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The Financialization of Social Policy: An Overview

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[1] Forthcoming in 2022 in the *Handbook on Critical Political Economy and Public Policy* in the Elgar Original Reference series of Edward Elgar Publishing, edited by Ana Garcia, Christoph Scherrer and Joscha Wullweber.

1 Social Policy in the 20th Century

The main revolution of the 20th century was making the right to social protection into a common good, the right of everyone, overcoming the stigma of assistance for the poor. The right to health, education and vocational training, housing, safety and security, and a minimum monetary income for survival in a market economy progressively expanded the scope of protection and enriched the semantic field of social policy. Through social struggles and the needs raised by the expanded reproduction of capitalism itself, social policy moved forward, expanding the range of demands in favor of universal provision of a set of decommodified goods and services – to ensure individuality without subordination, promote equality of opportunities, and impede forms of socially devalued status – and the primacy of prevention – to avoid or reduce loss of provisions during systemic crises or personal misfortunes.

The hugely diverse welfare systems thus have been ascribed two main roles. First, to guarantee some degree of socioeconomic security throughout the life cycle to prevent the loss of welfare infringed by certain risks (unemployment, illness, widowhood, poverty, accidents) on families and individuals, which could end up jeopardizing their autonomy and future. Second, to stimulate the development of productive forces by ensuring smooth consumption and thus economic stability, working to counteract the harmful effects of crises inherent to the expansion and metamorphoses in capitalist accumulation cycles.

Throughout the 20th century, the backdrop that engendered collective rights was precisely the prevalence of a wage-earning society. When individuals without property in wage-earning societies acquired rights by virtue of participating in a collective that gave them an identity and protected them, they gained a social existence that assured them autonomy from the markets.

The Keynesian welfare state (Jessop 1993) or the age of welfare capitalism of the 1950s to 1970s was an exceptional innovation, with its logic rooted in the disassociation between individual welfare and revenue from work or assets, to maintain aggregate demand at a satisfactory level in periods of shrinking economic activity and allow for permanent expansion. It enabled consistently full employment.

These seminal ideas also echoed in the developing economies, as occurred in many Latin American countries (Mesa-Lago 2005; Fleury 1994). However, this occurred with great heterogeneity. In a pioneering region in the introduction of social insurance, the complementarity between social policy and economic policy was never complete to the point of providing universal coverage of the population. These systems remained incomplete and unrefined (Lavinas & Simões 2015). As highlighted by Lo Vuolo, "the importance of the informal economy, the heterogeneity of the production system, the ethos of social insurance, the dilemmas of horizontal solidarity, the hostility of powerful political actors to universal policies, the regressivity and deficiencies of tax systems and an inability to control evasion and verify incomes" (2015:34) reinforced negative complementarities between the economy and social protection systems in Latin America. This explains why social policies had a very limited redistributive impact during the State-led industrialization regime in the region.

With the end of the Fordist regime and transformations in the labor market due to innovations in the production process and the advent of the neoliberal logic, social policy's role was progressively redefined on a global scale. Beginning in the 1980s, the idea of social protection for all retreated in the name of the prioritization of the fight against poverty through targeted programs. Rather than directly serving a set of contingencies and needs for the entire population, the new rule was that the State should limit itself to protecting the poor (Lavinas 2018a), as if a paradigm from the past had resuscitated in a new context and under moral arguments that preclude criticism: who could oppose the fight against poverty occupying the top of the social agenda?

A subsistence monetary income was assured for those truly threatened by acute deprivation, on condition that they prove their sincere intention to enter the labor market and meet other requirements, the purpose of which was to stimulate individual responsibility in the relationship with the market. It was up to the State to merely promote (Gilbert 2002) this process of "autonomization" by the market[2], and no longer via citizenship.

[2] As put by Guilbert (2002), "public support for private responsibility".

The scope of social policy also shrank considerably, with the predominance of targeting and the multiplication of conditionalities and eligibility criteria. The goal was to reduce public spending, giving way to private provision to contain the so-called "fiscal crisis". Given the new difficult-to-predict risks in a globalized economy, the claim was that national social protection systems were no longer capable of providing effective solutions. Instead of decommodifying, the attempt was to recommodify. Social insurance reforms accompanied the flexibilization and precarization of employment. Working families' savings were gradually shifted to individual capitalization accounts. The coverage of unemployment insurance was limited, while the criteria for qualifying to the benefit increased. Growth was no longer a priority, replaced by the control of inflation and constraints on any expansionist fiscal policy. Redistribution was sacrificed (with overall tax cuts, especially for the wealthy, unburdening capital) and came to be viewed as the cause of major inefficiencies and harmful to competitiveness, now promoted to a top priority issue due to globalization (Lavinas 2018a). The apologia of privatization of public services replaced the ideals of universal and free access.

In countries of the Global South, where the State's fiscal capacity is low since the tax burden is generally small, microcredit became the principal mechanism to discipline individuals (Bateman & Maclean 2017), holding them accountable for their current choices and future opportunities. Microcredit occupied the vacuum in social protection systems or filled the gaps of their imperfections and incompleteness. Rather than "risk-sharing", the rallying cry became "risk-taking", associated with the idea of prosperity.

While social policy was strongly complementary and expansive in times of Fordism and residual in times of the Washington Consensus, it now assumed new functionalities with the advent of financialized capitalism. In this new phase of capitalism, dominated by finance, social policy underwent significant transformations as both affected by and serving as a mechanism for the development of this new regime of accumulation. The sphere of social reproduction became one of the new frontiers in capitalist expansion under the dominance of financial markets.

2 Featuring Financialization

Various authors (Fine 2013a; Sawyer 2013; Mader *et al*. 2020) identify in the work of Harry Magdoff and Paul Sweezy (1987) the first references to a gravitational shift in the economic system towards finance.

The primacy of financialized capitalism has governed economic and social restructuring over the last decades (Fine 2013: 59). Finance-dominated capitalism tends to inhibit economic growth while exposing the extraordinary progression of financial wealth through the "multiplication of the means of organizing claims of indebtedness" (Durand 2017:66). Ranging from 100% to 200% of world GDP in 1975, according to estimates, in 2015, the various forms of fictitious capital (stocks, bonds, dividends, capital gains) reached nearly five times the global GDP. The public debt, private debt of firms and households, and countless forms of capitalization (anticipation of capital valorization) on the capital market, besides financial intermediation (fees and commissions), engender financial profits on an unprecedented scale, grabbed by holders of financial bonds (that is, of a future right).

Households were drawn in by the logic of indebtedness when faced by a scenario of relatively stagnated salaries and the State's pullback from the provision of previously decommodified services. Successive labor reforms, eliminating rights and precarizing employment in keeping with austerity policies, deteriorated households' living conditions and pushed them into the heavily expanding credit markets. Even in countries that recorded real wage increases, as in Brazil from 2004 to 2014, the unprecedented growth of countless modalities of individual credit turned the country into a safe place for immediately meeting a set of basic needs via the financial market, thereby sustaining the aggregate demand. In addition to increasing the degree of households' indebtedness, which became another inherent dimension of financialization, the literature highlights the dissemination of an ideology focused on encouraging "self-entrepreneurship". This ideology not only undermines subjective solidarity-based social foundations, but also holds individuals solely responsible for their eventual successes or failures (Lazzarato 2012; Montgomerie 2020; Aitken 2020; Lapavitsas 2009).

Thus, how does one define financialization, considering it as a multifaceted phenomenon with a rapidly spreading scale and scope?

There is agreement today that the field still lacks a robust theory of financialization. This explains why financialization is not defined by any single concept (Stockhammer 2007; Van der Zwan 2014; Thomson & Dutta 2015). Rather, it comprises an array of empirical features and processes that paint a portrait of a new regime of accumulation in which macroeconomics and economic policies are increasingly dominated by the rationale of financial capital (Palley 2013), with particularly detrimental effects on labor, productive investments, and the economy in general, as well as on daily life (Martin 2002). Financial markets, financial actors, and financial institutions (Epstein 2005) are seen to gain influence over the real economy. Yet, as highlighted by Ben Fine, financialization is not only a matter of the greater weight of finance, but also "its greater scope of application" (2009:5), thus extending "its influence beyond the marketplace and into other realms of social life" (Van der Zwan 2014:101). Those directly affected are not only firms, but also ordinary households.

Therefore, financialization should be understood as a new dynamic of capitalist relations or a new stage of capitalism's development (Sawyer 2016). In Gretta Krippner's influential interpretation, financialization is "the tendency for profit making in the economy to occur increasingly through financial channels rather than through productive activities" (2012:4). The author also recognizes other definitions, such as those casting financialization as "the ascendancy of shareholder value as a mode of corporate governance," "the increasing political and economic power of a rentier class", or the "explosion of financial trading associated with the proliferation of new financial instruments." (pp. 27-28). This understanding echoes Giovanni Arrighi (1994), for whom capitalism develops in two phases: first, material expansion, then financial expansion—at which point profitmaking shifts from trade and commodity production to financial channels.

For Maurizio Lazzarato, financialization is also "indicative of the increasing force of the creditor-debtor relationship" in contemporary capitalism (2012:23). As a result, debt-to-income ratios tend to rise sharply to compensate for stagnant or falling labor earnings.

Likewise, the composition of the capital share also shifts toward multiple forms of rewards to finance, rather than toward profits (Lavinas 2017).

Financialization is a global phenomenon. The emerging and developing economies are slowly incorporated into financial globalization as they become the destination for massive capital flows in search of higher profitability. This process has its own characteristics, summarized in the expression "subordinate financialization" (Powell 2013). It is expressed both as the dependent insertion of peripheral economies in global chains and by their participation in trade and capital markets dominated by strong currencies at the top of the currency hierarchy (Bonizzi *et al*. 2020). This double subordinate insertion, amplified by the dissemination of digital technologies, repeatedly increases the periphery's economic and financial vulnerability.

Thus, the peripheral economies are not isolated from the financialization process, although individually they present specific characteristics dictated by their subaltern position in the global economic system.

It is also necessary to specify the State's central role in the financialization process, as demonstrated by Yingyao Wang (2020). Besides creating and/or facilitating financial markets' expansion via regulatory measures, States promote a broad rechanneling of resources by redesigning public policies focused on credit, capitalization, and transformation of their sovereign debt into tradeable bonds, later used as the basis for issuing securities and derivatives. States thus contribute to the extension and continuity of financial accumulation, including through the creation and multiplication of quasi-public organizations and regulatory agencies that are essential for financial markets' development.

The growing interdependence of State and finance has also involved shifts in the public policy domain. According to Chiapello (2017), financialization has "colonized" public policies, which have absorbed financialized forms of reasoning and calculations. A "financialized technical culture" has thus dominated the field of public policy through the penetration of the logic and forms of assessment used in the financial sector. The author highlights the ideological work done by finance to that end and how public policy issues have been reshaped to respond to an approach in terms of investment, returns, risks, assets, and liabilities. Thus, access to financial markets allowed the depoliticization of social and political dilemmas by “transferring” this responsibility to the market. Far from playing a passive role, the State has shown the capacity to influence events while it is simultaneously transformed by the primacy of financial accumulation (Wang 2020).

3 The Financialization of Social Policy

Financialization has a strong impact on the contemporary dynamics of social reproduction. The Marxist approach defines the sphere of social reproduction as a complex set of relations, processes, structures, power, and conflicts of a non-economic or mercantile nature which includes everything related to the reproduction of the labor force (Fine 2017). For Ben Fine and Alfredo Saad-Filho (2016), this concept became an “umbrella” term for what are considered non-mercantile dimensions of life. Their importance is essential, since the capitalist mode of production depends on expanded reproduction, both economic and non-economic.

The non-economic dimension entails a set of services ensured by families – essentially women’s unpaid domestic work - and public policies, through direct or subsidized provision (partially or totally). Social insurance, social assistance, health and education systems, workforce training programs, social inclusion policies, housing and urban infrastructure, the care economy, and other initiatives to promote social justice are responsible for individuals’ welfare, each with distinct modes of production, distribution, and consumption and their corresponding norms. Their provision is transformed as a function of the dominant regime of accumulation, through processes of *commodification*, *decommodification and re-commodification* (Fine 2017; Lavinas 2018).

The State has the power to massively expand the markets for capitalist production by opening spaces for new exchanges, previously outside the mercantile realm. The direct impact of financialization on the various dimensions of social reproduction has occurred likewise, transferring to private capital what had been the attribution of families, communities, or State provision. A “financial engineering” is created that leads to the formation of new markets with the provision of goods and services, now the attribution of insurance companies, financial institutions, and private firms (Fine 2017).

Social insurance was one of the first areas to be transformed under the neoliberal order with the dismantling of pay as you go regimes[3] and the progression of fully-funded schemes based on individual accounts with defined contributions and undefined benefits. The argument for capitalization is based on the idea that households' savings would be absorbed by domestic investment,[4] stimulating innovation and increased productivity, thus leading to growth in production. With the funds from social insurance contributions applied in asset portfolios, now in the hands of large pension funds, private social insurance would stimulate the capital market's expansion, notably in the developing countries, where it is the State's priority to finance private activity. The dismantlement of public pension systems, compulsory and based on intergenerational solidarity and that tend to generate larger benefits than contributions in case of real increases in per capita income (Samuelson 1958), has led to mounting socioeconomic insecurity and even poverty among retired seniors. The retirement replacement rate (retirement benefits/pre-retirement income) has declined in recent decades, especially in countries where the public systems' reforms were more radical. However, none of this significantly impacted the level of economic activity by promoting growth and employment, quite the contrary.

The erosion of the value of pension benefits caused by the neglect of public systems and instability resulting from the capital market's dynamics, quite volatile, has further expanded elderly people's dependence on financial markets.

On the one side, when they receive regular income flows, paid out and guaranteed by the State, old age pensioners become easy prey for financial inclusion mechanisms (through

[3] It is a social insurance pension system, run by the State, in which pensions paid to current pensioners are financed from contributions paid by current workers.

[4] This is the orthodox argument par excellence: savings determines the amount of investment through the availability of funds to finance it. Keynes (1936), on the contrary, showed that the relationship was the opposite: investment determines savings through the multiplier mechanism, where there is no reason for pre-financing of capital accumulation. The increase in families' savings, by reducing consumption, may even reduce investment, since it affects companies' prospects for profit.

indebtedness) incentivized by multilateral agencies and national governments, particularly following the crisis of 2008-9.

Since retirement income has not been sufficient to meet the basic needs of the elderly population, whose life expectancy increases progressively, and since the economy of care is not fully integrated into the social protection systems, the inherent costs of aging have been covered through recourse to indebtedness. The Brazilian case illustrates this trend. The heavy expansion of credit supply since 2003 was accompanied by the creation of a special credit line, consigned credit, with more favorable interest rates and payment conditions for borrowers when they have a regular income flow guaranteed by the State, the case of public employees and retirees and pensioners. Although this credit line was later extended to workers in the formal sector in general, public employees and retirees still constitute 93% of the consigned credit clientele in 2021 (Banco Central do Brasil 2021). The State not only participates as quasi-underwriter, since it guarantees the income and shares the client's information with the financial institutions, reducing the costs and risks of financial intermediation (Lavinas 2020), the automatic deduction of up to 35% of the salary or benefit for payment of the hired debt practically eliminates the risk of default.

On the other, they are attracted by the recently popularized financial instruments that allow (for those who are homeowners) to convert their real estate asset into current income via anticipated sale and subject to heavily negative goodwill to a creditor, usually a bank or other financial institution. This is the case of reverse mortgage.

Reverse mortgage is used in developed countries such as the United States, Spain, England, and Canada and has become the object of regulation in many emerging economies. It allows the elderly to sell their real estate in advance, receiving a lump sum pertaining to the full sale value or a monthly remuneration for the period negotiated in the sale contract. This period is defined as a function of the elderly individual's estimated survival[5] at the time of the sale, and the real estate's negative goodwill varies as a function of this expectation. The longer the estimated survival, the higher the negative goodwill in the purchase price, which may vary from 10% to 40% or even more. Reverse mortgage

[5] Life expectancy after the age of retirement.

allows elderly persons to continue to live in their home until the period expires as negotiated in the contract or their death. However, if their survival exceeds the years specified in the contract to remain in the residence, the elderly persons not only have no more right to their maintenance income but are also required to turn their former housing over to the financial institution.[6]

The regulatory details of this form of finance vary greatly from one country to another, and such financing is expected to grow in the coming years. But the basic dynamics are pretty much the same. For many years, individuals and families have taken on mortgage debt to fulfill their homeowning dream, which gives them a financial asset with constant valorization. However, without the resources to cover their current expenses, which tend to increase with the loss of autonomy imposed by aging and the absence of public provision, elderly individuals find themselves largely dispossessed of this surplus value (which goes to the banks) to be able to remain in their residence. They thus suffer a double financial expropriation.

For Costas Lapavitsas (2013), the concept of financial expropriation underlines how the appropriation of wages (value) occurs through exploitative credit relations, under the rule of interest-bearing capital. In fact, the necessary consumption for the reproduction of labor force has become increasingly privatized and mediated by the financial system. Banks and other financial institutions not only finance households' consumption by furnishing loans, but also channel their savings to the financial markets, thereby extracting financial profits. In the absence of adequate and accessible public services, consumers' debts under financialization often become the only mechanism for mitigation of difficult-to-predict adversities. Thus, bill payments during periods of unemployment, insufficient wages to honor current expenses, and exceptional expenses with health or rent turn credit into a *necessity* and no longer an *option* (Montgomerie 2020).

In the 21st century, household debt has grown in both developed countries and developing economies. Although household debt profile differs from one country to another,

[6] There are mechanisms in the United States for renegotiating the contract, including the possibility of repurchasing the home by the elderly individual.

families' rising debt-to-disposable-income ratio sent a warning to multilateral agencies. In 2017, the IMF reported that, since families were over-leveraged with loans, their socioeconomic vulnerability placed them at risk, besides threatening the financial system's stability[7].

The problem is so serious that it has spread to low-income sectors and even to the poorest worldwide, through anti-poverty cash transfer programs (either conditional or unconditional) and microcredit policies implemented in keeping with financial inclusion initiatives.

The first step towards financial inclusion consists of households' bankarisation when they become recipients of cash transfer programs. When they open cash or digital accounts in financial institutions responsible for the payment of the benefit (James 2018), they become potential clients of a set of financial services and products, ranging from credit lines to small insurance policies (funeral plans, low-income health plans, etc.). According to the World Bank (2018), in 2017 there were more than 2.5 billion persons included in safety nets (one-third of the world population). Although the amounts are small, ranging from USD 10 to slightly more than USD 100 a month, these cash transfers, underwritten by the State, ensure the extraordinary expansion of monetization in the farthest corners of the planet, made possible by new digital technologies, which allow downward costs and endless scope.

For Lutz Leisering, "cash transfers have not only reduced poverty, but have turned millions of the poor into rights-holders – an entitlement revolution that has taken place over the past fifteen years" (2019:140). Although this claim overlooks the fact that not all the target public is reached by these programs, which are not precisely a right and are usually *ad hoc* programs used at the governments' discretion, the rise of social cash transfers especially in the Global South has been followed by another structural shift: the

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[7] We can take Brazil as an example. According to the Brazilian Central Bank, ,85.3 million Brazilians (one out of two adults) were indebted to the financial sector in late 2019. At the time, Brazilian households' average indebtedness ratio (total debts in relation to accumulated income in the previous 12 months) was 48.82%, but it reached 58.5% by early 2021. In advanced economies, this ratio usually exceeds 100%.

revolution of social inclusion via debt (Lavinas 2020). The so-called “democratization of finance” (Erturk *et al*. 2007) has occurred through mass financial inclusion - via opening of accounts, microcredit policies, flexibilization of credit supply – alongside the extraordinary expansion of cash transfers. Thus, the fight against poverty and the financial inclusion and education programs that promote the financialization of development (Mader 2018) now coexist in symbiosis.

These “inclusive finance systems”, making a break with discrimination in access to credit for ethnic and racial minorities and women, promote the disciplining of poor and low-income social groups through individual responsibility for honoring the debt. They thus dispense gradually with the conditionalities that were part of cash transfer programs’ design for nearly two decades and committed important resources to monitoring controls and administrative management.

They operate simultaneously in a fundamental turning point in the meaning of social policy. In the form of cash benefits, social policy now serves as collateral for accessing the financial sector, especially loans (Lavinas 2018). As collateral, it becomes an asset that guarantees the loan payment and reduces the risk of default. Thus, a regular income flow ensured by the State in the form of retirements, pensions, and all sorts of cash transfers (whether conditional or not) establishes a new link with the financial sector via debt and the acquisition of a growing range of financial products. Through public income transfer programs, social policy solves the problem of adverse selection (avoiding financial institutions having to increase interest rates excessively or require some hard asset from a clientele marked by dispossession, which would reduce the credit demand).

Financialization subsumes the sphere of social reproduction in the pursuit of new and still unexplored assets and that can generate a continuous income flow (Leyshon & Thrift 2007), amenable to capture by financial instruments. The quantitatively and qualitatively unprecedented spaces allow the emergence of new sources of profit extraction and expropriation by finance.

State microcredit policies are another channel by which the financial sector establishes its presence in the life of the most vulnerable segments of society (González 2020). Such policies theoretically aim to provide small-scale capital to small and micro entrepreneurs (for example, informal workers), seeking to correct what their proponents view as a serious market flaw: the lack of credit to boost entrepreneurship and thus the maintenance of a situation of chronic and hereditary poverty. In practice, however they prove ineffective in their proposals and harmful in various dimensions[8].

Through these mechanisms, finance uses various ways to capture the sphere of social reproduction. The result is the shift of social policy from a mechanism for equalizing opportunities and preventing risks to an instrument for private companies' - especially financial firms - expansion, accumulation, and profit, in addition to inequalities.

4 Education and Health in the Crosshairs of Financialization

Social policy now assists the financial accumulation regime in other sectors, especially education and health. These sectors are now increasingly in the hands of investment funds and private equity funds, the capital holders of these service provision companies. Such funds ultimately are turned into the real managers of this important share of social policy (Lavinas & Gentil 2018).

The exponential growth of student debt in countries such as Brazil, United States, Chile, and Great Britain, where young people's access to university has been promoted by special student loans, illustrates the nefarious consequences of the financialization of higher education. Years of austerity policy and cuts in public spending have created a prime niche for the enrichment of private groups that have begun to invest in the promotion of education, the safest path to social ascent. Mass privatization of higher education and its concentration in the hands of large financial groups have favored high

[8] Incentivized by various public and private international agencies, such policies have been criticized not only as inefficient for overcoming poverty, but also for their various harmful effects. Philip Mader (2015) is one of the main authors to critically address this issue, highlighting its harmful nature and the lack of a scientific basis to sustain this type of policy in terms of poverty reduction. He also underlines the issue's political nature and its ultimate consequence, leading to the "financialization of poverty".

monthly tuition fees, such that access to education is tied to the use of medium- and long-term credit, difficult to access, especially due to high interest rates.

The result is the existence of thousands of young adults who begin their working lives heavily indebted. In the United States, this has significantly influenced the economic dynamic itself by reducing household's consumption capacity (Fullwiler *et al*. 2018). According to data from late 2020, 42.9 million Americans owe a total student debt of USD 1.57 trillion, with an average per capita debt of USD 37 thousand, even higher in more vulnerable groups[9]. Thus emerges an "accounting and financial subjectivation" (Dardot & Laval 2016:30-1) among students, in which students internalize the idea of investors in themselves, with a discourse of self-administration and risk-taking. Financing is viewed as a wager on a better future, which may leave them in a position of greater social vulnerability if such a future fails to materialize for personal or external reasons.

The Brazilian case is illustrative. According to data on FIES[10], the country's public student loan fund, in mid-2019 there were three million contracts in amortization, totaling BRL 24 billion (approximately USD 6.2 billion) in debts,[11] and 47.7% of these loan contracts were in default.

Benefiting from the expansion of the public student loan program since the early 2000s and the lack of the sector's greater regulation (which might have restricted foreign participation), a large share of Brazilian private teaching institutions attracted capital from major international conglomerates. Private equity funds played a key role in this market's growth, with a focus not only on action by these institutional funds, but also on the

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[9] https://educationdata.org/student-loan-debt-statistics (accessed 8.11.2021)

[10] The Student Finance Fund under the Ministry of Education, created in 1999, underwent various reforms before experiencing large-scale expansion starting in 2010, when it greatly increased the credit supply by the government to expand social inclusion of underprivileged youth in universities (black and low-income youth). FIES coexisted with other programs for democratization of access to higher education, such as PROUNI – the University for All Program (scholarships in private institutions) – and REUNI – Restructuring and Expansion of Federal Universities (aimed at expansion of admissions places in public universities and quotas for black and poor students).

[11] https://abmes.org.br/noticias/detalhe/3319/fies-completa-20-anos-com-47-dos-atuais-estudantes-inadimplentes

expansion of other forms of assets and equity, especially real estate (Sampaio 2011). The State thus acted directly by incentivizing students' indebtedness through public funds, thereby fomenting an increase in the private supply of education. With highly attractive prospects for short-term future gains, now guaranteed by student loans supplied by the public sector, such companies opened their capital on the stock exchanges. Their shares quickly appreciated with the increase in enrollments tied to FIES (Lavinas 2017). This public policy for social inclusion ended up contributing paradoxically to intense shareholder valorization and rapid expansion of the private college education sector's profitability, visible in its benchmarks on the stock exchange (Bressan 2020).

Financialization is also redefining every dimension of health care. The design of global health policies, the landscape of private health care services and health insurance provision, and the inner workings of public health systems are all witnessing increased participation of financial instruments and actors and exposure to financial markets (Cordilha 2021a).

First, finance is changing the approach for financing projects addressed at global health challenges. These include initiatives to fight global epidemics, provide primary health care needs in middle and low-income countries, and achieve health-related targets included in the Sustainable Development Goals. Traditional forms of intergovernmental cooperation and development aid to fund such actions are being replaced by novel arrangements such as "investment platforms" (Hunter & Murray 2019). These are designed to attract private funds, using multilateral and government funding to entice investors who otherwise would not have participated. Despite various possible configurations, they are generally managed by financial experts and draw in money from diverse sources that include financial institutions and investors (Tchiombiano 2019). Such platforms also sponsor the creation of health bonds, offering attractive compensations for those who want to invest by betting against the spread of diseases (Lavinas 2018a; Erikson 2015). The Global Alliance for Vaccines and Immunization (GAVI), which created vaccine bonds, and the World Bank's Pandemic Emergency Financing Facility (PEF), with its so-called pandemic bonds, are two important examples of platforms and health bonds. They redefine how the universal right to health is being interpreted and pursued (Dentico 2019), transforming population health into zones for investments (Hunter & Murray 2019).

Health care services and insurance are also undergoing major changes. Here, the process of financialization can be seen through health companies' increasing reliance on debt and financial markets, along with their ever-greater subordination to investors and financial institutions. These occur mainly through processes of ownership restructuring, when financial players acquire shares following health companies' processes of opening and raising capital on financial markets, direct and fund processes of mergers and acquisitions in the sector and invest in health companies directly via investment funds (Cordilha 2021a; Vural 2017). The restructuring now extends to for- and not-for-profit companies across the world and throughout different segments, reaching health insurers (Sestelo 2018; Bahia *et al*. 2016; Mulligan 2016; Martins *et al*. 2021), hospitals and other care providers (Vural 2017; Lavinas & Gentil 2018; Appelbaum & Batt 2020), and pharmaceutical companies (Lazonick *et al*. 2017; Klinge *et al*. 2020). Through these processes, health companies end up listed in financial markets and are integrated within global financial corporations, becoming part of a diversified investment portfolio. This has influenced decisions on the types, quality, and quantity of services and coverage in ways that maximize financial wealth and shareholder value (Lavinas & Gentil 2018; Bayliss 2016; Vural 2017). Besides health provision, finance is also reshaping the demand for services, notably due to individuals' increasing reliance on health insurance to finance access to services.

In the public sector, recent studies have turned to national health systems to demystify the belief that countries with highly consolidated, universal public schemes have been spared from financialization. Looking at the English case, Bayliss (2016) shows how the National Health Service (NHS), a state-funded health system, came into closer contact with systems of financial extraction by welcoming private capital and service providers. One important way this occurs is through infrastructure financing, now almost entirely dependent on the Private Finance Initiative (PFI), the national equivalent of Public-Private Partnerships (PPPs). In PFI arrangements, the public sector delegates the financing, design, building, and operation of public hospitals to private agents and repays them over several decades. These projects are heavily dependent on funds from banks and investment firms, and their ownership stakes can be turned into other assets traded in secondary markets. These contracts have proven to be costly for NHS hospitals but highly lucrative for investors. Data suggest that PFI projects in London alone required payments totaling £20.2 billion from the NHS, even though they cost £2.7 billion to build. Another important channel for financialization was via outsourcing. After several rounds of privatization, a significant proportion of NHS services is now contracted out to private health companies. Several of them have been partially or entirely bought by financial firms.

Turning to the French case, Cordilha (2021) examines how the French social security system, which finances the country's universal social insurance scheme (*Assurance Maladie*), resorted to different strategies while on a similar quest for additional resources. The author observes how the emergence of financialized strategies for debt management, financing services, and building public hospitals have allowed financial capital to occupy roles previously played by the public sector. The most important innovation in this case has been the issuance of financial securities. The Social Security system started issuing bonds and commercial papers in domestic and foreign financial markets to raise money for refinancing debts and cover short-term expenditures. From 1996 to 2018, the system raised €208 billion in revenues for debt management alone; in the same period, interest payments to creditors and commissions to banks totaled nearly €72 billion. The turn to the markets allowed investors, financial intermediaries, and credit rating agencies to gain significant influence over the French health system. Financial capital also served to finance public hospitals. Although PPPs had some entrance into the country, the French experience is distinguished by government subsidies so that public hospitals can borrow directly from private banks to carry out infrastructure projects. The government had to put up €680 million in 2014 to finance the hospitals' exit from toxic loans provided to them under this strategy.

Taken together, the greater participation of finance in all dimensions of health care suggests that health rights and access to services are increasingly subjected to the need to assure investment returns, embodying an inevitable diversion from core values of equity and social justice (Dentico 2019).

Concluding Remarks

Financialization refers to the restructuring of the production, distribution, and circulation of value rather than its direct creation. In this process, the financial sector has been colonizing non-economic lifeworlds (Fine 2020). The result is the reconfiguration of social policy, now shifted away from the conception that presided over the formulation and implementation of welfare systems throughout the 20th century.

Under the aegis of financialized capitalism, the corrosion of social ownership and collective identities that sustained the development of a wide variety of welfare systems in central and peripheral economies, now engenders an accelerated process of recommodification and re-individualization. Rather than promoting socioeconomic security over the course of individuals' life cycle as an inalienable right regardless of their income, social status, or equity, guaranteeing smooth consumption, risk prevention, and satisfaction of basic needs for social reproduction, social policy now regulates access to financial markets while it is simultaneously regulated and reconfigured by them.

As demonstrated in this chapter, social policy now can serve directly as collateral for individual loans that are needed to finance essential goods and services for families when salaries, old age pensions, anti-poverty programs, and public provision fail to cover them adequately. Likewise, through financial revenues and private investments by institutional mega-funds, hospitals, local governments, and public administrators seek to fill deficits in financing infrastructure and innovation in the costs of providing universal services previously defined as public budget items. The result of the financialization of social policy is therefore the production of families' growing heavy dependence on deregulated financial markets.

The form of provision that we normally call welfare has changed structurally. Recurrent cycles of indebtedness drive the takeover of social policy by finance. Debt provides the immediate liquidity that allows the purchase of goods, services, and assets that simultaneously protect individuals and entities against unforeseeable risks. The consequence is an increase in households' socioeconomic vulnerability and a rise in the inherent costs of social reproduction, which now incorporates loan payments, deepening the dependence on financial markets. The artifice of the process of social policy metamorphosis is the State, which sets the rules and regulations that lead interest-bearing capital to become the balance for social reproduction against the common good.

This transformation is underway and is still far from unveiling the paths that social policy will take, shackled today by the rationale of financial accumulation.

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