is not entitled.

Conclusion

Corporate financialisation scholars have constructed an ambitious theory that connects deep structural processes of financialisation to the transformation of corporate governance and, via this, to a sweeping set of changes in business models and strategies encompassing investment habits, labour policies, organisational practices and allocative regimes. These new strategic orientations, in turn, account for novel patterns in the ways firms have generated, used and distributed revenues, generally in ways that have elevated the place of finance. In this way, corporate financialisation theory supplies crucial micro-foundations to macro-structural accounts of financialisation, and directly connects the latter to aggregate trends of development such as secular stagnation.

Above, we identified four different sub-theories each pertaining to a different aspect of financialised business strategy. The evidence in favour of these is uneven. Theories of financial accumulation seem to rest on a straightforward mis-construal of the facts – growing financial portfolios do not appear to be connected to any generalised turn to financial profit seeking. Conversely, it seems clear that SVO has altered practices of liability management, but the substantive importance of this is not given. More salient is the claim that SVO transforms allocative regimes. There is perhaps good reason to suspect that it has been a factor in rising payout rates and that this is related, at the margin, to declining investment and wage pressure. But the magnitude of this effect remains unclear. Even if partial effect sizes can be more clearly established, the theory would face further hurdles in proving its causal centrality to macro trends. Belief in that centrality has rested strongly on the assumption that a well-defined set of SVO principles has become entrenched and widely diffused throughout the world. The problems of scope we identified above challenge this assumption.

The point of the critique we have offered in these last pages is not to suggest that CF is a depleted field of research, or that it offers no insights into the forces transforming the corporate world. While some streams of research, such as those on financial turn in accumulation, might have run their course, others remain very much alive and

generative, even if core hypotheses remain under-substantiated. There is, however, a need for caution, to echo Christopher's (2015) advice for the wider field. At least from the NFC angle, the existing evidence does not show financialisation to have constituted any kind of dominating trend of development subsuming all other vectors of transformation (Hein, 2022). Particularly if our ultimate objective is to explain the major stylised facts of contemporary capitalism, such as secular stagnation, CF is better seen as one, arguably smaller. part of the puzzle (Schwartz, 2022a). Rather than trying to refract everything through its analytic lens, research should focus on more clearly defining its explanatory limits relative to other structural forces, such as the rise of intangible capital (Orhangazi, 2018), monopolisation (Gutiérrez and Philippon, 2017) and ongoing globalisation (Im, 2021). This would require greater conceptual discipline – a willingness to clearly define the boundaries of financialisation and separate out its associated channels of influence from those related to other dimensions of structural change. We hope that this review has made some small contribution to that effort.

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Appendix 1

Figure 1 is based on the number of times that specific terms appear in the title, abstract or keywords in a selected sample of journals with closed links to -heterodox-political-economy. These journals include Cambridge Journal of Economics, Competition and Change, Economy and Society, International Journal of Political Economy, International Review of Applied Economics, Journal of Economic Issues, Journal of Post Keynesian Economics, New Political Economy, Review of International Political Economy, Review of Keynesian Economics, Review of Political Economy, Review of Radical Political Economics and Socio-Economic Review.

For 'financialisation' we included the terms 'financialization' and 'financialisation'.

For 'corporate financialisation' we included the terms 'corporate financialization', 'corporate financialisation', 'financialization of the firm', 'financialisation of the firm', 'financialization of the nonfinancial corporation' and 'financialisation of the nonfinancial corporation'.

For 'globalisation' we included the terms 'globalization' and 'globalisation'.

For 'monopolisation' we included the terms 'monopolization', 'monopolisation', 'monopoly' and 'monopolies'.

For 'liberalisation' we included the terms 'liberalization', 'liberalisation' and 'deregulation'.

For 'intangibilisation' we included the terms 'intangibilization', 'intangibilisation' and 'intangible'.