# Whither corporate financialization? A literature review

Published in:
***Geography Compass* 2021;e12588**
https://doi.org/10.1111/gec3.12588

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## Abstract

In this paper we review the burgeoning literature on the study of corporate financialization, distinguishing three strands of empirical, quantitative studies: 1) national-level and macro-comparative analysis, 2) sector- and firm-level analysis, and 3) econometric studies. We argue that corporations should be studied in their spatial organization. The spatial organization of the firm can be used to *obscure* corporate activity. Geography is not simply one of the many features of corporate structure but is key to it and therefore fundamental to shaping corporate financialization, although this is insufficiently expressed in accounting principles that provide consolidated accounts. Finally, we suggest four avenues for future studies: 1) to expand the geographical and temporal scope of research; 2) to pay close attention to how indicators are constructed; 3) to deconstruct large categories of analysis, such as 'financial assets'; 4) to systematically include liabilities in the analysis of non-financial corporations, especially in the face of the abundance of credit.

**Keywords**: Corporate financialization, corporate governance, critical accounting, financial geography, non-financial corporations (NFCs), shareholder value, spatial organization of the firm

# 1. Introduction

Financialization has become an increasingly popular topic of research, or—to phrase it differently—an increasingly popular concept to frame a wide range of developments in economy and society. Typically, three strands of the literature are distinguished: the emergence of a new regime of accumulation, the ascendancy of the shareholder value orientation and the financialization of everyday life (van der Zwan, 2014). The concept started its rise in the early 2000s and became omnipresent after the global—or North-Atlantic—financial crisis of 2007−2009. As the study of financialization is not only burgeoning but the use of the concept also spreading and, one could argue, 'colonizing' new fields of research where it supplements older concepts and frames of interpretation, it has become almost impossible to discuss the literature in its totality. Already in 2009, Lee et al. identified 17 notions of financialization (Lee, Clark, Pollard, & Leyshon, 2009). Aalbers, then, clustered these different notions in first 10 and later 7 themes (Aalbers, 2017, 2019) and we here use his broad definition, which builds on Epstein's definition (Epstein, 2005), as encompassing the different elements of financialization as "the increasing dominance of financial actors, markets, practices, measurements, and narratives, at various scales, resulting in a structural transformation of economies, firms (including financial institutions), states, and households" (Aalbers, 2019).

In this paper we do not aim to provide another review of the different strands, themes or notions of financialization. Instead, we focus on one central component of financialization analyses: the study of corporate financialization, and more specifically: empirical, quantitative studies of the financialization of firms traditionally understood as 'non-financial corporations' (NFCs) across countries and sectors. This focus, of course, should not be understood as casting doubt on the contributions of more qualitative studies, which very much informed our understanding. Rather, a comprehensive review of these simply lies beyond the aim and scope of this paper. Some of the larger trends underlying the process of corporate financialization include the rise of institutional shareholders and the proliferation of the shareholder value conception (Davis, 2009; Froud, Haslam, Johal, & Williams, 2000), the globalization of both production and finance (Durand, 2017), and the crisis-ridden economic development of the past decades (Chesnais, 2017). This is to say that the benefit of the term of 'financialization' lies in its capacity to integrate empirical phenomena—spanning related processes of globalization, neoliberalization, and monopolization—rather than in its superior explanatory power as the exclusive driver of change. Our understanding of financialization thus builds on Durand's (2017, p. 4) who described it as "a cluster of interdependent processes constituting it as a historical and spatial incarnation of the capitalist mode of production."

The corporate dimension of financialization has received increasing attention from scholars in the wake of the global financial crisis and, most recently, the ongoing crisis prompted by the Covid-19 pandemic (Baker et al., 2020). Motivated by bailouts, bubbles and blown-up balance sheets, not only of banks but also of NFCs, a number of empirical studies have approached corporate financialization from a variety of perspectives, using a range of sources to answer a diverse set of questions through the use of several indicators. For most of these studies, establishing that financialization of some sort had taken place, was just the first step to investigate its impact on other socio-economic phenomena. Prominent themes include corporate investment behavior, macroeconomic instability and social inequality. Yet, as we will show in this paper, different strands within the corporate financialization studies barely refer to each other or learn from each other's insights and limitations. The same applies to already existing reviews (e.g., Wang, 2019). As a result, we are left with a scattered field, where there exists a fair amount of reinventing the wheel as well as mutual ignorance and the selective citation of earlier studies. It also means there is no standard of what data to use or which indicators to construct—a standard that could not only be mobilized in future studies but could also be criticized, deconstructed, complemented or negated. Perhaps somewhat paradoxical, the literature is both burgeoning *and* still in its infancy.

Much of the existing literature makes little of firms' inherent spatial organization and geographical embeddedness (Clark & Wrigley, 1997; French, Leyshon, & Wainwright, 2011) or their position in specific product markets (Froud, Johal, Leaver, & Williams, 2006). Not only do many studies focus on just a handful of high-income countries—in particular the US—but they also leave firms' spatial characteristics of corporate financialization indicators understudied. We acknowledge that the processes we describe could be assessed with different sets of concepts, including globalization, corporatization and so on, and we do not claim financialization is the cause of the shifts we observe. Rather, we observe how corporate financialization has been studied as an *empirical* phenomenon. Indeed, we argue that it is imperative to link empirical, quantitatively-oriented research with wider arguments of globalized production and distribution if we are to properly make sense of what indicators of financialization can—and cannot—tell us (Christophers, 2012). This means to critically assess the consolidated financial accounts of multinationals that condense the complex spatial footprint of corporations, including the intra-group financial flows and profit shifting, into the financial accounts of a single entity. This step, essentially opening the 'black box' of multinational firms, is hampered by the lack of comparable datasets.

With this general objection in mind, we aim to indicate missed opportunities but also to provide some guidelines for future studies of corporate financialization. The ever-growing number of studies does not easily lend itself to clear-cut categorization. However, for the sake of this review, we distinguish between three broad strands of literature: 1) national-level and macro-comparative analysis, 2) sector- and firm-level analysis, and 3) econometric studies that try to estimate the effects of corporate financialization—variously defined—on other socio-economic processes. To overcome some of these shortcomings, we suggest four avenues for future studies in the concluding section: 1) to expand the geographical and temporal scope of research; 2) to pay close attention to how indicators are constructed; 3) to deconstruct large categories of analysis, such as 'financial assets'; and 4) to systematically include liabilities in the analysis of NFCs.

The remainder of the paper is structured as follows. Section two reviews the sampled studies in detail and teases out the general development of the field. Section three then discusses a range of critical voices making the case for integrating observations of corporate financialization with larger arguments about long-term capitalist growth, new monetary conditions and the rising importance of intangible assets. Furthermore, the section calls for a spatial turn in corporate financialization studies and touches upon theoretical and methodological obstacles. Section four concludes by offering guidelines for future research.

## 2. A structured review of the literature

This section presents three different strands of the literature, each with its own focus and approach. While these strands are not mutually exclusive and further subdivisions also would be possible, we argue that this organization allows us to conceive of each strand's insights and omissions. The sample of studies reviewed in this paper was arrived at by first identifying the most-cited publications (such as Krippner 2005 and Orhangazi 2008) and focusing on the ensuing discussions in political economy journals such as *Socio-Economic Review*, *Cambridge Journal of Economics* or *New Political Economy* in subsequent years. We then broadened our scope to include work from adjacent disciplines (such as economic geography, economic sociology and political science), mostly identifying publications by means of academic search engines and cross-citations to other papers, books and reports. While appealing, we did thus not follow a bibliometric approach followed by others (Felipini and Palludeto 2019; Palludeto and Felipini 2019), not least because such approaches are hamstrung by the interchangeable use of 'financialization' and 'corporate financialization' in most of the literature we are interested in. In sum, our sample selection reflects 'hard' metrics as well as 'soft'

decisions, which is why we explicitly do not claim to cover 'all' the literature but rather provide a personal guide into this emerging research area.

### 2.1 The bird's eye view: national and international overviews

The most widely-cited author on corporate financialization is Krippner (2005, 2011) who proposed an 'accumulation-centred' perspective (Krippner, 2005, p. 176; see Table 1)[1]. Her influential study traced US NFCs' financialization in the second half of the 20th century by examining their 'portfolio income' (i.e., interest, dividend and capital gains income). Krippner's results indicated a strong upward movement, where especially manufacturing firms benefited from higher interest income.

Following her lead, Orhangazi (2008) also examined US NFCs' accounts, but did so through the prism of three different indicators: the ratio of financial to tangible assets; the interest and dividend income share of internal funds; and total financial payments as share of gross profits. His results confirmed sharply rising financial assets as well as accelerating financial payments. Incorporating share repurchases into financial payments, Orhangazi followed early findings by Lazonick and O'Sullivan (2000) who had already drawn attention to this—recently legalized—use of corporate funds and kept following its development ever since (Lazonick, 2013, 2014).

More recently, Davis (2016, 2018b) refined Orhangazi's 'asset-centred approach' to what could be called an 'asset- and liability-centred approach'. By decomposing US firm-level data up until 2014, Davis (2016) unpacked the category of 'financial assets' into four exhaustive components: cash and short-term investments, current receivables, investments and advances, and 'other' financial assets. Her study yielded similar results of rising financial assets, in large part due to growing reserves of cash (for smaller corporations) and 'other' short-term investments (for larger corporations). Cash holdings were particularly high among those NFCs that were more likely to 'disgorge the cash' to shareholders and attained higher interest income (Davis, 2018b). This relation between cash holdings and financial income, however, was recently called into question by Rabinovich and Artica (2020) who investigated South American companies. Beyond cash holdings, Davis (2016, p. 128) highlighted the "bifurcation in the acquisition of debt" according to which larger corporations *increased* their leverage along with their acquisitions of financial assets while smaller corporations *deleveraged* (see also Bates, Kahle, & Stulz, 2009). Since then, the 'debt bifurcation thesis'—also known as the 'great debt divergence' (Baines & Hager, 2021)—has been strongly substantiated (see Karwowski & Stockhammer, 2017 for an analysis of 17 OECD countries; or Kaltenbrunner, 2018 for a study on Brazil).

Over the years, national studies have been complemented by comparative studies since, as Lapavitsas and Powell (2013, p. 360) suggest, "neither the content nor the form of financialisation is fixed across advanced countries". In their study of national statistics of the US, the UK, France, Germany, and Japan, they equally examined debt, financial assets and their acquisition as well as financial income. They illustrated how corporations across countries relied less on loans for funding and held growing—but varying—volumes of financial assets. Despite the limitation that "it is impossible to harmonize the diverse national accounting standards, and therefore comparisons in terms of levels can be made only with considerable caution" (Lapavitsas & Powell, 2013, p. 367), aggregate data was the base for further studies. Ward, Van Loon, and Wijburg (2019, p. 125), for example, deployed a balance sheet approach to capture the 'greater reliance on debt-financing and

[1] Since the purpose of this paper is critically reviewing the course that much of the corporate financialization research has taken rather than spelling out each study's main findings (of which there are usually several), the tables merely summarize the periods, geographies, data sources and indicators.

*Table 1: Overview of national and international studies*

| Publication | Data (scale, period, level) | Assets / liabilities | Stocks / flows | Indicators |
|---|---|---|---|---|
| *Lazonick & O'Sullivan (2000)* | US<br>1960-1998<br>Aggregate level | – | Flows | Dividends / corporate profits after tax<br>Share repurchases / corporate profits after tax |
| *Krippner (2005)* | US<br>1950–2001<br>Aggregate level | – | Flows | Portfolio income: (Interest income + dividend income + capital gains) / corporate cash flow |
| *Orhangazi (2008)* | US<br>1972–2003<br>Aggregate level | – | Stocks / flows | Financial assets / tangible assets<br>(Interest income + dividend income) / internal funds<br>Financial payments / profits before tax |
| *Bates, Kahle, and Stulz. (2009)* | US<br>1980-2006<br>Firm-level | Assets | – | (Cash + marketable securities) / total assets |
| *Lapavitsas and Powell (2013)* | US, UK, France, Germany, Japan<br>1980/99–2007/8<br>Aggregate level | Assets / liabilities | Stocks / flows | Loans / total liabilities<br>Financial assets / fixed assets<br>Financial to total income<br>Acquisition of financial assets / fixed assets |
| *Lazonick (2013)* | US<br>1981/1997-2007/2008/2010<br>Firm-level | – | Flows | (Cash dividends + stock repurchases) / net income<br>Total stock repurchases |
| *Davis (2016; 2018a)* | US<br>1950/1971–2014<br>Firm-level | Assets / liabilities | Stocks | Financial assets (cash & short-term investments, total current receivables, investments & advances, other financial assets) / total sales<br>Debt / total assets<br>Gross stock repurchases / total equity<br>"Effective cost of borrowing": interest payments / outstanding debt<br>"Financial profit rate": (interest + dividend income) / outstanding financial assets |
| *Durand (2017)* | US, UK, France, Germany, Japan, aggregate "rich countries"<br>1970/91/94–2015<br>Aggregate level | Assets / liabilities | Stocks / flows | NFC credit / GDP<br>(Interest income + dividend income) / gross operating surplus<br>Financial income (dividends, interest) / gross operating surplus<br>Financial payments (dividends, interest, buybacks) / gross operating surplus<br>Net financial payments: (financial income – financial payments) / gross operating surplus |
| *Kaltenbrunner (2018)* | Brazil<br>Various years<br>Aggregate/firm-level | Assets / liabilities | Stocks / flows | Total external debt<br>Total debt securities<br>(Cash + short-term investments) / total assets<br>Marketable securities / total assets<br>(Cash + cash equivalents + financial applications) / total assets |
| *Ward, van Loon, and Wijburg (2019)* | The Netherlands, UK, Germany<br>1992-2012<br>Aggregate level | Assets / liabilities | Stocks | Various items (currency & deposits, short-term securities, equity, long-term loans, long term securities, short-term loans, financial derivatives) / Gross domestic product |
| *Karwowski, Shabani, and Stockhammer (2020)* | 17 OECD countries<br>1997–2007<br>Aggregate level | Liabilities | Stocks / Flows | (Interest income + dividend income) / total income<br>Total debt / total income |
| *Rabinovich and Artica (2020)* | Argentina, Brazil, Chile, Colombia, Mexico, Peru<br>1997-2018<br>Firm-level | Assets | Stocks / flows | (Cash and short-term investments) / total assets)<br>Financial income / total revenue |
| *Baines and Hager (2021)* | US<br>1950-2019<br>Firm-level | Liabilities | Stocks / flows | Debt / capital<br>Interest expenses / revenues<br>Interest expenses / total debt<br>Shareholder payouts / revenues<br>Fixed investment / revenues |

asset inflation' among NFCs in the UK, the Netherlands and Germany for the period 1992-2012. Durand (2017) traced financial asset ratios for eleven 'rich countries'. He did not re-run previous studies' indicators but calculated *net* financial payments by NFCs to financial markets and found them relatively stable over time—an important reminder to engage with financial flows in both directions of corporate coffers. Durand's range of countries was extended to 17 OECD countries by Karwowski, Shabani and Stockhammer (2020) who distinguished an 'activity measure' (interest and dividend income) from a 'vulnerability measure' (total debt). The results revealed stark cross-country differences, with some indicators diverging by as much as a factor of three from top to bottom.

In sum, both the scale and scope of comparative overviews have expanded since Krippner's (2005) study. Scholars moved from an early focus on US companies to comparisons across countries, although maintaining a preference for countries in the Global North. As time went by, they furthermore broadened their gaze beyond financial income and assets by also bringing liabilities and payouts into the picture. Rising financial assets and debt on corporate balance sheets are observable across most studies, though differences between countries (the Anglo-Saxon companies exhibiting higher degrees of both) and companies of different sizes (the bifurcation of debt) can be taken from those studies that moved beyond summary statistics. Moreover, expanding the range of indicators also had the effect of calling widely-shared narratives into question, an example being Orhangazi's (2008) suggestion of companies transferring an increasing share of their funds to financial markets sitting uneasily with Durand's (2017) finding of stable net payments.

### 2.2 Zooming in: sectoral and firm-level investigations

Proceeding from aggregate to firm-level data, the largest study is Soener's (2020), who used a dataset of listed NFCs from 37 large economies for the past three decades. Based on an understanding of financialization as the greater reliance on financial income, he found that the latter only accounted for a negligible part of corporate income. He did, however, find that shareholder payouts rose strongly and that large, internationalized US firms were responsible for the bulk of them. While making a compelling case for what amounts to a more geographic analysis of corporate financialization, these themes unfortunately were explored only at the most general level. In recent years, however, several scholars have focused on specific sectors or firms to imbue their indicators with even richer accounts of corporate activity (see Table 2).

Setting the stage for subsequent research, a groundbreaking study of three large corporations in very different sectors (GlaxoSmithKline, General Electric, and Ford) was presented by Froud et al. (2006) who examined processes of strategy discourse, financial engineering and corporate restructuring in their role to cater to financial markets and foster rising stock prices and executive compensation. This cross-sector comparison of leading companies remains unmatched by later studies precisely because of its wide range of both qualitative and quantitative data. While detailed, later studies generally used broader strokes to analyze changes in specific sectors.

Among these sectors, some have received more attention than others. In line with Froud et al.'s (2006) choice, the pharmaceutical and automobile sectors featured prominently as objects of investigation. In an in-depth account of the productive models of largest pharmaceutical companies, Montalban and Sakinç (2013) connected rising shareholder payouts to changes in ownership through the entry of institutional investors. Baranes (2017) highlighted the role of intangible assets in their capacity to ensure stable profit rates for pharmaceutical companies, while Klinge, Fernandez and Aalbers (2020) connected these intangible asset ratios to observations about rising debt burdens and shareholder payouts to emphasize the importance of market power and liquidity to keep the sector afloat. Regarding the automobiles sector, studies have examined the financial

*Table 2: Overview of sector- and firm-level studies*

| Publication | Data (scale, period, level) | Assets / liabilities | Stocks / flows | Indicators |
|---|---|---|---|---|
| *Froud et al. (2006)* | GlaxoSmithKline, General Electric, Ford<br>Various years<br>Firm-level | Assets / liabilities | Stocks / flows | Several indicators |
| *Baud and Durand (2012a, 2012b)* | Global retailers<br>1990–2007<br>Firm-level | Assets | Stocks / flows | Financial assets / total assets<br>Return on assets (unspecified) |
| *Borghi, Sarti, and Cintra (2013)* | 8 automobile manufacturers<br>2000-2009<br>Firm-level | Assets / liabilities | – | Total liabilities / equity<br>Short-term liabilities / equity<br>Short-term liabilities / total liabilites<br>Shares of assets from financial and automotive segments<br>Net financial income / total revenue<br>Net sales of stocks |
| *Montalban and Sakinç (2013)* | Top 50 pharmaceutical companies<br>1999-2010 | – | Flows | (Dividends + share repurchases) / sales<br>Share repurchases / sales |
| *Soener (2015)* | US clothing companies<br>1991–2005<br>Firm-level | Assets | Stocks / flows | Financial assets / total assets<br>Financial pay-outs / plant, property, and equipment<br>Interest income / total revenue |
| *Fernandez and Hendrikse (2015)* | Apple<br>2005–2014<br>Firm-level | Assets / liabilities | Stocks / flows | Total cash and short-term investments<br>Total long-term investments<br>Total debt / total equity<br>Total debt / total capital |
| *Yrigoy (2016)* | Spanish hotel corporations<br>2008–2014<br>Firm-level | Liabilities | Stocks | Net debt<br>Net debt / EBITDA |
| *Baranes (2017)* | US pharmaceutical companies | Assets | Stocks / flows | Intangible assets / productive capital<br>Goodwill / net physical assets<br>Return on revenue<br>Return on assets<br>Return on equity |
| *De los Reyes (2017)* | Global gold mining companies<br>2003–2015<br>Firm-level | – | Flows | Institutional ownership percentage<br>Total dividends |
| *Carmo, Neto, and Donadone (2019)* | Five automobile companies<br>2012-2015<br>Firm-level | – | Flows | Productive sector profit / return on revenue<br>Financial sector profit / return on revenue<br>Dividend payments / net income |
| *Klinge, Fernandez, and Aalbers (2020)* | 27 global pharmaceutical companies<br>2000-2018<br>Firm-level | Assets / liabilities | Stocks / flows | Cash and short-term investments / net fixed capital<br>(Short-term debt + long-term debt) / net sales<br>(Dividends + share operations) / (capital expenditures + research & development expenses)<br>Total net intangible assets / total assets<br>Net income / total assets |
| *Soener (2020)* | 37 countries<br>1991-2017<br>Firm-level | Assets | Stocks / flows | Financial income / cash flow<br>Financial assets / total assets<br>Shareholder payouts / equity<br>Capital accumulation / working capital<br>Profit rate / capital stock<br>Operating income / (wages + salaries)<br>Intangible assets / total assets<br>Cost markups / costs of goods sold |

accounts of some of the largest companies to find that their financial activities through subsidiaries offering financing to customers became increasingly significant to support actual manufacturing and that shareholder payouts were also on the rise (Borghi et al., 2013; Carmo et al., 2019).

Research into corporate financialization also extended to other sectors. De los Reyes (2017) examined the global mining oligopoly to find rising shareholder payments. In the high tech realm, Apple's business model was investigated by Froud et al. (2014), and Fernandez and Hendrikse (2015) who drew the link between the company's powerful position in trans-Pacific supply chains, market power through branding and its extraordinary profits, which fed staggering hoards of offshore investments. This analysis was recently expanded by Fernandez et al. (2020) to the largest seven high tech companies, highlighting the distinctions between older and younger firms regarding their financial payouts and investments. Also related to organizational specificities, Soener (2015) delved into the financial reports of US clothing corporations and found strong discrepancies between different operating modes regarding both their shares of financial assets and levels of financial payouts to shareholders. For a real estate/services hybrid, Yrigoy (2016) investigated Spanish hotel corporations and found shareholder-oriented financing modes heavily reliant on debt. Finally, Baud and Durand (2012a, 2012b) probed the ten largest globally active retailers for the period 1990–2007 and, unlike larger studies, combined balance-sheet and income-statement data to calculate returns on (financial) assets. They concluded that some corporations substituted financial investment for physical investment in order to stave off falling retail returns.

In sum, these studies have advanced research on corporate financialization mainly by not exclusively focusing on comparative indicators. By taking a closer look at time- and place-specific sectors or companies, sector- and firm-level investigations have connected financialization indicators to corporate discourse, organization, management, institutional settings and business conditions. In so doing, they made clear that financialization is no "hostile, alien force which imposes itself on the national settlement, firm or individual with predictable and consistent outcomes" (Froud et al., 2014, p. 48). The uniting feature in most studies, however, is that the guiding ideology and practice of shareholder value featured most prominently.

### 2.3 Inferential implications: econometric examinations

In addition to exploring the extent and differences of corporate financialization in quantitative terms, the last decade has also seen a surge of econometric studies that attempt to estimate the correlations of these dynamics to other developments, in particular corporations' investment behavior (see Table 3). These studies varied widely in data regarding their spatial and temporal reach while the central goal and method largely remained the same. For the former, it was estimating the relation between some measure of financialization and, mostly but not exclusively, fixed investment; for the latter, it was using different regression equations to accomplish this. The exact technicalities lie beyond the scope of this review. Instead, we focus on the spatial and temporal extents and the indicators used.

Regarding the conclusions of the studies in this strand, one needs to be careful to conclude that "[d]espite the differences, most … studies find statistical evidence supporting the theoretical claim that financialization has a negative influence on real investment of nonfinancial corporations" (Barradas & Lagoa, 2017, p. 7). This basic causal relation is often assumed in most varieties of the 'crowding out' hypothesis, which argues that increasing returns from financial activities do not enlarge corporate funds to be expended on investment or wages but are more likely to be reinvested further in financial circuits, potentially undermining the long-term growth strategies of firms in their non-financial activities (Aalbers, 2019; Crotty, 2003; Orhangazi, 2008). Yet empirical results of the relation between *explanans* and *explanandum* are often mixed as they depend "on accounting methods, period demarcations and whether or not adjustments [were] made for external factors" (Fiebiger, 2016, p. 365).

*Table 3: Overview of econometric studies*

| **Publication** | **Data (scale, period, level)** | **Assets / liabilities** | **Stocks / flows** | **Indicators** |
|---|---|---|---|---|
| *Stock-hammer (2004)* | US, UK, France, Germany<br>1960–1997<br>Aggregate data | – | Flows | (Interest income + dividend income) / value added |
| *Demir (2007, 2009a, 2009b)* | Argentina, Turkey, Mexico<br>1990–2003<br>Firm-level | Assets | Flows | Financial assets / aggregate capital<br>Rate of return gap" (operating income / fixed assets) – (non-operating income / financial assets) |
| *Clévenot, Guy, and Mazier (2010)* | France<br>1978–2007<br>Aggregate level | Assets / liabilities | Stocks / flows | Net financial burden: ((interest paid + dividends paid) – (interest income + dividend income)) / gross profit<br>Equities held / financial assets<br>Issued equities / (loans + other liabilities)<br>(Loans + other liabilities) / (net wealth + equities) |
| *Tomaskovic-Devey and Lin (2011)* | US<br>1948-2008<br>Firm-level | – | Flows | Finance realized profit / all profit |
| *Seo, Kim, Kim (2012)* | South Korea<br>1994–2009<br>Firm-level | Assets | Flows | (Dividend payments + stock buybacks) / total assets<br>Investment in financial assets / total assets<br>Unrealized holding gains on financial assets / total assets |
| *Lin and Tomaskovic-Devey (2013)* | US<br>1970–2007<br>Aggregate level | – | Flows | Portfolio income: (interest income + dividend income + net capital gains) / realized profits<br>Industry-level financialization (portfolio income of 1970 compared to average yearly growth) |
| *Akkemik and Özen (2014)* | Turkey<br>1990–2002<br>Firm-level | – | Flows | (Interest income + profit from participations + utilized portion of allowances + other income and profits) / gross or net operating profits |
| *Tomaskovic-Devey, Lin, and Meyers (2015)* | US<br>1970–2008<br>Aggregate level | Assets | Stocks | Financial assets / total assets |

| | | | | |
|---|---|---|---|---|
| *Lin (2016)* | US<br>1982-2005 | Assets / liabilities | Stocks / flows | Financial assets / total assets<br>Debt / total assets<br>(Dividends + share repurchases) / total operating expense |
| *Barradas (2017)* | 23 European countries<br>1995–2013<br>Aggregate level | Liabilities | Stocks / flows | Total debt / gross value added<br>Financial receipts / gross value added<br>Financial payments / gross value added |
| *Barradas and Lagoa (2017)* | Portugal<br>1979–2013<br>Aggregate level | Liabilities | Stocks / flows | Debt / gross value added<br>Financial receipts / gross value added<br>Financial payments / gross value added |
| *Dünhaupt (2017)* | 13 OECD countries<br>1986-2007<br>Aggregate level | Assets | Stocks / flows | Net dividend payments / capital stock<br>Net interest payments / capital stock |
| *Gutiérrez and Philippon (2017)* | US<br>1980-2015<br>Firm-level | Assets | Stocks / flows | Payouts / total assets<br>Buybacks / total assets |
| *Davis (2018b)* | US<br>1971-2013<br>Firm-level | Assets / liabilities | Stocks / flows | Financial assets / sales<br>Debt / capital stock<br>Equity buybacks / total outstanding equity |
| *Tori and Onaran (2018)* | UK<br>1985–2013<br>Firm-level | Assets | Stocks / flows | Financial assets / fixed assets<br>Non-operating income / net capital stock<br>Cash dividends / net capital stock<br>Interest paid on debt / net capital stock |
| *Tori and Onaran (2020)* | 14 European countries<br>1995–2015<br>Firm-level | Assets | Stocks / flows | Financial assets / fixed assets<br>total financial payments / fixed assets<br>Total financial profits / fixed assets |
| *Cupertino, Consolandi, and Vercelli (2019)* | US manufactu-ring firms<br>2002–2017<br>Firm-level | Assets | Stocks / flows | Financial payments (interest paid on debt + cash dividends paid) / total assets<br>Financial inflows (non-operating profits from interests and dividends) / total assets<br>Financial assets / total assets |

The motivation for the growing interest in these studies is the observed fall in investment across economies in the Global North, dubbed 'investmentless growth' in recent studies that partly explained it by low asset values, increasing monopoly power and rising intangible asset shares (Döttling, Gutiérrez, & Philippon, 2017; Gutiérrez & Philippon, 2017). Early studies problematized this 'slowdown of accumulation' for a range of high-income countries and detected statistical correlations with rising financial income or payouts (Orhangazi, 2008; Stockhammer, 2004)—findings which were often confirmed by later contributions (Barradas, 2017; Barradas & Lagoa, 2017; Hecht, 2014; Tori & Onaran, 2018, 2020). At the same time, researchers tried to insert some caution by pointing out that some financial assets might actually support investment (Davis, 2018a) and that interest rates might exert greater influence over firms' decisions than financial investment in general (Clévenot et al., 2010). Outside the global triad of the US, Europe and Japan, economists further identified elements of corporations' 'portfolio choice', namely that during brisk times of financial liberalization some NFCs did invest in financial assets in order to improve their bottom lines (Xu & Xuan 2021), increase their payouts (Seo et al., 2012) or compensate for declining operating incomes (Akkemik & Özen, 2014; Demir, 2007, 2009a, 2009b; Tellalbaşı & Kaya, 2013). Most studies therefore agreed that financial cycles had major effects on what they considered corporate financialization.

Besides econometric studies focusing on capital expenditures, there are also those whose main objective was not to examine corporate financialization *per se* but rather to discuss matters such as employment (Lin, 2016), income dynamics (Dünhaupt, 2017; Lin & Tomaskovic-Devey, 2013; Tomaskovic-Devey & Lin, 2011), economic growth (Tomaskovic-Devey, Lin, & Meyers, 2015) or quantifiable environmental and social goals (Cupertino, Consolandi, & Vercelli, 2019). We can therefore safely say that econometric studies have expanded during the past decade. However, most studies are in line with what Karwowski, Shabani, and Stockhammer recently called a 'variegated financialisation view' (2020, p. 968) —that is, a conception that acknowledges that financialization processes rarely, if ever, unfold uniformly (see also Froud et al., 2014). Indeed, it is necessary to also engage with the chief criticisms leveled against some of the commonly accepted financialization notions. We need to reassess the literature to make sense of this continued confusion over what corporate financialization is and how it should be measured.

## 3. Reassessing corporate financialization

In recent years contributors have critically interrogated some of the studies' key assumptions and narratives (see Table 4). Its key contributions scrutinized the studies' restricted optics, the role of debt, the importance of monetary policy, the weight of intangible assets, and the link between outsourcing and offshoring, and financialization. While the first three aspects underline the correction and expansion of indicators and the economic environment more broadly, the last points to the crucial need to adopt a more geographically sensitive view of variegated corporate financialization.

### 3.1 The resurgence of monopoly power and the rise of abundant liquidity

First, the 'slowdown of accumulation' was called into question. Indeed, many scholars argued convincingly that falling investment shares are the result of global industrial overcapacity rather than of any distinct process of financialization (Benanav, 2020). For US corporations, for instance, Kliman and Williams (2015) criticized most econometric studies' starting point by arguing that, over a longer period than the past four to five decades, the falling investment levels were "unsustainably high" (Kliman & Williams, 2015, p. 82) to begin with and that their decline had more to do with rising depreciation and falling rates of return on fixed capital. Furthermore, the authors identified a strong correlation between the acquisition of financial investments and debt by US firms, underscoring that because of available credit, no actual diversion of profits may have occurred. In effect, they made the

case to study debt and leverage (see also Baines & Hager, 2021; Foster, Jonna, & Clark, 2021; Guttmann, 2017). Along similar lines, several generations of monopoly capital theorists defended the notion that falling investment shares were not caused by more attractive financial investments, but that the actual causality ran the other way (Despain, 2015; Foster & Magdoff, 2009; Magdoff & Sweezy, 1987). Generally though, neither position can simply be proven statistically as their validity rests upon both theoretical rigor and empirical evidence.

Second, even where corporations *did* grow their holdings of financial assets the extent to which these returned financial income remains unclear (Rabinovich, 2019). Regarding monetary policy, Fiebiger (2016, p. 363) proposed that US corporations' 'rentieralization' occurred "as a by-product of monetary policy" of high interest rates during the 1980s and 1990s rather than of any financially oriented corporate strategy. Lately, the widely-adopted quantitative easing policies by the world's key central banks indicate a possible reversal of this relationship. With low interest rates and depressed yields, it seems increasingly unlikely that corporations would hold financial assets to primarily pocket interest payments. On the other hand, and in relation to what was said above, the tendency of rising corporate debt has been greatly abetted by expansionary monetary policy. As such, one could claim that large corporations have become (further) empowered in their role as *debtor*—rather than creditor—due to their continued access to liquidity. Comparative studies of these relations, however, remain few in number.

Third, with falling or stagnant levels of investment into fixed capital and unreliable sources of financial income, scholars examined where corporate profits originated (Crotty, 2003). The growth in intangible assets—themselves ambiguous accounting artifacts covering items such as patents and brand names to information and goodwill—offered some solution to this 'investment-profit puzzle' (Orhangazi, 2018, p. 1253). Such findings resonate with long-standing debates of rentiership and monopoly power (cf. Sawyer 1988) that have recently been resuscitated in both academic and policy circles (Chesnais, 2017; Christophers, 2020; Durand & Milberg, 2020; Mazzucato, 2018; UNCTAD, 2017, 2018). However, research on financial assets, payouts *and* intangibles remains limited despite recurring calls to action (Baranes, 2020; Baranes & Hake, 2018; Fiebiger, 2016; Rabinovich, 2019).

### 3.2 The need for a spatial turn in corporate financialization

All the aforementioned reassessments conjoin once corporate activity is examined in its spatial expression. We need to link the discussions on corporate financialization to those on globalized production in order to not lose sight of the 'appearances' and 'essences' of financialization (Powell, 2018). In empirical terms, this means reflecting on most studies' methodological nationalism, implying that either countries or corporations are treated in relative isolation (Fiebiger, 2016). Where firm-level data is consolidated, this means that all internal and external transactions are grayed out, leaving the financial accounts a black box. Corporations' global production networks are so lost from view. However, understanding corporations' spatial organization—not only including material production and logistics but also profit-shifting and intra-firm trade—is crucial to construe any meaningful account of economic reality (Coe, Lai, & Wójcik 2014).

This possible blind spot of corporate financialization research was already noted by Krippner (2005) but only has been discussed at the margins of the literature. Milberg (2008, p. 446) underscored the crucial "global value chain-financialization link" quite early, contending that multinational corporations' global production networks facilitated the segmentation of production and the control over production costs, securing higher mark-ups and profits. Without the need to reinvest these profits, corporations could engage in financial activities or distribute funds to shareholders. Subsequent research substantiated this thesis empirically (Auvray & Rabinovich, 2019; Durand & Gueuder, 2018; Milberg & Winkler, 2010; Soener 2020). The contradiction between spatially-complex organized firms and their largely aspatial representation through consolidated financial statements drives many

of the discontents and disagreements in the literature. While key contributions clearly recognize the problem of sidestepping geography, studies all too often build upon nationally consolidated indicators and thereby recreate epistemic obstacles.

We argue that the consolidated firm should be understood as a result of its spatial organization. In this respect, geography, in a way, can *obscure* corporate activity. We only need to recall the bewildering array of profit-shifting techniques across jurisdictions designed to conceal some corporate activities, or the continuously evolving landscape of global value chains which challenge our understanding of financial flows because of fuzzy boundaries demarcating companies' insides and outsides. For long, economic geographers have problematized the construction and exploitation of these ambiguities, particularly regarding tax avoidance (Aalbers, 2018; Cameron, 2006; Fernandez & Hendrikse, 2020; Haberly & Wójcik, 2015).

At the same time, however, the spatial organization of the firm is *shaped by* the empirical markers we use. For instance, the valuation of certain accounting items compiled in the financial accounts sometimes hinges on a spatially enabled toolbox for arbitrage and profit-shifting. This requires an epistemic move beyond considering space as the stage upon which social activity occurs towards seeing space as part of the social process itself—that is, a shift from abstract space to relational space (Harvey, 2006). Spatially bound institutional arrangements shape, constrain and enable corporate behavior and agency——and vice versa (Brenner 1998). The 'commercialization of sovereignty', which underlies the evolution of the system of offshore jurisdictions, essentially pictures the process through which the interests of capital and states are accommodated in a co-constituent process (Palan 2002; Fernandez & Hendrikse 2020). Offshore subsidiaries of transnational corporations, acting as holding companies or financing vehicles, are not just a by-product but a critical element for the reproduction and evolution of a globalized corporate structure (Picciotto, 2011).

The list of ways in which geography molds corporate behavior could be expanded, for example by including property rights, trade policy or liquidity conditions. This would be beyond the scope of this review, but the point is that this interplay between geography, corporate form and behavior is a central feature of corporate financialization, but as such not adequately expressed in the representation of the firm through existing accounting principles that provide a consolidated account. New accounting formats, such as country-by-country reporting—through which items of the financial statements are deconstructed and re-assigned to various jurisdictions where corporations are active—harbor the potential to dissolve this barrier. While these techniques are progressing (Garcia-Bernando, Janský, & Tørsløv 2021; Wright & Zucman, 2018), in their present form they remain a limited patchwork of accounting items (Wójcik 2015, Murphy & Sikka, 2017). Unless broadened to include more of these items, their potential will most likely remain unrealized.

In the meantime, researchers are trying to find other means by which to move the debate forward. For example, recent work on corporate ownership structures suggests that geographies of corporate organization follow regulation that allows for the outsourcing of different activities to offshore financial centers in order to 'optimize' their spatial strategy (Reurink & Garcia-Bernardo, 2020). In addition, aggregate country-by-country reporting data has been used to shine a light on the uneven distribution of assets, debt and employment within multinational firms (Garcia-Bernando, Janský, & Tørsløv 2021; Wright & Zucman, 2018). As a result, these organizational architectures—of which intangible assets might be vital components—need to enter our conceptualization of corporate financialization in an attempt to go beyond the all too present methodological nationalism. At the same time, researchers will continue for the most part to depend on secondary data, especially in the form of consolidated financial accounts, and therefore face the challenge of creatively—and spatially—engaging with it.

*Table 4: Overview of reassessments of the literature*

| Publication | Data (scale, period, level) | Assets / liabilities | Stocks / flows | Indicators |
|---|---|---|---|---|
| *Milberg (2008); Milberg and Winkler (2010)* | US<br>1960–2006/2008<br>Aggregate level | – | Flows | Dividends + share buy-backs / internal funds |
| *Kliman and Williams (2015)* | US<br>1945–2010<br>Aggregate/ firm-level data | Assets / liabilities | Stocks / flows | Financial assets / total assets<br>Net interest payments / net operating surplus<br>Net dividend payments / net operating surplus<br>Net stock repurchases / net operating surplus<br>Financial expenditures / profit<br>Net acquisitions of financial assets / GDP<br>Net change in liabilities / GDP |
| *Fiebiger (2016)* | US<br>Various years<br>Aggregate/ firm-level | Assets | Stocks/ flows | Portfolio income: (Interest income + dividend income + capital gains) / corporate cash flow<br>Net dividends / internal funds<br>NFCs' financial assets (conventional financial assets + direct investment abroad + miscellaneous) / GDP |
| *Durand and Gueuder (2018)* | France, Germany, Japan, UK, US<br>1970-2015<br>Aggregate level | | flows | (Interest + dividend payments) / gross operating surplus<br>(Share buybacks + cash financed mergers) /gross operating surplus<br>Net financial payments / gross operating surplus |
| *Orhangazi (2018)* | US<br>1952-2015<br>Aggregate/firm-level | Assets | Stocks / flows | Intellectual property products / capital stock<br>(Dividends + share buybacks) / cash flow<br>Financial assets / capital stock |
| *Rabinovich (2019)* | US<br>1945/1961-2015/2016<br>Firm-level | Assets / liabilities | Stocks / flows | Financial assets (trade receivables + debt securities + deposits + direct investment abroad + money market fund shares + loans) / total assets<br>Selected assets (investments and advances + other assets + inventories + receivables + cash and short-term investments + goodwill + other intangibles + net property, plant and equipment) / total assets<br>Financial income (interest + capital gains + dividends) / total income<br>Selected sources of funds (income + depreciation and amortization + other funds from operations + sale of property, plant and equipment + sale of common/preferred stock + net long-term debt issuance) / total estimated sources of funds<br>Selected uses of funds (other investing activities + net increase in investments + cash and cash equivalents + cash dividends + purchase of common/preferred stock + acquisitions + capital expenditures) / total estimated uses of funds |

## 4. Conclusion

Reviewing the existing literature and its reassessments allows us to reflect on the state of research. Starting from single-country case studies, in little more than a decade the literature has expanded in two important ways. It has moved from assessing single dimensions of corporate financialization in one country to focus on others. Moreover, the literature has proceeded from gauging the extent of corporate financialization to estimating its impact on other socio-economic phenomena. In the process, some biases have persisted, including the over-representation of the US and the use of the label 'financial' without sufficient conceptual discussion. Other biases have partly been discarded, for example by incorporating countries outside the 'capitalist core' or by acknowledging that realized dividends do not reflect purely 'financial' incomes but rather transfers from outsourced or offshored industrial production. While there has been a good deal of emulation between—mostly econometric—studies, other original contributions reflected on 'finance' and 'financialization' as a more comprehensive phenomenon rather than a simple numerical value.

At the same time, some disconnections persist. While all studies invoked some notion of financialization, they often interpreted it in very different ways. Rarely did studies refer to—let alone discuss—the range of related work. Indeed, one may even wonder if scholars ignore each other if the nature of their study does not match that of previous analyses. Consequently, the debate on corporate financialization has not advanced to the extent that it could have. Studies tend to agree that some level of corporate financialization has been occuring but the specific forms and appearances remained undertheorized and ambiguous. This is not to say that conceptual stretching should be avoided at all costs. In fact, one of the strengths of the concept of financialization is exactly to highlight the linkages between different empirical phenomena (Aalbers, 2015; Durand, 2017; Murphy, 2015).

We would argue there is some virtue in an integrated understanding of corporate financialization that combines different indicators around an understanding of corporate change towards a more shareholder-oriented, market power-driven governance model. As a heuristic, we suggest focusing on three stylized elements, the first of which is *the growth of both sides of the corporate balance sheets*. By this we mean not just growth itself or suggest that one side could grow irrespective of the other. Rather, we wish to draw attention to specific changes in asset and liability structures, both in nominal and relative terms. Corporations might grant or receive greater levels of credit, increase their holdings of short-term liquid assets or move towards long-term investments, all of which result in a greater share of non-fixed assets in relation to fixed assets and potential for non-operating income. At the same time, corporations might increase their leverage by replacing equity with debt that facilitates further growth of financial instruments, especially in times and places of low interest rates (Guttmann, 2017; Hudson, 2010). The second element is *the rising relevance of intangible assets*. This category includes intellectual property rights that enable corporations to exert more power over value chains (Durand & Milberg, 2020; Orhangazi, 2018) as much as it includes goodwill from waves of mergers and acquisitions. Intangible assets are particularly indicative of finance-inspired fair value accounting principles which entail further growth of the balance sheet and capitalized future earning capacity (Jo & Henry, 2015; Perry & Nölke, 2006; Serfati, 2011; Zhang & Andrew, 2014). The third element is *the growing volume of payouts to shareholders and corporate executives in the form of dividends or share repurchases*. Payouts both validate and drive up stock prices and might change corporate bottom lines or introduce new conventions of appropriate returns in the process (Dallery, 2009).

From our reading of the literature and bearing the current historical juncture in mind, we further argue that the following four challenges for future research could help to dispel some of this incertitude. First, the geographical and temporal scope of research needs to be expanded and updated. Given that there is a clear imbalance between the countries studied, it is necessary to shift attention to those countries that were often neglected, both in single-country and cross-national comparative

studies. Single sector or firm studies probing particular corporate structures may help to overcome the artificial national representation of increasingly transnational entities and lift the veil covering the *intra*-firm architecture of legal entities and the flows of goods, capital and profits. Furthermore, we also need more longitudinal studies, which would allow us to compare data from before the global financial crisis (which have already been widely studied) to those of the post-recession years and those during—and eventually after—the global Covid-19 pandemic.

Second, close attention should be paid to the way indicators are constructed. As we have shown, there simply is no established standard to follow and researchers continue to need to embed their indicators in a broader argument. For example, 'financial' income and payments should, if possible, be critically calculated on a net basis since this is more likely to appropriately illustrate the 'pull' and 'drain' sides of corporate financialization (Orhangazi 2008). Most datasets will confront researchers with gaps, inaccuracies and inconsistencies—these need to be discussed explicitly. Future studies should not only disclose the limitations of the data but also how they affect the conclusions of the study, especially where these are related to the spatiality of the results.

Third, and related to the previous point, we suggest moving beyond highly aggregated indicators. Large categories, such as 'financial assets', should be disaggregated whenever possible. More granular examination would permit the identification of different trajectories and strategies for using different financial instruments. Indeed, it could even be the case that some so-called financial assets are not purely 'financial' at all but rather related to specific operations of production and distribution.

Finally, the liability side requires more attention, especially in the face of recurring waves of 'unconventional' monetary policy, the latest round of which took place as part of several government responses to the Covid-19 shock. This goes for both examining the scope of debt as well as the connection to other developments on corporate accounts. Ignoring links runs the risk of severely distorting narratives of corporate financialization. With illustrative evidence showing that corporate debt has been on the rise following loose monetary policies in the core economies (Horn, 2017; Todorov, 2020), scholars should be more interested in the fragilities that recurring leverage potentially engender (Fisher, 1933; Minsky, 1977), especially where these unfold unevenly across space (Fernandez, Bortz, & Zeolla, 2018) and firm size (Baines & Hager, 2021).

In conclusion, we find the literature both burgeoning *and* still in its infancy. What is slowly emerging but needs to be developed further is an economic-geographical analysis that compares countries, sectors and firms with the same methodology and type of data. But the 'missing geographies' are not simply resolved by comparing countries; corporate financialization cannot be separated from the spatial organization of the firm. Luckily, new accounting formats such as country-by-country reporting and techniques to study them are emerging; this would allow us to study corporate financialization through corporate—and fiscal—spatiality. Furthermore, there is scope to bring together empirical studies on the corporate financialization with theorizations of variegated financialization, monopoly capital, and the role of finance and financialization in global production networks. Corporations and their finances are not just spatially organized, but in turn corporations' financial operations are also key to understand the entangled geographies of globalization and financialization.

## Acknowledgements

The authors would like to thank the reviewers and editors for their constructive feedback and the Fonds Wetenschappelijk Onderzoek (grant number G079718N) for its financial assistance.

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