
From the abstract to the concrete: how does financialization affect the Social Security budget? Insights from the French case

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Résumé

The process of *financialization* – the increasing dominance of finance over economic and social life - has been receiving great attention across a number of disciplines over the past decades. Among the salient features of such process, it stands out its critical impact over State action, changing practices and goals of public policies. The effects of financialization on the public budget, changing the level and the structure of State's revenues and expenditures, are often pointed out as a key factor to explain such an impact. Yet, great part of this debate remains at a fairly abstract level, since the mechanisms through which financialization affects the public budget in each country are still poorly investigated.

In order to contribute for this new avenue of research, this paper provides empirical evidence on how financialization directly affects the public budget in the French case. It focuses on the Social Security budget, which is responsible for the highest share of social policies' funding in the country. It describes mechanisms of financialization within the Social Security budget, which are understood as new practices for funding social policies that entail a greater dependence on financial instruments and institutions for the provision of such policies, while feeding financial markets and favoring financial actors. The research method consists of reassessing shifts in the forms of funding for French social policies since the 2000's decade, identifying *mechanisms of financialization* incorporated during this period. The approach is based on an exploratory research combining qualitative and quantitative information, mostly extracted from the content of legal enactments, reports from public regulatory and statistic agencies, and previously published research.

Three key developments emerging in the last decades are examined: (i) the issuance of *commercial papers* by the national agency responsible for managing unemployment benefits; (ii) the resource to short-term securities sold by the Social Security financial agency in the international money markets to finance immediate expenses of the Social Security System (such as health care reimbursements and welfare benefits); and (iii) the securitization of French Social Security debt, with the selling of medium and long-term bonds to financial investors, mostly foreign financial institutions, for the amortization of the so-called "social debt". Besides providing inputs to reflect on how financialization is having an impact on the profile of State intervention, especially in the realm of social provision, the findings can enhance our understanding of current constraints for financing comprehensive and redistributive policies. By uncovering these types of mechanisms, it becomes clearer the greatest influence of financial interests over State action. It also sheds light on how public resources are being used for hedging and compensating financial investors, diverting them into financial sector.

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Mots-Clés: Financialization, Social Security, social policy, public finances