Symposium Introduction: Money Power and Financial Capital in Emerging Markets: Facing the Liquidity Tsunami, Routledge, 2019

By:

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I wrote this book as an attempt to think *politically* about the cross-border movement of money and financial flows in developing and emerging economies, in Africa and elsewhere. Much of the economics literature, whether mainstream or more critical, and whether scholarly or policy-oriented, tends to conceive of this topic as a technical question. If only emerging markets attracted the *right* amount of financial capital (neither too little nor too much) with the *right* quality-mix (a healthy balance between long-term and short-term flows), then financial crises, speculative bubbles, overborrowing, and other negative effects could be avoided, and global finance could be harnessed for development purposes. From this perspective, then, what is at stake for emerging markets is to implement the *right* policies, regulations, and institutions.

Economists and practitioners of different stripes, scholarly traditions, and political inclinations will of course disagree as to how to define the *right* amounts and qualities of financial capital and as to what constitute the *right* policies, regulations, and institutions, but the question of the cross-border movement of money and financial flows in developing and emerging economies is essentially framed as a matter of technical rationality, which is to say, finding the *right* technical solution to a series of technical problems, such as: designing and deploying appropriate policy designs, regulations, instruments, and other forms of state intervention in order to curb the cross-border lending or borrowing practices which are detrimental from the perspective of financial stability and macroeconomic management.

These are no doubt important matters, and the book does not shy away from engaging at length with them. It must also be said that questions of money and finance can be rather opaque (think about derivatives, exchange rate movements, market valuations, off balance sheet borrowing, carry trades, and the like). Opening the ‘black box’ of money and finance (Christophers 2015) therefore requires a thorough technical engagement, which the book strives to do in a rigorous and accessible manner. That being said, and as Marx famously puts it, ‘capital comes dripping from head to foot, from every pore, with blood and dirt.’ This is also true of capital in its money and financial forms. I would argue that framing the question of financial capital in emerging markets as if it were an issue of technical rationality cannot do justice to this basic but fundamental insight. What is needed is an approach which firmly locates matters of technical rationality within the broader set of global relations of power, violence, value, and exploitation in which they are embedded. This is what I mean by thinking politically about the cross-border movement of money and financial flows in developing and emerging economies. This is precisely what the book strives to do.

The book is notably concerned with how the cross-border movement of money and financial capital constitutes a forceful form of social regulation which subjects emerging markets to the discipline and logic of capital, that is, to the *money-power of capital*. It proposes to dissect the social determinants of this power and the historical conditions that have produced it, its class nature, and crucially, its implications for the lives of ordinary people in emerging markets. In particular, I focus in the book on how the cross-border movement of money and financial capital encapsulates a complex entanglement of opportunities and constraints, of growing integration and tight discipline, which present states in emerging markets with a series of concrete challenges that are particularly difficult to manage, and which have led to a remarkable process of policy experimentation. Indeed, the book explores how states in emerging markets have mediated this messy and complex entanglement of opportunities and constraints by developing specific policy designs, regulations, instruments, and forms of interventions in the post-crisis environment (2008–2014). For instance, different forms of capital controls (on both portfolio flows and bank loans), macroprudential regulations, foreign exchange derivatives regulations, unconventional monetary policy tools, and 'aggressive' foreign exchange market interventions were implemented in countries as diverse as Brazil, South Korea, Indonesia, China, Costa Rica, Uruguay, the Philippines, Peru, Taiwan, Colombia, Argentina, and Thailand (Grabel & Gallagher, 2015).

This book provides an in-depth exploration of the drivers of this outstanding diversity in the contemporary landscapes of cross-border finance management in emerging markets. This research started with a simple empirical observation: facing relatively similar patterns of cross-border financial capital movements and comparable financial challenges after the global financial crisis, two leading emerging markets, Brazil and South Africa, implemented radically distinct policies. Brazil implemented a number of restrictions on the inflow of financial capital: it deployed and fine-tuned (more than 11 times) capital controls on inflows and foreign exchange derivatives regulations between 2009 and 2012 (Gallagher, 2014). By contrast, and despite a nationwide debate about how to respond to volatile financial capital flows in 2009–2010, state managers in South Africa opted for much more conventional cross-border financial policies: they further accumulated reserves and continued liberalising the outflow of financial capital. The response in terms of monetary, fiscal, and foreign exchange reserve accumulation policy was also markedly different. Why the variation? What were the drivers of this diversity in the policies that aimed at managing speculative cross-border finance? Put differently, a fundamental research theme explored in the book is that of the uneven emergence of specific forms of state power in emerging markets in relation to the operations of capitalist finance, and particularly, in relation to speculative cross-border financial flows.

Importantly, the book foregrounds class relations as a fundamental analytical category in its critical interrogation of diversity in the management of cross-border finance in emerging markets. This is important because it allows uncovering a number of specific features related to the form, nature, and class character of the state in capitalist society, which powerfully determine processes of financial policymaking. It also allows highlighting the multiple class-based relations of domination and exploitation that underpin both the movement of cross-border finance and the various institutional and political forms of state power in emerging markets that mediate this movement. Put differently, a focus on class allows conceiving of the social relations of capitalist production and the limits set by the dynamic process of capital valorisation as crucial determinants of cross-border financial policy processes and outcomes.

Furthermore, one of the central arguments of the book is that questions of space and geography crucially matter for understanding the specific power relations and processes involved in cross-border finance management in emerging markets. This is because the latter occupy a subordinate position in the geographical organisation of financial and monetary relations on a planetary scale, or what the book calls the *relational geographies of money-power*. More precisely, the book argues that unpacking the complex entanglement of constraint and opportunities, discipline and integration that cross-border finance represents for emerging markets requires shedding light on the subordinate positionality of emerging markets within these relational geographies.

The book constitutes one of the first attempts to systematically characterise the subordinate position of emerging markets in the geographies of money-power from a multi-disciplinary perspective, combining insights from Marxist political economy, post-Keynesian economics, economic geography, and postcolonial and feminist International Political Economy. While the approach offered in this book is resolutely grounded in geographical political economy, it also draws upon each of these perspectives in order to scrutinise various aspects of the network of space and power relations that characterises contemporary global finance. These include the geographical organisation of the circuits of financial capital (the financial system), the functional/spatial configuration of convertibility between different currencies (the global monetary system), the concentration of money-power in a limited number of world financial centres and institutions, and the gendered and racialised imaginaries involved in the construction of emerging markets as an asset class. The book shows that patterns of cross-border finance in emerging markets are considerably shaped by these geographical features, with far-reaching implications for state policymaking, the dynamics of capital accumulation, and prospects of progressive social change in these countries.

The book blends logic, history, and empirical research. The empirical component of the research was informed by more than 85 semi-structured interviews with state managers in various government ministries and central banks, financial regulators, financial journalists, trade unionists, academics, activists, as well as economists at business organisations. With a few exceptions, all the interviews were conducted in Brazil (in São Paulo and Brasília) and South Africa (in Johannesburg, Tshwane-Pretoria, and Cape Town) between June and December 2016. In addition to qualitative research interviews, a range of analyses of secondary data were conducted, including quantitative data from national accounts and other official sources, and descriptive data on policies and regulations from documents released by the Brazilian and South African financial authorities.

Overall, the book reflects upon what post 2008-crisis cross-border financial policy processes and outcomes teach us about the relation between state, money, and financial capital in emerging economies. It makes the case for 'transformative' cross-border financial policies (Epstein 2010), that is, policies that empower labour in the short-medium term with a view of transforming social relations for the better and bringing about meaningful social change.

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I am delighted that a wonderful group of early career and more established scholars, all with expertise in finance and development, have agreed to participate in this exciting book symposium. In the order in which their reviews will appear, these scholars are: Fathimath Musthaq (Reed College, Oregon), Cecilia Rikap (CONICET; Univ de Paris & COSTECH Univ Tech Compiègne), Pablo Bortz (IDEAS-UNSAM, Argentina), Francis Valentine Garikayi (The Open University, UK), and last but not least, Ingrid Harvold Kvangraven (University of York, UK). Their generous engagement has made me reflect a lot on the book, what it does, as well as some of its limitations.

The contributions differ in their styles of engagement, theoretical outlooks, geographical specialisms, and empirical foci. The contributions build bridges between some of the core arguments of the book and related political economy topics. Cecilia Rikap, for instance, extends the theoretical framework developed in the book to understand cross-border financial flows and their relations to models of rentiership and extractivism in developing economies. Ingrid Kvangraven reads the book through its contribution to broader debates about dependency theory and decolonizing economics, reflecting on the book's attempt to approach cross-border financial flows in emerging economies from a non-Eurocentric, decolonized perspective. Fathimath Musthaq discusses some of the broader implications of the book's arguments, notably the role of labour in influencing financial policymaking and the enabling potential of capital management tools. Pablo Bortz critically engages (and takes issue with!) some of the theoretical underpinnings and core claims of the book (notably its firm grounding in materialist state-theoretical debates, theories of imperialism, and the Marxian critique of political economy), while Francis Garikayi deploys some of the conceptual tools developed in the book in order to explore the turbulent financial history of Zimbabwe, focusing on the link between foreign exchange control and capital accumulation.

This is exactly the type of conversation that I was hoping to generate by writing the book. I am thankful to Afronomicslaw.org for hosting this book symposium, and I hope that the book can continue to spark debates about finance, development, global capitalism, and progressive social change. A slightly more affordable paperback version of the book has been released in August 2021, which will hopefully contribute to its wider circulation.

Contributors

Fathimath Musthaq: The Role of the State in Managing Crossborder Flows and the Politics of Crossborder Capital Management Tools

Cecilia Rikap: Money Power, Rentiership and Extractivism in Emerging Countries

Pablo Bortz: Book Review of "Money Power and Financial Capital in Emerging Markets"

Francis Valentine Garikayi: Foreign Exchange Control and Capital Accumulation in Zimbabwe: Insights from Alami

Ingrid Harvold Kvangraven: Money Power and Financial Capital from a Decolonial Perspective

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Epstein, G. (2010). Marx, Keynes and Crotty: The case for capital controls revisited. In J. Goldstein & M. Hilard (Eds.), *Heterodox macroeconomics*: *Keynes, Marx and Globalization* (pp. 238–249). New York: Routledge.

Gallagher, K. P. (2014). *Ruling capital: Emerging markets and the reregulation of cross-border finance*. Cornell University Press.

Grabel, I., & Gallagher, K. P. (2015). Capital controls and the global financial crisis: An introduction. *Review of International Political Economy*, Vol. 22 (1), 1-6.

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