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“Collective Effort, Private Accumulation:
Constructing the Luxembourg Investment Fund, 1956-2019”

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ABSTRACT

In this chapter, I address capital accumulation by means of analyzing one of this process’s most economically successful administrative vehicles: the Luxembourg investment fund – which hosts, at present, nearly $5 trillion in assets. In the 1950s, officials from foreign investment companies came looking for an ultra-low-tax domicile from which to sell their “products.” However, Luxembourg’s long-used H29 holding company – a structure designed to avoid double (or any) taxation on the assets of rich foreign clients – would not work on its own as a vehicle for investment funds. Thus, local attorneys began to alter the H29 in piecemeal fashion, with the intention of creating a framework to facilitate capital accumulation via Luxembourg-administered funds. During the 1980s, amid Europe’s deepening market integration, a local working group was charged with formulating an EEC-wide scheme, or “passport,” for investment funds. In 1988, the Luxembourgish government swiftly implemented the first EEC directive for investment funds into law. Today, this “industry” has long exceeded the level of assets from before the 2008-09 global financial crisis. In this light, I predict that Luxembourg’s fund administrators will have a hand in shaping future versions of global capitalism, complete with the promise and misery they will no doubt engender.

Collective Effort, Private Accumulation:
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"Capital grows to a huge mass in a single hand in one place, because it has been lost by many in another place." – Marx, Capital, Vol. I*, Chapter 25 (1992: p. 777)*

In chapter 24 of *Capital, Vol. III* – in which Marx famously likens the ability of "money to create value [to that] of a pear tree to bear pears" (1993: p. 516) – he discusses the central role played by the accumulation of financial assets within the capitalist mode of production. This tendency, perceptively noted by Marx in the early 1860s, has since become a defining characteristic of contemporary capitalism – best seen in the current proliferation of "investment funds," or administrative vehicles ensuring capital accumulation. Insofar as this process has been part of a longer-term trend, its result has nonetheless entailed major structural changes in political economies worldwide.

As industrial bases in the Global North shrank throughout the 1970s, the governing elites of these countries chose to swap an economic model based on production for one premised instead on financial expansion, ushering in what Dörry has called "securities capitalism" (2016: p. 22). Indeed, during the 1980s and 90s, growing employment and profits in the FIRE sectors[1] ensured overall economic growth, even if this took place in a deeply uneven fashion. The transition to a FIRE-led economy also resulted in the owners of these new financial assets experiencing, *inter alia,* a "wealth effect" from the accruing capital gains (Foster, 2010: pp. 11–12). While in absolute terms

much of this accumulation benefited only a small number of very rich asset holders, large sections of the middle and upper-middle classes within the Global North also experienced it via price inflation in housing and securities markets.

In this chapter, I seek to add to the growing body of literature in the social sciences that documents the economic (see Ho, 2009; Lépinay, 2011), social (Harmes, 2001; Knorr Cetina and Preda, eds., 2012), legal (Riles, 2011), and political ramifications (Harrington, 2016) of the post-1970s shift to securities capitalism. More specifically, I will examine the development of one of contemporary capitalism's most utilized administrative vehicles ensuring financial accumulation: the Luxembourg investment fund, in which is housed at present a staggering $4.7 trillion in accumulated assets (Luxembourg Fund Industry, 2020). This eye-popping figure makes tiny Luxembourg the world's second-leading domicile jurisdiction for accumulating fund assets after the United States – a country that is 550 times more populous than this Grand Duchy.[2] Before I place the Luxembourg investment fund into a historical context, however, I will briefly outline how the "investment fund" more generally came to be such a significant instrument of financial accumulation, currently home to some $90 trillion in assets worldwide (Boston Consulting Group, 2020; see figure 1). Additionally, I will also show how the activity predicated on this process has transformed the global economic order since the 1970s.

<INSERT FIGURE ONE>

To aid my analysis, I draw inspiration from the approach of the "regulation theorists" – a group of mostly French political economists working within, and alongside, the Marxist and Durkheimian traditions from the 1970s onward. Propelled by the seminal

texts of Aglietta (1976, 1998), Chesnais (2004), and others, the so-called "regulationists" sought to explain one of capitalism's trickiest of paradoxes: how capitalist economies are able to preserve their processes of accumulation and reproduction amid all the social contestation that arises from this mode of production. Having established this problematic as a basis for analysis, the regulationists went on to assess in impressive detail the institutions, procedures, calculations, and norms in countries such as France and the United States that have enabled the accumulation of capital and thus its reproduction. It should not come as a surprise, therefore, that finance became an area of particular scrutiny and concern for the regulationists, who surveyed its activities both as a *regime of accumulation* and a *mode of regulation* (Brenner and Glick, 1991). While the former process prompted study of the economic and social factors assuring long-term capital accumulation, the latter one steered them to analyze extant monetary and financial regimes, including currency controls, systems for international payments, and securities markets.

It is in this historical and conceptual nexus in which I situate my present analysis. While later versions of "regulation theory" (see Chesnais, 2004) came to address the increasingly globalized and deregulated versions of finance capitalism taking shape during the 1980s and 90s, the classic scholarship from this tendency remained preoccupied with the conjuncture of the post-1968 period and the 1970s – years marked by growth deceleration, the fraying of the Fordist economic model, and the steel and oil crises in the Global North. In this light, in order to analyze the Luxembourg investment fund as an exemplary vehicle of contemporary accumulation processes, it is necessary to

expand upon the impressive conceptual and historical apparatus that Aglietta and colleagues have left for us.

Indeed, the late 1970s saw the consolidation of the post-Bretton Woods global financial architecture, one characterized by floating exchange rates, free capital movements, and market deregulation. By the 1990s and 2000s, the breakneck growth of India and China, technologies such as the internet, and the surging concentrations of income and wealth among the top percentiles in the advanced capitalist countries had raised the demand for complex financial instruments. Investment funds – an umbrella term that includes mutual and hedge funds, and funds investing in real estate and private-equity schemes – have become the preferred means by which individuals and institutions can store and grow their accumulating assets without, of course, needing to assume a management role. In this regard, Marx might cite the contemporary investment fund as a "fetish of capital" *par excellence*, in which capital gains seemingly grow of their own accord. Via investment funds, "investors" need not know who their debtors are or how their returns are made; they "only want to know if the markets will remain liquid" (Chesnais, 2004: p. 31; cited in Paulani, 2010: pp. 364–365).

As was detailed to me by a former senior Luxembourgish regulator, the "investment fund" has become such a remarkable economic success because the idea behind this financial product is simple and compelling: to diversify the assets in which one can invest and accumulate the principal and returns (interview, March 2016). The result is that one investor can spread an investment, even a small one, across many companies, sectors, and jurisdictions, as opposed to the ostensibly riskier strategy of buying entire shares in a single company on a national stock exchange.

The ensuing accumulation of financial assets via investment funds among companies and individuals also entailed a shift in the form and practice of elite power, notably the rise of what I call “legal entrepreneurialism” (Weeks, 2018). In particular, the rapid growth and complexity of securities capitalism – which is premised on a guiding ideology of “shareholder value” – has worked in the favor of politically active financial and legal professionals who were able to exploit the regulatory tensions and fiscal gaps between the laws of individual nation-states (Harrington, 2016: p. 272). It is in Luxembourg, as I argue, where these two tendencies have evolved alongside one another: on the one hand, the emergence of behemoth investment-fund companies with global reach – on the other, a new brand of “legal entrepreneurialism” practiced by an internationally connected financial and policy-making elite. For the case of the Grand Duchy, this union of interests began in the late 1980s and intensified throughout the 1990s and 2000s.

In the beginning

For the full story of accumulation via Luxembourg investment funds, however, one must look further back, to the mid-1950s. During this time, key players in the Grand Duchy began to recognize the vast and untapped market for *investment funds*, a financial instrument that became popular in the 1920s in the United States. Dörry believes that this moment represents “a unique conjuncture of local conditions and intentional decision making [when] a small group of influential individuals in Luxembourg embraced and exploited the new opportunities of the internationalizing financial markets” (2016: p. 21). The ensuing cooperation between Luxembourg’s policymakers and foreign executives

with regards to investment funds was not without precedent; the Grand Duchy, after all, had prior experience dealing with foreign finance capital after the passage of its permissive holding-company law in 1929, the so-called "H29" – a structure designed to bring together, and avoid double taxation on, the sprawling assets of large foreign economic groups.

Thus, two developments took place concurrently from the mid-1950s to the early 1960s. On the hand, representatives from the growing investment companies, mostly U.S. in origin, came looking for a European domicile in which their products – funds largely consisting of blue-chip U.S. stocks and bonds – would be subject to as little tax as possible. On the other hand, key politicians in Luxembourg sought to attract large Euro-American finance-related institutions into the country (see photo 1). It was a marriage of convenience that would, in the coming decades, prove to be enormously lucrative.

<INSERT PHOTO ONE>

An industry under development

Wasting little time, a select group of local attorneys (*avocats d'affaires*) began to alter in piecemeal fashion the H29 holding company with the intention of creating a legal structure for funds whose administrative domicile would be in Luxembourg. The first fund to be listed on the Luxembourg Stock Exchange dates to 1962, after the country's regulator approved the marketing of collective investment funds (*fonds de placement*) in 1959. The driving force behind these efforts, however, was not a Luxembourger but rather an American. In the 1960s, fund entrepreneur Bernie Cornfeld had made a fortune selling mutual funds to the tens of thousands of U.S. military personnel stationed in post-

World War II Europe. As a local securities attorney explained to me, Cornfeld's operation, the Geneva-based Investors Overseas Services (IOS), sent thousands of agents door-to-door in various European countries in an effort to convince small-scale savers to place their money into funds marketed by the company. Many IOS funds, in turn, used Luxembourg as an administrative base, meaning that the Grand Duchy was where their net asset values were calculated and where redemptions of accumulated dividends took place.

As Cornfeld's operation grew and grew over the course of the 1960s, increased scrutiny from regulators and journalists eventually revealed widespread accounting malfeasance as well as a pyramid-like marketing structure (Cantor, 1970). The eventual bankruptcy of IOS, in 1972, was a traumatic experience for those working in the Luxembourg financial center at the time, given the firm's extensive usage of the country as a domicile for its funds. As was recalled by a number of my interviewees, the IOS debacle exposed the limits of the ultra-*laissez-faire* attitude held at that time by the country's officials; a more robust legal and regulatory structure for funds would be needed, as a senior banker made clear to me over lunch one afternoon (interview, March 2016).[3]

In the wake of the IOS collapse, Luxembourgish authorities introduced legislation specific to the funds sector, which until that time had been lightly regulated on the basis of the more general 1929 law on holding companies (H29). By 1972, investment funds, which at that time numbered around 60, became subject to the supervision of the country's financial regulator. By the mid-1970s, Cornfeld and IOS were finished, but it was obvious that capital accumulation via securities ownership was here to stay. Rather

than abandon the funds industry entirely, state and finance elites in Luxembourg merely redoubled their efforts and waited for more advantageous market and political conditions to present themselves. Dörry notes, "together with the banks' top executives and their widespread international networks, [the country's] politicians formed a viable growth coalition of institutional entrepreneurs for Luxembourg's financial centre, ready to seize upon the chances of the internationalization of financial markets" (2016: p. 32).

The right conjuncture for investment funds turned out to be not far off. Against the background of Europe's deepening market integration via the European Economic Community (EEC), a working group of local politicians, regulators, and attorneys became charged with formulating a new legal framework for investment funds, a task that began in 1980 and was completed three years later. In this legislation, the group resolved to address the important issues of fund liquidity, asset diversification, and risk management. By the time this process concluded, Luxembourg's fellow EEC member states France and Italy had ended their strict domestic exchange controls and resistance to the free circulation of financial products, such as investment funds, within the emerging Single Market then under construction in Western Europe.

This new legal framework dating from 1983 marks the beginning of the rapid expansion of the Luxembourg investment-funds industry, which continues to this day. Another senior regulator crowed about the funds working group's seeming prescience to Moyse et al.: "This legal framework for the market put us five years ahead of other countries, and that was immediately reflected in the [sales] figures" (2014: p. 63). As such, in March of 1988, Luxembourgish officials were well prepared to swiftly

implement the first EEC directive for investment funds – given the cumbersome name of "Undertakings for Collective Investment in Transferable Securities" (UCITS)[4].

Being the first country to offer administrative services for these EEC-wide funds gave the Luxembourg financial center a decisive competitive advantage in relation to other countries in the bloc (Dörry, 2016: p. 30). The ensuing rapid growth of Luxembourg's low-margin, yet high-volume funds-administration industry followed the "agglomeration effect" theory cited by Palan et al. with respect to the development of offshore financial niches in general. They write,

> those governments that were able to… provide modern infrastructure began to attract serious business into their territory. As additional banks and financial institutions enter the local market, competition intensifies, raising the reputation of the center for efficiency and competitiveness. In time, agglomeration economies generate pockets of expertise, and a tax haven develops a reputation in certain specialized markets (2009: pp. 182–183).

The robust growth and consolidation of Luxembourg's funds-administration sector, along with a raft of new legal requirements at the national and EU levels, prompted the industry's practitioners to organize politically and professionalize their operations. The Luxembourg Fund Industry joined the older Luxembourg Bankers' Association to form an influential lobbying bloc within the country's domestic political scene. Dörry states, "these new forms of organizational power, dominated by key figures of the financial industry, allowed the associations' members to direct their influence and pursue their own commercial interests, often in close alliance with Luxembourg's ruling political decision makers" (2016: p. 30). Their immediate objective: to internationalize the Luxembourg investment fund.

A European passport

Building on its 1983 domestic law on investment funds, Luxembourg became the first jurisdiction to implement the EU directive concerning UCITS in 1988 – "beating even the UK government and the City of London," as a senior regulator boasted to me (interview, March 2016). As the financial center's many boosters often say, that the Luxembourgish government was able to pass the first UCITS directive before other countries did is a shining example of what they call the "first-mover advantage." What this amounts to is the ability of financial-center representatives to do the bidding of foreign investment companies as quickly and skillfully as is possible (cf. Dörry, 2015: p. 806). Here is a flavor of this most widespread of sentiments in the financial center:

> Our results also confirm the importance granted to the adaptability of its legislative and regulatory framework. Luxembourg distinguishes itself by a *first-mover advantage* where European directives are rapidly transposed into national law. This allowed Luxembourg to become the first country of the European Union to apply the regulation on the Undertakings for Collective Investment in Transferable Securities (UCITS), encouraging the domiciliation of investment funds as early as 1988 (Walther and Schultz, 2012: p. 79; emphasis added).

With the UCITS legislation in place, state and financial elites scurried to accomplish two pressing tasks. First, in order to develop an internationalized funds industry, it would be necessary to mobilize thousands of qualified accounting, legal, and financial personnel – many of whom would subsequently become resident expatriates in Luxembourg, while others joined the ranks of the sizeable *frontalier* population, working in the financial center by day yet commuting to homes in France, Belgium, or Germany. Because the initial UCITS directive also ruled that non-EU-administered funds could not be sold within this bloc of 27 nations, the result was a rush of managers relocating the

administrative domicile of their offshore EU-market funds from Jersey and Switzerland to Luxembourg.

Second, the same state and finance elites promptly set out to market the Luxembourg UCITS structure abroad – to locales as far-flung as South Korea and Chile – in the hopes that investment companies from both inside (namely, German and French) and outside of the European Union (Swiss and U.S.) would begin offering fund products whose administrative center would be in the Grand Duchy (Dörry, 2015: p. 806). A key advantage in this regard, according to a senior fund-industry representative with whom I spoke, is that a Luxembourg UCITS product was designed to have no tax liability[5] when distributing accumulated dividends from its different sub-funds (interview, December 2015). For an offshore financial center such as Luxembourg's, the sum of these developments – the presence of a multilingual workforce, the expansion of its "internal" market to a continent-wide bloc of nations, and a new financial product of EU provenance – amounted to an enormous boon:

> When the EU formulated at the end of the 1980s a European financial "passport" permitting whichever fund manager based in the bloc to market his services within the now-[27] nations, Luxembourg stepped into the void to become the world's leading center of international mutual funds (Chavagneux, 2015: p. 184).

Given that the Grand Duchy's tiny internal market of some 600,000 residents would be of limited interest to large investment companies, the country's state and finance elites implemented the first UCITS directive in as liberal a fashion as possible, with an eye to the rapid internationalization of the "Luxembourg fund" (Dörry, 2015: p. 806). As was explained to me by a senior industry representative, the funds sectors in the countries such as the United States, France, and Germany are oriented respectively to

their large domestic markets, not to international ones. As a result, countries like these have nation-specific systems in terms of the tax laws, administration structures, and distribution mechanisms specific for funds (interview, December 2015). Companies selling Luxembourg funds, in contrast, are able to adapt to the specificities of the countries in which their products are sold, which all have different laws, currencies, tax structures, and regulatory frameworks. An example of this flexibility and scope cited to me by the above industry representative mentioned was a U.S.-equities fund listed in Singaporean dollars, for distribution in Singapore.

Aggregation and diversification

Counting on the near-complete support of the country's governing elites, the Luxembourg investment-funds industry has expanded and matured over time. Since the late 1980s, the number of investment funds domiciled in Luxembourg has increased to a scale unprecedented at the global level, to the point whereby the tiny Grand Duchy trails only the United States in the amount of accumulated assets under administration – which, at present, totals $4.7 trillion. "Assets under administration" implies that activities such as domiciliation and registration take place in Luxembourg, though this distinction does not mean that the fund *managers* necessarily operate from the Grand Duchy. These Masters of Finance Capital are likely to be at work in the world's principal financial centers such as London, New York, or Tokyo. Luxembourg, by contrast, specializes not in "front office" fund management, but rather in the "back office" tasks of administration and the distribution of accumulated assets.

Because registration and domiciliation take place in the Grand Duchy, all issued funds are eligible for the so-called EU "passport," meaning that they can be for sale

anywhere within this bloc of 27 member states. The EU-wide distribution of Luxembourg funds thus necessitates a detailed understanding of the legal and regulatory environments for each target country. As such, the technical knowledge provided by specialized and multilingual attorneys, auditors, and accountants is in high demand. It is perhaps not surprising then that Luxembourg City is teeming with administrative and white-collar employees. A senior politician put this into perspective for me: in 1961, there were 90 lawyers in the capital city; now there are over 2,000. Likewise, the colossal Big Four accountancy firm PricewaterhouseCoopers alone currently employs some 2,000 people in the Grand Duchy (interview, February 2016).

What do all these employees of the Luxembourg funds industry do exactly? Even as fund management usually takes place elsewhere, tiny Luxembourg nevertheless specializes in many of the administrative tasks associated with funds – including distribution, legal and transfer services, custodianship, auditing, accountancy, oversight, compliance, and price reporting. These functions mean that the industry employs thousands of people in Luxembourg, even as outsourcing and technological change have meant that this number has dipped slightly in recent years. I mention the statistics above in order to point out a central strategy of Luxembourg's governing elites: global offshore financial services have become a robust source of *local employment* and, as a result, income-tax revenue for state coffers (Weeks, 2018: pp. 70–76).

Since the Luxembourgish state has long been keener to tax labor as opposed accumulating capital, it needed to attract large foreign fund companies that could, in turn, provide employment to locals and subsequently the *frontaliers*. According to a senior securities lawyer, "as soon as the ink was dry" on the UCITS directive in 1988, the

financial-center officials set out to convince foreign fund companies to establish their EU operations in Luxembourg (interview, March 2016). The first of these, the august New York-based custodian bank Brown Brothers Harriman (BBH), arrived in 1989 and quickly developed a brisk business providing services to large U.S. fund companies selling products in the French, German, Italian, and other European markets. Following BBH to Luxembourg were other big names in the U.S. funds industry, including Franklin Templeton, State Street, and BlackRock.

The first entities from within the Luxembourg financial center to offer services to foreign fund companies were the local banks, including Banque internationale à Luxembourg and Banque générale du Luxembourg. A division of labor formed: foreign companies would set up funds in Luxembourg, while the local banks would be responsible for completing the less-glamorous, though essential administrative tasks: legal work, accounting, and the calculation of net asset values. The local banks' modest capacity, however, was quickly overwhelmed, according to a senior fund administrator (interview, January 2016). As the industry matured and diversified during the 1990s and the 2000s, new apparatuses were needed to administer the rapidly growing and fragmenting global market for investment funds. The industry's new fund platforms sought to create a common administrative "back office," which could be shared by all the banks and companies offering Luxembourg funds for distribution. The resulting entities, including EFA and Fundsquare, became responsible for drafting prospectuses and generating data on the funds' net asset values and accumulated monies paid as dividends.

Toward an uncertain future

I conclude this chapter by reverting to the overall theme of the volume: capital accumulation. At the heart of the economic models found in Luxembourg and other offshore centers is a tension between two versions of accumulation: financial and productive. While officials in the Grand Duchy and comparable jurisdictions undoubtedly prefer the former variety, the resulting financial accumulation can never be completely divorced from the fates awaiting those producing goods and services globally.

Nevertheless, long-term trends seem to favor Luxembourg and its ilk. Since the 1980s, as regulationists such as Chesnais (2004) show, accumulation via financial activity has outpaced all homologous processes predicated on industrial production. The imperatives of "shareholder value" privilege those who own assets, which has prompted a decisive change in the priorities of managers vis-à-vis the treatment of workers and research and development. While such developments have resulted in *vast* capital accumulation within financial products such as Luxembourg investment funds, their effect on overall economic growth has nonetheless been negative throughout much of the Global North (Stockhammer, 2004).

Can the activities of the Luxembourg financial centers of the world continue to *both* depress aggregate growth *and* enrich the owners of capital? Perhaps. In the current conjuncture, in which securities capitalism and "shareholder value" have become omnipresent and hegemonic, *tout va bien* for the Grand Duchy's investment-funds industry (see figure 2). Due to the fragmented and increasingly specialized markets for UCITS and other financial products, the Luxembourg funds-administration sector has repeatedly shown that it can handle both volume, in terms of the trillions of dollars under

its purview, and also specialization, as seen in the sheer variety of fund types, investment strategies, and legal structures on offer.

<INSERT FIGURE TWO>

Others, however, are less certain that the Grand Duchy's seemingly limitless accumulation of financial assets will continue. Notwithstanding decades of healthy growth and commercial success, a number of my interviewees were quick to sound notes of caution about the industry's future. Three risks stood out to these pessimists. First, whereas the European Union used to give member states latitude with regards to how its directives were passed into national law, current EU protocols have altered this process and made it far more regimented, both in terms of the directives' timeline of implementation and the margin of maneuver of individual countries. With this change in practice at the EU level, the Luxembourg financial center seems to be on the verge of losing two of its long-standing competitive advantages: its ability as a "first mover" and as a regulatory arbitrageur.

The second risk is that the Luxembourg financial center has started to become a target of the incessant cost-cutting strategies of the large investment-fund companies. Dörry writes, "Luxembourg is a fund domicile centre, where the functional logic of fund administration activities essentially follows cost-driven scale economies" (2015: p. 801). With Europe's highest GNP per capita, an economy that grows over 4 percent annually, and a robust labor market in an otherwise economically peripheral part of Western Europe, Luxembourg is cursed – or blessed, depending on your vantage point – with housing and commercial real-estate prices that are on par with those in prime areas of London (Zucman, 2015: pp. 90–91; Weeks In Press). Could the high costs of living and

doing business drive fund administrators out of the Grand Duchy? Many of my interlocutors fear so.

Of all things, the reduction of banking secrecy in recent years has been a catalyst for some of these fragmentary pressures within the funds industry. During the decades in which the Luxembourg financial center catered to small-time tax fraudsters, dubbed the "Belgian dentists" (*dentistes belges*), fund administration *had* to take place within the Grand Duchy in order to keep in line with the secrecy laws of 1982 and 1993 (Weeks, 2018) – which required that Luxembourg-based personnel subject to national banking-secrecy statutes carry out most fund-related activities. Given that banking secrecy has morphed significantly in the past 10 years, even been curtailed for some foreign customers, there has been continuing pressure for fund administrators to forego the high costs of doing business in Luxembourg and outsource tasks to less-expensive EU locales such as Poland or even "third countries" (*pays tiers*) such as India.

The third risk is that the Luxembourg investment-funds industry will become a victim of its own success. At present, financial-center officials have made it exceedingly easy for foreign managers to set up an offshore investment fund in the Grand Duchy. However, it is an open question as to whether national regulators have the resources and expertise to perform due diligence on what are ever-more sophisticated vehicles of financial accumulation. Jérôme Turquey, a business consultant and one of the few out-spoken Luxembourgish critics of finance, believes that the country's regulatory authority, the CSSF, neither holds the financial center accountable nor can it escape the many conflicts of interests generated via its system of "working groups": "They don't admit that they can't regulate everything," Turquey says, "These are the people… who decide

that what the regulation should be. If you look at their financial reports, they say every time: 'Everything is perfect. We are the best regulated country on the planet'" (cited in Shaxson, 2012: p. 362). More ominously, regulators in Luxembourg seem to be lauded *not* for being credible and truly independent overseers keeping watch over and regulating offshore finance, but rather for their role in promoting the very financial center they are supposed to regulate. In this regard, recent regulatory developments in Luxembourg mirror those taking place in other offshore financial centers (OFCs): "in recent years many OFCs have gone to considerable length to create an aura of regulatory sophistication by enacting a variety of legislative measures. Demand for such measures is largely driven by the financial sector itself, principally in order to create a veneer of respectability" (Christensen and Hampton, 1999: p. 168).

In the meantime, however, the Luxembourg investment-funds industry continues to grow – as it has for the last three decades, save a brief period during the 2008-09 global financial crisis. Its accumulating assets under administration have long exceeded levels from before the global financial crisis, to the previously inconceivable figure of over $4.7 trillion (see figure 2) – which is nearly equal to a fifth of the GDP of the United States. From its beginning as a specialist in the administration of mutual funds and later UCITS, the Luxembourg financial center has since then diversified into bond funds, mixed funds, money-market funds, funds-of-funds, and alternative-investment vehicles such as hedge funds. Dörry writes, "the tightly interwoven, durable architectures of these professional networks make finance – as *The Economist* points out – 'not quite as mobile as some of its practitioners like to pretend'" (2015: pp. 802–803). In this light, we might conclude that Luxembourg's fund administrators will undoubtedly be on hand to shape

the next phase of worldwide finance capitalism, complete with both the promise and the misery it will no doubt engender.

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[1] FIRE entails three sectors central to post-industrial political economies: finance, insurance, and real estate.

[2] To put Luxembourg's $4.7 trillion in fund assets under administration into context, the 2017 GDP of the United States is $19 trillion. Other than the United States, which counts approximately $20 trillion in fund assets, and Luxembourg, with its $4.7 trillion, Ireland is in third place, at $3.1 trillion (Irish Funds, 2020).

[3] Such a realization, of course, would not be a surprise to regulation theorists such as François Chesnais (2004); as they show, emerging *regimes of accumulation* – in the case of Luxembourg, one predicated on investment funds – frequently come to be matched with newfound *modes of regulation* at level of nation-states.

[4] The open-ended UCITS are an EU-wide version of a U.S. mutual fund or a British unit trust. By design, UCITS are more regulated when compared to riskier types of investment funds, such as hedge funds, and offer greater protections for investors.

[5] Ireland is another EU jurisdiction offering ultra-low tax treatment for investment funds, yet its fund industry only became significant in the 1990s, as opposed to the 1980s for the case of Luxembourg's. This ten-year "head start" for the Grand Duchy can been seen in the March 2019 assets under administration: $3.1 trillion for Ireland versus $4.7 trillion for Luxembourg.

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