Financialization and State-Market relations in the context of European financial integration - an International Political Economy perspective on policy convergence and 'financialization of the state'

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I. Introduction and problematization of the research subject

> "Liberalised finance tends to metastasise, like a cancer. Thus, the financial sector's ability to create credit and money finances its own activities, incomes and (often illusory) profits. [...] We need a dynamic capitalist economy that gives everybody a justified belief that they can share in the benefits. What we increasingly seem to have instead is an unstable rentier capitalism, weakened competition, feeble productivity growth, high inequality and, not coincidentally, an increasingly degraded democracy." (Wolf 2019)

As one of the most renowned public commentators on economic issues, the importance of this statement by Financial Times' Martin Wolf and its implications with regard to the analysis of financial capitalism are not to be underestimated. More importantly, his article was published several months before the outbreak of the Covid-19 pandemic that shook up financial and 'real' markets alike all around the globe. So, about a decade after the global financial crisis, the 'unstable rentier capitalism' Wolf mentioned above again was triggered - this time by an exogenous shock - and its interdependent 'metastases' only extrapolated the devastating outcome, both for developed as well as for emerging economies. Stock markets plunged, corresponding indices like the S&P 500 lost a third of its value in record time (see Jason 2020), and private investors reacted accordingly with a collective 'flight to safety' (i.e. the buying of 'safe assets' such as US-Treasuries etc.) in order to secure their financial wealth (see Cheema et al. 2020). State actors and especially central banks implemented large-scale policy programs to counteract economic depression and systemic stress, providing unconditional liquidity and targeted credit support in an extraordinary effort to re-stabilize financial markets and interactions.

Somewhat consequently, in particular the latter events motivated many, mostly progressive, commentators to hail a new 'primacy of the Political' or to foresee a permanent 'return of the state' within market economies (see for instance Domingues 2020, Giugliano 2020 or Zielonka 2020); others, however, were more cautious to proclaim a fundamental departure from the past and its path-dependencies, all the more since economic sociology has for a long time emphasized capitalism's immanent adaptability vis-à-vis both an ever-changing sociocultural environment and the critique voiced by its opponents (see most prominently Boltanski/Chiapello 1999). In this vein, Mader et al. (2020a) issued a pragmatic warning addressed to over-optimistic scenarios for the post-Covid era when they wrote that "any 'new normal' will be built by societies already impaired by several decades of financialisation". Such

a statement, to frame it in analytical vocabulary, emphasizes the superiority of existing, historically evolved structures over individual agency and collective action as instruments of social and economic change. And indeed, in retrospect a lot points to the fact that capitalism underwent what could be called a persisting 'financial turn' during the last decades of its existence (see for instance Lapavitsas 2013). But how then exactly, one may ask, did 'financialization', broadly understood as "the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies" (Epstein 2005: 3), become one of the most eminent and quasi-ubiquitous features of modern capitalism - to the extent that even an unprecedented crisis such as the Covid-19 pandemic might not be sufficient to radically change these very foundations?

The thesis at hand tries to assess this question explicitly from an interdisciplinary perspective by drawing on a multitude of theoretical approaches and historical-empirical insights. In order to do so, first a broad overview of the existing conceptual literature on 'financialization' is given and its analytical dimensions are summarized to build a general theoretical framework to work with. Then it is argued that a scientific examination of financialization requires a thorough understanding of the interdependent and dynamic relationship between the entities of state and market beyond existing models that basically depict the latter as a dichotomy or even antinomy without mutual interference. Such conception rather risks complicating the envisaged inquiry for two major reasons: Firstly, it neglects the political and social origins of the contemporary ascendancy of finance and secondly, no consideration is given to the proactive participation of state authorities in financial markets as it evolved over the last decades - for instance in the realm of public debt management (see Wang 2020, Fastenrath et al. 2017). These outlined aspects correspond, respectively, to the recent analytical distinction between a 'financialization by the state' and a 'financialization of the state' introduced by Schwan et al. (2020). Against this conceptual background, I will then go on to revisit two separate interpretations from (International) Political Economy scholars Eric Helleiner (1994) and Wolfgang Streeck (2014) that offer a first perspective on the historical origins as well as the larger socio-economic impact of financial liberalization and deregulation ('financialization by the state') and the state's dependence on private finance in the Western hemisphere from the 1970s onward. Several provisional assumptions are distilled from those accounts, the first - based on Helleiner (1994) - with

regard to policy convergence being the predominant and shaping feature when comparing national trajectories of financial liberalization, the second - derived from Streeck (2014) - concerning the interrelation between 'financialization *by* the state' and 'financialization *of* the state' as well as the ensuing power asymmetries between national governments and finance.

In a second part (chapter IV. 1 + 2), the hypotheses are to be tested based on the example of the European Community, its monetary-financial integration and the domestic developments in one of its most influential member states, Germany. Apart from the evidence provided by recent events (particularly the Euro crisis) and specific political-institutional aspects that fostered public exposure to financial markets, it is especially the comparably low level of scientific attention paid to the trajectory of European financialization as a potential form of 'variegated financialization' (Karwowski 2020) that justifies this empirical choice. By drawing on existing literature, official documents and secondary data, I first try to reconstruct the historical process of financial integration on the European continent and demonstrate that although the *material* and *ideational-ideological* aspects put forward by Helleiner equally apply to the European case, its complexity is substantially increased by specific *causal-processual* factors: namely, the structural interlinkage of financial and monetary integration on the one hand and the proactive role of supranational bodies, most prominently the European Commission, on the other hand. Hence, I propose to label this process 'financialization by the supranational state' or 'financialization by multi-level governance'. The last section finally assesses the interrelation between 'financialization by the state' and 'financialization of the state' in order to "understand how finance and the state mutually constituted each other" (Wang 2020: 192). Using qualitative data from expert interviews conducted with representatives of the German public authorities and a variety of reports published by the Bundesbank, I examine whether historically financial liberalization was indeed a *sufficient* precondition for the financialization of public debt management, as Streeck posited. The analytical focus will thus shift to political decisions that public authorities adopted unilaterally (e.g. the securitization of government bonds, the introduction of auction systems and financial innovations) in order to question a narrative that depicts states as merely being structurally subjected to the transnational power of capital. In doing so, the thesis at hand aims to shed more light on the diversity of state-finance linkages and thereby complement existing research by critically assessing the present situation and pointing to possible future scenarios of de-financialization (see for instance Karwowski 2019).

II. Theoretical-conceptual considerations

II. 1: Financialization and financialization studies - preliminary remarks on a popular notion and its analytical dimensions

Financialization as a scientific concept has gained increased attention since the late 1990s onwards, but this trend surely intensified in a considerable manner with the global financial crisis and its long-lasting aftermath since 2008 (see van der Zwan 2014: 99). This course of events clearly demonstrated the inherent fragility of financial capitalism. Its devastating impact on national economies was cynically belying voices that had been emphasizing the ever-growing decoupling between the financial sector and the so-called 'real economy' for decades. 'Financialization' as an analytical framework for studying "the vastly expanded role played by finance in contemporary politics, economy and society" (Mader et al. 2020b: 1) thus somewhat consequently took the forefront, thereby advancing into a "go-to term among a growing field of scholarship" (ibid.). Although its use appears to be particularly prominent in the discipline of (International) Political Economy, financialization processes are equally analyzed in recent works of geographers or sociologists (see Pike/Pollard 2010 and Deutschmann 2011, for instance). At the same time and despite its apparent transdisciplinary popularity, the notion has evoked certain critiques, mainly regarding what is believed to be an insufficient conceptual distinctiveness from 'traditional' terms like liberalization, deregulation or globalization (see Christophers 2015). The foundation of such critical review is by no means arbitrary, since the '-ation' in each of these concepts points to a common processual dimension and the former can therefore all be seen as being "*part of* and *key to* structural transformations of advanced capitalist economies" (Aalbers 2019: 4, original emphasis). But before turning the eye to such analytical commonalities or differences, one should first try to define individually what financialization exactly refers to - in other words: What do social scientists mean when they state that this or that economy has become financialized?

In order to approach its analytical content, a first glance at the current literature seems to be helpful - only to discover that quite a few attempts to define financialization already exist (see Mader et al. 2020b: 7 for an exhaustive overview). The by far mostly used definition was, in fact, already written fifteen years ago by the political economist Gerald Epstein who thought of financialization as "the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international

economies" (Epstein 2005: 3). Now obviously the analytical scope of this example is rather large and financialization here somehow resembles a catch-all term, since it basically consists of an aggregation of different sub-entities which in turn lack an *ad hoc* definition[1]. For instance, what are 'financial actors' and (how) do they differ from conventional social or economic agents? Or what exactly is the difference between 'financial markets' and 'financial institutions', since the existing literature tends to conceptualize the former generally as economic institutions themselves? Moreover, then, the definition integrates multiple analytical levels: issues of both agency (financial actors) and structure (financial institutions), the national and international, aspects of the cultural-sociological (financial motives) as well as the economic (financial markets) are addressed and draw a sufficiently large conceptual background for scholars to engage with. By applying Epstein's idea, one is, in fact, led to believe that financialization consists of "a set of related phenomena" (Fligstein/Calder 2015: 7), implying a relatively high degree of analytical complexity. On the other hand, however, the causal explanation of individual social phenomena through such a general theoretical lens may rather blur the picture at hand and impede substantial scientific progress. Hence, scholars have since partly reviewed the initial definition or came forward with their own, reflecting more adequately their respective interest of research or (sub)disciplinary background. For example, Marx-inspired authors like Krippner (2005) or Aalbers (2008: 149) put additional emphasis on the specific mode of accumulation related to financial capitalism in contrast to previous economic activities, exemplary "[...] capital switching from the primary, secondary or tertiary circuit to the quaternary circuit of capital [...]; that is, the rise of financial markets not for the facilitation of other markets but for the trade in money, credit, securities, etc." Others, like Palley (2008: 29) attribute specific economic outcomes, i.e. "increased income inequality and wage stagnation", to financialization and thereby engage in a discourse about possible negative externalities, affecting society as a whole.

Three additional aspects may help to outline the conceptual dimensions in more detail and thereby further narrow down present scientific perspectives on financialization. First, Natascha van der Zwan (2014) more recently attempted to classify previous studies of financialization according to their focus of analysis. After having found a first common denominator based on "a view of finance beyond its traditional role as provider of capital for

[1] To be sure, Epstein at the time recognized that by proceeding so he had "cast the net widely and define[d] financialization quite broadly" (ibid.).

the productive economy" (ibid.: 99), she basically comes to distinguish a *micro-*, *meso-* and *macro-focus* within the existing literature, comprehending financialization either as "a central feature of everyday life" (ibid.: 119), "a guiding principle of corporate behaviour" (ibid.) or "a new regime of accumulation" (ibid., see above). One could therefore conclude that even if finance and financialization nowadays represent quasi-ubiquitous phenomena, affecting - and being in turn affected by the behavior of - private households (e.g. 'private' or 'mortgage Keynesianism', see for instance Prasad 2012 or Crouch 2009 - cited in van der Zwan 2014) as well as firms and companies (e.g. the 'shareholder value' discussion, see initially Rappaport 1986 - cited in van der Zwan 2014), they empirically manifest in manifold ways, necessitating each a profound and separate analysis.

The second argument, mainly put forward by economic sociologists, however, underlines the embeddedness of social action and "financial relations" (Keister 2002), meaning that although the analytical separation of different agents and rationalities may seem helpful to begin with, the latter usually share "contexts for action" (Carruthers/Kim 2011: 240) which transcend the conventional micro vs. macro distinction. It is argued, for instance, that financial markets represent "fundamental institutions of advanced societies" (Preda 2007: 506), where participants pursue their distinctive interests and engage in competitive or cooperative interaction with one another. Such a social environment, in other words, provides an institutional order under which "[i]ndividuals, corporations, and governments all may act as both suppliers and consumers of capital" (Stearns/Mizruchi 2005: 287). However, financial markets from this viewpoint are irreducible to mere neutral "mechanisms of resource allocation" (Preda 2007: 525) - as for example the *efficient market hypothesis* (see Fama 1970) in economics postulated - since "their power to determine outcomes in production, consumption, and social welfare is enormous" (Knorr Cetina/Preda 2005: 3). Therefore, an analytical focus on financial markets as one of the typical *loci* where financialization shapes economic and social realities, encompassing both different spatial dimensions (regional to global) and types of actors (individual to corporate) may serve as a more holistic framework for the subject of research at hand.

Thirdly and in part connected to the latter, although financial markets and corresponding activities such as borrowing and lending have existed throughout large parts of human history (see Graeber 2011), there are valid reasons to believe that their relative - quantitative and qualitative - importance has markedly increased since the mid-1970s, a trend

originally emanating from Western industrial countries, most prominently the USA (see Krippner 2011, also Aalbers 2019: 3)[2]. Quantitatively in a sense that the ratio of international financial assets to GDP on a global level "increased from 20% in 1970 to 182% in 2007" (Schularick 2016: 285), including debt contracts which saw "the most rapid growth, increasing from 14% of GDP in 1970 to 106% in 2007" (ibid.). In the same vein, the transnational dimension of financialization has been steadily evolving: as Roos (2019a: 60) noted, "recent decades have witnessed a vast increase in cross-border capital flows - from $500 billion in 1980 to nearly $12 trillion on the eve of the global financial crisis in 2007". Qualitatively, then, because the "real rise" (Fichtner 2020: 266, see also Preda 2007: 516) of financial agents such as institutional investors (pension funds, insurance companies) or asset manager firms (see Braun 2016) and their genuinely new investment techniques continue to shape financial activities on a global scale.

This last aspect is where several critiques set in, since approximately the same historical period has equally been defined through concepts like liberalization, deregulation or globalization - and so a certain superposition becomes apparent which has led several authors to create somewhat hybrid terms like 'financial globalization' (Das 2010) or 'financial liberalization' (Arestis/Sawyer 2005). However, whereas the former concepts may refer to the expansion of markets in general (liberalization), the easing of regulatory policies for private sector companies and/or households (deregulation) or even the broader diffusion of culture, communication and mobility next to economic aspects (globalization), financialization is based on the explicit expansion of financial markets and their inherent logic that essentially differs from previous economic activities (see, for instance, Fastenrath et al. 2017: 276 for the distinction between non-financialized and financialized modes of sovereign debt management, also the quote of Aalbers 2008 above). The author is thus convinced that there exists considerable analytical space to make a valid distinction between the aforementioned concepts, although they are not to be seen as mutually exclusive. This means in turn that a

[2] Of course, since then financialization has also spread to non-Western and peripheral countries, albeit under different circumstances - authors like Bonizzi et al. (2020) for instance refer to this phenomenon as 'subordinate financialization'. Accordingly, "financialization cannot be reduced simpliciter to a global isomorphism towards Anglo-American finance capitalism but *needs to be understood in relation to national/local contexts*" (Mader et al. 2020b: 4, emphasis added). At the same time however, Sassen (2007: 60) stresses "the major concentration of processes of economic globalization" historically occurring in the Occident; "[t]his concentration holds whether one looks at foreign direct investment flows in general, [...] overall financial flows, or the new strategic alliances among financial centers" (ibid.). On these grounds it is hardly surprising that the global financial crisis took off in the very core of today's financial capitalism which is Wall Street.

political measure aiming at a liberalization of domestic markets at large - and thus promoting their transnational integration at least in some instances - does *qua definitionem* encompass financial markets and can therefore be interpreted as fostering financialization (see for instance Krippner 2011 on the US-American case). In this sense, "[...] such increase [in the complexity and importance of finance, F.Z.] did not occur simply because the latent potential of private interest was given freer and fuller expression, *for the state mattered in how finance developed*" (Carruthers 2012: 801, emphasis added). On the other hand, it is plausible to suggest that political decisions taken on an international level (e.g. 'global governance') or in particularly potent nation-states may externally affect domestic financialization by changing the broader preconditions under which (economic/financial, political) agents operate. What can thus be thought of as an essentially ambiguous and interdependent relationship between state and finance will now be assessed in order to further elucidate the historical-empirical accounts of financialization presented thereafter.

II. 2: Financialization, (financial) markets and the state - a metatheoretical perspective on an essentially ambiguous relationship

As Wang (2020: 189) has put it,

> "[m]uch of the analysis of the financialization of the economy has stopped at the conceptual boundary between economics and politics. Financialization refers to transformations in the structure of the markets or the organization of capitalism, while the question of the state remains outside of the analytical purview."

This 'conceptual boundary between economics and politics', market and state, private and public appears to be a long-lasting relict of a sometimes theoretical, sometimes ideological nature: the neoclassical-neoliberal canon traditionally conceived of the state as an intruding organization, harming and distorting the optimal functioning of free markets in a modern society (see for example Friedman/Friedman 1980, Hayek 1976 [1944]). On a conceptual level, state and market(s) thus are assumed to represent "largely opposed forms of social organisation" (Langley 2002: 4). As Adam Smith already postulated, "the [human] propensity to truck, barter and exchange one thing for another" (Smith 1975 [1776/1777]: 117) would induce economic interaction and the metaphysical principle of the invisible hand intuitively guide utility-maximizing individuals to benefit the general public interest. The so-called 'marginalist revolution' associated with the three prominent names of Stanley W. Jevons, Carl Menger and Léon Walras as well as their successors such as Alfred Marshall and Vilfredo

Pareto subsequently developed a micro-based model of atomistic markets where perfect competition between economic agents would lead to pareto-optimal equilibria (see for instance Walras 1954 [1874], Marshall 1890, later Arrow/Debreu 1954). Especially a central proponent of the Austrian School like Friedrich Hayek repeatedly affirmed his hostility vis-à-vis state interventionism which he judged to be short-sighted by nature and emphasized in turn the coordinative superiority of market mechanisms and decentralized prices (see Hayek 1945, 1967)[3]:

> "Full employment policies [...] attempt the quick and easy way of giving men employment where they happen to be, while the real problem is to bring about a distribution of labour which makes continuous high employment without artificial stimulus possible. What this distribution is we can never know beforehand. *The only way to find out is to let the unhampered market act under conditions which will bring about a stable equilibrium between demand and supply*." (Hayek 1967: 275, emphasis added)

Although there certainly exist (more than) gradual differences between these introduced positions, their specific interest of inquiry as well as their respective level of analysis, it seems nevertheless be fair to assume that generally, "[t]he economy's dependence on the state tends to be flatly denied by free market theorists" (Block/Evans 2005: 505).

When translating these theories comprehensively into practice since the early 1980s, conservative politicians such as Ronald Reagan or Margaret Thatcher put supply-side economics at the very top of their respective policy agenda and became internationally known for dictions like 'Government is not the solution to our problem, government is the problem.' Somewhat ironically, those very same policymakers that neglected the role of the state not only made extensive use of economic policies such as deregulation, privatization or tax cuts but increasingly relied on public finances and government debt (fiscal expansion) for funding their neoliberal reforms (see for example Blanchard 1987, Pierson 1994). As Harvey (2007: 64) has put it, "[t]he practice of neoliberalization has, however, evolved in such a way as to depart significantly from the template that theory provides".

In contrast to (neo)classical and neoliberal economics, "[p]olitical economy has pioneered thinking about the linkages between states, law, and markets and the historical emergence of systems of governance" (Fligstein/Calder 2015: 4). So to say, political economists began abording 'the question of the state' mentioned in Wang's introductory

[3] Hayek also conceptualizes his thinking by contrasting 'táxis', a hierarchical and regimented mode of organization, with 'kósmos', the spontaneous and rational yet somewhat metaphysical order at the heart of modern market economies (see Offe 2015: 7).

citation not in an atomistic or exclusively state-centered way, but rather through a broader, decentralizing analytical framework of multiple interrelations and interdependencies[4]. One of the first scholars extensively engaging with these interdependencies during the twentieth century was Karl Polanyi in his seminal work 'The Great Transformation' (see Polanyi 1957). As Block and Evans (2005: 507) understand it, "Polanyi's critical insight was that even those who insist that all they want is to allow markets to work depend upon state power and institutional structures to achieve their ends". In this sense, notions such as the dialectical 'double movement' or the 'fictitious commodities' (land, labor, money) served to deconstruct large parts of neoclassical (marginalist) theoretical assumptions. Later on, economic sociologists like Fligstein and others drew on insights from political economy in order to emphasize the essential role of governments and state institutions in providing what he had named the *architecture of markets* (see Fligstein 2001). According to this view, regulations, rules and domestic law enacted by different public bodies "both enable and constrain subsequent behavior. They constrain behavior by defining how competition and conflict can be legally regulated. They enable incumbent firms to survive and produce stable markets. They also enable firms to create new markets" (ibid.: 19). Fligstein even argued that state and market building were intrinsically linked and thus fundamentally contradicts the neoclassical economism presented above:

> "*The modern nation-state is linked to the development of market society in myriad ways.* The historical problem of producing stable capital, labor, and product markets eventually required governments and the representatives of capital and labor to produce general institutional arrangements (both laws and informal rules) around property rights, governance structures, and rules of exchange for all markets in capitalist societies. Within markets, cultural and historically specific rules and practices came to govern the relations among suppliers, customers, and workers" (ibid.: 27, emphasis added).

To conclude on a general level, sociologists such as Fligstein stress the "institutional embeddedness" (Beckert 2009: 252) of markets and theorize the stability of the latter as being essentially dependent on a complex framework of *à priori* legal definitions, permanent administrative oversight and potential sanctioning which is designed and upheld by state institutions and actors (see Fligstein/Calder 2015: 2). Other authors account for political influence on markets in more mediate terms, stating for example that "market economies are

[4] Surely, this is not to neglect the very existence of theoretical approaches within the discipline of Political Economy specifically emphasizing the state's distinct power in society (see Krasner 1978, Skocpol 1985) or its 'relative autonomy' (Poulantzas 1969).

embedded within a *civil society* that is both structured by, and in turn helps to structure, the state" (Block/Evans 2005: 506, original emphasis). Nevertheless, both approaches generally share a radical rejection of "the assumption [...] that state and market are distinct and opposing modes of organizing economic activity" (ibid.: 505) and instead propose an entirely different interpretation that can serve as an innovative theoretical insight and guiding principle for the following explanations.

Turning my attention from the linkage between state and market(s) in general to the realm of financial markets and financialization in particular, in the first instance there consequently appears to be no reason why one should not extrapolate the insights from those aforementioned political economy-inspired accounts. In other words, one could assume that the complex of the state is equally providing the *architecture of financial markets* - and indeed, Fligstein himself notes that "governments have been instrumental in creating financial markets" (Fligstein 2001: 210). This functioning also applies to the regulation of finance (see Mayntz 2012a) or the provision of legal devices, what Pistor (2019) for instance named the 'Code of Capital'. Similarly, other political economists like Susan Strange stressed the centrality of the state in the general evolution from what she called 'primitive' to 'developed financial structures': "Governments accumulate more responsibility for managing the system and making rules for the banks and for the conduct of financial business and financial markets" (Strange 1994: 95). Extending this processual analysis to the historical example of financialization, comprising financial liberalization, which I already roughly attributed to the latter third of the twentieth century, one could propose the interpretation of an ongoing *interactive restructuring* between the state and financial markets[5]. On the one hand, Philip Cerny and others about 20 years ago already emphasized that *"[s]tate action has not merely reinforced but also initiated market restructuring* [by] [...] decompartmentaliz[ing] [...] financial markets, promot[ing] increased disintermediation and securitization, and support[ing] or even forc[ing] the pace of financial innovation" (Cerny 1997: 176, emphasis added). On the other hand, Roos (2019a: 64) more recently remarked that

> "[e]ven if the dominant narrative [...] has been one of market liberalization and financial deregulation, the decades since the 1980s have in reality been characterized by a much more important role for state actors, central banks, and international financial institutions as market-

[5] This is an observation shared by Mayntz (2012b) who basically described this co-evolution as "two sides of the same coin" (ibid.: 12).

makers and as lenders of last resort; *[...] the process of financialization seems to have involved the ongoing restructuring of the state apparatus*". (emphasis added, see also Helleiner 1999: 154)

Hence, 'the question of the state' (see the quote by Wang 2020 above) according to this line of argument deserves analytical attention in a double sense: first, as the political *subject* initiating the very process of financialization - and second, as an *object* (at least) partly (re)shaped by the latter since "it is close to impossible to imagine a shift towards a finance-led accumulation regime without a change in policy and behaviour of public institutions reflecting this financialisation" (Karwowski 2019: 1002, see also Pacewicz 2013: 413).

In a similar vein, another strand of the Political Economy literature (see for instance Fastenrath et al. 2017, Schwan et al. 2020) studies the ambiguous influence of financialization on state-market relations by introducing an innovative analytical distinction: these authors separate approaches focusing on "the ways in which states (de-)regulate financial markets and thus promote private sector financialization" (Schwan et al. 2020: 2) from those concerned with "the extent to which states operate as financial market participants themselves" (ibid.). While the former part ('financialization *by* the state') in analogy to Cerny's quote can be understood as a state-induced process of *market restructuring*, especially the latter dimension (what they coin 'financialization *of* the state' or 'state financialization') is promising, since it materializes in both "the management of public debt and assets, and the various ways in which states are active in financial markets" (ibid.) and thus turns away from a more traditional perspective that depicts public institutions primarily as market *regulators*. In this sense, 'state financialization' essentially constitutes a function of "the growing state dependence on private credit, which has in turn further eroded the state's relative autonomy from finance and dramatically reconfigured domestic power relations" (Roos 2019a: 64), a development that will be treated in more detail below[6]. Schwan et al. are convinced that the conceptualizations at hand allow for "a systematic distinction [...] between the motives of private and public actors in driving these two processes" (Schwan et al. 2020: 2). Moreover, regarding the empirical interrelationship between the two phenomena, they believe to find "tentative evidence that public debt, financial liberalization, and, most notably, the influence of supranational economic integration are associated with [...] state financialization" (ibid.:

[6] The significance of such *state restructuring* is not to be underestimated as Deutschmann (2011: 361) points out: "As a consequence of their increasing dependence on the capital market, many states themselves have come to act like private financial corporations. Like finance dominated corporations they feel required to establish privileged ‘‘investor relations’’; they have to concentrate on their ‘‘core business’’ and outsource ‘‘non-essential’’ government activities to contractors."

17) by using correlational analysis; however, they cannot "rule out the possibility of reverse causality" (ibid.) and accordingly do not draw any final conclusion in this regard. In an earlier study, the authors suggest "to detect the determinants of [...] financialisation" by referring to "both an increasing interdependence between capitalist political economies and country-specific trajectories because of domestic conditions" (Fastenrath et al. 2017: 286). Accordingly, in order to better comprehend the historical circumstances and provide further contextualization to this "financial revolution of the 1980s and 1990s [that challenged] the very foundation of the relationship between the state and the financial system" (Cerny 1997: 175), I will now revisit two prominent explanative attempts regarding the prevalence of financialization by (International) Political Economy scholars Eric Helleiner and Wolfgang Streeck. Against the analytical distinction introduced between 'financialization of the state' and 'financialization by the state' these observations will serve as a means to generate first (and provisional) hypotheses for the subsequent analyses.

III. Historical trajectories of financialization and their interpretation in the field of (International) Political Economy

III. 1: 'The Reemergence of Global Finance' and 'Buying Time' - Similar causes for convergent policy reforms and the reversal of power relations between states and financial markets?

Eric Helleiner's seminal work 'States and the Reemergence of Global Finance' represents a particularly interesting account of financialization[7] unfolding in the Western hemisphere since it takes the aforementioned analytical priority of state action seriously and contradicts contemporary approaches focusing on "unstoppable technological and market forces" (Helleiner 1994: 1) as the main drivers of financial liberalization. In order to deconstruct the latter, somewhat teleological, assessments, he instead emphasizes historical discontinuities and political decision-making at the national and international level (see Cohen 1996: 271). The former constitutes a particularly important aspect of his analysis as Helleiner sketches the outline of financialization as "part of [...] structural transformations of advanced capitalist economies" (Aalbers 2019: 4) by sharply contrasting it to the post-war international regime of Bretton Woods which "set up a rather restrictive financial order" (Helleiner 1994: 25). Among other factors, the experience of transnational speculative capital flows during the interwar years, which severely harmed domestic economies, supported a Keynesian momentum still predominant at the moment of these negotiations in 1944 and, consequentially, consensual priority was given to the argument that "international movements of capital could not be allowed to disrupt the policy autonomy of the new interventionist welfare state" (ibid.: 33)[8]. As Monnet (2018: 358) argues retrospectively, in this specific context capital controls became

[7] To clarify, Helleiner himself does not employ the notion of 'financialization', possibly because it was not yet established in the theoretical vocabulary at the time of his writing in the mid-90s. Besides, he surely focuses more on the transnational processes and *causes*, not so much on the concrete *impact* of these developments on domestic economies and states. However, as mentioned in the first section, the author assumes that financial liberalization and deregulation are in fact essential components of financialization and need to be analyzed accordingly in order to fully apprehend this phenomenon. In this sense, Helleiner's arguments can serve to assess the politico-economic reasons for the application of 'financialization by the state', as defined by Schwan et al. (2020).

[8] Another reason for this specific arrangement concerned considerations about the assumed (in)compatibility of international capital mobility with the two other building blocks of the Bretton Woods economic policy framework, such as the fixed-but-adjustable exchange rate system and the gradual liberalization of international trade under the GATT (see ibid.: 35, 50). Both factors "reflected *the secondary status of liberal finance* in their vision of a liberal international economic order" (ibid.: 37, emphasis added).

"a necessary piece within highly regulated and segmented financial systems where credit was supposed to be directed by the State to priority sectors".

Against this historical background, Helleiner interprets the emergence and further development of the so-called Euromarket to represent a first critical juncture which "brought a degree of financial openness in the 1960s not witnessed in several decades" (Helleiner 1994: 91). This tendency was substantially intensified after the ultimate failure of the Bretton Woods regime in 1973 and the subsequent introduction of floating exchange rates that additionally "stimulated international financial activity" (ibid.: 121). The US were the first to abolish their capital controls in 1974 and made extensive use of their 'structural power' (Strange 1994) "in the emerging open market-based global financial order" (Helleiner 1994: 122), particularly to finance its current account and budget deficits with funds from foreign governments and private investors[9]. Also, with regard to the conceptual thoughts about state-market relations introduced above, the example of the 1970s as a transition period when "states [...] abandoned the commitment to policy autonomy" (ibid.: 144) in the face of increasingly strong speculative capital movements, is essential. It demonstrates that although states such as Great Britain or France at the time still disposed of *de jure* policy sovereignty as well as the *theoretical* possibility to apply (cooperative) exchange and capital controls, their *de facto* use was hindered by several interacting factors.

These interrelated causes which, according to Helleiner, subsequently led industrial countries to a quasi-collective dismissal of national capital controls and instead decisively supported the endorsement of a liberal, deregulation-oriented policy stance toward financial markets and cross-border financial transactions consist of what one could call *material* as well as *ideational-ideological* features (see also Cohen 1996: 271 for a similar interpretation). *Material*, on the one hand, because of the hegemonic (geopolitical) interests of the three global financial powers (USA, Great Britain and Japan) and their 'first moving' with regard to financial liberalization. See for instance the example of Japan, a country that advanced from its status of a "net borrower" (Helleiner 1994: 154) into being the "major creditor to the world" (ibid.) within record time; while initially searching for profitable investment opportunities for its domestic savers, as a consequence, "Japan increasingly had a direct stake in a stable and

[9] For Helleiner, the 'structural power' relies on both "the unique depth and liquidity of U.S. financial markets and the global importance of the dollar" (ibid.: 148), the latter still being a dominant argument, for instance put forward by (political) economists such as Barry Eichengreen who analyzes the US-American currency's 'exorbitant privilege' (see Eichengreen 2011).

open global financial system as a source of future income" (ibid.: 155). This interpretation thus highlights optimistic prospects that some governments associated with the implementation of financialization policies, valid both for their domestic financial centers (New York, London and Tokyo) and private financial firms as well as the (re)financing of public deficits, as it has repeatedly been the case for the United States (see ibid.: 148f., also Quinn/Inclan 1997: 773). Interlinked with the political decisions of these 'first movers' and decisive for the case of other countries as well as the subsequent developments was what Helleiner called "a competitive deregulation dynamic" (Helleiner 1994: 167, see also Cerny 1995 for a similar argument). In this sense, many of the following unilateral and intergovernmental liberalization measures are to be seen primarily as a consecutive reaction to an Anglo-American (as well as Japanese) impetus: "Only by emulating the liquidity, complexity, and openness of U.S. financial markets would West European governments be able to compete with the United States for international capital with which to finance budget or current account deficits" (Helleiner 1994: 161). Underlying *ideational* (see Blyth 2002 for convincing conceptual work on the role of ideas in Political Economy approaches) aspects, on the other hand, were for instance that theoretical frameworks of neoliberal thought ultimately succeeded over Keynesian interventionism which was itself to a large extent discredited due to the stagflation experience (i.e. stagnating growth rates combined with high inflation) of the 1970s (see Helleiner 1994: 167f., also Cerny 1993: 51). These convictions then were translated into policy advice and collectively propagated among political decisionmakers by an influential "coalition of private financial interests, multinational industrial firms, and financial officials" (Helleiner 1994: 168) that emphasized the genuine allocative efficiency of financial markets (see Fama 1970) and the necessity for their deregulation.

To conclude, Helleiner provides an extensive explanatory framework for the domestic implementation of financial deregulation and liberalization in Western industrial countries and the subsequent transnational integration of financial markets from the mid-1970s onward. Moreover, one can deduce the (at least implicit) assumption of "a large movement of convergence" (Quennouëlle-Corre 2016: 421) both regarding the causes as well as the national trajectories of financialization - a narrative that corresponds with large parts of the contemporary literature on globalization in a broader sense (see, for instance, the postulated

emergence of a 'world society' in Meyer et al. 1997, or else Ohmae 1990)[10]. Mosley (2003: 7) summarizes accordingly that "[s]ome of the convergence literature predicts not only growing cross-national similarities, but also - because financial markets have become a structural feature of the international system - a transfer of authority from national governments to private actors". An interpretation seemingly shared by Helleiner who repeatedly emphasizes the failure of cooperative policy initiatives to re-embed financial relations (see Helleiner 1994: chapter 5). Referring to the aforementioned analytical distinction proposed by Schwan et al. (2020), one could subsume these historical developments under the category 'financialization by the state', since they represent the contingent result of intended, (re)active national policies pursued in a context of rising global competition: "Without explicit policy decisions by governments [...], national markets would have remained as insulated from one another as ever" (Cohen 1996: 275). Helleiner's account thus leads us to believe that in a general sense, industrial states "played facilitative roles in the growing dominance of finance" (Wang 2020: 189). However, although he, in line with Roos' (2019a: 64, see above) argument, emphasizes the increasing public demand for private funding by (foreign) investors to tackle "fiscal trouble" (Helleiner 1994: 147) under the Reagan administration in the US, the author does neither explicitly analyze the causes nor the wider impact of such rising public debt levels in the context of 'state financialization' (see Schwan et al. 2020). In order to elucidate this second issue, I will now consult a more recent interpretation of Wolfgang Streeck, mainly distilled from one of his latest works, 'Buying Time' (Streeck 2014).

Streeck first delivers a somewhat different causal narrative regarding "the political roots and supporting forces of financialization" (Nölke et al. 2013: 210) although equally focusing on the experience of OECD states since the post-war period which he labels 'democratic capitalism' - a system "combining institutionalized mass participation in government with a market economy and capitalist property relations" (Streeck 2013: 1) [11]. This arrangement of a robust, because mutually benefitting class-compromise between capital and labor then was gradually eroded, beginning with stagnating growth rates in the

[10] As a further analytical proposition, Helleiner's present narrative could be classified in line with Hay (2000: 512) as representing a sort of "'input' model of convergence", "since the institutional and cultural factors which might *translate common inputs into divergent outcomes* generally remain underspecified" (ibid., emphasis added). This analytical gap will thus be addressed in chapter IV. 2 by focusing on the historical trajectory of European financial integration.

[11] Streeck, in contrast to Helleiner, explicitly states that "the 'buying of time' that postponed and extended the crisis of postwar democratic capitalism is closely related to the epochal process of capitalist development that we call 'financialization'" (Streeck 2014: xiv).

late 1960s and ever higher inflation pressure still exacerbated by the oil crises of the 1970s. Traditional struggles over the distribution of national wealth arose anew, only this time capitalists became the central agent who exerted pressure on state authorities "to shake off the social policies and collective bargaining regimes that [...] threatened to subject them to a long-term profit squeeze" (Streeck 2014: 20). This agency was epitomized, for instance, by "mounting tax resistance" (ibid.: 66) or "demands for reforms such as the indexation of tax bands" (ibid.: 66f.) on behalf of the private sector while credibly threatening to shift their investments abroad; policymakers, according to Streeck, did not have much of a choice at the time and followed suit, thereby enduring a severe and lasting impact on public finances in the form of a stagnation of overall state revenue. This unfolding "fiscal crisis of the state" (ibid.: 72)[12] caused by the absence of tax revenue paired with constant or increasing expenditures (e.g. welfare costs rose due to higher unemployment rates in the context of the oil crises, see ibid.: 36) consequently fostered the already mentioned public dependence on private credit through cumulative borrowing (see Roos 2019a: 64, also Figure 1 below)[13]. For the governments in question, the newly acquired financial resources, in the words of Streeck, were an effective (although temporal) means to 'buy time', i.e. "to sustain the appearance of a capitalism that delivered growth, with equal material advances for all" (Streeck 2014: 165), and thereby de-escalate social tensions. A comparable interpretation of this historical period was forwarded by Langley already about ten years earlier, who wrote the following: "Confronted by fiscal crisis and rejecting increases in taxation to fund expenditure, governments initially became far more reliant than during the American financial order upon recourse to sovereign credit practices to meet budget deficits" (Langley 2002: 116). Mainly relying on quantitative data, Abbas et al. (2014) on their behalf coined this period the 'Great (Debt) Accumulation', since "public debt [...] of advanced economies rose by about 40 percentage points, despite the absence of a global crisis" (ibid.: 14).

However, Streeck makes an additional effort in putting these developments into more abstract terms: he states that the aforementioned represents a fundamental change of the underlying institutional formation of OECD countries, the 'tax state', that thereby turned into a 'debt state' - "a state which covers a large, possibly rising, part of its expenditure through

[12] Streeck borrows this term from earlier Marxist scholars such as O'Connor (1973) and Bell (1976).

[13] The underlying assumption here is that "[t]ax revenue and sovereign debt issuance are the main sources of income in the public sector of our modern states" (Karwowski 2019: 1011). Such a (historically inspired) conceptualization as it is undertaken by Streeck then leaves no analytical space for notions of 'monetary sovereignty' or the like as recently proposed by Modern Monetary Theory (MMT).

borrowing rather than taxation, thereby accumulating a debt mountain that it has to finance with an ever greater share of its revenue" (Streeck 2014: 72f., for a critique of this notion see Roos 2019b).

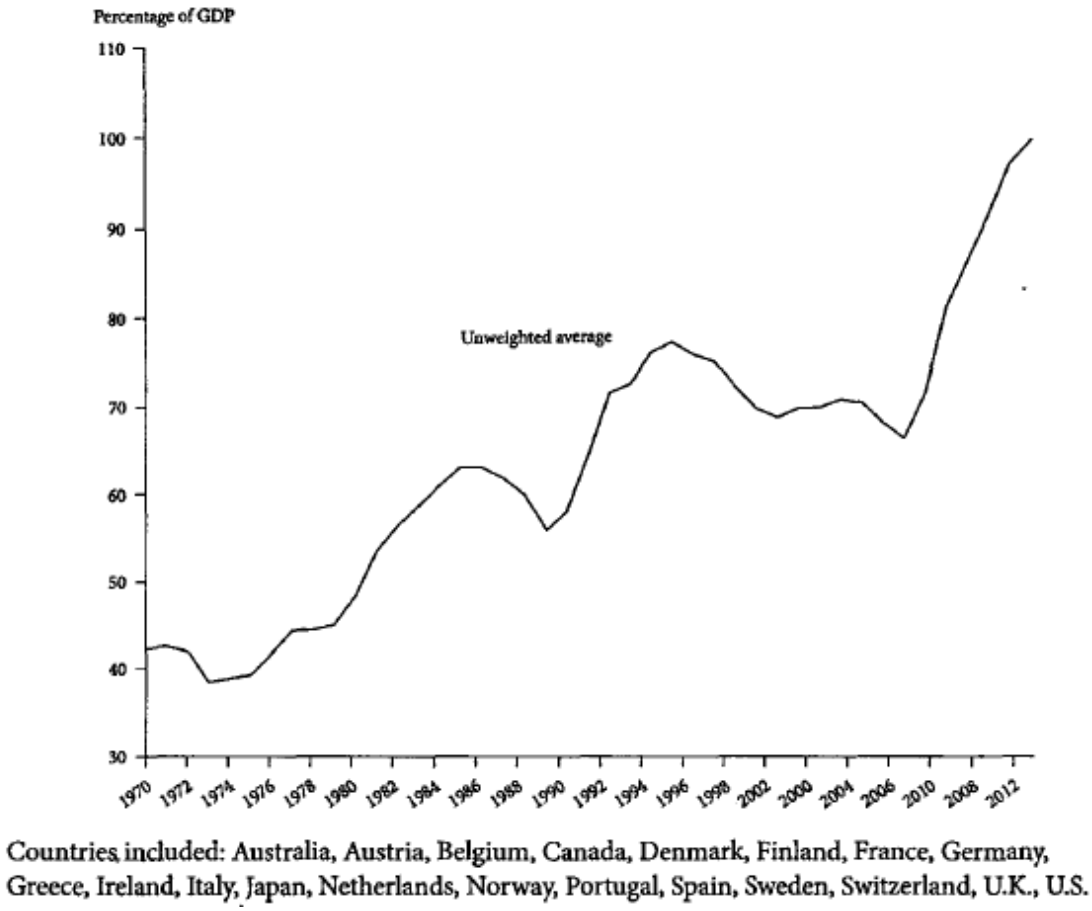

Figure 1: Government debt as a percentage of GDP, selected OECD countries, 1970-2013, taken from Streeck 2016: 54

This is where Streeck draws a rather explicit line of argument to the process of financialization by predicating that "the proliferation of the finance industry in the last third of the twentieth century was connected in many ways with the fiscal crisis of the rich democracies" (Streeck 2014: 49). Most prominently, he emphasizes the political necessity to deregulate financial markets and stimulate cross-border transactions "in order to satisfy the huge credit needs of rich industrial countries, especially the United States" (ibid.: 73), that lacked a sufficient amount of risk-averse capital from its own domestic investors (see ibid.: 49ff.). At this point, the author thus shares Helleiner's observation who underlined the "enormous inflows of foreign private capital" (Helleiner 1994: 148) onto American soil under the aegis of the Reagan administration during the 1980s.

Again, Streeck abstractly conceptualizes the relationship between national governments and international private investors under the conditions of the 'debt state' as a

"new political formation with its own laws" (Streeck 2014: 73) and subsequently focuses on the larger consequences this provokes for Western democratic societies. There are mainly two results that derive from the prior transformation on a domestic level: on the one hand, there is an inherent tendency of bottom-up wealth (re)distribution due to both the relatively lower level of taxation on higher income and property as well as the interconnected opportunity to invest in risk-free government bonds with fixed coupons "[f]or those whom fiscal policy allows to form private surplus capital" (ibid.: 77). In this sense, the financialized practices of the newly emerged 'debt state' "perpetuate extant patterns of social stratification and the social inequality built into them" (ibid.: 78, see also Roos 2019a: 64), their influence is thus not limited to the economic-financial sphere but indirectly affects society as a whole. On the other hand, an additional dimension is given to the classical issue of governments' accountability vis-à-vis its constituents, that is to say a qualitatively new form of dependence emerges - epitomized by what Streeck calls the 'Marktvolk' or 'the people of the market'. In contrast to the traditional electorate (the 'Staatsvolk'), the latter is depicted as a transnational class of private creditors that mainly operates through participation in bond issues and whose confidence in the current credit rating of the respective state becomes essential to maintain the solvency of the public domain (see Streeck 2014: 80f.). Pragmatically, a government has to assure compliance with investor's expectations "by conscientiously servicing the debt it owes them and making it appear credible that it can and will do so in the future as well" (ibid.: 81), for if the former decide to restructure their portfolio, public authorities may be confronted with a 'sudden stop' of capital supply (see Merler/Pisani-Ferry 2012 for an analysis of the recent Euro crisis). The authors' further characterization of the 'bondholding class' via socio-economic parameters or the like remains, however, quite opaque: although he cites Calpers and PIMCO as examples "of a few large funds that specialize in the government bond market" (Streeck 2014: 82), Streeck more often just speaks of "financial markets" (ibid.: 79), "markets" (ibid.: 78, 88) or "market forces" (ibid.: 85) in general. His analysis therefore lacks a convincing sociological assessment or 'disaggregation' (see Hardie 2012) of this second constituency of the current 'debt state', its internal cohesion and exact channels of influence - instead, he somewhat reproduces the vague narrative of anonymous 'market discipline' often put forward in public debates (see Tooze 2020 for a critique)[14].

[14] Since the publication of 'Buying Time', several authors conducted more empirically oriented national case studies of the 'bondholding class' in order to provide necessary differentiations of the notion itself (see for example Hager 2014, Lemoine 2018, Arbogast 2020).

To sum up, Streeck - in line with Helleiner - presents financialization as a "general, not a national phenomenon" (Trampusch 2015: 130) by stressing the commonalities of domestic trajectories and their international convergence over time - both in an empirical-historical sense (e.g. the increase of public debt) as well as on a theoretical-conceptual level (e.g. the emergence of the 'debt state' and its dependence vis-à-vis the transnational 'Marktvolk')[15]. His approach is criticized for instance by Adam Tooze, who states that "differences within the system of international political economy receive no systematic treatment by Streeck" (Tooze 2014: 56). By focusing on patterns among national economies and interpreting their respective rising debt levels as a common "[causal] symptom of financialisation" (Karwowski 2019: 1011), this narrative thus lacks attention for international politics and economic interdependencies, as for example the rise and fall of the Bretton Woods system and its lasting impact on participating member states. What 'Buying Time' delivers instead for my argumentation, is a) the addition of another explanative factor for the financial liberalization agenda ('financialization by the state') pursued in Western nation-states, namely the continued - and increased - demand for financial resources by public authorities in order to tackle their acute 'fiscal crises' (for a more detailed case study on the UK that supports this line of argument, see Dutta 2018), and b) an extended interpretation regarding the phenomenon of 'financialization of the state', an aspect rather omitted by Helleiner. Concerning the latter, not only does Streeck emphasize the direct politico-economic power investors exert upon domestic governments and the far-reaching "curtailing" (Streeck 2014: 84) this entails for the latter's "effective sovereignty" (ibid.)[16], but he also directly relates this specific power of the 'Marktvolk' to the "advanced international integration and [...] presence of efficient global capital markets" (ibid.: 88). To this extent, the deregulation and transnational integration of financial markets ('financialization by the state') is effectively conceived as a precondition for 'financialization of the state', the proactive operation of state actors in (globalized) financial markets (see Schwan et al. 2020: 2). It is especially this second

[15] To provide another example of this analytical conviction, Streeck already states in his introduction that "it turns out that the parallels and interactions among capitalist countries far outweigh their institutional and economic differences" (Streeck 2014: xii). And further: "The underlying dynamic [...] is the same - even for countries considered as far apart from each other as Sweden and the United States" (ibid.).

[16] Moreover, by unilaterally highlighting "[t]he organizational advantage that globally integrated financial markets have over nationally organized societies" (ibid.: 86), Streeck runs the risk of depriving policymakers and national institutions of any regulatory capacity or agency themselves. This represents an analytical misinterpretation, as will be seen in chapter IV. 2.

observation that I want to assess more closely and in-depth in chapter IV, directly after having revisited Helleiner's claims for the historical case of European financial integration.

III. 2: Why Europe? Political Economy perspectives and their Implications for the inquiry of European financialization: a literature review

After having reviewed two separate Political Economy accounts from the conceptual perspective of financialization as being essentially centered around the relationship between state(s) and (financial) market(s), I was able to distill at least two central aspects with regard to the politico-economic dynamics of financialization. First, the assumption of a historically largely common and convergent expansion of financial liberalization and deregulation policies in the post-Bretton Woods era, due to both *material* and *ideational-ideological* factors and initiated by the US as "the single innovator" (Fastenrath et al. 2017: 286). Second, a provisional hypothesis regarding the interrelation between 'financialization *by* the state' and 'financialization *of* the state', in the sense that the former can be considered a prerequisite for the latter - for only integrated and liquid bond markets fully enable private investors "to switch quickly from one investment to another if 'confidence' is lost" (Streeck 2014: 88), a situation that puts additional pressure on domestic governments and lets them compete for the most profitable market opportunities[17]. This observation is consistent with the conceptual argument that financialization induces an *interactive restructuring of state and market(s)* (see chapter II. 2) and equally relies on Karwowski's assumption that "it is close to impossible to imagine a shift towards a finance-led accumulation regime without a change in policy and behaviour of public institutions reflecting this financialisation" (Karwowski 2019: 1002).

In order to further examine, specify or possibly reframe these still rather general lines of argumentation, I will now turn my attention to a particular geographical and politico-economic entity which is the European Community and its historical evolution during the second half of the twentieth century, i.e. European (financial) integration. Why it is both reasonable and analytically promising to take Europe as a point of departure for the further inquiries will be elaborated in the following paragraphs[18]. Regarding this, it appears useful to

[17] At this point, one question that remains, however, is if financial liberalization and deregulation of the private sector by itself can be considered being a sufficient precondition for 'financialization of the state' - or whether there are additional factors to take into account when assessing the latter empirically.

[18] It is important to note that both Helleiner and Streeck in their respective work do analyze the European case to some extent. However, they do so either by not actively distinguishing between European financial integration and financial liberalization in OECD countries (i.e. applying a generalized set of causal arguments) (see Helleiner

distinguish *ex ante* different types of arguments that speak for the general importance financialization contains for European states: first, there are contemporary *empirical* indicators that point to the larger impact financialization has - and had - on European economies, most notably the example of the recent Euro crisis. Second, the role of several formal *institutions* (see North 1990) is to be emphasized that provide the larger politico-economic framework under which member states of the currency union operate with regard to financial markets and financial activities. These represent to some extent the historical culmination of the decade-long process of supranational and intergovernmental integration: "[...] EMU is part of an ongoing process of economic and political integration in Europe, and not an isolated, 'technical', monetary arrangement" (Buiter 1999: 182f.). The last argument is rather *pragmatic*, in the sense that existing (International) Political Economy literature has so far hardly analyzed the larger phenomenon of financialization explicitly from a European perspective (see Rossi 2013, Bieling 2013, Preunkert 2017 and Pataccini 2017 for recent exceptions) and thus leaves a considerable research deficit to be filled.

As many authors have noted by now, "[t]he euro-area crisis has exposed a number of structural flaws of monetary union" (Rossi 2013: 381, see also Jones et al. 2016, Baldwin/Giavazzi 2015), and although there exists a variety of explanations drawing on qualitatively different causes (or even their specific interdependence in the given case), "[m]any of them can be traced to the implications of financialisation" (Rossi 2013: 381, see Laeven/Valencia (2013) for a comprehensive account of financial crises linked to financialization). Bieling (2013: 288) puts it in a similar way, stating that "the politics of financialization increased the crisis-vulnerability of European financial capitalism" *ex ante*. In line with the insights provided by Helleiner (1994) and Streeck (2014), it appears thus reasonable to partly assume that "the causes of the crisis [...] are rooted in long-run developments since the early 1980s" (Hein/Mundt 2013: 153) or even before. However, the relative singularity of the Euro crisis on a global scale and its long-lasting impact on member states' economies and societies beg the question whether there are additional or specific variables to consult when assessing this very case. In other words, the crisis might be considered as being "endogenous to the monetary union" (Bénassy-Quéré 2015: 71) and therefore representing an indicator for a 'variegated' trajectory of financialization that

1994: chapter 7) or by choosing a contemporary time frame (i.e. the post-crisis period, see Streeck 2014: chapter 3) without explicitly referring to historical developments such as financialization as part of the European integration process.

potentially diverges from the classical Anglo-American case (see Karwowski 2020 for an analysis of variegated financialization in emerging economies)[19].

Regarding the characteristics of the recent Euro crisis, Lane (2015: 129f.) for instance argues that "the role of cross-border [capital] flows was especially intense inside the Eurozone due to the much higher scale of intra-zone cross-border integration of banking and bond markets". Combined with structural issues such as banking regulation (see Jones et al. 2016: 1020ff.), this induced the infamous phenomenon of contagion among so-called 'PIIGS'-countries (Portugal, Ireland, Italy, Greece, and Spain) that "play[ed] a crucial role in exacerbating the sovereign debt problems in the euro area" (Constâncio 2011, see also Blyth 2013: 63f.). The protagonists then that transformed the initial 'banking crisis' into a 'sovereign debt crisis' to begin with were potent European private banks which collectively turned out to be 'too big to bail', as Mark Blyth (2013: 83) has put it[20]. Roos (2019a: 63) interprets this feature of European financialization as the consistent result of an ever-growing concentration of market shares and asset holdings among financial institutions, stressing that "[b]etween 1997 and 2005 alone, the[ir] total number [...] in the EU-25 declined from 4,228 to 2,683." Lastly, another aspect of the Euro crisis that can be linked to financialization was the forced application of an austerity regime in the heavily affected peripheral countries, most importantly Greece, decreed by the Troika of the ECB, the European Commission as well as the IMF (see Armingeon/Baccaro 2012, Blyth 2013). This can be seen as one particular manifestation of a deeper restructuring or even 'remodelling' of the respective state apparatus in the direction of a 'consolidation state', to use the notion of Streeck (2014), the implicit aim being "a dual binding of national politics to market principles of economic reason, effected both by the countries themselves, through constitutional 'debt ceilings', and by international treaties or obligations under European law" (ibid.: 117). Such obligations at the European level comprise for instance the Six-Pack and Two-Pack, as well as the Fiscal Compact introduced in 2011-2012 (see Verdun 2015).

[19] Underlying is the assumption that "[p]rocesses of financialisation are historically and spatially determined as their features depend on conditions that change over time in the same place (country or geographic area), and are often discordant in different places at a given time" (FESSUD 2017: 3). Similarly, Karwowski herself posits that the notion of 'variegated financialization' "illustrates the importance of spatial distinctiveness, local institutions, and history" (Karwowski 2020: 173).

[20] For Streeck (2015: 7), this course of events proves "the close interconnection between the debt state and the financialization of modern capitalism [...], as states found themselves forced to absorb the bad debt created by the private sector under financial deregulation".

However, those market principles of economic (or financial) reason are not genuinely new to the member states of the Eurozone since they have been written into the institutional foundations of the currency union itself, namely the Maastricht Treaty and the Stability and Growth Pact (SGP) (see Streeck 2015: 15). For Pataccini (2017: 268, see also Bieling 2013: 286 for a similar view), "in the case of Europe, the most crucial event for the rise of financialization arrived with the integration project enshrined in the city of Maastricht"; and indeed, the general political conviction of the twelve signing nations at the time was nothing less than "to mark a new stage in the process of European integration" (Council of the European Communities 1992: 3). An understanding likewise shared by many contemporary observants: "EMU is foremost a major step on the road to 'ever closer union' in Europe. It represents the opening of a new chapter in the European federalist agenda, a significant transfer of national sovereignty to a supranational institution" (Buiter 1999: 183, see also Pagano/von Thadden 2004). However, this 'transfer of national sovereignty' substantially had a "market-conforming face" (Jabko 2010: 318) and subjected member states to the discipline, the "omnipotence and omniscience" (Sarotte 2010) of financial markets in ways different to what they experienced before (see Rommerskirchen 2019: 755). As will be shown, the latter becomes particularly apparent with regard to EMU's "policy core" which, as Dyson (2012: 453) argues, "comprises [both] fiscal policy coordination, represented by the SGP, and the single monetary policy of the ECB".

For although fiscal policy *de jure* remained a prerogative of national governments without creating a supranational body authorized to engage in discretionary spending, the former was decisively constrained by the stipulations of the Maastricht Treaty and the subsequent SGP in order to prevent what European decisionmakers framed as "excessive government deficits" (Council of the European Communities 1992: 27). The 'convergence criteria' set out by the Maastricht Treaty applied to both the annual budget deficit as well as aggregated debt levels of national authorities and set legally binding limits in relation to the respective gross domestic product: a 3% threshold for potential deficits and a 60% benchmark with respect to the overall public debt ratio (see ibid.: 183). In 1997, then, the SGP was concluded to regulate "procedures of budgetary surveillance and the imposition of financial fines for unauthorised breeches of the deficit limit" (Heipertz/Verdun 2003), i.e. the fixation of preventive 'Medium-Term Budgetary Objectives' and the excessive deficit procedure (EDP) as the so-called 'corrective arm'. In the eyes of Streeck, the commitment to fiscal consolidation

as demanded by the treaties represented "essentially a confidence-building measure" (Streeck 2015: 10) with the objective "to make a state attractive for financial investment by making it clear to the financial markets that the state is in a position to service its debt" (ibid.). Financialization thus takes once again the form of an implicit political compliance with the interests of the 'Marktvolk' (i.e. foreign investors), namely the continued servicing of government debt and its adequate limitation in order to prevent cost-intensive haircuts in the possible event of sovereign default[21]: Dyson (2002: 7), in this regard, speaks of "a clear European model of 'sound' money and finance".

For the specific case of the EMU, Streeck adds, "consolidation takes on a peculiar form as it proceeds under an international regime governing the fiscal and financial policies of a collection of formally sovereign nation-states, so as to secure their compatibility with a common supranational monetary policy" (Streeck 2015: 15). And indeed, one of the economic concerns underlying these regulative measures was intrinsically linked to the second part of EMU's 'policy core' - monetary policy and the legal statute of its competent institution, the ECB - by postulating that continued government deficits "could undermine central bank independence" (Heipertz/Verdun 2003). The European Central Bank has repeatedly been depicted as "one of the most independent central banks" (De Haan 1997: 395, see also Diessner/Lisi 2020: 320) with regard to national politics or even as "controlling the state" (Bibow 2012: 2) in order to "prevent fiscal dominance and printing press abuse" (ibid.: 11); its strong independence, in turn, fundamentally relies on another institutional singularity of the ECB which is the *à priori* prohibition of direct monetary financing as specified in Article 123(1) TFEU:

> "Overdraft facilities or any other type of credit facility with the European Central Bank or with the central banks of the Member States (hereinafter referred to as 'national central banks') in favour of Union institutions, bodies, offices or agencies, central governments, regional, local or other public authorities, other bodies governed by public law, or public undertakings of Member States shall be prohibited, *as shall the purchase directly from them by the European Central Bank or national central banks of debt instruments*." (Official Journal of the European Union 2012: 99, emphasis added)

[21] In a similar way one can interpret the 'no bailout'-clause (see Council of the European Communities 1992: 27) defining that member states of the EMU were not liable for the financial commitments of any of their peers - therefore investors had not to worry about any kind of additional risk-sharing that might endanger their proper entitlements.

The transfer of sovereignty over monetary policy to an independent supranational institution in general as well as the legal definition regarding the latter's functioning in particular basically implies that "[m]embers of a monetary union issue debt in a currency over which they have no control" (De Grauwe 2011: 2). National governments become thus "very susceptible to liquidity movements" (ibid.: 5) in the form of a potential withdrawal of financial resources by foreign investors and most importantly lose the privilege of 'debt monetization' as a mode of non-market, non-financialized sovereign debt management (see Fastenrath et al. 2017: 276, also Preunkert 2017: 30f.). Instead, from this time on "public institutions were forced to resort to open markets for funding" (Pataccini 2017: 276) - even (or especially) in times of crises. For these very reasons, authors such as Lapavitsas et al. (2012: 3) go as far as to say that "the ECB [...] emerged as protector of financial interests and guarantor of financialisation in the eurozone". Similarly, for Kalaitzake (2019) the ECB represents an institutional agent disposing of specific 'financial political power' given its relative proximity and receptivity vis-à-vis financial markets.

Having recalled this variety of empirical and institutional aspects that link financialization to the historical emergence and recent developments of the Eurozone, it is all the more surprising that explicit analyses of European financialization still remain quite under-represented in the field of (International) Political Economy. Hereafter, a few existing exemptions are presented and succinctly summarized: Bieling (2013) for instance uses a neo-gramscianian and regulationist approach for explaining the continuity of what he calls 'European financial capitalism' despite the wide-reaching disruptions the Euro crisis caused in recent years. Although he shortly mentions past developments that paved the way for European financial and monetary integration, the author is mainly concerned with the power relations inherent to the contemporary 'historical bloc': he identifies "the transnational financial power elites" (ibid.: 295) as the pivotal agent in the competitive struggle over conceivable political reactions to the crisis. Bieling, then, paints a rather pessimistic picture when he concludes that possible efforts of de-financialization were slashed due to the organization of private interests and argues that what emerged instead during the aftermath was rather a "transition toward a state-backed and increasingly politicized mode of financialization" (ibid.).

Although equally focusing on the financial crisis and its repercussions in the euro area, Rossi (2013) advances "monetary-structural factors" (ibid.: 389) of the EMU setup as principal

causes for the former. On the one hand, he emphasizes that financialization in the form of cross-border mobility of capital and bank deposits had exacerbated "economic divergence and financial instability" (ibid.: 397) among member states; on the other hand, the author criticizes the existing TARGET2 payment system as being inherently defective due to "the lack of international payment finality within the EMU" (ibid.: 391). Since the ECB does not yet assume the role of a settlement institution between national central banks and their respective balance sheets, Rossi proposes the alternative to issue the common currency via an "European institution for the settlement of all foreign trade" (ibid.: 394) between national economies whereas "the latter recover their monetary sovereignty through the issuance of their own national currencies" (ibid.).

The paper of Pataccini (2017) engages with a broad range of economic phenomena (privatization, public and private debt, unemployment) which the author all (in)directly connects to the historic expansion of financialization in European countries. He provides a large review of existing literature but his own analysis of what is called "the paradox of financialization" (ibid.: 284) remains rather superficial which is in part due to an imprecise analytical distinction between 'neoliberalism' and 'financialization' (see chapter II. 1). This becomes apparent for instance when Pataccini traces "clear connections" (ibid.: 276) between the Maastricht Treaty on the one hand and privatization as an economic policy 'directly' promoting financialization on the other hand: although one can argue that privatization served as a viable means for governments to generate additional income and thereby reduce their debt burden to comply with the convergence criteria (see above), the existing literature associates the former rather with a neoliberal policy agenda (such as the 'Washington Consensus') promoting the general dismantling of state influence (see Stiglitz 2002, Rodrik 2006). Moreover, it is by no means evident that privatization fosters the "expansion of domestic financial markets" (Pataccini 2017: 276) for state assets might be non-financial in nature and, in fact, be bought by foreign investors. Whether or not public authorities channel such revenue into financial markets themselves, is a politico-economic question whose outcome depends on contingent circumstances. Against the background of such doubtable assumptions, Pataccini's 'paradox of financialization' - stating that "the expansion of financial activities becomes determinant for the growth of national [...] economies, but at the same time, it makes them more vulnerable" (ibid.: 287) - in the end lacks a clear and distinctive

analytical outline that would allow to relate it to EMU and European integration in particular, and not to financialization as a global process in general.

To my knowledge, the only work that employs a more state-focused view on financialization (in a similar vein as presented before in chapter II. 2) and explicitly tries to identify the lasting impact of European monetary integration in the realm of 'state financialization' is delivered by Preunkert (2017). The author empirically focuses on the management of government debt and further distinguishes between two sorts of financialization in respect thereof: (1) the 'financialization of the relationship with investors' as well as (2) the 'financialization of the regulatory framework' (ibid.: 32). Whereas the former represents "the shift from borrowing credit from specific private investors to issuing debt instruments on the financial markets" (ibid.), the latter implies "the shift from a regulated domestic-oriented market to a deregulated transnational market" (ibid.). What is important to note, additionally, is the fact that Preunkert conceives of these different financialization processes as two subsequent stages where (1) is assumed to be a necessary precondition for (2) (see ibid.: 31). In her analysis, she finds that a general, EU-wide transformation of government debt management took place during the 1980s when the share of marketable debt gradually increased and the Treasuries introduced auction systems to place their bonds and bills (see ibid.: 36). At this point - and for the subsequent empirical analysis that will be conducted - it is interesting to observe that Preunkert explains this shift in a rather unidimensional way by emphasizing "the increased borrowing needs of governments" (ibid.: 41); this is in line with Streeck's argument in 'Buying Time' but does neither take into account effects of financial liberalization nor 'supranational economic integration' as proposed by Schwan et al. (2020). Effects that, indeed, materialized already during the 1980s and thus before the actual introduction of the Euro as will be argued in the next chapter.

Although her paper hence narrows the analytical perspective on European financialization in a manner that provides promising insights for my further inquiry, one might argue that Preunkert lacks a longer-term view on policies of 'financialization by the state' that were already well advanced during the 1980s - either unilaterally on the national level or in a coordinated way among member states of the European Community (see for instance Abdelal 2007 and the next chapter). Whether, and if so, to what extent this specific period of financial liberalization can *ex post* be assessed as one of international convergence due to similar domestic circumstances as assumed by Helleiner (1994) will now be the subject of the

following section before subsequently turning to the interrelation between 'financialization by the state' and 'financialization of the state'.

IV. Empirical examinations

IV. 1: A case of 'variegated financialization'? The politico-economic facets of European financial integration

As I have already noticed through a systematic review of Helleiner's seminal work 'States and the Reemergence of Global Finance' (see chapter III. 1), the last decades of the twentieth century were decisive for radical transformations of state-market relations in general - and the political (de)regulation of financial markets in particular. In the words of Abiad/Mody (2005: 66), "financial systems worldwide moved from government ownership or control toward greater private provision of financial services under fewer operational restrictions", a shift primarily induced by comprehensive liberalization and deregulation policies - measures I subsumed under the label 'financialization by the state' which was proposed by Schwan et al. (2020). The interpretation of this historical sequence in the Western world put forward by Helleiner (1994) was one of convergence and commonalities, both on a *causal-processual* level (i.e. the combination of *material* and *ideational-ideological* aspects) as well as regarding the final policy outcome for national economies (the abolition of capital controls and the gradual integration of domestic into transnationalized financial markets).

Due to the multifaceted importance financialization has gained in the specific contemporary and institutional setup of the Eurozone, it seems legitimate to take a step back and analyze the larger historical picture: "[a]n understanding of antecedents does matter" (Cohen 1996: 273), especially with regard to a politico-economic project that has repeatedly been characterized as "probably [...] the single most important policy-induced innovation in the international financial system since the collapse of the Bretton-Woods system" (Pagano/von Thadden 2004: 531, see also Galati/Tsatsaronis 2003: 165)[22]. Notions such as 'sui generis', 'supranationalism' or 'regionalism' (and 'Europeanization') as well as the fact that they constantly recur in political and scientific debates (in)directly point to a European specificity or singularity that might qualitatively differ from the conventional (standard) narrative concerning globalization phenomena. According to Schmidt (1999: 174), Europeanization, for instance, constitutes "a force in its own right, able to counter some of

[22] More precisely, Danthine et al. (2000: 4) for instance assume that "many of the [...] effects of EMU are of little relevance without the context of financial market liberalization on the EU level following the Single European Act" which was concluded in 1986.

the effects of globalization". Historically, the 'Single Market Programme' - as opposed to a globally integrated market - and the project of a 'European Financial Area' (see Underhill 1997) then could be interpreted as concrete political agendas to materialize and demarcate this assumed European singularity. These aspects make it all the more interesting to retrace the historical developments in Europe in detail; and thus, to verify whether they can indeed be sufficiently explained by the IPE narrative - or to what extent one has to consider additional and distinctive features of European financialization.

Although free movement of capital represented one of the four foundational freedoms of the European project as defined by the Treaty of Rome in 1957, its political priority was initially - and during the decades to come - categorically surpassed by labor and goods and services mobility which was generally conceived of as being essential for economic integration and the implementation of a common market (see Bakker 1996: 1, also Baines 2002: 351). The EEC Treaty in this regard stated the following:

> "*During the transitional period and to the extent necessary to ensure the proper functioning of the common market*, Member States shall progressively abolish between themselves all restrictions on the movement of capital belonging to persons resident in Member States and any discrimination based on the nationality or on the place of residence of the parties or on the place where such capital is invested." (Official Journal of the European Communities 1992: 24, emphasis added)

As a consequence, discretion over control mechanisms was largely ceded to the national signing parties because the legal act neither defined an exact period of time for their abolition nor did it specify any mandatory operational proceeding for achieving the declared objective[23]. Two additional directives were adopted in the early 1960s, but their subject too was either quite narrowly put or "most directly linked to the exercise of the other basic freedoms established by the Treaty" (Commission of the European Communities 1988a: 7). This apparent "second-class status" (Abdelal 2007: 48) of capital, analogously to the political considerations influencing the design of the Bretton Woods regime described by Helleiner (1994), resulted from "the widespread consensus [...] that capital flows ought to be controlled to avoid financial crises and deflationary pressures" (Abdelal 2007: 48). Against the theoretical background of what was later coined the 'Mundell-Fleming model' or 'trilemma' which

[23] Another contemporary example for such cautious concertation at the international level was the OECD Code of Liberalization that was introduced in 1961: Although member states agreed in principle to gradually lift restrictions on capital movements, national policymakers kept the right to add exclusive 'reservations' for different sorts of capital transfers and more generally maintained the prerogative of interpretation, for instance "to reimpose controls whenever conditions warranted" (Goodman/Pauly 1993: 53, see also European Commission 1997: chapter 7).

postulates the mutual incompatibility of three distinctive policy objectives - namely a fixed exchange rate, cross-border capital mobility, and monetary policy autonomy (see initially Mundell 1963) - European governments tended to subordinate "the free movement of capital [...] to the wish to preserve exchange rate stability [...] as well as the wish to retain sovereignty over monetary policy" (Bakker 2020: 3). The depicted model, however, was never fully deterministic with regard to socio-economic reality as the comparison of different national policy stances at the time demonstrates (see also Monnet 2018). In an official document dating from 1997, the European Commission retrospectively differentiated between member states applying 'liberal' capital control regimes in the post-war period - this was the case for Germany and the Benelux countries, the UK only followed later in 1979 (see European Commission 1997: 26f.) - and governments maintaining 'significant controls', such as Italy and France as well as prospective members of the EEC/EU (Denmark and Ireland which joined in 1973, Greece in 1981, Portugal and Spain in 1986 and finally Austria, Finland and Sweden in 1995) (see ibid.: 27ff.). *De facto* discretionary power over financial market regulation and cross-border capital mobility remained thus largely at the domestic level while any direct and vertical constraints exerted by supranational institutions like the newly created Commission of the European Communities were still practically non-existent (see Baines 2002: 351) [24].

The inherent link between financial integration on the one hand and monetary integration on the other hand[25], partly in the form of transfers of political and economic sovereignty, was first made explicit in the 'Werner Report' published in 1970; this document proclaimed for instance that "[a] monetary union implies inside its boundaries the total and irreversible convertibility of currencies, the elimination of margins of fluctuation in exchange rates, the irrevocable fixing of parity rates and *the complete liberation of movements of capital*" (Commission of the European Communities 1970: 10, emphasis added). In order to realize a similar project, the Commission added, "transfers of responsibility from the national to the Community plane will be essential" (ibid.) and "[i]n addition, it will be necessary for the

[24] According to Scharpf (2009: 7), intergovernmental agreements between member states were the motor of European integration at that time: "Since the Luxembourg Compromise of 1966 had prolonged the practice of unanimous decision-making, all governments could be sure that no legislation could remove existing economic boundaries without their agreement". However, "[t]he price of unanimity", he wrote elsewhere, "was, of course, a sclerotic decision process" (Scharpf 1998: 160). This, in combination with the different national policy regimes, then partly explains the relatively limited progress in the field of joint financial liberalization and deregulation during the 1960s and 1970s.

[25] Bakker (1996: 255) for instance states that "the history of the liberalization of capital movements in Europe to a large extent coincides with the history of monetary cooperation in Europe".

instruments of economic policy to be harmonized in [...] various sectors." (ibid.) As part of the latter, the report *inter alia* reflected upon the insufficient progress that had so far been realized by member states with regard to financial deregulation and reiterated a call to "take prompt action in two directions: the abolition of obstacles to capital movements, in particular residual exchange control regulations, and a coordination of policies as regards financial markets" (ibid.: 20). Indeed, at the time such comprehensive action was deemed essential by European states in the multistage process leading to an equilibrated economic and monetary union as "a means of sheltering themselves from financial globalization" (De Groot 2019: 284, see also Bakker 1996: 112 on the deliberate discrimination between EEC and non-EEC countries regarding capital mobility).

The following years, however, saw major currency upheaval at the global level beginning with President Nixon's decision to suspend the dollar's gold convertibility in 1971 (the 'Nixon shock'); subsequently, "[t]he decline of Bretton Woods and rising capital mobility [see the role of the Euromarkets mentioned in chapter III. 1], both of which undermined domestic macroeconomic autonomy, triggered a search for regional arrangements to stabilize exchange rates" (Moravcsik 1998: 239). The adoption of a regional exchange rate mechanism like the 'Snake' in 1972 represented thus both a political attempt to limit intra-European margins of fluctuation in line with the objectives set out by the 'Werner Report' to create an 'ever closer (economic) union' as well as "a defensive move" (Bakker 1996: 116) to counter geopolitical pressure and instability emanating from the US-American hegemon. A third underlying aspect was the regional integration of trade relations (see Andrews 1994: 428) that had lately unfolded between EEC member states thanks to the general lifting of customs duties and restrictions in 1968. Agreement was then found between France, (West) Germany, Italy and the Benelux countries - with Denmark, Ireland, Norway, Sweden and the UK joining shortly after - to reduce their bilateral currency spreads to a maximum of ± 2.25 per cent (see Pinsky/Kvasnicka 1979: 4); the 'tunnel' that was initially meant to regulate the collective fixed margin of fluctuation vis-à-vis the US-dollar as a broader framework was soon to be replaced by a joint float that sealed the final collapse of the Bretton Woods system (see Coffey 1984: 13, also Bakker 1996: 118). Yet, already within several months after its launch the inherent fragility of the 'Snake' was revealed: exogenous events like the Oil crisis in 1973 "created different levels of unemployment in different European countries, [and] national governments came under different degrees of pressure to respond in ways that risked inflation"

(Eichengreen 1993: 1323, see also Eichengreen/Frieden 1993). And stagflation (i.e. high unemployment and stagnating growth rates in combination with high inflation) indeed became the major economic issue in Western nations during the 1970s, preparing the ground for the later 'monetarist revolution'. In addition, targeted speculative attacks causing "a series of exchange rate crises" (McNamara/Jones 1996: 9) ultimately forced several members (first the UK and Ireland then Italy, France temporarily withdrawing in 1974/75) to opt out of the joint project prematurely. Domestic controls on both capital inflows and outflows regained political momentum, so that "the balance between liberal and restrictive countries [see the distinction introduced above] initially swayed in favour of the latter" (Bakker 1996: 136) and collective efforts to liberalize the financial sector were temporarily paused. Apparently, the now dominant economic cleavage was one of relative currency value: whereas weak-currency states had to use their scarce foreign exchange reserves to maintain the fixed exchange rate or leave the 'Snake' altogether, it sufficed for strong-currency countries - most prominently Germany and the Deutsche Mark - "to sell their domestic currencies when they appreciate[d]" (McNamara/Jones 1996: 8, see also Moravcsik 1998: 294).

Due to the cumulation of these factors that created a collective sentiment of 'Europessimism' (Sandholtz/Zysman 1989: 109) and the resulting structural and policy divergence between participating member states, "the arrangement [gradually] proved incapable of delivering the exchange rate stability that was its central goal" (Eichengreen 1993: 1323). Towards the end of the decade, a new attempt was made to revive monetary integration: the European Monetary System (EMS) jointly championed by the Franco-German leadership in 1978 "was precisely intended to redirect Europe on the path of cooperation" (Bakker 1996: 137). Again, the literature emphasizes the political will to actively push a common regional interest in the face of unfolding (financial) globalization; Moravcsik, for instance, mentions the objective "to insulate a West European bloc from monetary fluctuations emanating from Japan and the United States" (Moravcsik 1998: 296), while McNamara and Jones similarly interpret the venture as a means "to strengthen Europe's position in international affairs" (McNamara/Jones 1996: 9, for an extensive historical account see also Dell 1994). Monetary integration, in the eyes of Frieden, came to be generally perceived as being linked to further European (economic) integration "as the last best hope for the region" (Frieden 2001: 34). Regarding the *ex-post* effectiveness, the mere fact that the initial Exchange Rate Mechanism (ERM) of the EMS was maintained until the very introduction

of the Euro in 1999, demonstrates its enhanced stability in contrast to the rather volatile and short-lived experience with the 'Snake'. The list of participating economies encompassed all EEC member states except the UK and as Andrews (1994: 429) noted, "[d]uring the[...] first thirteen years of the system's operation, no state abandoned participation in the exchange rate mechanism of the EMS; indeed, several states either entered into or upgraded their ERM commitments".

For Eichengreen, the EMS essentially represented "a hybrid of pegged and adjustable exchange rate regimes" (Eichengreen 1993: 1328). Since the individual currencies on the one hand were generally pegged within a band of ± 2.25 % to the newly created composite unit of account, the European Currency Unit (ECU)[26], and central banks were obliged to intervene in foreign exchange markets to balance fluctuations accordingly, a considerable reduction of intra-European exchange rate variability was achieved (see McNamara/Jones 1996: 10). On the other hand, the setup of the EMS included an additional discretionary element allowing for bilateral political agreements on exchange rate adjustments "if the bandwidths turned out to be unfeasible due to short-term fluctuations" (Höpner/Spielau 2018: 162). Important for my argument, the hybrid character of the EMS relied substantially on the existence of capital controls for protecting foreign reserves "against speculative attacks motivated by anticipations of realignment" (Eichengreen/Frieden 1993: 90); and indeed, this was especially true for the first four years since 1979 when realignments were frequently due and "[m]onetary policies and inflation rates showed few signs of converging" (ibid.: 87, see also Bakker 1996: 148). Conversely, arguing in line with the theoretical framework of the 'impossible trinity' (see above), it was plausible for the United Kingdom, as an EEC (but non-ERM) member state with floating exchange rates and a "traditionally liberal and international approach to macroeconomic policymaking" (Schmidt 1999: 182), to abolish the whole range of its remaining capital controls in 1979[27] (see Helleiner 1994).

In the following years, the UK and the apparent success of its recent policy changes became thus an important ally to the group of states which were already applying 'liberal capital regimes' (i.e. Germany and the Benelux countries, see European Commission 1997: 26f.) within the EEC, thereby reframing the discourse on financial liberalization considerably

[26] Italy exceptionally negotiated a special margin of ± 6% for the Italian lira, similar concessions were made to countries (Portugal, Spain, the UK) that joined the ERM later on.

[27] This is not to say that there were no other, equally important politico-economic factors at stake, e.g. the election of the neo-conservative Thatcher government which put great emphasis on deregulation and a liberal policy agenda (see Bakker 1996: 139f., also Schmidt 1999: 182f.).

(see Abdelal 2007: 56, also Bakker 1996: 149). Although authors such as Bakker dated what he called "the beginning of a new era" (Bakker 1996: 150) with regard to financial liberalization already to the early 1980s, stressing the importance of internal advisory bodies like the Monetary Committee serving as a consultative institution, there are strong indications that the issue regained general political momentum on a European level only from 1985 onwards. Dyson, for instance, speaks of "a parameter shift in the period 1985-9", since "[d]uring this period the launch of the single market programme and increased economic convergence associated with the Exchange Rate Mechanism (ERM) set in process a complex set of interactions" (Dyson 2002: 10); Moravcsik (1998: 314) and Weiler (2001: 58) on their behalf both advance the wording of a 'relaunch' of European integration for the same time period. And indeed, it is interesting to analyze how this 'relaunch' was fostered by the superposition of different factors, at the national and the supranational level, in order to assess the specific character and mode of implementation of European financialization.

By the mid-1980s, France had in part converted from its former *dirigiste* economic policy to the 'liberal capital regime' camp after having experienced massive capital flight and speculative attacks as a reaction to the newly elected socialist governments' agenda covering, *inter alia*, a number of nationalizations, a significant raise of the minimum wage (*SMIC*) as well as the introduction of a wealth tax ('impôt de solidarité sur la fortune', ISF) (see Abdelal 2007: 58f., also Sachs/Wyplosz 1986 and the recent article of Birch 2021). This very situation is in fact invoked by Helleiner (1994) as one of four 'turning points' which, in the authors' opinion, could retrospectively have reversed the dynamics of global financial liberalization at the time (see ibid.: 140-144, also Ghosh/Qureshi 2016: 24). International markets, however, succeeded in disciplining the French government despite the intensification of controls on capital outflows - thereby giving rise to the well-known *tournant de la rigueur*, including the gradual abolition of controls and domestic deregulation during the following years (see Abdelal 2007: 61). The regional repercussions of this ideological 180° turn taking place in the second most productive economy of the EEC were not to be underestimated and renewed political discussions more generally, fostered by the arrival of Jacques Delors, who had been a fervent advocate of both European (monetary) integration and financial discipline (see for instance Warlouzet 2018), at the head of the European Commission in 1985. While "[t]he Commission had traditionally been viewed as the agenda-setting arm of the EC" (Moravcsik 1991: 23), it is fair to say that also Delors himself "gave an invigorating impulse to the European integration

process" (Bakker 1996: 161). Performing the role of a classic 'policy entrepreneur', he succeeded in linking the issue of financial liberalization to the completion of the EC's single market and became an eminent coordinator between still diverging national interests in the years to follow (see Abdelal 2007: 65, also Dehousse/Majone 1994).

The White Paper 'Completing the internal market' that was published by the Delors Commission in 1985 set out "the essential and logical consequences of accepting that commitment [regarding the completion of the internal market, F.Z.], together with an action programme for achieving the objective" (Commission of the European Communities 1985: 4). The issue of financial liberalization then fell under the second consecutive stage, 'the removal of technical barriers', and the document explicitly highlighted in this regard the aim of general policy convergence: "The general thrust of the Commission's approach in this area will be to move away from the concept of harmonisation [see the notes on the Werner report above] towards that of mutual recognition and equivalence" (ibid.: 6, see Moravcsik 1991: 20 for a contemporary interpretation). For Berger (1996: 15f.), the official wording of the White Paper reflects "an understanding that without such [policy] changes there would be no single market in reality, for institutional barriers would block free flows of labor, goods, and capital as effectively as tariff barriers". Where the Treaty of Rome in 1957 thus postulated that progress in financial liberalization was conditional on the larger formation of a European common market ('to the extent necessary'), the narrative now, inversely, framed full liberalization as an essential prerequisite for the unification of a frictionless intra-European market. In this vein, the Commission affirmed that the achievement of the latter "inevitably involves a financial dimension" (Commission of the European Communities 1985: 32) which included for instance the objective "that firms and private individuals throughout the Community have access to efficient financial services" (ibid.). Equally stressed was the importance of 'monetary stability' (with regard to both inflation and exchange rates) by reasoning that "action to achieve greater freedom of capital movements would need to move in parallel with the steps taken to reinforce and develop the European Monetary System" (ibid.). And lastly, following the framework of neoclassical theory, financial liberalization should serve the aim of 'economic development' more generally "by promoting the optimum allocation of European savings" (ibid.: 33). In order to achieve this, the application of financial 'safeguard clauses' and thus the recourse to discretionary policy tools at the national level - as they had frequently been used during the 1970s - should from now on be narrowly limited and, on a case-by-case

basis, monitored by the Commission itself (see ibid.: 33f.). Moreover, the document explicitly stated that, from now on, it was the "Community bodies [...] [which had the responsibility, F.Z.] for creating and administering a legislative framework for the liberalisation of capital movements" (ibid.: 34). As Vipond (1991: 239) had put it at the time, "[t]he Commission has become far more proactive since 1985, and has sought to see that EC policy is not undermined by national states, but is in fact implemented by them". Hence, it is valid to observe here a certain yet gradual power shift towards the supranational level that substantially contrasts with the previous situation where policy autonomy over financial markets remained primarily in the hands of national governments (see Bakker 1996: 162).

Gradual, because the propositions outlined in the White Paper itself were not legally binding (yet) - this only became reality with the 'Single European Act' (SEA) that was signed in 1986 and represented "the first major intergovernmental revision to the Treaty of Rome" (Abdelal 2007: 66). On the one hand, the SEA contained large-scale procedural reforms such as the introduction of the 'co-operation procedure' as well as a considerable extension of 'qualified majority voting' "to streamline decision making in the governing body of the EC, the Council of Ministers" (Moravcsik 1991: 20, see below). On the other hand, by expanding the Commissions' formal prerogatives, it translated the preliminary policy proposals of the White Paper into primary and secondary legislation projects "with the aim of progressively establishing the internal market over a period expiring on 31 December 1992" (Commission of the European Communities 1986a: 11). In doing so, only shortly after "the SEA came to signify the revival of European integration [...] and to connote a commitment by national governments to seek supranational solutions for pressing common problems" (Dinan 2012: 142). Whereas the procedural changes, by some qualified as "the most dramatic development in the institutional evolution of the Community" (Weiler 2001: 58), ended the *de facto* period of 'unanimous decision-making' within the Council of the European Communities (see Scharpf 2009) and henceforth allowed for the adoption of secondary legislation (encompassing regulations, directives and decisions) by overriding member states with smaller voting power, it is the latter part - "the proliferation of EU legislation associated with the internal market program" (Tsebelis/Garrett 2001: 359) - that "gave the Commission many more opportunities to affect outcomes through policy implementation" (ibid.).

The somewhat consequent outcome of these major institutional changes was "[a] flood of significant legislation" (Moravcsik 1998: 378) that was negotiated and passed during

the years immediately following the application of the SEA; concerning the individual policy measures first outlined by the White Paper in 1985, by 1990 already 174 of them had been adopted (see Dumez/Jeunemaître 1996: 229). With regard to the joint liberalization of domestic financial markets, the effectiveness of the policy-making process was substantially increased by what Jabko (1999) coined 'parallelism', a political strategy deployed by the Commission that consisted of "jointly promoting the EMS and capital liberalization" (ibid.: 479). After having previously expressed the necessity of both monetary stability and the full abolition of capital controls for the completion of the internal market (see above), the 'parallelism' approach served as a means to mediate diverging politico-economic interests of the largest and pivotal member states, most prominently France and Germany[28]. While France[29], with regard to the 'how' of further integration, despite its gradual domestic reforms remained an important proponent of what came to be called the 'monetarist' view, i.e. advocated a preference for closer (and more symmetric) monetary cooperation in the EMS (see Bakker 1996: 152, also McNamara/Jones 1996: 8), Germany (joined by the Netherlands) primarily pleaded for resolute liberalization efforts in order to achieve market-driven convergence (see Maes 2004: 31)[30]. Against this conflictual background, it was the Basle-Nyborg agreement on improved policy coordination in favor of the weak(er) currency states in 1987 that - in a *quid pro quo* manner - prepared the ground for the subsequent proposal of full capital liberalization which was presented by the Commission only one month later (see Bakker 1996: 203f.).

Directive 88/361, adopted by the Council of the European Communities in June 1988, required the EEC as a whole to "abolish restrictions on movements of capital taking place between persons resident in Member States" (Official Journal of the European Communities 1988: 6); the compulsory timeline put forward in the document provided the majority of states

[28] The economic legitimation for these integration measures on the part of the Commission was provided by the influential Cecchini report that calculated potential economic gains at around 200 billion ECU "together with a substantial boost to employment" (Commission of the European Communities 1988b: 1).

[29] Also Italy as another founding member of the EEC shared this idea at the time (see McNamara/Jones 1996: 8).

[30] To be sure, this polarization between European states and economies did not emerge as late as the mid-1980s, but rather during the 1970s when economic tensions among weak and strong currencies within the regional exchange rate agreements first became apparent (see above). However, it regained general importance when the European Commission decisively pushed integration endeavors one decade later (see Maes 2004: 32, also Bakker 1996: 151f.). Moreover, next to the currency issue, the political coalitions ('monetarist' vs. 'economist') also largely corresponded to the intra-European differentiation in terms of domestic financial regimes ('regulated' vs. 'liberal', see above). Hence, to some extent, the 'liberal/economist' countries had already exposed their economy to international market forces and expected their European neighbors to do the same (see Abdelal 2007: 85).

with a two year horizon to transpose the amendments into national legislation whereas Spain, Portugal, Ireland and Greece were accorded longer delays. From an economic point of view, this treatment was explained by their external imbalances (i.e. current account deficits and large external debt) and relatively restricted financial regimes, politically, as Abdelal stresses, the governments in question negotiated a positive discrimination "[i]n exchange for their adherence to the EC's consensus" (Abdelal 2007: 72). With regard to the considerable level of remaining control mechanisms in several member states (see the chronology provided by Bakker 1996: 273-275), the directive represented a paramount last step to end the post-war 'second class status' of capital, instead embracing a financial system that later on was qualified by some as "in principle the most liberal the world had ever known" (Abdelal 2007: 85). The latter statement surely is controversial (see, for instance, the position of Bieling (2006) who interprets the European trajectory mainly as an emulation of US practices) but points to one aspect that is particularly important for the argument at hand, namely the *erga omnes* principle[31] incorporated into this legislative act. Article 7 in this respect stated the following:

> "*In their treatment of transfers in respect of movements of capital to or from third countries, the Member States shall endeavour to attain the same degree of liberalization* as that which applies to operations with residents of other Member States […]." (Official Journal of the European Communities 1988: 7, emphasis added)

Hence, for the first time - and in substantive deviation from earlier documents such as the 'Werner Report' that discriminated explicitly between EEC and non-EEC states (see above) - a normative (and legally binding) objective was declared that would prioritize the general (de)regulation of finance and thereby actively transcend the geographical demarcation inherent to the 'internal market' program. A liberal, encompassing and unconditional stance was equally applied concerning the types of financial assets and markets alike whose transnational transfer and integration ought to be fostered through collective efforts: according to the nomenclature, (foreign) direct and real estate investments were included as well as securities (shares and bonds), either traded in the short-term money market or the long-term capital market (see Official Journal of the European Communities 1988: 8-12). Lastly, the influence of the Commission was once again substantially strengthened through the transfer of monitoring competencies, for instance with regard to "protective measures" (ibid.: 6) the member states could apply in the face of short-term market disturbances. The

[31] *Erga omnes* originally is a Latin phrase that is translated as 'towards all'. In the context mentioned here, this means that the content of EEC law applies not only to member states but also to third countries.

use of the latter was in principle strictly limited to a six-month period, more important however was the political authorization that henceforth fully depended on the European Commission and the determinative power the supranational institution could exert on "the conditions and details" (ibid.) of the measures in question. As Jean-Paul Mingasson, deputy director general at the DG ECFIN from 1987 to 1989, had put it, as of now "[t]he Commission had made it clear that freedom for capital movements was a priority, and that it was prepared to use all of its influence to enforce the directive" (Mingasson, cited in Abdelal 2007: 72).

So, what does the European trajectory of financial liberalization and deregulation ('financialization by the state') teach us with regard to Helleiners' narrative of international policy convergence caused by common *material* and *ideational-ideological* factors - and what conclusions can be drawn as to whether the example of European financial integration represents indeed a form of 'variegated financialization'? First of all, there is no reason to neglect the underlying impact of the independent variables put forward by Helleiner (1994) *à priori*. Surely, in the post-Bretton Woods era the EEC was directly affected by US-American 'structural power' unfolding in a gradually globalizing financial sphere as well as the ascent of Japan as a new major player both in trade and finance. Those *structural* circumstances, one could assume by using the words of Sandholtz and Zysman (1989: 127), initially "create the context of choice and cast up problems to be resolved" - by contrast, however, "they do not dictate the decisions and strategies" of political or economic agents in a deterministic manner. Besides, there exists extensive literature focusing on the *ideational* power of private finance lobbying groups in the European context - similar to the neoliberal coalition pushing for extensive deregulation introduced by Helleiner (see Streeck/Schmitter 1991, McNamara 1998 or, more recently, Laurens 2018). Yet, in the words of Krippner (2011: 13) one should not "[supplant] the interests of the financial sector for the interests of the state or simply [assume] these interests to be identical", especially since the ultimate legislative and executive functions remained, of course, the exclusive prerogative of EEC bodies. After having referred to the developments above, however, I would argue that the European trajectory reveals additional layers of complexity, in particular regarding the *causal-processual* dimension of liberalization policies, that are important to consider when assessing the aforementioned questions and underline a certain divergence from Helleiners' perspective.

First, there exists the endogenous factor of monetary cooperation that is closely linked to the politics and economics of European financialization. Whereas up to the early 1970s EEC

member states for the most part adhered to "the fundamental normative consensus of Bretton Woods" (Pauly 1995: 377), they subsequently decided not to fully float their currencies but to enter a regional exchange rate arrangement. In the ideal-typical framework of the 'impossible trinity', countries such as the US or Japan in principle renounced exchange rate stability and instead opted for capital mobility while European economies for the time being did the opposite[32]. However, as was seen, the mere installation of an intra-European currency arrangement on its own did - at first - not suffice to mitigate both exogenous shocks (see the example of the oil crises) or divergent domestic economic conditions which led in turn to frequent (and severe) exchange rate adjustments among the participating states (see Höpner/Spielau 2018). Inflation rates for instance only began to converge from the early to mid-1980s onwards (see Figure 2), hence creating a "favourable economic climate in the second half of the 1980s [that] provided a window of opportunity" (Bakker 1996: 255).

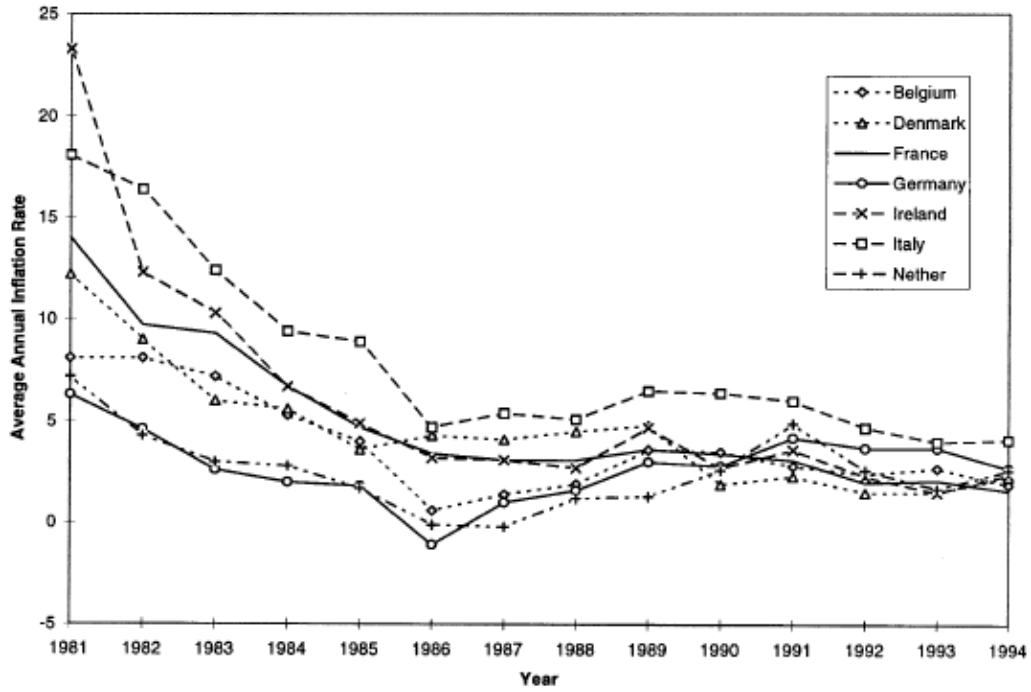

Figure 2: Average annual inflation rates for EMS member states, 1981-1994, taken from Bernhard 2002: 2

This window of opportunity - complemented by the changing policy stance adopted in major EEC states like France and the UK - was then seized by the European Commission under Delors, an institution that has been qualified by some as being "the prime mover behind the

[32] The political influence of this economic paradigm becomes evident in an official communication the European Commission addressed to the Council: "Also, a truly integrated financial market is bound to have consequences for the conduct by the Member States of their monetary policies" (Commission of the European Communities 1986b: 11). National autonomy over monetary policy, as the last component of the trinity, was thus ultimately to be surrendered for financial liberalization - so the conviction of European authorities (see Abdelal 2007: 75).

reinvigoration of European integration in the mid-1980s" (Tsebelis/Garrett 2001: 358, see also Sandholtz/Zysman 1989)[33]. As seen, these events were indeed substantial both on a general level (i.e. the completion of the internal market) and with regard to financial liberalization in particular since several member states still operated with a significant number of capital controls at the time and moreover kept at their disposal the discretionary power to (re)introduce additional policies unilaterally. What distinguishes the European case institutionally vis-à-vis other OECD countries and their application of financial liberalization is thus the existence of a multi-level governance framework - represented foremost by supranational 'autonomous' bodies such as the European Commission (see Dehousse/Majone 1994: 103) - that fundamentally altered State-Market relations[34]. Whereas Marks et al. (1996: 372) assume that, as a consequence of these conditions, "[s]tates no longer serve[d] as the exclusive nexus between domestic politics and international relations", one could make a similar argument regarding the connection between domestic politics and the international economy by drawing on the historical evidence presented above.

Initiated through the directive 88/361 in 1988, within only several years the heterogeneous ensemble of all twelve EEC member states ultimately complied with the liberal and deregulatory approach championed by the Commission and Germany as the regional hegemon, thereby *de facto* abrogating their post-war control regimes. This included, for instance, a country like Greece whose domestic financial system has been characterized by a contemporary analysis as suffering from "underdevelopment and inefficiency", hence forming "a major obstacle in liberalising capital movements" (Mitsouli 1988: 47f.). In contrast to the vast majority of governments in the Western hemisphere that adopted 'financialization by the state' *unilaterally* since the mid-1970s, "Brussels thus became the source of *the most liberal set of multilateral rules of international finance*" (Abdelal 2007: 11, emphasis added). One could therefore propose to label this process 'financialization by the supranational state' or 'financialization by multi-level governance' and thereby pay analytical tribute to the distinct 'mechanism' behind the regional policy convergence (see Boyer 1996: 46f.). The acclaimed

[33] The Brussels bureau chief of the Financial Times may serve here as another illustrative example since he went as far as naming Delors the "mastermind of the move" (Peel 1986: 32) at that time.

[34] Importantly, the relevance of this argument is supported by recent papers such as the one from Seikel (2014) that stresses that "Europe's financial market integration is much more strongly influenced by the Commission than most observers recognize" (ibid.: 183). It holds equally true for recent developments surrounding the project of a 'Capital Markets Union' (see Braun et al. 2018) or the EC's role in macroeconomic governance (see Dehousse 2016).

significance of this conceptual differentiation is also underlined by the global implications deriving from the *erga omnes* principle, first introduced through the directive in 1988 and later enshrined in the so-called 'Copenhagen criteria' which define politico-economic preconditions for the accession to the European Union. First, by extending financial liberalization vis-à-vis third countries[35], the Commission explicitly embraced a path of 'negative integration' and ultimately desisted from encapsulating a European financial area for example through the creation of a control regime at the Community level (see Commission of the European Communities 1986b: 16). On the other hand, during the 1990s and 2000s, the relative importance of the *erga omnes* doctrine expanded in tandem with the enlargement of the European Union: According to Abdelal (2007: 83), many of the governments of candidate countries either anticipated and enacted those policy requirements *ex ante* or "liberalized at a pace that would have been inconceivable for France, and in the context of often weak and under-institutionalized domestic financial systems" (see also Schwan et al. 2020: 9).

To conclude this section, the aspects outlined above - 1) the linkage of financial liberalization and monetary integration, 2) the eminent role of the European Commission and the *erga omnes* rule - represent valid arguments to conceive of European financial integration as a process of 'variegated financialization' in terms of policy convergence or alternatively "(de-)regulatory convergence" (Guiso et al. 2004: 526). As I have emphasized, the perspective proposed here does not mean to override the narrative put forward by Helleiner but can rather be understood as an attempt to complement ongoing discussions in the Political Economy field with partly different strands of literature, thereby trying to capture "*both* the power of external constraints *and* the significance of domestic stories" (Dyson 2002: 24, original emphasis). These reconsiderations are particularly valuable since most of the current financialization work is still focused on the Anglo-American case and explicitly (or implicitly) universalizing research results to the detriment of spatially, institutionally or historically distinct trajectories of financialization.

[35] A unique decision especially in comparison to the application of the other three foundational freedoms (goods, services, persons) of the European Community which constitute exclusive intra-European privileges, but also in (historical) contrast to the economic considerations still present during the 1970s and their political expression in the 'Werner Report' (see above).

IV. 2: Revisiting the structure-agency dichotomy: 'financialization of the state' as the contingent result of financial liberalization and public debt management reforms in Germany

After having dealt with the historical and politico-economic context of policies that fall into the analytical category of 'financialization by the state', I will now turn my attention to the second assumption primarily derived from Streeck (2014) regarding the interrelation of 'financialization *by* the state' and 'financialization *of* the state'[36]. Against the conceptual background outlined in chapter II. 2, it is the empirical manifestations of what has been called the *interactive restructuring* between the state and financial markets I am interested in hereafter. Streeck, to recapitulate shortly, argued that the debt state's dependence on the private funding of transnational investors (the 'Marktvolk') that emerged not later than the early 1980s essentially hinged on previous government action that allowed for "advanced international integration and the presence of efficient global capital markets" (ibid.: 88). It is through these now globalized markets, he tells us, that foreign investors can most effectively enforce their primary claim "that debt service gets priority over public services" (ibid.: 86) and compromise national sovereignty. Hence, to put it in the analytical terms provided by Schwan et al. (2020), this OECD-centered perspective not only postulates that 'financialization by the state' preceded 'financialization of the state', but rather that the initial *market restructuring* was indeed a prerequisite for a lasting *restructuring of the state*, i.e. the adjustment of public debt management (strategies) according to competitive, financial market (and thus investor)-oriented imperatives (see Fastenrath et al. 2017: 276, also Preunkert 2017)[37]. What remained so far unclear, however, is whether domestic policies of financial liberalization and deregulation were, in fact, *a sufficient* - or even *the exclusive* - *precondition* for the proactive participation of state agencies in financial markets (see Schwan et al. 2020). Or if, on the other hand, there were additional factors at play upon which Streeck himself did not reflect sufficiently - for instance because those would weaken his general argument of structural power asymmetries in favor of global capital (see Roos 2019b). In order to elucidate this issue,

[36] In line with Schwan et al. (2020), the theoretical terms 'state financialization' and 'financialization of the state' will be used in a synonymous manner hereafter.

[37] As mentioned before, I will solely analyze the field of public *debt* management here and omit the domain of public *asset* management (e.g. financial revenue generated through state-owned enterprises, public shareholdings) that constitutes, in the eyes of Schwan et al., another, yet distinguishable, dimension of 'state financialization'.

I will first try to further operationalize the notion of 'financialization of the state' before engaging with the empirical case of Germany in an encompassing, more detailed manner.

Existing Political Economy work on the phenomenon of 'financialization of the state' (see for instance Trampusch 2015, 2019, Massó 2016, Lagna 2016, Lemoine 2017, Dutta 2018) delivers historically detailed interpretations of domestic governments and Treasuries applying financial market logics and devices, thereby focusing for example on the introduction of derivatives as an innovative financial product or the creation of independent Debt Management Offices (DMOs). In their explanations, those accounts stress institutional change and political-technocratic agency (see Trampusch 2015, 2019, Lagna 2016, Dutta 2018), distinct national growth models (see Massó 2016) or ideological shifts within public institutions (see Lemoine 2017) that were pivotal for 'state financialization'. What is missing, however, in most of these case studies, are two aspects: First, in analyzing individual historical phenomena by applying a somewhat atomistic perspective, authors tend to underestimate the systematic complexity of this transformation of the state apparatus as well as the interaction between different sorts of developments (see below). Second, they lack an adequate appreciation for the structural impact of financial liberalization (and deregulation) on the state - and, more specifically, on the financialization of its debt management. Yet, in line with the observations made above (see chapter IV. 1), this might be a crucial point since all countries dealt with in the aforementioned papers (Germany, Ireland, Spain, Italy, France, UK) were EEC member states and, at the start of the respective investigation period, had already liberalized their domestic financial markets due to the *erga omnes* reform championed by the European Commission. Besides, more recently Schwan et al. provided tentative quantitative results which suggest that the adoption of financial liberalization across Europe was indeed "associated with early and a high degree of state financialization" (Schwan et al. 2020: 17); the authors equally found a positive correlation between the level of public (general government) debt and 'state financialization' (see ibid.: 15), two results that seem to confirm Streeck's observations on the transformation from the 'tax state' to the 'debt state'.

Regarding the latter point of criticism, there are several channels conceivable through which the *market restructuring* induced by comprehensive financial liberalization could affect public institutions and their debt management, i.e. cause a *restructuring of the state*. Streeck, for instance, highlighted the "international integration" (Streeck 2014: 88) and the enhanced efficiency of global financial markets that allow private investors to significantly reduce

transaction costs and thus to easily buy (or sell) their bonds as a direct reaction to current market trends, thereby driving down (up) yields and exerting their infamous 'market discipline' (see Rommerskirchen 2019). Two aspects that Streeck himself does not consider in this regard should additionally be mentioned here: First, he does not reflect on the technologically sophisticated infrastructure in which those transactions are embedded, for instance dealer-client systems or high frequency trading, and the facilitating role they play for day-to-day market clearing around the globe (see for example MacKenzie et al. 2020). This 'microstructure of financial markets' (Chung Cheung et al. 2005: 7) consists of ever-broader digital platforms connecting market makers and takers, no matter their actual location or geographical distance. For the case of the Eurozone, MTS decisively promoted "the homogenization of the euro-area sovereign bond market around minimum standards of size and liquidity" (Pagano/von Thadden 2004: 541) as early as 1988; according to its website, the daily turnover of assets and securities nowadays exceeds the considerable sum of EUR 100 billion (see MTSmarkets 2021). Second, and more importantly, the advantages state agencies potentially derive from liquid public bond markets "to shape and improve the terms by which they obtain finance" (Dutta 2018: 4) are at least underestimated by Streeck who primarily emphasizes the unilateral power wielded by the transnational 'Marktvolk'. For instance, states can generate comparative advantages vis-à-vis their competitors' bonds through the standardization of their debt instruments or a relatively high trading volume in secondary markets and thereby boost overall demand for their debt instruments by exploiting 'flight-to-liquidity' effects (see Vayanos 2004) and the 'liquidity preference' of risk-averse investors (see for example Pusch 2012 and, initially, Keynes 1936). On these grounds, US Treasuries can be considered the most liquid asset in the class of sovereign bonds since they "play a unique role in the global economy, serving as [...] a critical store of value and hedging vehicle for global investors and savers, [and constitute] the key risk-free benchmark for other financial instruments" (Clark/Mann 2016). This contextualization gives us a first hint that political actors might, in fact, exploit 'state financialization' to pursue their own (fiscal) objectives and does therefore question the depiction of governments being forced to passively obey to private sector interests.

Apart from that, it is possible to add several particular features that public authorities unilaterally adopted over the course of the last few decades which possibly fostered the financialization of public debt management: the sharply increased share of marketable debt,

the use of swaps or derivatives, more largely, as well as the introduction of new, auction-based issuance systems. Those represent, one could argue, institutional-operational reforms aiming at a *state restructuring from within*. Marketable debt instruments, in contrast to non-marketable debt in the form of "bank loans and long-term-oriented relationship financing" (Fastenrath et al. 2017: 277), are directly issued in financial - money and capital - markets and can be traded on secondary markets among different private entities. Hence, it is this latter characteristic - the securitization and tradability of financial assets - that in principle and from a legal perspective ensures the 'exit'-option of international investors holding government bonds in the case of solvency crises or the like. Non-marketable debt, instead, "reveals the state capacity to escape the constraints of financial markets and oblige domestic institutions to own debt, for example, as regulatory capital or forced savings" (Monnet/Truong-Loi 2020: 497). In this case, a withdrawal from the legally binding debt contract is thus practicable only to the extent allowed by public authorities, whereas governments enter the domain of private law once they decide to borrow from financial markets (see Gelpern 2018, Pistor 2019). Historically, Preunkert (2017: 35) notes that "[b]eginning in the late 1970s and continuing into the 1980s, government debt managers began to issue more marketable instruments that served the purpose of increasing the use of financial markets for public borrowing". While the immediate post-war environment in continental Europe was predominantly characterized by 'financial repression' as well as non-market modes of public financing, the aggregated share of marketable debt in central government debt subsequently grew at a constant rate to exceed the 80% bar during the 1990s - a general trend that has not even been reversed by the Great Financial Crisis and its recent aftermath (see the graph in Abbas et al. 2014: 13, also Kapadia/Lemoine 2020: 375).

Regarding the second aspect, the OECD noted in a publication dating from 2002 that "[d]erivatives have become important instruments for many sovereigns to manage the risks related to debt management operations as well as for improving the profile of the debt" (OECD 2002: 47). Derivatives, shortly put, are financial securities whose value depends on the price of a secondary, 'underlying' or 'benchmark' asset - such as stocks, bonds, exchange or interest rates - and its respective performance over a given time period. In this sense, they can be considered parts of a 'second-order economy' (Knorr Cetina/Preda 2005: 4) or a 'capital meta-market' (LiPuma 2017: 29) and represent one dimension of self-referentiality, a notion often advanced by economic and financial sociologists to characterize financial markets (see,

for instance, Martin 2019: 186). As suggested by the literature, public debt managers began to implement derivatives, mainly in the form of interest rate and 'cross-currency' swaps, in the early 1980s (see Piga 2001: 38f.) and did so either for hedging or speculative purposes. Consequently, in the words of Janssen (2020), "[t]he state move[d] from a passive manager to an active participant in financial markets including portfolio management, taking risks and expecting returns" (ibid.: 2). This transformation brought about new responsibilities for Treasuries such as continually developing innovative financing devices (see Fastenrath et al. 2017: 278) or "re-profiling the underlying debt cash flows" (Jonasson/Papaioannou 2018: 16) via swaps to counter interest rate and refinancing risks. Lagna (2016) for instance gives a convincing example for the political rationale behind the implementation of derivatives by the Italian Treasury during the 1990s which was to reduce the present debt servicing cost in order to fulfill the EMU accession criteria by simply postponing its payments via the conclusion of a currency swap. Moreover, public officials proactively approached US-American hedge funds (in this case LTCM) and tried to convince the latter "to purchase huge amounts of Italian bonds to inflate bond prices and thus drive down interest rates" (ibid.: 175). This process is relevant for my argument because it demonstrates how state authorities actively instrumentalized the infrastructure of global financial markets, and, more specifically, the arbitrage of private 'bond vigilantes', to pursue their own fiscal ambitions.

Lastly, regarding the mechanism Treasuries and fiscal agents use to issue their new debt, Preunkert (2017: 33) generally distinguishes four different types: private placement, syndication, a tap system and an auction system. According to Cottarelli (1997: 190f.), both the syndication and the tap system technique are used to sell instruments at a predetermined interest rate - which is either the result of a concertation between public and private entities or set unilaterally by the former - and thus reduce price uncertainty for state agencies. Private placement and syndication practices discriminate between financial market actors, in the sense that active participation is reserved for designated, mostly domestic, investors or banks which underwrite the issue and, in doing so, generate sufficient demand (see Preunkert 2017: 33, Financial Times 2017). The issuance technique that most explicitly embraces the dynamics of global financial markets, on the other hand, is the auction system; here, the yields are subject to supply and demand which means that (inter)national investors are competitively bidding on bonds and bills (see Fastenrath et al. 2017: 277). Yet, auctions are an ambivalent mechanism to use for public authorities, as Cottarelli points out:

> "[...] if properly designed, auctions take advantage of the competition among investors in buying a limited supply of securities. However, if the number of potential market participants is limited - as, for example, in some extreme cases of financial underdevelopment in which only one or two financial intermediaries operate, and auction participation by other agents is prevented by lack of infrastructure or information - there is not much point in introducing auctions" (Cottarelli 1997: 192).

What is more, the citation at hand provides us with a convincing economic rationale for financial liberalization policies preceding the introduction of auction systems. In this regard, Treasuries can profit from auctions by lowering interest rates due to increased demand on behalf of investors (so-called 'oversubscription'), but they also potentially stand to lose their reputation and status in transnational capital markets once a placement fails because there are insufficient biddings (see Financial Times 2017 on the case of the UK in 2009). Accordingly, reports from international organizations such as the IMF or the World Bank suggest opening direct participation "for all domestic and foreign residents, both individuals and legal entities" (Cottarelli 1997: 194) in order to increase competition and lower transaction costs (see Wheeler 2004: 151). As some authors already observed in 1997, "there is a general trend toward using auction systems and away from underwriting methods" (Ferré Carracedo/Dattels 1997: 118) - a development that apparently has not reversed since. Whereas financially liberal countries as the Netherlands introduced auctions for particular public debt instruments as early as in 1967, it is remarkable to note that the predominant part of EEC member states followed suit within a few years starting from the late-1980s onward (see Preunkert 2017: 36), an evolution that thus coincides with the financial liberalization agenda applied by the European Commission and approves the perception made above. Hence, from the early 1990s onwards, "not only were all European government debt managers borrowing by using the auction technique [...], but also *the auction system was now used alone* or in combination with the tap techniques *to issue most of the marketable debt*" (ibid.: 37, emphasis added).

To conclude, I can thus note at this point that there is reason to believe that historically, financial liberalization of the private sector was not the only factor conducive for 'state financialization'. What is more, the different measures adopted in the realm of public debt management are partly superposed or interrelated (e.g. marketable debt and the issuance via auction systems) and their initial adoption in many cases roughly falls into the same time period as the comprehensive liberalization policies which had taken place in the EEC

('financialization by the supranational state'). These observations point to a general interrelationship partly supported by the existing literature but render the exact *ex post*-attribution of causalities all the more difficult. In other words, the outlined aspects tend to approve Karwowski's statement that "it is not merely the size of public debt that indicates the presence [...] of financialisation, *but rather how debt instruments are designed, issued and managed*" (Karwowski 2019: 1004, emphasis added), since all three aspects outlined above (marketable debt, the use of derivatives and auction-based issuance systems) are, in principle, investor- and financial market-oriented and rely on a significantly more proactive performance on behalf of public authorities. In order to empirically disaggregate the lot of these explanative components and shed light on their politico-economic interrelation, the author will now assess the historical case of public debt management in Germany by referring to qualitative interview and secondary data as well as official publications[38] (see chapter VII for further information).

As was already noticed in chapter IV. 1, (West) Germany's post-war financial sector and its capital control regime were classified as 'liberal' in contrast to European states that maintained 'significant controls' until the 1980s (see European Commission 1997: 26f.). For instance, the former "had freed outflows and some inflows of capital as far back as 1958" (ibid.: 26) during a period that was generally characterized by a national segmentation of financial markets and 'financial repression' (see Monnet 2018, Reinhart/Sbrancia 2015) and can thus be considered a relative pioneer with regard to the later developments in Europe[39]. However, *de facto* cross-border capital mobility remained weak at the time (see Detzer et al. 2017: 71); if anything, foreign capital inflows targeted the German bond market because government bonds represented a particularly popular asset due to the relative stability of the Deutsche Mark, as Lütz (2002: 145) summarized. When the Bretton Woods system gradually collapsed in the early 1970s, some controls on capital inflows, i.e. restrictions on purchases of domestic securities by non-residents, were at first reintroduced "to resist the pressures for

[38] The aim is thus to use insights from different strands of literature and enrich them with own data to provide a holistic picture of 'state financialization' which has hitherto mostly been analyzed with regard to individual features or explanations (see above) but rather not in its empirical entirety. The relevance of this undertaking is not to be understated since even current monographies on the German financial system and financialization (see Detzer et al. 2017) do not address the question of the state beyond its traditional role as (de)regulator of the private sector.

[39] The absence of a rigid system of 'financial repression' in West Germany can for example be explained with the domestic currency reform that took place in 1948 and effectively cancelled the accumulated public debt (see correspondence with Otmar Issing, appendix: 95f.).

revaluation" (Hewson/Sakakibara 1977: 464) but subsequently revoked. As of 1979 and 1981, respectively, Germany had thus *de facto* lifted controls on outflows and inflows, so that "the Bundesbank would hereafter grant all applications for the sale by residents to non-residents of certain money market papers, bills and domestic fixed-interest securities with a maturity of up to two years" (European Commission 1997: 143). The Bundesbank[40] itself emphasized in one of its monthly reports increasing external imbalances and the necessity to finance current account and budget deficits through capital imports as an economic reason to abolish the remaining controls (Deutsche Bundesbank 1985a: 19, see Table 1 below) - an assessment that corresponds to Streeck's (2014) general interpretation of financial liberalization and the 'fiscal crisis' of the state.

Building upon the renowned status of an investment currency that was perceived as "the most stable in the world" (correspondence with Otmar Issing, appendix: 95, translation F.Z.), the attractivity of German securities was further enhanced by the removal of a withholding tax ('Kuponsteuer') on interest paid to non-resident asset holders that had been in place for almost two decades (see Bakker 1996: 271) - a policy that public authorities retrospectively judged to be an outmoded 'quasi-discrimination' (Bundesbank 1985a: 15) vis-à-vis international investors. In this regard, Lütz (2000: 157) in her interpretation explicitly highlighted that state and private sector were both more generally being forced

> "to take into consideration the needs of (foreign) institutional investors, their new target group, when [...] restructuring the domestic financial marketplace. Important elements of the older German model threatened to impede considerably the competitiveness of the German economy".

Until the early to mid 1980s and therefore several years in advance of the *erga omnes* directive implemented by the European Commission, the 'older German model' was thus comprehensively liberalized by public authorities. What has repeatedly been conceived of as "the prototype of a bank based financial system" (Detzer et al. 2017: 106, see also Lütz 2002) thus became subject to a profound reorganization, increasingly promoting governance via financial markets. And indeed, these large-scale developments should by no means remain unanswered: as a direct consequence, Germany witnessed an extraordinary inflow of foreign

[40] As Trampusch (2015: 121) notes, the German central bank played an eminent role for both monetary policy and public debt management in the post-war decades: among other tasks, it "was charged with the issuing of government debt (pricing, timing and the handling of the issuance of all federal securities) and with the analysis of the national and international capital markets". Due to this long-term importance that was only altered with the establishment of the Deutsche Finanzagentur in 2000, monthly and annual reports of the Bundesbank represent an informative source for reconstructing both macroeconomic conditions and the rationales underlying decisions by the responsible public authorities.

capital during the following decade: in 1986, for instance, about 75% of total funds in German securities markets were invested by non-residents, whereas this rate on average oscillated around 10% in the 1970s (see Deutsche Bundesbank 1987: 45).

Furthermore, it became evident that policymakers had no intention to spare the state and public debt management itself in this general transformation of the domestic financial infrastructure, for instance by adding subsidiaries of foreign banks to the syndicate ('Bundesanleihekonsortium') that enjoyed privileged access to government bond issues; a reform enacted only shortly after in 1986 (see Lütz 2002: 145f.). The historical chronology of these events confirms the aforementioned hypothesis that financial liberalization and 'financialization of the state' often interact and their implementation thus falls into the same time period: the general lifting of capital controls (especially on capital inflows), for example, was a juridical precondition that had to be met before state agencies themselves could envisage an unprecedented extension of the primary market for public debt instruments. What is more, the increased demand for financial assets by international banks and investors translated into a significant decrease on interest rates and thus alleviated fiscal pressure for the German government which had constantly run budget deficits since 1974 (see Table 1 below): the average interest to be paid on 10-year government bonds, for instance, fell from 10,11% in 1981 to 5,89% in 1986.

Year	Annual deficit	Debt-to-GDP ratio	Long-term interest rate
1972	-0,36	18,03	7,95
1973	1,12	16,68	9,27
1974	-1,64	17,56	10,40
1975	-5,59	22,64	8,74
1976	-3,43	24,91	8,15
1977	-2,50	26,16	6,63
1978	-2,58	27,74	6,18
1979	-2,66	28,53	7,61
1980	-2,94	30,23	8,49
1981	-3,90	33,64	10,11
1982	-3,44	36,48	8,97
1983	-2,86	38,23	8,02
1984	-1,98	38,99	7,95
1985	-1,15	39,49	6,95
1986	-1,15	39,56	5,89
1987	-1,81	40,91	6,14
1988	-1,98	41,39	6,49
1989	0,08	39,83	7,35
1990	-1,89	40,38	8,73

Table 1: Annual deficits (% of GDP), debt-to-GDP ratio and long-term nominal interest rates on government bonds (10-year), Federal Republic of Germany, 1972-1990, taken from Armingeon et al. 2020

As the Bundesbank wrote in 1987, the public sector deliberately embraced these 'favorable conditions on capital markets' (Deutsche Bundesbank 1987: 47, translation F.Z.) to substitute expiring bank loans (i.e. non-marketable debt) with bond issues and improve its debt structure by extending maturities[41]. More interestingly, these conditions were so favorable that the general government raised 44,5 billion Deutsche Mark via capital markets although only half of the sum would have been needed to adequately finance its annual deficit (see ibid.: 52) - a proceeding that became increasingly common during the years to follow (see Deutsche Bundesbank 1988: 52) and thus proves the persistence of 'state financialization'. In fact, according to an OECD study from 2001, the total amount of marketable central government debt in Germany steadily increased throughout the entire investigation period

[41] Apparently, an additional reaction by fiscal authorities to the recent inflows of foreign capital also consisted in focusing more on the issuance of 'traditional bonds', an asset highly demanded by non-resident investors, while simultaneously scaling back on securities commonly destined for domestic rentiers (see Deutsche Bundesbank 1988: 52). Such an alignment of public debt management practices with the (anticipated) preferences of international creditors as presented here was first introduced in the US Treasury only a few years before the Bundesbank followed suit (see Krippner 2011: 101) and exemplifies the explicit public will to take into account the interests of global markets.

(1980 to 2000) whereas the use of non-marketable instruments either grew at a much lower rate or declined altogether (for instance, from 1986 to 1994) (see OECD 2001: 64f.). Regarding the relative percentage, Kapadia and Lemoine (2020: 375) on their behalf note that in the early 1990s already, four-fifths of outstanding German public debt were marketable, and investors could thus in principle easily sell and buy them on secondary markets. According to a representative of the German Ministry of Finance, ever rising financial needs - for instance due to the reunification ('Wiedervereinigung') in the early 1990s - made the use of bank loans etc. impracticable over the years, so that their use was gradually reduced over time (see appendix: 100).

A last innovation whose introduction was, according to official sources, both inherently linked to previous liberalization policies but nevertheless unilaterally decided upon was the auction system for long-term federal bonds ('Bundesanleihen'). Whereas, in the early 1980s, Germany sold most of its debt instruments through private placement or syndication systems which represented comparatively less financialized techniques (see above, also Preunkert 2017: 37), the Bundesbank in 1990 began to use a 'combined syndication- and tender procedure' (Deutsche Bundesbank 1991: 60, translation F.Z.). For the fiscal authority, this step was only logical since the respective market segment had become more and more appealing to international investors over the course of the preceding years and the central bank wanted to expand the flexibility of the existing system by introducing a more competitive mechanism (see ibid.)[42]. Since then, not only developed the sale by tender into 'the standard procedure' (Preunkert 2017: 37) for the issuance of marketable debt[43], its usage being extended to medium-term bonds ('Bundesobligationen') in 1995 (see Deutsche Bundesbank 2000: 79). Moreover, the market orientation of the whole issuance process became even more profound over time, for instance through the periodic publication of a sophisticated issuance calendar which "enables [...] investors to plan ahead [...] and provides them with even better

[42] The exact wording in the respective report was: "In order to make the issuance process in this market sector more flexible and thereby approach international usages, a combined syndication- and tender procedure was introduced in July 1990. Thereby, a more dominant role is given to competition in shaping the existing issuance conditions" (ibid., translation F.Z.).

[43] According to an informal telephone interview the author had with a representative of the Bundesbank, still nowadays the vast majority of debt instruments is issued via auction (tender) system, whereas a syndication is only employed on a rare, unregular basis, e.g. for the placement of financial innovations such as 'green bonds' in 2020 (see Deutsche Finanzagentur 2021a). In the eyes of public authorities, the most important arguments for the auction system are 'transparency' regarding price formation and 'non-discrimination' among creditors (see appendix: 105, translation F.Z.).

information on which to base their investment decisions" (Deutsche Finanzagentur 2021b, see appendix: 113).

Besides these immediate fiscal advantages and the flexibility public authorities were able to exploit by financializing the state during this period, it is telling that the Bundesbank on the other hand overtly reflected on possible sources of risk (in)directly associated with the implementation of the contemporary reforms. Among those, it listed for instance the short-term- and arbitrage-oriented investment strategies of foreign investors - which, in its opinion, fundamentally differed from the long-term, risk-averse management of domestic pension funds[44] - as well as a substantial increase in the general exposure of public finances to international market dynamics (see Deutsche Bundesbank 1987: 48, 53). Another critical aspect put forward by the German central bank was the concern of 'financial crowding-out', based on the assumption that an increased reliance on capital markets on behalf of the Treasury would shorten the collective pool of savings and increase borrowing costs for the private sector (see Deutsche Bundesbank 1985b: 21, for a similar argument see the annual report by the German Council of Economic Experts, Sachverständigenrat 1987: 142). For Otmar Emminger, the former Bundesbank president from 1977 to 1979, it was evident that more generally, "big government and excessive social transfer burdens have had a damaging effect on private investment and employment. This is reason enough to stop and reverse the secular trend of rising public expenditure" (Emminger 1984: 22) [45].

Hence, these are important examples that demonstrate the decisive role of public, politico-economic interests and the proactive agency of German public authorities in implementing 'state financialization' from within, an analytical aspect that is distinct from narratives solely focusing on 'competitive deregulation' (Helleiner 1994) or the structural power asymmetries between states and financial markets (Streeck 2014). In principle, fiscal authorities were still able to continue borrowing from domestic banks and thus further rely

[44] As Detzer et al. (2017: 56) point out, "[h]ighly leveraged financial institutions, such as hedge funds and private equity funds" historically had "a relatively limited presence in Germany" due to legal prohibitions. This, in turn, may explain why an increased reliance on capital markets under conditions of fully liberalized capital flows was so debated at the time.

[45] As Krippner observed for the US-American case, this line of argument was rather influential at the time, among both policymakers and private investment circles (see Krippner 2011: 94). The fact that a 'financial crowding-out' in the neoclassical-monetarist sense never really occurred during the following years (in the US) - despite constant budget deficits on behalf of the Reagan administration - might have led German central bankers to partly re-evaluate their claims thereafter. As a German economist noted in 1984, such a shift in attitude might have been fostered by contemporary econometric studies which "tend[ed] to support a rather optimistic attitude towards debt-financed expansionary fiscal policy not only in the short run but also in the long run" (Caesar 1984: 83).

on non-marketable debt, thereby avoiding confrontation with new sorts of risk; especially since the majority of OECD governments still assured (re-)financing via this traditional channel (see Preunkert 2017: 35) and competitive interstate pressures remained therefore rather weak. Instead, they willingly turned to market-based modes of public financing - in this way acquiring additional fiscal resources at favorable rates in the short-term but, at the same time, deliberately exposing themselves to speculative investment behavior potentially causing market disturbances on its own behalf.

That said, emulation of already existing international standards, paired with a felt need to enhance the flexibility of 'outdated' public debt management practices, might in fact constitute a more adequate explanation for the initial introduction of auctions (see above) as well as financial innovations such as interest-rate swaps. In Germany, the latter were used for the first time in 1998 - a rather late date, compared with many other Western and European countries such as Australia, Austria or Belgium which adopted similar techniques already in the 1980s (see Fastenrath et al. 2017: 285)[46]. As Trampusch notes, the initial plans of Theo Waigel, then German minister of finance, to "use interest rate swaps in order to reduce the public deficit and interest rate load" (Trampusch 2015: 123) were highly disputed, for instance by central bank officials who questioned the 'short-termism' inherent to these instruments as well as possible future costs (see ibid.: 125, 127). Since 2002, however, swaps have been used 'systematically' and on a yearly basis to the extent that they nowadays are considered as an 'integral component' of the Treasury's debt management strategy (see Bundesministerium der Finanzen 2020: 33, translation F.Z.). Public authorities directly use swap contracts to optimize their debt portfolio, thereby modifying the 'standard trade-off between risk and return' (Schelkle/Bohle 2020: 2), as well as for flexibilization purposes. Such agreements with third party investors enable the Treasury to balance interest cost and interest rate risk to their advantage while creating additional 'short term response options' to cope with unforeseen market disturbances (see Bundesministerium der Finanzen 2020: 33, translation F.Z.). According to my interview source, the 'main purpose' of using swaps nowadays is to modify the 'maturity structure of the debt portfolio separately from the new issues of bonds'

[46] The representative of the MoF I interviewed stressed the fact that swaps only became attractive for the Treasury once the public debt portfolio consisting of marketable debt titles had acquired a substantial size. A (re)structuration of maturities apparently was impracticable (or at least more difficult) with traditional, non-marketable debt - so that swaps only entered the stage once bank loans etc. were gradually scaled out (see above, also appendix: 107f.). This proves again the interrelation between different public debt management reforms.

(appendix: 107f., translation F.Z.), thereby profiting from an enhanced flexibility with regard to future refinancing operations.

Interestingly, the Ministry of Finance explicitly states in its annual report that 'speculative swap transactions are not concluded' (Bundesministerium der Finanzen 2020: 33, translation F.Z.). However, as already mentioned, speculation is *de facto* inherent to these kinds of agreements since their effective price fluctuates according to the performance of the underlying assets, in this case the respective interest rate, and is thus subject to (future) market volatility - whereas 'classical' debt contracts are issued on a fixed-yield basis whose nominal value remains constant until maturity. On the one hand, potential negative externalities associated with these practices become apparent with regard to recent examples of German municipalities who lost billions of Euros due to excessive use of derivatives, thereby inciting fierce public debates (see Weichenrieder et al. 2020). On the other hand, the German Ministry of Finance explicitly refers to additional receipts resulting from the present value of its swap portfolio in order to legitimate their regular utilization (see Bundesministerium der Finanzen 2020: 36). Overall, here the case of the adoption of swap instruments in public debt management seems thus less related to previous financial liberalization policies than both the increased use of marketable debt instruments and the introduction of auctions; although, liberalized financial markets in general enlarge the potential pool of third-party investors with whom the Treasury can conclude swap contracts. Again, it represents a unilateral decision taken by state agencies based on considerations over potential risks versus additional return. In principle, the exposure to financial market dynamics is hereby enhanced but its specific degree nevertheless remains a subject of political deliberation, for instance through legal acts that limit the annual amount of swap transactions (see Deutsche Finanzagentur 2021c) and internal 'risk limits' applied within the MoF (appendix: 109, translation F.Z.)[47].

Hence, this retrospective on the German trajectory of 'state financialization' confirms what Schelkle and Bohle (2020: 2) called "a multi-faceted process of conflicted public choices and tradeoffs in social practices of finance, to which political responses vary". As the politico-economic contextualization of these three examples (marketable debt, auctions, swaps - each epitomizing particular yet interrelated facets of the increased market- and investor-

[47] Besides, the case of swaps proves that an empirical disaggregation of markets and 'market discipline' into individual investors and banks is, in fact, considerably complicated since data on the respective agreements and private counterparts apparently is not published by the Treasury (see appendix: 111) nor is it available through platforms such as Bloomberg etc.

orientation of public debt management) made clear, there existed no direct automatism that led to their adoption once capital flows were liberalized and financial markets gradually integrated. Certainly, the latter "enable[d] an ever-wider range of international financial actors to enter the market and engage in increasingly sophisticated transactions" (Schwan et al. 2020: 14) and proved conducive for the financialization of public debt management in fostering competition among states as issuers of public debt. But nonetheless, 'the market' (for government bonds) first had to be created by public authorities and these, in fact, still disposed of the necessary agency to either adopt or postpone the reforms in question, as the international comparison demonstrates (see Preunkert 2017: 36). What the German case illustrates, additionally, is how contested the actual reforms really were: both regarding the risks their implementation entailed for the state itself (e.g. swaps) as well as their potentially detrimental implications for the domestic private sector (e.g. 'financial crowding-out'). On the plus side, however, governments were able to lock in short-term fiscal advantages by financializing the state, a political intention underestimated by Streeck (2014) but especially important for Germany whose 10-year bonds constantly enjoyed a regional benchmark status from the 1990s onwards, recently allowing the Treasury to finance its deficits at negative rates (see Davies/Kowsmann 2019)[48]. Hence, to put it lastly in more abstract terms: the initial *market restructuring* in the form of financial liberalization and deregulation ('financialization by the state') was indeed a prerequisite for the increasingly market- and investor-orientated transformation of public debt management. However, explaining the subsequent *state restructuring* solely by advancing the unidimensional argument of an external, 'structural' power emanating from the private financial sector does not aptly capture the complexity of the issue at hand. Instead, it is both empirically and theoretically plausible to suggest that governments themselves instrumentalized 'state financialization' in order to take advantage of newly emerging opportunities, either as a pioneering 'first mover' or to catch up with hegemonial practices already institutionalized. By doing so, they willingly accepted the increased exposure to international market dynamics and 'market discipline', potentially

[48] The simultaneity of potential risks and returns inherent to 'state financialization' is thus still relevant today: in the midst of the Euro crisis, Germany as the traditional benchmark issuer was equally affected by the insecurity of investors; in late 2011 and early 2012, several auctions - among them "[o]ne of Germany's worst bond sales since the launch of the euro" (Reuters 2011) - suffered from severe undersubscription, i.e. the Treasury was not able to raise the targeted amount of money. As a result of the technically uncovered auction, the German DMO, Deutsche Finanzagentur, had to retain a considerable amount of bonds for subsequent sales in secondary markets where 10-year Bund yields consequently "jumped 20 basis points" (MarketWatch 2011).

bringing forth conflictual situations such as those outlined by Streeck (2014). These insights at hand thus fundamentally contradict "the dominant understanding of finance and financialization as an almost self-propelling trajectory" (Schelkle/Bohle 2020: 8) and reaffirm the centrality of 'the question of the state' (see Wang 2020) for financialization studies.

V. Discussion and conclusion

"Financialization has thus radically altered the balance of power between the state and financial market actors" (Berghoff/Rischbieter 2017: 501). On the basis of this rather general quote, one can now successively summarize the research findings of the thesis at hand: First, financialization as the increasing importance - both quantitatively and qualitatively defined - of financial markets, actors, and devices as well as their inherent logic(s) (see Epstein's quote in chapter II. 1) has substantially shaped capitalist economies over the last four to five decades. Second, although this transformation comprises many distinct facets, it was argued that a thorough, politico-economic analysis of the relationship between state and financial market(s) is indispensable for assessing the dynamics of financialization. That applies not only for the initial role national governments played in *restructuring formerly regulated domestic financial markets* (i.e. 'financialization *by* the state'), but also for the more recent phenomenon of public institutions proactively participating in financial markets themselves (i.e. 'financialization *of* the state' or 'state financialization'), thereby *restructuring the state apparatus* and integrating an explicit orientation towards international markets and investors. As a general departure for the subsequent empirical analyses, the author thirdly reviewed two prominent books, Eric Helleiner's 'States and the Re-Emergence of Global Finance' and Wolfgang Streeck's more recently published 'Buying Time', through the lens of the previously introduced concepts by Schwan et al. (2020). Whereas Helleiner largely explains the lifting of capital controls and the gradual transnational integration of financial markets in the post-Bretton Woods era as a movement of convergence by advancing a set of *material* and *ideational-ideological* variables, Streeck additionally advances financial needs of governments resulting from a collective 'fiscal crisis' of the state for the liberalization of capital markets. The latter, however, enabled international investors to exert 'market discipline' on elected policymakers in an unprecedented way - to the extent that states nowadays must factor in the interests of the 'Marktvolk' in order to assure their continued refinancing - and represents thus a *necessary* precondition for the subsequent 'state financialization'.

After having put forward several distinct arguments in favor of an in-depth analysis of financialization processes in the geographical, institutional, and politico-economic context of the Eurozone, the central assumptions derived from the aforementioned publications were critically revisited - in the light of more current research from interdisciplinary sources and corresponding data. For the case of European financial integration, the author argued that

policies promoting financial liberalization during the 1980s (e.g. the establishment of cross-border capital mobility) were not only intrinsically linked to the advancement of monetary integration under the EMS but also championed by the European Commission acting as a 'policy entrepreneur', thereby overruling opposition from member states with rather restrictive policy regimes ('financialization by the supranational state'). These regional specifics and actual differences vis-à-vis the US-American- and general OECD-trajectory outlined by Helleiner justify, then, the analytical classification of the European case as a form of 'variegated financialization' (Karwowski 2020). The last part of the thesis questioned central arguments inherent to Streeck's narrative in 'Buying Time', such as the suggested causality between financial liberalization and 'state financialization' and the resulting structural power asymmetry between national governments and public institutions on the one hand and an international investor class on the other. Three exemplary reforms in the field of public debt management (marketable debt, auction systems, derivatives) were introduced to emphasize that financialization, again, was partly conducted by state authorities on a unilateral basis - and not through almost coercive pressures emanating from the private sector. Lastly, the author traced back and contextualized the implementation of the respective reforms as well as their interrelation with previous liberalization policies in Germany, thereby underlining the agency of state authorities and demonstrating the contested deliberation that preceded policymakers' decisions.

Ultimately, the research project thus provides a plea for a more nuanced, interdisciplinary approach to state-market relations in the context of financialization. Yes, the latter may have "radically altered the balance of power between the state and financial market actors" (Berghoff/Rischbieter 2017: 501) but one should not underestimate the (fiscal) advantages governments were able to exploit by actively engaging with financial markets - either as (de)regulator or as proactive market maker and participant. Building on a solid theoretical-conceptual framework and differentiated empirical analyses, the holistic picture offered by the thesis at hand may serve as a means to inform the public discourse at large which is all too often reproducing outdated stereotypes (e.g. the popular narrative of a state asserting itself *versus* markets) or lacking an extensive historical comparison that would be essential to put current issues into perspective. This is relevant not only for questions regarding an adequate regulation of global financial markets in the twenty-first century (most probably, either through intergovernmental or supranational alliances) but also for a

comprehensive democratization of knowledge about finance, a topic whose alleged complexity is systematically put forward to legitimize decision-making through technocratic channels largely deprived of public accountability.

Lastly, with regard to the continuing relevance of financialization in both the political and social sphere as well as in academic circles, one can propose several *desiderata* for future interdisciplinary research projects. Those partly ensue as a result of the inquiries undertaken in the thesis but also integrate current politico-economic discussions that are held among policymakers and scientists alike. First, on a methodological note, it could be helpful to pursue comparative qualitative or mixed methods studies in order to trace historical contexts and analytical causalities in the realm of 'state financialization'. As became clear during large parts of the research process, existing papers predominantly focus on national case studies or comparative quantitative analyses that either do not permit transnational extrapolation or remain at a mostly descriptive, yet superficial level. To grasp the internal logic of political decisions and disentangle structural economic circumstances, however, a systematic approach is needed that enables to carve out what one could call 'commonalities and varieties of state financialization', for instance between a sample of Eurozone member states or Eurozone vs. Non-Eurozone states. Second, on a theoretical level, an analytical coupling of financial and monetary matters - for instance by integrating the International Political Economy work of Benjamin Cohen on 'currency power' or 'currency statecraft' (see Cohen 2015, 2019) - seems promising for further research on state - financial markets relations. For example, the strong international demand for a specific currency may create economic incentives for state authorities to foster the financialization of its public debt management, i.e. put greater emphasis on the implementation of an investor- or market-oriented infrastructure. In this respect, it perhaps is not surprising that a country disposing of an 'exorbitant privilege' (see Eichengreen 2011) historically became the 'single innovator' (Fastenrath et al. 2017: 286, also Krippner 2011) in terms of financialization. Finally, in the context of the European Union an empirical question is raised by the Covid-19 pandemic and the subsequent adoption of the so-called 'Next Generation EU' scheme. Since these events *de facto* constitute a precedent for joint fiscal action at the supranational level and the European Commission will issue bonds to finance future outlays addressed to the member states, it remains to be seen whether or how this affects 'state financialization' at the national level. One might for instance argue that a perpetuation of this mechanism in direction of a European

Fiscal Union - which, to be sure, hinges on fierce political debates and is probably not realistic at this very moment - and/or a considerable enhancement of the EU's own resources (by introducing new taxes) in order to (re-)finance the outstanding debt could decrease public debt levels of member states and therefore mitigate their dependence *vis-à-vis* international investors. A move in this direction (what one could call 'financialization of the supranational state') might thus serve as a blueprint to 'de-financialize' (see Karwowski 2019) domestic state institutions and thereby reverse a decade-long trend that often enough entailed systemic instabilities and social disruptions in national economies at large.

VI. Literature

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VII. Elaborations regarding the collection and analysis of data

For chapter IV. 2 and the empirical analysis of reforms in German public debt management over the second half of the twentieth century, the author contacted the relevant fiscal and monetary institutions (the Ministry of Finance ('Bundesministerium der Finanzen'), the German central bank ('Deutsche Bundesbank') and the debt management office ('Deutsche Finanzagentur')) via e-mail. These enquiries served both the aim to collect quantitative data, official publications from the respective archives and specific information regarding the implementation of reforms at the time as well as to possibly conduct an expert interview with 'insiders' from the respective public bodies. Qualitative expert interviews were considered an adequate methodological approach since the existing literature only rarely employs them, yet they may provide the researcher with first-hand knowledge on the politico-economic motivations behind the implementation of policies and therefore answer (or raise) questions that had remained unacknowledged by other scholars. The direct access to such an 'epistemic community' is a precious resource and helps to reconstruct subjective yet representative perspectives and the deliberative frameworks that proceed policy-making. The method of semi-structured interviews (see chapter VIII), more specifically, would allow the author to practically apply knowledge he previously acquired during the research process by consulting the existing literature and historical sources - thereby asking relatively focused questions and guiding the conversation more proactively.

I then had several telephone calls to specify my requests and jointly prepare the subsequent interviews; while doing so, a problem arose that had already been anticipated: of course, none of the contemporary institutional representatives was a 'Zeitzeuge' in the sense that he or she professionally witnessed the historical circumstances in the 1980s or even 1990s[49]. Nevertheless, the interview guideline was accordingly adapted to cover more recent developments and the general rationale behind the application of different public debt management techniques (i.e. auction systems, marketable debt, interest rate swaps) as well as the risks and potentials associated with them. Ultimately, one interview[50] - with an internal

[49] One of the interviewees, an internal advisor from the MoF, emphasized the fact of having worked in the debt management department continuously for about twenty years, an exceptionally long time period as compared to most of her colleagues.

[50] Besides, an informal phone conversation was hold with a representative of the Bundesbank. Generally, it was rather difficult to obtain consent on behalf of public authorities to record, transcribe and (in)directly cite passages from interviews. Both the Bundesbank and the Deutsche Finanzagentur only agreed to informal - and therefore non-citable - interviews. For the purpose of intersubjective comprehensibility, the MoF interview was thus the

senior advisor from the public debt management department in the German Ministry of Finance - of 41 minutes was conducted via Webex, the conversation recorded and transcribed. The transcription was anonymized ('Speaker 1', 'Speaker 2') and undertaken in German, since this was the common language spoken during the interview; citations I used for the analysis and integrated into the thesis were translated in English, however. In order to partly complement this first and major source of information, the author proactively contacted Otmar Issing who was member of the German Council of Economic Experts ('Sachverständigenrat') from 1988 to 1990 before being appointed as chief economist of the Bundesbank from 1990 to 1998, respectively. Prof. Issing, a known advocate of neoclassical-monetarist positions, sent me answers to some of my questions (in German) via e-mail which put the politico-economic developments in Germany into a larger historical perspective. Those are also to be found in the following appendix. Ultimately, the integration of the qualitative data into the thesis at hand was, so to speak, rather eclectic and followed a pragmatic logic without putting too much emphasis on contextualization such as the professional socialization of the experts or the like. References to specific transcript passages in the appendix were included into the running text to support the general line of argumentation.

only one I could fully integrate into my research - after having coordinated the citation of specific sentences with the representative once the interview was conducted and transcribed.

VIII. Appendix

E-Mail correspondence with Otmar Issing (in German)

I.

Aufgrund der regionalen Geldwertstabilität der deutschen Mark stellten Bundesanleihen seit der Nachkriegszeit ein vergleichsweise attraktives Asset für internationale Investoren dar.

- Inwiefern erklärt ein solcher für den deutschen Staat vorteilhafter Umstand Ihrer Ansicht nach die im europäischen Vergleich relativ frühe Liberalisierung inländischer Kapitalmärkte und transnationaler Kapitalflüsse?

Antwort Prof. Dr. Issing:

"Die starke Position der Leistungsbilanz erlaubte es der Bunderepublik schon sehr früh (1958), die Konvertibilität der DM zu erklären. Die DM wurde (zusammen mit dem SFR) zur stabilsten Währung in der Welt. Damit wurde die DM zum ständigen Kandidaten für eine Aufwertung gegenüber anderen Währungen. Die erste Aufwertung erfolgte bereits im März 1960. Neben der Konvertibilität trug dies zur Attraktivität der DM als Anlagewährung bei."

II.

Die Nachkriegsjahrzehnte westlicher Volkswirtschaften werden aus heutiger Perspektive oftmals mit dem Begriff 'financial repression' betitelt, der stellvertretend für eine Kombination aus (relativ) hohen Inflationsraten und einer vergleichsweise restriktiven Regulation inländischer Finanzmärkte steht. Zudem verschuldeten sich Regierungen eher über nicht-marktfähige (non-marketable) Kredite bei heimischen Banken, mitunter zu Konditionen, die sie selbst bestimmen konnten (Bsp. Zinsobergrenzen).

Spätestens Anfang bis Mitte der 1980er Jahre beginnt sich diese Situation in Deutschland zu wandeln, (internationale) Kapitalmärkte sowie die Emission marktfähiger Wertpapiere treten mittel- bis langfristig an die Stelle von 'klassischen' Verschuldungsformen.

- Wo sehen Sie die Einflussfaktoren für diese Entwicklung und welche politökonomischen Interessen standen hinter ihr?
- Welchen Einfluss hatte die Bundesbank seinerzeit auf die konkrete Ausgestaltung des Staatsschuldenmanagements und dessen geldpolitische Kompatibilität?

Antwort Prof. Dr. Issing:

"Finanzielle Repression spielte im Nachkriegsdeutschland (West) keine Rolle. Der Staat hatte sich in der Währungsreform von 1948 seiner Schulden entledigt. Unter der Führung der

Bundesbank wurde im Bundesanleihe-Konsortium über die Begebung der Anleihen des Bundes, seiner Sondervermögen und später auch der Treuhandanstalt entschieden."

III.

Die Bundesbank sowie der Sachverständigenrat warnten ab Mitte der 1980er Jahre wiederholt vor einem 'financial crowding-out' zu Lasten des Privatsektors, sollte der Staat sich mittel- bis längerfristig immer stärker über die Kapitalmärkte (re)finanzieren. Ein ähnliches Argument wurde auch wenige Jahre früher im US-amerikanischen Fall angebracht, allerdings konnte dort eine solche Entwicklung unter anderem durch Kapitalzuflüsse aus Japan entschärft werden.

- Sehen Sie Parallelen zwischen der deutschen und der amerikanischen Entwicklung in dieser Zeitperiode und waren die damaligen Befürchtungen begründet? War die vorangegangene Liberalisierung der Finanzmärkte eine notwendige Bedingung für das Ausbleiben eines 'crowding-out'?

Antwort Prof. Dr. Issing:

"Crowding-out ist die Folge eines durch die Defizitfinanzierung der öffentlichen Hand bedingten Zinsanstiegs. Dieser kann durch Kapitalzuflüsse gemildert werden."

Interview guideline (in German)

I.

Spielen 'nicht-marktfähige' Schuldtitel im Schuldenmanagement der öffentlichen Hand heute noch eine (wie auch immer geartete) Rolle? Hintergrund: Die OECD schätzte den Anteil an 'non-marketable debt' gegenüber dem Gesamtvolumen an Schuldtiteln im Umlauf für das Jahr 2000 noch auf 7,6%, seitdem sank dieser Anteil kontinuierlich (letzter Wert 2010 = 1,6%). Haben Sie potenzielle Erklärungen, warum diese Verschuldungsform mittlerweile derart an Bedeutung verloren hat, während sich der Staat lange Zeit fast ausschließlich auf diese Art und Weise verschuldet hatte?

II.

Für die Staatsverschuldung via 'marktfähiger' Anleihen sind internationale Investoren potenzielle Adressaten, welche die Finanzkontrakte dann auf Sekundärmärkten handeln können. Inwiefern ist das Geschehen auf diesen Märkten für die öffentliche Hand relevant und

gibt es monitoring-Mechanismen, die eine umgehende Reaktion auf mögliche Risiken erlauben? Gibt es Präventivmaßnahmen, um etwaigen Kursschwankungen o.Ä. vorzubeugen?

III.

Von (liberalen) Kritikern erhöhter Staatsverschuldung wird des Öfteren die Gefahr eines 'crowding-out' angeführt, also eines relativen Anstiegs des Zinsniveaus auf den Kapitalmärkten, welches gegebenenfalls private Investitionen zu verdrängen droht. Wie steht das BMF zu dieser Kritik, sind derlei Argumentationen und die entsprechende empirische Evidenz für die konkrete Ausgestaltung und Organisation des Schuldenmanagements relevant?

IV.

Heute wird der Großteil der Anleiheemissionen der öffentlichen Hand per Auktionsverfahren durchgeführt, die Emission per Syndikat lediglich vereinzelt. Was sind die wesentlichen Unterschiede zwischen den beiden Mechanismen und nach welchen Kriterien wird die Entscheidung getroffen, ob eine Anleihe per Auktion oder Syndikat begeben wird?

- Im Zuge der Eurokrise kam es Ende 2011 sowie Anfang 2012 vereinzelt zu unterzeichneten Auktionen, im Zuge derer der Bund nicht das erwünschte Anleihevolumen veräußern konnte. Nationale wie internationale Medien griffen diese Ereignisse auf und titelten mitunter, dass es sich hierbei um ein 'absolutes Desaster' (The Telegraph) handelte. Gehört eine solche Ungewissheit ob des Ergebnisses zu den potenziellen Risiken, die der Bund mit seiner Auktionstätigkeit eingeht bzw. wie groß sind die faktischen Nachteile, die aus einer solchen (ungewöhnlichen) Situation resultieren?

V.

Zinsderivate wurden erstmals 1998 im deutschen Staatsschuldenmanagement verwendet, während viele westliche und europäische Staaten (Australien, Österreich, Belgien, ...) bereits zu Beginn der 1980er Jahre darauf zurückgriffen.

- Welche Chancen und Risiken resultieren aus einer Verwendung von Derivaten für das Schuldenmanagement, gerade vor dem Hintergrund, dass ihr Anteil an der jährlichen Neuverschuldung in Deutschland gesetzlich limitiert ist? (Beispielhaft auf Länderebene die

Swapkontrakte des hessischen Finanzministeriums, die 2018 zu einem finanziellen Mehraufwand von mehreren Milliarden Euro führten)

- Kann über den Abschluss von Swapkontrakten (positiver) Einfluss auf die Liquidität von Staatsschuldpapieren und -märkten generell genommen werden?

VI.

Deutsche Bundesanleihen haben seit mehreren Jahrzehnten einen regionalen wie internationalen 'benchmark'-Status inne. Wie lässt sich diese Stabilität erklären, welche Verantwortlichkeiten resultieren aus einem solchen Status, gibt es neben den offensichtlichen Vorteilen (niedriges bzw. negatives Zinsniveau) auch Nachteile oder Schwierigkeiten, die sich hieraus für das Schuldenmanagement ergeben?

Transcript I (representative of the Ministry of Finance, in German)

00:00:00

Speaker 1: Aber ich würde Ihnen das das Transkript nochmal zusenden im Anschluss und dann bezüglich Anonymisierung weiß ich eben nicht. Also aus meiner Perspektive würde es reichen ... ich würde dann im Forschungs- in der Forschungsarbeit darauf verweisen, dass ich quasi mit einer Repräsentantin des Bundesministeriums gesprochen habe. Viel mehr müsste ich da nicht angeben. Also ganz wie sozusagen...

00:00:28

Speaker 2: Ja, Sie können auch auf unser Referat Schuldenmanagement verweisen. Das ist ja jetzt so unser Fachgebiet. Es sind ja manchmal so Querbeziehungen. Wir haben jetzt im Haus nichts abgeglichen. Wir haben das jetzt nur aus unserem Referat heraus uns angeschaut.

00:00:45

Speaker 1: Perfekt, verstehe. Super. Genau. Und dann würde ich sozusagen vielleicht, wenn es für Sie in Ordnung ist, mit einer Frage beginnen, die ich jetzt also sozusagen nicht mit aufgeschrieben habe, aber nur um so ein bisschen irgendwie reinzukommen. Vielleicht könnten Sie so in ein paar Sätzen nochmal zusammenfassen. Vielleicht, was genau Ihr Ihr Department oder Ihre Abteilung sozusagen eben im Alltag machen. Was sozusagen die zentralen Aufgaben sind, mit denen sie betreut sind und was Ihre Position dort ist, nur um sozusagen ein Stück weit vielleicht noch einen kleinen Kontext irgendwie jetzt herstellen zu können.

00:01:25

Speaker 2: Genau. Also wir sind das Referat, das für das Schuldenmanagement zuständig ist im Bundesfinanzministerium. Ja, und das heißt, wir bekommen von den Haushältern die Vorgaben ... Also wir bekommen von den Haushältern die Vorgaben, was zu finanzieren ist, was natürlich gesetzlich begründet ist durch Haushaltsgesetze, aber wir haben natürlich auch interne Vorabsprachen oder Ausführungsbestimmungen und das wird dann also von den Haushältern vorgegeben, wann wie viele Mittel gebraucht werden. Und wir müssen daraus eine Planung machen, zusammen mit der Refinanzierung und das muss am Markt aufgenommen werden. Für die Marktseite ist die Finanzagentur zuständig. Die ist vor 20 Jahren gegründet worden. Ja, aus dem Bedürfnis heraus, dass das Finanzministerium das in dem Umfang nicht leisten kann, die ganzen Marktkontakte, diese umfangreiche Kreditaufnahme, das ist einfach... vom personellen Aufwand her wäre das mehr gewesen als ein Referat im BMF leisten kann. Da hätte man eine größere Einheit machen müssen und hat sich damals halt entschieden, das als extra ... in in Form einer GmbH zu machen. Die die sind von uns beauftragt, die handeln im Namen des Bundes, im Auftrag des Bundes und wir haben ein strenges Regelwerk wie sie überwacht werden oder was sie sich von uns genehmigen lassen müssen, haben aber in der Ausführung sehr viel Freiheit, mit den Marktteilnehmern da direkt zu sprechen. Ja und unsere Aufgabe ist halt, diese Überwachung sicherzustellen, also einerseits rechtlich, andererseits die mathematischen Modelle, die wirtschaftliche Seite, also alle die Aspekte, die da reinspielen. Ich selber bin die Mathematikerin in unserem Referat, also eine von zwei. Wir haben jetzt Verstärkung bekommen, wir sind jetzt zwei Mathematikerinnen ...

00:03:16

Speaker 1: Ahja, okay, und sozusagen mit Überwachung oder meinen Sie direkt die deutsche Finanzagentur auch mit, das ist also ein Akteur, mit dem sie sehr, sehr direkt auch und viel in Kontakt stehen.

00:03:30

Speaker 2: Genau so ist das. Also wir müssen die einerseits als GmbH überwachen und auch mit Mitteln versorgen und die Organisation der GmbH ist in unserer Verantwortung mit. Aber andererseits geht es auch um sämtliche Regeln zum Schuldenmanagement, wie die Kreditaufnahme gemacht wird. Das ist nochmal so, dass wird praktisch so zweigleisig ... wird das geführt.

00:03:53

Speaker 1: Okay, okay, super wunderbar. Ja, dann bin ich dahingehend, weiß ich Bescheid. Genau. Und dann würde ich sozusagen jetzt einfach mit den mit den inhaltlichen Fragen beginnen. Wenn das, wenn Sie damit d'accord sind. Genau. Und da hab ich also ich hab's versucht, so ein bisschen zuzuordnen nach unterschiedlichen Bereichen und quasi eine ein zentraler Komplex eben ist, sage ich mal so diese Gegenüberstellung von marktfähigen und nicht-marktfähigen Schulden oder Schuldtiteln und sozusagen wie sich, ja wie sich die, die nicht-marktfähigen Schulden einfach sozusagen über die Zeit hinweg, wie deren Bedeutung sozusagen zumindest statistisch, wie man es ja bei der OECD auch sieht immer weiter eigentlich gesunken sind, dass sie mittlerweile eine oder schon seit geraumer Zeit ja eigentlich mehr ein Randphänomen nur noch darstellen. Vielleicht, also sozusagen mein Verdacht wäre dann quasi gewesen, dass es sich bei den, bei diesen, bei dieser Entwicklung dann im Endeffekt nur noch um Kredite handelt, die sozusagen nach und nach abbezahlt werden, aber dass quasi bei Neuemissionen eigentlich nur noch marktfähige Schuldtitel begeben werden.

00:05:08

Speaker 2: Ja, also so ist es beim Bund auch. Wir hatten früher einen größeren Anteil an Privatkundenfinanzierung. Das war aber noch lange vor meiner Zeit. Da muss es mal über die Hälfte mit Bundesschatzbriefen gewesen sein, aber da weiß ich keine genauen Zahlen. Ich weiß, dass es Anfang der 2000er Jahre noch drei Viertel Bundeswertpapiere und ein Viertel nicht-marktfähige waren. Und inzwischen ist es unter ein Prozent. Also eine wichtige Rolle spielte ja dass dass der Finanzierungsbedarf immer höher wurde. Wir hatten in den 90er Jahren durch die Wiedervereinigung, ja dann hatten wir irgendwann die Konsolidierung, dann hatten wir die Finanzmarktkrise und jetzt letztes Jahr nochmal diesen großen Aufwuchs durch die Coronamaßnahmen. Und je mehr das [der Finanzierungsbedarf, Anmerkung Expertin] wird, umso schwieriger ist es ja, mit einzelnen Geschäften, mit Banken Schuldscheine abzuschließen. Und dazu kam, dass die Privatkunden, das Privatkundengeschäft, uns nach und nach weggebrochen ist, als die Zinsen so niedrig wurden. Und es wurde dann bewusst eingestellt, weil es unwirtschaftlich geworden war. Ab 2012 wurden die Bundesschatzbriefe nicht mehr verkauft.

00:06:17

Speaker 1: Okay. Insgesamt eingestellt. Okay. Und wenn Sie sagen Privatkunden, dann waren

tatsächlich sage ich mal einzelne Bürger und Bürgerinnen der Bundesrepublik, die diese sozusagen als Ersparnisse also ihre Ersparnisse dort angelegt haben.

00:06:33

Speaker 2: Genau, genau. Also viele Menschen haben ihre Ersparnisse in Bundesschatzbriefen angelegt. Das waren so Stufenzinspapiere über sechs Jahre oder sieben Jahre und da haben viele auch ihre Mietkautionen drin angelegt oder Vereine haben da ihre Rücklagen drin angelegt. Also so viele, viele private Sachen liefen da über Bundesschatzbriefe, die eben eine gewisse Verzinsung hatten. Und als es dann keine Zinsen mehr gab, da haben sich die Leute da immer mehr daraus zurückgezogen und da wurde es für uns dann unwirtschaftlich und wir mussten es dann einstellen.

00:07:03

Speaker 1: Ja, verstehe ...

00:07:05

Speaker 2: Na, also man kann ja nicht bei Bundesschatzbriefen negative Zinsen verlangen. Und selbst wenn man Null verlangen würde, wäre das schon für uns ein Verlustgeschäft.

00:07:13

Speaker 1: Ja, ja, verstehe, dann würde sozusagen also dann sind im Endeffekt die Bundesschatzbriefe sozusagen der zentrale Bestandteil dieser nicht-marktfähigen Schulden. Oder gibt's auch noch andere Versionen sozusagen?

00:07:31

Speaker 2: Also es gab noch ganz normale Schuldscheine, die mit verschiedenen Banken abgeschlossen wurden und Investoren. Da weiß ich aber jetzt nicht genau, wie die Zusammensetzung war, wer da alles Schuldscheine mit dem Bund einzeln ausgehandelt hat. Ja, das war alles auch noch vor meiner Zeit.

00:07:46

Speaker 1: Verstehe ich. Okay. Wunderbar. Genau. Und dann ist ja sozusagen das zentrale Kriterium, was diese Art von Schuldtitel, von den von den heutigen oder von den moderneren, wenn man so will, unterscheidet ja dann im Endeffekt der Punkt, dass die heutigen eben auf Sekundärmärkten handelbar sind, was sozusagen bei Bundesschatzbriefen und anderen so wahrscheinlich auch gar nicht gefordert war. Wenn es sich um Ersparnisse für einzelne Personen handelte, dann wurden die quasi über eine ... bis zum Ende ihrer Maturität

sozusagen gehalten und diese Handelbarkeit ist im Endeffekt der zentrale Unterschied, wenn ich das richtig sehe.

00:08:35

Speaker 2: Genau, der zentrale Unterschied ist die Handelbarkeit und, dass es Inhaberschuldpapiere sind, wo man nicht weiß, wer die gerade hält ... also der Emittent weiß nicht, wer die gerade hält.

00:08:46

Speaker 1: Das heißt sozusagen auch, auch das BMF, wenn ich kurz nachfragen darf, hat nur bedingt oder sozusagen kaum Daten über die Halterstruktur der Schuldtitel derzeit.

00:09:01

Speaker 2: So ist es, wir haben keine direkten Daten, keine direkten Informationen. Die Bundesbank wertet das regelmäßig aus, da haben wir Informationen drüber. Die Finanzagentur hat gewisse Informationen über die Sekundärmarkttätigkeit, aber die hat auch keine direkten ... Also man trägt das dann so zusammen aus aus Statistiken so welche Zentralbanken halten wieviel Euro in Bundesanleihen und da kann man indirekt daraus so eine gewisse Halterstruktur schließen.

00:09:30

Speaker 1: Ja, verstehe, nach verschiedenen Typen dann auch okay. Das heißt sozusagen wenn diese Daten auch schon nicht zentral im Endeffekt beim beim Bundesministerium vorhanden sind, dann ist es schwierig eigentlich - oder oder fällt nicht unbedingt in ihren Kompetenzbereich - sozusagen dieses Geschehen sag ich mal auf den Sekundärmärkten dann eins zu eins auch zu verfolgen. Oder hat es für Sie ne ... Wie schätzen Sie da die Relevanz ein?

00:10:01

Speaker 2: Also das Geschehen auf den Sekundärmärkten verfolgt die Finanzagentur sehr genau. Wenn Sie da mit den Kollegen sprechen, dann werden die Ihnen da auch was drüber erzählen können. Die haben natürlich ihre ... die beobachten die, die [Käufe und, Anmerkung Expertin] Verkäufe am Sekundärmarkt, am Future-Markt, am Repo-Markt, beobachten die Marktpreisentwicklungen, ob es irgendwelche Verspannungen in bestimmten Papieren oder in bestimmten Terminen gibt. Das beobachtet die Finanzagentur sehr genau. Und sie sprechen auch mit ihren Kontrahenten von den Banken. Da findet auch ein Austausch statt. Aber natürlich nicht über einzelne Geschäfte, sondern über allgemeine Beobachtung.

00:10:40

Speaker 1: Trends. Ja okay. Verstehe. Gut. Dann da dahingehend quasi die die Finanzagentur. Dann hätten wir die ersten beiden Punkte soweit besprochen. Genau dann war sozusagen, in der ersten Version hatte ich auch schon ne ne Frage zu diesem Komplex Crowding Out bzw. Financial Crowding Out, der ja jetzt auch sag ich mal - Sie haben es vorhin genannt - eben durch die erhöhte Staatsverschuldung nach der Finanzkrise, Eurokrise und jetzt eben wieder Covid sozusagen ... das ist ja immer wieder sozusagen in ein Argumentationsmuster, das im öffentlichen und ja wirtschaftlich- ... ökonomischen Diskurs auch eben wieder auftritt, dass sozusagen durch eine durch eine höhere Beanspruchung seitens des Staats oder des Bundes es womöglich zu einer Erhöhung des Zinsniveaus und darüber sozusagen potentiell zu einer Verdrängung privater Investitionen kommen könnte. Spielt diese Logik, dieser Ansatz, diese Argumentation, spielt es eine Rolle für die konkrete Ausgestaltung des Schuldenmanagements oder welche ... ja genau vielleicht ...

00:11:57

Speaker 2: Also bei uns konnten wir so was noch nicht direkt beobachten. Ja, wobei natürlich eine große Rolle die Ankaufprogramme der EZB dabei spielen, wodurch viele Staatsschulden auch wieder durch die Zentralbanken aufgekauft werden und dadurch dann die Nachfrage nach den Papieren eigentlich immer höher ist als das Angebot, oder jedenfalls hielt es sich im Gleichgewicht und wir haben keinen Effekt gemerkt, dass dadurch irgendwie Zinsen gestiegen wären. Im Gegenteil, immer wenn neue Programme angekündigt wurden von der EZB, ist ja das allgemeine Zinsniveau eher nach unten gegangen ...

00:12:34

Speaker 1: Ja, ja ...

00:12:36

Speaker 2: Also da hatten wir bisher kein Problem damit ... ob das mal kommen wird, ob das ein politisches Risiko ist, das kann ich jetzt nicht beurteilen.

00:12:43

Speaker 1: Ich verstehe, wie war es ... also ich meine sozusagen die, die EZB hat jetzt bedingt sozusagen im Nachhinein der oder im Zuge der Eurokrise dann Offenmarktgeschäfte praktiziert und jetzt sozusagen über sozusagen in der Covidkrise. Aber sagen wir mal, davor, bevor es sozusagen diese diese Programme der der EZB gab, ja ähm ... Gibt's da einen Unterschied bezüglich ...

00:13:15

Speaker 2: Wir hatten festgestellt, dass es für manche Staaten eine Rolle spielte, dass sie sich schwieriger finanzieren konnten und dass die Spreads zwischen den Staaten sehr stark auseinandergelaufen waren. Und dass es wieder ein bisschen zusammengelaufen, seitdem die EZB Programme sind. Aber die Bundeswertpapiere haben nie darunter gelitten. Wir hatten immer große Nachfrage, im Gegenteil, immer wenn es für andere schwierig wurde, gab's da so eine gewisse Flucht in Sicherheit, die uns in die Hände gespielt hat und unsere Zinsen im Vergleich zu anderen sogar noch niedriger machte.

00:13:49

Speaker 1: Okay. Und das heißt sozusagen also diese genau also potentielle negative Auswirkungen auf den Privatsektor sehen Sie, sehen sie dann nicht.

00:14:01

Speaker 2: Das ist jetzt nicht so mein Themengebiet was der Privatsektor [allgemein, z.B. im Hinblick auf die Kreditfinanzierung von Unternehmen, Anmerkung Expertin] davon hält ... was wir machen, oder: Wir machen eigentlich unsere Schuldenmanagement aus uns selbst heraus, stellen den Märkten die Papiere zur Verfügung, die Bundeswertpapiere, die Staatspapiere halt und was die anderen drumherum machen, da richten wir uns nicht danach. Natürlich beobachten das die Kollegen, aber ja ... Das ist nicht unser unser Fokus bei unserer Entscheidung.

00:14:30

Speaker 1: Okay. Das primäre Mandat, wie Sie gesagt haben, kommt von den Haushältern und entsprechend ... verstehe. Okay, dann vielleicht noch zum zu dem Punkt bezüglich der Emissionen. Da habe ich sozusagen, meine Recherchen besagen, dass eigentlich seit dem seit den 90er Jahren eigentlich mehr oder weniger nur noch die, die die Begebungen über unterschiedliche Auktionsverfahren stattfinden. Also, bis - wenn ich es richtig sehe - bis 1997 noch teilweise auch noch über dieses Bundesanleihekonsortium, was dann abgelöst wurde von der Bietergruppe. Und nur noch sehr punktuell sozusagen das Syndikatsverfahren eingesetzt wird. Vielleicht können Sie kurz darauf eingehen, was so die wesentlichen Unterschiede zwischen diesen beiden Mechanismen sind und wofür ... Also nach welchen Kriterien dann sozusagen entschieden wird, welche welche Anleihe, oder welche Schuldtitel mit welchem Verfahren begeben wird.

00:15:40

Speaker 2: Also wir halten das Auktionsverfahren für das transparentes Verfahren, was die Preisbildung betrifft und auch für das fairste Verfahren, weil alle Banken [deren Sitz sich innerhalb der EU befindet, Anmerkung Expertin], jeder jeder, der möchte, sich beteiligen kann. Man kann sich jederzeit in der Bietergruppe anmelden und kann mitbieten. Und deswegen bevorzugen wir ausdrücklich das Auktionsverfahren ... das, es ist einfach das das fairste gerechteste und für die für die Banken auch am besten, das stabilste und ausrechenbarste Verfahren. Und von daher nehmen wir das so oft es geht und nehmen das Syndikatsverfahren nur dann, wenn spezielle Situationen sind. Wenn man bei einer bestimmten Anleihe jetzt ... das Absatzrisiko nochmal besonders im Blick haben muss. Also beispielsweise haben wir das gemacht, als wir eine Dollaranleihe begeben haben, als wir die erste Inflationsindexierte begeben haben, als wir die erste Grüne begeben haben, an solchen Punkten, wo ganz bestimmte, wo man auch darauf angewiesen ist, dass das ... die Presse gut ist und dass das funktioniert bei der ersten Emission. Der Nachteil ist halt, dass man die Syndikatsgebühr bezahlen muss und dass man nicht direkt den Preisvergleich hat zum ... zwischen den Banken. Und der Vorteil beim Syndikatsverfahren ist andererseits, dass man genau weiß, wer es gekauft hat, weil die Banken ja sagen haben das jetzt real money Investoren gekauft oder andere, wie Fonds gekauft. Das sieht man ja bei der Auktion nicht, weil in der Auktion ja jeder Investor über seine Bank bietet. Da sehen wir es nicht. Von daher ist es auch manchmal ein Vorteil, Syndikatsverfahren zu machen. Und im vergangenen Jahr haben wir noch einmal das Syndikatsverfahren - oder dieses Jahr auch - durch das große Volumen, was wir absetzen mussten und was wir dann auch in bestimmten Laufzeiten, gerade in der Dreißigjährigen absetzen wollten. Das schafft man nicht an einem Auktionstermin auf einmal so viel abzusetzen. Das kann da auch mal ein Grund sein ein Syndikat zu machen, in solchen speziellen Situationen. Aber ich denke der Bund wird auch regelmäßig immer wieder mal Syndikate machen, aber vorrangig durch Auktionen.

00:17:54

Speaker 1: Ja okay, verstehe. Das heißt, es ist sozusagen ein Stück weit auch, könnte man es so beschreiben, dass sie die Absatzsicherheit bei dem Syndikat einfach nochmal größer ist, aber mit entsprechenden zusätzlichen Kosten potentiell verbunden ...

00:18:11

Speaker 2: Genau so ist das und man kann eben mehr auf einmal absetzen.

00:18:14

Speaker 1: Ja, okay. Alles klar und unmittelbare Adressaten sind aber in jedem Fall die Mitglieder der Bietergruppe erst mal ...

00:18:25

Speaker 2: Für, für das Konsortium. Das stimmt. Wir nehmen, wir wählen unter den Banken der Bietergruppe aus, wir versuchen die auch schön abzuwechseln, dass da jeder mal zum Zuge kommt. Und es gibt ja auch immer Spezialisten für bestimmte Themen, also Banken, die sich mit Grünen beschäftigen, Banken, die mit Fremdwährungsanleihen sich beschäftigen oder was gerade unser Anliegen ist. Und danach geht's natürlich auch.

00:18:48

Speaker 1: Okay, super. Alles klar, genau. Vielleicht haben sie ... sozusagen, in in dem Kontext bin ich dann quasi auch drauf gestoßen, dass es im Zuge der Eurokrise eben wieder wiederholt - ich glaube, es waren zwei oder drei Mal - zu zu Auktionen kam die dann sozusagen gepatzt oder die ja unter-, unterzeichnet glaube ich nennt man es nun quasi waren und wo ich dann schon überrascht war, dass es so ein großes eigentlich nationales wie internationales Medienecho gab. Sie hatten vorhin quasi die Presse ja auch schon mal angesprochen. Also wo dann wirklich, ich glaube, die Financial Times hatte irgendwie getitelt 'The Bund that broke the Bundesbank' oder sowas, wo ich dann etwas erstaunt war, das sozusagen ... Also genau, wie würden Sie das einschätzen, ist das sozusagen wirklich ein ein Ereignis, das einen größeren ... ja ein größeres Risiko birgt für einen öffentlichen Emittenten? Oder ist das eigentlich, sagt man dann 'Okay, na gut, dann bei der nächsten Auktion wird schon wieder alles ... wird dann schon wieder alles klappen' ...

00:20:02

Speaker 2: Also das ist so: Als es am Anfang mal passierte, hatten wir auch hier in Deutschland schlechte Presse gehabt. Da wurde spekuliert: "Kann der Bund seine Schulden nicht mehr absetzen?" oder so, aber relativ schnell hat die Finanzagentur dann doch deutlich gemacht, dass das überhaupt kein Problem darstellt. Wir machen dann einen größeren Rückbehalt in der Auktion und dann wird es in den nächsten Wochen am Sekundärmarkt verkauft. Und inzwischen haben wir so viele Auktionstermine, wir haben die Volumina pro Termin runternehmen müssen infolge der ... neuen Regulierungsvorschriften konnten die Banken nicht mehr an einem Tag so viele Risikopositionen eingehen. Jetzt haben wir zwei bis drei Auktionstermine pro Woche. Das sind, das sind so viel und es passiert immer mal wieder, dass

eine unterboten ist, weil gerade an dem Tag in der Laufzeit nicht die Nachfrage ist. Dann ist die Nachfrage in der Laufzeit vielleicht nächste Woche wieder höher oder so, also das das es gehört langsam zum Tagesgeschäft und es passiert auch relativ selten. Aber wenn, dann ist es kein Problem.

00:21:03

Speaker 1: Ja okay, okay, alles klar. Wunderbar. Dann hätten wir das soweit geschafft. Genau dann würde sozusagen. Gibt's jetzt noch eine Frage zu den Derivaten bzw. ich, ich erinnere nicht mehr genau, Sie meinten am Anfang, es gibt eine Frage, die nicht ähm ...

00:21:23

Speaker 2: Na, Sie hatten nach den politischen Auswirkungen gefragt, die hatten wir schon übergangen jetzt ...

00:21:26

Speaker 1: Alles klar, sehr gut. Genau. Dann quasi auf die, auf die Frage mit mit den Zinsderivaten, die ja in Deutschland Ende der 90er Jahre Jahre, wenn ich es richtig sehe, zum ersten Mal eingeführt wurden und dahingehend sozusagen Deutschland ein latecomer, eine latecomer-Position international eigentlich hatte. Wenn sie also, obwohl es vor ihrer Zeit war sozusagen, wissen Sie, worauf diese, diese relativ späte Einführung potentiell zurückzuführen ist? Oder ist es schwierig zu sagen ...

00:22:05

Speaker 2: Ja, also wir sind da eher konservativ. Das ist, das Haushaltsgesetz sagt zu welchem Zweck dürfen Schulden aufgenommen werden zur Haushaltsfinanzierung bzw. zur Kassenfinanzierung zwischendurch ... Und es gibt eigentlich keinen Grund, an den Finanzmarkt zu gehen, um irgendwie zusätzliche Gewinne zu machen oder irgendwie. Solche, solche Gründe sind nicht denkbar im deutschen Haushaltsrecht. Von daher war das Instrument erst dann wichtig geworden, als man ein ein größeres Schuldenportfolio hatte und sich mit der Strukturierung des Portfolios mehr und mehr auseinandergesetzt hat, als die Bundeswertpapiere in den bestimmten Laufzeiten dann sich immer mehr konzentriert haben und eine Rolle spielten. Auch wie Sie vorhin schon sagten, wo es mehr auf die auf die Bundeswertpapiere zuging und von den Schuldscheinen wegging. Ja und in dem Zusammenhang haben wir dann auch gesehen, dass es sinnvoll sein kann, Derivate einzusetzen, um die Laufzeitstruktur des Portfolios unabhängig von den Laufzeitklassen, die

man gerne emittieren möchte oder muss ... die Struktur noch ein bisschen zu verändern. Das ist eigentlich das Hauptanliegen bei uns oder das Einsatzgebiet.

00:23:17

Speaker 1: Das heißt, sie würden ...

00:23:18

Speaker 2: Und früher glaub ich, war das nicht so notwendig. Ich weiß nicht wirklich, seit wann man vielleicht hier Vorschläge hatte und die vielleicht eine Weile intern diskutiert hat ... Das kann ich nicht sagen. Ich weiß, dass es '98 oder sowas zum ersten Mal im Haushaltsgesetz erlaubt wurde ...

00:23:29

Speaker 1: Ich meine auch ... Genau, also. Aber das ist ein interessanter Punkt, dann würden Sie sagen, dass sozusagen die, die die Einführung von Swapgeschäften, schon auch damit zusammenhängt, dass immer mehr marktfähige und immer weniger nicht-marktfähige Schuldtitel begeben wurden, weil es sozusagen nur in dieser, in dieser Anlageklasse eigentlich den von Ihnen beschriebenen Sinn oder oder Nutzen eigentlich hat?

00:23:55

Speaker 2: Ja, ich kann's jetzt nicht so beurteilen, ob es mit mit Schuldscheinen auch möglich gewesen wäre, bestimmte Strukturen umzusetzen. Ich weiß nur, dass wir uns seit, seit 2000 mehr und mehr und immer intensiver Gedanken darum gemacht haben, wie man das Portfolio strukturieren sollte. Und auch mit, mit theoretischeren Methoden rangegangen sind. Das war vorher ja hier im BMF auch gar nicht so möglich, von der ... von der Kapazität her. Das ging erst nach der Gründung der Finanzagentur ... und von daher war das so ein, ich sag mal so ein Vorgriff, dass man im BMF schon ein paar Dinge angefangen hat und schon wusste, dass man das ganze Schuldenmanagement ausbauen muss. Ja, und man hat es ja dann alles in die Finger, in die Hände der Finanzagentur gegeben.

00:24:38

Speaker 1: Okay. Ja genau. Ich habe sozusagen in dem Kontext, Sie meinten quasi eher eine konservative Haltung gerade gegenüber den entsprechenden Risiken auch, dass sich das eigentlich auch in den Vorgaben vom Gesetzgeber widerspiegelt, weil es sozusagen dieses Limit, glaube ich mit mit 80 ... sind es Milliarden, 80 ...

00:25:01

Speaker 2: Das sind 80 Milliarden pro Jahr. Also das ist eigentlich gar kein richtiges Risikolimit.

Das ist ein Nominalvolumen von 80 Milliarden. Ja, wenn wir jedes Jahr 80 Milliarden payer-Swaps abschließen würden, hätten wir ein riesengroßes Risiko ...

00:25:13

Speaker 1: Das wäre eine Menge ...

00:25:14

Speaker 2: Also natürlich nicht. Also wir haben intern Risikolimits. Wir überwachen den den Barwert und wir ... überwachen das Schwankungsrisiko des Barwerts und gehen nur solche Positionen ein, die kein kein zu großes Risiko in dem Sinne darstellen. Und das absolute Swapvolumen, das ist mal irgendwann so hochgerechnet und abgeschätzt worden, sodass es dauerhaft reichen soll, dass man nicht jedes Jahr ... an den Gesetzgeber herantreten muss, 'Dieses Jahr brauchen wir 40, nächstes Jahr brauchen wir 50', da haben wir einmal eine größere Hausnummer genommen, die auch bisher immer ausreichend war. Aber es waren, glaub ich, es gab zwei Vorstufen, es gab mal 10 und mal 20 Milliarden, glaub ich ... ganz am Anfang.

00:26:03

Speaker 1: Okay, ja. Und dann finde ich es in dem Zusammenhang auch spannend sozusagen, ob auf der Habenseite oder Vorteilsseite auch ... ähm gibt es einen Einfluss sag ich mal davon, dass Staaten oder öffentliche Emittenten entsprechende Derivate nutzen, die dann sozusagen mit der mit der Liquidität der des gesamten Schuldtitelangebots zusammenhängen, haben Sie da sozusagen Information oder ist das ein Punkt, der bei der Betrachtung auch relevant ist?

00:26:48

Speaker 2: Wenn ich Sie richtig verstanden habe, meinen Sie jetzt ob man, ob jetzt die Arten der Bundeswertpapiere, die wir begeben, davon abhängig sind welche Swapstrategie wir da hinterlegen ...

00:26:59

Speaker 1: Ähm, nee, dann ich versuche es nochmal anders ... also die Liquidität, sag ich mal die der Staatsschuldenmärkte und ja, dann ja auch gewisser Anlageklassen, ist ja so ein zentraler Punkt, sag ich mal, wenn es um internationale Vergleiche geht, also dass Deutschland z.B. jetzt mal als Safe Asset oder sozusagen diesen Benchmarkstatus hat, hat ja auch ein stückweit damit zu tun, dass es quasi dass die Papiere entsprechend liquide sind, dass es eine große Nachfrage und so weiter gibt. Und meine Frage wäre sozusagen gewesen, gibt es Anzeichen dafür oder ist es eine Motivation Swaps oder entsprechende Derivate

abzuschließen, um diese Liquidität bewusst zu erhöhen? Also werden Papiere attraktiver dadurch, dass die das BMF z.B. auch Derivate abschließt oder ist das eine falsche Logik?

00:28:05

Speaker 2: Nein, also In der Weise haben wir da noch nicht drüber nachgedacht. Bei uns ist es eher umgekehrt, ... welches Angebot gemacht wird, wie der Kalender aufgestellt wird, das definiert sich danach, wie der Bedarf ist insgesamt und ob und wie die Nachfrage am Markt in bestimmten Laufzeitklassen ist und auch in welcher Weise wir umstrukturieren wollen, ob wir jetzt zum Beispiel länger gehen wollen oder kürzer gehen wollen oder so. ... Also das, das sind so die Grundüberlegungen ... Und im Rahmen dessen stellt sich dann z.B. heraus, dass ziemlich viele 10jährige Anleihen nachgefragt werden und angeboten werden können. Und wenn wir jetzt im Gesamtportfolio die zehnjährige Laufzeit in dem Moment nicht so stark haben wollen, nehmen wir receiver-Swaps in der zehnjährigen Laufzeit. Also das ist dann immer die nachgeordnete Überlegung ... also wir würden jetzt nicht mehr oder weniger zehnjährige machen, wenn wir keine Swaps hätten, aber wir können die Portfolioeigenschaften noch verbessern dadurch, dass wir Swaps draufsetzen.

00:29:04

Speaker 1: Ja, okay und sozusagen diese, diese Eindrücke oder diese ... ja, bekommen Sie über die entsprechenden teilnehmenden Banken der Bietergruppe, oder aber ... von den Sekundärinvestoren dann direkt? Wie läuft sozusagen dieser Kontakt ab?

00:29:28

Speaker 2: Also das macht natürlich für uns die Finanzagentur in erster Linie, die machen ... manchmal in größeren Abständen alle ein, zwei Jahre, auch Kapitalmarktgespräche, wo mal Banken eingeladen werden und gewisse Themen diskutiert werden, aber ansonsten: Die meisten Informationen bekommt man über den Sekundärmarkthandel, weil die Finanzagentur ja selber auch handelt. Die sind ja selbst auch Marktteilnehmer und dadurch kriegen sie eigentlich die Stimmung am Markt und ja ... das Marktgeschehen direkt mit.

00:30:00

Speaker 1: Jaa, die sind dann am nächsten dran ...

00:30:01

Speaker 2: ... und dann kann man natürlich auch aus den eigenen Auktionen lernen. Als zum Beispiel die Regulierungen so gemacht wurden, wie ich vorhin angesprochen habe, dass keine größeren Positionen mehr genommen wurden, dann haben wir gesehen, dass nicht mehr so

viel absetzbar ist an einem Termin und die Finanzagentur hat uns vorgeschlagen, das in kleinere Pakete zu zerlegen und mehr Termine zu machen. Und dann hat man das ausprobiert und gesehen es funktioniert gut, also machen wir das in der Richtung weiter. Also ... so funktioniert es auch.

00:30:30

Speaker 1: Ja, das heißt, es ist manchmal auch so ein Stück weit eine trial and error ...

00:30:34

Speaker 2: Ja, man kann ja nicht alles vorher wissen und man kann auch nicht jeden fragen. Es nützt ja auch nichts, wenn man jeden einzeln gefragt hätte, weiß man trotzdem nicht, was insgesamt rauskommen würde.

00:30:44

Speaker 1: Der Markt, der als solcher ja ... verstehe. Super. Dann würde ich jetzt angenommen ... bzw. eine Sache, die mir noch einfällt zu dem Bereich, bei Swaps ist es ähnlich mit den, mit der Verfügbarkeit von Daten über sozusagen den entsprechenden Counterpart, mit dem die eingegangen werden, das ... ist öffentlich wenig bis gar nicht zugänglich kann das sein?

00:31:12

Speaker 2: Nein, das veröffentlichen wir auch nicht ... und viele Jahre hat die Finanzagentur die Swaps bilateral abgeschlossen und dann wurden die direkt mit den Banken auch die ganze Zeit äh bedient [bzw. abgewickelt, Anmerkung Expertin]. Inzwischen sind fast alle auf den zentralen Counterpart übertragen, so wie es auch die Banken inzwischen machen müssen. Und sie werden aber trotzdem bilateral abgeschlossen. Man sucht sich jemanden, mit dem man genau die Laufzeit abschließen möchte und dann übertragen die das gemeinsam auf den zentralen Counterpart ... Aber veröffentlicht wird darüber nichts. Also nicht über die über die Kontrahenten. Über unsere Swappositionen insgesamt werden so ein paar zentrale Daten werden veröffentlicht, im Kreditaufnahmebericht [des BMF].

00:31:58

Speaker 1: Genau. Stimmt, da hatte ich schon. Hatte ich schon mal reingeguckt. Ja, okay, super. Ja, genau dann. Also die letzte Frage ist, sag ich mal, ein bisschen allgemeiner einfach auf den deutschen Fall bezogen, weil es ja im Endeffekt also deutsche Bundesanleihen oder gerade ja die zehnjährigen eben sowohl regional als auch über Europa hinaus seit geraumer Zeit jetzt schon als die die Benchmark-Anleihe gelten und sich alle anderen Werte sozusagen ja in Relation zu den entsprechenden Bund-Kursen berechnen, wie sozusagen ... Welche

Faktoren sehen sie da am Werk, die diese sage ich mal ja jetzt auch schon längere und nachhaltige Stabilität erklären?

00:32:49

Speaker 2: Also grundlegend ist es natürlich die solide Finanzpolitik in Deutschland, die die dem Ganzen zugrunde liegt. Dann kommt dazu das große Finanzierungsvolumen, das erlaubt, große Anleihen, große Volumina von einzelnen Anleihen zu machen. Und dann hat Deutschland auch schon über viele Jahre die gesamte Laufzeitkurve gepflegt, alle Laufzeiten von 6 Monaten bis 30 Jahren regelmäßig immer wieder begeben. Und dadurch gibt es einen sehr stabilen Sekundärmarkt. Es gibt den [Bund-, Anmerkung Expertin]Future-Markt und seit der Finanzmarktkrise, seitdem kaum noch unbesicherte Geldmarktgeschäfte gemacht wurden, gibt's jetzt auch noch den Repo-Markt, wo unsere Bundeswertpapiere zur Besicherung, also in großem Umfang eingesetzt werden. Und von daher ... hat sich das so allmählich entwickelt, dass eben die deutschen Staatsanleihen jederzeit handelbar sind und und jeder weiß, dass er sich drauf verlassen kann. Und sie sind inzwischen auch im Ausland bei Zentralbanken für für Währungsgeschäfte sehr gefragt. Also überall wo der Euro drauf steht und was besonders Stabiles gesucht wird, verzichtet man lieber auf ein bisschen Rendite und nimmt vielfach die deutschen Bundeswertpapiere. Also das spielt alles zusammen. Aber ich glaube, das Hauptkriterium ist doch die Handelbarkeit.

00:34:19

Speaker 1: Man kennt ja ...

00:34:20

Speaker 2: ... die, dass man jederzeit das wieder verkaufen kann, und nicht darauf festgelegt ist, was man einmal gekauft hat, behalten zu müssen.

00:34:27

Speaker 1: Ja ok. Und sagen, sie würden sagen die die Attraktivität dann entsprechend nicht nur im Privatsektor, sondern eben auch wie sie genannt haben Zentralbanken, öffentliche Akteure ...

00:34:40

Speaker 2: Genau, also im Privatsektor [im Sinne von Privatkunden, Anmerkung Experin] ist es glaub ich eher rückläufig seitdem die Zinsen so niedrig sind ...

00:34:46

Speaker 1: Ja, ja, gut möglich. Okay. Genau. Und dann quasi eine letzte Frage dazu. Ich meine

die Vorteile dieser Status liegen quasi auf der Hand für den Bund, mehr oder weniger, wenn ich das salopp formulieren darf. Also genau mit den niedrigen beziehungsweise mittlerweile ja negativen Zinsniveaus. Sehen Sie auf der anderen Seite auch eine gewisse Verantwortlichkeit, die aus diesem oder oder gewisse, sag ich mal, ... resultieren aus diesem Status auch Aufgaben für das Schuldenmanagement und für die öffentliche Hand, die vielleicht quasi in anderen Ländern, die keinen so prominenten Status haben, nicht anfallen würden?

00:35:32

Speaker 2: Das glaube ich schon, dass das der Fall ist. Also man muss sich ja ständig darum bemühen, den Benchmarkstatus zu halten, indem man sich besonders intensiv Gedanken macht, wie der Emissionskalender aufgestellt wird, welche Laufzeiten man in welcher Reihenfolge an welchen Monaten anbietet. Wir legen den Jahreskalender ja ziemlich genau schon im Voraus fest, dann wird er nochmal vierteljährlich präzisiert und von dem vierteljährlich veröffentlichten wird auch nicht mehr abgewichen. Da müsste schon etwas ganz Schlimmes passieren, dass wir da eine Auktion ausfallen lassen würden. Wir haben 2020 einmal den Vierteljahreskalender noch ein zweites Mal veröffentlicht, als der große Finanzierungsbedarf durch die Coronamaßnahmen erkennbar war. Aber das war eine absolute Ausnahme. Normalerweise ist diese Zuverlässigkeit, also ein ganz wichtiges Gut, was wir da auch einbringen müssen. Wir können jetzt nicht aus Spaß mal sagen 'Jetzt machen wir mal eine fünfzehnjährige Laufzeit' oder 'Jetzt machen wir eine achtjährige Laufzeit' oder irgendwie. Man muss dann schon sich dran halten an die Strukturen und an die Muster, die man selber dem Markt ja auch gegeben hat und der Markt erwartet dann, dass man die auch weitergibt.

00:36:41

Speaker 1: Ja, quasi eine Art von Glaubwürdigkeit oder sozusagen ... ja ...

00:36:49

Speaker 2: Genau. Da gehört natürlich auch dazu, dass man die die Anleihen über einen längeren Zeitraum aufstockt, dass man nicht jedes Mal einen neuen Marktzins festlegen kann, sondern man muss die Serie bis auf 15 oder 20 Milliarden aufstocken, damit die Handelbarkeit gesichert ist. Und dann muss man in Kauf nehmen, dass der Preis sich im Laufe der Zeit auch ändern kann, dass man dann Preisaufschläge oder -abschläge hat bei der Emission ...

00:37:13

Speaker 1: Jaa, verstehe. Und jetzt hatten sie vorher sozusagen - noch noch eine kurze Nachfrage - jetzt hatten sie vorher einerseits quasi von den unterschiedlichen Laufzeiten gesprochen, die ja sozusagen direkt eigentlich, darüber kann direkt entschieden werden vonseiten des BMF und der Finanzagentur. Aber was ja sozusagen an die, wie es dann um die Nachfrage an den Future- oder Repo-Märkten bestellt ist, darauf hat die öffentliche Hand nicht unbedingt direkt Einfluss, oder?

00:37:43

Speaker 2: Nein, das ist ein reiner privater Finanzmarkt, da haben wir überhaupt keinen Einfluss drauf.

00:37:49

Speaker 1: Ja, das heißt genau ...

00:37:50

Speaker 2: Man stellt die Papiere zur Verfügung. Wenn es einen zehnjährigen [Bund-, Anmerkung Expertin]Future gibt, muss man halt genügend zehnjährige Anleihen machen, damit es weiter den zehnjährigen Future geben kann.

00:37:59

Speaker 1: Ja, ja, okay, verstehe, ja wunderbar. Dann wären wir glaub ich soweit durch. Mit den, mit den Fragen genau, ich hab ja hab alles abgearbeitet. [...] Ja. Ich bedanke mich für ihre Zeit und für das Gespräch. Und genau das fand ich sehr informativ. Ich würde dann sozusagen noch nochmal auf Sie zukommen mit dem entsprechenden Transkript. Und genau dass wir das Weitere per Email dann einfach besprechen.

00:41:05

Speaker 2: Okay, ja prima, dann vielen Dank auch für Ihr Interesse am Schuldenmanagement!

00:41:14

Speaker 1: Vielen Dank. Tschüss!