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# Financialization of Belgian municipalities: intermunicipal companies as shadow banks?

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## Abstract

In the last decade, local governments around Europe have been increasingly using financial instruments to manage their budget. The deepening reliance by governments on financial markets can be situated against the growth of finance in conjunction with the rise of public debt and fiscal austerity since the 1980s. According to theorists such as Streeck (2014), these processes underwrite a structural evolution from tax to debt state, marking the financialization of the state. This paper examines this evolution on the level of municipalities in Belgium. Belgian municipalities represent an interesting case, as their access to financial markets is moderated by strict budget management policies and a close credit relation to local Belgian banks. Contrary to governments in other countries, Belgian municipalities' debt on their own account did not explode over the last two decades. However, municipal debt seems to have been transferred to public-related entities - intermunicipal companies - acting separately from the municipal budget. We argue that these intermunicipal companies thereby act as a kind of shadow bank, offering a temporary, yet underregulated, solution for financial pressure. To qualify processes of financialization, we argue for a widened study of the relation between finance and state restructuring.

**Keywords:** municipalities, financialization, state, intermunicipal companies, debt

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