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Public financing of the economy in a financialised context: A critical literature review

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Abstract. Since the 1990s, a growing body of literature has examined the role of the state in the economy within the financialised accumulation regime. However, despite the proliferation of such studies, this literature remains fragmented, with no real attempt to bring coherence to it. This article pursues three objectives. First, it offers a synthetic review of this scholarship and shows that the investor state and derisking state frameworks form part of a single research programme on the public financing of the financialised economy, and that they help to explain the persistence of financialisation despite its well-documented fragilities. Second, we show through two case studies that the instruments of public financing display strong long-term continuity. Third, we argue that what truly characterises financialised public intervention is not the instruments themselves but the techniques through which they operate and their position within the architecture of public action. This article thereby echoes recent calls for periodisations that articulate continuity and rupture rather than collapse one into the other.

Keywords: public financing, financialisation, derisking, investor state, finance

JEL Codes: E44, E58, G28, H81, N24, P16

Introduction

The starting point for much current research in political economy is the financialised context in which state action takes place. Western economies have indeed entered what Giovanni Arrighi (2010), drawing on Braudel, describes as a phase of financial accumulation. By extending and dividing the marxian MCM' schema, he shows that world-economies undergo successive cycles of commodity accumulation (MC) followed by financial accumulation (CM'). In this final phase, which has seen the financialisation of Western economies since the 1970s, economic agents are seeking new forms of 'enrichment' that bypass the 'roundaboutness' of investment and the production of goods, focusing instead on the valuation of existing goods (Boltanski and Esquerre, 2020).

Financialised accumulation and its fragilities

Research on financialisation has consistently demonstrated the coherence between liberalisation, flexibilisation and financialisation, with the terms sometimes being used interchangeably. In an institutional context where “profit occurs primarily through financial channels rather than through trade and commodity production” (Epstein, 2005), the focus of corporate executives on ‘shareholder value’ compels companies to ‘cut costs and distribute profits’. A large body of heterodox work has highlighted the fragilities of the resulting institutional arrangements - at the macro, meso and micro levels alike.

At the micro level of firms, the pressure exerted by financial markets on corporate executives to maximise shareholder value generates what Crotty (2003) terms the ‘neoliberal paradox’: non-financial companies must meet exacting profitability targets while simultaneously confronting intensified competition and a slump in demand – conditions they themselves have produced through wage cuts and workforce reductions. The reorganisation of production structures through offshoring temporarily sustained profitability and thereby fuelled financialisation (Milberg, 2008), but Baud and Durand (2012) demonstrated the fragility of this arrangement: as international cost-cutting opportunities are exhausted and new financial practices expose firms’ balance sheets to greater risk, the model reaches an impasse - as demonstrated by the 2008 economic and financial crisis.

At the meso level of sectors, similar dynamics are at work. In the pharmaceutical industry, for instance, financialisation drove leading firms to concentrate on their most profitable products (“blockbusters”), making innovation both more difficult and more costly (Montalban and Sakinç, 2013). Fligstein (2002) went so far as to predict that the conception of

corporate control centred on shareholder value, having emerged in the 1980s, would logically fade away with the next major crisis.

At the macro level, post-Keynesians have shown that the pursuit of financial profitability by firms caused the slowdown of capital accumulation (Stockhammer, 2004; Tori and Onaran, 2020). In a seminal article, Boyer (2000) questioned the very viability of a finance-led growth regime, identifying its internal contradictions as sources of structural instability.

Many approaches in political economy have thus highlighted the fragility and inconsistencies revealed by the financialised accumulation regime. In our view, while these observations are valid, other complementary factors justify the persistence of this regime, particularly those between finance and public policy. The persistence of financialised accumulation is explained by politics.

Persistence through politics: the state as a pillar of financialisation

Understanding the fragilities of financialised accumulation, however, does not explain its persistence. A decade or even two after this research, it is clear that financialised accumulation has become firmly established in developed countries. This is evidenced by the post-2008 development of research on the impact of financialisation on everyday life (Langley, 2020), as well as on the financialisation of public policies (Chiapello, 2017, 2020). How can we explain this consolidation and expansion, despite the macroeconomic fragilities of this growth regime? Following the institutionalist tradition, we reject any functionalist explanation: the economic inefficiency of the institutions of financialisation cannot explain their demise. Institutions are, above all, socio-political compromises, and their survival depends on the durability of these compromises (Amable and Palombarini, 2008). The persistence and expansion of financialisation must therefore be understood through the persistence of the compromises that sustain it - compromises that find expression in public policies which both acknowledge the financialised context and actively reinforce it. In this article, we argue that the state plays a decisive role in this process: far from being a passive bystander to financialisation, it is one of the institutional pillars that enables its reproduction.

But what, specifically, does the state do? Our answer centres on the financing of the economy, that is to say, the range of means by which the state meets the financing needs of economic agents and, thereby, their demand for liquidity. The financialised regime is indeed characterised by an intensified quest for liquidity (Arrighi, 2010). Minsky's assertion (1957) that, in the financial sector, institutional change stems from economic agents' quest for liquidity

is all the more true in a financialised context where financial actors carry greater weight, and where non-financial actors adopt their practices. The state has then played the role of provider and guarantor of liquidity, ensuring that economic agents can access funding and that financial assets remain tradable. It is this specific function - the public provision and guarantee of liquidity - that lies at the heart of the state intervention in financialised regimes. We propose a critical literature review of frameworks that address seriously this function of the state.

The state and financialisation today: the investor state and the derisking state

While French Regulation theory has long examined how state-economy relations are reconfigured under financialised accumulation — notably through analyses of public expenditure (André and Delorme, 1983) and the marketisation of public debt (Lemoine, 2017; Théret, 2016) – it has paid less attention to the broader transformation of the instruments through which the state finances the economy. This gap has been partly filled by more recent frameworks. Since the 1990s, a rich body of scholarship has sought to conceptualise the new forms of state intervention in the economy - from the European “regulatory state” (Majone, 1994) to the French “post-dirigiste” state (Clift, 2012) for instance. Here, we focus specifically on the role of the state in the financing of the economy. We distinguish between two domains of intervention: that directed towards non-financial firms and that aimed at sustaining the activities of financial firms and financial markets. Reviewing the ‘figures’ of the state proposed in the literature, we argue that two recent frameworks - the investor state (Lepont and Thiemann, 2024) and the derisking state (Gabor, 2021) – are particularly well-suited to understanding financialised public intervention.

On the one hand, the investor state acknowledges the “financialisation of public policies” (Chiapello, 2017, 2020) and the way in which financial mechanisms have come to lie at the heart of the state itself. In this perspective, the state adopts the investor’s perspective. Rather than financing firms through direct subsidies, it deploys financial instruments designed to steer private capital towards public policy objectives. Public development banks play a central role in this new architecture, operating at the interface between public policy and financial markets, and investing using funds borrowed from those markets (Mertens and Thiemann, 2018). A key function of public investment in this paradigm is to act as a signal to private finance, notably by ‘de-risking’ private investments. The derisking state framework, rooted in the “critical macro-finance” school (Dutta et al., 2020; Gabor, 2020) addresses the other side of this relationship: public intervention directed at financial firms and infrastructures. Gabor (2021) showed how the contemporary financial system depends on the systematic

derisking of asset classes by governments and central banks - that is, the use of public resources to reduce the risks borne by private investors. This literature draws particular attention to the financial infrastructures through which it operated, and to the 'infrastructural power' that it confers upon private finance (Braun, 2020; Braun and Gabor, 2020). Where the investor state literature foregrounds the state's adoption of financial logics and the financing of non-financial firms, the derisking state highlights the infrastructural dependence it creates between financial firms and the state.

A critical literature review: historicising public financing of the economy

Taken together, these two frameworks form part of what we regard as a single research programme: understanding how public financing of the economy has been transformed under - and has fuelled - the financialised regime of accumulation. The investor state literature, rooted in comparative political economy, and the derisking state literature, rooted in critical macro-finance, rarely engage with each other's findings. Our first objective is therefore to provide a synthetic review of this research, demonstrating its coherence as a unified account of state intervention in the economy.

Our second objective is critical. For all their analytical power, both literatures share what we see as a common shortcoming: they measure the novelty of current public intervention against an idealised image of the Fordist-Keynesian period that is never itself examined. In these accounts, the state of the 1950s and 1960s intervened in Western economies through large-scale direct public spending, major investment plans and public monopolies – a “positive state” (Majone, 1997), a “Keynesian state” (Lepon and Thiemann, 2024) conducting policy notably through “direct” monetary instruments (Braun and Gabor, 2020). Current intervention is then defined by contrast: indirect rather than direct, market-based rather than administered, leveraging private capital rather than allocating public funds.

In their review of the emerging 'state capitalism' scholarship, Alami and Dixon (2020) identified an analogous difficulty: without proper periodisation, the concept of state capitalism risks becoming an empty signifier, applicable to virtually any form of public intervention in the economy. They call to historicise state-economy relations. This historical 'roundabout method of understanding' has already been undertaken most notably by Eric Monnet (2023) who demonstrated the strong continuity of state intervention instruments in the allocation of credit from the 19th century to the present. Monnet's central finding is that the financial techniques deployed by the state to influence the development and allocation of credit show remarkable

persistence across very different regimes. What changes is not the instruments themselves but their orientation, their weight within the institutional architecture, and the regime within which they operate. Building on this insight, we argue that it is not the instruments of public financing that are indicative of financialisation, but rather two dimensions of their transformation: the techniques they employ (increasingly requiring the intermediation of private financial actors) and their position in the hierarchy of public financing mechanisms (financialised instruments have risen from secondary to dominant).

The article is structured as follows. Section 1 reviews the literature on public financing directed at non-financial corporations, tracing the shift from the regulatory state to the investor state and the new instruments it deploys. Section 2 examines public intervention directed at financial firms and markets, from the transformation of monetary policy to the derisking state framework. Section 3 draws on economic history to demonstrate the long-term continuity of public financing instruments and to argue that what distinguishes financialised intervention is not the instruments themselves but their institutional position.

From the regulatory state to the investor state: Financing non-financial corporations

This first section describes how public financing of non-financial firms operates in a financialised context. We trace the shift of political economy perspectives on state action, from the regulatory state of the 1990s to the investor state that has crystallised since 2008. We then examine the instruments through which this new configuration operates, before turning to the organisations - public banks in particular - that have become its central operators.

The return of the state in political economy

In political science, the transformations of state action that accompanied the crisis of the Fordist mode of regulation were first analysed through the lens of the ‘regulatory state’. Drawing on Musgrave’s distinction between the three functions of economic policy, Majone (1997) argued that the redistributive and macroeconomic stabilisation functions had declined in favour of ‘deregulation’, which in practice amounted to a regulatory shift accompanying privatisations. The connection between privatisations and the growing importance of regulatory agencies constituted one of the central findings of the literature surrounding what David Levi-Faur (2005) subsequently developed as “regulatory capitalism”. While organising competition in markets formerly governed by public monopolies, the state consolidates public

finances (Streeck, 2014). Regulatory agencies become the central public actors of this new institutional architecture (Majone, 1997; Vauchez, 2024), enabling the state to have private actors that carry out tasks rather than performing them directly (Schmidt, 2009). It is therefore ‘through’ the markets that the state attempts to govern the economy and practices, thanks to these agencies.

This framework remains relevant, but it has been complemented in recent years by new conceptualisations of public intervention. Since the 2008 crisis, the political economy literature has increasingly focused on the revival of the state. Concepts such as ‘state capitalism’, previously reserved for the study of the Global South, have been applied to new Western contexts, albeit covering often very different realities (Alami and Dixon, 2020). Research has also focused on the financing of firms through public programmes without any real conditionality. Bulfone *et al.* (2023) use the term ‘corporate welfare state’ to account for the ECB’s highly accommodative policies towards financial firms, the privatisation of major public monopolies and local policies designed to attract investment from large firms. In France, the indirect funding of businesses through social protection mechanisms developed from the 1970s onwards (Bürbaumer and Pinsard, 2025).

Within the institutional literature, Vivien Schmidt’s (2009) call to ‘bring back the state in’ has inspired a wave of studies on the shift from “*faire faire*” to “*faire avec*”. As public policy mechanisms for engagement with private actors proliferate, a new layer is added to that of the regulatory state. In the field of energy policy, for instance, some have spoken of a “catalytic state” to characterise the new forms of partnership between the state and businesses: rather than merely organising and allocating roles from the top-level agencies (regulatory state), the catalytic state organises networks of producers (nodal function) and channels financing (treasury function) through financial instruments designed to generate leverage effects (Prontera and Quitzow, 2022).

More recent work has shifted the focus from the state’s central role in managing the economy to public finance as a whole. In our view, the literature on the investor state (Lepont, 2024; Lepont and Thiemann, 2024) captures these dynamics most comprehensively. Beyond, “*faire avec*”, this literature takes seriously the findings on the financialisation of public policies (Chiapello, 2017). Here financialisation rests, on the one hand, on the power seized by financial actors in the accumulation process (Krippner, 2005) – a power that is both cause and consequence of the “*faire avec*” logic. The “infrastructural power” of finance (Braun, 2020) results from the entanglement of public policies with financial instruments, and in turn creates

the conditions for its further deepening. On the other hand, financialisation also implies that the state itself adopts the ‘investor’s perspective’ in public action. Even when acting alone, the state now deploys calculation and valuation mechanisms drawn from finance. This dual movement resolves the apparent paradox of a resurgence of public intervention against a backdrop of fiscal austerity: the state intervenes more, but does so through financial logics that constrain the fiscal footprint of its action. To finance firms, this investor state deploys a distinctive set of instruments and organisations.

Financialised instruments

The investor state does not invent instruments *ex nihilo*. It adapts existing tools to the financialised context, and three of these deserve particular attention: guarantees, (co-) investment and (co-)financing. While distinct in their mechanics, these instruments share a common logic: they aim to mobilise private capital by leveraging a limited amount of public money, and they position the state as a signal-giver to private markets rather than as the primary financier. It is on guarantees that the literature has focused extensively. As a new financial instrument emblematic of financialisation, guarantees aim to maximise the return on a small amount of public money which, through leverage, enables the mobilisation of a large amount of private capital (Buffa et al., 2021). Guarantee funds, particularly in Europe, have become the preferred tools of ‘derisking’ states (see section 3). It is through this type of mechanism that the EU intends to ‘green’ its industrial production (Gabor and Braun, 2025; Prontera and Quitzow, 2022) . It targets both non-financial corporations (NFCs) and financial firms, whose aim is to mobilise liquidity.

Investment is an instrument particularly highlighted in the literature on the “investor” state (Lepont 2024). Public investment must embody ‘good’ public spending and, like guarantees, act as an ‘anchor investor’ signal (Mertens and Thiemann, 2018), orienting the market towards public policy objectives. France’s establishment of a sovereign wealth fund in 2008, later integrated into the Public Investment Bank, illustrates this logic (Lepont 2024). Finally, co-financing is the financialised form of public lending. The state lends directly to firms alongside a private partner, again with the aim of mobilising private savings. Like other mechanisms, public lending can act as a signal (Martí and Quas, 2018). Far from being a mere relic of the proactive Fordist policies, co-financing today involves substantial flows¹ and relies

¹ In 2019, for example, total loans granted by the Public Investment Bank in France accounted for 3.5 % of total corporate lending, a level higher than the previous peak in 1983 (3%), at the height of the state-subsidised lending policy (Amiotte Suchet, 2025a) .

on public banks - historic institutions of the European financial ecosystem that the financialised regime has endowed with a new role.

New players: public banks

Within this financialised ecosystem, public banks have re-emerged as the main operators of public financing policies (Mertens et al., 2021; Monnet et al., 2019). So much so that public banks are sometimes seen as the spearhead of the ‘entrepreneurial’ state in a functionalist perspective. By “creating and shaping” markets (Mazzucato and Penna, 2016), these banks and the instruments they deploy appear ideally suited to addressing social and environmental challenges (Mazzucato, 2021; Mazzucato and Semieniuk, 2018). Whilst this literature details the various modes of action of public banks and their merits, it does not put the recent interest surrounding them into perspective.

In our view, the current prominence of public banks is best understood as a continuation and extension of the regulatory state rather than a break with it. Their return to favour confirms that the new form of public intervention layers itself onto the regulatory state through a process of institutional sedimentation familiar to institutionalists (Streeck and Thelen, 2005). Public banks function, in effect, as the typical agencies of the investor state. Positioned at the interface between the public and private spheres, they operate autonomously, enlist private actors and preserve the competitive order of markets. Like the agencies of ‘regulatory capitalism’, they are staffed by actors whose careers span the state and private financial firms. It is this intermediary role with the world of finance – and the direct market access it enables – that explains their centrality in financing the European economy (Mertens and Thiemann, 2018). Their homogeneity, the consistency of their structures and their modes of operation with the organisational forms legitimised by the European regulatory state, lead Mertens *et al.* (2021) to speak of a European ‘field’ of public banks. “Market-based but state-led” (Mertens and Thiemann, 2018), these organisations operate at the interface between the public and private sectors, but also at the interface between businesses and financial institutions.

Governing through finance? Public financing of financial firms and the derisking state

Beyond the financing of non-financial firms examined in the previous section, public policy towards financial firms has itself been reshaped by the financialised accumulation regime. This section reviews the literature that has examined this reshaping, and shows that it converges on

two central insights. First, the state increasingly governs the economy through finance, delegating public policy objectives to financial markets and instruments. Second, this delegation is not a passive subordination of the state to finance but an active choice, reflecting a shared understanding - between public authorities and financial actors - of the role finance should play in the socio-economic system. The concept of 'derisking', developed by Daniela Gabor (2021), has emerged as the most comprehensive framework for capturing this dynamic.

The rise of financial actors since the 1990s

A central feature of the financialised accumulation regime is the reversal of the institutional hierarchy in favour of the monetary and financial system (Boyer, 2023). Krippner's (2005) seminal article defines financialisation as a new dynamic of accumulation in which profit is realised primarily through financial channels rather than through trade, enabled by the growing influence of banks, brokerages and financial firms. The empirical weight of this shift is well documented: Artus (2012) shows that between the late 1990s and the early 2010s, both the share of financial services in eurozone GDP and the share of financial profits in total national profits rose sharply. Scialom (2019) similarly documents a growing disconnect between the financial and real spheres, noting that the assets of a single large bank may exceed ten times the GDP of its home country.

The explosion of the financial sector since the 1990s has thus led to profound changes in the economic structure of European countries. Boyer (2009) for instance identifies its effects on taxation and on the central bank's role, but his study of the latter remains brief, confined to interest rates and lender-of-last-resort functions. A richer account of the relationship between the state and financial firms has come from a different strand of political economy, to which we now turn.

From the primacy of monetary policy to the infrastructural entanglement of public and private finance

State–economy relations in the monetary and financial sphere are structured by what the literature calls “liquidity policies” (Lemoine, 2024; Pape, 2020): through fiscal and monetary instruments, the state ensures the liquidity of financial markets (the tradability of certain financial assets).

The critical macro-finance school has paid the closest attention to how these policies have changed since the 2000s (Dutta et al., 2020). Drawing on a Minskyan tradition, it studies

economic agents through the payments system and their balance sheets (Murau and Pforr, 2020). Its guiding question, as Dutta *et al.* (2020) put it, concerns how the payments system works, how agents manage liquidity, how monetary policy is implemented, and how central banks underwrite the whole process. Extending the regulationist concept of a regime, Pape (2020) proposes to study 'liquidity regimes' as the public–private arrangements that govern the coherence of the payments system at a given time, foregrounding the interplay between public and private actors in the construction of financial liquidity.

Braun (2020) and Braun and Gabor (2020) provide a historical perspective on this shift. Central banks, they argue, have always intervened through two channels: regulation and direct monetary instruments on the one hand, market-based and indirect instruments on the other. The regulatory channel dominated in the 19th and 20th centuries, and direct instruments – interest rate ceilings and credit controls – remained central after the Second World War. From the 1980s onwards, however, monetary policy became increasingly indirect, relying on market instruments and practices imported from the private financial sector (Braun, 2020). Paradoxically, this market turn did not reduce the entanglement between public authorities and finance; it deepened it. By operating through markets, central banks became dependent on the banks and financial actors who structure those markets. Braun (2020) demonstrates this for the United States and the eurozone through the repo and securitisation markets. Gabor and Ban (2016) reach similar conclusions for the eurozone: from the 2000s, the ECB used the repo market to conduct its price stability policy, and by defining the securities it accepts as collateral it became a *de facto* liquidity provider for the currency area.

Building on these findings, Braun and Gabor have developed an increasingly comprehensive framework linking monetary policy, financial firms and the infrastructural power of finance. In a macro-financial regime where monetary policy is independent and fiscal policy is constrained, they argue, monetary policy has played a decisive role in the rise of shadow banking – the defining feature of financialised capitalism (Braun and Gabor, 2020). The growing reliance on indirect, market-based monetary intervention has endowed private financial actors with infrastructural power over public ones, as monetary policy is channelled through the collateral used in interbank markets.

More broadly, public authorities increasingly 'govern through financial markets' (Braun *et al.* 2018): public policy objectives are pursued through indirect political means mediated by financial instruments. The European Capital Markets Union project is a textbook illustration,

seeking to shape a European financial system in which the financing of the economy rests on market-based finance.

From monetary to fiscal derisking

The concept of 'derisking' has gradually emerged as the unifying category of this framework. It designates the general principle of public intervention in the financialised regime: the state mobilises private capital by reducing the risk that investors bear when they commit funds to a predefined sphere of action. Public backing makes private investment appear less risky, and thereby more attractive.

The concept was first theorised in works analysing the Global South. Gabor (2021) describes the “Wall Street Consensus” that followed the Washington Consensus: development policies are now driven by finance and organised around the financial derisking of private investment, with private finance placed at the core of development itself. Subsequent work has shown that derisking policies are equally central in the Global North (Gabor, 2023), particularly in the context of ecological transition (Prontera and Quitzow, 2022).

Derisking initially designated a monetary logic. By accepting certain financial securities as collateral in its refinancing operations, the central bank guarantees a given level of liquidity to financial actors and thereby underwrites the viability of the financialised system. Government bonds sit at the heart of this liquidity policy, which plays a major role in the expansion of finance and displays a strongly pro-cyclical character (Gabor, 2020, 2023). More recently, however, Gabor and Braun (2025) have extended the concept to fiscal and regulatory policy: governments, not only central banks, derisk private investment through public–private partnerships, public guarantees and investment plans. Their recent work on green transition policies illustrates this extension, distinguishing four macro-financial regimes based on the degree of discipline imposed on private capital and the scale of public spending on green investment. The expanded framework has the merit of moving beyond a dichotomy between the central bank and the state, showing how derisking operates across the full range of public intervention – and, in doing so, it converges with the instruments highlighted by the literature on the investor state.

Ultimately, the derisking framework foregrounds the priority that public authorities now give to mobilising private capital—echoing the logic of the investor state—and, in doing so, shows how the public sector has tied its own hands by making itself dependent on private financial markets. Yet this dependence is neither unilateral nor passive. As Massoc (2022) has

shown, the structural power of major national banks is partly permitted and actively driven by states seeking to promote their national banking champions: European states are not simply subject to private finance but pursue geo-economic strategies through it. The literature on the infrastructural power of finance thus ultimately highlights a deep interdependence between the state and the financial sector, sustained by representations shared across the public and private spheres regarding the utility and role of finance in the socio-economic system.

The success of the derisking concept has not shielded it from criticism. Authors have questioned whether, during liberal and Keynesian periods, the objective was not already to mitigate risk. This has given rise to a recent strand of literature on state-economy relations, characterised by the adoption of a historical perspective in order to contextualise and question what is presented as the distinctive feature of the current intervention of public authorities in the economy.

Historicising public financing: Continuity of instruments, transformation of techniques and hierarchies

The previous two sections reviewed the literature on the public financing of non-financial firms (the investor state) and on public intervention directed at financial firms and markets (the derisking state). Together with the older literature on the regulatory state, these frameworks offer powerful accounts of how the state operates under the financialised accumulation regime. Yet, as we argued in the introduction, they share a common shortcoming: each contrasts its analysis of the present with an idealised image of Fordist-Keynesian intervention. This section undertakes the historical examination we believe is missing from these accounts. Drawing mainly on economic history, we show that the instruments presented as hallmarks of financialised public intervention have a much longer pedigree - and that what has genuinely changed is not the instruments themselves but their techniques and their place within the institutional architecture of public financing. The argument echoes a broader call, formulated by Alami and Dixon (2020) in this journal, for periodisations that can articulate continuity and rupture rather than collapse one into the other.

The implicit Fordist benchmark

Each of the literatures reviewed in the preceding sections constructs, explicitly or implicitly, an ideal-type of post-war state intervention against which the novelty of contemporary public financing is measured. This ideal-type appears under different labels: the “positive

state” (Majone, 1997), the “Keynesian state” (Lepont and Thiemann, 2024) and direct monetary policies (Braun and Gabor, 2020).

- The ‘positive state’: drawing on Musgrave’s categories, Majone (1997) describes it as a combination of redistribution and macroeconomic stabilisation achieved through a set of direct financing policies (subsidies, transfers) and production policies (public monopolies). The actors are public enterprises and the civil servants who administer them.
- Lepont and Thiemann (2024) emphasise the direct financing of industry, via subsidies and public investment, within the “traditional Keynesian state”. Here too, civil servants in central government are the actors allocating public funds, designing government programmes modelled on the French Plans.
- Direct monetary policy, as Gabor and Braun (2020) stress, operates through interest rates rather than asset purchases, and through public investment rather than financial guarantees of public-private partnerships.

The picture is consistent across these literatures: from the 1940s to the 1970s, the state financed the economy through large-scale direct spending, administered credit and public ownership. Contemporary intervention is then described by contrast: indirect and market-based. State financing between 1945 and the 1970s cannot, however, be reduced to the public budget and direct monetary policy. Credit regulation in specific sectors, for example, played an essential role in France, with the Banque de France acting as a rediscount office (Monnet, 2018). As Monnet (2023) also asserts, we believe that a detour through economic and financial history weakens the opposition between current instruments and those that supposedly characterised a golden age of dirigisme, prior to financialisation. He for instance notes:

In this historical perspective, financial instruments and the financialisation of public investment hardly seem new, but rather a set of techniques that has accompanied different regimes (Monnet, 2023, p. 4)

What changes, then, is not the instruments of public financing but their associated techniques, their weight relative to other instruments, their modes of legitimation and the regimes within which they operate. It is therefore by recontextualising the use of public financing instruments within the macroeconomic regime in which they operate and their legitimisation that we can understand how they accompany the financialisation of public policies. This finding has implications beyond the case of credit: Monnet (2023) shows that the same instruments - guarantees, liquidity provision - can be reoriented during regime changes,

even as the instruments themselves remain formally similar. This brings us to a well-documented tension in economic history - at the heart of the historical institutionalist research agenda (Streeck and Thelen 2005) - between continuity and rupture. The methodological implication is significant: one cannot read the financialisation of public action off the instruments themselves. Conversely, re-situating the instruments within the regimes of state intervention allows us to understand the apparent paradox of the instruments' longevity despite historical changes. We develop this idea below through two examples: the French public guarantee for SME financing, and European investment policy since the 1960s.

Tracing public financing instruments across regimes: two case studies

The guarantee scheme for SMEs financing in France

The guarantee for business financing now sits at the heart of public financing and, in particular, of derisking strategies. At the European level, the European Fund for Strategic Investments (EFSI) illustrates the centrality of guarantee (Prontera and Quitzow, 2022). In France, the guarantee is primarily managed by Bpifrance, the French public investment bank. In 2024, for instance, Bpifrance guaranteed 3 % of total loans to non-financial corporations. In the context of the derisking state described above, the primary target of guarantee policies is, in fact, financial firms, which are responsible for mobilising private capital. Yet, although the guarantee took its current financialised form in the 1980s, it has a much longer history (Amiotte Suchet, 2025b). As early as the post-war period - at the heart of the so-called dirigiste or Keynesian era - it was already a key institution of public economic financing, sitting halfway between fiscal and monetary derisking.

From 1945 onwards, a public organisation, the *Caisse nationale des marchés de l'Etat* (National Fund for State Markets, CNME), was authorised to guarantee loans to firms across all sectors of the economy. As a public body funded by the Treasury, it 'guaranteed' loans to businesses, particularly small and medium-sized enterprises. The risks associated with these loans were then borne, for the most part (typically 75 %), shielding banks from default. Crucially, its endorsement also made these loans eligible for rediscounting at the Banque de France, drawing the monetary authority into the chain of guarantees. This is where monetary derisking entered the picture: the loans fell into the post-war category of callable medium-term loans ("*crédits à moyen terme mobilisables*" (Feiertag, 2006)), a major channel of industrial lending. Banks could draw on representative bills of exchange that the Banque de France would exchange for cash, effectively monetising guaranteed credit. This system of CNME-guaranteed

callable loans gradually dissolved at the turn of the 1970s and 1980s. From the late 1980s, a new type of guarantee emerged. It was simpler for banks to mobilise, since it no longer required validation by a mutual guarantee society from the relevant industrial sector. The new guarantees were allocated to dedicated funds, to which a multiplier coefficient was applied, making the maximum volume of private capital mobilised easy to calculate. The “public guarantee” instrument is therefore not new, but its forms have changed significantly. Post-war guarantees relied on mutual guarantee societies (corporatist bodies rooted in specific industrial sectors) and the rediscounting of guaranteed bills could only operate through a public intermediary. Today, guarantee funds delegate substantial decision-making power to financial actors, who can trigger the guarantee process by delegation. The asset purchase programmes that have proliferated since 2008 dispense with public intermediation altogether, removing any mechanism through which the funding could be channelled back into the public sector. The same instrument (a public guarantee) thus operates through fundamentally different techniques: from a corporatist intermediation that anchored credit in sectoral structures, to a delegation to financial actors that turns the guarantee into a pure leverage device.

Public guarantees for corporate financing are therefore not specific features of the derisking state or of financialised intervention. As an institution for the governance of risk-taking in capitalist economies, they have long served both financial and non-financial actors. What has changed is the technique through which they operate and the role they play within the broader architecture of public financing.

European investment policy

Alayrac and Thyraud (2024) trace the long history of the European investor state and its co-evolution with European integration. By distinguishing three “ages” of European investment policy, they show how a single policy has been reshaped by successive institutional and macroeconomic transformations since the 1960s. Their focus on actors and instruments reveals that the same policy instrument can be deployed under fundamentally different modes of legitimation, depending on the prevailing ideological framework.

Loans to companies, for instance, were the main instrument of European investment policy in the 1950s, legitimised within a post-war interventionist and dirigiste paradigm. When European investment policy began to shift in the 1960s and 1970s, loans did not disappear; they were rationalised through the cost–benefit analysis characteristic of that period. From the 1990s onwards, loans persisted once again, but this time as instruments deployed to derisk financial

investment and steer private capital. Across three regimes, the same instrument—the loan—was successively justified as a tool of dirigiste planning, of economic rationalisation, and of market-mediated derisking.

This trajectory highlights the interplay between the long-term continuity of a policy and the incremental changes that gradually reshape its meaning. Viewed from the perspective of public policy instruments, European investment policy has a long history reaching back to the origins of post-1945 European integration. Yet a close examination of the justifications for public intervention - and of the resulting relationships with private capital markets - reveals that the same policy is accompanied by different modes of public intervention depending on the historical period. As Alayrac and Thyraud (2024) conclude, older instruments did not disappear as new eras of public investment emerged; they have been re-problematised and incorporated into new ways of conceiving public action.

The two examples converge on a single conclusion. The instruments of public economic financing are not new: guarantees and loans have anchored state intervention since at least the mid-twentieth century. What has changed is the technique through which these instruments operate, the weight they carry within the broader architecture of public action, and the modes of legitimation that surround them. Three shifts can be identified. First, contemporary techniques systematically delegate operational decision-making to private financial actors: guarantees are triggered by delegation, loans are co-financed with private partners, monetary policy is conducted through collateral defined by market practices. Second, financialised instruments occupy a far more prominent position in the overall mix of public intervention than they did in the post-war decades, when they coexisted with direct subsidies, public ownership and credit rationing. Third, the legitimation of public intervention has shifted from explicitly dirigiste or planning rationales to leverage and signal-based justifications, in which the public sector is valued for its capacity to attract private capital rather than to allocate resources directly. The persistence of financialisation, as we argued in the introduction, is sustained precisely by the fact that older instruments have been repurposed within a new political compromise. Understanding that repurposing requires the long-term historical perspective that economic history makes possible, but that political economy too often forgoes.

Conclusion

The aim of this critical literature review was twofold. On the one hand, to bring coherence to a fragmented body of scholarship on the transformations of state intervention - allowing to

understand what drives the persistence of financialisation. Read together, both investor and derisking state literatures describe two faces of a single phenomenon: the importance of public financing in financialised economies. Together, they account for the otherwise puzzling persistence of financialisation despite its well-documented macroeconomic fragilities: rather than retreating in the face of these contradictions, the state has consolidated the financialised regime by becoming one of its institutional pillars. On the other hand, drawing on recent work in economic history and on two case studies, we showed that the instruments presented as hallmarks of financialised intervention have a much longer pedigree.

This argument has implications beyond the specific frameworks reviewed here. It echoes the call formulated in this journal by Alami and Dixon (2020) for periodisations that articulate continuity and rupture rather than collapse one into the other. It suggests that the analytical purchase of concepts such as the investor state and the derisking state depends on their being situated within a longer historical trajectory of state–economy relations - without which they risk reproducing the conceptual inflation that Alami and Dixon identified in the state capitalism literature. It also points to a methodological orientation: financialisation cannot be read off the instruments of public action themselves; it must be located in their techniques, their relative weight and their modes of legitimation.

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