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BAHCESEHIR UNIVERSITY**

THE MAKING OF GLOBAL FINANCE

Master's Thesis

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**THE REPUBLIC OF TURKEY
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GLOBAL AFFAIRS**

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Master's Thesis

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ABSTRACT

THE MAKING OF GLOBAL FINANCE

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To understand the power of American state, it is crucial to understand the how the American state is connected to the global financial markets. That is why, in this essay, it is attempted to perform an analysis on the institutional mechanisms and historical roots of the capacity of American State to control and take advantage of the global financial markets.

In the first four chapters, it is tried to demonstrate that the US state enhanced its domestic and global power of financial capital during all post war period through various turning points. Which led us to the arguments that: expansion of finance or financialization does not signify the US decline, rather, it means the universalization of American power through Americanization of Global Finance.

Through the chapters four to seven, more specifically focusing on neoliberalism, parallel with the main argument, global finance is explored through neoliberalism's influence on American capital accumulation, and it is argued that neoliberalism paralleled with the Americanization of the global financial system to drive capital accumulation prior to the Great Recession. On the other hand, neoliberal policies are not as influential as the Americanization of finance.

Keywords: Global Political Economy, Neoliberalism, Global Finance

ÖZET

KÜRESEL FİNANSIN OLUŞUMU

Gökalp Ertuğrul

Global Affairs

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Amerikan Devletinin gücünü anlayabilmek için, Amerikan devletinin küresel finans sistemi ile bağlantılarını anlamak zaruridir. Bu sebeple, bu çalışmada Amerikan devletinin küresel finans sistemini kontrol etme ve kullanma kapasitesinin, kurumsal mekanizmalarının ve tarihsel kökenlerinin analiz edilmesi amaçlanmıştır.

Bu çalışmada ilk dört bölümde, savaş sonrası süreçte, çeşitli dönüm noktalarıyla, Amerika devletinin yerel ve küresel finansal sermaye gücünü nasıl arttırdığı resmedilmeye çalışılmıştır ki bu da bizi ana tezimize götürmüştür: Finansallaşma Amerika'nın düşüşüne işaret etmemekte, tersine, küresel finans sisteminin amerikanlaşması sonucunda Amerika'nın gücünün küreselleşmesi anlamına gelmektedir.

Bölüm beş ile bölüm yedi arasında, daha çok neoliberalizme odaklanarak, küresel finans sistemi, neoliberalizmin Amerika'nın sermaye birikimine etkisini dikkate alınarak incelenmiş ve neoliberalizmin, 'Büyük Durgunluk' öncesi, sermaye birikimini arttırmak amacıyla, küresel finans sisteminin amerikanlaşması ile paralellik gösterdiği fakat o derecede etkili olmadığı iddia edilmiştir.

Anahtar Kelimeler: Küresel Ekonomi Politik, Neoliberalizm, Küresel Finans

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1. INTRODUCTION

According to various schools, both main stream and the critical, economic and financial globalization is perceived as the decline of the power of nation-states, including that of the US State.

Different critical accounts (Harvey, Brenner, Arrighi) states that the end of Bretton Woods and the subsequent globalization of financial markets with the shift to neoliberalism during the late 1970s and early 1980s was signifying the decline of America's power in international finance.

Despite the claims of different these accounts of Decline of American power , it can be observed that although the crises of the 1970s and 1980s, US had not been damaged but benefited the most from the opening up of the economic and financial system of other countries.

To understand the power of American state, it is crucial to understand how the American state is connected to the global financial markets. That is why, in this study it is aimed to perform an analysis on the institutional mechanisms and historical roots of the capacity of American State to control and take advantage of the global financial markets.

Rather than decline and malfunctioning of American finance, it appears that with the crisis of Bretton Woods, American finance is expanded both domestically and internationally, and US economic and political institutions became capable of taking advantage of the opportunities. And also US did not suffer but benefited from its transformation from an international creditor to an international debtor because of the America's debts' position as a central element of the infrastructure of the international financial system.

The main point to evaluate the American empire is the understanding the mechanisms and institutional structures of global finance constructed by American financial system and its imperial structure in favor of American state.

For these reasons the argument of this study is built through a much more carefully stated and empirically supported critique of the classical Critical theory has been developed in recent years by Leo Panitch and Sam Gindin. The difference of these accounts derive from the distinction in each other's understanding of the post war period (1945-2000). While Harvey and Brenner assumes that period is split into two distinct parts before and after 1973s, giving too much attention to the neoliberal shift, Panitch and Gindin states that divide is out of reality and claim that there is a continuity between those two, so called, different eras.

After literature study of the various critical accounts (Harvey, Brenner) tendency about the Post World War II theorization, the basic of main framework is given. My case study is the assessment of the American Empire through historical and institutional analysis of Global finance and explaining the place of neoliberalism with its effects on global finance.

In the first section of the case study assesses the unique position of the American state when the capitalist system is in its reconstruction process after World War II. And in contrast with the arguments that it is repression of finance I argue that this is a construction process of new liberal trading and the increasing the power of financial capital.

In the second section the management of US state of global order in the 1960s and 1970s is examined with its class struggles and confusions. Section three explains turning point of reconstitution of the global capitalist order as neoliberalism as the Volcker shock at the beginning of the 1980s, which is based on the privatization and globalization of financial markets and rise them to a higher level. In chapter four five and six, the place of neoliberalism is tried to be understood by historical analysis.

It is tried to be demonstrated that the US state enhanced its domestic and global power of financial capital by all these turning points, Which led us to the arguments that: expansion of finance is integral to the deepening of accumulation of capital, and more importantly

financialization of the American empire do not signify the US decline but the universalization of American power through Americanization of Global Finance which basically means that by financialization, the American empire is increasing its power rather than struggling in long downturn.



2. LITERATURE REVIEW

According to various schools, both main stream and the critical, economic and financial globalization is perceived as the decline of the power of nation-states, including that of the US State.

Different critical accounts (Harvey, Brenner, Arrighi) states that the end of Bretton Woods and the subsequent globalization of financial markets with the shift to neoliberalism during the late 1970s and early 1980s was signifying the decline of America's power in international finance.

Harvey (2003-2004) states that 'Global capitalism has experienced a chronic and enduring problem of overaccumulation since the 1970s.' After giving the concept of temporary 'spatio-temporal fixes', he argues that those 'failed even in the medium run to deal with problems of overaccumulation.' Although he states 'as Peter Gowan argues, through the orchestration of such volatility that the United States sought to preserve its hegemonic position within global capitalism, The recent apparent shift towards an open imperialism backed by military force on the part of the US may then be seen as a sign of the weakening of that hegemony before the serious threat of recession and widespread devaluation at home.' He posits that 'the inability to accumulate through expanded reproduction on a sustained basis has been paralleled by a rise in attempts to accumulate by dispossession, which he says 'is the hallmark of what some like to call ' the new imperialism' is about.'

Harvey conclude his argument as;

The United States, whose hegemony was based on production, finance and military power in the immediate post-war period lost its superiority in "production after 1970 and may well now be losing financial dominance leaving it with military might alone. What happens within the United States is therefore a vitally important determinant of how the new imperialism might be articulated.

Brenner (2006) develops an economic analysis known as "the long downturn": he states the decrease in profitability starting from the 1970s produced disturbances and crises in the global

economy. Brenner separates post world war II economy into two periods: “a period of prosperity from the later 1940s to 1973 and an era of slowed growth and increasing economic turbulence from 1973 onwards, marked by deeper recessions and the return of the devastating financial crises absent since the Great Depression.”

Brenner develops his analysis using the empirical study focusing on the “rate of profit,” and credit it as a powerful indicator of the rate of investment, the increase of employment and productivity, and of the overall potential for economic growth. He posits that while the postwar upturn displays a high rate of profit, after 1965 the rate of profit stated being relatively low due to increased international competition that has led the prices down without forcing firms out of the sectors of low profitability.

Falling profitability in a short time spread to the other major capitalist economies while the US administration forced a major devaluation of the dollar. Those exchange rate manipulation between 1971 and 1973 provide US companies competitive advantage (the lower dollar means cheaper US goods) and led the firms of German and Japanese to downward pressure on their profit rates. Dismantling the Bretton Woods system provide the US a partial recovery by transferring some of the crisis of profitability to its rivals. “In the space of a few short years, the US manufacturing sector secured by dollar devaluation the kind of turnaround in relative costs that it had been unable to achieve by way of productivity growth and wage restraint.” To overcome the decline in the rate of profit, the capitalist economies over the next few decades made diversity of efforts at cost reduction, neo-liberalization, and globalization, includes everything from brutal attempts to decrease the labor costs to austerity measures. Brenner states that all of these actions “failed to prevent the performance of the advanced capitalist economies from *worsening* as time went on.” Beacuse the real reason of the problem still remained: “Since there was rather little movement out of manufacturing to other lines, the underlying system wide problem remained the same – an over-supply of manufacturing capacity and output resulting in downward pressure on product prices that lowered the rate of return on capital stock.” In other words, because of the “paradoxical long-term persistence of chronic over-capacity in international

manufacturing,” a high rate of profit in manufacturing has never been recovered. Despite superficial bubbles and upswings, the long downturn has continued up to this day.

But a much more carefully stated and empirically supported critique of the classical critical theory has been developed in recent years by Leo Panitch and Sam Gindin. The difference of these accounts derive from the distinction in each other’s understanding of the post war period (1945-2000). While Harvey and Brenner give too much attention to the neoliberal shift and assume that period is split into two distinct parts before and after 1973s, Panitch and Gindin states that divide is a misconception and claim that there is a continuity between those two, so called, different eras.

3. MAIN FRAMEWORK

Despite the claims of different critical accounts of Decline of American power, American financial system sustain developing, financial intermediaries are innovated like never before, capital inflow is increasing, and the banks are at the top of global league tables. (Global Capital Data, 2015) It can be observed that although the crises of the 1970s and 1980s, US had not been damaged but benefited the most from the opening up of the economic and financial system of other countries.

According to Pantich and Gindin (2008, 2012) “what has never really been sufficiently worked out in this literature are the Precise ways in which US power relations, practices and institutions are embedded in expanding financial markets, i.e. the organic institutional linkages between the operation of global finance and the US state that are at the root of America’s privileged position.” So it is crucial to understand the how the American state is connected to the global financial markets through its institutional mechanisms and its historical roots of to control and take advantage of the global financial markets.

Besides being out of sight of the main stream economics, on the assumption of market as neutral structures, America’s financial power, buried in the depoliticized realm of economic mechanisms, can also evade form those who study finance in its political aspects.

Rather than decline and malfunctioning of American finance, it appears that with the crisis of Bretton Woods, American finance is expanded both domestically and internationally, and US economic and political institutions became capable of taking advantage of the opportunities. And also US did not suffered but benefited from its transformation from an international creditor to an international debtor because of the America’s debts’ position as a central element of the infrastructure of the international financial system.

As Panitch and Gindin posit “any theory not actually focused on the institutional (re)construction of the global economic system by the US state and financial system will be

incapable of grasping their transformative impact on the rules of the world economy and the qualitatively unique nature and distinctive dynamics of American power.”

Critical IPE scholars thus tend to understand US structural power in terms of the ability of the US state to harness global markets to its international ambitions, but it remains unclear what institutions, techniques and relations are embedded in the “very” constitution of the international economy that reflect US power and bias its operation in favor of the US.

Structural power, it seems, is primarily conceived as the power of capital or the market, and what remains underdeveloped are its organic linkages to the American state, i.e. the historical sources and institutional basis of the US’s privileged relationship to processes of financial globalization. Consequently, there remains an element of uncertainty as to what determines whether the structural power of global finance will work for or against the purposes of the American state. (Panitch, Gindin, 2008, 2012, p6)

The main point to evaluate the American empire is the understanding the mechanisms and institutional structures of global finance constructed by American financial system and its imperial structure in favor of American state.

4. RETHINKING THE POST WAR ERA THROUGH GLOBAL FINANCE

One of the biggest question of the post war period is that “Was the actual rise of American Financial Hegemony/dominance smooth and inevitable?” And the evidences show that it is far from it, and involves the role of various agents on this development.

Considering the Bretton Woods order had supposedly marginalized finance relative to production and trade, The New York’s central place in world finance appeared less significant after the World War II. Mainstream and even critical accounts states emphasizes the role of the ‘the neoliberal ‘revolution’ of the 1980s and 1990s’ prepare the structure that puts the Wall-Street into the center of world economy.

In this section, the historical evolution of the global financial order regarding the role of New York as the operation center and US state as the political power under this evolution and the central role of finance for American empire is observed.

4.1 THE ORIGINS/SETTING UP OF GLOBAL FINANCIAL SYSTEM

According to most liberal and even critical political economists the period after the World War II is split into two distinguished era. While the ‘embedded liberalism’ of the post-war era, have been seen as the ‘repression’ of finance (Helleiner 1994: 3), in turn the “Neoliberal” era has been considered as liberation of finance from its postwar constraints.

However this discriminated understanding between two eras can prevent to see the continuity of these areas. As Panitch and Gindin states “concentrating on what distinguishes the two eras leads to the neglect of the processes at work that led from the first era to the second, and the extent to which neoliberalism spread in the 1980s and 1990s depended on the structures previously established”. Battilossi emphasizes the same point as “The Bretton Woods years should be regarded in a number of respects as the cradle of the global financial order that

eventually emerged in the two final decades of the last century” (Battilossi 2002a: 27). That is why, we need a comprehensive and holistic understanding to analyze the global economic order after World War II.

The unique informal empire which is very different from Colonial Imperial period before World War I, now fashioned was characterized, most notably, by the US state’s economic penetration of, and close institutional linkages with, the other advanced capitalist states.

After the World War II, the frazzled economies of Europe obtain large-scale advantages to US for influence on Europe. However, the crises of capitalism, the rise of left in particularly Western Europe discredited the capitalism and put obstacles into the way of liberal global capitalist order.

In that time all questions about the new American project have been ignored

“It is in large part because of the assumption that the post-war order was in fact not, even tangentially, a liberal-capitalist one, but one that ‘embedded’ capitalist relations within a political and social regulatory framework designed to limit and control its logic and dynamics. In this narrative the ‘suppression’ of finance in favor of production, and the adoption of Keynesian fiscal policies and the Bretton Woods rules and institutions for managing global adjustments, created the foundations for the establishment of distinctive national, welfare-state capitalisms, especially in Western Europe.” (Panitch and Gindin, 2008, 20012, p20)

As Hudson argued “This time the U.S. Government would conquer its allies in a more enlightened manner, by demanding economic concessions of a legal and political nature instead of futilely seeking repayment of its wartime loans”.(Hudson 2003)

For implementing the imperial agenda, US treasury and British treasury worked along and while it is decided to carry out the comprehensive wartime controls over currency and capital flows with the influence of Keynes, one of the principal architects of the Bretton Woods system, compromises reflecting the continuing importance of financial capital both inside and outside the state is made with the bankers. Keynes, envisaged capital controls as a permanent feature of the international, though he had agreed current account convertibility should be adopted once international conditions had stabilized sufficiently. This essentially meant that currencies were to be freely convertible for the purposes of international trade in goods and services, but not for capital account transactions. The other dominant architect of

Bretton Woods, the American Harry Dexter White, and his boss Henry Morgenthau, were less radical than Keynes, nevertheless agreed on the need for permanent capital controls.(Orlin, Crabbe, 1996, pp. 2–20)

The New Deal at home had meant corporatist regulation and suppression of competition between financial institutions, but not the suppression of financial capital as a powerful force in American society (Ferguson 1984; Helleiner 1994: 31) which means New Deal at home never extended to controls over the international movement of capital. (Panitch, Gindin, 2012)

Although Keynes aimed to assure multinational corporations against currency speculation, the bankers opposed the conditions of control over capital movements. On the other hand, “the New York bankers were pragmatic enough to see that most countries – with the key exception of the US – would continue to require capital controls after the war. But they never relinquished their view that such controls should be only temporary.”(Panitch and Gindin 2008, 2012) So for US the capital controls of the state was considered as a temporary tool for a transitional period of reconstruction yet, immediately after the war, US put pressure upon the British government to make sterling convertible, which practically means the end of capital control, before European Capitalist construction period.

Rather than controlling the capital inflows from Europe, US provided funds through the Marshall Plan, to build up ‘budget balance, financial stability, exchange rate stability, and mutual cooperation’ in Europe. US strategy led the Western European and Japanese states be integrated into the new imperial order:

“It tolerated their undervalued exchange rates, and used its financial and military aid to facilitate their access to American equipment and technology, while at the same time encouraging European economic integration.” (Panitch and Gindin, 2008, 2012, P22)

An important study undertaken in the early 1950s by leading American bureaucrats and academics included that

‘the inability to realize the goals of Bretton Woods policy except marginally inevitably shifted the center of gravity and the orientation of American foreign policy away from attempts to apply universal trade and monetary prescriptions’. By 1948 it was already clear that ‘internationalist trade and monetary policies and universal inter-governmental

agencies play a peripheral or waiting part', while American programmes and government agencies 'occupy the center of the stage' (Study Group, 1955, p213).

US' role in the post war period, of European reconstruction, leading to the Golden age of capitalist growth is above and beyond the suppression of finance through by Bretton Woods or implementing Keynesian policies. "Marshall aid itself had obvious strategic, trade and ideological purposes apart from financial stabilization and economic growth, all linked to Strengthening Europe's capitalist classes." (Panitch and Gindin, 2008,2012, 23)

More important case was the dollars unique powerful position in world financial system, which is confirmed by the Bretton Woods agreement, as the dollar standard. "Although the dollar was nominally backed by gold, the day could already be foreseen when gold would be demonetized 'along with copper, nickel, silver, not to mention wampum and clam shells (Kindleberger 1981, p103)." And rather than gold, the dollars exceptional statue was based on the extensive size, depth, liquidity and openness of the US domestic financial markets.

1950s (the post-war economic boom and the financial bull market) are the years that American finance is expanded both domestically and internationally and the limitations of the New Deal did not stop this expansion. Nationally, various types of financial institutions took part in the growing industry and benefitted from the wave of rising consumerism, particularly via costumer loans and state-backed mortgage securities. In spite of the financial regulations of New Deal, (exclusion from commercial banking), they took a dominant role in capital-intensive infrastructural 'project financing' and in the placement of corporate, state and World Bank bond issues. Although interest rates were low during this period, rising volumes and stable spreads between interest charged and interest paid supported profitability.

The profits of financial firms grew faster than non-financial profits through the 1950s and 1960s: between 1945 and 1952 the average annual growth in profits in finance was 18 per cent compared to 11 per cent in the non-financial sector; from 1953 to 1969 the comparison was 7.5 per cent vs. 4.5 per cent.¹⁰ Robert Rubin, the future Secretary of the US Treasury who joined Goldman Sachs in 1965, recalls one of the old guard telling him in the early 1970s 'that we junior partners would be unlikely to ever do as well financially as the older partners had because there would never be another period as good as the one that had just passed' (Rubin 2003: 81).by Panitch and Gindin, 2008,2012, p24)

The role of American finance in international financial system evolved from providing financial services in New York to becoming effective actor inside Europe in late 1950s and early 1960s with Investment Banks. This process brought the practices and experience of American Banking system and open the doors to the wide spread foreign direct investments of American multi-national corporations.

American commercial Banks also opened branches in Europe to perform entire banking activities freed from the limitations of New deal at home and to work with European companies. Economic expertise, social norms, and cultural habits are transmitted by the investing firm. As Germain posited these internationalization activities not only exporting US institutional architectures but also US capitalist mores: 'economic expertise, social norms, and cultural habits are transmitted by the investing firm. This ties the recipient economies into the broader social totality out of which the investment has come, thereby broadening the basis of social relations upon which it rests' (Germain 1997: 82, and Conway, Heynen Routledge, 2006, p42). In other words, this penetration of Europe by American corporations and banks meant the implantation of American capital as a class force inside European social formations

The effect of Eurodollar market in this process was considerable. At the end of 1950s British Merchant Banks convert their international operations to dollar from sterling in order to benefit from the currency convertibility and the decreasing strictness of the capital controls in Japan and Europe.

This provided a completely unregulated international repository for the dollar at a time when rates of interest in New York were still limited by New Deal regulations. Encouraged by the British authorities as a way of maintaining the City of London as an international financial center, the effect of the Eurodollar market's emergence was to move the City – and through it, European finance in general – more closely into the American imperial embrace. (Panitch and Gindin, 2012, P25)

4.2 TOWARDS NEOLIBERALISM: CONTINUITY OR CHANGE?

The distinctive point in understanding the post-war period is the unique status of US state, which is different from the rest of the capitalist European states. The reconstruction and the capitalist transformation of Europe required leading role of US and the active cooperation of European states. There was a mutual relationship between the US and the rest of the states: Management of US, participation of Europe.

There was a suspicion about the manager position of US in 1960s and 1970s. After the reconstruction period was accomplished as Europe was restored economically competitive and the currencies were made convertible. By the agency of the increasing export of Europe and Japan to USA and the US military spending and foreign investments, the postwar dollar shortage was transformed into an overabundance of dollars, the dollar glut.

In this new context, the contradictions of the Bretton Woods framework, above all those involved in its treatment of the US state as equivalent to any other state, increasingly began to reveal themselves. The fact that the deep penetration of Europe by US capital at this time coincided with an emerging crisis of the dollar meant that the deepening of the new structure of imperial power was sometimes obscured. (Panitch and Gindin, 2005, P55)

That fact is perplexing not only for the European but also American actors as the balance of payment deficits created confusion in Eisenhower and Kennedy administration.

In early 1960, American state introduced controls on export of capital which drew reactions of New York bankers who were rather in favor of higher interest rates as the European central banks did, to solve the problem. Nevertheless this has a positive effect on US banks to establish a direct participant in Eurodollar market and that provide it served to sustain the value of the dollar and provide access to European funds, as well as to reinforce the international predominance of US banks.

The meaning of the balance of payments is qualitatively different from the other states. This was not widely recognized at the time, but as an obscure paper prepared for the Federal Reserve of Boston for it corresponds to an asymmetry in the real world' (quoted in Hudson 2003: 327). Yet the outflow of capital and the deficit in balance of payments is not

representing the decline in US power, on contrary, it is the “diffusion of power through the dollar”, as Seabrooke calls, which establish a ground for expanding dollar-based finance and financial innovations. All those developments increased the pressure of the Bretton woods system and created a tension between its principles of fixed exchange rates and the gold standard and the US imperial role in global system.

The strength of the capital (including financial capital) also intensified the contradictions of the system. There was an intense pressure on finance in 1970s. The crisis had an impact on both profitability and financial assets. Supported by the state, industrial capital, increase the prices to save its profits which leads to inflation and the devaluation of the financial holdings. On the other hand the finance capital reconfigured itself with new generation of MBAs, who developed key innovations in financial services, building on the development of certificates of deposit that initiated the ‘securitization’ of commercial banking. (i.e. the shift from depositing money in a bank to buying a tradable financial asset from the bank).

This transformed the role of banking from direct credit intermediation (taking deposits from and loaning money to particular customers) to mediating the interactions of lenders and borrowers in depersonalized securities markets. The vast expansion of risk arbitrage and block trading institutional investors soon followed, and it was out of this that, in turn, the revolution in derivatives and hedge funds so crucial to the globalization of finance eventually emerged. (Panitch and Gindin, 2008, 2012, P28)

Although the privatization of finance is generally, traced back to 1980s, it is beginning is earlier and highly depend on the active role of the state. The decreasing US foreign aid in the 1960s led the rest of the countries to seek ways to reach private financial resources. In that order, deregulated Eurodollar market and the expansion of private foreign direct investment became the main resources of capital. The end of Bretton Woods by US in 1970s triggered the boom of new market based securities to use of the traders to against the risk of floating exchange rates. As the economic growth slowed down, American state stated the process known as petrodollar recycling, and transfers the surpluses of petrodollars of OPEC countries through the private banking system the increased opportunities, greater risks, and especially intensified competition that flowed from this privatization of credit led to further dramatic innovations in finance, especially the magnification of the range of securities.

The 1970s are the years that a great deal of qualitative transformations took place in American financial institutions, due to the impact of inflation, low interest rates and stagnant profits. As the capitalist states faced the struggle between the labor and financial capital, the governments acted in favor of capital. Nixon administration was in the dilemma of increasing interest rates to block the capital flow and the political cost of that action as the increased unemployment when elected in 1968. In 1971 a series of economic measures were undertaken by the Nixon administration and the most significant of which was the unilateral cancellation of the direct convertibility of the United States dollar to gold. It was far from being a long term solution to the problem of which the bottom line reason is the contradictions of the class relations.

4.3 NEOLIBERALISM AS RECONSTRUCTION OF HEGEMONY

“Volcker Shock of 1979-82 brought to a definitive end two decades of policy confusion amidst severe tension between the states imperial and domestic roles, through what Volcker himself called a triumph of central banking.” Although the operation made to sound scientific through the use of technical terms, in reality it was a political operation which simply involved limiting the growth in the money supply and allowing interest rates to rise to whatever level – and at whatever short-term economic cost was necessary to break the back of inflation and the strength labour. The Federal base rate rose from an average of 8 per cent in 1978 to over 19 per cent at the beginning of 1981 and did not consistently return to less than double digits until after 1984.

Controlling the money supply was contradicted by the diversity of financial instruments that had already develop. As Greenspan (1997) later explained: ‘increasingly since 1982 we have been setting the funds rate directly...in the current state of our knowledge, money demand has become too difficult to predict... As the historic relationship between measured money supply and spending deteriorated, policymaking, seeing no alternative, turned more eclectic and discretionary’. The Federal Reserve now explicitly took responsibility for directly declaring an interest rate that would project an unwavering anti-inflationary commitment so as to become the global anchor of a dollar-based world economy. This gave it, as Volcker put it a central ‘role in stabilizing expectations [that] was once a function of the gold standard, the doctrine of the annual balanced budget, and fixed exchange rates’ (quoted in Johnson 1998:178).

The capital outflow from US could be controlled by the collaboration of Wall Street and the European Central banks, by meeting the requirement of reserve Eurodollar as deposit (or reserve requirement on Eurodollar deposits). However, European states, who didn't impose that requirement even in the tempestuous 1970s conditions, rejected the proposal of US.

According to the European experience in 1970s, the internationalization of financial capital also brought about the internationalization of production. Likewise, the control over financial market would mean the control over the trade and investment. Europe were not prone to such an excessive intervention, even considering the social democratic governments (Panitch and Leys 2001).

The instability of dollar had a global impact in that capitalist order, in which the dollar was the international currency. After the cancellation Of Bretton woods, as US couldn't solve the problem of capital outflow through the capital control in coordination with European states one alternative way was left. In 1979-82 US declared a radical monetary policy, which is known as "Volcker Shock", to win the confidence in dollar and financial markets, and to play its embraced imperial role.

The process after the Volcker shock revealed that the debt of US, and its deficits have different meaning comparing with those of other states.

The way American banks had spread their financial innovations internationally in the 1960s and 1970s, especially through the development of secondary markets in dollar-denominated securities, allowed the American state – unlike other states – to substitute the sale of Treasury bills for a domestic pool of foreign exchange reserves and run its economy without large reserves. (Panitch and Gindin , 2008, 2012)

So while external deficit could be a sign of decline in another state, because of US has an admirable financial ability to re-finance its depths constantly, it is an evidence of great structural power for US. (Seabrooke, 2001, 105)

It was clear that Volcker policy involving fighting inflation and strengthening the finance capital had to have a cost on non-financial capital. On the other hand for the long term benefits, the non-financial capital leaders are also in favor of it. The plan was not only the

strengthening American finance, given the leading role, but more importantly the awakening of the empire depending on global (domestic and international) capital accumulation.

Increasing the strength of American finance with its debt, technical capacity, helped US to fight to inflation. Fighting with inflation through labor gave US government to impose the similar policies for the class balance to the other states. And in the end the resolution of the crises in the 1970s via liberalizing and strengthening the finance led US state to its Global Empire role.

Its actions seems as monetary policy offering a new model as decreasing growth rate to for low inflation, and stabilizing dollar. On the other hand, the underlying policy implementations for this target was to take the labor class under control.

After the structural intervention on financial markets which won the trust, the new social order was revealed as neoliberalism. The new order removed the obstacles from the way of accumulation, of which the financial market were used considering that they were the fastest mechanisms for the capital movement. 1980s and 1990s was the period of the universalization of neoliberalism with all its features. Financial markets advanced in every aspect of economic life with its penetration in both individuals and businesses with their massive innovations and products.

The risk management and its impact in the financial market dynamics is one of the important factors at this point. Global accumulation and competition based on the financial markets, expanded through the risk management of various assets due to the international liquidity of credit. The risk of large scale of financial instruments, called derivatives, assessed by different basis (exchange rates, trade, long- shot term investments) created the very complex dynamics of that process.

The more open financial markets was not free at all. Rather than deregulation, there was a different type of regulations, through which, it was aimed to control over the process rather than prohibit:

The financial sector as a whole expanded explosively, both in the US and globally. This was facilitated by legislation through the 1980s and 1990s that provided more and more

space for banks to operate in securities markets, and non-bank institutions to engage in commercial property-lending... The legislation facilitating competition in the financial services sector was also designed to expand consumer credit markets. The American working and middle classes maintained their standards of living by working longer hours and going into debt. (Panitch and Gindin , 2008, 2012)

This trading in securities was so profitable that it not only swept across all the different sectors of finance but soon encompassed industrial corporations themselves. The fact that the major New York investment banks took the lead in providing financial services and advice for mergers and acquisitions in all the regional financial centers from Europe to East Asia meant that they came to play a significant role in transforming not only financial markets, but business practices generally, on US lines. ...A truly global financial system 'based on the deregulation and internationalization of the US financial system', as John Grahl has put it, 'is neither a myth nor even an alarming tendency, but a reality' (2001, p43-44)

5. THE PLACE OF NEOLIBERALISM AND ITS EFFECTS ON CAPITAL ACCUMULATION

5.1 CONTEXTUAL BACKGROUND

Deemed by American economic analysts as the Great Recession, the large-scale market downturn which began in the American financial sector rapidly proved detrimental to the global community beginning in 2008; the effects of the global financial crisis still resonate within multiple markets, with economic theorists heatedly debating the political and social foundations undergirding the crisis (Beder 2006a; Bell 2008; Panitch and Konings 2009). Importantly, the interconnectivity between capitalist economies and global financial markets is irrefutable, with the forces of globalization creating inextricable links between domestic economies of nation-states (Haley 2001; Panitch and Gindin 2008). The fluidity with which goods, services, information, and people now move across the borders of these nation-states has created conditions through which neoliberal policies of single countries impact the entire macro-economic environment. The following inquiry explores the extent to which neoliberal policies and practices have impacted capitalist accumulation within the United States, ascertaining how finance has been reframed following the financial crisis of 2008 and 2009.

From a critical perspective, the role of state policies in capitalist accumulation is particularly problematic when default on bonds and other fundamental aspects of financial markets becomes probable (Beder 2009; Panitch and Gindin 2008). Consequently, the American position in 2015 is precarious in that the very roots of its capitalist markets have been irrevocably shaken, with the once uncontested financial power of the United States now weakened significantly. The extent to which neoliberalism has and is impacting American capital accumulation exists within this context, with potentially detrimental impacts targeting neoliberalism since necessary government interventions following the Great Recession.

While American politicians tend to overtly focus on the extent to which regulation either supports or inhibits free market operations within the economy, theoretical debates acknowledge that the heart of capitalist functioning in the United States and other similarly socioeconomically fortunate markets exists as the state guarantee of property and protection against default (Beder 2006b; Beder 2009; Panitch and Gindin 2008). Panitch and Gindin (2008: 5) cite that the foundation of capital accumulation in the United States is the financial markets' position to guard against default, with the American position unique in that the nation was marked by exponentially increasing credibility throughout the twentieth century in the area of capital accumulation:

The American state emerged in the 20th century as an entirely new kind of imperial state precisely because it took utmost responsibility for honoring this guarantee itself, while promoting a world order of independent nation states which the new empire would expect to behave as capitalist states. Since World War Two, the American state has been not just the dominant state in the capitalist world but the state responsible for overseeing the expansion of capitalism to its current global dimensions and for organizing the management of its economic contradictions. It has done this not through the displacement but through the penetration and integration of other states. This included their internationalization in the sense of their cooperation in taking responsibility for global accumulation within their borders and their cooperation in setting the international rules for trade and investment.

The global financial crisis was sourced largely from the scope of American influence on other markets, by extension, with the interconnectivity between single, and indeed once-isolated, markets becoming unprecedentedly problematic when the American market began to waver (Gupta 2008).

5.2 PROBLEMATIZING THE IMPACT OF NEOLIBERALISM ON CAPITAL ACCUMULATION

The problem this inquiry seeks to address is that of neoliberalism's impact on capital accumulation within the context prior to, during, and following the Great Recession; if neoliberal policies were responsible for the nature of capital accumulation, namely that which was largely unregulated and permissive of predatory and unethical financial products, this

holds specific implications for the future of American finance. However, this work theorizes that it was not neoliberal policies which primarily contributed to the financial crisis but, rather, neoliberalism in parallel with the large-scale Americanization of finance which had been occurring since the median decades of the twentieth century. The following inquiry first provides a historical analysis of neoliberalism, exploring the extent of American influence with respect to capital accumulation in the realm of finance, specifically, before delving into Critical accounts of America's interpretation and practical manifestation of neoliberal economics.

Following the historicizing of neoliberalism, an argument is presented for the prominent role of the Americanization of finance played in capital accumulation within the United States. The primary framework utilized is that of Panitch and Konings (2009) and Panitch and Gindin (2008), with dominant critiques offered by Harvey (2015) and Brenner (2009). Importantly, the linkages between the social, economic, and political spheres are crucial to the comprehensive understanding of capital accumulation in the United States, with accusations of imperialistic strategies validating these connections (Panitch and Konings 2009). The weighted impact of neoliberalism on American capitalist accumulation may be waning in the wake of the Great Recession, with Marxist criticisms becoming particularly pertinent to the shifting policies which are shaping current markets in 2015. Overall, however, the Americanization of the global financial system has been far more influential on capital accumulation than neoliberalism alone.

6. HISTORISIZING THE PLACE OF NEOLIBERALISM

The extent to which neoliberalism has and continues to drive American capital accumulation exists within the context of the mounting Americanization of global finance in the years following World War II's conclusion. The literature reviewed herein conflicts with respect to deregulation's influence on capital accumulation, with key authors Panitch and Gindin (2008) arguing that deregulation was a result of, rather than fuel for, capital accumulation in the United States. Other critics adamantly posit that deregulation resultant from free market policies drove unsustainable capital accumulation in the American financial sector, in turn sourcing the Great Recession (Beder 2006a; 2006b). The works of Brenner (2009) and Harvey (2015), additionally, provide a critique regarding neoliberalism's influence on capital accumulation, with these perspectives particularly pertinent to the new role of neoliberalism following the crisis.

6.1 BRIEF REVIEW OF DOLLAR STANDARD

Beginning in the years immediately preceding World War II, the growth of the American economy was directly catalyzed by the unique ability of the American government to guarantee property as markets healed from the detrimental impact of the Great Depression (Panitch and Gindin 2008). Widespread resentment toward the policies of President Roosevelt which were marked by unprecedented regulation of American businesses did undoubtedly exist but did not weaken the extent to which private funds were accessible to public agencies. Panitch and Gindin (2008) posit that these years marked the initiation of ties between the American economy and world markets, with foreign liquidity being stored in the United States in order to circumvent the stricter policies of other nations; this, the authors posit, is the reason why the United States was charged with the responsibilities of overseeing world capitalism following the end of World War II and the consequent creation of the

Bretton Woods institutions in 1945. In turn, the degradation of the gold standard was inextricably bound to the fixed exchange rate for the dollar established at this time, with the world's financial system becoming grounded on the American dollar during the 1960s.

The United States Treasury, at this time, began to emerge as a cornerstone for global finance, long before neoliberal policies were formalized. Panitch and Gindin (2008) deem the Volcker Shock of 1979 the “founding act of neoliberalism” marked by over-confidence in financial capital and lending instruments, resonating pressures on other markets to prioritize anti-inflation policies, and rising interest rates which were short-lived. Soaring interest rates spawned by the Volcker Shock then quickly gave way to low rates and consequently unprecedented demand for American bonds; secured by the guarantees of the United States Treasury, these bonds were solidified as the backbone of the world economy during the neoliberal era (Panitch and Konings 2009).

Finance then became quickly Americanized but on a global scale, with several outcomes emerging during the 1980s in the wake of mounting neoliberalist policies; these included the mounting competition of financial markets which began to shape multiple institutional norms internal and external to the United States, reallocation practices moving capital across multiple sectors and, more specifically, in order to drive technological innovation, and, most saliently, large-scale market deregulation which allowed the United States irrefutable access to global savings channels (Panitch and Gindin 2008; Self 1993).

Panitch and Gindin (2008) emphasize that while the dominant perspective is that financial markets became more competitive at this time as a result of deregulation, the causal direction of the deregulation-competition relationship is, in reality, reversed; the authors cite that deregulation was necessitated by increasing competitive intensity within financial markets, with a visible shift during the early 1990s occurring in American financial institutions. In order to escape requirements set forth by the Federal Reserve, financial institutions began to strategize ways of circumventing regulation. The Structured Investment Vehicles (SIVs) which emerged at this time were, in retrospect, risky assets that served to shape the same instruments spawning the Great Recession. Commercial and investment banking became no

longer rigidly separated from one another, with real estate and insurance markets now inextricably bound to public funds (Beder 2009; Panitch and Gindin 2008).

The resultant competition began to drive the evolution of financial instruments toward those which could permit substantial fund leveraging through low interest rates (Beder 2009). Panitch and Gindin (2008) synthesize the impact of these forces as follows: “The competition to purchase assets with these funds replaced price inflation with the asset inflation that characterized the whole era.” In returning to the role of the state guarantee in initiating the arguable dollar standard, these events hold particular meaning for the Great Recession, as the United States was willing to infuse the financial system with greater liquidity, if needed, were the asset bubbles to burst as they did in 2008.

6.2 THE CURRENT ROLE OF NEOLIBERALISM AND THE CRITICAL PERSPECTIVE

The scope of neoliberalism at present is under greater scrutiny than ever before, with wage growth flattening, profits stagnating, and general productivity of labor declining (Benn 1994; Bonefield 1992; Brenner 2009; Harvey 2015; Postone 2014). Postone (2014: 121) cites that while the Marxist perspective would cite these issues as potential catalysts for a working class movement, no such movement has been spawned to any significant degree: “On the contrary, the past decades have seen the decline of classical labor movements and the rise of new social movements, often characterized by the politics of identity, including nationalist movements, movements of sexual politics, and various forms of religious fundamentalism.” The long-term economic issues since the 1970s have been described, in part, as directly attributable to neoliberalism (Chen 1996).

Harvey (2015) cites that the post-World War II period, until roughly 1973, was marked by economic stability that was entirely engineered in the West, with the United States holding the most prominent position in supporting living standards through wage relations control

and welfare strategies; this, Harvey (2015) argues, was the trajectory for the neo-liberal global order which Postone (2014) describes as a form of “unfreedom” from a critical Marxist perspective. Unfreedom is that which is potentially overcome by a class-based uprising, with Postone (2014: 123) describes these assertions as follows:

In other words, an adequate critical theory of capital seeks to elucidate the dynamic of the modern world, and does so from the immanent standpoint of its transformability. Such a critical theory of capitalism, of the historical dynamics of modernity, would be argued, can provide the best basis for a rigorous approach to the global transformations of the past three decades. It can do so, however, only to the extent that it adequately can deal with the deep social and cultural, as well as economic, changes of recent decades.

Brenner’s (2009) account of the long downturn assumes that neoliberal policies did not promote large-scale capital accumulation in the United States when framed longitudinally; in essence, the profit rates, wages, growth rates, and labor productivity all point to a long-term economic stagnation.

Brenner (2009) argues that this long downturn was marked by a fall of profitability in the postwar era which is very visible when the global system is framed instead of single economic systems; this is a particularly pertinent point given the prominence of American integration into the global financial system in the previous literature. The accounts citing that it was the Americanization of the global financial order which served to drive capital accumulation are contradicted, in part, by Brenner’s (2009) assertion that the international system has been in a state of decline for many decades, a decline sourced from international market competition and grossly uneven development. The perspective that economic inequities are sourced directly from neoliberal policies is then significant when the entire global system is taken into account rather than the American economy in isolation.

Brenner (2009) cites that capital, when fixed, cannot freely flow as neoliberal analysts would promote, with increased competition exacerbating the situation. The limitations placed on profits by mounting and dynamic competition disallows capital to freely flow and, instead,

promotes overproduction within the system. Profits then, Brenner (2009) posits, continue to fall for a long period of time and overproduction becomes global. As profits continue to decline, the resonating impact results in business practices which, in the absence of regulation, are generally framed in terms of labor squeezing, reduced pensions, and eradicated unions. Postone (2014: 21) critiques Brenner's (2009) argument by citing that it only makes sense when the economy is framed as a global entity: "It clearly shows that capitalism constitutes a global order – one, however, that is dysfunctional. His account is a useful corrective to mainstream economic discourse. It demonstrates the inadequacy of mainstream understandings of capital flows resulting from competition, and the illusory character of the recurrent notion that business cycles are a thing of the past."

Postone (2014) posits, however, that Brenner's (2009) account is insufficient in its ignorance of social classes and the other dimensions of social life. Harvey's (2015) account of the financialization of the world order creates conditions for social mediation of neoliberal capital flows, with capital not having a particular locus but, rather, being global and widespread throughout the economy; this means that global capital competition creates conditions through which profit rates cannot be stagnant without large-scale inequalities. Consequently, Harvey's (2015) dominant argument is that the changes which have occurred since World War II, those which Brenner (2009) would frame as a long economic period of decline, are actually inextricably bound to multiple social processes and the new configurations of capitalism. The key elements of capitalism, according to Harvey (2015) are its growth-orientation, its exploitation of labor, and its dynamism with respect to technology and organization. The very nature of capitalism, according to Harvey (2015), is then bound to over-accumulation.

6.3 GLOBAL CAPITALISM, AMERICAN FINANCE AND NEOLIBERALISM DURING THE GREAT RECESSION

Global capitalism has been shaped by the dollar standard to the extent that United States Treasury bonds were actively sought out by world markets due to fortitude of American

financial markets (Panitch and Gindin 2008). The Marxist perspective is particularly integral to the Great Recession due to the impact of class relations on the crisis. In particular, Panitch and Gindin (2008: 9-10) assert that the finance market's capital in the United States was inextricably bound to class relations:

The American Dream has always materially entailed promoting their integration into the circuits of financial capital, whether as independent commodity farmers, as workers whose paychecks were deposited with banks and whose pension savings were invested in the stock market, as consumers reliant on credit, and not least as heavily mortgaged home owners. It is the form that this incorporation of the mass of the American population took in the neoliberal context of competition, inequality and capital mobility, much more than the degree of supposed 'deregulation' of financial markets, that helps explain the dynamism and longevity of the finance-led neoliberal era. But it also helped trigger the current crisis – and the massive state intervention in response to it.

In brief, the Great Recession was spawned by predatory lending practices and sub-prime rate mortgages which were undergirded by the defeat of American trade unions; these two forces paralleled one another detrimentally within the context of an intricately connected global financial market.

The American worker was affected by neoliberal finance in multiple ways, but it was the advent of anti-unionism which created conditions through which asset inflation affected worker pensions. In tandem, the American worker was then charged to wield his/her most valuable asset, namely real estate, in order to fill in gaps left by the weakening of trade unionism (Panitch and Gindin 2008). Socioeconomically challenged populations within the United States were lured by the proverbial American Dream, with predatory lending beginning to embrace financial instruments which would allow these populations to own a home, however unsustainably. The now infamous securitized derivative assets (SDAs) were reframed and consequently resold in order to guard against the known risk of lending to those who were unlikely to be able to keep up with their mortgage payments. The neoliberal era's commitment to anti-inflation which began in the 1970s, by extension, was in jeopardy at the turn of the twenty-first century (Panitch and Konings 2009).

6.4 NEOLIBERALISM AND POST RECESSION CAPITAL ACCUMULATION

While neoliberalism is traditionally framed in terms of a theoretical, and indeed ideological, strategy for supporting free market competition in the absence of state regulation, Panitch and Gindin (2008) argue for a key distinction when examining the position of the United States financial system; the authors posit that neoliberalism is more rightly defined in terms of a type of social rule through which materialism is heralded as paramount through market liberalization. Importantly, this market liberalization occurs not through the absence of a government hand but, more specifically, through strategic state intervention. If neoliberalism is perceived in this latter way, with state intervention being, in part, a necessity as long as it aims to maintain the liberal market, then neoliberalism can undoubtedly continue as an economic and political strategy in the post-recession era.

The necessary regulation which has emerged following the Great Recession is not necessarily in opposition to neoliberal policies, by extension, though the question remains as to how impactful these new conditions will be on post-recession American capital accumulation. Prior to 2008, the position of the United States as the global finance leader was irrefutable (Beder 2009). The inability to defend a totally free market system following the crisis, however, has allowed for greater regulations to emerge in the financial sector, particularly those which guard against the types of financial products and instruments which played such a fundamental role in the crisis. Panitch and Gindin (2008: 15) conclude by citing the following account of neoliberalism's potential demise:

Nevertheless, it is possible that a new form of social rule within capitalism may emerge to succeed neoliberalism. But given how far subordinate social forces need to go to reorganize effectively, it is most likely that the proximate alternatives to neoliberalism will either be a form of authoritarian capitalism or a new form of reformist social rule that would reflect only a weak class realignment.

The authors cite that the potential end of neoliberalism following the Great Recession, importantly, may not be the same as the potential finality of American hegemony. The extent to which the American accumulation of capital, which has been irrefutably considerable over

the years, is bound to neoliberalism may not be as significant as it is bound to the thorough integration of the American financial system into that of the global community.

6.5 NEOLIBERALISM AND CAPITAL ACCUMULATION OF BUSINESSES

In the post-recession era, if neoliberal policies do not make a resurgence, the extent to which American integration can continue, and by extension its capital accumulation, is questionable (Sapir 2008; Torbat 2008). Beder (2009: 17) cites that the extent to which neoliberalism spawned the financial crisis is significant, with market deregulation allowing for the accumulation of immense profits by financial institutions:

Inequities resulting from new right policies - including the deregulation of labor markets and the reduction of government spending - reduced consumer demand which had to be propped up with consumer credit and mortgage debt. Financial deregulation, also promoted by the new right, enabled financial institutions to dictate government policy and enabled wealth to be channeled into speculative investments exacerbating the volatility of share and housing markets. The combination of household debt and unregulated speculative investment led to the collapse of the subprime mortgage market followed by the bankruptcy of major financial institutions and the collapse of share markets around the world.

Neoliberalism, Beder (2009) argues, is fueled by the assumption that labor deregulation and market privatization are preferable to government functions within the market; these led to unsustainable capital accumulation over time, with businesses preferring these policies due to lower regulations, the promotion of business interests, and the accessible channels for business expansion. The notion that the market can self-correct, an undergirding point of neoliberal politics, was disproven by the global crisis, however, and very visibly so, which contradicts one of the hallmarks of the neoliberal system (Sapir 2008).

Beder (2009) posits that while it could be argued that businesses and the American economy on the whole acquired more capital through neoliberal policies, this acquisition was not only unsustainable on the whole but also not reflected outside of the macro-environment.

Specifically, the assumption that the wealth of the higher socioeconomic classes would ultimately trickle down to the lower classes if neoliberal policies were protected has been dismantled, with Beder (2009) arguing that this perspective was weakened thoroughly prior to the Great Recession, with the socioeconomic inequities around the world becoming even more pronounced over time.



7. THE AMERICANIZATION OF GLOBAL FINANCE VERSUS NEOLIBERALISM

In responding to the review of literature, several themes emerge from which the following argument is sourced: While neoliberal policies have been largely responsible for American capital accumulation, these policies are not as influential as the Americanization of finance. This point will be argued using the case study of the United States Treasury, with its role in capital accumulation being prominent long before the initial neoliberal policies of the 1970s were put into place. This section first explores the role of neoliberal policies with respect to regulation using Brenner (2009) and Harvey's (2015) conflicting accounts before returning to the framework presented by Panitch and Gindin (2008) in order to validate the undergirding position of the United States Treasury, specifically, in facilitating capital accumulation.

7.1 NEOLIBERALISM AND REGULATION

When businesses are permitted, in the absence of significant regulation according to the neoliberal perspective, to produce as much as they like, with this production necessary due to the ensuing competition linked to these policies, then over-accumulation of capital occurs in the wealthier markets such as the United States. Brenner's (2009) account is valid to the extent that the entire global economy has not been accumulating capital to the extent that the United States and other wealthy, predominantly Western nations have been doing for decades. Harvey's (2015) account is pertinent to the extent that it explains the lack of sustainability associated with the system. Wade (2003) cites that the United States was forced to orchestrate world finance arrangements which would facilitate its hegemony; these were bound to high growth, low inflation, low interest rates, high consumption, and high value of the dollar. Moreover, you need a world order which will permit all of these efforts on a large

scale in order to facilitate global integration of neoliberal policies (Liepitz 1992; Worth 2013).

The financial market's capital accumulation during these precarious years in the United States was sourced from both anti-inflation commitments but from neoliberal policies (Panitch and Gindin 2008). During the 1990s, President Clinton and his administration shaped their policies in order to reinforce reliance on financial markets over public spending; this was then exacerbated by the second Bush Administration's efforts to deregulate the financial industry even further. Panitch and Gindin (2008: 11) argue that the policies of the Bush Administration aimed to free up mortgage-backed securities for purchase at unprecedented levels, with the interest rates dropped markedly low simultaneously in order to remedy an economy floundering following the burst of the dot.com bubble and, more saliently, following the terrorist attacks of September 11th, 2001: "But this was a policy that was only sustainable via the flow of global savings to the US, not least to the apparent Treasury-plated safety of Fannie Mae and Freddie Mac securities as government sponsored enterprises." The sub-prime mortgages which were funded within this dynamic social, economic, and political context were affected by massive demand, high credit ratings by global financial raters, and the consequent global ownership of American debt.

While Beder (2009) and Panitch and Gindin (2008) agree that neoliberal politics and market deregulation have a relationship with one another, the latter authors, importantly, argue that market deregulation became necessary as a result of increased competition. Beder (2009) alternatively, posits that deregulation's three primary outcomes, namely the opening up to free-flowing capital, the removal of regulations on finance, and the extrication of political control over central banks, were directly responsible for initial, large-scale capital accumulation and the consequent financial meltdown. From a neoliberal perspective, when capital is permitted to move freely, it organically moves to where it will be the most profitable. Beder (2009: 17) cites, however, that "an economy exposed to the free flow of international finance capital, however, is obsessed with the need to appease international financiers, to retain their 'confidence': the thrust of policies in such an economy therefore,

even in principle, is not towards serving the interests of the people but towards serving the interests of the speculators, which represents an inversion of democracy.”

Massive capital accumulation at this time was shaped by neoliberal policies in conjunction with the aforementioned insurance-real estate market relationship (Panitch and Gindin 2008). In an effort to continually reduce reliance on public expenditures, neoliberal policies promoted free market initiatives which permitted institutions to continually promote unethical financial instruments; this, in turn, resulted not only in detrimental linkages between the American financial sector and those of other nations but also large-scale mortgaging of enormous financial institutions such as Lehman Brothers and other investment banks. All of these issues were undergirded by the longstanding perception that American securities could not fail due to the guarantee of the United States Treasury. Panitch and Gindin (2008) cite that the United States, in the midst of the Great Recession, was importantly charged to continue supporting its role as the global capital state, with the economic repair policies of 2008 and 2009 indicative not of neoliberalism but, rather, a need to keep the entire global marketplace from failing.

The Great Recession of 2008 and 2009 and the policies which have emerged in its wake are indicative of a response to the capitalism crisis (Hall 2011; Harvey 2015). Capitalism is unsustainable according to Harvey (2015) because it essentially feeds on itself in a manner that is periodically unsustainable; it will permit capital accumulation for a limited time before collapsing and requiring intervention. The crisis of 2008 and 2009 was clearly indicative of this truth, with the current status of the American economy marked by stagnant capital which, in essence, has nowhere to go (Harvey 2015). At the heart of the neoliberal argument is that freely flowing capital is beneficial and naturally self-sustaining of the economy, but Harvey (2015) argues that this capital is never freely flowing at all, but, rather, always on the verge of stagnation due to the emphasis on continual growth.

7.2 THE UNITED STATES TREASURY AND THE AMERICANIZATION OF FINANCE

The United States Treasury has played a central role in the Americanization of Finance and, by extension, the accumulation of capital. While the Treasury has been a notable facilitator of neoliberal policies, a case examination of the institution demonstrates that the Americanization of finance and consequent accumulation of capital occurred before the initial neoliberal policies of the 1970s. Panitch and Gindin's (2008) argument rests on the notion that, in the absence of a common gold standard, it was ultimately only the anti-default guarantee of the United States Treasury that became the foundations of the new financial order. Consequently, all financial practices, tools, and instruments which emerged following these median decades of the twentieth century arose from the new standard of United States Treasury bonds. A wide spectrum of outcomes were immediately associated with this practice, many of which were bound to the commonality of the dollar and the subsequent agreement that American market fluctuation would translate, to varying degrees, to similar fluctuation in other markets. Panitch and Gindin (2008: 9) cite "to be sure, the end of fixed exchange rates and a dollar nominally tied to gold now meant that it had to be accepted internationally that the returns to those who held US assets would reflect the fluctuating value of US dollars in currency markets." The United States Treasury along with the Federal Reserve Bank, importantly, agreed to prioritize anti-inflation policies out of necessity.

The Federal Reserve not only bailed out large-scale financial institutions in the United States but also into networks of foreign banks; this was done largely to protect against waning expectations of foreign investors who were beginning to perceive the United States Treasury as being on the verge of unprecedented default. Panitch and Gindin (2008) cite that the assertions which herald the United States for its attention to international financial interests in the wake of the crisis are unfounded, with American capital accumulation resting not on the domestic integrity of the system but, more specifically, on the integration of American capitalism with that of the global market. Additionally, the same authors assert, it is the

binding between the economic and political spheres which has positioned the United States as the keystone of global capitalism.

From a neoliberal perspective, importantly, the bail-out of both domestic and international financial institutions by the American government marked a pivotal legislative event through which the state's laissez faire policies were rendered inapplicable (Beder 2009). In the American political dimension, criticism of government intervention is widespread, particularly sourced from conservative political interests; this perspective is rampant despite the relatively recent interventions which served the American and global economy as optimally as possible following the crisis (Panitch and Gindin 2008). Throughout the global marketplace, however, calls have emerged to return to neoliberal policies in order to promote a more optimal state-finance relationship in the United States and around the world.

The global integration of American finance and neoliberalism are bound to one another, but the causal direction between the two forces is debatable. American capital accumulation was occurring prior to the 1970s and the neoliberal policies which were initiated during that decade, with the establishment of the dollar standard also occurring prior to these years. An important consequence of the Great Recession has been the global acknowledgment that the United States is not infallible in its financial sector, with the literature suggesting that American hegemony was not challenged significantly prior to the Great Recession despite trepidations regarding neoliberal policies (Beder 2009; Panitch and Gindin 2008). Panitch and Gindin (2008) cite that Volcker Shock during the 1970s was actually a response to criticisms regarding American financial integration into the global system, with neoliberalism then, in part, a response to the skepticism targeting American hegemony. More than neoliberalism being responsible for American capital accumulation prior to the Great Recession, it was the thorough integration of the American financial sector into the global financial sphere.

Undergirding the crisis most directly was the sudden lack of demand for the sub-prime debt and other mortgage-backed securities within the global marketplace; had the immense demand continued, at its previous rate, the unsustainability of the system and unscrupulous

financial instruments would not have been revealed in 2008. Panitch and Gordon (2008) cite that all major private institutions in the United States were suddenly impacted by an inability to sell their immense mortgage-backed assets; this is an important attribute of the context within which the government intervention occurred (Beder 2009). Beder (2009) cites that it was the risk evaluation equations which drove the sub-prime lending boom, with the capital accumulation occurring at this time sourced from a deep-seated belief in the legitimacy of this system. Panitch and Gindin (2008) cite “but financial capital's risk evaluation equations unraveled in the crisis of 2007-8. And as they did, so did financial markets' ability to judge the worth of financial institutions balance sheets. Banks became very reluctant to give each other even the shortest term credits. Without such inter-bank credit, any financial system will collapse.”

8. CONCLUSION

In contrast with the theorizations about the post-World War II era based on splitting into two parts as suppression of finance (1945-1973) and liberation of finance (1973-2000) which gives Volcker shock as central point to understanding, the historical account challenging this understanding offering a historical account depicting the steps and developments of the post war period strengthening the financial system rather than suppressing. This approach let us see the continuity of post war era and provide the distinction of understanding the situation of the American empire.

In this study, in the first four chapters, it is aimed to demonstrate that the US state enhanced its domestic and global power of financial capital by all these turning points. Which led us to the arguments that: expansion of finance is integral to the deepening of accumulation, An more importantly financialization of the American empire do not signifying the US decline but the universalization of American power through Americanization of Global Finance which basically means that by financialization, the American empire is increasing its power rather than struggling in long downturn.

Through the chapters four to seven, more specifically focusing on neoliberalism, parallel with the main argument, it is attempted to show that, in asking the question regarding neoliberalism's influence on American capital accumulation, it is clear that neoliberalism paralleled the Americanization of the global financial system to drive capital accumulation prior to the Great Recession, with the current period marked by attempts to heal a flawed system which, at heart, was largely dependent upon the dollar standard, or more specifically the perspective that the United States Treasury would never allow bonds to default. As Panitch and Gindin (2008: 14) cited immediately following the crisis that "for the time being, what is clear is that no other state in the world – not only today, but perhaps ever – could have experienced such a profound financial crisis, and such an enormous increase in the public debt without an immediate outflow of capital, a run on its currency and the collapse of its stock market."

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