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Financialisation, Poverty, and Marxist Political Economy

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"Banking was conceived in iniquity and was born in sin. The bankers own the earth. Take it away from them, but leave them the power to create money, and with the flick of the pen they will create enough deposits to buy it back again. However, take it away from them, and all the great fortunes like mine will disappear and they ought to disappear, for this would be a happier and better world to live in. But, if you wish to remain the slaves of bankers and pay the cost of your own slavery, let them continue to create money", Josiah Stamp, formerly a director of the Bank of England, and reputedly the second richest man in England.[1]

1 Introduction

I adopt as my starting point what I take to be the conclusion to which Joe Stiglitz (2002) is drawn in Globalization and Its Discontents and in his other more reflective contributions. This is that the reason for the adoption of demonstrably poor and discredited policy, especially but not exclusively at the IMF, is because of the vested interests and ideology of the financial sector. Whilst Paul Samuelson (2003, p. 14), fellow Nobel Prizewinner, refers to "a Joe Stiglitz, who exudes theorems hourly from every pore", I am not aware of any such theorem underpinning this posture although I am sure it could be provided within the hour. I prefer to follow a different tack and, in particular, to point to the anomaly between this conclusion and the way in which it has been provided. For, whatever his contribution to the critique of neoclassical economics in its perfect information version, Stiglitz's theorems within the information-theoretic approach have continued to be based upon the optimising behaviour of imperfectly informed individual economic agents. But the notion of vested interests presupposes a social body on which to clothe those interests, and ideology is equally profoundly social in nature. In other words, far from concluding with vested interests and ideology as our causal factors, we need to start with them. And there is the vexed issue of the nature of ideology itself, on which see Section 6 where it is discussed in the context of financialisation.

Of course, this is little more than a stale re-run of the relative merits of methodological individualism and methodological holism. As I have demonstrated elsewhere, as a matter of formal logic, there are profound difficulties in running both of these methodologies simultaneously, Fine (2006b). In general, social properties such as liquidity and finance, let alone institutions more broadly however understood, cannot be derived from aggregation over sets of individual transactions, market or otherwise, however motivated and well- or ill-informed. In short, although there are many other reasons for this in and of themselves and by way of persuasion, if vested interests and ideology are our objects of study, we need to start from the social and not from the individual. I would add it is also necessary to cast our net a little wider. It makes little sense to address the vested interests and ideology of finance in isolation from other interests and ideologies, vested, naked or otherwise.

In the next section, I offer a shockingly brief overview of Marx's theory of the circuits of capital. This is in order to be able to locate finance within a political economy of capitalism. This is done in Section 4, following a brief discussion of poverty in Section 3 emphasising its complex and contextual character. Section 5 characterises the current period of capitalism in terms of financialisation, being at most suggestive over its implications for development and poverty. Following discussion of ideology in Section 6, concluding remarks make brief reference to South Africa.

2 Marxist Political Economy

How are we to identify vested interests? I undertake this task through a rehearsal of Marx's political economy. I am reluctant to do this to the extent that such material is readily accessible to those that are willing to seek it out, Fine and Saad-Filho (2004) for an elementary account and Marx's own

voluminous works for preference. I will attempt to draw out some implications for finance, poverty and contemporary prospects for development. Marx's own understanding of finance depends upon the notion of money capital, the advance of money M for the purpose of receiving a larger return, $M^{/}= M+m$. The issue is how can this be done in an economy in which all commodities exchange at their values. Marx's answer is that there is a commodity, labour power, or the capacity to labour that sells at a value that is lower than the value that it contributes. Jumping straight into Volume II of Capital, this is represented by the circuit of industrial capital, see Figure 1 – figures at end. Here money capital, M, within the sphere of exchange purchases commodity inputs or constant and variable capital, C and V. These enter the sphere of production as productive capital where the value contributed by labour power exceeds V to the extent that it can be induced or coerced to do so, yielding surplus value, S, in the form of commodity capital, $C^{/}$. This can then re-enter the sphere of circulation to be sold for $M^{/}$. The circuit can then be renewed, potentially on a greater scale if m is reinvested.

For the moment at least, I am not concerned with the quantitative issues of whether commodities exchange at their values or labour time of production and how those values are determined, nor with the qualitative issue of what is meant by the labour theory of value. Rather, I am merely highlighting the structured process and sequence by which Marx comprehends the circuit of industrial capital, with its motion through money, productive and commodity capitals, and its separation of that motion between spheres of production and exchange. Of course, once interpreted in these terms, starting with money capital is arbitrary as is the opening and closing of a circle.

For this reason, I am pleased with having captured Marx's notion of a circuit in diagrammatic form, Fine (1975) for the first time. I am even more pleased to have done the same for the circulation of capital as a whole that Marx presents in Volume II. This involves bringing together the different sectors of the economy, crudely aggregated into means of consumption or sector 1 and means of consumption or sector 2, Figure 2. Realisation of commodity capital for each of the individual circuits involves sale within its own sector or to the other sector. This means that V_1 and V_2 are spent on $C_2^{/}$, C_1 and C_2 are spent on $C_1^{/}$, and for simple reproduction when surplus value S_1+S_2 is also spent on consumption $C_2^{/}$, we obtain the famous formula, $V_1 + S_1 = C_2$.[2] With LHS greater than the RHS, production of means of production exceeds replacement, and there is growth or accumulation of capital or extended or expanded reproduction in Marx's parlance, the latter two not being the same, one based on unchanged the other on changed conditions of production, see below.

The reproduction schema can and have been interpreted as a condition for equilibrium in two different ways, Morishima (1973) for example, with which, with a major reservation or three, I have no quibble. The first equilibrium interpretation is as a balance between commodities as use values, the modern equivalent being a von Neumann growth model. The second is the balance between commodities as exchange values, the dual of von Neumann in the price system. I have carefully used the term balance here rather than equilibrium, a first quibble, because the latter carries connotations of no change and even full employment. There is no such presumption in Marx's schema as they are represented in value terms independent of the potential level of economic activity, and equally independent of the overall quantitative size of the balance in the next period. It is after all, a strange interpretation of Marx that places him in the role of equilibrium theorist.

In addition, for Marx, the commodity is not only use value and exchange value but also value. For him, there is a balance of values, between the labour times that have gone into the production of the commodities. Without exception, within mainstream economics and within much of the literature sympathetic to Marxism too, this has been interpreted as a Ricardian embodied labour theory of value, and hence of price, possibly modified. The leading representative of this view from within orthodoxy is Paul Samuelson (1971) who, correctly, observes that the balance could equally be interpreted in these terms by reference to anything else that is embodied in the production of commodities. We could have an iron theory of value or, apt in this age of global warming, an energy or pollutant theory of value in which balances are established between what goes in and what comes out in the circulation of capital as a whole, and its implications for global warming.

Whilst accepting that the reproduction does involve value (and other use value) balance, this is, however, to overlook the qualitative nature of Marx's value theory, its historically and socially specific content. For him, capitalist commodity production is the only mode of production for which different labour times within production are systematically and pervasively brought into equivalence with one another through the market. It is a quantitative relationship but it is also one that establishes

direct or indirect connections, or social relations, between everyone associated with production for the market.

But what exactly are those social relations? At the grand level of the capitalist mode of production itself, there are the class divisions between capital and labour. As already seen, these are themselves attached to the circuits of industrial capital in a definite structure and process of reproduction. Crucially, the source of surplus value is to be found in the sphere of production, and the process by which workers contribute value over and above the value of labour power that has purchased their capacity to work. The results of this exploitation are realised in the sphere of exchange, itself a necessary aspect of the reproduction of capital and which can either facilitate or impede the reproduction as is recognised by the vast majority of economic theory. Thus, full employment equilibrium aside, malfunctioning of the macroeconomy can be interpreted as insufficient demand derived from C_1+C_2 for the Keynesian investment multiplier, or $V_1+V_2+S_1+S_2$ for consumption-led ineffective demand. The negative impact of distributional struggle can see V_1+V_2 and S_1+S_2 as in conflict over the distribution of a given national income cake. And last, but most apposite to the purpose here, the financial underpinnings of the circulation of capital depend upon the comings and goings from M that appears at the centre of the economic universe in the schema of reproduction, most obviously in the Keynesian liquidity trap and failure to release money to run and not just lubricate the circuits, Fine (1975).

In short, value relations are felt, or are expressed or take the form, to use the vernacular, through the entire schema of reproduction and, in doing so do have material effects. They are not just images of value. So far, though, attention has been confined to the structures and processes of reproduction and not the dynamics. For this, in the first instance, it is necessary to return to what we have previously skipped, Volume I of Capital, where Marx examines in great theoretical and empirical details how surplus value is produced for the sphere of exchange – deploying concepts such as absolute and relative surplus value, respectively, extending the work that is done for a given value of labour power, and increasing productivity in the production of wage goods, respectively. This ultimately leads to an account of the factory system in which, to put it in orthodox terms, productivity increase is based upon an evolving configuration of economies of scale and scope. Through the use of machinery, labour is enabled to work up more and more raw materials into output. Competition requires that producers engage in the accumulation of capital in order to be able to preserve value of existing capital let alone expand profitability. Capitalism is inevitably based upon both expanded reproduction and a restructuring of value relations (and corresponding exchange and use value relations).

Marx goes much further though than detailing how what he calls the specifically capitalist mode production develops, the factory system based on machinofacture. He also draws out implications for the capitalist economy and society more generally. He argues that the credit system arises as a means of forming “social capital”,[3] making the capital of society available to capitalists in general so that the process of accruing economies of scale and scope is heavily promoted. There is a process of combined and uneven development, not least between town and country. And the organisation of labour at the point of production offers the opportunity for it to form trade unions and, as a consequence, political parties for its own representation.

Two important consequences follow. The first is that the dynamic of the capitalist economy is one in which both immediate value relations and their attachment to broader economic and social relations are continuously in a process of restructuring, a point forcibly made in his own way by Schumpeter in his appeal to capitalism as dependent upon waves of creative destruction. Second, despite the demands made by accumulation on the economic and social fabric, capitalism is capable of economic reproduction and expansion as is demonstrated by Marx through his reproduction schema. Essentially, Volume I of Capital demonstrates the economic and social stresses that capitalist production creates through the accumulation of capital. Volume II presents the most immediate economic mechanisms for accommodating those stresses as well as the possibility of economic breakdown should the circuits of capital be interrupted or not coordinated. Volume III of Capital, to which I will turn below, puts the other two Volumes together and examines the consequences of accumulation in a more complex fashion.

3 Poverty

What is the significance of this for poverty? I would emphasise initially how complex is poverty, something widely recognised across the literature. First, there are problems of definition –

from absolute to relative poverty. Second, there are problems of substantive definition, ranging from income level through basic needs, capabilities, and entitlements, to democracy and freedom. Third, there are problems of measurement, in compiling the data and in offering summary statistics for that data. Fourth, there are problems of incidence whether by life-cycle, household, gender, age, location, (un)employed, race, ethnicity, and so on. Fifth, there are problems of the meaning of poverty and whether we impose an understanding or allow the poor to speak for themselves. Last, and by no means least, the causal mechanisms underpinning poverty are as numerous as the heterogeneity of incidence, Nissanke and Thorbecke (2007) for an account.

These considerations mean that the relationship between any variable, X say, and poverty is not going to be simple. To suggest and investigate otherwise is to suffer from what I term the XY-syndrome, something extremely common at the World Bank. If we take growth and poverty, we know that the former is also extremely complex in its determinants, getting on for 150 variables if the new growth theory and Barro-type regressions are to be believed. The XY syndrome suggests that despite the individual complexities of growth and poverty, X and Y, far from increasing through interactive effect when we put them X and Y together, that complexity simply evaporates. And, of course, putting chains of XY reasoning together, XYZ syndrome, leads to equally simplistic prognostications. Financial liberalisation leads to growth; growth leads to poverty alleviation; hence, financial liberalisation leads to poverty alleviation.

As indicated, I wish to avoid such reductionism. But what of Marx – is he not guilty of such postures, not least in the idea that capitalism creates immiserisation of the working class? Such a view is to be found in the Communist Manifesto of 1848, but this predates the publication of Marx's mature political economy by twenty years. Marx does deal with the problem of poverty or pauperism in Volume I of Capital. And he offers both a sophisticated and a heavily hedged analysis. He situates the relationship between capitalism and poverty in terms of a heavy critique of Malthusianism, rejecting the idea that there is such a law of population. Indeed, Marx's view is not simply that this law does not hold but that the nature of the laws governing population are historically variable. For capitalism, the law is not about rates of growth of population but the necessity for unemployment under capitalism irrespective of whether population growth is fast or slow. For Marx, capital accumulation both creates unemployment as some capitals are forced out of business by competition; and capital accumulation depends upon unemployment in order that there is a pool of labour on which to draw where accumulation does take place (and Kalecki is famous for having suggested that unemployment is necessary to sustain discipline over the workforce).

Otherwise, Marx's theory of unemployment, or the reserve army of labour as he calls it, identifies three separate components. One is the floating, those temporarily unemployed but liable to be reabsorbed into the workforce as job opportunities present themselves. Second is the latent or those who are not or have never been wage-labourers but are potential sources of an expanded labour force. Marx, at the time, has the peasantry in mind, but over the past few decades, it is attractive to think of married women returning to work as part of the reserve army as well as those involved in urban migration in the developing world. The third section of the reserve army is those who are unsuitable for work by virtue of age, injury, demoralisation and so on. It is within this Lazarus-like section, alongside the reserve army more generally, that Marx identifies the sources of poverty. This is sufficiently important to him that he offers his conclusion in the following terms, emphasis in original:[4]

> The more extensive, finally, the Lazarus-layers of the working-class, and the industrial reserve army, the greater is official pauperism. *This is the absolute general law of capitalist accumulation.*

In short, the degree of poverty is contingent upon the sizes of the reserve army in general and of the most degraded section of the unemployable. In addition, poverty can be interpreted to be left to be defined by "official pauperism".

Now this law is indeed so general and heavily conditioned that it would be possible to read off contemporary notions and incidence of poverty from it, especially for the unemployed across the developing world. This must be resisted for following on from above, Marx suggests that:

> Like all other laws it is modified in its working by many circumstances, the analysis of which does not concern us here.

This is significant for two reasons. First is to indicate that by law Marx does not mean some fixed empirical outcome or relation. Rather, for Marx, a law like a tendency is an underlying force operating in society whose outcomes need to be examined through their more complex effects including the influence of other factors. Second is to indicate that Marx is offering a framework of analysis for linking the accumulation of capital to the incidence of official pauperism. These considerations will be of importance in examining the relationship between finance and poverty.[5]

4 Finance

As mentioned, Volume III of Capital is concerned with the interaction between the analyses provided in Volumes I and II. This concerns the theory of price formation (or so-called transformation problem) and the law of the tendency of the rate of profit to fall and counteracting tendencies. Each of these has been extraordinarily controversial although, generally, separately so. I do not want to address those controversies here, and my positions on them, other than to assert that they are integrally related and are together concerned with whether and how the accumulation of capital identified in Volume I can be sustained through the coordinating role played by the sphere of exchange. In addition, Volume III deals in the role of capital within the sphere of exchange as well as with landed property, both attached to how surplus value is distributed across fractions of capital or vested interests.

Marx's theory of finance takes the structural separation between spheres of production and spheres of exchange as starting point. Money capital can also be utilised within the sphere of exchange purely for the purpose of facilitating exchange. This is most obvious in case of merchant capital, for which specialised traders buy and sell at different prices, the difference covering costs and profitability. For Marx, merchants buy commodities below value and sell commodities at value since they themselves produce no value. In formal terms, this revises the rate of profit down relative to what it would be if trading were costless. For total social capital, with usual notation other than B as merchant costs and K_m as capital advanced over and above this (to purchase and sell the commodities):

$$r = (S - K_m)/(C + V + B + K_m)$$

There is no reason why the rate of profit for merchant capital should not be equalised to that of industrial capital since, if otherwise, there would be flows of capital in or out of merchanting just as between sectors of industrial capital. Not surprisingly, though, the rate of profit is reduced by presence of merchant capital, and would be higher if it were less. But, of course, the same would be true if we could reduce C or V for industrial capital. This does not mean that it is advantageous to do so. The point of merchant capital is that there is a division of functions between capitalists, and this can reduce the costs of circulation relative to industrial capitalists managing it for themselves. Nonetheless, there is the logical possibility of over-extension of merchant capital, of replicating costs as merchants seek both to appropriate and create opportunities for sale. This is transparent in the numbers of estate agents competing for the same business or in competitive advertising to the extent that it leaves overall sales and (imagined) use values unchanged.

But I want to focus on a different point that is raised by Marx in terms of where to locate the transport of commodities. Does this lie within the sphere of exchange (as part of merchant capital) or within the sphere of production (as part of industrial capital). Marx tends to see it as a productive activity but one undertaken within the sphere of exchange. There is an interesting methodological point here – that, having structured the economy around spheres of production and exchange, these are not held to rigidly, and there can be hybrids of this sort. They are a logical possibility, opened up by the analysis itself and, equally, there could be exchange activity undertaken within the sphere of production, as with advertising for example when modifying the product or its manufacture. But, at what point or in what circumstances do such hybrids revert to being pure, conforming in type to their location.

This cannot be answered by reference to the nature of the activity itself but only empirically. If transport is an activity, for example, primarily coordinated within the sphere of exchange by merchants deploying their own capital for that purpose, then this transport capital would appear to be part of merchant capital. If, on the other hand, transport is dominated by separate companies delivering both for producers and merchants, it would appear that this is activity within the sphere of production. Clearly, this can vary across sectors of the economy and over time, reflecting the evolution of capital

accumulation over time and whether access to finance for particular companies has dictated building a new store, a new depot or the purchase of means of transport connecting them.

In orthodox terms, this concerns the economies of scale and scope across producing, transporting and trading. Where it makes a difference is across the rhythm of accumulation for which, if there were a trade crisis or depression, the impact is liable to be that much greater the more activities fall under the wing of merchant capital. It is as if trading and transporting are bankrupted simultaneously rather than just the one (although there may be greater resources for tiding over).

This might appear to be of limited and uncertain significance and I have only discussed it in order to shed light on similar, if not identical, considerations that apply in the case of finance. For Marx, with the emergence of finance, money capital can be made available to investors in the form of what he calls interest-bearing capital. This is a generic term for the money capital that is loaned for the specific purpose of undertaking or extending an industrial circuit of capital. Marx's theory of interest-bearing capital has eight fundamental features. First, whilst they are mutually interdependent with industry producing surplus value and interest-bearing capital financing it to do so, there is a conflict of interest between the two. This is reflected, second, in the division of surplus value between profit of enterprise and interest. One can only gain at the expense of the other. Third, as industrial capitalists compete by accumulating, by scale of operation and, hence by access to interest-bearing capital, so competition <u>within</u> the sector of finance is different. For, whilst there can be formation of new financial institutions, this will be tempered by the unwillingness of those operating in the financial sector to offer the capital to create a rival. Fourth, competition within the financial sector depends upon gathering surplus money capital and loaning it to industrial capitalists. Competitiveness of individual and blocs of finance, national financial systems for example, depends upon how restricted or not on the conditions under which loans can be made. Greater restrictions both decrease the vulnerability to crises and the capacity to finance profitably.

This point bears further discussion as it is universally recognised across the financial literature and financial practice. But its significance within Marx's approach is distinctive. In case of interest bearing capital, a loan is made in order to initiate a circuit of industrial capital for which the production and realisation of surplus value is prospective and, by no means, guaranteed. The division of that surplus value between interest and profit of enterprise depends upon the successful completion of the circuit, without which one, other or both of interest and profit must suffer, a reflection of the conflict of interest between the two fractions of capital.

Fifth, then, in this light, Marx argues that interest bearing capital necessarily gives rise to what he terms fictitious capital. This is not a capital that does not exist but a paper claim to the ownership of capital that exists independent of the capital itself in material terms. Of course, there is the possibility that interest bearing capital will be advanced on the basis of entirely corrupt and fictional schemes with no possibility of generating the rewards anticipated. This is not generally the case. Nonetheless, the financial system does proceed on the basis of paper claims to rewards that have yet to be realised. And, such fictitious capital is itself traded in financial markets.

Sixth, this leads Marx to ask the question under what circumstances is an accumulation of fictitious capital a real accumulation of capital. It is, of course, not possible to give an answer since this depends upon outcomes and not upon intentions. A genuine attempt to make profit out of an industrial loan may fail. And loans made for non-commercial purposes, to fund consumption for example, may allow an industrial enterprise to reap its own and other's financial returns from the realisation of commodities produced. More generally, as emphasised by Marx himself, the financial system can be extraordinarily powerful in mobilising and allocating finance for the purpose of real investment. But, by the same token, it can both trigger and amplify monumental crises.

Seventh, this needs to be situated in the context of Marx's theory of accumulation and reproduction. For this, commodities are always being reduced in value as accumulation generates productivity increase, and this means that capitals are being devalued even as they are expanded through accumulation. So devaluation is the consequence of the production of surplus value. But, to the extent that the latter fails, the accumulation of fictitious and real capital diverge, and the capital is what Marx terms depreciated, effectively destroyed or reduced by the failure to produce surplus value rather than because it has done so in a world of declining values. Generalised devaluation of capital is synonymous with a period of successful accumulation. Generalised depreciation is the result of

financial or other crisis. It sharply raises the issue of whether real or fictitious capital, industry or finance, will bear the costs of adjustment. Significantly, Marx draws the distinction between extended and expanded reproduction as part of his "growth theory". The first corresponds to growth on the basis of existing value relations, the second acknowledges that growth must both reproduce value and reduce values, a systemic source of tension.[6]

Last, it should be emphasised that this is a highly abstract analysis in the sense that it focuses exclusively on the pure relations between finance and industry exclusively for the purposes of initiating circuits of industrial capital. Marx is well aware that, in practice, this process is embedded in a whole range of other ways in which borrowing and lending take place, including a credit system with the payment of interest without involvement of production. For this reason, he offers the term loanable money capital to represent the ensemble of credit relations to which interest bearing capital is attached, into which it is embedded.

This, however, brings me back to previous discussion of merchant capital and the issue of its well-defined boundaries with industrial capital in analytical terms but the ambiguity of those boundaries in practice. The issue to be raised is just how widely cast is fictitious capital in its simultaneously symbiotic but antagonistic relationship with industrial capital. This is an empirical question of considerable complexity, given the complexity and diversity of financial markets, on the nature of which I have barely begun to touch. What is unambiguous is that the breadth and depth of the accumulation of fictitious capital has been unprecedented over the past thirty years, as represented by growth of old and new financial markets and institutions, and the interactions between them. These come on top of and, in part, underpin, the more general economic characteristics of this period, concerning slowdown in growth by comparison with the post-war boom, uneven patterns of growth across the world economy, and shifting patterns of trade, finance and investment from which many economies of the developing world have differentially suffered.

At an abstract level, it is not difficult to suggest the role that might be played by finance in this context. First is that the accumulation of fictitious capital can proceed at the expense of real accumulation, not least in the weight of resources dedicated to the speculative activity bridging different financial markets. Between them, New York and London employ over one million workers in financial services, generating 25% of GDP in the UK. Even for the most committed of neoclassical laissez-faire economists, this must surely raise doubts over whether such levels of resources are required for the mobilisation and efficient allocation of savings to investment, especially in new technology means that productivity in financial services has been higher than on average. Whilst employment in financial services overall may not have risen unduly, its concentration in particular locations has been marked in terms of creating particular forms of urban development. Second, there must be questions over whether such a financial system is effective and appropriate in finessing the devaluation and depreciation of capital. Third, for the latter, the conflict between finance and industry is liable to be settled in favour of the preservation of fictitious at the expense of real capital. Fourth, not least in the herding behaviour associated with finance, it is liable to accentuate the uneven development of capitalism, Leyshon and Thrift (1995).

5 Financialisation

To summarise: as a system of accumulation, capitalism is heavily dependent upon finance in the form of interest bearing capital but this specific role for finance is embedded, to coin a phrase, in other aspects of the circulation of commodities, money and credit.[7] What is uniquely characteristic of the current period of capitalist is the extraordinary extent to which such embedding has been both deepened and broadened. Such developments have within the literature been best captured by the notion of financialisation. This has been addressed from a number of perspectives, but not always explicitly since however much recognised as such, its effects are inescapable. The explicit literature on financialisation is both limited and marginalised from mainstream thought. For Epstein (2005, p. 3), "financialization means the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies". Stockhammer (2004, p. 720) offers an overview of financialisation, acknowledging that it "is a recent term, still ill-defined, which summarises a broad range of phenomena including the globalisation of financial markets, the shareholder value revolution and the rise of incomes from financial investment". His own focus is upon "changes in the internal power structure of the firm", see below.

Before turning to this literature directly, three further elements need to be added. All are addressed in Capital. The first is the role of the state as regulator of the monetary and financial systems, and itself as a major agent in the provision of financial instruments, not least through its own indebtedness, paper bonds as a form of fictitious capital.[8] Interestingly, in Volume I of Capital, Marx polemically asserts that, "The only part of the so-called national wealth that actually enters into the collective possessions of modern peoples is - their national debt", Chapter XXXI, see below. Second is the nature and role of world money, how it is that the relations, properties and functions of money in general are realised on a global scale in light of the presence of numbers of national currencies. And third is historical specificity in relation to both of the previous two elements and their interaction, reflecting particular patterns of accumulation at a global level. In this respect, there are generally identifiable and agreed historical periods in which the role of nation-states and of world money are distinct, most recently the rise and fall of the Bretton Woods system, Arrighi (2003) for a deeper and longer account for example.

The current period is one in which finance has penetrated across all commercial relations to an unprecedentedly direct extent. I emphasise direct here because the role of finance has long been extensive both in promoting capital accumulation and in intensifying its crises, most notably in the Great Crash of 1929 and the ensuing recession. For Krippner (2005, p. 199), in her overview of contemporary financialisation in the United States, it neither necessarily "represents an entirely novel phase of capitalism … [nor] do these data allow us to draw any conclusions regarding the *permanency* of the trends documented here". But, these reservations aside, in qualitative terms, finance is different today because of the proliferation of both purely financial markets and instruments and the corresponding ranges of ficititious capitals that bridge these to real activities. Most obviously, and a major element in the financialisation literature, especially in the United States, is the drawing in of personal finance in general and of pension funds in particular. Marx is clearly wrong about the national debt being the exclusive asset owned by the general populace! As Langley (2004, p. 539) has put it, citing Richard Minns, "it is this commitment to 'the extension and growth of stock markets and "liberalised" financial markets' that has underpinned pension reform initiatives in Anglo-American state-societies over recent decades, also becoming central to the 'model' for reform favoured by the World Bank and the Organisation for Economic Co-operation and Development (OECD)".[9]

As already indicated this fundamental feature of contemporary capitalism, other than in a piecemeal fashion dealing in it bit by bit rather than as a systemic property, has best been broached by the financialisation literature, limited in both volume and influence, and practically non-existent for developing countries. The work around Epstein (ed) (2005) is the most prominent, although more important in some respects is the nearby initiative on financialisation furnished by the ESRC Centre for Research on Socio-Cultural Change at the University of Manchester, see especially Froud et al (2006).

From this literature, a number of important elements can be teased out, not least from a labour movement contribution concerned with the impact of financialisation upon labour market conditions, Rossman and Greenfield (2006). First is the rise of institutional investors and the extent to which their interests have been channeled as more generally into financial channels concerned with "shareholder value", effectively the making of money out of ownership as such as opposed to the making of investments with real returns. In effect, this is to acknowledge the increasing importance of fictitious capital, with the presumption that, second, all financial institutions are embroiled in light of the rising significance of market analysts. Third, the result is to place financial restructuring and short-termism in a position of precedence over long-term investment plans and productive restructuring. Fourth, the impact on wages, employment and working conditions is inevitably undermined as a high investment, high productivity, high employment, high wage nexus is broken in favour of low investment, low productivity, low wage and casualised employment. As Froud and Williams (2007) suggest, companies have increasingly become perceived as a bundle of assets to be traded, an exercise in value capture as opposed to value creation, p. 14. The result is to create a new cadre of intermediaries, continuously financially restructuring enterprises, Folkman et al (2006). As Perry and Nölke (2006, p. 566) put it:

> Financial analysts gain power and traders/fund managers pay more attention to them; enterprise managers lose power … Most of the principals in the financial system – i.e. investors, savers, pensioners, future pensioners (workers) – are not in the picture.

From Keynes' euthanasia of the parasitic rentier, we are suddenly confronted with the heroic financial entrepreneur, who creates nothing but fictitious value, Erturk et al (2006).

But the highly publicised benefits that have accrued both to corporate management and to those working in finance are real enough. As Erturk et al (2004, p. 707) observe, "the explosive rise in CEO pay reflects the value skimming opportunities of bull market euphoria" although bear markets are not without their opportunities either. This has to be set in the wider context of financialisation itself with two elements. On the one hand, the proportion of corporate profits as a whole being derived from financial activity has been rising, so this is where major sources of rewards are to be found, Krippner (2005). On the other hand, a point taken to be crucial in arguing for the presence of financialisation itself, non-financial corporations have been accruing increasing proportions of their profits from financial activity. Stockhammer (2004, p. 720), in particular, defines financialisation as "the increased activity of non-financial businesses on financial markets", and finds that, "For France, financialisation explains the entire slowdown in accumulation, for the USA about one-third of the slowdown. Financialisation, therefore, can potentially explain an economically significant part of the slowdown in accumulation", p. 739.[10]

Stockhammer and most others explicitly connect such financialisation to the issue of who controls the modern corporation. This obtains both systemically and at the level of corporate governance itself not least, in citing Lazonick and O'Sullivan (2000) as "retain and invest" gives way to "downsize and distribute" in pursuit of shareholder value, p. 721. Erturk et al (2004) set such issues in the longer term perspective of managerialism, deriving from Berle and Means and the separation of ownership and control. Far from shareholder value signifying the triumphant return of the shareholder, it is apparent that financialisation has driven up the rewards for both financial corporations and for the management of non-financial corporations, with potential for fluidity between the two. In the era of financialisation, CEOs within non-financial corporations have conformed to its dictates and have been correspondingly rewarded. Ertuk et al conclude that it is even less appropriate to look to them to drive a wedge between real and financial governance than it was previously to see managers as exercising control against the interests of owners.

For what has changed is the relationship between finance and industry. As Rossman and Greenfield (2006, p. 2) put it, citing Stockhammer:[11]

> Of course, companies have always sought to maximize profit. What is new is the drive for profit through the elimination of productive capacity and employment. Transnational food processors, for example, now invest a significantly lower proportion of their profits in expanding productive capacity. Financial markets today directly reward companies for reducing payroll through closures, restructuring and outsourcing. This reflects the way in which financialization has driven the management of non-financial companies to "act more like financial market players".

Such considerations have understandably led to a pre-occupation with the relations between private capitals, and financial and non-financial corporations, at the expense of the role of public finance and world money, although these are addressed in other literature, macroeconomics for the mainstream. Inevitably this literature is both vast and oblique in its approach to financialisation for, as Duménil and Lévy (2005, p. 17) put it, "neoliberalism is the ideological expression of the reasserted power of finance". Thus, financialisation is the subject of all of the literature on neo-liberalism, globalisation and stabilisation, critical or otherwise.

What is apparent empirically, irrespective of how it is situated analytically, is that the current world financial system has become even more dependent on the US dollar as world money even as the US economy itself has experienced relative decline at a global level with peculiarities of its own. In a couple of papers, Eichengreen (2004 and 2006) has addressed the nature and significance of this for the continuing stability of global financial markets. His main conclusion is that, to the limited extent that the current system can be interpreted as comparable to the Bretton Woods system of the post-war boom, it is liable to enjoy a much shorter life-span with prospects for instability and systemic change on the horizon sooner rather than later.

Across his analyses, Eichengreen does not offer a well-defined theoretical position but that does not mean there is an absence of analytical content. He seems to accept, for example, that the current system might be sustained for as long as China is willing and able to exploit surplus labour to underpin a trade surplus with the United States and to accept dollar-denominated assets in return. There

are a number of important issues here. One is the emphasis upon the capacity to sustain accumulation through particular financial relations, although there is no reason why this should be confined to the Chinese reserve army of labour. Indeed, as Eichengreen is at pains to point out, it is not just China that is exporting to the United States in return for its currency. This is one reason why he anticipates instability sooner rather than later for the portfolio of (Asian) countries to whom the US is indebted is perceived to be heterogeneous and, consequently, less able and willing to underpin a collective will in support of the US dollar. This is contrasted with the greater uniformity of purpose and stages of development across western Europe and Japan for the Bretton Woods period.

For the current period, this indicates just the beginnings of a broader understanding of how sustaining accumulation across the world involves many more considerations than the extent of cheap Chinese labour, with different countries situated at different stages of development, sectoral compositions and dynamics, and with differing structures and processes of economic and social reproduction. These factors benefit from much less consideration than those concerned with how they are complemented by finance. For Eichengreen, these include the capacity of private flow of funds to respond very quickly following crises, greater mix and extent of foreign holdings and speculation in capital flows, lesser control over these private flows, and the extent to which this has all been driven by the new technologies associated with financial markets and its dealings.

As indicated, Eichengreen's account is motivated by scrutiny of the prospective stability of the current financial system. At most, the consequence for poverty are implicit, but they can be teased out. First is the observation that the weakness of the US dollar has induced developing countries to hold dollars in line with export-led growth. This is in part a result of the increased potential instability that has accompanied both the weakening of the dollar and the liberalisation of national financial systems. Eichengreen (2006, p. 5) observes:

> The uses to which developing countries have put foreign funds are very different than in earlier years … emerging countries … put into international reserves every single dollar of private capital received in the last five years, on net, from the rest of the world.

By contrast, continuing the text:[12]

> Traditionally, a not entirely desirable side effect of capital inflows has been a spending binge by governments, firms and households which has driven up the real exchange rate, undermined export competitiveness, and diminished national creditworthiness, often precipitating a crisis. Spending by credit-constrained governments and households has been procyclical and capital inflows, by relaxing that constraint, have amplified their response. In the first decade of the 21st century, in contrast, the story has been different. The entire private capital inflow - and more - has been set aside in the form of international reserves rather than being used to finance additional purchases of consumer durables by households, to underwrite a construction boom, to support inefficient corporate investment, and to finance government budget deficits.

Leaving aside the cynicism, warranted or otherwise, attached to how such reserves might otherwise have been spent, this is indicative of developing countries coming to own their own National Debt or, more exactly, that of the United States. This is not simply a distributional support to the United States – the rich exchange paper for the products of the poor – it is also a system at the expense of the potentially developmental goals and provision – household consumption, construction, corporate investment and budget deficits, all handmaidens of poverty alleviation.

Second, though, the impact of these financial arrangements runs deeper still. For their origins lie in the liberalisation of financial systems under the Washington Consensus. As observed, this has led paradoxically both to the need for higher and higher levels of reserves and to the corresponding funding of US indebtedness. And, as observed by Eichengreen in his own way, once opened up in this fashion, capital markets incorporate a momentum of their own, p. 18:

> Policy makers in emerging markets thus see capital account liberalization as part of the larger process of economic and financial development. They appreciate how globalization reinforces the fundamental argument for liberalizing international transactions: as a country is more deeply integrated into the global economy, it has an incentive to specialize further in order to

> capitalize on its comparative advantage, in turn making financial diversification more valuable as a risk-sharing device.

Thus, the impact of neo-liberalism in promoting capital account liberalisation offers some explanation for the rise of US indebtedness – higher saving in emerging markets in the form of dollar-denominated reserves, and the corresponding lower levels of investment in the public and private sectors.

Third, though, in the last decade, there has been something of a reaction against neo-liberalism, with the Asian and other crises having prompted a more cautious approach, p. 18/9:[13]

> But policy makers in emerging markets also absorbed the lesson of the 1990s that financial opening should proceed gradually and be carefully sequenced with other policy reforms. A one-sentence summary of the lessons of the Asian crisis is that capital account liberalization in advance of measures to strengthen domestic financial markets, reform corporate governance and adapt the macroeconomic policy regime to the imperatives of open capital markets can be a recipe for disaster. Taking these lessons to heart, emerging markets have moved away from pegged exchange rates, adopted flexible inflation targeting as a framework for monetary policy, and strengthened their budgetary institutions. They have recapitalized their banking systems, strengthened supervision and regulation, and reformed corporate governance to pave the way to life with an open account. The question is whether these reforms have proceeded fast enough, given the growing exposure of their economies to international capital flows.

But the learning of these lessons is not to have restored the status quo ex ante. On the one hand, the financial markets have now been liberalised and function in entirely different ways requiring different, possibly more extensive intervention to prevent them from being destabilising. On the other hand, as only vaguely hinted at by Eichengreen in terms of alternative uses of resources and the developmental ideology of policy makers, these changes represent the support of financial interests and activities against those of others. This does itself suggest that the study of the global and national financial systems in terms of a parsimonious account of the relations between nations is entirely inappropriate. We have witnessed the excesses of financialisation in liberalising financial markets, and we have seen the financial elite and its activities extended as a result. Renewal of intervention, regulation and control has to be seen in this light rather than as a belated if more sensible and balanced approach to achieving some sort of neutral target of stabilisation. As McMichael (2004, p. 19) puts it, "the preservation of money value increasingly governs institutional politics in global and national arenas, generalizing a cycle of liberalization and crisis management through structural adjustment, at the expense of sustained social policies".

6 Ideology

"**It's identity, stupid. Not cost and benefit**", p. 52.
"But economists, whether conservative or radical, think the answer to a 'why' question is always 'some material advantage'", McCloskey (1999, p. 198).[14]

As is well known, ideology is about understanding and promoting something other than it is, of painting a partial picture in both senses of the term, of presenting special interests as the exclusive or general interest, or vice-versa, and as inevitable, unavoidable, natural even, TINA. Ideology involves a mixture of power and persuasion, hidden and overt, of precluding as well as denying and preventing alternatives.

Whilst I am not a fan of the notion of path dependence, because of its tendency to adopt a limited approach to the incorporation of the historical, it does offer some sense of the inertia that can attach to ideology (although this property should not be taken as sacrosanct as beliefs can change very rapidly, especially in wake of changed circumstances). As an ideology, neo-liberalism is like a bad case of wind – you are never quite sure when it is over and the effects do linger for some time afterwards. And, as just seen for capital account liberalisation, the sins of the past, once recognised, still have to be accommodated. The most important platform in neo-liberal ideology is that markets in general work well, and financial markets in particular. So, if it is accepted that markets do not work perfectly, the slightest step in reforming neo-liberal ideology is to pay attention to making them work well.

Whilst the focus in the macro discussion has been centred on "emerging markets", this represents a heterogeneous set of countries where there has inevitably been, with financialisation, a

strong element of trickle-up and across to serve financial interests as opposed to a flood down to serve the poor. Much the same is true in extending the analysis to the poorer developing economies, although the incidence and impact of financialisation will be highly specific to country circumstances. But if vested financial interests are being served by financialisation, how do those interests get to be formed and how do they get to be represented. In other words, what is the ideology of financialisation in the wake of an apparently increasingly unattractive neo-liberalism?

As indicated at the outset, the market imperfection approach to finance can ultimately lead to a focus on a duality of vested interests and ideology. But from where does the latter derive and in what way does it relate to, and conform or not, to the vested interests that are its partner in crime? The mainstream approach to such issues is to see ideology as the result of individual choice, in pursuit of self interest. As argued elsewhere, this is the tack adopted by the highly influential Douglass North, leading to the transition from the principle of pricing (of scarce resources) to the pricing of principle (beliefs shift in response to vulgar self-interest), Fine and Milonakis (2003) and Milonakis and Fine (2007 and 2008). For the recent work of Akerlof and Kranton (2000) on identity, for example, this is broached through choice over available social identities in maximising utility. This opens the remarkable prospect of ideology as identity itself ultimately determining outcomes whilst, at the same time, there being no theory of ideology itself other than as an endogenously chosen set of beliefs to which optimising individuals attach themselves. I adopt the ideological mantle of financier because it is in my interest to do so. But how are such beliefs formed and what gives them the shifting meaning that is attached to them. Significantly, over the long span of his evolving position, Douglass North has recognised this issue, ultimately being driven to the conclusion pricing depends on property, property on institutions, institutions on ideology, and ideology is a product of individual neural mechanisms in response to external stimuli. More generally, the choice approach to ideology can be complemented by motivations or factors other than self-interest but then there is the problem of indeterminacy over whether and where rationality or "irrationality" prevail in material and ideological decision-making quite apart from indeterminacy in equilibrium combinations of behaviour and beliefs – a field day for path dependistas. There is also the further problem that, whether ideology is simply chosen or not, it has to be created by someone. As North has ultimately recognised, where did the idea of property rights come from in order that they could be chosen in advance of their existence on rational calculation of costs and benefits.

I do not wish to dwell on these issues other than to point out that such an approach to ideology both suffers irresolvable conundrums of its own making (starting point in individuals) not least by seeking to incorporate variable motivation into a technical architecture designed to address choice from fixed preferences, and it fails to get to first base in relation to the huge variety of insights on ideology that are commonplace across other social sciences, especially but not exclusively in the wake of postmodernism. My own work in this area has been based on two fundamental pillars. The first is to take ideological relations as starting point, with something of an Althusserian origin. This is not a system of beliefs but the material relations, structures and processes, and corresponding experiences, in which agents are situated and are engaged as the basis for those belief systems. Possibly the most famous example of this within Marxist political economy is the notion of commodity fetishism, that social relations between producers appear as relations between things, something that they really are, inescapably so for the individual with corresponding implications for reification and alienation. Earlier, in outlining the circuit of capital, it was observed how it does itself give rise to economic processes that are at best partially reproduced in thought, as general equilibrium theory or Keynesianism for example. This is not to descend into some form of relativism since all ideology has some correspondence to its object of beliefs. But there is no guarantee of internal conceptual consistency nor of conformity to totality of experience. Thus, general equilibrium requires the fiction of the Walrasian auctioneer, and prices including distribution, as marginal products, fail to delimit such categories historically.

Emphasis upon ideological relations offers an important preliminary to the study of ideology. I have emphasised a number of fundamental features, and have dubbed them the 8 Cs.[15] Ideology is constructed, construed, contested, collective, contradictory, contextual, closed, and chaotic. First, (the drift from) neo-liberalism is constructed not simply as a set of beliefs idealising the role of the market at a global level, or not, at the expense of the nation-state, it also needs to finesse how the market and non-market do or should interact, not least in relation for example to the role of politics (and whether markets take precedence over democracy, however that might be constructed). Second, it follows that neo-liberalism is construed, open to differing interpretations. Third, by the same token, it will be contested not only amongst those to whom it does appeal but also by those to whom it does not. Fourth,

neo-liberalism is an ideology for which there is collective attachment, or not, across organisations and politics. Fifth, neo-liberalism is contradictory, not in the sense of inconsistency of belief, but see below, so much as being subject to irresolvable tensions derived from economic and social outcomes and change. Free markets can only work if they are supported to do so by state intervention. Individual freedom grinds out freedomless poverty, and so on. Sixth, neo-liberalism is contextual, meaning different things in different circumstances. Seventh, neo-liberalism is closed in the sense of inducing or even precluding alternative patterns of thought, if not all those that contest it. So it fundamentally sets an agenda of (im)perfect state versus (im)perfect market, its own opposition as well as itself. Last neo-liberalism is chaotic in light of the previous elements. There is no reason to believe that it will display coherence and consistency.

Elsewhere, I have discussed this last point in relation to the rhetoric, or advocacy as the Deaton Report (2006) would have it, scholarship and policy of the World Bank (to which could be added realism). I have argued that these are not necessarily mutually supportive but nor are they totally independent of one another. Moreover, how they interact differs both from one application to another and over time. I have demonstrated this in relation to social capital, privatisation, financial programming and the more general transition from Washington to post Washington Consensus, Fine (2001), Bayliss and Fine (eds) (2007), Fine (2006a) and Jomo and Fine (eds) (2006). As a general rule, whereas the Washington Consensus offers the prospect of extensive discretionary intervention under the guise of non-intervention, the post Washington Consensus provides a wide-ranging rationale for economic and non-economic intervention in case of market and/or institutional imperfections. This gives it the power, in principle, to contest the Washington Consensus on a piecemeal basis. But it shares in common with it the goal and analytical posture of making markets work better.

As such, especially with the slippage between scholarship, advocacy and policy in practice, there are extreme limitations on the capacity of the post Washington Consensus to combat either the vested interests or ideology of (global) finance. Making markets work in general increasingly means making financial markets work in particular. In the era of financialisation, this entrenches new modes of corporate governance and assessment of performance, privatisation and state support to it rather than public provision, lack of coherent and systematic industrial and agricultural policy, pressure for user charges for health, education and welfare, and priority to macroeconomic austerity to allow for liberalisation of financial capital. As already indicated, the vested interest/ideology approach derived from market imperfection economics is both misguided and fails to get to grips with the systemic advance of financialisation and might even be thought to promote it. For Langley (2004, p. 541), "invigorating the concept of financialisation requires that we recognise that particular but related discourses of economy are central to constituting financialised capitalism. The cultural making of financialised capitalism is not only derived from mainstream academic (neoliberal) economics, but also includes the theory and practice of the likes of management, accounting, advertising, marketing and insurance".[16] To this might be added the whole development studies and policy industry! And, for accounting in particular, for example, far from being a politically neutral instrument of efficient and effective policy making, Perry and Nölke (2006, p. 568) find that recent shifts in international standards towards fair value accounting increases efficiency only if, "one defines efficiency purely in pecuniary terms … [and] one measures such pecuniary efficiency exclusively from the perspective of the financial sector". Thus, "this reflects and reinforces changed relations of production in which the financial sector increasingly dominates the productive sector, nationally institutionalized economic systems are undermined, and new forms of economic appropriation are validated", p. 581.

7 Concluding Remarks

This is not to suggest that neo-liberal policies will sweep homogeneously across a globalised world, nor fail to be reversed. Krippner (2005, p. 203), for example, acknowledges the ambiguity for outcomes as, "increased openness generates demands from citizens for 'protection' from the vicissitudes of international markets … but too much openness may embolden business interests, constraining the ability of the states to respond to such demands". Welfare programmes in South Korea, for example, were expanded in response to the financial crisis, and the globalisation literature is marked by pointing to the continuing salience of the nation-state and heterogeneity in interventions and outcomes, especially in the field of welfare provision, Kasza (2006) for an overview. Financialisation has shifted the modes of interaction and balance of power across vested interests, together with corresponding ideologies, but it does not rigidly determine outcomes.

As a policy advisor, I experienced the full weight of these vested interests and their ideologies in the early 1990s in South Africa. Across the board, the programmes for health, education and welfare and industrial development were heavily resisted and distorted both by hugely powerful domestic conglomerates seeking to internationalise following sanctions under the apartheid period and by the Bretton Woods institutions, including deliberate programmes to incorporate politicians and researchers. The newly elected post-apartheid government might be interpreted to have lost its nerve and placed neo-liberal policies ahead of other considerations, at its own expense as well as a more rapid and fuller turn against the Washington Consensus. A decade later, the South Africa government has embraced the notion of the developmental state, a notion that, along with adjustment with a human face, both paved the way for the post Washington Consensus and was unceremoniously ditched by way of acknowledgement, Fine (2007a). Whilst going some way towards potentially sterilising financialisation, the developmental state is itself an ideological construct whose exact content and influence remain to be seen. It surely offers a more effective starting point to poverty alleviation than the developmental market, a heavily veiled deference to the power of banking which, need I remind you, leaves us at the mercy of both iniquity and sin.

Footnotes

[1] See http://en.wikipedia.org/wiki/Josiah_Stamp,_1st_Baron_Stamp
[2] Either, for realisation for means of production, $C_1+V_1+S_1= C_1+C_2$; or, for realisation of means of consumption, $C_2+V_2+S_2=V_1+V_2+S_1+S_2$. Both equations yield the condition for simple reproduction.
[3] As argued in Fine (2007c), the rise of social capital in the absence of a political economy of capitalism has meant that its original meaning of economic capital as a whole with systemic properties has been set aside. This is despite its use as such by economists and historians from a variety of perspectives.
[4] In Section 4 of Chapter 25 of Volume I of Capital, entitled, The General Law of Capitalist Accumulation, with section 5 offering pages of empirical illustration from across Britain.
[5] Note Marx also suggests that the cost of responding to pauperism, "enters into the *faux frais* of capitalist production; but capital knows how to throw these, for the most part, from its own shoulders on to those of the working-class and the lower middle class".
[6] See Fine (1982) and Fine and Milonakis (2007).
[7] The notion of embedding needs to be treated with caution, if not avoided altogether in so far as it serves as a way of bringing back in what has been previously left out. Here, though, the role of finance is derived before it is embedded.
[8] See Erturk (2003) for the importance of public debt in Turkey for financialisation and its role in undermining entrepreneurship and investment.
[9] See also Cutler and Waine (2001) for occupational welfare more generally. They do observe, however, that, "in 1997-8 half the British population had financial wealth (excluding housing, pensions and bank current accounts) of less than £750".
[10] See also Orhangazi (2006).
[11] And see McMichael (2004) for financialisation and global corporate food regimes more generally, "such that corporate strategies intensify vertical integration (from seed to supermarket) with flexible horizontal mergers and alliances", p. 18.
[12] Eichengreen qualifies this account in three ways, "The full picture, inevitably, is more complex, since emerging markets have also used private foreign funds to finance their residents' net investments abroad and to repay obligations to international financial institutions and official bilateral creditors. But the bottom line remains the same". He adds in a couple of footnotes that "the picture is much the same if we consider all developing countries", and that the result is to "have not contributed as much as otherwise to the growth of global demand", p. 6, indicating a dampening effect other than from the US trade deficit.
[13] See "the new, more nuanced view of the IMF", Kose et al (2006, p. 34/5), cited in Chang (2007):

> Premature opening of the capital account without having in place well-developed and well-supervised financial sectors, good institutions, and sound macroeconomic policies can hurt a country by making the structure of the inflows unfavourable and by making the country vulnerable to sudden stops or reversals of flow.

Substitute a few words and you have the World Bank's rethink on privatisation, and probably most other things as well, Bayliss and Fine (eds) (2007). See also Kane (1996) for the dialectic of bank regulation.
[14] Reproduced from opening of Fine (2007b).

[15] It has progressed from an original 5! I would also add reflexivity of the subject but that it might be considered to be implied by the others and it does not begin with C.
[16] Langley goes on to cite the work of Callon who, however, is ultimately drawn both to the position that economics makes the economy (rather than vice-versa) and that capitalism is an invention of the left purely for the purposes of critique, Fine (2003) for a critique of the ANT (actor-network theory) approach that has been influential in the study of finance.

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Figure 1 The Circuit of Capital.

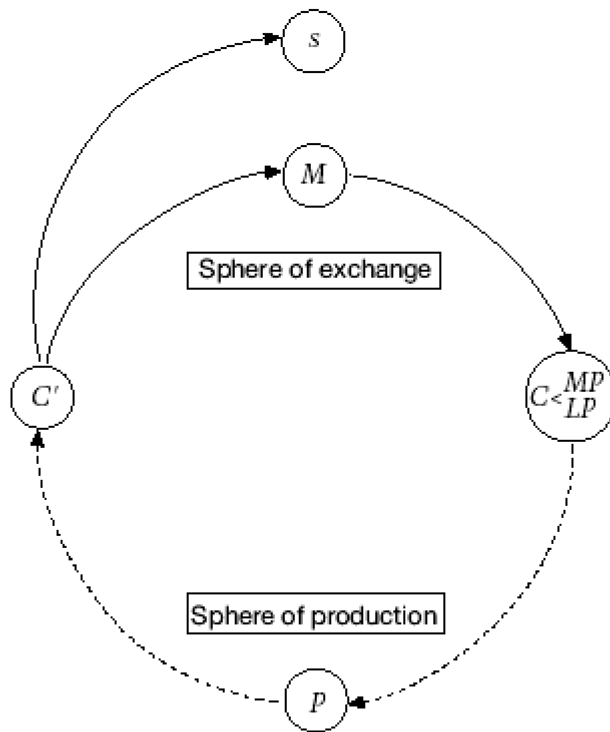

Figure 2 Economic Reproduction