NEOLIBERAL EUROPEANISATION, VARIEGATED FINANCIALISATION: COMMON BUT DIVERGENT ECONOMIC TRAJECTORIES IN THE NETHERLANDS, UNITED KINGDOM AND GERMANY

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ABSTRACT
Revisiting attempts to connect comparative political economy and the geographies of finance, we present a balance sheet analysis of financialisation in the UK, the Netherlands, and Germany from 1992–2012. We define financialisation broadly as a trend towards a greater reliance on assets and/or debt, with particular manifestations across different domains of the economy: a greater reliance on financial tools and metrics for the state and non-financial corporations, a shift to market-based banking and increasing dependence on credit or asset-based welfare for households. We use OECD time-series balance sheet data and qualitative accounts drawn from the literature to overview economic change in our case countries. Using this informal comparison we develop the concept of 'variegated financialisation' by exploring the common but not convergent financialising trajectories of our case countries and relating them to the politics of finance's institutional embedding.

Key words: Germany, United Kingdom, the Netherlands, variegated financialisation, balance sheets, European Union

INTRODUCTION

The dramatic growth of global finance in recent decades has led critical scholars to argue there has been a process of financialisation across advanced capitalist countries (Krippner 2012; Streeck 2013; Aalbers 2017a). While the initial Anglo-American focus of much of this literature has broadened, this has tended to be through single case studies centring on a specific country or domain. As a result, the question of how to understand financialisation as a variegated phenomenon – and what relationship to processes of neoliberal restructuring this implies – has remained underspecified (although see Fine 2012).

We seek to rejuvenate the faltering dialogue between comparative political economy and financialisation studies by revisiting Engelen *et al.*'s (2010) initial attempt to establish such a framework. We adopt a similarly 'informal' (rather than hypothesis-testing) comparative approach overviewing national trajectories and draw on Lapavistas and Powell (2013) in

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identifying particular manifestations of financialisation across domains: households, banking, and non-financial corporations; to which we also add the state. Our case-selection speaks to the varieties of capitalism (VoC) literature's characterisation of 'ideal-type' cases: the UK as a liberal market economy (LME), Germany as co-ordinated market economy (CME), and the Netherlands a hybrid which problematises this conventional VoC typology (Engelen *et al.* 2010; Hall & Soskice 2001; Peck & Theodore 2007).

We use national financial balance sheets drawn from OECD time-series data to provide snapshot overviews of cross-sectoral and cross-country changes. Although used effectively in comparative and longitudinal studies of housing finance (Ertürk *et al.* 2005; Jordà *et al.* 2016) balance sheets have been an underutilised dataset given that they afford an intuitive, if only indicative, overview of economic restructuring. Relating these quantitative overviews to qualitative accounts drawn from the body of literature on financialisation allows us to explore the concepts developed therein through a comparative-oriented lens. In this way, we explore the variegated nature of financialisation in Europe.

VARIEGATED FINANCIALISATION

Aalbers (2017a, p. 3) defines financialisation as the 'increasing dominance of financial actors, markets, practices, measurements and narratives, at various scales, resulting in a structural transformation of economies, firms (including financial institutions), states and households'. The key problem for those studying financialisation with an international purview is how to conceptualise the highly hetereogenous manner in which different political-economic institutional configurations have incorporated common pressures associated with the rise of global finance (Dixon 2011). Engelen *et al.* (2010) broke the ground for such a 'geographies of financialisation' by critically utilising a VoC framework to analyse change in the Netherlands as compared to Germany as the ideal-type non-financialised economy and the US as the ideal-type financialised economy. Asserting that 'there are no "ideal types" of financialisation', meanwhile, Lapavistas and Powell (2013, p. 365) expound on 'financialisation varied' by operationalising the concept as a structural change manifest in observable tendencies across key domains of the economy.

However, such processes are not varied insofar as this term implies their embeddedness in disconnected or static (national-) institutional types. Rather, they are variegated. That is, they are embedded within an uneven world system replete with interdependencies and linkages with no a priori scale but which is, at the same time, constituted by historically embedded, path-dependent and scale-bound/-generative political economic institutions (Peck & Theodore 2007; Brenner *et al.* 2010). This notion of variegation is particularly important when studying finance because its vagrant, border-transgressive nature makes any methodological nationalism centring on disconnected institutional varieties actively counterproductive for analysis.

The contribution of the term 'variegated financialisation' (see also Aalbers 2017b; Brown *et al.* 2017) does not lie in merely mirroring the concept of 'variegated neoliberalisation'. Rather, it invites us to consider how these two era-defining processes have been entwined, complementary and contradictory (Hendrikse & Sidaway 2010). It behoves further exploration of how the 'dull compulsion of financialised competition drives both ad hoc and strategic forms of neoliberal reinvention on an ongoing basis' (Peck 2010, p. 231) and, in turn, how neoliberal policy constellations have been constituent of financial expansion (Aalbers *et al.* 2011). It implies attempting to understand something of the politics of finance's institutional embedding: of neoliberalism as the financial stage of capitalism (Fine 2012; see also Peck *et al.* 2010; Ward & Swyngedouw 2018).

Financial globalisation progressed through a global credit glut facilitated by the 'great moderation' in which macroeconomic indicators stabilised and market cycles of boom and bust flattened (Fernandez & Aalbers 2016). The great moderation was associated with monetarist, liberalising policies which, at the European scale, were institutionalised through the formation of the European Union and Eurozone (see also Engelen *et al.* 2011) during the early

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1990s. This triggered a rapid Europeanisation of banks and their activity while placing restrictions on states' fiscal policy.

Yet despite these common drivers, the extent and form of financialisation has been divergent across European countries (Fernandez & Aalbers 2016; Brown *et al.* 2017). Financial actors have penetrated new markets with varying success and enthusiasm, forging an uneven geography of investment according to their own calculative practices while being variously sought, facilitated or resisted by local actors (Engelen & Konings 2010; Engelen *et al.* 2014). Financial expansion thus progresses heterogenously within and across governance regimes (Hendrikse & Sidaway 2013). Indeed, as Engelen *et al.* (2010, p. 69) put it:

> national institutional frameworks do not merely function to alter, resist, or mediate the effects of financialisation but, rather, have a constitutive role to play in the mutual interaction between global markets and local financial changes.

As such, financial globalisation has not led to the universalisation of the liberal market economy structure. Rather, financialisation has entailed common – but not convergent – trajectories towards greater reliance on debt and assets (Fernandez & Aalbers 2016). The constitutive role of local political struggles in shaping these trajectories led Engelen and Konings (2010) to suggest a typology based on the receptiveness of political-economic institutional configurations to the rise of finance: 'consensual', 'contested', and 'compartmentalised' financialisation. Thus understanding variegation requires a dynamic view of finance's institutional embedding within evolving local political economic relations.

FINANCIALISATION IN THE BALANCE SHEETS

Following Engelen *et al.* (2010; see also Gerring 2007) we offer an informal rather than hypothesis-testing comparison. The juxtaposition of qualitative narrative drawn from the secondary literature with the 'snapshot' overviews of the financial balance sheets affords a broad but indicative comparative-orientated lens on national economic trajectories. Our use of balance sheets is inspired by Ertürk *et al.* (2005), who argue that this approach allows a shift of comparative focus away from the production-oriented metrics of traditional VoC studies to the more amorphous flows of capital and assets.

The distinguishing feature of financialisation is a trend towards greater reliance on debt-financing and asset-inflation (see also Streeck 2013), which is manifest in specific trends in the restructuring of these domains (Lapavistas & Powell 2013). We examine four domains: banking, non-financial corporations, the state, and households:

Banking – The rise of market-orientated banking following the deregulation of the financial industry (Lapavitsas & Powell 2013) has entailed banks becoming less reliant on deposits as a source of funding, and focusing on the issuance and trade of debt instead. As a result, the production of new loans and the management of risk (especially through securitisation) became of central importance to banks' business models and fees generated by financial trading on global capital markets became more important than interest margins on loans (Hardie & Howarth 2013). The financialisation of banking is thus the extent to which banks have shifted from their traditional business-models of consumer loan-provision to the sale of, and speculation on, debt (see Figure 1).

Non-financial corporations (NFCs) – With the liberalisation of capital flows corporations' funding became more sensitive to profitability and shareholders established 'new and coherent architecture for the mode of governance of firms' (Boyer 2000) transforming corporate decision-making processes around the drive for short-term financial results (Aglietta 2000). Corporations' core business came to revolve around assets, leveraged growth and the engineering of financial profit while financial actors entangled with corporations via long-term complex contracts, structured debt products or as major shareholders. The financialisation of NFCs is the extent to which financial speculation has become central to corporations' business models (Lapavistas & Powell 2013) (see Figure 2).

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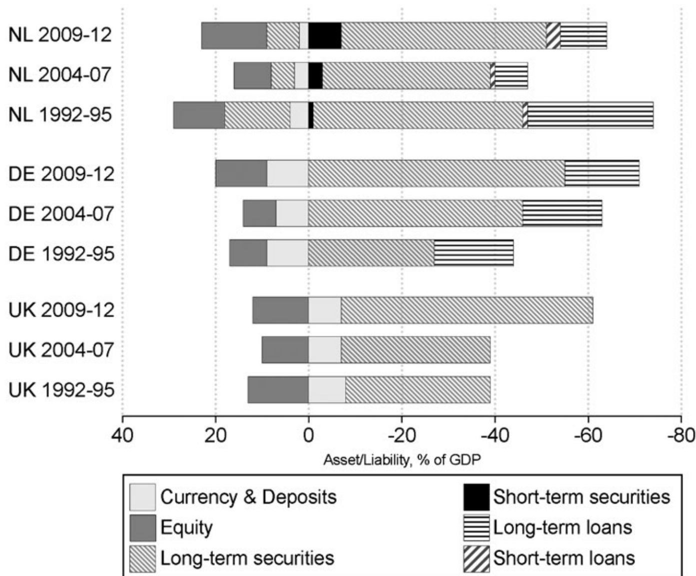

Figure 1. *Financial institution balance sheets.*

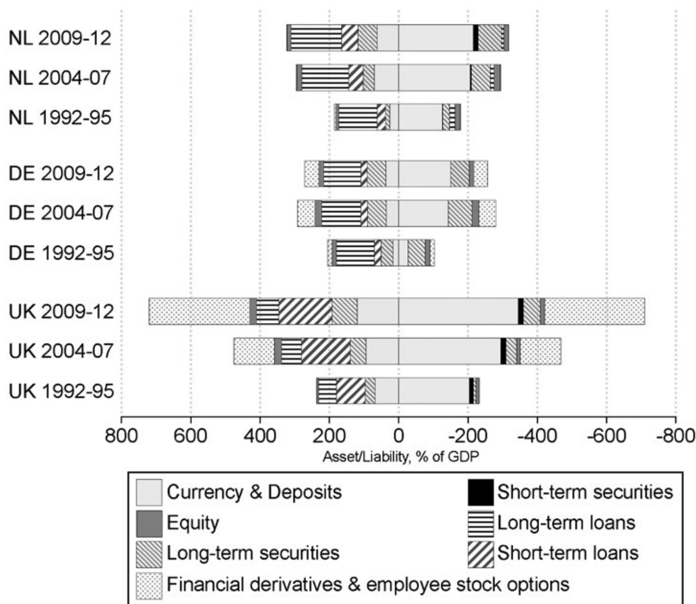

Figure 2. *Non-financial corporation balance sheets.*

The State (Figure 3) – Fiscal crises and mounting dependency on debt led to increasingly complex financial entanglements in the process of state restructuring (Streeck 2013). State financialisation entails 'the transformation of key state functions in support of the growth of risk-oriented financial markets, up to the point where state actors incorporate some of the logics of modern-day financial firms' (Hendrikse & Lagna 2018, p. 2).

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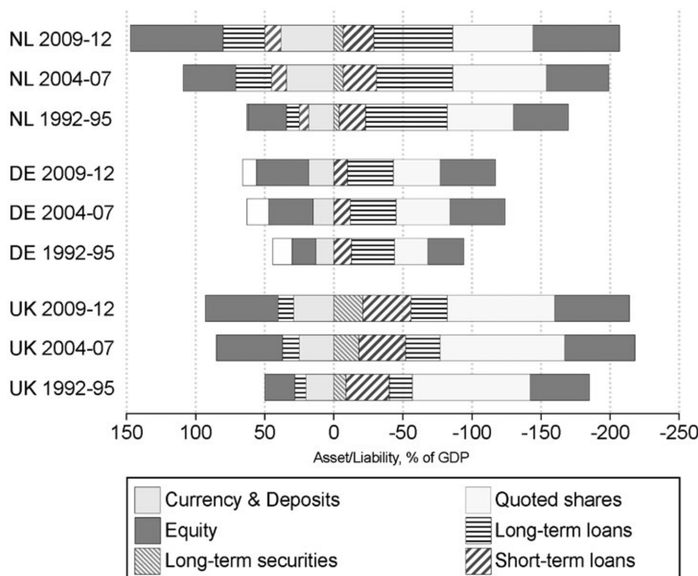

Figure 3. *General government balance sheets.*

This particularly manifests in the facilitation of practices whereby (quasi-)state agencies can become speculative financial actors themselves (Gotham 2016; van Loon & Aalbers 2017); and the introduction of financial products and metrics into state budgets (Hendrikse & Sidaway 2013; Lagna 2015) (see Figure 3).

Households – Family finances have been drawn further into the financial system (Lapavistas & Powell 2013; Waldron & Redmond 2015). First, lending restrictions were relaxed and households began to borrow more extensively (Watson 2010). Second, as the state retreats households are increasingly responsible for their own welfare against old age, unemployment or illness and the creation of housing wealth has been promoted as the essential mechanism for doing so (Ronald *et al.* 2015). The financialisation of households is thus the extent to which they mobilise credit and asset-growth in social reproduction (Lapavistas 2013) (see Figure 4).

TRAJECTORIES OF COMMON DIVERGENCE

Our case-study countries are northern European countries identified as contrasting in the VoC literature (Hall & Soskice 2001) – the UK as LME, Germany as CME, and the Netherlands as a hybrid. Engelen and Konings (2010) understand their common but divergent trajectories by mapping a typology of the politics of financialisation onto Hall and Soskice's varieties of capitalism: consensual, contested, and compartmentalised financialisation.

They posit an 'elective affinity' between LMEs and *consensual* financialisation wherein financial actors have been able to shape institutions, creating highly financialised political economies. The literature on the UK case certainly suggests this, with credit expansion deeply integrated in the country's governance regime as a driver of growth (Crouch 2009; Watson 2010; Montgomerie & Büdenbender 2015; Baccaro & Pontusson 2016).

Traditionally portrayed as a conservative, corporatist economy, the Netherlands has embraced credit-led growth in recent years (van Loon & Aalbers 2017). Engelen and Konings (2010) identify this as *compartmentalised* financialisation, in which certain segments of an otherwise corporatist economy are highly financialised with a degree of buy-in from wider society and technocratic management of conflicts.

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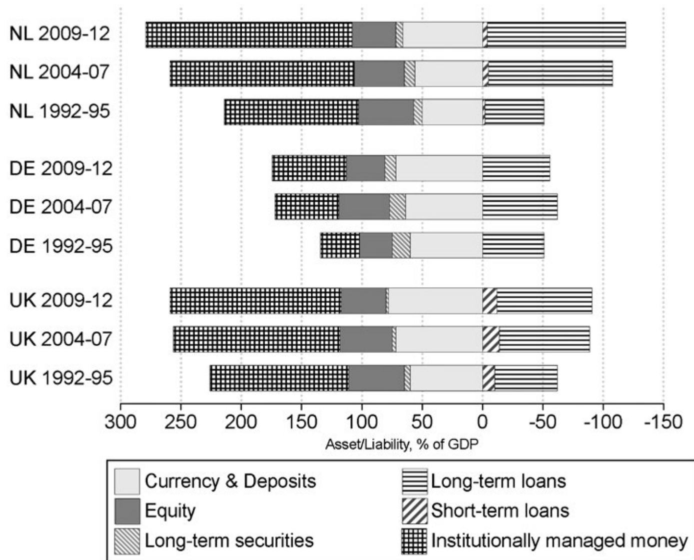

Figure 4. *Household balance sheets.*

Germany's quintessential CME status led Engelen and Konings (2010) to characterise it as a case of *contested* financialisation. Here actors wishing to take advantage of international finance faced conflict from industrial fractions of capital and the body politic. As a result, they tended to focus on international opportunities rather than the domestic market and Germany is often seen as a paradigmatic 'non-financialised economy' with its fragmented, bank-based economic model (see also Engelen *et al.* 2009). However, recent studies have demonstrated that the country has not been impervious to processes of financialisation (Hendrikse & Sidaway 2013; Wijburg & Aalbers 2017b), particularly as its universal banking sector shifting towards market-based banking from the 1990s onwards (Krahnen & Schmidt 2004; Hardie & Howarth 2013).

We draw our data from the OECD and the SNA 2008 which standardise the consolidated financial accounts of OECD-countries into comparable categories. We have constructed the balance sheets as agglomerated four year averages stretching from the founding of the European Union with 1992's Maastricht treaty (1992–95), the build up to the global financial crisis (2004–07), and the subsequent aftermath (2009–12). Using consolidated accounts removes the 'double counting' of the financial assets and liabilities of sub-domains or subunits (OECD 2016). We measured the assets and liabilities as a percentage of the size of GDP to make the balance sheets comparable. For legibility, we removed values that were less than 5 per cent across all balance sheets. Data was missing for the Dutch and German banks 1992–1994, so the first period is based on an average of 1995 and 1996.

Balance sheets provide a partial perspective and have some serious limitations which render any conclusions drawn from their analysis tentative. Notably, the data on states used here pertains to general government only whereas much of the literature on state financialisation emphasises its glocal nature as manifested at the municipal scale (Hendrikse & Sidaway 2013). Further, one advantage for governments drawing on financial products and networks is precisely that it allows them to put liabilities *off* the balance sheets and/or remove them from a particular jurisdiction (Irwin 2012; Fernandez & Wiggins 2016). Finally, household balance sheets do not reflect real estate values, so obscuring the major store of household wealth (Ronald *et al.* 2015). Given these limitations, we use the balance sheets as indicative snapshots which we relate to the qualitative trajectories rather than comprehensive datasets with which to test hypotheses.

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It is also worth noting that our data is still nationally rooted and the comparative framework offered is one of national trajectories. There is a methodological nationalism to our empirics, then, if not the explanatory framework within which we embed the cases. We also cannot address scale issues wherein international finance is nominally based *in* but is not *of* that political economy, as Christophers (2011) shows to be the case for the UK banking sector. That said, our analysis is indicative of outcomes in the given sectors of our countries, offering one way of corroborating the qualitative trajectories gleaned from the secondary literature.

UNITED KINGDOM

Banking Sector – The size of the UK's banking sector – with assets over twice that of households and more than 10 times that of government – is due to the City of London's successful entrenchment as a leading global financial centre and provider of advanced producer services (Bassens & van Meeteren 2015). That in mind, the explosive growth of financial derivatives is not strictly a feature of the UK economy but of the expanding global financial markets which London and its banks host (see Christophers 2011). The UK balance sheets here not only show its sudden and massive growth in derivative trades (having not been accounted for in the statistics for the 1990s), to being a trade worth 117 per cent of GDP before the crash but also, perhaps surprisingly, that it grew 2.5 times larger as a share of GDP after the crisis. This is partially the result of attempts to make derivative trading more transparent but also reflects the continued and strong growth in such trade as financialised actors sought to mitigate and speculate on the risks entailed by increasingly volatile markets.

Also apparent is a long-term trend of increasing appetite for risk and leverage in the banking sector as their issuance of short-term loans and currency liabilities increased markedly but the funds held to provide solvency did not grow at a similar rate. While this data does not reflect the off-balance financial instruments which were a major driver of financial expansion, it does demonstrate the general trend over the last 30 years or so: more lending against less security and growing importance of the trade in complex financial products from 117 per cent of GDP in 2004–07 to 289 per cent in 2009–12.

NFCs – Non-financial corporations already issued a significant number of quoted shares in 1992–95, as one might expect given its historically dominant financial system and this data reflecting a period immediately following the 1980s stock market boom. As the mid-2000s credit boom took hold, however, many NFCs shifted from equity to debt-based modes of financing, with holdings in non-quoted shares ('equity') growing at twice the rate of quoted shares between 1992–95 and 2004–07: from 43 per cent to 51 per cent. At the same time, NFCs themselves increasingly utilised finance as a source of profit in itself as they could borrow relatively cheaply against their cash flow and refinancing became common practice. This is reflected in long-term securities' doubling between 1992–95 and 2004–07 from 9 per cent to 18 per cent. This shift from equity to debt financing is consistent with the assessment of Froud *et al.* (2002) that the capital market has come to shape corporate governance as financial results became more dependent on secondary markets and a shareholder-value ethos become dominant in corporate governance.

The effects of the post-2007 recession are apparent primarily through shrinking relative value of quoted shares and less short-term loans as credit provision dried up. NFC long-term securities still grew in the wake of the crisis, likely due to companies refinancing debts after the crisis but also a sign of continuing growth in the market for corporate debt: from 18 per cent to 21 per cent. At the same time, the provision of loans and holdings of 'equity' grew significantly from 22 per cent in 1992–95 to 53 per cent in 2009–12. If we take this as an indicator of NFCs' growth into being providers of financial services themselves (Lapavistas 2013), it may suggest that some NFCs responded to the unfulfilled demand for liquidity in the post-crash economy

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by directly engaging in more financial activities themselves.

General government – Even during the boom years reflected in the 2004–07 data, the state was not taking ownership of large capital projects or the like and its equity contracted by 23 per cent of GDP as compared to 1992–95. This was due to a commitment to market-based policies as it sought private funding for capital projects, and privatised existing government assets. As the banking bailout occurred through the purchase of shares in failing banks, it is also reflected in the large jump (20%) in state equity to similar levels as in the first period (13% in 1992–95, 12% in 2009–12).

Households – Since the 1980s UK debt – especially mortgage debt – has been a key driver of the economy underpinned by rising property prices (Crouch 2009; Montgomerie & Büdenbender 2015). Consistent with this 'privatised Keynesianism', long-term household debt rose from 52 per cent in 1992–95 to 79 per cent in 2009–12 while transferable deposits did increase over the same period but at a slower rate: from 60 per cent to 78 per cent. There was some reduction of short-term loan financing to households after the crisis as lending slowed and insolvent debt had to be written off, but long-term debt, namely, mortgages, continued to grow as property remained a central driver of the economy and vehicle of household investment.

Despite this, on aggregate UK households appear solvent, with short-term loans covered by assets and a significant portion of these assets being liquid in the form of currencies and deposits. And this before considering property values, which are not accounted for in the data. In fact, the assets to liabilities position of households has marginally improved from the first until the last period, primarily through currency held in the bank. This period has thus been one of expanding wealth even as incomes have stagnated, corroborating, alongside the shift of household investment from equity to cash and long-term debt, analyses that the locus of growth has shifted to asset-inflation (per Crouch 2009; see Ronald *et al.* 2015; Jordà, *et al.* 2016).

GERMANY

Banking sector – The German banking sector has traditionally been known for its corporatist three pillar banking structure wherein universal banks, public banks and cooperative banks are assigned to specific domestic banking activities (Streeck 2009). In the 1980s universal banks sought to break out of the confines of this corporatism, triggering a credit-driven boom which came to an abrupt halt during the post-reunification recession of the mid-1990s. Still, a gradual transition towards market-based banking in Germany's financial system was set in motion (see Krahnen & Schmidt 2004).

European and monetary integration provided universal banks and Landesbanken new opportunities abroad (Streeck 2009). Many German universal banks sold their shares in domestic firms in order to focus on global markets (Lapavitsas & Powell 2013), but equity holdings nevertheless grew from 13 per cent to 19 per cent in 2004–07 as the result of this global expansion. Although the new risk-taking activities were thus mostly exported, the general shift towards market-based banking can also be seen in the national accounts, with the increase in total amount of financial assets from around 200 per cent in 1995–96 to around 300 per cent in 2004–07 particularly striking. Also during this period, long-term debt securities increased from 34 per cent to 55 per cent and credit derivatives from 13 per cent to 51 per cent. Hence, the influence of market-based banking also diffused in Germany.

During 2009–12 in response to unexpected exposure to the crisis, the government in Germany had to bailout various commercial and larger public banks and was involved in the take-over of banking giant Dresdner Bank (Hardie & Howarth 2013). In line with the new capital requirements of the European Central Bank, German banks increased their deposits on the liability side (from 39% in 2004–07 to 57% in 2009–12). However, most of the increase in equity was used to compensate for the decrease in the value of financial assets, including credit derivatives (down to 41% in 2009–2012), and debt securities (67% in 2009–2012), at a time when some German

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banks struggled to meet the capital requirements for the ECB's stress tests.

NFCs – Between 1992–95 and 2004–07 the total amount of financial liabilities of German NFCs increased by more than 25 per cent. This is attributable to the Schröder government's market reforms (1999–2004) which encouraged the disintegration of Germany's insider-controlled corporate network and the growth of capital markets (Streeck 2009). As many large German enterprises raised equity through the stock exchange, the amount of quoted shares on the liabilities side increased from 24 per cent to 39 per cent. German firms also increased their financial assets but contrary to the dominant notion that corporate Germany was 'for sale', most small and medium-sized enterprises consolidated their traditional models reliant on family capital and long-term finance (Lehrer & Celo 2016). Changes on the asset side of German NFCs are thus moderate as is reflected in the growth of quoted shares: from 14 per cent to 16 per cent.

Indeed, the balance sheet composition of German NFCs did not change radically even in the aftermath of the global financial crisis. German NFCs were heavily exposed to losses in the global financial markets and the subsequent crisis in the Eurozone (Hardie & Howarth 2013) but soon recovered as the new low interest environment stimulated credit-fuelled investment and corporate lending. That the German economy recovered quickly has generally been attributed to the fact that small and medium-sized enterprises in Germany were reliant on family capital and so had not taken up much private debt (Lehrer & Celo 2016) nor engaged with stock markets, insulating them somewhat from volatility. Thus quoted shares are 34 per cent of GDP for German NFCs' in 2009–12, compared to 78 per cent in the UK and 58 per cent in the Netherlands. Large German NFCs, meanwhile, are typically export-orientated and focused on highly specialised, manufactured products with inelastic demand, and so also recovered after the GFC as exports to China and the United States benefited from a weak euro and low interest rates.

General government – Mounting central government debt was a problem during the post-reunification recession and despite signing up to European Union debt restrictions Germany did not manage to reduce its debt levels structurally, with its liabilities increasing 20 per cent from 1992–95 to 2004–07. Following the financial crisis the central government moved to rescue some of its internationally exposed universal and regional banks. As a result, a significant increase in equity (corporate stock) can be noticed from 7 per cent in 2004–07 to 11 per cent in 2009–12. To solve the banking crisis, the German government had to borrow money to buy shares and to pay off debts, resulting in an increase of financial liabilities from 65 per cent to 80 per cent. Some German municipalities were also deeply impacted by the crisis: Hendrikse (2015) has estimated that up to 700 towns and cities in Germany had signed derivative contracts with investment banks, resulting in large losses (not reflected in the balance sheet data we draw on this paper).

Households – German banks traditionally adopt strict rules for providing credit to households (Streeck 2013; Mertens 2017). The fiscal conservatism of German households (Streeck 2009) combined with the country's relatively affordable private rental sector meant that between 1995 and 2007, German households had small balance sheets and relatively low liabilities. However, the total amount of financial liabilities of German households exceeded the total amount of their savings between 1992–95 and 2004–07, indicating that households were not as conservative as they appeared (Wijburg & Aalbers 2017b). Financial liabilities of German households increased moderately, mostly through consumer credit, as did their financial assets, including quoted and non-quoted shares and other equity. This gradual increase in debt and assets is marginal but shows German households becoming slowly more finance oriented. German households have not taken up significantly higher levels of debt through long-term loans (56% in 2009–12 as compared to 52% in 1992–95), but easier

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borrowing conditions have certainly been a key driver behind the recent German housing boom, which has only reinforced in the years after 2012 (see Wijburg & Aalbers 2017b).

THE NETHERLANDS

Banking sector – Until the early 1990s, banking in the Netherlands had included a mixture of all types of banks, including a large state-owned one. But the creation of one European financial market combined with domestic liberal reregulation of finance, and the state's structural current account surpluses flowing as deposits into the banking system not only enabled the adoption of market-based banking, it also set in motion a large consolidation concentrating almost every sphere of banking activity within three Dutch banks (Chang & Jones 2013). Dutch banks internationalised their balance sheets and grew in assets and liabilities. Crucial to this growth was the securitisation of mortgages, made possible by regulatory reforms during the 1990s.

With their internationalized balance sheets and dependence on the Dutch 'securitization machine' the business models of the major Dutch banks increasingly revolved around fees and commissions, connecting them closely to global capital markets while currency and deposits held were minimal (Engelen 2015). When the crisis hit in 2008 banks reported enormous losses mostly as the result of asset write-downs (Chang & Jones 2013), and the Dutch state nationalized two banks and bailed out another. As a result, agglomerated banks/insurers such as ING separated their activities and banks made an attempt to reduce their exposure to international markets and decrease their balance sheets. However, the aggregated total balance sheet of Dutch banks has remained large as a percentage of GDP, appears to be shifting to adventurous growth models again as the state gradually pulls out of the sector. For example, the bank ABN's return on equity was restored to pre-crisis level of 15.3 per cent (the second largest in Europe) upon its public offering in 2015.

NFCs – Waves of privatisation and deregulation opened up Dutch corporate governance to finance capital. Henceforth, institutional investors and foreign private equity became major investors in Dutch corporations. Stimulated by their shareholders, large internationally oriented Dutch corporations adopted growth strategies that focused on bolstering financial results, mostly through capital gains and mergers and acquisitions (Bezemer & Muysken 2015; van Loon 2016). This shift in corporate governance is expressed through a pronounced increase in financial assets: equity increased from 28 per cent in 1992–95 to 67 per cent in 2009–12. On the other hand, NFC borrowing remained relatively stable over time suggesting a less dramatic change in the relationship between banks and NFCs. Also, in contrast with a common claim in the literature on the financialisation of firms (Lapavitsas & Powell 2013), Dutch NFCs did not turn to global capital markets in a very pronounced way: external finance through securities only increased from 4 per cent-to-GDP in 1992–95/2004–07 to 7 per cent in 2009–12. Moreover, the mix between finance from quoted and non-quoted shares and through long-term/short-term loans remained relatively stable over time. On an aggregate level, financial liabilities grew only slightly faster than GDP (from 170% in 1992–95 to 207% 2009–12). Yet, the strong growth of financial assets from 63 per cent GDP to 148 per cent illustrates the increasing importance of finance throughout the 1990s.

General government – Maastricht criteria (e.g., a maximum 60% state debt to GDP) was enthusiastically adopted by central government in the 1990s. The decrease of both state equity in, and loans to, firms displayed in the balance sheets illustrates this as the assets on its balance sheet fall particular as a result of the privatisation of state firms but also through rounds of 'decentralisation', transferring state assets and budgetary powers to semi-public organizations and municipalities. The resultant (semi-)privatized universities, firms, housing associations and other services such as child-care centres became fruitful terrain for financialisation (van Loon 2016).

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At the same time, the financialisation of the Dutch state has been limited to relatively small derivative transactions and local governments' participation in debt-based real estate strategies (van Loon 2016). However, during the financial crisis the state lent heavily to nationalise or support major domestic banks and insurance agencies, increasing both state debt and equity holdings of the state in financial institutions (Bezemer & Muysken 2015; see Figure 3) and later to support other European countries. Therefore, the liberalisation of finance and European integration has introduced considerable financial risks onto the balance sheet of the Dutch state.

Households – A combination of economic growth, increased labour participation, pension fund reforms, and a mandatory pension fund system set in motion the creation of a huge pool of Dutch institutional money during the 1990s, accumulating into the largest pension asset to GDP ratio in the world (see category 'institutionally managed money' in Figure 4). The continuous increase in their assets under management made pension funds and insurers powerful actors within the Dutch political economy, concentrating decision-making regarding households' main assets within a narrow financial technocratic elite.

By investing these assets mostly in equity and bonds, household wealth increased considerably but also became more vulnerable to global financial market volatility, causing considerable decreases in asset values during financial turmoil in 2001 and 2008. The institutional framework heavily relies on financial calculations of future liabilities based on the current interest rate. Consequently, the current low interest rates further increase institutionally managed assets as they calculate higher future liabilities in their risk models (van Loon & Aalbers 2017). At the same time, low interest rates means that savings, the second largest financial assets of households (see (transferable) deposits and other deposits in Figure 4), generate a lower return.

Where Dutch households can allocate their own financial assets, they increasingly opt for savings accounts. Whereas in the early 1990s, 48 per cent of the Dutch households' non-institutionally managed money was put into savings and current accounts, this percentage has risen to 61 per cent in the most recent period (mostly at the expense of more risky equity investments, down from 44% to 33%). On the liability side, meanwhile, the heavily increased mortgage debt of Dutch households indicates the Dutch housing market is a model case of the financialisation of housing, creating one of the largest debt-to-GDP ratios in the world (Engelen 2015).

CONCLUDING DISCUSSION

In the foregoing analysis, we drew on financial balance sheet data and the secondary literature to overview economic restructuring and further substantiate the notion of 'variegated financialisation'. We defined financialisation broadly as a trend towards a greater reliance on assets and/or debt, with particular manifestations within different domains of the economy. Namely: a greater reliance on finance for the state and non-financial corporations, a shift to market-based banking and increasing dependence on credit or asset-based welfare for households.

Convergence towards market-based banking – There were common supra-national compulsions towards market-based banking, particularly the liberalisation of capital flows throughout the European Union (Engelen *et al.* 2011), and the global 'great moderation' providing conditions for financial expansion and capital mobility (Fernandez & Aalbers 2016). These trends were evident in each of the three countries analysed but there were significant differences: whereas the UK was already an epicentre of market-based banking in Europe, Germany's domestically-orientated banks remained relatively risk-averse even as its largest investment banks expanded through loans to other members of the Eurozone. Dutch banks, meanwhile, imported various financial instruments to the Netherlands and commodified the Dutch mortgage market, spurring a more credit-based growth regime as they sought to profit from Eurozone integration.

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Diversity in corporate financing – British corporations appear financialised in their reliance on debt over equity and, seemingly, a tendency to engage in financial lending themselves. On the other hand, Germany has proved relatively resistant towards such financialising trends with its non-listed NFCs and SMEs reliant on family forms of capital provision rather than adopting capital market-focused business models. However, as some of Germany's largest corporations required hard cash and capital to expand their market activities in the EU and the US, initial public offerings followed, resulting in the gradual adoption of new modes of accountability and profitability more like those of British companies which centred on high leverage and short-term returns (Froud *et al.* 2002). Dutch NFCs offer a mixed picture in that they did not turn to global capital markets in a pronounced way, but saw an increased importance of financial assets on their balance sheets as they sought to grow as global players.

Common neoliberalising drivers of state financialisation? – All our states have financialised in the sense of becoming significant financial stakeholders. Their shrinking liabilities, meanwhile, suggests a combination of austerity, fiscal devolution (Irwin 2012) and/or further reliance on off-balance financing. The EU drive to reduce public debt so as to provide a stable common currency was a key factor in these changes across the Eurozone, a drive ultimately undermined by the explosion of state debt incurred in bailing out financial institutions following the financial crisis. As the banking bailout occurred through the purchase of shares in failing banks, it is also reflected in the large jump in state equity to similar levels as in the first period. This is perhaps the most flagrant illustration of the sort of political-economic restructuring that neoliberalisation and financialisation has entailed: the equity held by central government is no longer that of owners of hospitals, schools and other service provision infrastructure; but shares in the banking sector.

Privatised Keynesianism – Increasing household debt was a notable feature in both the Netherlands and the UK. In the case of housing, this period has seen the growth of asset-based welfare (Ronald *et al.* 2015) and an associated financialisation of daily life (Martin 2002) in which citizens are encouraged to provide for their own welfare needs through judicious investment rather than relying on an increasingly limited welfare state (Lapavistas 2013). By contrast, in Germany financial assets and liabilities of households remained low – although there is some evidence suggesting increasing household reliance on finance (Wijburg & Aalbers 2017b). This trend is likely to be consolidated as large parts of the social housing sector have been privatised and rental levels in large German cities have increased alongside a need for housing as a form of asset-based welfare (Wijburg & Aalbers 2017b; see Ronald 2015) while market-based banking begins to penetrate the country's domestic banking industry (Wijburg & Aalbers 2017a).

Overall, the picture here resonates with Fernandez and Aalbers's (2016) argument that countries have followed a common but not convergent trajectory of financialisation. Further, the particular trajectories of our case-countries are consistent with Engelen and Konings's (2010) characterisation of the UK as consensual and the Netherlands as compartmentalised financialisation. Germany's increasingly bifurcated banking/corporate financing (Lehrer & Celo 2016) and household sectors suggests it is undergoing a process of compartmentalisation too, albeit one that remains more contested than in the Netherlands. This mixed picture is illustrative of how global finance is embedded heterogeneously across different national-institutional regimes.

At the same time, we should be wary of simply transposing institutional proclivities towards financialisation onto the VoC typologies. The highest levels of convergence in our case countries are partially attributable to common processes at supra-national scales. In particular, the liberalisation of EU capital markets, which strongly encouraged convergence on market-based banking; and the

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neoliberal assault on state spending which was institutionalised in European governance by the Maastricht treaty, creating pressure for states to turn to capital markets. Indeed, such supra-national drivers are of central importance today as the EU generates financialising compulsions through the implementation of the capital markets union (Braun *et al.* 2018).

Seeking to open a research agenda into variegated financialisation, we offered a wide-angled, indicative comparison of national economic restructuring trajectories. Further research is necessary to explore variegation using data sources not themselves rooted in national containers (Dixon 2011). Perhaps even more important than the supranational scale here is that of the municipal where the devolution of fiscal stress provides fertile ground for financialising practices (Hendrikse & Sidaway 2013; Lagna 2015). Moreover, the balance sheet perspective highlighted the importance not just of debt but also asset-creation in economic restructuring, raising the question as to how the composition and distribution of assets intersect with the governance regimes that coalesce around them (Baccaro & Pontusson 2016; Ward & Swyngedouw 2018). Bringing these questions to the fore, the concept of variegated financialisation impels us to consider how interconnected processes of finance-oriented restructuring unfold across uneven geographical and institutional landscapes.

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