

Capitalist diversity and post-GFC transitions in financial systems

From credit to equity in the UK and Germany

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Background

- Post-GFC financialisation has shifted from **credit** to **equity** as its main channel of accumulation
- This questions two dominant characterisations of finance in **comparative political economy**:
 - ▶ VoC: bank-based vs market-based systems
 - ▶ Growth models: (household) debt-led vs export-led growth
- We address both by looking at household debt and NFC financing together, using **sectoral macrofinancial accounts** (sectoral balance sheets) for Germany and the UK
- We find **systemic shift from banks to non-banks** (across countries + sectors)
- This convergence is articulated distinctly: financial surplus in Germany, mobilisation for growth in the UK

Three literatures

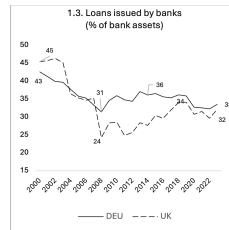
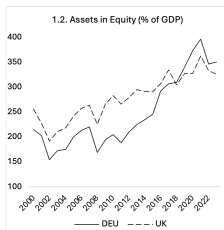
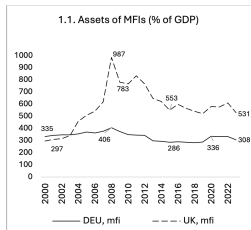
- **Varieties of Capitalism** (Hall and Soskice 2001)
 - ▶ Bank-based (CME) vs market-based (LME); patient capital
 - ▶ Concerned only with corporate finance; static; ignores households
- **Growth models** (Baccaro and Pontusson 2016; Stockhammer 2016)
 - ▶ Household credit sustaining aggregate demand
 - ▶ Unclear on corporate finance and asset management
- **Financialisation** (Krippner 2011; Braun 2021; Lin and Pernell 2026)
 - ▶ Identifies recent developments related to asset manager capitalism
 - ▶ Mostly US-focused; implications for capitalist diversity unexplored

What we do

- Compare Germany (paradigmatic CME / export-led) and the UK (LME / debt-led)
- Annual financial balance sheets, ESA 2010: ONS, Bundesbank, OECD
- Trace stocks of assets and liabilities across sectors, 2000–2024
- Examine Loans + Equities across sectors and balance sheet positions
- Distinguish
 - ▶ Monetary financial institutions (S121–S123) vs non-bank financial institutions (S124–S129)
 - ▶ Asset management: broad measure (all NBFIs) and narrow measure (non-MM investment funds, S124)
 - ▶ Equity markets by issuer: domestic listed, domestic unlisted, investment funds, foreign

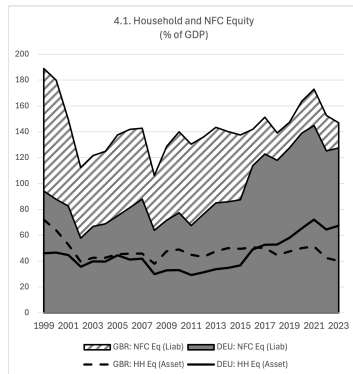
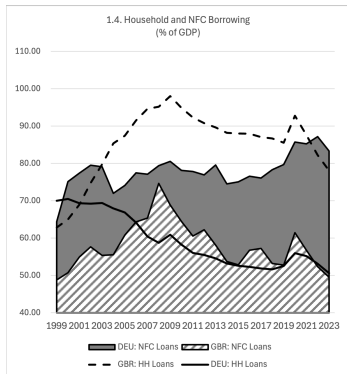
1. bank-based vs market-based?

- **UK** bank assets outstripped Germany's from the early 2000s, driven by mortgage lending
- **German** equity markets roughly quadrupled and now exceed the UK's (2023: EUR 16.3 trillion vs EUR 12.7 trillion)
- By 2023 banks in both countries lend out only about a third of their assets



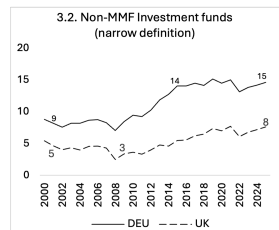
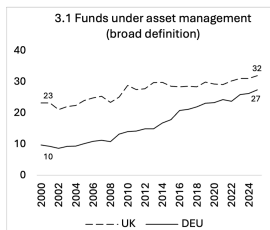
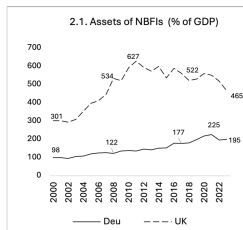
2. household debt-led?

- **UK:** credit to households and NFCs declines since 2008, NFC equity issuance increases
- **Germany:** households hold more equity than debt, NFCs expansion of equity issuance
- Debt-led growth had conjunctural validity up to the GFC (cf. Kohler and Stockhammer 2022), questionable whether that is still the case



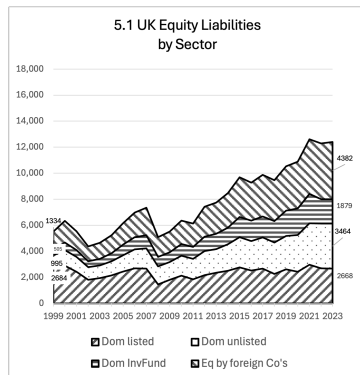
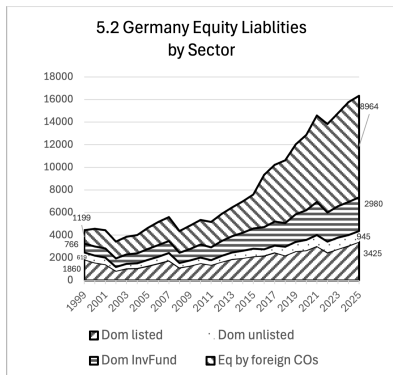
3. The rise of non-bank finance and asset management

- NBFIs assets relative to GDP grew uninterruptedly in Germany; the UK peaked in 2011 but stays above pre-GFC
- Broad measure of asset management tripled in Germany 2000–2024: over a quarter of financial liabilities, close to a third in the UK
- On the narrow measure Germany is *more* asset-management oriented, and the gap is widening



4. Equity markets have changed character

- Listed domestic equity as a share of issuance fell from 60 to 28 per cent (Germany) and 36 to 20 per cent (UK)
- Highly internationalised, especially in Germany, where over half of equity is issued by non-residents
- Equity markets increasingly finance asset management itself: passive in Germany, active (PE and VC) in the UK



One transition, two articulations

Germany: financial surplus

- Balanced equity net issuance, low government borrowing
- Household equity holdings far exceed household debt
- NFC equity holdings up more than 200% (2007–2024); NBFIs equity assets up more than 300%
- Export-led regime inflates balance sheets everywhere except banks

UK: mobilisation for growth

- Government debt issuance, NFC net equity issuance, continued household borrowing
- Banks expand via household and government lending
- Equity transition spurred by foreign investors and private equity

What drives the shift?

- Internationalisation: both lending and equity dynamics increasingly international
- Maintenance of surplus: very low growth + high profits (financial + productive)
- Post-GFC bank regulation (capital and liquidity requirements, ring-fencing) pushes liabilities out of banks into alternative vehicles
- Unconventional monetary policy: search for yield, rising valuations, cheap leverage for private equity
- Post-recession devaluation of assets creates acquisition opportunities for PE
- Technological change (digital, AI, Covid-era innovation) attracts venture capital into unlisted firms

Implications for VoC and growth models

- Financial sector - productive sector dynamics need to be studied a lot more
- Especially non-banks need to be considered more seriously
- Both approaches had conjunctural validity; neither captures the post-GFC dynamics
- VoC: finance is no longer an intermediary between savers and firms but a sphere of accumulation in its own right
- Growth models: focus on aggregate demand analytically prioritises the productive sector
 - ▶ If financial channels offer larger, faster and safer returns, capital owners may switch
 - ▶ Are wage-led regimes viable under deepening financialisation?
- Financialisation remains a very useful lens, but its national articulations need the comparative attention CPE can offer

Conclusion

- The credit-to-equity transition has been under way for decades and consolidated after the GFC
- Germany and the UK have converged: hybrid systems combining bank and market features, with NBFIs and asset managers at the centre
- Household debt and NFC financing have to be analysed together to see this
- Diversity persists, but in how the transition is articulated, not in bank vs market or debt vs export

Thank you.

Financial deficit and growth contributions

