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Leveraging uncertainty, market-power, and fiscal opacity: The growth of financial security states

Abstract

Since 2008, we have observed a more prominent role of the state in economic life, with the widespread use of financial tools. Advancing discussions on the financialization of distributional politics, the expansion of financial statecraft as a result of fiscal conflicts, and the fragmentation of state power, this article explores how proliferating financial policies reconfigure the state and its relationship with the economy as well as its democratic foundations. I introduce the concept of financial security states to theorize reactions to mature financialization and its inherent instabilities, which provoke socially structured demands for public stabilization. Leveraging the tradition of fiscal sociology, I work out differences between taxation and welfare systems and those based on financial security. In particular, I show that financial security states exploit value uncertainties to postpone loss-reckoning, are carried by hybrid state-banking institutions, and leverage the states' endogenous power within market-based finance. This article argues that the by-and-large regressive distributional outcomes and fiscal costs of financial policies remain opaque, due to strategic obfuscation, the failure of traditional modes of political mediation, and deficient budgeting procedures.

Keywords: Sociology of the State; Financialization; Credit Policies; Central Banking.

Introduction

In the current era of multiple, overlapping crises, policymakers are increasingly turning to financial statecraft. For instance, after central bankers acted as firefighters in the wake of the 2008 Lehman crash, they remained the chief macroeconomic managers, introducing ever grander "quantitative easing" (QE) programmes while fiscal efforts were scaled back [Wansleben 2023b]. During the Covid-19 pandemic, yet larger amounts of

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QE were complemented by public loan guarantees programmes, which in many countries outstripped the volumes of conventional fiscal stimuli (e.g. in Germany, France, Japan, and South Korea) (OECD 2020b]. Financial statecraft has thus become a pervasive and general phenomenon, which has a longer tradition in the United States than elsewhere [Prasad 2012], but now is evident across the European Union [Gabor 2023; Mertens and Thiemann 2019] and other parts of the world.

The question I ask in this article is how this proliferation of financial policies reconfigures the state, its relationship with the economy, as well as its democratic foundations. To answer these questions, I develop the concept of *financial security states* as distinct political formations that respond to, and at the same time exploit, the unstable dynamics of mature financialization. Based on a phenomenology of financial policy instruments, like central banks' asset purchases or public loan guarantees, I discuss how the "work of governing" [Orloff and Morgan 2017: 9] with these instruments brings forth, and is stabilized by, distinct discourses, institutions, and infrastructures. A key focus of my analysis is on differences between financial security versus fiscal and welfare states, and how frictions between these political formations weaken the democratic politics of (re-)distribution.

This conceptual work engages with and advances three strands of literature in sociology and political economy. In the first, associated with the concept of financialization, scholars argue that distributional politics have shifted from fiscal and welfare domains to financial markets [Krippner 2011; Streeck 2014]. I take up this argument, but emphasize the role of the state, not just as a promoter of financial growth but as the all-important entity respond to financial instabilities and socially structured security demands [Minsky 1986]. I also engage with a key debate in sociology on the role of fiscal conflicts and crises in fostering the expansion of public credit and financialized welfare [Prasad 2012; Quinn 2019]. In economies with large private debt burdens and growing dependency on financial asset values, I contend that we observe endogenous dynamics of financial policy proliferation that relate to, but cannot be reduced to, fiscal escapism. Likewise, in interaction with private market-based finance, its security demands as well as its provision of infrastructures for governing [Braun 2018], the state develops new techniques, institutions, and discourses that are differentiated from, and often incommensurable with, fiscal and welfare states. This connects to a third key debate in sociology on the role and shape of contemporary advanced capitalist states as organizational actors that wield distinct sources of power. Several authors have noted that states have not lost in their importance for social life, but have become internally fragmented, frayed

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at their boundaries [Mayrl and Quinn 2016; Morgan and Campbell 2011], and experimental in their institutional forms [King and Le Galès 2017; Orloff and Morgan 2017]. I here argue that the distinct formations of financial security are major drivers of fragmentation, hybridization, and opacity.

In line with Daniela Gabor's [2021; 2023] discussion of "derisking", the point of departure of my conceptualization consists of the distinct *instruments* of financial security, how these are patterned on credit and asset ownership as social relations, and how they mediate political decision-making with capitalist markets through finance-specific operations, like risk-taking and investment.[1] In order to put these features of financial statecraft into perspective, I introduce fiscal and welfare states as points of comparison. The class-based establishment and differentiation of political parties [Esping-Andersen 1990; Huber and Stephens 2001]; state structures [Morgan and Prasad 2009]; normative conceptions of social cohesion [Mehrotra 2013; Scheve and Stasavage 2016]; and the penetration of society with elements of (coercive as well as infrastructural) state control [Mann 1984; Scott 1998] are all intimately linked with the rise of taxation and welfare. From this historical angle, we can recognize the distinct dynamics and conditions of fragmentary state-building associated with mature financialization. For instance, rather than engaging in the definition of social rights, civic obligations, and related negotiations over redistribution versus private ownership rights, financial security rests on the idea of pre-emptive stabilization for the sake of containing obligations and claims within private markets [Boy 2017; de Goede and Randalls 2009; Foucault [1978] 2007; Langley 2015; Özgöde 2022]. Rather than relying on parties, fiscal competencies embedded in elected governments, and budgeting, financial security is mostly operated via extra-budgetary, often independent organizational entities (central banks, public asset management companies etc.) with separate financial balance sheets. These use their market-internal clout and the status of public liabilities, rather than bureaucratic penetration of entire territories, to gain infrastructural power [Hockett and Omarova 2015; Wansleben 2023b].

While we know far too little about the distributional aspects of financial policies, evidence suggests that their effects are generally regressive [Petrou 2021; Schroth 2021], if only because these policies secure firms,

[1] By de-risking, Gabor means public measures to shift risk/return profiles for different assets with the purpose of increasing or at least maintaining their "investibility". For Gabor, statecraft in financialized capitalism thus essentially consists of the manipulation and nudging of financial *prices*. As discussed, financial security states operate through other channels as well, particularly temporal ones.

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banks, and households with considerable stakes in financial market outcomes. Moreover, by taking risks, the state involves taxpayers as equity-holding participants in markets, with fiscal implications that are often significant, but poorly understood [Lucas 2019; Lucas, Kilian and Michaelides 2014]. The fact that the financial security state has increasingly large distributional and fiscal consequences makes it relevant to discuss how it relates to the broader democratic politics of (re-) distribution. As I argue, at the interstices of financial security, democratic politics, and fiscal institutions, we observe the production of fiscal opacity [Howard 1997; Mettler 2011]. Such opacity arises for three reasons. First, technocratic policymakers often deny any redistributive responsibility [Fontan, Claveau, and Dietsch 2016], while elected officials have their own reasons to downplay fiscal costs [Gandrud and Hallerberg 2015]. Second, established modes of political mediation, coded according to the left–right distinction, are ill-suited to account for, and form positions on, financial policies. Last but not least, financial interventions are almost entirely ignored or deficiently incorporated into budgeting. Politicians have particular difficulties when it comes to accounting for the costs of public risk-taking [Lucas 2019; Lucas, Kilian, and Michaelides 2014].

I proceed as follows. The next section discusses the three literature strands introduced above to define this paper's contribution. I then sketch the proliferation of financial policies. While I briefly discuss longer historical trajectories, my main point is to show that, following 2008, advanced capitalist democracies have deployed an increasingly large, broad, and codified set of techniques to respond to the distinct problems of mature financialization. Next, I introduce fiscal and welfare states as points of comparison and contextualization for the subsequent analysis. The article's core section follows; this discusses the discursive, institutional, and infrastructural logics of the financial security state. The penultimate section discusses growing problems of fiscal opacity, and the final section concludes.

Rethinking the state's role in mature financial capitalism

Most scholars associate financialization not with an expansion but a contraction of state involvement in the economy. For the United States and United Kingdom respectively, Greta Krippner [2011] and Avner Offer [2017] provide accounts of policy and institutional change since the 1970s which consisted in abdicating responsibility for distributional outcomes by state officials and shifting such responsibility to financial

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markets. Crouch [2009] has introduced the concept of "privatised Keynesianism" to articulate the idea that, following the neoliberal turn in the 1970s, household debt and its increasingly sophisticated risk management by markets (partly) took the role that Keynesian macroeconomic managers had assumed after World War II to sustain aggregate demand and social peace [see also Streeck 2014]. Accordingly, in this analysis, citizens not only become economically more dependent on (financial) market outcomes, but also redirect some of their "political claims making" to these market realms [Fourcade and Healy 2013; Krippner 2017].

I do not question these arguments, but contend that the dynamics during *mature* financialization are different. In this phase, the state is increasingly called upon to secure financial claims and obligations. Mature financialization is reached when private (household and corporate) debts have piled up, amounting to levels beyond 100 per cent of GDP [Jordà, Schularick, and Taylor 2017: 213]; when various forms of property—from firms, to real estate, to land—have been thoroughly "assetized", i.e. turned into tradable, often securitized assets with expected cash streams for financial investors [Birch and Muniesa 2020]; and when financial sectors, which manage these debts and assets, have internally evolved into market-based, highly interconnected, concentrated systems [Haldane 2009; Hardie, Maxfield and Verdun 2013; MacKenzie 2008].

In mature financial capitalism, we observe how neoliberal moves to abdicate distributive responsibilities come back to haunt Krippner's evasive policymakers like a boomerang. Economists and other social scientists have made significant strides since 2008 to demonstrate empirically and analytically how and why ever larger financial systems produce ever larger instabilities and rely on ever larger public support [Thiemann 2023]. Uncertainties of credit, procyclical asset values, leverage cycles, and risk-spreading through tight interconnections all contribute to the growing frequency and severity of systemic financial crises amongst advanced economies that we have seen since the 1970s [Laeven and Valencia 2018; Schularick and Taylor 2012; Taylor 2015]. In step with this development, we have seen growth in bailout policies [Chwieroth and Walter 2020], supporting the idea that mature financialization and the expansion of financial statecraft are linked.[2] Some studies discuss this

[2] The relationship between financialization, the growing need for stabilization, and the establishment of public security apparatuses is complex. The institutional edifices of 20th-century financial stability— lender-of-last-resort central banking, public debt as safe asset, and depositor protection—actually turned into key drivers of accelerated

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phenomenon under the label of "financial dominance", to highlight the structural power of finance over the state under conditions of crisis [Diessner and Lisi 2020; Gabor 2016].

This brings me to the second strand of relevant literature. Fiscal sociologists argue that, when confronted with political divisions and fiscal conflicts, state actors do not so much give up on interventionism as switch from fiscal to financial policy tools [Quinn 2019]. These latter tools do not entail the same budgetary burdens as taxation or "on-balance sheet" expenditures [*Ibid*.: 11–13], and thus allow policymakers to attenuate and/or postpone distributional conflicts. Political economists particularly emphasize the strategic intent behind fiscal escapism, i.e. that of expanding or protecting popular spending without incurring the (immediate) costs [Alt, Lassen, and Wehner 2014; Peters 1991: 134]. In recent years, sociologists have discussed broader political, structural, and institutional origins of public credit and other financial policies. For the United States, scholars have shown how deeply intertwined the expansion of such policies is with factors such as struggles for social protection (especially by farmers) (Prasad 2012; Trumbull 2012), political fragmentation [Quinn 2019], segregationist housing policies [Faber 2020], and market fundamentalism [Block 2008], as well as the United States' unique position in the world economy [Schwartz 2009; Schwartz 2019]. Hockett and Omarova go as far as considering financial policies as representing a particularly "American mode" [2015: 105] of economic interventionism that goes back to Alexander Hamilton. Research on other countries is scarce. For instance, we know too little about the strong traditions of public and subsidized credit in countries like Italy, France, and Spain.[3] However, a growing body of research sees the European Union, with its distinct fiscal constraints, political frictions, and imbalanced political economy, as another context that is highly conducive to financial policy expansion [Gabor 2023; Mertens and Thiemann 2019; Thiemann and Lepont 2023].

My own contribution is to show that, while fiscal crises and political frictions are major drivers of financial policies, another reason is that such policies respond to and align with the distinct demands for protection

financialization in the late 20th century, as these institutions became disconnected from regulatory and other mechanisms of financial "repression" [Carruthers 2015; Schularick and Taylor 2012; Wansleben 2021]. In mature financialization, these traditional forms of stabilization are paralleled with new versions, like public asset management and market-making of last resort.

[3] In Germany, the Reichsbank supported capital development via universal banking [Tilly 1989] and the government issued loan guarantees on a large scale during the Great Depression [Von Deybeck 1933].

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that emerge from increasingly widespread and dense financial relations. By shifting and repacking risks [Gabor 2021; Gabor 2023], postponing the settlement of losses, recreating liquid markets, influencing expectations, and re-establishing the flow of cash along longer chains of obligations [Tellmann 2022], such policies provide effective tools to intervene directly in such relations. Accordingly, a distinct kind of governmentality is *generated* through officials' engagements with mature crisis-prone finance.[4]

This article also contributes to renewed efforts in sociology to empirically track and theorize the state as a unique category of territorial-organizational entity wielding legitimate power. A key diagnosis coming from this new literature is that over the past fifty years, states in the advanced capitalist world have *not* lost in significance, not even in the governing of globalizing economies and markets [Levy 2015; Sassen 2006; Vogel 1996; Wansleben 2023b]. However, such state involvement has fragmented, frayed at the state's boundaries with private sectors [Mayrl and Quinn 2016; Morgan and Campbell 2011], and become provisional in its organizational forms and policies [King and Le Galès 2017; Orloff and Morgan 2017]. For instance, in the United States, scholars have noted the important role of civil society and private actors in shaping and implementing tax and welfare policies, and have arrived at a new perspective and assessment of democratic crisis based on their analyses of diffused, fragmented, and often market-dependent policies [Balogh 2015; Morgan and Campbell 2011]. More broadly, internationalization in various policy fields has led to a growing convergence of approaches across countries in these particular fields [e.g. Jordana, Levi-Faur, and i Marín 2011], but fragmentation across different policy areas within a single state formation. Fragmentation, delegation, and hybridization raise problems for democracy since the linkages of policies with broad political coalitions are weak or remain invisible [Mettler 2011].

As I will argue, finance is a critical and still insufficiently recognized realm that is of central importance for these processes of state

[4] In that sense my argument also departs from the one on the developmental finance state. Developmental finance is there to fund long-term capital development based on political missions, such as the promotion of certain industries and infrastructures, greening the economy, etc. [Mazzucato and Wray 2015: 28]. Because choices over developmental projects are explicitly political, developmental finance usually retains some anchorage in the democratic process through which the normative goals of development are defined. This contrasts with bailouts, loan guarantees and other measures, whose purpose is to preserve the defining, dominant economic relations and structures of financial capitalism, usually taken in a depoliticized space and with the pretence of purely functional prerequisites.

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transformation. Some authors have already studied how financial logics become more prevalent amongst and within states [Schwan, Trampusch, and Fastenrath 2021]. My own analysis focusses more specifically on the development of new capacities, governing techniques, and public-private-sector relations to secure finance. As I argue, this state-building is fragmentary, is often obscure, and does not contribute to a broader vision of how to govern the economy democratically. In particular, there exist frictions between the discursive, institutional, and infrastructural logics of financial security and those of taxation and welfare, leading to institutional dissociation, failures of translation, and a weakening of democratic (re-)distributive politics.

Thus, my contention is that we can advance sociological research on financialization, the development of financial policies, and 21st-century state transformation by recognizing the existence, and exploring the consequences of, financial security states. A first step in this analysis will be to show that mature financialization drives financial policy expansion and to demonstrate how it does so. This will follow in the next section.

The proliferation of financial policies since 2008

Financial policies have long, sociologically meaningful histories, which have partly been told by the authors cited above. However, as I argue, in most recent times, mature financialization has become an important driver of policy development, leading to previously unobserved convergences across advanced Western economies. This is especially true for the period since 2008, in which highly developed countries have responded aggressively and with an increasingly codified set of policy instruments to macro-financial troubles. Take the United States, with its long financial policy tradition. Still, even for that credit-driven economy, 2008 marks a moment of acceleration (see graph 1). The most striking development concerns the role of the Federal Reserve, which dramatically expanded its balance sheet since the Global Financial Crisis, first by providing emergency liquidity and then via asset purchase programmes. Beyond the central bank, the government engaged in the expansion of housing credit subsidies, student-loan subsidies, and a significant extension of federal deposit insurance. The economist James Hamilton calculates that the US federal government's implicit liabilities from these policies rose from $11,781 trillion to $16,379 trillion between 2006 and 2012 [2013: 40, table 5] [see also Economist 2022]. In Europe,

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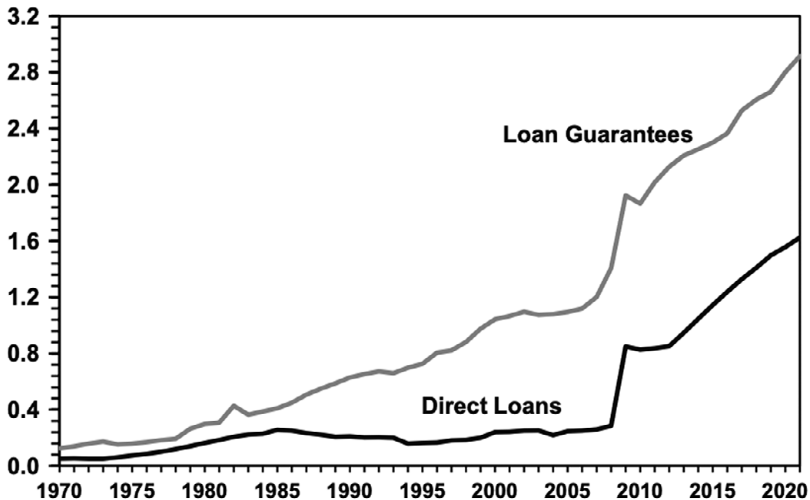
Graph I

Federal direct credit and loan guarantee programmes in the United States, Volume in trillion $ (source: Office of Management and Budget (OMB) 2021: 259)



we observe an even more dramatic shift. After initial reluctance, the European Central Bank emerged after 2012 as one of the most aggressive financial policy activists; large public asset management operations were launched; and more recently, national loan guarantees and subsidy programmes have spread on massive scales during the pandemic and the energy crisis.

I will now describe three major tools, to prepare the ground for their subsequent sociological analysis.[5] The first of these is *central banking*. Until the early 2000s, discussions over the role of central banks almost exclusively focussed on monetary policy [e.g. Marcussen 2006]. Yet, recent work reveals the organizations' essential financial policy responsibilities and powers [Mehrling 2011], as well as the influence of financial developments on central banking [Diessner and Lisi 2020; Gabor 2016]. For instance, for the United States, Karen Petrou [2021: XVIII]

[5] Laeven and Valencia have compiled a longer list of tools used to respond to systemic banking crises. This includes deposit freezes and/or bank holidays; bank nationalizations; bank restructuring; liquidity support; guarantees; asset purchases [2018: 5].

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notes that the Fed's powers in this realm increased with the financialization of the US economy. Empirically, this is supported by research on the so-called "Fed put". This notion describes the increasingly expansive Fed reactions to financial market crises that have occurred since at least the mid-1990s, when Fed economists recognized a growing dependency of household consumption upon stock market developments [Cieslak and Vissing-Jorgensen 2018]. The Fed then truly came out as a financial policy authority in 2008 [Tooze 2018]. After some internal confusion and controversy [Abolafia 2020], it stepped in on a massive scale to backstop secondary markets in subprime mortgages and associated money markets. Purchases of securitized mortgage assets remained a core feature of the Fed's QE, with the explicit intent of stabilizing access as well as costs for millions of (prospective) homeowners [Reisenbichler 2020]. In the early 2010s, the overt justification of Fed balance-sheet operations (particularly government bond purchases) shifted from financial stability to the macroeconomy and jobs [Bernanke 2020]. However, supporting finance through such operations remained essential. QE has gone hand in hand with a much larger responsibility on the part of the Fed to both stabilize broader money market liquidity and financial channels of growth. This intimate nexus between support for finance and wider crisis management became apparent again in 2020 at the start of the pandemic, when the Fed purchased $1 trillion in government debt within weeks because hedge funds and other investment firms scrambled for liquidity [Vissing-Jorgensen 2020].

The Fed has been the unquestioned leader of financial policy expansion amongst central banks. Others have followed its lead and adapted QE and liquidity-support programmes to local circumstances, for instance by more strongly subsidizing established banking institutions versus market-based actors (e.g. in the Eurozone). But this has not diminished the uptake of the respective instruments. From 2007 to 2021, the European Central Bank's balance sheet expanded from 13 to 60 per cent of euro-area GDP. While other motifs such as fiscal stabilization for member states have played a role, fragile, markets and the intertwinements of risky private with public liabilities have been essential drivers of this dramatic policy shift [Diessner and Lisi 2020]. We can observe similar trends in the UK, where the Bank of England engaged in large QE for macroeconomic but also financial-stability reasons, especially in the context of Covid-19 [CGFS 2023]. In the period from 2007 to 2021, the Bank of Japan's balance sheet grew from around 20 to almost 100 per cent (see graph II).

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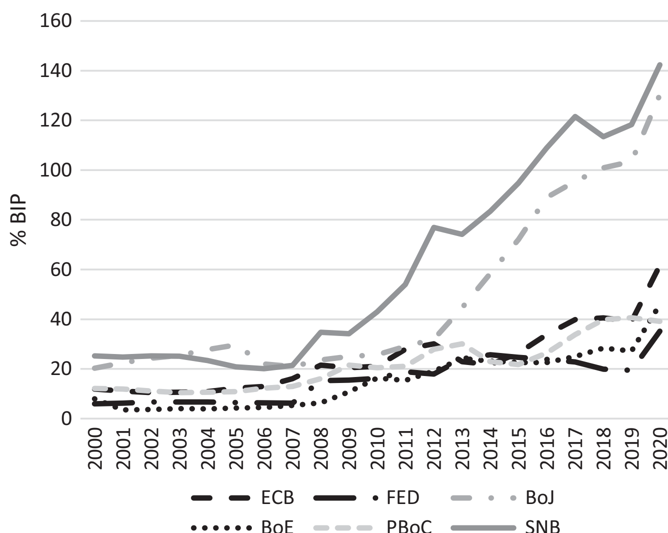
Graph II

Central bank balance sheets as % of GDP (Source: Central banks' reports)



The second set of important instruments consists of *subsidized loans and guarantees*. In the United States, guarantees have been an essential policy tool for quite some time. For instance, the famous government-sponsored entities (GSEs) Fannie Mae and Freddie Mac guaranteed loans from their mortgage-backed securities to sell them to private investors. In theory, these were private guarantees for loans from private companies. However, the government's implicit backing of the GSEs was always clear (and was reflected in refinancing costs). In 2010, the federal government took the privatized GSEs back under public ownership and massively expanded its underwriting of private mortgage debt. In that year, of all the new mortgages that were originated, about 86 per cent carried a federal guarantee [Lucas 2016: 18]. Meanwhile, the Department of Education took over student loans and rapidly expanded public guarantees in this domain as well. Economist Deborah Lucas calculates that about $8 trillion of assets were federally backed in 2010 [*Ibid*.: 13], generating a fiscal stimulus equal in size to Obama's flagship fiscal policy response (the American Recovery and Reinvestment Act).

The broader role of loan guarantees as a stabilization tool in mature financial capitalism was revealed by the pandemic. The OECD reckons

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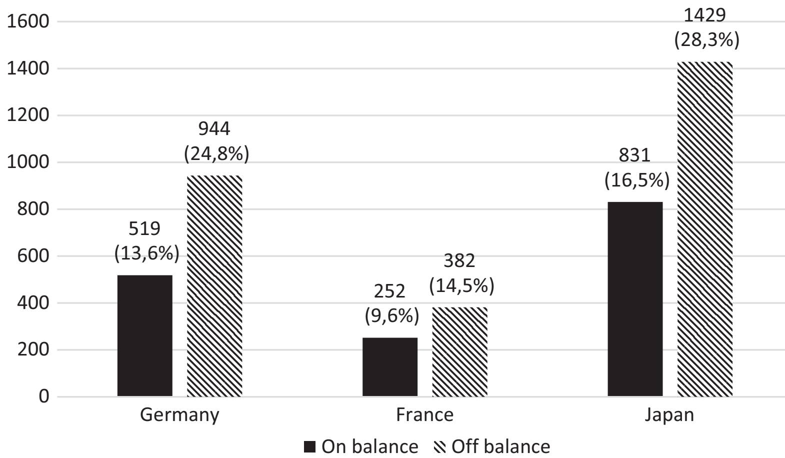
GRAPH III

Covid-19 aid packages (January 2020-July 2021) in billion USD and as % of GDP (Source: Source: IMF fiscal monitor)



that "loan guarantees have been … the preferred instrument deployed throughout the [Covid-19] crisis" [OECD 2020a: 13; see also OECD 2020b]. In yet another survey, the International Monetary Fund (IMF) lists various measures "above" or "below the line" (i.e. those included or excluded from public budgets) and found that in many core economies, Covid-19 economic crisis management of the latter category—primarily loan guarantees and other credit policies—nominally exceeded those in the former. For instance, France spent 9.6 per cent of GDP through normal fiscal policy but committed another 15.2 per cent in contingent liabilities in 2020–21; Germany spent 13.6 per cent through its budget and committed 27.8 per cent outside of it; Japan spent 16.5 per cent through budgetary fiscal measures but committed another 28.3 per cent in off-balance-sheet form (see graph III).

One may argue that such measures were responses to the unique challenges of the pandemic. Governments tried to shield their corporate sectors, which were experiencing disrupted demand (due to lockdowns) and dysfunctional supply chains. However, this neglects the fact that a primary concern for policymakers was the impact of insolvencies and liquidity crises for already-strained banks. Moreover, since the pandemic, the volumes of loan guarantees in many countries have not been reduced. For instance, in Germany, the value of guarantees has increased

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since the pandemic from €821.7 billion at the end of 2020 to €903 billion in 2022.[6] Additionally, housing-sector-focussed programmes have grown, especially in response to the rapid rise in interest rates that has occurred since 2022. In Spain, Hungary, Portugal, Poland, and Greece, governments have adopted some version of support for mortgage holders, e.g. by subsidizing lower interest rates, introducing longer repayment periods, or through guarantees.[7] Governments' underwriting of private credit is on the rise.

A third prominent financial policy solution used in the aftermath of 2008 consisted of the creation of *public asset management vehicles*. Governments, central banks, and quasi-governmental entities set up these funds with public capital injections and/or credit-guarantee lines, often with some private-sector participation. The newly created asset management companies with banking licences buy up distressed, usually non-performing assets at a discount. The aim is to de-risk the balance sheet of banks in trouble while maximizing recovery value through the securitization and management of assets over time. Such tools had been used before; the US government had established the Resolution Trust Corporation (RTC) to wind down losses from the Savings and Loan Crisis in the 1980s, and the Swedish government had taken over a firm called Securum to manage bad loans during the banking crisis of 1992–3. But from these singular cases, asset management companies have moved to become an extremely prominent crisis management tool since 2008. From 2010 until 2016, 21 bad banks were set up in Europe alone that took over assets worth €444.2 billion [Brei *et al.* 2020]. With the problem of non-performing loans deepening after the pandemic, the European Commission has increasingly provided strategic support for public asset managers, e.g. by codifying best practices for how to securitize bad loans and manoeuvre around the EU's own restrictions on state aid.[8]

We thus observe the proliferation of financial policies in a period in which financialization has matured, becoming increasingly crisis-prone and unsettling for the rest of the economy. This has induced the expanded use and diffusion of a set of policy tools that secure financial relations by using different instruments of finance. To comprehend the state-(re-)building process associated with this policy change, and reveal

[6] In this context, it is important to note that the envelopes for loan guarantees during 2020–1 were much bigger than actual uptake [Anderson, Papadia and Véron 2021], and that even in the case of their actual issuance, these would not directly translate into taxpayer costs.

[7] See https://www.euronews.com/next/2022/11/22/spain-economy-mortgage-banks (retrieved 15 November 2023).

[8] See https://ec.europa.eu/commission/presscorner/detail/en/ip_20_2375 (retrieved 15 November 2023).

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its fragmentary, hybrid, and obscuring features, I now turn to fiscal and welfare states. In the social sciences, scholarship on taxation and welfare abounds, and the following section will (very selectively) leverage this rich research to identify a "model for" [Geertz 1973] state power and redistributive politics within capitalist democracies. However, the aim here is not to discuss specific (and diverse) trajectories of welfare state formation, determinants of policy outcomes, or crisis phenomena that have been under discussion since the late 20th century, like retrenchment. Rather, taking a more distanced view, the purpose is to sketch broad contours of welfare and fiscal states as historical products of 20th-century settlements between democracy and capitalism. I will then use these insights as a point of comparison and for contextualization in order to make sense of financial security states.

Fiscal and welfare states as points of comparison and contextualization

Throughout the 20th century, advanced capitalist democracies developed practices of (re-)distribution that rested on taxation and welfare spending. Tax obligations subject economic actors to a logic that is distinct from that of markets, and they directly affect economic distribution by reallocating monetary resources.[9] Taxes are non-reciprocal obligations that are backed by the state's coercive force [Martin 2020]. Through taxation, public revenues thus become explicitly political, but also more dependent on private economic activity as the taxable base [Schumpeter [1918] 1976; Tarschys 1988]. Social spending, on the other hand, defines a domain of resource allocation that explicitly shields citizens from pure market forces. Respective claims are based on social rights rather than direct renumeration for economic services, though they are often conditional on (previous) employment and/or means-tested [Esping-Andersen 1990; Garland 2014; Marshall 1961]. Taxation and public spending derive from political choices, and in the contexts discussed in this paper, democratic ones at that. But such choices are embedded in distinct state apparatuses and political logics that enable and constrain public redistribution. I thus want to use this section to

[9] Notwithstanding the alleged crisis of the tax state, state activities continue, by and large, to be funded by taxes. In the OECD, an average of 60 per cent of revenues come from this source. Taxation happens almost everywhere in the world—90 per cent of all countries have personal and corporate income taxes of some sort [Seelkopf *et al.* 2021: 249]. Tax shares of GDP have not consistently gone down or up.

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discuss how redistribution is legitimated, institutionalized, and "infrastructured" in capitalist democracies. This analysis of tax and welfare states as political constructs will help to situate the financial security state.

First, taxation and public spending become objects of public conflict and debate based on particular *normative conceptions of civic (un-) deservingness, duty, and liberty*, which resonate with *cognitive conceptions of the macroeconomy*. For instance, at the turn of the 20th century, transactional norms of taxation in liberally conceived economies gave way to more redistributive "ability-to-pay" norms [Mehrotra 2017] that resonated with a more interventionist state and processes of democratization. Likewise, 19th-century discourse framed unemployment and poverty as the result of moral failure on the part of the individual [Walters 1994]. Around the turn of the century, the working classes then started to struggle more vigorously for social protection as a political right [Mattei 2022]. These were political demands that aligned with systemic, Keynesian/progressive readings of unemployment.[10] Since the two world wars, capitalist democracies have framed choices over taxation and welfare around relatively stable sets of normative and cognitive ideas associated with liberalism and market logics on the one hand, and civic duties, rights, and public responsibilities for welfare and for addressing market failures on the other. In short, then, moral categories, together with cognitive ideas of macroeconomic causalities, provided the discursive foundations of 20th-century fiscal and welfare states, enabling some politicizations while inhibiting others.[11]

At the *institutional level*, a large literature shows that fiscal and welfare states have deep roots in the formation of political systems. They have emerged from new settlements between democratic forces and sovereign rulers [Tilly 1990], e.g. encapsulated in procedures of budgeting [Daunton 2012; North and Weingast 1989; Schumpeter [1918] 1976]. Struggles over public spending and welfare have been foundational for the establishment and differentiation of political parties [Esping-Andersen 1990; Huber and Stephens 2001]. For instance, the rise of social democracy took place via the endorsement of public redistribution and "decommodification" by socialists [Berman 2006]. Newer

[10] Conservative campaigns have mobilized the stereotype of social policy excesses under Johnson's "Big Society" to undermine discretionary welfare programmes [Brownlee 2018: 175].

[11] For instance, as a result of relying on the existing categories and conceptions of Keynesianism versus liberalism and civic freedom versus duty, political actors have proven unable to respond to the growing significance of wealth as a driver of inequalities.

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research emphasizes that, beyond these core political institutions, welfare and taxation also rely on the establishment of stable interactions between public and private actors, as in European corporatism [Hertel-Fernandez and Martin 2018; Manow 2020] or the US "associational state" [Balogh 2015]. The fact that choices over public spending and taxation happen within and through these institutions renders it legitimate to speak of different fiscal and welfare regimes or systems that strongly condition possibilities for policy change [Jones *et al.* 2009]. This remains true despite exposure to globalization pressures, like growing capital mobility, which have led to convergence only in a few policy areas [e.g. Swank 2016].

As a third dimension, tax and welfare states are built on distinct *infrastructures* that enable and simultaneously constrain democratic powers for redistribution. The modern fiscal state relies on and has enabled the development of sovereign national currencies, in which tax liabilities are paid, public debts issued, and public spending executed [Ingham 2004]. Such currencies thus define realms of conditional sovereignty within the global and stratified capitalist order. Moreover, the fiscal state has given impetus to the development of comprehensive statistics in order to gain knowledge over citizens, their incomes, and wealth [Scott 1998]. More directly, modern taxation is built on widely diffused, embedded apparatuses of tax assessment and collection, consisting of modern bureaucracies as well as private corporate actors and professions that facilitate or execute those functions [Daunton 2012: 139; Mehrotra 2013: 293; Seelkopf *et al.* 2021: 246]. Such apparatuses form the basis for making tax payments a routine part of economic life, often with the result that citizens seamlessly fulfil their obligations. In equal measure, welfare requires the existence of decentralized and often local (or even neighbourhood) social services, public goods, and administrative decision-making, thus relying on a large organizational and institutional web that is embedded with particular political territories [Allard and Small 2013; Weir and Schirmer 2018].[12]

In public perception as well as academic debate, fiscal and welfare states appear as entities under severe pressure. Unresolved problems like demographic change, reliance on economic growth, discriminatory treatment of non-citizens, the weakening of mainstream parties, and exit options for multinational corporations as well as for wealthy elites threaten the 20th-century settlements between democracy and

[12] These local ends of welfare are the most vulnerable—this is where austerity often leads to the deepest cuts [for Britain, see Beatty and Fothergill 2018].

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capitalism that were achieved through taxation and welfare. However, it is worth noting that fiscal and welfare states remain powerful engines of redistribution that are deeply intertwined with democratic culture and political power. The next section shall demonstrate that financial security states come from a very different place. They use different instruments and rely on different legitimations, institutions, and infrastructural foundations. This not only implies differences, but frictions between financial security and fiscal redistribution.

Contours of the financial security state

The idea here is to sketch features of the financial security state based on its distinct modes of economic interventionism and by defining those elements that turn it into a durable political formation. The point of departure for this analysis is to make sense of what a financial security intervention actually consists of. At bottom, this is an intervention into financial contracts that uses the features of such contracts [Chiapello 2017; Hockett and Omarova 2015]. These include (contingent) credit provision, asset purchases, market-making, equity takeovers, securitization, etc. Financial security states thus inscribe themselves into ongoing, yet disrupted transaction and valuation processes in markets, and for that purpose exploit the very techniques of finance.

Three distinctive features of financial instruments, and the underlying social relations in which they intervene, stand out. First, financial contracts extend through time [Beckert 2016: 123; Tellmann 2022]. For instance, there exists a temporal distance between payments and repayments in credit contracts, as debtors can acquire loans based on promises, and creditors can register such promises as claims with current value on their balance sheets. Second, this temporal extension goes hand in hand with uncertainties. Debtors assume binding obligations whose fulfilment is conditional on developments unknown at the moment of the contract—their own circumstances and conditions may change, and so do assessments of investment values in the overall economy. On the creditor side, uncertainties in the value of promises allow for market trading in claims as participants and observers arrive at constantly adjusted expectations. Thirdly, in mature financialized systems, financial contracts are interlocked. Trivially, every liability is somebody else's asset. But in financialization, assets are traded on markets, possibly even used as collateral to further expand balance sheets, and externally financed on money markets.

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Financial contracts and balance sheets thus form part of longer financial "chains" [Arjaliès *et al.* 2017].

Financial security interventions carry with them these temporalities, uncertainties, and interconnections, which are inherent in financial contracts. By assuming temporally extended obligations and claims [Tellmann 2022], by de-risking private actors [Gabor 2023], and by inserting themselves into longer financial chains, financial policymakers themselves exploit the respective features of finance. In the first instance, this means that norms of deservingness and duty, as well as conceptions of liberalism versus interventionism—so constitutive for fiscal and welfare states—cannot take hold. Instead of negotiating how much sacrifice can be demanded from citizens, and how public resources are to be distributed according to politically enforced social rights and rivalrous conceptions of the macroeconomy, financial security actors negotiate how much the state should invest to maintain circulation, thereby prolonging repayment horizons and avoiding the (full) recognition of losses. It is fundamental for such interventions that the costs of avoided events, but also the fiscal costs associated with publicly invested funds (e.g. in asset management companies), remain unknown at the moment of decision-making. Thus, the scale of interventionism and the definition of benefits is uncertain and depends on assessments of risk. Moreover, the financial security state does not define a realm of social provisioning that is separated from that of markets (i.e. "decommodified"). To the contrary, the purpose of the respective interventions is rather to infuse security into the sphere of financial markets—to grant subsidized lending, loan guarantees, or market-making/liquidity services so as to stabilize projected, systemically interlocked financial futures [Tellmann 2015].[13] This directly aligns with Foucault's definition of security as "making possible, guaranteeing, and ensuring circulations" [cited in Boy 2015: 531]. This is not to deny, of course, that financial policy interventions generate fiscal costs and redistributive consequences. But such allocation and redistribution processes are not embedded in the discursive politics of (re-)redistribution discussed above—a problem to which I will return below.

[13] Accordingly, such policies have a wider set of beneficiaries than those that immediately receive help. Bailouts of banks and companies benefit these entities' creditors, who can recover the nominal value of their claims [Lucas 2019]; loan guarantees in Europe during Covid-19 were just as important as a means of avoiding serious solvency problems amongst the continents' banks as they were for the insured companies [OECD 2020a]; conversely, central bank interventions in secondary government debt, student loan, or mortgage markets helped improve not just trading conditions on the respective markets, but also the refinancing conditions for downstream debtors [Di Maggio, Kermani, and Palmer 2020].

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The financial security state also has distinct institutional foundations. As suggested above, in the fiscal state, the budget centralizes distributional politics and links executive planning with democratic choice. Parties become durable parts of political systems by differentiating themselves from each other ideologically, for example by assuming relatively stable positions on questions of redistribution. Private actors are involved in policymaking through corporatist institutions as well as associational ties. Financial policies, and the bodies enacting them, operate outside these institutional edifices. The entities implementing financial policies have financial balance sheets and manage these in close interaction with the markets on which the respective securities are traded. Central banks are the paradigmatic examples of such organizations, as they entail features of state bodies as well as banks [Braun, Krampf, and Murau 2021]. Rather than being situated at the hearts of political systems, such organizations thrive at the interstices of the state and finance [Coombs and Thiemann 2022]. Operationally, they run balance sheets that do not summarize (planned) disbursements of scarce revenues for political purposes in cash-accounting terms, but record positions in assets and liabilities with time value. The key question to be answered by these balance sheets is how to (re-)assess the current value of positions, given various kinds of risks (liquidity, duration, credit etc.). Distinct professions are in command of such expertise and skills of valuation, and thus gain control over critical public policy choices [Chiapello 2020].

Last but not least, financial security states rely on distinct infrastructures. If modern taxation is enabled by sovereign money, modern bureaucracy, socio-economic statistics, and territorially embedded tax collection/assessment as well as welfare provision, then the financial security state is built on the public–private infrastructures of market-based finance [Gabor 2016]. From tools to perform valuations [Chiapello and Walter 2016], to the contractual forms for securitizing assets [Pistor 2019], to the trading platforms and clearing houses enabling transactions in liquid and transparent markets, the state participates in the construction and use of the very infrastructures undergirding private markets [Wansleben 2020]. To be sure, such participation has particular features, as state actors engage in markets for public policy reasons rather than private gain, and they can draw on distinct sources of power for these interventions. For instance, they rely on the special standing of public liabilities (debt securities; central bank reserves etc.) as "safe assets" on global markets [Boy 2015; Gabor 2016]. Moreover, state actors have special powers to shape market rules with the tools of regulation. However, the point here is that such special powers are being used to empower

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the state to "lead the market from within —thus becoming an integral part of the private market" [Hockett and Omarova 2015: 115]. The financial security state thus strengthens and simultaneously exploits finance as an infrastructure for evaluating and trading financial obligations and claims. Indeed, the very purpose of the financial security state is to recalibrate risks, manipulate payment schedules, and to loosen fatal balance-sheet interdependencies so as to reinvigorate private finance. Again, central banks are the pivotal example who reveal how financial policy actors gain infrastructural power through their endogenous role in finance. Since the 1970s, monetary authorities have learnt to adjust their policy tools and organizational processes to the workings of market-based systems and to enhance their own policy roles through these systems [Wansleben 2023a]. Precisely because central banks' infrastructural power is tied up with their endogenous market roles, it is a fragmented and conditional version of state power.

Table 1 summarizes the main features of the financial security state, using the modern fiscal and welfare state as a point of reference. The table makes evident that there exist profound differences between the political formations that legitimize and enact fiscal redistributive politics and those that operationalize and sustain financial security. While it is necessary, in a next step, to specify variations between contexts, my contention is that the distinct logic of financial security can be generalized and that it, to some extent, transcends ideological orientations or choices over particular policies, which evidently vary significantly between countries. Deceptively, though, my perspective seems to imply that fiscal states and financial security states are two discrete entities whose features can be identified more easily by working out contrasts in terms of common aspects of comparison [Krause 2016]. However, such a perspective would be misleading. The financial security state remains ambiguously

Table I
The modern fiscal versus the financial security state

	Modern fiscal/welfare state	Financial security state
Instruments	Political rights/obligations	Financial contracts
Normative and cognitive foundations	Right–left ideologies	Financial security
Institutions	Parties, budgets, etc.	Hybrid state–market organizations
Infrastructural power	Territorial	Market-based

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linked to, and reliant on, fiscal powers, and it has distributional consequences that can complement, reinforce, or contradict those of fiscal redistribution. This implies that the differences worked out in Table 1 raise questions about the relationships between interdependent formations within one political-economic context. In the following section, I want to discuss their misalignments, particularly drawing attention to their problematic consequences for fiscal democracy.

Opaque social contracts

What implications does the expansion of financial security states under mature financialization have? Alas, we have little research to rely on for addressing this question. In terms of distributional consequences, studies suggest that bailouts, quantitative easing, and similar interventions have regressive effects [Petrou 2021; Schroth 2021]. This is intuitively the case because participants in financial markets are those in the higher deciles of income and wealth distributions. If, for instance, a bank is bailed out, its creditors—institutional investors—and deposit holders with savings above deposit insurance limits are those who benefit. If central banks or other actors stabilize or boost asset values, those who hold these securities, i.e. the (white) middle classes [Bartscher *et al.* 2022] and rich households with diversified financial portfolios and large stock ownership [Mian, Straub, and Sufi 2020], are the primary winners. Interventions like QE and loan guarantee programmes also help leveraged debtors, both within professional finance and in the household sector. For the latter, we know that access to leverage, and actual indebtedness, are biased in favour of the middle and upper classes [Bartscher *et al.* 2020]. This is not to deny that financial security interventions, like those made in 2008 or 2020, can have stabilizing macroeconomic impact and thus also help those most exposed to business cycles, i.e. the working poor [da Silva *et al.* 2022]. However, the regressive side effects of such growth stabilization measures, especially in contrast to welfare policies, are all too evident. Add to this that, even if financial returns are increasingly subsidized by the public, they are not taxed to the same extent that labour is, thereby deepening financial policy-induced inequalities.

The fact that financial policies are often regressive redistributive interventions, always involving risks to and sometimes palpable costs for the taxpayer, does not directly imply that they are undemocratic. Indeed, some scholars have argued recently that politicians support

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and themselves engage in financial rescue actions because increasingly large sections of the population profit from and thus demand them [Chwieroth and Walter 2020; Young and Pagliari 2022]. In particular, real estate mortgages and financialized pension plans have led to a significant middle-class integration into financial markets so that, allegedly, electoral majorities now benefit from and provide popular support for generous financial rescues. In some cases, the respective groups may even be able to mobilize moral arguments in support of such rescues as a necessary measure to protect legitimate expectations and life plans. The pivotal example would be homeowners, who not only constitute electorally powerful and macroeconomically relevant constituencies, but who can also draw on moral arguments about their real estate property as an essential good and a foundation of middle-class life [Konings *et al*. 2021].

My contention here is that such arguments about mass financialization overlook deeper frictions between the workings of financial security states and democratic politics. In particular, obscurity around the question of who benefits and who pays for financial policies undermines the legitimacy of the respective interventions as well as their integration into a broader, democratic politics of (re-)distribution. In other contexts, scholars have already developed such arguments about the corrosive effects of opacity. For instance, Fed Block [2008: 194] claims that the hidden nature of America's public investments into research and development undermines their democratic foundations and leads to privileged influence for special interests. Suzanne Mettler [2011] provides survey evidence amongst US citizens which indicates that when people receive support that they do not recognize as public expenditure (as is often the case with credit subsidies or tax expenditures), they are less likely to acknowledge that the government helps them; nor are these beneficiaries of invisible programmes willing to contribute more in taxes than average respondents, an effect that is evident for citizens receiving visible public support. Importantly, identifying opacity as a weakening factor does not imply that, as a baseline assumption about fiscal democracy, all citizens have perfect (predictive) knowledge about the relationship between how much they pay and how much they receive, or that political discourse in such a democracy offers accurate, comprehensive representations of which groups provide and which ones receive public resources. Rather, the argument is that opacity erodes and shrinks the limited and skewed terrain on which questions of deservingness and duty, and of

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interventionism versus liberty, are negotiated within existing national democracies.[14] It weakens public democratic culture, rather than individual cost–benefit calculi.

Financial policies are major contributors to increased opacity because their beneficiaries and costs often remain in the dark, thereby also rendering broader "social contracts" increasingly opaque. This is for three reasons. First, policymakers strategically create ignorance or opacity [McGoey 2012]. Technocratic policymakers shield their autonomy by neglecting the fiscal implications of policy choices and broader distributive outcomes. This can be most clearly observed in the case of central bankers. Officials from these organizations generally deny that their policies have any redistributive implications and/or reject any political responsibility for them; this was most strikingly the case for QE [Fontan, Claveau, and Dietsch 2016]. But even elected politicians often downplay or strategically neglect the fiscal costs of financial policies. Evidence suggests, for instance, that politicians give very benign assessments of the costs of bailouts when they are launched, most likely to avoid electoral consequences or sanctions from international bodies, like rating agencies. Fiscal burdens regularly turn out to be larger than initially projected when viewed from a post hoc perspective [Gandrud and Hallerberg 2015].

Second, we observe a failure of political mediation. As discussed above, the distinction between left and right has mediated between the popular and technocratic politics of (re-)distribution in capitalist democracies [Campbell 2020; Hall 1989]. For all its deficiencies, such mediation has created relatively enduring homologies [Bourdieu 1985] between the popular politics of redistribution, based on moral categories of deservingness, and Keynesian versus liberal-market conceptions of the macroeconomy. By contrast, the relationships between the popular and technocratic politics of financial policies seem fragile or dissonant. Broader publics usually only engage in the politics of finance during crises. Such moments, then, generate moral panics, which draw on distinctions between gambling versus sound risk management or "real" investments [Münnich 2016] to judge on the (un-)deservingness of support. However, technocratic policymakers often dismiss these distinctions as irrelevant to their crisis management while framing their own choices in terms of the assumed consequences of events and of (forgone)

[14] Moreover, we need to distinguish between a tax policy and its payment's becoming routine, which usefully reduces visibility and hence problematization, and opacity as a feature of the politics around the respective public finance decisions.

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interventions for overall financial stability [Özgöde 2022]. Paradoxically, such technocratic reasoning justifies ever-more interventionism in the name of maintaining a market-based system, thereby suspending classic left–right distinctions. Accordingly, moralized public and technocratic perspectives on il(legimate) security demands regularly clash. Take the post-2008 interventions in the United States as one example. Elites were and remain convinced of the efficacy of the bailout actions by the Fed and the US government [Bernanke *et al.* 2020]. Yet, these bailouts were deeply unpopular amongst large sways of the US electorate and helped the Tea Party movement to gain momentum and electoral success in the mid-term elections of 2010 (Abolafia 2020: 126; Blinder 2022: 278–279].[15]

This last point closely relates to a third general factor contributing to opacity, namely a fundamental misalignment between the ways in which existing institutions account for public spending and the nature of financial policies. Most importantly, the dominant cash-accounting principles of budgetary institutions lead either to the entire neglect of financial contracts or to problematic accounting effects [Lucas, Kilian, and Michaelides 2014]. For instance, in cash accounting, loan guarantees essentially cost nothing, while public credit is booked with the full loan value as expense, irrespective of the (risk) value of repayments [Anderson and Burke 2021]. Another illustration of the difficulty of squaring the risk logic of financial policy interventions with conventional cash accounting is provided by the Troubled Asset Relief Program (TARP). In 2012, then-President Barack Obama claimed that "we got back every dime used to rescue the banks" from this programme [cited in Lucas 2019: 94]. A prominent think tank, ProPublica, even reported a net government profit from the bailouts of $97 billion [*Ibid.*]. Yet these claims rested on a simple comparison of cash invested into TARP with later returns from asset sales. This entirely ignored the fact that US taxpayers had assumed significant risk by investing in distressed assets, and that risk-taking in finance is costly, especially during crises. Using

[15] On a more personal anecdotal level, one of the protagonists of the bailouts, Timothy Geithner, recalls how he experienced the schism between security rationalities and popular moralities when he met his wife at the breakfast table the morning after the decision to support the insolvent insurance giant AIG. His wife could not conceive how a moral person like her husband would bail out a company that was engaging in irresponsible business practices. See https://www.youtube.com/watch?v=fODGiihcE2g. For a discussion of political cleavages associated with the bailouts in spring 2023, see Leon Wansleben, "First Republic and our undemocratic bailout system," *Washington Post Made by History*, 03 May 2023, https://www.washingtonpost.com/made-by-history/2023/05/03/first-republic-bailouts-democracy/.

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financial valuation methods that incorporate the respective risks, the economist Deborah Lucas therefore arrives at a very different cost estimate of $500 billion, or 3.5 per cent of GDP.

On this last point, it is important to note that US lawmakers have partly tried to address some of these problems with the Budget Enforcement Act. Since 1990, government agencies need to develop estimates of the actual expected cash flows from a given credit or credit guarantee (thus accounting for expected losses), and the Office of Management and the Budget (OMB) calculates the net present value of these expected cash flows by using Treasury rates as the discount rate. On that basis, Congress receives a budget that explicates the "subsidy costs" of programmes and thus can, in principle, compare financial policy interventions with other public spending. Agencies must receive appropriations for the subsidy cost before they can enter into direct loan obligations or loan guarantee commitments (Anderson and Burke 2021: 10]. For the crisis interventions in 2008/2009, the OMB additionally offered assessments of subsidy costs that incorporated market-based costs of capital rather than using the Treasury (i.e. risk-free) rate. These US reforms constitute interesting institutional innovations aimed at addressing the opacity produced by ever larger bailouts and reintegrating parts of the financial security state with procedures of budgeting. They warrant more detailed empirical research to study the actual political use of the respective accounting procedures and their relevance for fiscal decision-making, especially in the extremely adversarial context of US politics. However, the fragility of these reforms, as well as their absence in virtually all other jurisdictions, highlights the underlying problems.[16] It is safe to say that, in general, the rapid expansion of financial security operations has not been matched by adequate changes in political discourse and procedures to tie the respective decisions back to fiscal democracy. This increases opacity.

Conclusion

Since the Global Financial Crisis, financial policies have achieved a new level of comprehensiveness and a new systemic nature. This has happened as a result of central banks' new roles as market makers of last

[16] In the case of the United States, there is significant controversies as to how far risk accounting should and can go [Lucas and Phaup 2008].

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resort and their aggressive macroeconomic financial policies (quantitative easing). Complementarily, we have seen the widespread use of asset partitioning, loan guarantee, and public takeover programmes by development banks, public asset managers, etc. While it was not the primary aim of this paper to explain the processes of policy diffusion, an overview of measures since 2008 reveals how policymakers (in central banks, finance ministries, development banks etc.) have innovated financial tools, and how quickly such innovations spread from one crisis to the next. We can now define a common stock of intervention techniques that make up a significant part of economic policymaking in contemporary capitalism.

I argue that *financial security states* are the carriers of such interventionism and render it durable. This conceptualization complements other engagements with financial statecraft in sociology and political economy. It fills a gap in financialization studies that identify a shift in the locus of distributional politics, but neglect the state's central role in the maintenance of mature financialization and under conditions of financial dominance. My contribution also complements fiscal sociology, which primarily explains the proliferation of financial policies in terms of fiscal crises and political fragmentation. To focus exclusively on shrinking spaces for fiscal redistribution is to neglect the dynamism of financial policy expansion under unstable market-based finance, and to neglect how policies like quantitative easing and public asset management are intimately linked with, and derive their infrastructural power from, private markets. My paper also contributes to the revived sociology of the state, by drawing attention to financial statecraft as a major force for fragmentation, hybridization, and obfuscation.

Using the politics of taxation and welfare as a point of comparison, my first contribution, then, was to conceptualize the financial security state comprehensively, in terms of its discursive legitimations, institutions, and infrastructures. As I have argued, while discourses on the politics of taxation and welfare rely on homologous moral categorizations and expert conceptions of the macroeconomy, financial policies are framed in terms of security—as ways to temporarily bridge market failures to pre-emptively avoid the need to settle losses and to reintegrate actors and chains of contracts into private finance. Institutionally, fiscal and welfare states rest on regulated interactions between executive and legislative branches (e.g. through budgeting), parties with relatively stable positions on redistribution, and established modes of private–public sector coordination. By contrast, financial policies are carried out by organizations at the interstices between the state and financial markets, which operate

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financial balance sheets. Infrastructurally, taxation and welfare depend on key components of territorial despotic and infrastructural power (sovereign currencies, bureaucracies, statistics etc.), while the financial security state leverages the state's endogenous role (its credit standing, liquidity-generating power etc.) within global market spaces.

In light of continued expansions in private and public debt as well as asset markets, financial security states will not only stay with us, but will likely grow further. Sociologists should engage with the implications and consequences of this situation. With Sarah Quinn's and others' path-breaking works, we observe promising syntheses of fiscal sociology and financialization studies to take up this task. In this vein, scholars show that financial policies are not mere technical plumbing operations or inconsequential nudges for markets, but involve relevant choices over how to use public resources, with distributional and macroeconomic consequences. Some studies suggest that financial policies have regressive effects and status quo biases since such policies protect firms and households that already have significant financial stakes as creditors, asset-owners, or debtors [Bartscher *et al.* 2022; Petrou 2021]. Research on these consequences, and how policymakers actually make distributional choices, is still too scarce.

My own contribution has been to highlight the democratic deficit of financial security states, which occurs even in countries like the United States which have a long tradition of using financial tools for welfare provision. I identify three forces that increase opacity, which in turn reduces capacities for democratic deliberation and accountability. First, technocratic, but also elected officials are strategically silent on distributional impacts and fiscal costs; second, political mediations between popular and expert politics, between democratic responsiveness and policy responsibility, fail in the domain of financial security. The left–right schema, which serves this purpose for fiscal and welfare states, is ill-suited to accounting for financial statecraft. Third, budgetary institutions are ill-equipped to render financial policy choices accountable. In most countries, the specific features and sometimes even the sheer existence of financial interventions are ignored. We are thus confronted with institutional failure to transform statehood and public policy under mature financialization.

My paper has drawn attention to these respective—and still hardly recognized—developments and pieced together a more general picture from the findings of the growing number of studies in sociology and political economy. This does not substitute for more empirical work—on national variants, distributional consequences, political contestations,

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and institutional innovations. If the key intuitions articulated in this article are correct, such work will become all the more important in the coming years.

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