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Discussion Forum

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New approaches to political economy

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Abstract

The discussion on 'New Approaches to Political Economy (PE)' gives us a state-of-the-art overview of the main theoretical and conceptual developments within the concept of political economy. Thereby, it invites us to broaden our knowledge regarding manifold novel approaches, which make use of more complex methods to study the less stable, less predictable, but faster changing realities of smaller or bigger geographical regions. In this discussion forum, Amable takes a closer look on the nature of 'conflict' as well as the relationship between conflict and institutional change or stability. After stressing the relevance of comparative capitalism in general, Regan also zooms in on the political conflicts in comparative political economy from three different perspectives (electoral politics, organized interest groups and business-state elites), where he finds new avenues, tensions and research agendas are opening up. From a different perspective, Avdagic reviews the broad developments in the field of political economy with respect to the supply and demand side of redistributive policy. Thereafter, Baccaro and Pontusson sketch an alternative 'growth model perspective', which puts demand and distribution at the center of the analysis. Finally, Van der Zwan analyses the usefulness of financialization studies for the study of (comparative) political economy.

Key words: comparative politics, financialization, institutional change, political economy, redistribution

Key words: H2 Taxation, Subsidies, and Revenue, P16 Political Economy, P51 Comparative Analysis of Economic Systems

The political economy of institutional change

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The approach adopted in a series of works published over the last 15 years (among others: Amable, 2003, 2016, 2017; Amable and Palombarini, 2009) has been a search for an analysis of capitalism that would not be limited to one point of view only, be it economic, sociological or political, but would integrate the political, social and economic dynamics in a theory of institutions and crises. Such a theory is necessary in order to avoid 'descriptive theorizing', which takes for granted the categories of analysis given by a more or less perfunctory consideration of the reality, and is trapped in fuzzy concepts given by 'common sense' or the current political debate (e.g. 'populism'), or imposed by a technocratic policy debate. This should also make it possible to avoid being limited to a discussion of the forms taken by institutional change and address the question of the causes of change.

This political economy should dodge an all too common pitfall found in the literature, namely a simple economic determinism that, one way or another, reduces the question of the stability, or lack thereof, of a given institutional structure to a matter of 'good' macroeconomic performance, defined for instance in terms of 'growth' or 'competitiveness'. Such a reduction is, of course, customary in economics, but it can also be found in works of political economy penned by authors coming from other social sciences, who thereby pay a surprising tribute to a discipline they normally do not appreciate that much. Another difficulty to avoid, which is related to the former, is to think in terms of representative agent(s), e.g., 'the firm' or even 'the sector', and ignore the diversity of social positions and economic interests, and the conflicts deriving from them.

In fact, in the spirit of régulation theory (Aglietta, 1976; Boyer, 1986), whose aim was to analyze how a socio-economic structure that includes all the elements necessary to remain in a permanent and violent crisis could experience prolonged periods of stability, a political economy of institutional change should start from social conflict. The viability of a particular type of socio-economic model depends on the capacity of its institutions to regulate social conflict. This conflict stems from the differentiation of socio-economic interests and the heterogeneity of the social and political demands that derive from it. This perspective necessarily breaks with a simple economic functionalist vision. Institutions are the outcome of a social conflict whose terms they define and that they contribute to regulate and normalize. A given 'growth regime' is therefore not characterized by a community of interests that only external forces could disrupt. Conflicts, not necessarily open ones, and contradictions inhabit it. Within a given institutional structure, social conflict cannot be abolished or eliminated but can only partially and momentarily neutralized.

A period where conflict is regulated corresponds to the existence of a stable dominant social bloc, i.e., a socio-political alliance of groups whose most important demands regarding public policy or institutions' design have been sufficiently satisfied for them to support the political leadership. The demands are not identical across the groups that compose the dominant social bloc, and aggregating a bloc demands a strategy of political mediation. The groups composing the dominant bloc are not equal either, and some of them have more resources to put forward their demands and influence policy making and institutional design than others. There is no need to insist on the comparative advantage of business groups in this respect.

Some social groups are excluded from the dominant bloc, and their demands are largely neglected or simply ignored. Alternative political strategies may unite these groups in one or several social blocs, which mean that other blocs exist than the dominant one. The victory of one alternative political strategy would make a previously dominated social bloc the new dominant bloc. Such a possibility depends in part on the political institutions and the conditions under which political competition takes place, and in part on the relative dynamics of the dominated and the dominant blocs. The case of France, where two blocs competed for dominance between the 1970s and the 2010s, is a simple illustration of such a possibility (see Amable *et al.*, 2012*a*,*b*; Amable, 2016, 2017).

The domination of a certain bloc is not only political and economic, but also 'ideological'. The conflict between social groups for the inclusion of their demands in the dominant political strategy is a conflict of 'legitimacy', and the struggle for power is also a struggle 'to impose the legitimate vision of the social world' (Bourdieu, 1997, p. 220, my translation). A recent example of such a struggle is the active promotion of the divide between 'insiders' and 'outsiders' as a substitute for the broad capital–labor conflict, which parallels the attempts to weaken or dismantle the legal protections of the employment relationship or various components of social protection, all made in the name of the supposed interests of 'outsiders' against the alleged 'privileges' of insiders.[1] This draws attention to the fact that neither the social groups nor their interests are 'given', neither by nature nor by 'technology', but that their construction is political, made under specific historical conditions.

Periods of crises correspond to the breakup of the dominant social bloc, and the impossibility, at least temporarily but that could last longer than the stability periods, to find an alternative dominant bloc. The more serious crises are situation where there is no longer a possible mediation between interests that have become impossible to satisfy jointly within a given institutional configuration. This leads political actors to try and implement institutional change to find room for new mediations and aggregate a new dominant bloc. Such changes, made to find an exit from the crisis, may exacerbate the problems rather than resolve the crisis. A systemic crisis is a historical situation where no political strategy for institutional change is able to aggregate a social bloc that could become dominant. France[2] has found itself in such a systemic crisis for a few decades. The neoliberal strategy of 'structural reforms' (drastic lowering of employment legal protection, privatizations of public firms and utilities, dismantling public social protection in favor of private insurance, decentralization of industrial relations ...) is ambivalent in this respect. As in some other developed

1 It is interesting to note that, when asked about their opinion, outsiders' answers do not conform to the predictions of the so-called 'insider-outsider theory' (Amable, 2014).

2 And some other European countries too.

countries, this strategy was adopted by political actors on the left as well as on the right in France and in Italy as a possible way out of the political crisis (Amable *et al.,* 2012*a*), but it was also instrumental in the breakup of the traditional social blocs, at least in France, which led to the enduring systemic crisis (Amable, 2017).

The attempts to form an alternative dominant social bloc have converged toward a social bloc centered on the skilled middle classes, the bloc bourgeois (Amable and Palombarini, 2014). This bloc largely excludes the popular classes, which were, to different extents, included in the former left and right blocs. The main policy options instrumental in the aggregation of the bloc bourgeois can be summed up in two related options: the completion of the neoliberal transformation of the socio-economic model and the pursuit of European integration. The two options are linked in the consolidation of the bloc bourgeois for a number of reasons: (a) European integration favors the neoliberal transformation of the European socio-economic models,[3] there is therefore a certain complementarity in the pursuit of the two objectivesand (b) another type of complementarity, of the compensating type, may also be invoked. The pro-European integration leanings are the common element uniting the better-off segments of the former left and right blocs. But some of these groups have mixed feelings about neoliberal reforms while valuing particularly European integration (Amable, 2018). A clear pro-European integration stance is therefore instrumental in keeping the groups that are not so enthused about neoliberal reforms within the bloc bourgeois.

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3 Through 'negative integration', for instance (Scharpf, 2010).

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The new political economy of comparative capitalism

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The comparative politics of growth regimes

The study of comparative political economy (CPE) emerged out of the study of comparative politics within political science. International political economy (IPE) emerged out of the study of international relations. Over time, the study of CPE and IPE became detailed subject areas in their own right. CPE scholars tended to specialize in the study of industrial relations, labor markets, production regimes and the welfare state, while IPE scholars specialized in the study of economic development, global finance, trade, exchange rates and international organizations. However, in the aftermath of the international financial crisis, and the subsequent great recession, the division of labor between CPE and IPE scholarship has become blurred, with research agendas increasingly overlapping. There is a good reason for this: Capitalism is global, but its conflicts tend to play out at the domestic level.

This essays starts from the observation that CPE and IPE scholarship are closely connected, when the dependent variable is trying to understand the dynamics of contemporary capitalism. It is simply not possible to understand the policy response to the euro crisis without understanding European macroeconomic imbalances and German politics (Regan, 2017). Similarly, it is not possible to understand the near collapse of the global financial system without understanding the domestic politics of the US mortgage market (Helleiner, 2011). Likewise, it is difficult to understand the rise of income inequality within countries—and the subsequent rise in private debt—without understanding the decline of trade unions and collective bargaining (Huber *et al.*, 2017). Equally, one cannot understand the impact of technological changes in the global economy without examining the structural transformation taking place within India and China (Blyth and Matthijs, 2017). State and corporate power are now exercised in the overarching sphere of global capitalism.

However, a core tenet of comparative capitalism remains relevant today as it did in the 1970s, namely that there are significant and enduring cross-national variations in economic and employment performance between countries, and that these differences are the product of public policy choices by political actors (Streeck, 1992; Hall, 1997; Iverson *et al.*, 2000;

Pontusson *et al.*, 2002; Kenworthy, 2005). Different nation–states pursue different growth models, with the implication that there are multiple pathways to achieving the same goal: improved material standards of living for citizens. CPE scholarship has always had a normative dimension, which cannot be ignored. Some countries/cities have successfully achieved strong and inclusive income growth, transited to a labor market with high-quality jobs and widened and improved access to public services. Other countries/cities have not. Explaining these comparative differences in policy outcomes remains a core part of political economy scholarship, and ought to continue to be.

This does not mean, however, that the emphasis should be on building new typologies, and reifying capitalist diversity. Nor does it assume that the nation–state is the only unit of analysis, or that the capitalist economies do not share clear and obvious commonalities (Streeck, 2011; Baccaro and Howell, 2017). On the contrary, most CPE scholarship in the aftermath of the crisis has moved firmly away from focusing on national typologies and institutional stabilities, and puts far more emphasis on the politics of socio-economic change and conflict. This focus on political conflict is where new avenues, tensions and research agendas in CPE are opening up (Kriesi *et al.*, 2012).

Three different understandings of political conflict

Almost all CPE scholars accept that institutions—understood as the path-dependent rules of the game that shape and constrain actor behavior—are fundamental to explaining enduring differences in growth models, and national varieties of capitalism. The theoretical debate today is not about identifying and labeling these structures, it is about trying to understand the political coalitions that underpin them (Mahoney and Thelen, 2009; Thelen, 2014). Fundamentally, new CPE scholarship asks the question: who has power within a given structure of capitalism, and how is it exercised? This has given rise to three distinct understandings of how politics shapes capitalist diversity in the 21st century.

First, there is greater attention paid to electoral politics, and the extent to which voters shape the policy choices that underpin national growth regimes. This perspective is best articulated in the edited book by Beramendi *et al.* (2015), the Politics of Advanced Capitalism. In this perspective, cross-national variation in growth regimes is a function of the supply and demand of electoral politics. Globalization and technological change have transformed the labor market, with the implication that different occupational classes have developed distinct socio-economic and socio-cultural preferences (Dancygier and Walter, 2015). Some voters want social protection against the market and immigration, others want social investment and liberalization. Center-left parties mobilize socio-cultural professionals, center-right parties mobilize business-finance professionals, leaving the far-right to mobilize large parts of the working class and the petite bourgeoisie (Gingrich and Häusermann, 2015; Oesch and Rennwald, 2018). Governments are constrained in what they can do because of the past choices, and coalition compromises, but ultimately it is the voters that decide.

This perspective is particularly useful in explaining social policy and welfare state reform, and is part of a long tradition of pluralist theories about market voting (Häusermann *et al.*, 2013; Manow *et al.*, 2018). The structure of the economy—and the type of jobs that it creates—shapes public policy preferences among the electorate. Countries that have high levels of productivity and income growth produce an electorate that tends to favor social investment. Countries with low-tech and low-income growth, which creates a lot of jobs in the domestic sector, tend to favor social protection. It is a classification that identifies a clear public policy difference between the growth regimes of Western European and Southern/ Eastern European countries. The normative implication is that if countries want to make the transition to high-productivity, high-income status, government needs to give greater priority to social investment (human capital formation) and export-oriented growth.

Second, and in contrast to voter-centered theories, CPE scholars also identify the role of organized interests and producer groups in shaping the politics of national growth regimes. While the electoral approach focuses on social policy and the welfare state, this perspective focuses on changes in industrial relations and macroeconomic policy making. Similar to the electoral approach, it distinguishes between European countries with export-oriented and consumption-oriented growth (Baccaro and Pontusson, 2016; Hope and Soskice, 2016; Johnston and Regan, 2018). These different growth regimes, it is argued, produce qualitatively distinct political coalitions or social blocs (Amable, 2017). The political influence of these organized interests is exercised through broad coalitions that link political parties to dominant business interests and voters within a given country. It is a structuralist theory that traces the politics of capitalist development to dominant producer group interests. The power to shape growth is exercised through producer groups and not the electorate.

This perspective is particularly useful in explaining wage setting and macroeconomic policies, which are usually negotiated outside the noisy politics of elections. It is part of a long tradition of corporatist studies in political science, whereby economic decisions are considered to be taken within collective organizations. The emphasis on organized interest groups has a clear normative implication: governments are considered to be beholden to dominant business interests, who have a first preference to liberalize, with the implication that the interests of labor are significantly weakened. However, it is not exactly clear how business exercises its power or what strategies it pursues to advance its interests.

There is a third approach that incorporates insights from the electoral and producer group perspective, which focuses on the influence and strategies of business–political elites. Unlike the producer group or social bloc perspective, which treats business power as structural, this approach empirically studies the strategies that elites in the business and political community pursue to advance their economic interests (Culpepper, 2010, 2015; Hacker and Pierson, 2010; Pagliari and Young, 2016; Skocpol and Hertel-Fernandez, 2016). It stresses the reciprocal and mutual dependency that exists between business and state interests, and treats business power as a variable that varies cross-nationally over time. Private business interests, it is argued, require government to legislate for pro-market reforms, while governments require business investment for income and employment. This political influence is exercised quietly away from the media and the electorate.

In the business–state elite perspective, much of the analysis focuses on the strategies of global corporations and their relationship to policy makers, rather than producer groups and voters. This links the business–state elite perspective to IPE debates on corporate networks and global financial capital flows (Heemskerk and Takes, 2016). While varieties of capitalism theory also gave priority to the strategies of individual Multinational Corporations, in practice, it was a systems theory that focused on institutional complementariness. The business–state power perspective is part of a much longer tradition of elite studies in political science (Mills, 1963; Lindblom, 1982; Strange, 1991).

I will now elaborate on why I think a focus on business–state power holds the greatest promise for new research in contemporary capitalism, particularly when it comes to examining the role of the state in shaping the politics of economic growth.

Business–state power and comparative capitalism

Arguably, the most important question facing governments today is what strategies they should pursue to secure income and employment growth for their citizens[4]? This puts the debate on national growth models front and center of public policy problem-solving. The implicit normative dimension in this statement is impossible to ignore. Some forms of income and employment growth are preferable to others (every country wants occupational upgrading, instead of occupational downgrading), and some of the strategies that policy makers pursue to secure this growth are clearly preferable to others (progressive fiscal policies over regressive fiscal policies). It is a lot easier for governments to implement post-market (after tax) redistributive policies than it is to shape the industrial structure and determinants of income growth itself. To date, CPE research tended to accept that the best government can do is to implement supply-side reforms. Ten years after the financial crisis, this consensus is over, which opens the question: what are the new sets of relationships between state and market that will work for the 21st century? What can the state do to directly enhance productivity growth, support high-tech enterprise and generate quality jobs? Should the state pick winners? Should the state direct the allocation of credit and investment in the economy?

In the business–state elite perspective, the analytic lens shift away from the electorate (although, they clearly matter, not least because political parties need their votes to get elected), toward the mutual dependency that exists between the policy-making community and sectoral business interests (Mazzucato, 2015; Brazys and Regan, 2017; Bohle, 2018). This relationship is most evident in those countries that increasingly reject the global liberal market consensus in favor of a new variant of nationalism: the USA, UK, China, India, Russia, Turkey, Hungary and Poland, to name but a few. All of these countries increasingly use the levers of the state to promote certain types of business interests—and industrial policies—over others. The role of the state in shaping the trajectory of economic development has become a politicized issue again, and ought to be central to future research on the dynamics of comparative capitalism.

To understand the trajectory of national growth regimes requires examining the variation in the dominant sectors in the economy, and the extent to which policy makers are anchored in and influenced by these firms. Empirically, this means studying how corporate business exercises its power. This includes analyzing the networks and strategies that state–business elites pursue to shape public policy, including mobilizing support among public opinion. Methodologically, this is far more complex than counting votes and analyzing survey data. It requires using comparative case study methods, and qualitative process-tracing analysis, which includes the nation–state as a unit of analysis, but is certainly not limited to

4 This statement is of course debatable. Whilst I consider income and employment growth to be the most pressing problem for government's in the aftermath of the financial crisis, and a decade of austerity, many would argue that the narrow focus on growth is *in-itself* the core problem, and that the real societal challenge is climate action.

it. It also opens up a whole set of questions about transnational capitalism and how it is related to the cluster effect of high-tech cities and local regions, as opposed to nation–states.

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The political economy of redistribution: advances and challenges

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What are the key developments and future trajectories in the political economy of redistribution? Inevitably, this short piece cannot do justice to the large number of contributions that have enriched our understanding of cross-national variation of contemporary institutional dynamics and socio-economic outcomes associated with different redistributive arrangements. Instead, I choose to focus on the broad developments in the field with respect to two general issues—the supply and demand side of redistributive policy. The first issue concerns the key advances and challenges facing the theoretical models of redistribution, and in particular their ability to explain and predict government's choice of redistributive policies. The second issue concerns the developments in the literature on the determinants of individual preferences for redistribution as well as the conceptualization of such preferences.

With respect to the supply side, I argue that the need to incorporate the more complex politics of contemporary societal coalitions in the theoretical models of redistribution necessarily entails a sacrifice in their predictive power. With respect to the demand side, I maintain that we need to re-examine the prevalent assumption that preferences for redistribution reflect directly the individual's position in socio-economic locations and accept that such preferences are not structured along a single dimension. In what follows, I provide a brief overview of the main theoretical and conceptual developments related to these issues, and offer some reflections on the limitations of the existing literature and promising avenues for further research.

Predicting government's policy choices

Analyzing the supply side of policy, that is the question of what governments do and why they do it, has long been at the heart of the political economy of redistribution. However, theoretical models that have dominated the literature in the twentieth century no longer provide an adequate description of reality. Typically, one-dimensional, these models derive conclusions about policy choices from simple dichotomies, such as low income versus high income, left versus right or labor versus capital. This is the case with both formal models and 'softer' analytical frameworks. Probably, the best known among the formal literature, the Meltzer Richard model (1981) sees the distributive space as a single dimension and focuses solely on the tax or benefit level. This focus on a single dimension, combined with the assumption about Downsian two-party competition that generates the tax rate preferred by the median voter, suggests that the partisanship of government is not consequential for levels of redistribution. Yet, a large literature has demonstrated that for much of the post-WWII period left governments (often supported by strong unions) have been associated with higher redistribution than right governments (e.g. Huber and Stephens, 2001; Bradley *et al.*, 2003). Meanwhile, the central proposition of the Meltzer Richard model that inequality is the key determinant of redistribution has received little empirical support. But although the partisanship literature and the power resources perspective have received stronger empirical support, the focus, like in the more formal literature, is also on a single dimension, in this case, the ideological orientation of the government or the strength of labor versus capital.

Mounting empirical evidence suggests that this focus is no longer justifiable given the transformation of the workforce through globalization, technological change and stratification of the welfare state. Labor market dualization and increasing divisions of the workforce across sectors, skills and occupations imply that coalition politics in contemporary times is more complicated because these groups have different interests in at least one policy dimension. Political parties are therefore playing a much more complex game than a few decades ago when their core supporters were more unified and easily identifiable.

How well has the literature managed to capture this complexity? Formal models have tried to address this complexity by modeling policy bundles, incorporating issue salience (usually noneconomic), or allowing for multidimensionality by considering the possibility of targeted taxes and benefits in a world with three classes (for a review, see Iversen and Goplerud, 2018). While these new models are more realistic than the Meltzer Richard model, they are also highly technical and thus less used by scholars who eschew formal modeling. Meanwhile, political scientists and sociologists working in the tradition of CPE have tried to embrace this complexity by developing new analytical schemes that try to conceptualize governments' policy choices (not necessarily only on redistributive policy) along two dimensions. Among the most developed of those is the 'constrained partisanship model' by Beramendi *et al.* (2015), which suggests that governments operate in a two-dimensional space, where they have to decide not only on the degree of state intervention (strong versus weak), but also policies that prioritize either consumption or investment. If there were only two classes or groups that governments need to respond to, then we would be able to derive parsimonious predictions about policy choices. However, since society nowadays is divided into a larger number of groups—and Beramendi *et al.* (2015) focus on occupational groups, including technical and managerial, socio-economic professionals, petty bourgeois and lower skill—the policy choice is rather difficult to predict since it depends on the potential electoral weight that these groups carry. Since none of them is big enough to secure a majority, there are at least theoretically a number of different societal coalitions that governments may be able to foster. The upshot of this is that it is now increasingly difficult to derive clear and simple predictions about government's redistributive policy choices.

Where does this leave us? As the societal divisions and possible coalitions get more complicated, the parsimony of our models is likely to suffer. Some might say that this is not a bad thing, but others may find it unsatisfactory and advocate simpler models with clearer predictions even at the cost of being less in sync with reality. But leaving the debate about parsimony aside, both strands of literature suggest a common general conclusion: the increasing divisions in the workforce and society more broadly, coupled with a growing prominence of non-economic salient issues (such as immigration), require more complex coalition building and policy bundles that in effect may undermine redistribution. Verifying this claim empirically is a research agenda that deserves further attention.

Understanding preferences for redistribution

Understanding the demand for redistributive policies is the other central pillar of the political economy of redistribution. This is so because theoretical models of redistribution commonly assume that the equilibrium level of taxes and transfers reflects some aggregation of individual preferences.

Scholarship on preferences for redistribution has moved considerably from the heavy focus of earlier models on current income as the key determinant of redistribution preferences. More recent research has tried to accommodate the increasing complexities of the transformation of the workforce and broader structural changes discussed in the previous section. Correspondingly, political scientists and sociologists in particular have abandoned the broad categories of income-defined classes and argue that preferences for redistribution and welfare spending more generally are related to the individual's position in the occupational structure, the type of work and risk profiles (i.e. having specific skills, facing risk of unemployment or actual unemployment) (e.g. Cusack *et al.*, 2006). Another strand of multidisciplinary research has focused on the importance of family structures, education, race, religion and political ideology in shaping redistribution preferences (for a review, see Alesina and Giuliano, 2009). Finally, a number of studies, primarily in economics, argue that personal histories and experiences of economic hardship affect attitudes toward redistribution, presumably because such experiences shape views about future prospects of upward mobility (e.g. Piketty, 1995).

Taken together, this scholarship has demonstrated on a large pool of observational data that preferences for redistributive policies are complex and shaped by a number of different factors, and in doing so contributed enormously to our understanding of the demand side of policy. However, differences across studies notwithstanding, this literature also shares a common weakness—the implicit assumption that individuals' preferences for redistribution can be read off their position in socio-structural locations. This implies not only that redistribution preferences of a particular group should be the same across countries, but also that such preferences are largely stable. Yet, this may not be the case.

There is good reason to believe that individuals' preferences for redistribution are not formed in isolation from their environment. Indeed, a number of studies have demonstrated the importance of culture and institutional arrangements for understanding differences in redistribution preferences across countries (e.g. Luttmer and Singhal, 2011). Scholars have also started to address the issue of change in redistribution preferences, such as in response to shifts in material conditions (Margalit, 2013). But I want to focus on a different avenue of research that I believe deserves further attention in the scholarship on preferences, namely the effects of information that we are exposed to in our environments. Individuals encounter on a daily basis a large number of signals and information through the media and political communication more broadly. It is reasonable to expect that some of that information may be consequential for redistribution preferences. Broadly speaking, this requires analysis of the role of the media and political entrepreneurs in manipulating the salience of particular issues that may affect preferences over redistributive policy. The literature on framing suggests that media framing shapes preferences on a range of policies, yet the literature on the political economy of redistribution has paid little attention to this issue. This neglect stems most likely from the overwhelming reliance of the literature on preferences for redistribution on observational data that does not lend itself to a proper assessment of the role of information and political communication in particular.

A few recent experimental studies have tried to address this gap (Ford, 2016; Alesina *et al.*, 2018; Avdagic and Savage, 2018; Goerres *et al.*, 2018). This new research suggests that the framing of particularly salient issues, such as immigration, has a sizeable effect on support for redistribution and the welfare state more broadly. The findings show that the way in which immigrants are portrayed and the costs or benefits of immigration presented influences welfare support, and that negative frames in particular undermine support for redistribution.

One implication of these findings is that preferences for redistribution are not fixed and determined solely by the position in socio-structural locations, but that they are malleable and evolve in response to environmental signals and exposure to different information. How persistent is the influence of such information is still largely an open question and should be a fruitful line of inquiry. Political economists have much to gain from incorporating insights from social psychology and behavioral science in their endeavor to understand the effects of information on the evolution and change of redistributive preferences.

Finally, how redistribution preferences are conceptualized is a related ongoing research agenda. The literature commonly relies on attitudes about the desirability of increased welfare spending or the extent of government responsibility to address income inequalities as the main measures of redistribution preferences. The extent of government intervention is thus assumed to be the key dimension over which preferences for redistribution are structured. Yet, this focus overlooks the fact that preferences for redistribution may not be one-dimensional. As Beramendi *et al.* (2015) argue, individual preferences can be mapped along two dimensions: state versus market and universalism versus particularism. In a similar vein, Barnes (2015) argues with reference to redistributive tax policy that a distinction needs to be made between attitudes over the size versus the structure of government: 'favoring large government and favoring progressive structures [of taxes] indicate support for different types of redistributive policy' (2015, p. 58). Considering the possibility that preferences for redistribution are structured across more than one dimension is not only adding further theoretical nuance to the literature, but it also has broader implications for our understanding of both the supply and demand side of policy. If government policies reflect preferences of the electorate, analyzing individual preferences across the two dimensions should help understand not only differences in the level of redistribution across governments, but also in the choice of instruments they use to redistribute. Furthermore, examining preferences over both the size (how much redistribution is desirable) and the structure (who should pay and who should benefit) of redistributive efforts promises to shed further light on citizens' perceptions of deservingness, and more specifically the grievances of the 'left behind'—an issue that is essential for understanding the contemporary social dynamics and divisions that have been shaping electoral outcomes in recent times.

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Shifting focus: why CPE should engage (Again) with the politics of growth

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The Queen of England is known to have asked a group of British economists at the end of 2008 why they had not seen the arrival of the crisis, and to have received unsatisfactory answers. Had she asked a group of comparative political economists, she would probably have had a similarly disappointing experience. We think this is due to the heavy supply-side focus of CPE before the crisis, which has prevented it from asking the most important questions about the recent trajectory of capitalism. In this essay, we sketch an alternative 'growth model perspective', which puts demand and distribution at the center of analysis (Baccaro and Pontusson, 2016).

The need for a new conceptual apparatus

A reconstruction of CPE's intellectual history is beyond the scope of this short article. Suffice it to say that with the decline of corporatist policy making and the literature associated with it—emphasizing the impact of industrial relations institutions on inflation, employment and growth (Flanagan *et al.*, 1983; Goldthorpe, 1984; Tarantelli, 1986)—CPE scholars came to accept the macroeconomic consensus that Keynesian policies of demand stimulus only led to accelerating inflation, not to durable increases in output and employment. As a consequence, they redefined the main mission of their discipline as one of elaborating an alternative theory of the supply side to replace the neoclassical theory. Specifically, they directed their efforts in analyzing the mechanisms by which institutional and societal differences across countries influenced the competitiveness of firms in international markets and the quality of labor supply (Matzner and Streeck, 1991).

An overarching theme of supply side-oriented CPE research was the idea that societies and institutions provide firms with resources that are essential for their ability to compete but not readily provided by the self-regulating market (Crouch and Streeck, 1997). For example, the remarkable success of Japanese companies was linked to cultural features of

Japanese society ('relational contracting') (Dore, 1983) and the literature on industrial districts emphasized the importance of trust and collaborative relationships within firm networks, a characteristic feature of industrial districts in Italy and elsewhere (Bagnasco, 1977; Piore and Sabel, 1984). The literature on Diversified Quality Production underscored the importance of institutional constraints, such as strong trade unions and encompassing collective bargaining, which pushed companies to adopt quality-based competitive strategies that they would unwilling to embrace on their own (Streeck, 1991).

Along similar lines, Varieties of Capitalism famously argued that sets of complementary institutions—regulating industrial relations, vocational training, welfare states and corporate governance systems—undergirded distinct production regimes, allowing key firms to benefit from specific forms of institutional advantage (Hall and Soskice, 2001). Such sets of institutions affected not just the competitiveness of key firms and their ability to navigate international competition, but also their ability to innovate, and as such shaped the specialization profile of national economies. Firms in 'coordinated' market economies developed capacities for incremental innovation and specialized in manufacturing sectors for which these capacities are a crucial asset. Conversely, firms in 'liberal market economies' thrived on the ability to reallocate assets quickly and hence specialized in low-cost services and sectors for which radical innovation is key (such as biotechnology and information technology).

We believe that supply side-oriented frameworks are unlikely to generate convincing explanations for the common trends and country-specific trajectories of contemporary capitalism. In Baccaro and Pontusson (2016), we sought to reframe the research agenda of CPE around issues of aggregate demand. Our starting point was the striking diversity of growth drivers in the 15 years preceding the crisis in Germany, Italy, Sweden and the UK. Germany's growth was predominantly pulled by net exports while household consumption has stagnated. The UK displayed the opposite profile, with growth driven by private consumption and with a negative contribution of net exports. Sweden's growth relied on both net exports and household consumption, either component taking the lead at different points in time. In Italy, growth was (and remains) deficient because neither net exports nor household consumption have given a sufficiently strong contribution.

The notion of 'growth models' makes little sense from the perspective of the macroeconomic theory with which most CPE scholars are acquainted, a simplified version of the mainstream New Keynesian (NK) model popularized by David Soskice and coauthors (Carlin and Soskice, 2006; Carlin and Soskice, 2015). For this model, policies that expand aggregate demand lead to a short-term increase in output and unemployment, but at the price of accelerating inflation, and are effectively pre-empted by inflation-targeting central banks. The only policies that lead to a durable increase in equilibrium quantities are supply-side policies, such as incomes policies producing wage moderation for given levels of productivity (Baccaro and Pontusson, 2018a). Using the above NK framework, we would argue, unduly restricts the scope of what is possible and feasible in a political economy.

'Growth models' are instead a central element of Post-Keynesian (PK) macroeconomics, particularly PK macroeconomics with Kaleckian bend (Lavoie and Stockhammer, 2012; Lavoie, 2014). In these models, a real wage push (keeping labor productivity constant) does not lead to accelerating inflation, but leads (up to full capacity) to firms increasing production by stepping up capacity utilization. In addition, firms are incentivized to increase investment by the desire to return to a normal capacity utilization rate. Kaleckian economists call this 'wage-led growth'. In addition, PK economists have identified additional growth models. In 'profit-led growth', for example, investments are so sensitive to profitability and such an important part of aggregate demand that an increase of the profit share (i.e. a reduction of the wage share) leads to higher investments and higher aggregate demand, which implies higher growth both in the short run and in the long run (Bhaduri and Marglin, 1990).

Particularly relevant for current developments is 'export-led growth'. To the extent that a wage push leads to higher nominal wages and domestic prices, and this effect is not counterbalanced by nominal exchange rate adjustment (because of fixed exchange rates), there will be exchange rate appreciation (a loss of competitiveness) and decline of the current account balance, vice versa, wage moderation will have the opposite effect. If the export sector is large enough, then wage moderation will lead to economic growth. In other words, the depressive effect of wage moderation on domestic consumption is more than compensated by the expansionary effect on foreign demand.

Main features of growth models

Building on PK economics, we have argued that wage-led growth has been undermined by various developments: the decline of unions and of centralized collective bargaining has limited the ability of workers to incorporate productivity increases into wage increases, leading to a decline of the wage share; the liberalization of capital markets has made it very difficult for national policy-making authorities to impose an interest rate which deviates from the interest rate prevailing internationally; the inflationary tensions inherent in wage-led growth, combined with oil shocks, have led to political initiatives to contain wage militancy, first and foremost by instituting politically irresponsible central banks, which respond to wage militancy by increasing the interest rate and deflating the economy (Baccaro and Pontusson, 2016; Baccaro and Howell, 2018).

With wage-led growth becoming unfeasible, the drivers of growth have changed. Easier access to credit enabled 'consumption-led' growth in the UK in the pre-crisis period. Interestingly, buoyant household consumption tends to create favorable labor market conditions, including for low- and semi-skilled service workers, such that real-wage growth is greater than in alternative growth models. However, different from a wage-led growth model, there is no autonomous wage push, but wage growth is derivative from market conditions. A distinctive feature of the consumption-led growth model is the tendency to accumulate current account deficits. In normal circumstances, these deficits would need to be corrected by reducing internal demand and imports. However, the rest of the world may be willing to finance the current account deficit through capital loans. A large and liquid financial hub such as the City of London, which produces financial assets that the rest of the world wants to hold in its portfolio, contributes to attracting foreign capital and thus to relaxing the current account constraint to growth.

Germany's export-led growth rests on three elements according to our analysis: an export sector large enough to act as locomotive for the economy as a whole, institutionalized wage moderation and a fixed exchange rate regime. The latter two elements lead to real exchange rate underappreciation (Hoepner, 2018), which tends to stimulate exports and depress imports. We have also argued that the German growth model shifted to an export-led growth model sometime in the 15 years preceding the Great Recession (Baccaro and Benassi, 2017). In these years, while the contribution of net exports to German growth was growing, the contribution of household consumption was declining. There was a trade-off, we have argued, between the former and the latter: wage moderation and the decline of the wage share contributed to boost net exports via the reduction of demand and the effect on the real exchange rate. However, the burden for German workers was unequally distributed: while the real wages of manufacturing workers kept a link with economy-wide productivity, at least for some time, the real wages of low-skilled service workers remained flat.

Sweden's growth model was able to combine the consumption driver and the export driver of growth until before the crisis, while it became more consumption-oriented after the crisis. Swedish exports, we have argued, are less price sensitive than German exports and as such there is no need for the type of wage and consumption repression experienced in Germany. Differently from the German economy, in which manufacturing maintained a predominant position, Swedish exports became more differentiated, with the IT and high value-added service sectors increasing their importance. These sectors are presumably less price-sensitive than manufacturing. Simultaneously, growing household indebtedness also stimulated consumption. Real-wage growth was not just higher than in Germany, but also more equally distributed between high-end manufacturing and low-end services.

The Italian case illustrates that it is possible for a country not to find a viable replacement for wage-led growth and thus to stagnate. The contribution of household consumption to growth decline over time in Italy. The contribution of exports has recently increased, but the Italian export sector is still too small to take a leadership role, and net exports are weighed down by a real exchange rate which is too high for the country's needs (due to the Euro).

Political foundations of growth models

In recent work, we have begun to conceptualize the political underpinning of growth models (Baccaro and Pontusson, 2018b). Growth models, we argue, rest on 'hegemonic sectoral blocs'. The words 'hegemonic' and 'bloc' are meant to establish a link with Gramsci's political theory, while 'sectoral' communicates that the politics of growth models are not only class-based, but also sector-based.[5]

A bloc is a coalition of social actors cutting across the class divide (see also Swenson, 2002; Thelen, 2014). However, social actors in the bloc are not equal: capital owners are in a superior position, and this implies that when the bloc needs to be reconfigured in response to crisis, some labor components of the bloc may be let go. Importantly, the bloc hinges on key sectors or combination of sectors. Sectors, we argue, have different economic 'requirements' and these requirements shape the policy choices of governments.

CPE features numerous analyses of why sectors are important for economic policy (e.g. Crouch, 1988; Frieden and Rogowski, 1996; Garrett and Way, 1999). For this literature, the key distinction is between sectors exposed to economic competition and sectors protected from it. In addition, we underscore the difference between real interest rate-sensitive sectors like construction, and real exchange rate-sensitive sectors such as (parts of) manufacturing. Interest rates are notoriously important for the construction industry. For a

5 Recent work by Amable (2017) as well as Amable and Palombarini (2009) has inspired our thinking about 'hegemonic blocs'. Relative to Amable, whose approach focuses on the preferences of individuals sorted into class categories, we are more inclined to emphasize organized interests, elites and sectors.

given nominal interest rate, higher domestic inflation will reduce the real interest rates and thus stimulate demand for housing and prices, setting in motion a cascading effect on the demand of construction workers and of workers with similar characteristics in other sectors. For a given inflation rate, a low nominal interest rate will have a similar effect.

To the extent that demand for housing thrives, the part of the banking sector specializing in household mortgages thrives too. Thus, the preferences of key actors in these linked sectors are likely to be compatible. For the growth model to be viable, it would be important to decouple housing inflation from overall inflation, and especially from wage inflation. In fact, central banks are likely to pay special attention to the labor market in setting the interest rate, and to respond to wage inflation exceeding their targets with restrictive monetary policy. If however, wage growth remains subdued (for example due to union weakness), there will be no interest rate increase and housing prices will continue to soar. Thus, the preferred monetary policy stance of the construction/mortgage nexus will be accommodative, provided union power is kept in check.

The preferences of exchange rate-sensitive manufacturing are likely to be different. For a given nominal exchange rate, low overall inflation (a function of wage inflation) leads to real exchange rate depreciation and greater foreign demand. To the extent that restrictive monetary policy helps to generate low domestic inflation (relative to trade partners), it is beneficial for this sector. In addition, firms and workers will have incentives to moderate their wage demands. In brief, macroeconomic policy is likely to differ depending on whether manufacturing or construction/finance is the key sectors.

We also postulate that when a growth model is clearly identified, it will produce a legitimating discourse and will be able to convince others that the bloc's interests are the national interests. In other words, the policy preferences of some individuals will not correspond to their objective interests, but to the legitimating public discourse of the dominant bloc. We hypothesize, for example, that some construction workers in an export-led model will support a policy of wage moderation (from which they do not directly benefit). The magnitude of these effects of ideological domination is to be determined empirically by future research.

To summarize, growth models have different key sectors: key sectors have requirements; requirements are reflected in the policy stance of governments. If the growth model is clearly defined and a dominant sectoral bloc in place, then we expect policy convergence across parties, as emphasized by the party cartelization literature (e.g. Blyth and Katz, 2005). Parties will compete on their ability to manage the bloc. This also implies helping the bloc to gain an electoral majority. In many cases, the number of voters who are directly part of the dominant bloc is well below the majority. Government policy, we surmise, broadens electoral support for the bloc both by distributing the proceeds of growth and through cultural reinterpretation of preferences according to the hegemonic claims of the dominant bloc. When, however, the growth model is 'up for grabs' in the sense that no sectors are clearly dominant, or growth stagnates, we expect parties to compete more on fundamental alternatives.

Concluding remarks

We hope to have shown that shifting the focus of CPE away from supply-side institutions toward growth models generates interesting new research questions and increases the ability of CPE to provide answers to current problems of capitalism. In future research, we intend to analyze policy responses to deep economic shocks such as the Great Recession. The expectation is that government responses to crises, in which some actors are saved and others sacrificed, tell us a lot about the composition of dominant blocs. We also want to engage in an analysis of post-crisis recoveries, which we consider as crucial moments to examine the reconfiguration of the growth model. Furthermore, we want to examine individual preferences about macroeconomic policy, seeking to establish to what extent they are shaped by objective factors and ideational factors. We hope that other scholars will contribute to this research agenda.

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The new political economy of financialization

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Making sense of financialization studies

Scholarship on financialization has unquestionably taken flight in recent years. The concept gained prominence in the social sciences with a special issue dedicated to the topic in the journal *Economy & Society* (2000). Its subsequent popularity was strengthened by the 2001 dot.com crisis and even more so by the Great Financial Crisis of 2008. If anything, then those events convinced social scientists that financialization is an appropriate analytical lens through which to view ongoing developments in global capitalism. Through such a lens, scholars have connected increased financial market dependence to severe real-world consequences, including economic instability (Sotiropoulos *et al.*, 2013), socio-economic inequalities (Lin and Tomaskovic-Devey, 2013; Godechot, 2016), and a growing lack of democratic accountability (Nölke, 2018). As of date, more than 460 academic journal articles with ‘financialization’ or ‘financialisation’ in the title have been published, and many hundreds more take financialization as their topic (Web of Science, 2018). Arguably, the scholarship has now grown to the extent that we can speak of a veritable field of financialization studies.

Socio-Economic Review has become one of the main journals for financialization scholarship. Curiously, however, financialization studies do not necessarily constitute a new approach to political economy. Financialization scholarship is not confined to the field of political economy. From heterodox economics and social accounting studies, the concept has traveled into various social-scientific (sub)disciplines, such as cultural studies (Langley, 2008), sociology (Krippner, 2011) and geography (Aalbers, 2016). Even within the field of political economy, financialization scholars do not take a singular approach to their object of research. Instead, they employ a range of methodological and epistemological approaches, including statistical analysis (Pagliari and Young, 2014), single and comparative case analysis (Engelen *et al.*, 2009; Mertens, 2017), historical analysis (Van der Zwan, 2017a) and policy discourse analysis (Gabor, 2010). Some scholars draw heavily on historical institutionalism (Trampusch, 2015), while others take on Callon’s notion of performativity (Braun, 2016; Besedovsky, 2018) or a Foucauldian emphasis on governmentality (Lagna, 2015; Mader, 2015). The popularity of the concept across disciplinary and methodological boundaries has therefore resulted in a highly pluriform field of scholarship, which for that very reason is difficult to define and delineate.

The concept’s application has also expanded in a geographical sense. The first generation of financialization scholarship was strongly rooted in the Anglo-American political economies. To political economists, the origins of the financialization process in this region made sense analytically. With their stock market-based financial systems, those political economies were considered particularly susceptible to financialization. Newer scholarship, then, began to identify variations of financialization, using the familiar language of the Varieties of Capitalism approach. This often entailed a focus on core political economies outside of the Anglo-American world, most notably the European coordinated market economies (Belfrage, 2008; Engelen *et al.*, 2009; Kädtler, 2009). A further geographical broadening of the financialization literature has generated scholarship on the wealthy Asian political economies (Lechevalier *et al.*, 2017; Rethel, 2018), China (Wang, 2015) and the developing or emerging political economies (Bonizzi, 2013; Kaltenbrunner and Painceira, 2018). Although financialization studies are still heavily biased toward the core political economies, the number of publications with other regional perspectives is growing, including within the main political economy journals.

Despite the pluriform nature of this scholarship, studies of financialization have a number of things in common. First, they identify a fundamental transformation in 20th century capitalism through which finance has shed its subservient role vis-à-vis the productive forces and instead has adopted an autonomous—and in many cases, dominant—presence in the political economy. Understanding this transformation requires a broader conceptualization of finance beyond political economy’s traditional focus on stock markets and banks to include other financial actors, such as sovereign wealth funds, pension and welfare funds, consumer credit and mortgage providers, etc. Second, this broader notion of finance has in turn directed scholarly attention to the impact of these structural changes on the lived experience of citizens within their everyday existence. Consequently, the household has reemerged as an important unit of analysis in addition to the corporation or the state. Finally, scholars emphasize the crisis tendencies inherent to financialized capitalism, rather than assuming finance's contribution to productive growth. This often leads scholars of financialization to adopt an openly critical attitude toward the empirical developments they describe, with many proposing alternative futures of economic development. In short, financialization studies have both broadened and deepened scholarly understandings of what finance is and what it does, while problematizing its reach along the way.

Financialization studies and CPE

CPE is one of the main areas in which scholarship on financialization has been published. Financialization scholars have proposed new ideas on how political economies are constituted, operate and change over time. Most importantly, studies of financialization challenge the distinction between bank-based and market-based financial systems, as found in Zysman (1983) and Deeg (1999), and within the Varieties of Capitalism approach (Hall and Soskice, 2001). From the perspective of financialization, this dichotomy has lost some of its analytical strength: financialization seems to have affected political economies with much different institutional characteristics. To some extent, this is a matter of convergence: there is evidence, for instance, that non-financial corporations in CMEs have adopted pro-shareholder policies under pressure of Anglo-American investors (Alvarez, 2015; Fichtner, 2015) although the extent of convergence is debated (Maxfield *et al.*, 2017). Here, financialization works like globalization or neoliberalization, an exogenous force of change that can easily be adopted within CPE's historical institutionalist perspective.

Financialization studies have similarly pointed at endogenous sources of change. Hardie *et al.* (2013), for instance, introduce the notion of 'market-based banking', showing that even banks in CMEs have become reliant on capital markets for both the funding of loans as well as their subsequent securitization. However, the banking system is only one of the sites of change studied by financialization scholars. Home mortgages, welfare funds, consumer credit, public finance—all of these constitute alternative means through which the influence of finance has grown, even in those bank-based CMEs that from a traditional CPE perspective should have been resistant to it. The scholarship's attentiveness to finance in its many incarnations has brought attention to those endogenous sites of change, such as the pension system (Trampusch, 2017; Van der Zwan, 2017b) or the housing market (Fernandez and Aalbers, 2016), which are often historically intertwined within other institutions within the national political economy. According to Engelen and Konings, (2010, p. 622), therefore, these financial configurations 'are better seen as constituting a highly complex structure of interacting funds, cross-cutting networks, and overlapping credit relations than as consisting of discrete realms of financial action'.

Financialization also has implications for scholarly understandings of political preferences. The scholarship on financialization works from the assumption that the democratization of finance has created new dependencies of households on financial markets (Ertürk *et al.*, 2007). The question for CPE is if and how such dependencies are translated into political preferences. CPE scholarship ties political preferences to citizens' status in labor markets:

wage earner or employer, insider or outsider, etc. Under financialization, however, citizens' status in financial markets becomes equally important, whether as shareholders, mortgage owners or pension plan participants. Financialization scholars recognize the tension that may exist between the two positions: in a highly financialized environment, one's employment position might suffer from the same practices that one would welcome as a shareholder. Similar questions can be raised regarding the interest organizations traditionally representing wage earners, such as labor unions. Unfortunately, little is known about citizens' preference formation under financialization although important advances are being made in this area of research (Bridgen and Naczyk, 2018; Pagliari *et al.*, 2018).

Financialization also extends to the state. To scholars of financialization, the state is an important engine behind the financialization process. From the 1970s onward, states lifted important controls on capital mobility and thereby provided relatively free reign to financial actors (Krippner, 2011). The subsequent expansion of global financial markets coincided historically with rising public debt levels, which in turn led to the emergence of what Streeck (2014) has named the consolidation state. In its wake, governments have adopted innovative ways to make their public debt marketable through financial engineering (Lagna, 2015; Fastenrath *et al.*, 2017). There is an important multilevel component to these developments. Local governments have been at the forefront of financial engineering, in response to the ongoing decentralization efforts of austerity-prone central states. Meanwhile, scholars have also linked financialization to the structural imbalance between debtor and creditor states within the European Monetary Union, couched in the lexicon of dependency theory (Gambarotto and Solari, 2015; Rodrigues *et al.*, 2016).

In these explorations, financialization studies complement CPE scholarship on business power. Recent years have seen a rediscovery of Charles Lindblom's work on the structural power of business, now adjusted to the historical conditions of financialized capitalism (Culpepper and Reinke, 2014; Pagliari and Young, 2014). Whether attributed to political actors' fear of capital flight or to the financial sector's significant power resources, financial interests have occupied a privileged position in the policy process. The political ramifications are vast. The highly technocratic nature of financial policy-making has elevated financial professionals to policy experts and has given them unprecedented access to the policy process (Engelen *et al.*, 2011). Under the guise of technocratic problem-solving, policies are implemented that continue to shield the financial sector from democratic accountability (Nölke, 2018). The question of financial power thus goes to the very core of political economy as it pertains the future of democratic capitalism.

The future of financialization

Two decades of scholarship have also revealed some of the weak spots of financialization studies. As with any academic buzzword, financialization has been subjected to conceptual stretching. The broad scope of this scholarship reflects the pervasiveness of the financialization process only partially. It also signifies a related development: that financialization is increasingly becoming a stand-in term for other -izations and -isms, such as globalization, neoliberalism or marketization. The lack of conceptual clarity that permeates the scholarship has certainly contributed to this. Epstein's (2005, p. 3) commonly used definition ('the increasing role of financial motives, financial markets, financial actors and financial institutions') served the first generation of financialization scholars well as they were bringing a new topic of research under the attention of the broader academic community. Few scholars today, however, would question the structural transformation of contemporary capitalism, whatever concept is attached to it. A critical assessment of whether such a broad definition still serves its original purpose is therefore warranted.

Arguably, the concept's current status as academic buzzword is diminishing the continued usefulness of financialization as heuristic device to study contemporary capitalism (Christophers, 2015). This is particularly the case when studies posit another 'financialization of ...' rather than interrogating the materiality of the process as well as its historical causes. There is a danger that the very appeal of the concept crowds out other equally, if not more, convincing explanations. Take, for instance, the burgeoning scholarship on the financialization of pensions (cf. Van der Zwan, 2017b; Natali, 2018; Wiβ, 2019). Here, at least three historical developments seem to coincide: capitalization (a shift from pay-as-you-go to capital-funded pensions), privatization (a shift from state pensions to private pensions) and individualization (a shift from collective defined benefit to individual defined contribution)—all symptomatic of a underlying risk shift from state or employer to the employee (Hacker, 2008). Questions that help tease out these different historical processes include: what makes the phenomenon being studied a manifestation of financialization and not of finance simpliciter? Is financialization a driving force or does it amplify other historical processes? And would a similar historical outcome have occurred without financialization?

Financialization studies should also address the historical alternative to financialized capitalism. As noted, financialization scholars approach the status quo critically, questioning the inherent instabilities of financialized capitalism as well as the inequalities that it breeds. However, their pessimistic diagnosis of our contemporary state of affairs often offers no way out: with almost everyone subsumed under this new 'financial logic',[6] there is limited room for individual agency, let alone for a mass political movement for a more equitable future. Notable exceptions exist, which center on three broad ideas: a dismantlement of the financial sector as we know it, a reinstatement of social safety nets and the introduction of sustainable finance (cf. Engelen *et al.*, 2011; Nölke, 2018). Yet, it remains unclear how these should emerge out of the contemporary political moment, in which the post-war welfare state has been set aside for neoliberal austerity, and xenophobic populism has moved from the political fringes to the mainstream. As political economists' interest in financialization is unlikely to wane soon, they will therefore still have some big questions left to answer.

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