Book Review of “Money Power and Financial Capital in Emerging Markets”, by Ilias Alami. Routledge, 2019

By:

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November 1, 2021

Ilias Alami has written a welcome contribution to a difficult, blurred, hotly-debated but poorly argued topic, which is the regulation of international capital flows and the interaction with domestic capitalist accumulation. A subject that always reappears at recurrent episodes, crises, surges of capital inflows, capital reversals, massive depreciations, and the like. Alami’s book is especially welcome because he looks at two particularly enlightening experiences in recent decades: Brazil and South Africa. Analyses usually bind together developing countries as a rather homogeneous unit of study. Alami chooses to focus on two countries which stand out, not because of their similarities with most developing countries, but because of their differences, particularly in the field of international finance. Brazil and South Africa are relevant economies (in 2020, Brazil was the 13th largest economy in terms of nominal GDP; South

Africa was the second in the African continent and a major financial centre), at the global and at the regional level. Another welcome contribution is to include other dimensions, such as racialized and gendered aspects of international financial markets, which are not usually present in the debates.

Alami's book is particularly good at the empirics (full disclosure: I was one of the referees of this article by Alami; if my memory is correct I recommended either an immediate acceptance or publication after minor revisions). He describes and explains the ways and lengths walked by governments of these countries to manage a significant conjuncture in their recent history. Both before and after the 2008 global financial crisis, Brazil and South Africa (along with many other developing countries) received a "tsunami of liquidity", as the subtitle of the book expresses. And they did so in accordance with their specific circumstances, in a trial-and-error process, with domestic and international constrains, etc.

One major difference between Brazil and South Africa and the rest of developing countries is that they are both regional powers. Precisely, one major omission in this empirical analysis, except for a passing reference in the case of South Africa, is an examination of the international financial expansion of these countries during this period. For instance, Brazil became a capital exporter, lending to other South American countries and even outside the region. While the book mentions the granting of subsidies and subsidized credit by the Brazilian government, it does not mention that a substantial portion was devoted to accompanying outward foreign direct investment and capital exports by Brazilian companies. Accumulating different types of external assets, including external lending, is also a way to handle a liquidity tsunami.

But as I said, in my view the empirical part of the book (chapter 5 and chapter 9, for instance) is the most solid piece of the work. It is in the theoretical framework where you can find most holes, contradictions and inconsistencies. In fact, I think that Alami's book would fit quite well within a *different* strand of the literature, one which he criticizes for omitting "open-endedness and messiness" (p. 41). I refer to the so-called "Historical Institutionalism" approach. In my view, that is an unsubstantiated claim. Alami does highlight the uncertain context and eventual lack of grips and tools faced by different sectors and actors. I contend that his own theoretical framework is unfit to deal with this. A thorough explanation would require more than just a short review, but let me focus on two conceptual categories used by Alami in the book: the "total global social capital", and his conceptualization of the State. Both play a pivotal role in the book, and Alami gives them a proper place.

Alami criticizes different approaches for conceptualizing the State as an institution or instrument captured by capitalist interests, or "an apparatus which unproblematically channels their policy preferences" (p. 40). However, his own characterization manifests that "The state endeavours to organise the political hegemony of the bourgeoisie and secure the material conditions for capital accumulation within its territory" (p. 56). The State is a capitalist state, it has a class character. But since "Capitalist class relations, it is worth insisting, are inherently global, and capital accumulation operates on a world scale… It follows that securing conditions for domestic accumulation (which is necessary to provide a material basis for the political and ideological-cultural integration of the working class) is restricted by and subordinated to the conditions imposed by capital reproduction and class struggle on a global scale" (ibid). I believe these sentences summarize neatly Alami's State conception.

So, his concept of the State is as subordinated and captured (in specific and historical determined circumstances according to each country) as other schools of thought, notwithstanding the emphasis expressed in p. 63. Now, it is obviously impossible to delink the State from the accumulation conditions, and other economic, social and political developments in the national and global sphere. But this conceptualization denies any and all sorts of agency to the State. And it is only by actually attaching agency that it is possible to understand some events mentioned in the text. For instance, the initial chapters criticize International Political Economy approaches that place developing countries at the mercy and will of international financial markets. But then one reads that organizations such as the IMF, the Bank for International Settlements and the World Bank "strive to facilitate the flow of financial capital across the world market, … often disciplining states in developing countries in the process" (p. 77, and see as well p. 62).

The question comes: why must states be disciplined by these institutions? What alternative course of action do they have? Elsewhere we read that states are forced to compete for attracting financial capital (p. 82). What agency do they have? This lack of understanding of (a limited) agency is behind the omission of a major development in developing countries, namely the growth of external assets other than reserves. Particularly in the case of Brazil, state credits and subsidies were not merely meant to maintain profitability of the industrial sector in the context of an appreciating currency, as Alami states. Instead, these credits matched (and to some extent, *led*) the expansion of Brazilian firms (including state-owned firms) in the continent and beyond, something the book does not mention. This was a *political decision* by the then government, in contrast to the opposite policy implemented during Bolsonaro's term. Another example of State's agency was the imposition of capital *outflows* controls, later to be dismantled, both in Brazil and in South Africa.

There is then the problem of the concept of "total social global capital", or "capital in general" (p. 56, and p. 59). The state mediates between global and national forms of total social capital. However, without dwelling deeply into that concept, I have my sincere doubts whether it is actually appropriate and fit for the object of enquiry, because of the substantial contradictions and differences between the different sectors involved. It is no surprise, therefore, that the State involvement is not neutral, not merely in the capital-labor class struggle dimension, but also within a very heterogeneous grouping. This heterogeneity motivates and lies behind numerous policies, for instance the tax (IOF) on short-term to medium-term external borrowing implemented in Brazil. This measure, and the successive implementations and amendments to expand its coverage, aimed at attacking a particular group of international investors, but also affected domestic borrowers. It also affected multinational companies who channel lending from the company (or off-shore affiliates) into Brazil. In a country with substantial exchange rate volatility, the restrictions in the access to external currency (mentioned in chapter five) impinge upon the profitability of savers and investors.

The State-led push for the internationalization of Brazilian firms also shows the danger of grouping together such heterogeneous and contradictory sectors, on top of reflecting a higher degree of State's agency. "Total social capital" is too broad a conceptualization, both at the domestic and at the global level, to serve as a useful concept when one tries to analyze the management of opposing interests and contradictions between different embodiments of that "aggregate". In that sense, Alami's work is remarkable and should be complimented for trying to provide a detailed and specific picture (and movie) on Brazil and South Africa. However, these detailed analyses, together with previous mentioned objections regarding the omission of agency, gives the reader (me, at least) enough concern to doubt whether the theoretical framework is appropriate to the task. I find that Alami's work would have a better fit within the "historical institutionalism" line of literature.

In tackling the regulation of cross-border financial movements in emerging economies, Alami has pushed the frontier of this line of research in a thought-provoking book, whatever one may think about his theoretical framework. He has included dimensions often excluded from this subject, such as the racialized and gendered nature of financial markets, and will become a source for current and future generations of concerned scholars and practitioners.

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