Capital Controls in China, Brazil and India: Towards the End of the Free Movement of Capital as a Global Norm?

Sacha Dierckx

Thesis submitted for the degree of PhD in Political Science

Department of Political Science

Ghent University

Academic Year 2014-2015

Supervisor: **Prof. Dr. Dries Lesage**

Examination board: **Prof. Dr. Dries Lesage**
Prof. Dr. Ferdi De Ville
Prof. Dr. Andreas Nölke
Prof. Dr. Henk Overbeek
Dr. Mattias Vermeiren

Abstract

This dissertation examines whether China, Brazil and India will form a challenge to the Western-made neoliberal norm of the free movement of capital across borders. From a neo-Gramscian perspective, it is argued that capital account liberalization has been a crucial element of the neoliberal project. By allowing the transnationalization of productive and financial capital, it has transformed the power relations between labour and capital to the advantage of the latter. As such, a study on the policies and perspectives of China, Brazil and India with regard to capital account policies, can shed light on the broader debate whether these rising powers will challenge the US-led, Western-made neoliberal world order. An in-depth analysis of these countries' respective capital control policies, in connection with their domestic constellation of social forces and prevailing accumulation regime, leads to the following conclusions. First, these countries do not seem to form a challenge to the norm of the free flow of capital. All three the countries have liberalized to a considerable extent, they all see the full free movement of capital as a final objective, and the dominant social forces in their social formation are not in favour of a substantial closure of the capital account. Second, however, these countries are more pragmatic and flexible with regard to cross-border capital flows, and do not want to give up on their autonomy to hold on to or reintroduce capital controls. They have therefore also contested the institutionalization of the norm of the free movement of capital at the International Monetary Fund. If the issue of capital account policies is indeed representative of the position of China, Brazil and India regarding the neoliberal world order, then this dissertation indicates that although these rising powers might be able to obtain more policy space and allow for more diversity within a global neoliberal context, they do not form a fundamental challenge to this world order. In the absence of major domestic transformations in China, Brazil and India, and/or similar transformations in the West, the neoliberal world order is therefore likely to survive the ongoing power shift to the Global South.

Table of Contents

Abstract **i**
Acknowledgements **vii**
Tables and Figures **viii**
Abbreviations **xi**

1. Introduction **1**
1.1 The crisis and rising powers **1**
1.2 The B(R)ICs as a challenge to the Western (neo-)liberal order? **4**
1.3 A note on capital controls and the BICs **6**
1.3.1 Capital mobility and capital controls 6
1.3.2 Why study capital controls? 9
1.2.3 Why study the BICs? 10
1.4 Research questions **11**
1.5 Structure of the dissertation **12**

2. The causes and consequences of capital account liberalization **15**
2.1 Introduction **15**
2.2 A history of capital movements and capital controls **15**
2.2.1 From the "First Age of Globalization"... 15
2.2.2 ... to the Bretton Woods regime 16
2.2.3 Towards capital account liberalization in the "Second Age of Globalization" 17
2.2.4 The institutionalization of the free movement of capital 19
2.2.5 The Asian crisis throws sand in the wheels of international finance 21
2.2.6 After the global economic crisis: a "Third Age of Globalization" or "Back to Bretton Woods"? 22
2.3 Capital controls in economic science **25**
2.3.1 Neoclassical versus heterodox economics 25
2.3.2 Faced with the evidence 28
2.3.3 Capital controls as a technical fix? 30
2.4 IPE and capital controls **31**
2.4.1 The determinants of capital account liberalization 31
2.4.2 The limitations of quantitative studies 33
2.4.3 Historical accounts and country studies 34
2.5 Conclusion **35**

3. Theoretical and conceptual framework: a neo-Gramscian perspective **37**
3.1 Neo-Gramscian perspectives in IPE **37**
3.1.1 Thinking in a Gramscian way 37
3.1.2 Critical theory 37
3.1.3 Historicizing the global political economy 38
3.2 Social forces, ideas, institutions **39**
3.2.1 The social relations of production under capitalism 39
3.2.2 Ideas matter 42
3.2.3 A theory of the capitalist state 44
3.3 The shortcomings of neo-Gramscian perspectives **48**
3.4 By way of conclusion: a neo-Gramscian approach and capital controls **49**

4. Neoliberalization: bringing class back in **52**
4.1 Introduction: "neoliberalism" in the scientific literature **52**
4.2 The rise and fall of the Bretton Woods order **54**
4.2.1 The Keynesian Bretton Woods order in the era of "embedded liberalism" 54
4.2.2 The final crisis of the Bretton Woods order 56
4.3 Neoliberalism as a class project **57**
4.3.1 Restoring profitability and changing the balance of forces 57
4.3.2 Capital account liberalization and the transnationalization of capital 60
4.3.3 The "competition state" 64
4.3.4 The historic bloc underpinning neoliberalism 65
4.3.5 Outcomes of the neoliberal era 66
4.4 Neoliberalism as an ideology? **68**
4.4.1 The "free market" ideology 68
4.4.2 Ideas versus practices and the material structure of ideas 70
4.5 Variegated neoliberalization **72**
4.5.1 A hegemonic project? 72
4.5.2 The centrality of the US and the West 74
4.5.3 Neoliberalization instead of neoliberalism 76
4.6 By way of conclusion: the BICs and neoliberalization **77**

5. China's capital controls: between contender state and integration into the heartland **80**
5.1 Introduction **80**
5.2 The heartland-contender state structure and China **81**
5.2.1 The heartland versus contender states 81
5.2.2 The road to capitalism with Chinese characteristics 82
5.2.3 China as the new contender state 86

5.3 The historic bloc supporting capital controls **89**
5.3.1 China's capital controls before the crisis 89
5.3.2 China's accumulation regime and capital controls 92
5.3.3 The state class: challenging the heartland 96
5.4 Capital account liberalization: integration into the heartland? **97**
5.4.1 Capital account liberalization after the crisis 97
5.4.2 The crisis of China's accumulation regime 99
5.4.3 The social forces pushing for liberalization 103
5.4.4 Opposition from the state class 106
5.4.5 The internationalization of the renminbi as a hegemonic project 109
5.4.6 Towards the full free movement of capital in China? 110
5.4.7 What about the working class? 112
5.5 Conclusion: towards integration into the heartland? **115**

6. Capital controls in Brazil: towards neo-developmentalist neoliberalism? **122**
6.1 Introduction **122**
6.2 Brazil under ISI **122**
6.3 The neoliberal project in the 1990s **125**
6.3.1 The Real Plan and the neoliberal breakthrough 125
6.3.2 Capital account liberalization and the transnationalization of capital 130
6.3.3 The new historic bloc underpinning neoliberalism 133
6.4 Lula and the Workers' Party in power **136**
6.4.1 From hope to illusion 136
6.4.2 Neoliberal policies under Lula 137
6.4.3 The social agenda and Lula's re-election 142
6.5 Towards neo-developmentalist neoliberalism? **144**
6.5.1 The turn towards neo-developmentalist policies 144
6.5.2 After the crisis and under Dilma 146
6.5.3 The return of capital controls in 2009 147
6.5.4 The neo-developmentalist neoliberal accumulation regime 150
6.6 The limits of neo-developmentalist neoliberalism **152**
6.6.1 Economic and social limits 152
6.6.2 The limits of moderate capital controls 154
6.6.3 Renewal of the left? 155
6.7 Conclusion: Brazil capital controls and global neoliberalism **158**

7. Pragmatic neoliberalization in India: the case of capital account liberalization 165
7.1 Introduction 165
7.2 India under ISI 165
7.2.1 After independence in 1947 165
7.2.2 Economic stagnation and the crisis of ISI 166
7.2.3 The first steps towards liberalization in the 1980s 168
7.3 Neoliberalization in the 1990s 172
7.3.1 The 1991 economic crisis and the definitive breakthrough of neoliberalization 172
7.3.2 The Indian approach to capital account liberalization in the 1990s 173
7.4 From the Asian crisis to the global economic crisis 177
7.4.1 The Tarapore Report and the Asian crisis 177
7.4.2 Capital account liberalization after 1999 177
7.4.3 The transformation of the banking sector in the 1990s and 2000s 179
7.4.4 Towards a new accumulation regime? 181
7.5 After the global economic crisis 188
7.5.1 India in the global economic crisis 188
7.5.2 The debate on capital controls between technocrats and economists 189
7.5.3 The neoliberal historic bloc 193
7.5.4 Trade unions and the (un)organized working class 195
7.5.5 Neoliberalism as a hegemonic project? 196
7.6 The contemporary debate on capital controls 198
7.6.1 A bureaucratic and political consensus 198
7.6.2 Economists, practitioners and foreign actors as outliers 200
7.6.3 Opposition from the left 201
7.7 Conclusion: India as an outlier? 202

8. The institutionalization of the free movement of capital: beyond the new constitutionalism? 208
8.1 Introduction 208
8.2 The new constitutionalism of disciplinary neoliberalism 209
8.2.1 New constitutionalism according to Gill 209
8.2.2 The limits to new constitutionalism? 210
8.2.3 Rereading Stephen Gill 211
8.3 The constitutionalization of the free movement of capital 212
8.3.1 International capital mobility institutionalized 212
8.3.2 Capital controls and the IMF before the 2007 crisis 213

8.4 Capital controls in the IMF: towards the new constitutionalism of pragmatic neoliberalism? 216
8.4.1 The IMF and capital controls after the crisis 216
8.4.2 Postneoliberalism or pragmatic neoliberalism? 218
8.4.3 A renewed effort to constitutionalize the free movement of capital? 220
8.4.4 The opposition of EMDCs 222
8.5 Conclusion: the future of neoliberalism and the new constitutionalism 225

9. Conclusions 229
9.1 Main findings of the dissertation 229
9.1.1 Summary of the dissertation 229
9.1.2 A challenge to the neoliberal norm of the free movement of capital? 230
9.2 Suggestions for further research 233
9.3 A counter-hegemonic project: what role for capital controls? 234

Bibliography 238
Interviews 336

Acknowledgements

I'd like to sincerely thank all those who have helped me start and finish this dissertation. This includes in the first place my wonderful parents, Martine Deneckere and Harry Dierckx, especially for always being there for me when I need(ed) them. Other family members who have helped me get through these four years of sweat (and glory?): Kim Dierckx and Nienke Besbrugge, and my family-in-law-to-be Claire Oorlynck, Sylvie Roelandts and Philip Oorlynck. Despite our differences or arguments, in the end I couldn't wish for a better family and family-in-law. Special thanks to Zeno Dierckx, Lucske Dierckx and Philou Oorlynck for lighting up my life, and for being the only ones I couldn't get mad at in times of exhaustion.

Next, many thanks to all my superb colleagues at the GIIS and the Department of Political Science, with special thanks to my bureau buddies Jennifer Kesteleyn and Mattias Vermeiren, and to Ferdi De Ville. For their devotion and willingness to help, Tania Devos and Luc De Keyser also deserve to be mentioned.

Further, I'd like to deeply express my gratitude to the three professors who were so kind to help me during my research stays abroad: Prof. Dr. Maria Antonieta del Tedesco Lins (USP in Brazil), Prof. Dr. Wang Yong (PKU in China), and Prof. Dr. CP Chandrasekhar (JNU in India). I also need to thank everyone who made my research stays in Brazil, China and India so comfortable and enjoyable: (in chronological order): Sonia Dillmann, Renato Reis, Rebecca Pike, Jo Gabriel Oliveira, Alec Lee, Paula Beatriz Mian, Raphaëlle Vallet, Gavin Blackburn, Joana Ursaciuc, Atul Abrol, Marina Abrol, Nikki Abrol, Prithvi Abrol and Devika Dutt.

Finally, there are two people whom I owe very special thanks to. First, Prof. Dr. Dries Lesage, for giving me the opportunity to write this Phd, for giving me the freedom to go my own way, for giving me guidance when I needed it during the whole research process, and just for being a good, gentle and humble person. Second, my partner and love of my life Julie Oorlynck, for supporting me during the past four years, for making me laugh, for not deserting me despite my mood swings caused by dissertation stress, for giving me so many unforgettable moments and especially for loving me back.

Tables and Figures

Tables

Table 1.1	Categorization of capital controls	7
Table 2.1	Determinants of capital account liberalization	32
Table 6.1	Primary surplus, interest payments and operational deficit ("public sector net borrowing requirements") Brazil	138
Table 6.2	Annual growth of the real minimum wage Brazil	142
Table 6.3	Public investment Brazil	144

Figures

Figure 1.1	Average annual growth, 2000-2012	2
Figure 1.2	Projected average annual growth, 2010-2050	3
Figure 1.3	Projected average annual growth per capita, 2010-2050	3
Figure 1.4	Use of the term BRICs	5
Figure 1.5	The political trilemma	9
Figure 1.6	Chinn-Ito index	11
Figure 2.1	Global cross-border capital flows	23
Figure 2.2	Net private capital flows to emerging markets	24
Figure 4.1	OECD unionization rate	59
Figure 4.2	Global inward FDI stock	61
Figure 4.3	Global trade	61
Figure 4.4	Global financial assets	62
Figure 4.5	Wage share US	67
Figure 4.6	Labour income share OECD	67
Figure 4.7	US top income shares	68
Figure 4.8	US top wealth shares	68
Figure 4.9	US inward and outward FDI stock	75
Figure 4.10	European developed countries' inward and outward FDI stock	76
Figure 5.1	Average yearly real growth and per capita growth China	83
Figure 5.2	Value added per sector China, 1960-1978	83
Figure 5.3	Exports China	85
Figure 5.4	Inward and outward FDI China	86
Figure 5.5	Value added per sector China, 1979-2013	88
Figure 5.6	Current account and trade balance China	89

Figure 5.7	Capital flows China	90
Figure 5.8	Investment, consumption and exports China	93
Figure 5.9	Nominal and Real Effective Exchange rate China	94
Figure 5.10	Deposit interest rate China	95
Figure 5.11	RMB-USD exchange rate, 2001-2014	99
Figure 5.12	Foreign exchange reserves China	101
Figure 5.13	Income shares China	104
Figure 5.14	Stock market capitalization China	105
Figure 5.15	Non-FDI capital flows China	108
Figure 5.16	Poverty indicators China	113
Figure 5.17	Inequality, Gini coefficient China	114
Figure 6.1	Average yearly real growth and per capita growth Brazil	123
Figure 6.2	Value added per sector Brazil, 1960-1980	124
Figure 6.3	External debt stock Brazil	124
Figure 6.4	Consumer prices inflation Brazil, 1981-1994	126
Figure 6.5	Selic, 01/07/1996-21/11/2002	127
Figure 6.6	Consumer prices inflation Brazil, 1995-2010	127
Figure 6.7	Current account balance Brazil, 1988-2001	128
Figure 6.8	Investment rate Brazil, 1987-2000	129
Figure 6.9	Inward and outward FDI Brazil	131
Figure 6.10	Capital flows Brazil	132
Figure 6.11	Value added per sector Brazil, 1980-2013	134
Figure 6.12	Unemployment rate Brazil	135
Figure 6.13	Primary surplus, interest payments and operational deficit (“public sector net borrowing requirements”) Brazil	138
Figure 6.14	Selic, 01/01/2003-30/07/2014	139
Figure 6.15	Stock market capitalization Brazil	140
Figure 6.16	Return on assets banking sector	141
Figure 6.17	Poverty indicators Brazil	143
Figure 6.18	Inequality, Gini coefficient Brazil	143
Figure 6.19	Investment rate Brazil, 1999-2013	145
Figure 6.20	Real interest rate Brazil	146
Figure 6.21	Nominal and Real Effective Exchange rate Brazil	148
Figure 6.22	Current account and trade balance Brazil, 2000-2013	151
Figure 6.23	Real median wage Brazil	152
Figure 6.24	Income shares Brazil	156
Figure 7.1	Average yearly real growth and per capita growth India	167
Figure 7.2	Investment rate India, 1850-51–1989-90	169
Figure 7.3	Exports India, 1960-1990	170
Figure 7.4	Current account balance India, 1980-1990	170
Figure 7.5	External debt stock India	171
Figure 7.6	Capital flows India	176
Figure 7.7	Investment rate India, 1980-81–2012-13	182

Figure 7.8	Income shares India	182
Figure 7.9	Stock market capitalization India	183
Figure 7.10	Value added per sector India	183
Figure 7.11	Current account and trade balance India, 1998-2013	184
Figure 7.12	Exports India, 1990-2013	184
Figure 7.13	Interest payments as a share of government expenditures India	186
Figure 7.14	Interest payments as a share of GDP India	187
Figure 7.15	INR-USD exchange rate, 2006-2010	188
Figure 7.16	Current account balance and net FDI flows India	190
Figure 7.17	INR-USD exchange rate, 2010-2014	191
Figure 7.18	Consumer prices inflation India	192
Figure 7.19	Inward and outward FDI India	194
Figure 7.20	Poverty indicators India	197
Figure 7.21	Inequality, Gini coefficient India	197
Figure 9.1	The leftist trilemma	235

Abbreviations

ADR	American Depository Receipt
BCB	Banco Central do Brasil (Brazilian Central Bank)
BICs	Brazil, India and China
BIT	Bilateral investment treaty
BRICs	Brazil, Russia, India and China
BRICS	Brazil, Russia, India, China and South Africa
CAR	Capital account regulation
CCP	Chinese Communist Party
CC5	Carta-Circular 5 (Circular Letter 5)
CFM	Capital flow management measure
CII	Confederation of Indian Industry
CMN	Conselho Monetário Nacional (National Monetary Council)
CPI(M)	Communist Party of India (Marxist)
CRA	Contingent reserve arrangement
CSRC	China Securities Regulatory Commission
CUT	Central Única dos Trabalhadores (Unified Workers' Central)
EC	European Community
ECBs	External commercial borrowings
EMDCs	Emerging markets and developing countries
EMH	Efficient market hypothesis
EU	European Union
FDI	Foreign direct investment
FEMA	Foreign Exchange Management Act
FERA	Foreign Exchange Regulation Act
FHC	Fernando Henrique Cardoso
FICCI	Federation of Indian Chambers of Commerce and Industry
FII	Foreign institutional investor
FTA	Free trade agreement
GATS	Global Agreement on Trade in Services
GDI	Gross domestic income
GDP	Gross domestic product
GDR	Global Depositary Receipt
GFCF	Gross fixed capital formation
GNI	Gross national income
G7	Group of Seven
G8	Group of Eight
G20	Group of Twenty
IEO	Independent Evaluation Office
IFC	International Finance Corporation
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee

INC	Indian National Congress
IOF	Imposto sobre operações de crédito, câmbio e seguros (Tax on credit, currency and securities transactions)
IPE	International political economy
IPEA	Instituto de Pesquisa Econômica Aplicada (Institute for Applied Economic Research)
ISDS	Investor-state dispute settlement
ISI	Import-substitution-industrialization
LRS	Liberalised Remittance Scheme
MOFCOM	Ministry of Commerce People's Republic of China
MOFTEC	Ministry of Foreign Trade and Economic Cooperation People's Republic of China
MPL	Movimento Passe Livre (Free Fare Movement)
MPM	Macro-prudential measure
MST	Movimento dos Trabalhadores sem Terra (Homeless Workers' Movement)
MTST	Movimento dos Trabalhadores Rurais Sem Terra (Landless Workers' Movement)
NAFTA	North American Free Trade Agreement
NGO	Non-governmental organization
NIEO	New International Economic Order
NPA	Non-performing asset
NPL	Non-performing loan
NRI	Non-resident Indian
NSE	National Stock Exchange
OECD	Organisation for Economic Co-operation and Development
PAC	Programa de Aceleração do Crescimento (Acceleration of Growth Program)
PBOC	People's Bank of China
PDP	Política de Desenvolvimento Produtivo (Productive Development Policy)
PL	Partido Liberal (Liberal Party)
PN	Participatory note
PT	Partido dos Trabalhadores (Workers' Party)
QDII	Qualified domestic institutional investor
QFII	Qualified foreign institutional investor
RMB	Renminbi
RQFII	Renminbi qualified foreign institutional investor
SBI	State Bank of India
SOB	State-owned bank
SOE	State-owned enterprise
TNC	Transnational corporation
UNCTAD	United Nations Conference on Trade and Development
US	United States of America
WMP	Wealth management product
WTO	World Trade Organization

1. Introduction

1.1 The crisis and rising powers

These are exciting times for academics in the field of International Political Economy (IPE), and this is especially true for Marxist scholars. In a strange way, Marxists have a weak spot for crises, and we've had plenty of that since the outbreak of the global economic crisis in 2007. There is an old joke that says that Marxists have correctly predicted ten out of the last five crises.[i] What is more, in a determinist version of historical materialism, economic crises are supposed to automatically lead to revolutionary upheaval, which generates even more enthusiasm within some orthodox Marxist circles. But the largest crisis since the Great Depression of the 1930s, as well as its aftermath, implications and consequences have also dominated the IPE literature in general. There has been a widespread assertion that some kind of change is imminent.

In the past, global crises often had large repercussions for the workings of the global political economy. When the contradictions of the established world order come to the forefront, several different (and alternative) strategies are considered (Bieler, 2001, p. 98; Macartney, 2008a, p. 432). Systemic crises offer an opportunity to challenge previous common sense. Therefore, the question many academics are posing is: "Does the crisis of 2008 look like its predecessors? Should we expect transformation of political-economic rules similar to those that occurred after 1929 and 1973?" (Centeno & Cohen, 2012, p. 332; also Wade, 2009, p. 540; on economic science Fine & Milonakis, 2011, p. 9). Some academics are at least suggesting that we should. As the Brazilian economist Bresser-Pereira (2010, p. 499) states: "The banking crisis that began in 2007 and became a global crisis in 2008 will probably represent a turning point in the history of capitalism." This is in line with the feeling that many progressive commentators had that the crisis opened up opportunities for progressive change (as noted by Konings, 2012, p. 609).

This feeling was probably confirmed by the numerous references to Karl Marx after the crisis, many of them coming from unsuspected sources. In March 2014, the New York Times had a symposium on its website under the heading "Was Marx right?" (The New York Times, 2014). This question had earlier been answered affirmatively by both "Dr. Doom" Nouriel Roubini, economist at New York University (Roubini, 2011), and the American magazine Rolling Stone (McElwee, 2014), who both stated that Marx had been (partly) right all along.[ii] The American weekly Time has written about "Marx's revenge" (Schuman, 2013), and UBS economist George Magnus has asked to "give Karl Marx a chance to save the world economy" in an op-ed on Bloomberg, the site for business and financial market news (Magnus, 2011). While these commentators may probably not agree with all of Marx's (political) conclusions – they may not even comprehend him properly – the comeback of the father of communism may indicate that the "end of history", to borrow Fukuyama's title, has ended with the crisis that started in 2007.

Besides the financial and political turmoil after the crisis, Marxists had a second reason to be bursting with excitement. The economic disaster clearly started in the heartland of global capitalism, the United States, often still considered as the bulwark of imperialism. It thus demonstrated and underpinned the fragile economic foundations of US power. Although some observers question the

reality or magnitude of the US decline (e.g. Panitch, 2014; Saull, 2012, p. 324, p. 327), it is generally accepted that US power is not at the same level as it was in the 1940s (during and after the Second World War) or in the 1990s (after the fall of the Soviet Union). Even if the US remains the dominant state, it does not have the same capacity to lead the world as it once did (Helleiner, 2010, p. 622; Li, 2010, p. 296; Wade, 2008, p. 51). Seen in a longer-term perspective, this is supposed to represent the end of an era: "We are, in short, witnessing the end of the long historical cycle during which wealth and power were concentrated in the hands of a small number of Euro-Atlantic states" (Golub, 2013, p. 1002; also van Apeldoorn, de Graaff & Overbeek, 2012, pp. 471-472).

Moreover, China, a country which is still ruled by a Party which calls itself Communist, is expected to overtake the United States before 2020 as the world's largest economy.[iii] In its slipstream, countries such as Brazil and India are also seen to become more autonomous from the West thanks to strong economic growth. In the period 2000-2012, the annual growth of China, Brazil and India was between double (Brazil) and almost six times (China) as large as the average annual growth within the G7-countries (see Figure 1.1). The share of emerging markets and developing countries (EMDCs) in general – and Brazil, India and China (the BICs) in particular – in the world economy had thus already been growing before the crisis.

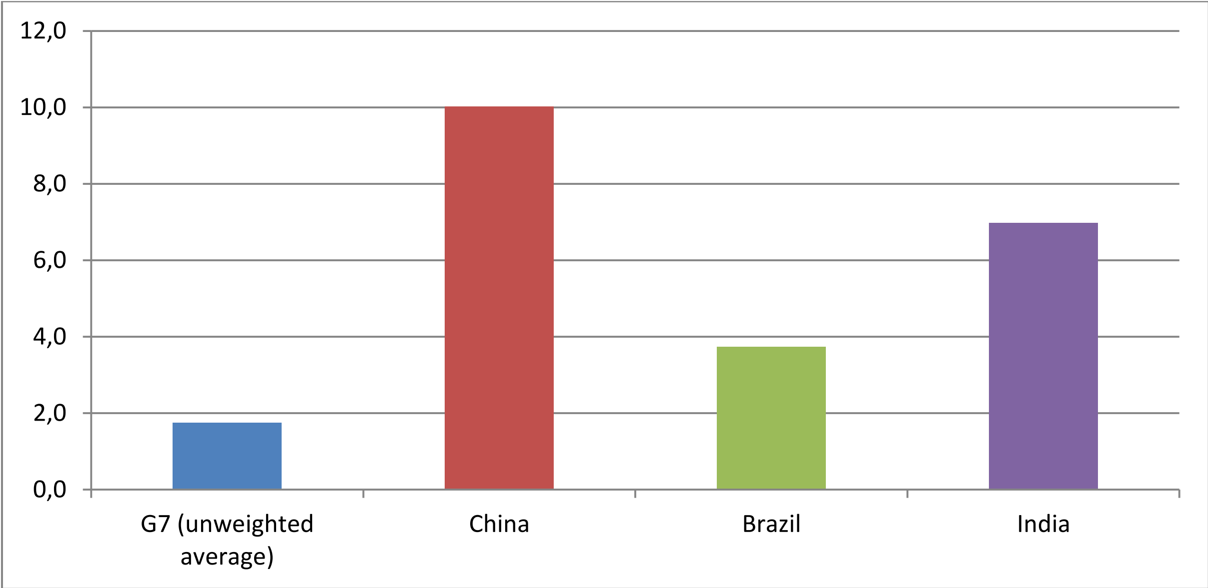

Figure 1.1: Average annual growth, 2000-2012 (annual %) (own calculations, data from IMF, 2014c)

In the early aftermath of the crisis, they EMDCs emerged largely unscathed in comparison to the West (Cammack, 2012, p. 6). In 2013, for instance, developing countries accounted for about two thirds of global growth (UNCTAD, 2013b). Countries such as Brazil, India and China did especially well thanks to state-led efforts to sustain economic growth (van Apeldoorn, de Graaff & Overbeek, 2012, p. 472). Several studies expect that the economic weight of China, Brazil and India will grow further in the coming decades (e.g. Speller, Thwaites & Wright, 2011; World Bank, 2013a). Although predictions should of course be taken with a grain of salt, both GDP and GDP per capita growth are projected to be markedly stronger in the BICs than in the G7 in the coming decades, as can be seen in Figure 1.2 and Figure 1.3.

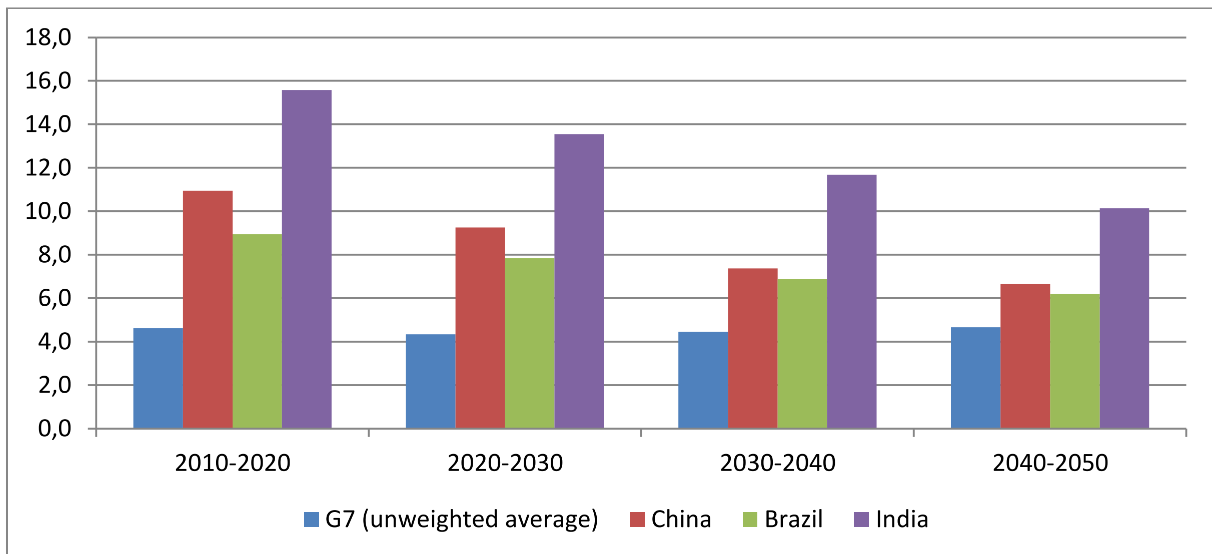

Figure 1.2: Projected average annual growth, 2010-2050 (annual %) (own calculations, data from Speller, Thwaites & Wright, 2011)

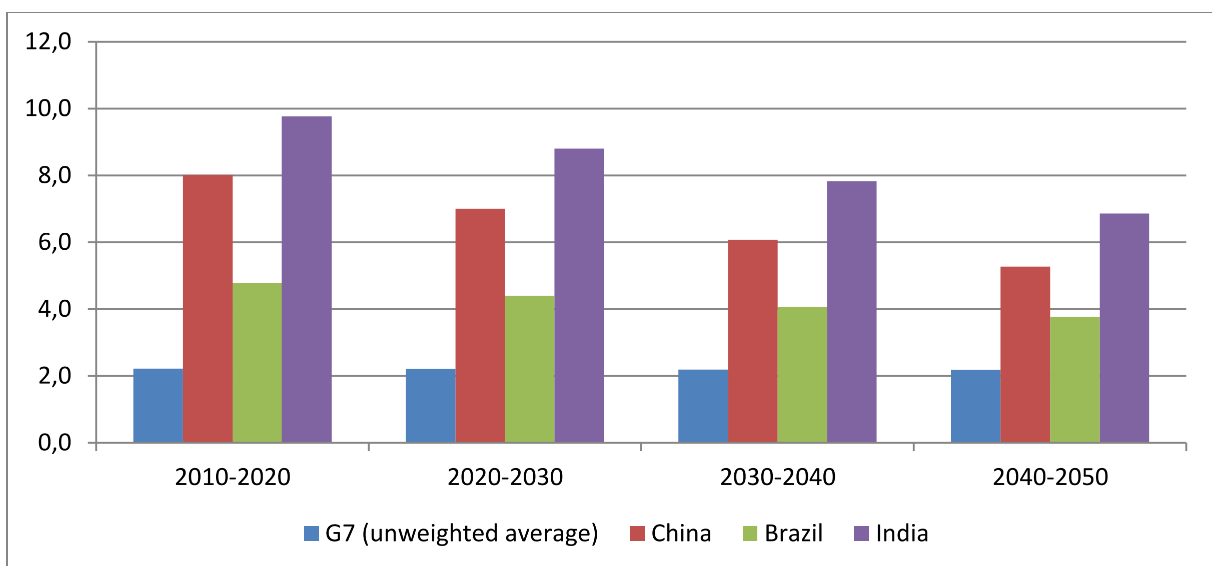

Figure 1.3: Projected average annual growth per capita, 2010-2050 (annual %) (own calculations, data from Speller, Thwaites & Wright, 2011)

There is thus a transition going on from a Western-based, and essentially US-made global order, towards a multipolar order (Golub, 2013, pp. 1001-1002; de Graaff, 2012, p. 542). Rising powers have already become significant players at the global (governance) table (van Apeldoorn, de Graaff & Overbeek, 2012, p. 482; Cammack, 2012, p. 2; Wade, 2008, pp. 51-52). It is expected that as these rising powers' economic weight grows, they will become even more important for the organization and the rules of the global economy: "The significance of the large emerging economies – Brazil, India and China – for global governance in coming decades is rarely contested" (Kahler, 2013, p. 711).

In sum, the crisis has highlighted and reinforced the changing power relations that had already been going on for some time before the crisis, namely, the relative decline of the United States and Western Europe, and the rise of emerging markets, specifically the BICs. As John Ikenberry (2010, p. 520) argues, “the post-war liberal order has been an American-centred and Western-oriented hegemonic order. The great drama of the next few decades will involve the choices and strategies of rising states, such as India, China, Brazil, as they confront this old order.” A new international balance of power is thus emerging, in which power is no longer concentrated in the hands of the G7-states (Germain, 2009, p. 683). This “great drama” of changing power relations has concurred with, and been reflected and reinforced by the global economic crisis of which the US has been the epicentre (van Apeldoorn, de Graaff & Overbeek, 2012, p. 472). The emergence of the G20 as the main international forum is supposed to reflect this power shift (Cammack, 2012, p. 1). Moreover, the recent deal on the launch of the so-called New Development Bank by the BRICS (Brazil, Russia, India, China and South Africa) has been seen as the definitive “end of western hegemony” , giving rise to a “multiplex world” (Acharya, 2014; see also Chen D., 2014; Sader, 2014).

Because of the combination of the crisis and the unfolding power shift, it appears that the world is somehow in a period of transition, in which “the old is dying and the new cannot be born” (Gramsci in Bruff, 2010, p. 423). The question then becomes: what is this “new” that we are heading towards? Some argue that not only US power but also the US-made global order is in a deep crisis (Ikenberry, 2010, p. 509). Because the crisis originated in the US, “the crisis has posed the greatest challenge to the Anglo-American liberal market system” (Öniş & Güven, 2011, p. 475). For some progressives, this means that “the crisis has a silver lining” (Wade, 2008, p. 51), as it opens up possibilities for a more progressive global economy. The question then becomes whether the crisis of the Western-based and US-made liberal order also marks a transition away from this (neo)liberal order. In this regard, the position of the BICs and other emerging markets might be of great importance. Since power transitions have often resulted in tensions, changes, and different views, the visions of these rising powers are more and more considered to be essential for the future global world order. In other words: *Does the challenge that the BICs (and the “Global South” more general) pose to US and Western power also imply a challenge to the underlying design, principles and ideas of the Western-centred (neoliberal) order?*

1.2 The B(R)ICs as a challenge to the Western (neo-)liberal order?

Discussions on rising powers often focus on the BRICs, namely Brazil, Russia, India and China. The term BRICs was launched in 2001 by Jim O’Neill, then chief economist at Golden Sachs (O’Neill, 2001). Since then, the term has been increasingly used in both the academic and public debate. As demonstrated by Figure 1.4, which traces the use of the term as a percentage of all the terms that Google Books has indexed, the amount of studies on the BRICs has risen strongly after 2001.[iv] While the results only go as far as 2008, it is not unlikely that the rise has been even greater after the global economic crisis. Moreover, in June 2009, the first BRIC Summit was held in Yekaterinburg in Russia. The concept has thus been a sort of “self-fulfilling prophecy”. Since 2009, the BRICS – with South Africa included since 2011 – have held a summit every year, the last one being in Fortaleza, Brazil, in July 2014.

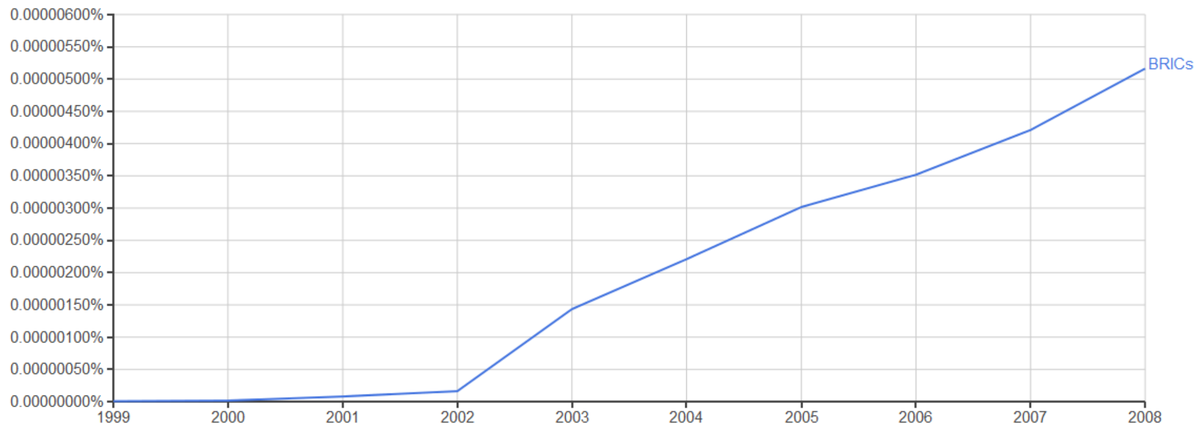

Figure 1.4: Use of the term BRICs (figure from Google Ngram)

As could be expected, there is no agreement on the question of whether the BRICs' political economy is fundamentally "different" from the West, and whether they are a "threat" to the Western-centred order. While the amount of literature is too large to present an all-encompassing overview, two extreme positions – that cut through different theoretical frameworks – can be discerned. On the one hand, there are those that consider the rise of the BRICs to form a substantial challenge to the US-led Western-based political-economic world order. It is stated that while the B(R)ICs are not a coherent grouping, they do embody scepticism with both the US-led liberal world order and the global institutions that date from the 1940s (Roett, 2010, p. 14). Moreover, they represent at least a more statist (and neo-developmentalist) growth model than is commonly accepted in the West (Gallagher, 2011b). As Schmalz and Ebenau (2012, p. 490) state: "None of the BICs has ever come close to resembling neoliberalism's 'heartlands', or the peripheral countries subjected to 'shock therapies' with regard to the depth of neoliberalisation." In the first place, China is said to represent "something different" (van Apeldoorn, de Graaff & Overbeek, 2012, pp. 480-481). Therefore, the rise of the BRICs is seen to form a challenge to liberal globalization and liberal capitalism (Bremmer, 2009, p. 41; Oppenheimer, 2008, p. 6). During the next decades, contestation over global influence will sharpen (Gills, 2010, p. 181). The deal on the New Development Bank by the BRICs has been seen as a case in point, challenging the International Monetary Fund (IMF) and World Bank, and more general, the Western-based world order (e.g. Campbell, 2014; Gallagher, 2014a; Sader, 2014).

On the other hand, there are those that expect the BRICs, China in particular, to be socialized and integrated into the US-led (neo)liberal world order (Ikenberry, 2008, p. 24; Snyder, 2013, p. 209). One of the reasons is that the "liberal order" constructed by the US offers these rising states both advantages and the possibility to influence the rules within this liberal order (Ikenberry, 2010, p. 515; Snyder, 2013, p. 220). As Eric Helleiner (2010, p. 633) puts it: "Emerging powers such as China today perceive considerable benefits from participating in the global economic system and their demands have focused on managing the system more effectively." While the BRICs might represent a more statist variety of capitalism, their statist growth is also deeply embedded in the American-led world economy, and it does not deviate fundamentally from the neoliberal rules of the game (van Apeldoorn, de Graaff & Overbeek, 2012, p. 483; Gamble, 2010, p. 12; Ikenberry, 2010, p. 515; Parisot, 2013, p. 1171). To the contrary, the rising powers have strongly internalized neoliberal policy commitments themselves (Cammack, 2012, p. 2). The emergence of the BRICs and emerging markets

does thus not seem to lead to a profound transformation (Chandhoke, 2013, p. 309; Golub, 2013, p. 1013; Kahler, 2013, p. 726; van der Westhuizen, 2012, p. 332). A good example is the New Development Bank, which does not deviate from Western (neoliberal) principles (Bond, 2014; Panitch, 2014). Therefore, in this view: "Overall, neoliberal globalization looks set to survive, but in a more heterodox and multipolar fashion" (Öniş & Güven, 2011, p. 469).

In the end, "it is still an open question whether in the final instance the rise of rival centers of accumulation constitutes a challenge to the foundations of the neoliberal global order" (van Apeldoorn, de Graaff & Overbeek, 2012, p. 483). This is all the more so because the global political economy is always in flux, especially in a period of transition in which there is no stable global regime. The question whether China, India and Brazil will challenge the current world order can hence only be answered by empirically examining their domestic political economies and preferences on international regulations:

> "*Deciding between these competing images – nascent supporters of existing global governance and rising challengers promoting a disruptive agenda of change – requires a careful empirical examination of the causal links that would support either view. (…) The preferences of the emerging powers in respect of global governance are a crucial starting point: if they do not diverge substantially from the current institutional and normative status quo, then the potential for conflict and bargaining deadlock is diminished.*" (Kahler, 2013, pp. 711-712)

This dissertation aims to provide a cautious answer to this crucial question: Will Brazil, India and China challenge the Western-promoted neoliberal world order? It will try to shed light on this difficult topic by examining the issue of capital controls and capital account liberalization. Therefore, the main research question of this dissertation is as follows:

> *Will Brazil, India and China challenge the Western-promoted neoliberal norm of the free movement of capital across borders?*

1.3 A note on capital controls and the BICs

1.3.1 Capital mobility and capital controls

Before the choices of the specific topic (capital controls) and the countries (the BICs) are clarified , it will briefly be explained what the free movement of capital on the one hand, and controls on this movement on the other hand, exactly imply. In general, capital account policies are policies that have an impact on whether individuals, corporations and banks are permitted to move capital from one country to another. A completely open capital account implies that all these actors are allowed to move capital across borders; a completely closed account implies that no actor is permitted to move capital across borders. Capital account liberalization then means going from a completely closed capital account towards a more open capital account. Capital controls are limitations on the ability of capital to cross borders, or as Bloomfield (1946, p. 688) defines them, "all official measures, direct or indirect and national or international, specifically designed to influence the volume, direction, character, or timing of short- and long-term capital transfers." They have also been called,

sometimes with small differences in the connotation, capital management techniques (e.g. Epstein, 2009), capital flow management measures (CFMs) (e.g. IMF, 2012e) or capital account regulations (CAR's) (e.g. Gallagher, Griffith-Jones & Ocampo, 2011).

It is important to note that just because agents are allowed to move capital this doesn't necessarily mean they will do so. In other words, "it is essential to recognize that this *capacity* of capital to cross international boundaries may not manifest itself at any given moment, due to the (relative) absence of profit incentives deriving from differential rates of expected return in different states" (Andrews, 1994, p. 195, original emphasis). Capital mobility refers to the capacity of capital to flow across borders, which does not always result in actual capital flows.

Capital controls can be categorized according to different criteria (see Table 1.1). First, with regard to the direction of the flows, a country can install controls on capital inflows and/or controls on capital outflows. With regard to a second criterion, capital flows can come in many different forms, each of which can be controlled. Foreign direct investment (FDI) is generally considered as productive investment. Portfolio equity flows are flows that go together with the purchase/sale of domestic shares by foreign investors, or the purchase/sale of foreign shares by domestic investors; portfolio bond flows are analogous, but with regard to bonds instead of shares. Controls on loans are restrictions on loans by domestic agents to foreign agents or vice versa, while there can also be limitations on foreign currency exposure. While this dissertation also considers FDI in general, the focus will especially be on the financial component of capital account liberalization, namely the three categories non-FDI (short-term) flows and FDI with regard to the banking sector.[v] A third criterion relates to the intensity of the restrictions. Direct or quantitative controls put a quantitative limit to the capital that is allowed to flow in or flow out. Indirect or qualitative controls (also called market- or price-based controls) are taxes on certain inflows or outflows, which do not prohibit transactions but only increase transaction costs. The fourth criterion is the time period during which controls are supposed to be in place: they can be temporary or (semi-)permanent.

Direction of capital flows	**Form of capital flows**	**Intensity of controls**	**Time period**	**Purpose of controls**
Controls on capital inflows	Controls on foreign direct investment (FDI)	Direct (quantitative) controls	Temporary controls	Financial stability
Controls on capital outflows	Controls on portfolio equity flows	Indirect (qualitative/market-based) controls	Permanent controls	Monetary autonomy
	Controls on portfolio bond flows			Macroeconomic management
	Controls on (foreign currency) loans			Transformative purpose

Table 1.1: Categorization of capital controls

Finally, and crucially, capital controls can serve different purposes (see also Chapter 2). The most common goal is financial stability, namely to avoid financial crises. According to Ilene Grabel (2003), financial integration leads to five distinct, but interrelated risks: (1) currency risk (a precipitous fall in the value of the currency), (2) flight risk (owners massively selling liquid assets, with declining asset prices and banking distress as a consequence); (3) fragility risk (public and private borrowers being unable to meet their obligations, arising due to currency and/or maturity mismatch, or volatile short-term capital); (4) contagion risk (when a country becomes a victim of instability elsewhere); and (5) sovereignty risk (the danger that a government loses its ability to autonomously define its policies when it faces a crisis). Many of the capital controls related to financial stability have recently been re-baptized as macro-prudential measures (MPMs).

The second goal of capital controls is monetary autonomy. This is because of the "monetary trilemma" (also called "inconsistent trinity"): the incompatibility of fixed exchange rates, international capital mobility and national monetary autonomy (Eichengreen, Tobin & Wyplosz, 1995, p. 162; Obstfeld & Taylor, 1998, pp. 354-355; Tobin, 1999, p. 163). This implies that when capital is able to move freely across borders, a country has to choose between managing its exchange rate and pursuing independent monetary policy (Andrews, 1994, pp. 194-195; Epstein, 2009). In other words, countries that want to simultaneously preserve independent monetary policy and manage their exchange rates must restrain capital mobility.

A third objective that capital controls can pursue is macroeconomic management. This especially concerns the effects of capital flows on the exchange rate. A surge in capital inflows can lead to exchange rate overvaluation, which decreases the competitiveness of the domestic industrial sector, and results in current account deficits and ultimately balance-of-payments crises (Akyüz, 2012, p. 77; Bibow, 2011; Rodrik & Subramanian, 2009, pp. 114-115; Subramanian, 2007; UNCTAD, 2013b). To counter the appreciation, monetary policy could be eased. However, when domestic inflation is already a concern, this can be problematic. In this situation, capital controls could offer an answer. More generally, capital controls could also be used as a counter-cyclical instrument to create a more stable economy: tightening controls on inflows (or loosen controls on outflows) during a boom, and relaxing controls on inflows (or tightening controls on outflows) during a downturn.

Finally, capital controls could also serve a transformative purpose. It is this transformative purpose that is most interesting to this dissertation. As Epstein (2009) explains, capital controls with this goal can enhance national democracy and autonomy "by reducing the potential for speculators and external actors to exercise undue influence over domestic decision-making either directly or indirectly (via the threat of capital flight)". They can thus make room for progressive economic and social policies (see Crotty & Epstein, 1996; Grabel, 2002). In this sense:

> *"Here, capital controls accompany more profound changes in the underlying political and economic structure of society, often by facilitating a major shift in economic and political power from one group in society to another, thereby making feasible a more dramatic change in the overall structure of the political economy (…)."* (Epstein, 2012, p. 49)

This has also been captured in Dani Rodrik's "political trilemma" (see Figure 1.5). By this Rodrik (2010) argues that "economic globalization, political democracy, and the nation-state are mutually irreconcilable" (see also Rodrik, 2011, pp. 184-232). In other words, if we want to maintain political

democracy and national sovereignty, then globalization has to be limited, and capital controls could play a crucial role in this regard.

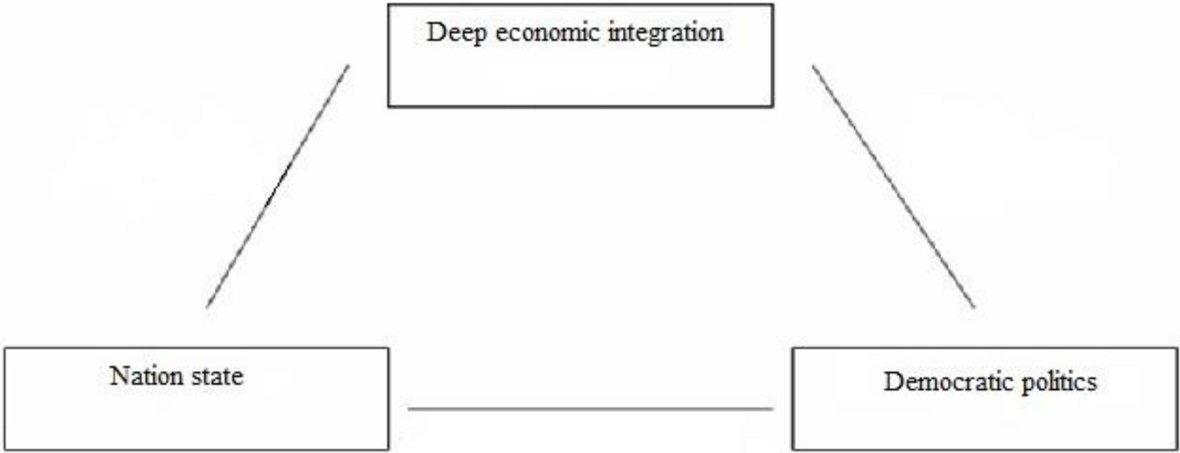

Figure 1.5: The political trilemma (adapted from Rodrik, 2007)

1.3.2 Why study capital controls?

There are several reasons why the issue of capital controls entails an essential research area. First and fundamentally, in Chapter 4 it will be extensively argued that the cross-border movement of capital is strongly interrelated with neoliberalism. Consequently, countries' positions and policies with regard to the capital account can be considered as a "proxy" for their integration into the neoliberal Western heartland more general. If the BICs challenge the norm of the free movement of capital through their domestic policies and position in international forums, then this implies they could form a challenge to the Western-centred neoliberal order in general. However, if they do not challenge the norm of full capital mobility, then they will probably be integrated into this Western-centred order, and they will be able to mount at most a rather limited and inconsequential challenge.

Second, the issue has also become rapidly and increasingly topical after the global economic crisis. Before the crisis, capital controls were seen as strongly outdated, as a strange relic from the interventionist past of the dark Bretton-Woods period (see 3.2). They were considered to be "an idea whose time is past" (Dornbusch, 1998, p. 20). But after the global economic crisis, according to many analysts, the tide has turned. Even traditional pro-liberalization media outlets such as the Financial Times (Plender, 2014a) and The Economist (2009a) now see a role for capital controls. Discussions at the IMF (see Chapter 8) demonstrate the still controversial character of the topic, as well as the different views that exist until today.

Thirdly, capital controls are still an underdeveloped research area in the field of IPE (see Chapter 2). As such, the discipline of economics has been given free reign with regard to capital account policies. It will be argued in Chapter 2 that this economics literature neglects several issues crucial in an IPE perspective. Further, that capital controls are a largely bypassed research area is especially true for countries such as Brazil, India and China. Consequently, this dissertation is therefore probably one of

the first attempts to systematically map and focus on these three countries' capital account policies from a political economy perspective.[vi] This is all the more important because, as will be outlined below, at first sight the BICs deviate quite strongly from the West in this domain.

1.3.3 Why study the BICs?

Why then, study specifically China, Brazil and India? Emerging markets in general have become increasingly important for the regulation and future of international capital flows. On the one hand, they have been integrating into the global economy and have to a certain extent embraced financial globalization. They have increasingly abolished their capital controls. As Chwieroth (2007, pp. 443-444 writes): "One of the most important developments in the world economy during the past three decades has been the willingness of governments in emerging markets to open up their economies to global markets. A significant element of this opening has been the liberalization of capital controls – a process known as capital account liberalization." Foreign banks have also been more and more active in emerging markets (Domanski, 2005, p. 70, 72).

Moreover, emerging markets have become increasingly important for global financial markets and the development of financial globalization (Committee on the Global Financial System, 2009). The share of the US in total foreign ownership in the world economy has decreased from 28% in 1980 to 18% in 2003 (Bichler & Nitzan, 2012, p. 57). Capital inflows into emerging markets amounted to 32% of global capital flows in 2012, compared to only 5% in 2000 (Lund et al., 2013). With regard to foreign direct investment (FDI), the share of developing countries in general and the BRICs in particular has been growing starkly after the crisis (UNCTAD, 2014a). The importance of rising powers and developing countries is expected to grow further in the decades ahead. According to the World Bank (2013a), gross capital inflows to developing countries will probably stand for between 47 and 60 per cent of the global total by 2030, up from 23% in 2010. Another study estimates that by 2050, the BRICs would represent 40% of all external assets (up from 10% today), and 50% of annual gross capital inflows (Speller, Thwaites & Wright, 2011). Developing countries are projected to become more important both as source and destination of cross-border capital flows (World Bank, 2013a).

On the other hand, emerging markets are still less integrated into financial markets than could be expected (Committee on the Global Financial System, 2009). Abdelal (2007, p. 212) states that full capital mobility is still not a global norm; it is only a "developed-country norm". This is of course fundamental, as it could indicate a different position towards the regulation of capital flows than in developed countries. Brazil, India and China (as well as other EMDCs) have not liberalized their capital accounts to the same extent as Western countries, and/or have experience with capital controls in the recent past (Bibow, 2011; Chowla, 2011; Gallagher, 2011b; Huang, Dang & Wang, 2011, p. 33). On the often-used Chinn-Ito index (see Chapter 3), for instance, while all the G7-countries had a coefficient of 2,421764 in 2012 (fully open), China and India's coefficient stood at -0,17503, while Brazil's was slightly more open at -0,11731 (the lower the score, the less open) (see Figure 1.6; Chinn & Ito, 2014). The BICs are thus "different" from the developed world with regard to capital controls.

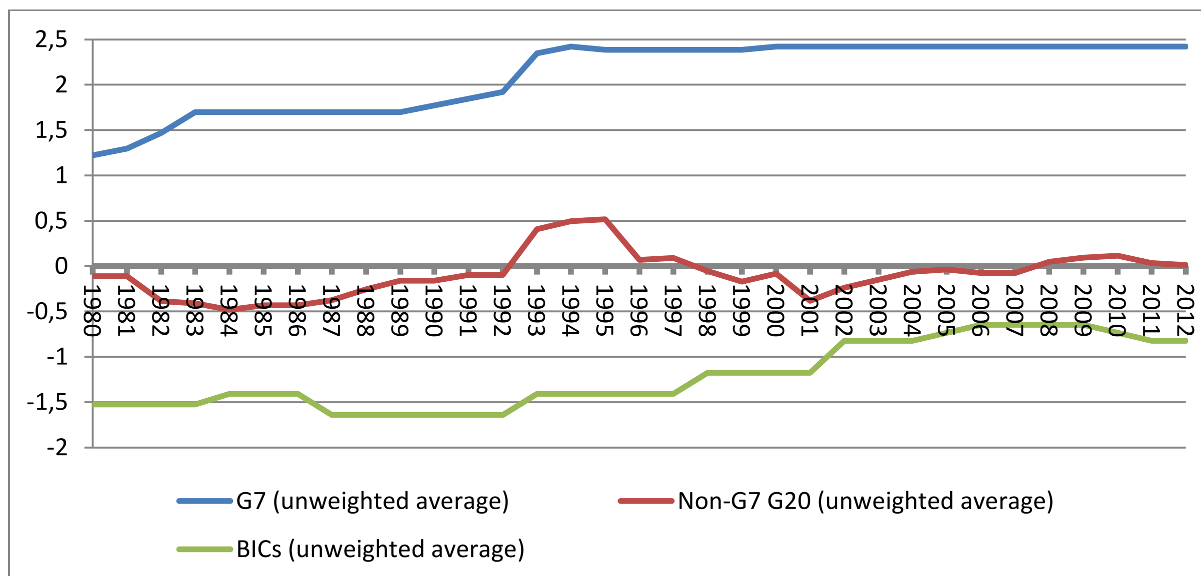

Figure 1.6: Chinn-Ito index (own calculations, data from Chinn & Ito, 2014)

What is more, after the global economic crisis, some EMDCs are rediscovering capital controls (O'Farrell, 2011). As Helleiner (2009, p. 20) notes: "Interestingly, it is in developing countries that the case for capital controls is being heard more loudly in the context of the current crisis. (…) Today, capital controls are seen more as a way to help limit the possible effects of contagion emerging from the turmoil in Western financial markets." The BICs' (successful) experience with capital controls could have a direct or indirect demonstration effect for other developing countries: "The escape of these countries [China and India] from financial turmoil during the international economic crisis only enhanced the attractiveness of such [capital] controls for developing economies that have faced cycles of boom-and-bust capital flows" (Kahler, 2013, p. 715). Additionally, it could make a difference if the BICs were to play a larger role in discussions within international organizations with regard to capital account policies (Epstein, Grabel & Jomo, 2004; Grabel, 2012, p. 66).

Why then, study the BICs instead of the BRICs? Besides time limits, Russia is clearly a distinct case. It is not a country coming from the "Global South" or the "Third World", but a former superpower, which is also a member of the G8 and which has opened negotiations for membership of the OECD. After Russia's economic decline in the 1990s, it can at most be said to be re-emerging instead of emerging (see e.g. Taylor, 2011). And even this can be questioned: because of its economic woes and weaknesses, several authors have proposed "to take the 'R' out of BRICs" (e.g. Aslund, 2009; Fernando, 2009; Loman, 2009; Wharton, 2010).[vii] Several authors have studied the BICs and left out Russia (e.g. Hopewell, 2014; Kahler, 2013; Nölke et al., 2014; Schmalz & Ebenau, 2012). This dissertation follows these authors in this demarcation.

1.4 Research questions

To answer the general research question whether the BICs will mount a challenge to the norm of the free movement of capital, it is necessary to delineate what exactly forms a "challenge". Several

positions are possible in this regard. If they were to resist the norm of free capital flows in the most fundamental way, there are three conditions: (1) they still have broad-based capital controls in place (2) which are supported by a fairly large and influential coalition and (3) which are defended at the international level. If, however, they do not really resist full capital mobility, we can expect: (1) a considerably liberalized capital account with not more than a few capital control measures, (2) a large coalition in favour of an open capital account, and (3) an acceptance that full capital mobility is the international norm to be pursued. Of course, in-between positions are possible as well.

To offer an interpretation of whether we can speak of a challenge, therefore, both the domestic level in each of the BICs and the position of the BICs at the international level must be scrutinized. This dissertation therefore operates in two steps. In the first step, capital account policies will be examined at the domestic level for each of the BICs. Their evolution, the position of important groups in society, and the relation to the national growth models will be analysed. In particular, five research questions will be answered for the three countries at issue:

1) *How have capital account policies evolved over the past decades (in the context of their changing domestic political economy)?*
2) *What is the current situation with regard to the BICs' respective capital account policies (again in the context of the current domestic political economy)?*
3) *Which coalitions are respectively supporting/opposing capital controls, and what are their motivations?*
4) *Is there a broadly accepted short-, medium- or long-term objective with regard to capital account policies?*
5) *How have capital account policies impacted upon domestic power relations?*

With regard to the regulation of capital controls at the international level, one general research question will be answered: *Do China, Brazil and India try to influence the view that full capital mobility is a global norm which countries should strive to reach?* As will be seen in Chapter 8, developed countries have not only advanced the view that the free movement of capital is a desirable goal for both the world economy and individual countries, but also tried to institutionalize the free movement of capital as a legal norm. The BICs could hence dispute the Western vision in two ways: (1) they could contest the content of the regulations, namely the view that full capital mobility is desirable, and/or (2) they could oppose the form of the regulations, namely the view that full capital mobility should be an institutionalized norm.

1.5 Structure of the dissertation

Next to this introductory chapter, this dissertation consists of eight chapters. Chapter 2 gives an overview of the literature on capital account liberalization. It is divided into three parts. The first part gives an historical overview from the late 19th century until after the global economic crisis. A second part discusses the literature in the discipline of economic science. It is argued that various strands of economics put forward a depoliticized account of capital account policies, which is rejected in this dissertation. The third part sketches the various perspectives that IPE has offered on capital controls. The shortcomings of a large share of the IPE literature, especially the quantitative analyses, are described, which leads to the conclusion that an alternative approach is needed.

This alternative approach, a neo-Gramscian theoretical and conceptual perspective, is outlined in Chapter 3. In this critical theory perspective, a historicized approach is adopted which accords primacy to the social relations of production. It is argued that within the capitalist mode of production, the contradiction between capital and labour is essential. However, the neo-Gramscian perspective adopted here historicizes further by, amongst others, discerning different fractions within capital (and labour), and does not neglect the role played by ideas. Further, it will be outlined how the neo-Gramscian perspective that this dissertation adhered to in this dissertation, the theory of the state provides some autonomy for state managers.

In Chapter 4, “neoliberalism”, capital account liberalization is placed in the context of the global transition from the Bretton Woods era to the “neoliberal” era, playing a crucial role in the transnationalization and financialization of capital, disciplining labour, and restoring capitalist class power and profitability. It is argued that the hegemonic neoliberal class project is variegated and the degree and hegemony of neoliberalization varies from country to country, being strongest in the Lockean heartland, the US in particular. This leads to the conclusion that the rising powers could be opposed to this American-centred neoliberal class project. If the issue of the cross-border movement of capital is representative for neoliberalism more general, as argued in this dissertation, then a study on the policies, practices and perspectives of the BICs with regard to capital controls can shed light on these countries’ positions in relation to the neoliberal world order.

This study is executed in the next four chapters. Chapter 5 examines China’s capital account policies after the transition from the state-socialist era under Mao to the state-capitalist era, starting in 1978. Most attention is given to the capital controls that were still in place when the global economic crisis struck in 2007 and the forces sustaining them. Additionally, the post-crisis debate on capital account liberalization and the internationalization of the renminbi (RMB), the Chinese currency, is studied comprehensively. In Chapter 6 Brazil’s capital account policies are analysed. The focus here lies especially on capital account liberalization after the transition to democracy in the 1980s and deepening with the Real Plan of 1994, and on how the Workers’ Party under Lula (2003-2010) and Dilma (2011-2014) have dealt with the contradiction between an open capital account and the aspirations of their bases of support. Chapter 7 looks at the Indian case, and the gradual opening up of the capital account after 1991. The (largely depoliticized) debate, and the forces in society participating in this debate, are examined. In Chapter 8, the regulation of capital controls after the crisis at the global level, in particular at the IMF. The focus lies on the vision of the BICs (and EMDCs more general), and their role in the development of the IMF’s framework.

Finally, in the closing chapter, Chapter 9, the conclusions are outlined in three parts. A first part summarizes the findings of the preceding chapters. The second identifies issues that deserve further research. Finally, the third part of Chapter 9 looks at the issue of “counter-hegemony” and the function that capital controls could fulfil in a more radical left-wing project.

---

[i] The numbers vary from version to version.
[ii] As well as by economic consultant Anatole Kaletsky (2014).
[iii] According to recent figures, China may even already be the world’s largest economy in 2014 (Giles, 2014).
[iv] Note that Google Books Ngram is case-sensitive, which improves the results for term BRICs.

[v] The liberalization of controls on these flows and on FDI in the banking sector, and an increase in these flows could be called "financial internationalization" (see Haggard & Maxfield, 1996, p. 36; Pepinsky, 2013, p. 848) or "financial globalization".

[vi] Some articles have focused on the domestic political economy of individual countries, see e.g. Vermeiren & Dierckx, 2012 on China, and Gallagher, 2014b on Brazil.

[vii] It could, however, be argued, that both Brazil and India (and even China) also have economic weaknesses which render them vulnerable (see the respective chapters).

2. The causes and consequences of capital account liberalization

2.1 Introduction

In this chapter, the academic literature on capital account liberalization and capital controls will be discussed. This chapter – as the literature – consists of three main parts. The first section (3.2) provides a historical overview of capital movements and (the thinking on) capital controls, from the second half of the 19th century, until after the global economic crisis that started in 2007-2008. In the second section (3.3), the way the discipline of economic science has studied capital controls is outlined, and the difference between orthodox and heterodox approaches is highlighted. The apolitical, depoliticized treatment that is visible in both orthodox and heterodox accounts is criticized. A third main section briefly reviews the IPE literature, which has focused on searching for "determinants" of capital account liberalization and/or the (re-)introduction or preservation of capital controls (3.4). This literature will be critically assessed, and it is suggested than an alternative approach is better suited to study capital controls. This alternative approach, a neo-Gramscian perspective, is the subject of Chapter 3.

2.2 A history of capital movements and capital controls[i]

2.2.1 From the "First Age of Globalization"...

While authors have traced the existence of "primitive forms" of capital controls as far back as the sixteenth century (Modenesi & Modenesi, 2008, p. 567), this historical oversight starts in the nineteenth century, with the spread of the capitalist mode of production. It is generally accepted, despite the problems with reliable statistics, that cross-border capital flows started increasing strongly in the second half of the nineteenth century (Bichler & Nitzan, 2012, p. 54). Capital was highly mobile, especially between 1870 and 1914 (Eichengreen, 1991, p. 150; Obstfeld & Taylor, 1998, p. 353; OECD, 2002), and international financial markets flourished (Helleiner, 1994, p. 1; Obstfeld, 1998, p. 11). This period is therefore referred to as the "First Age of Globalization" (Lund et al., 2013; Mishkin, 2009, p. 142; Straw & Glennie, 2012; World Bank, 2013). Restrictions on cross-border flows were considered illegitimate (Abdelal, 2007, p. 2). The adoption of the gold standard played an important role in this period of increasing capital mobility (Kolo & Wälde, 2008, p. 155; Chowla, 2011). This regime based on the gold standard and free movement of capital reflected and was supported by the leading state Great Britain and the prevailing ideas on economic policies (Ruggie, 1982, pp. 390-391).

The First World War represented a major break with this regime of high capital mobility (Chowla, 2011; Kolo & Wälde, 2008, pp. 155-156; Mishkin, 2009, p. 142; World Bank, 2013). Many governments suspended capital account convertibility during the war (Abdelal, 2007, p. 5). In the 1920s, European governments tried to recreate the pre-war system with free cross-border capital

flows (Obstfeld, 1998, p. 11). However, the 1929 crisis and its aftermath dealt a fatal blow to the attempts to restore a regime of high capital mobility and capital account convertibility (Abdelal, 2007, p. 6; Kolo & Wälde, 2008, p. 154; Obstfeld & Taylor, 1998, p. 372). The Great Depression reversed the globalizing trajectory of capitalism (Panitch & Gindin, 2012, p. 54). It did not only lead to the collapse of international financial markets and the end of the gold standard, but also to new thinking on finance (Helleiner, 1994, pp. 27-28). Comprehensive and permanent capital controls were introduced in many countries. The Second World War demonstrated that states could enforce effective exchange controls (Helleiner, 1994, p. 31). By 1945, the stock of cross-border capital flows was at a very low level (Bichler & Nitzan, 2012, p. 54).

2.2.2 ... to the Bretton Woods regime

After the Second World War, the Bretton-Woods regime considered capital controls to be a legitimate and often-used instrument of economic management. This was in line with the economic thinking of that time, especially the writings of the leading British economist John Maynard Keynes. For him, freedom of capital movements was “an essential part of the old laissez-faire system” (Keynes, 1942). In an essay in 1933, he had already written: “above all, let finance primarily be national” (Keynes, 1933).[ii] He was even more explicit when he wrote: “Nothing is more certain than that the movement of capital funds must be regulated” (Keynes cited in Cohen, 2003, p. 67). The experience of destructive capital flows in the 1930s had led to disillusionment with regard to unlimited capital flows (Bloomfield, 1946, p. 687).

In the view of Keynes and his fellow-thinkers, international financial markets had to be subordinated to national economic development and stability (Underhill, 2003, p. 772). Comprehensive capital and exchange controls were a necessary corollary to this. Without limits on disequilibrating capital flows, progressive economic policies and full employment would be impossible, as Keynes argued (Best, 2004, p. 388; Helleiner, 1994, p. 4). This “embedded liberal” framework of thought was accepted in a large swath of academia and bureaucracy (Abdelal, 2007, p. 6; Helleiner, 1994, p. 4; Ikenberry, 1992). It was also supported by many industrialists in the US and elsewhere, as well by trade union leaders (Crotty & Epstein, 1996, p. 123; Helleiner, 1994, p. 4, pp. 43-44). Arthur Bloomfield, economist at the Federal Reserve Bank of New York, summarized the prevailing thoughts on capital controls:

> *“It is now highly respectable doctrine, in academic and banking circles alike, that a substantial measure of direct control over private capital movements, especially of the so-called “hot money” varieties, will be desirable for most countries not only in the years immediately ahead but also in the long run as well.”* (Bloomfield, 1946, p. 687)

The new consensus represented a major turnabout from the orthodoxy of the late nineteenth century, and would a few decades earlier “have been considered radical and anticapitalist” (Abdelal, 2007, p. 43). This positive stance towards capital controls was institutionalized in the IMF Articles of Agreement of 1944. Keynes for the UK and Harry Dexter White for the US led the Bretton-Woods negotiations on a post-war economic order. They agreed on two things: first, substantial control over international capital movements would be necessary, and second, controls would be most effective if countries cooperated with each other in enforcing regulations (Boughton, 2002; Helleiner, 1994, p. 38; Crotty & Epstein, 1996). They therefore recommended cooperative controls.

There was strong opposition to the proposals, mainly from New York bankers who had a strong influence in Washington, and who wanted a return to total freedom for capital movements (de Cecco, 1979, pp. 51-52; Crotty & Epstein, 1996, p. 123; Helleiner, 1994, pp. 39-48; Panitch & Gindin, 2008; Underhill, 2003, p. 772). Eventually, financial communities succeeded in removing all references to potential mandatory cooperation. The burden of enforcing capital controls thus fell on countries facing capital outflows instead of controls "at both ends". The final version of the IMF proposals therefore "contained watered-down formulae relating to capital controls" (de Cecco, 1979, p. 51). However, the Articles of Agreement of the IMF (1945) still sanctioned the use of extensive capital controls. Article VI, section 3 stated: "Members may exercise such controls as are necessary to regulate international capital movements (…)" (IMF, 1945). Moreover, Article VI, section 1 prescribed: "A member may not make net use of the Fund's resources to meet a large or sustained outflow of capital, and the Fund may request a member to exercise controls to prevent such use of the resources of the Fund." To sum up, member states were given the right to use controls, and the IMF could even request governments to use them as a condition for IMF financing (Chwieroth, 2008; Joyce & Noy, 2008).

Some authors believe that Bretton Woods agreement already provided the foundation for a more laissez-faire regime of international capital movements (Konings & Panitch, 2008, pp. 230-232; Panitch & Gindin, 2008; Quinn & Inclán, 1997; Radice, 2009, pp. 98-99). In this respect, the position of the US was of great importance. Despite the New Deal regulations, the financial sector was still a powerful force in American society (Helleiner, 1994). Partly because of its economic and financial strength, capital controls were not on the table in the US (Panitch & Gindin, 2008). Moreover, large segments of the US state thought of capital controls in other countries as a temporary feature of the post-war economic order, that would disappear after a short transition period. So, it could be argued that "US policy all along was to dismantle currency and capital controls once adjustment and catch-up had occurred" (Newstadt, 2008).

However, according to Helleiner (1994, pp. 4-5), there was broad support to capital controls, even among US policymakers. He therefore interprets the Bretton Woods regime as "a dramatic rejection of the liberal financial policies that had been prominent before 1931" (Helleiner, 1994, p. 25). According to him, the "overriding principle" of the IMF Articles of Agreement was restriction (Helleiner, 1994, p. 49). This interpretation is shared by many other authors (e.g. Abdelal, 2007, p. 1; Bloomfield, 1946, p. 687). It is also commensurate with Keynes' declaration in the UK House of Lords:

> *"Not merely as a feature of the transition, but as a permanent arrangement, the plan accords to every member government the explicit right to control all capital movements. What used to be a heresy is now endorsed as orthodox."* (Keynes in Abdelal, 2006, p. 3)

2.2.3 Towards capital account liberalization in the "Second Age of Globalization"

Already in the late 1950s, capital mobility started increasing again (Helleiner, 1994, p. 1; Obstfeld & Taylor, 1998, p. 354). The "Second Age of Globalization" was taking off in the early 1960s (Mishkin, 2009, p. 143; World Bank, 2013), a decade described by Helleiner (1994, p. 99) as a decade of "transition in international finance". Increasingly volatile capital flows were disrupting the Bretton

Woods system of stable exchange rates and therefore preoccupied policymakers in many countries (Abdelal, 2007, pp. 7-8; Best, 2004, p. 397; Helleiner, 1994, p. 101).

The attitudes towards capital controls also slowly changed as the years passed by. This was especially the case in economic science:

> "*In the early 1960s most economists in the profession abandoned the Keynesian claim – which had dominated thinking since World War II – that the volatility of financial markets necessitated and legitimated the permanent use of capital controls. (…) In contrast to Keynesians, neoclassical economists shared the view that unfettered capital mobility would be beneficial and desirable, at least in the long run.*" (Chwieroth, 2007, p. 448)

It could also be observed within the IMF staff (Best, 2004, pp. 399-400). As former Executive Director Jacques Polak (1998) writes: "The Fund's first history, covering the period from 1945 to 1965, noted the resurgence of the view, dominant before the 1930s, that freedom of capital movements was highly desirable in itself." Another indication comes from the European Community's (EC) Treaty of Rome (1957) and the Organization for Economic Cooperation and Development's (OECD) Code of Liberalization of Capital Movements (1961).[iii] Both agreements made it clear that the free movement of capital was becoming a long-term goal for developed countries. According to a OECD report (2002), there was a clear consensus in Western countries that freer capital movements would be beneficial.

However, both the Treaty of Rome and the Code of Liberalization of Capital Movements also gave member states extensive rights to control (especially short-term) capital flows (Abdelal, 2006, p. 3). The IMF Articles had not been reformed, and the formal rules thus did not really restrict the option to control international capital movements during the first decades of this Second Age of Globalization. Moreover, many academics and policymakers were not yet in favour of the full freedom for capital movements. Despite the Treaty of Rome, in the years after its coming into force, West-European governments did not really give much attention to capital account liberalization (Helleiner, 1994, p. 157). The commitment to the rather restrictive Bretton Woods order remained (Helleiner, 1994, p. 82).

Yet by the 1970s, more countries moved towards capital account liberalization. In the words of Abdelal (2006, p. 3): "Even as the legal rules of the system remained non-liberal for decades, a new era of global capital was in the making." A number of developments contributed to this gradual shift (for the deeper causes, see Chapter 4). Among these were the growing international trade and investment , which also led to the growth of international financial markets and seemed to make unilateral capital controls less effective (Helleiner, 1994, p. 103; Obstfeld & Taylor, 1998, p. 392; Radice, 1998, p. 274). The emergence of the Eurocurrency markets in London would prove to be crucial in this regard (Helleiner, 1994, p. 82; Major, 2008, p. 821). As mentioned above, the views in the academic and policy-making community had also changed considerably in favour of open capital accounts, especially among economists. Further, industrialist which used to be sympathetic towards controls became more and more hostile towards infringements on capital freedom (Helleiner, 1994, p. 120, 1995, p. 324). In the US, the intertwinement of these developments with the perception that an open financial order was in the US "national interest" led to a foreign economic policy position in favour of capital account liberalization in other countries (Helleiner, 1995, pp. 323-324). Both the US and UK forcefully embraced the globalization of finance (Abdelal, 2007, p. 8).

The abolition of capital controls was not an foregone conclusion, nor an inevitable outcome of uncontrollable forces. To limit speculative capital flows, governments had two option. The first was to introduce more comprehensive exchange controls (Panitch & Gindin, 2009, p. 16): "If there was to be any serious alternative to giving financial capital its head by the 1970s, this would have required going well beyond the old regulations and capital controls, and introducing qualitatively new policies to undermine the social power of finance." However, in the 1970s and early 1980s, governments chose not to introduce these controls which were perceived to be deleterious to an increasingly interdependent world economy (Helleiner, 1994, p. 104, 1995, p. 335). The second option was the one which had already been suggested by Keynes and White in 1944, cooperative controls. Attempts to introduce cooperative controls in 1973 failed, amongst others because of US opposition (Helleiner, 1994, pp. 107-109, 1995, p. 322). As both options were off the table, governments in advanced countries decided that they had little choice but trying to reap the benefits of international capital flows (Goodman & Pauly, 1993; Andrews, 1994; Helleiner, 1995, pp. 329-334).

By the early 1980s, international capital flows had grown significantly, and the US, the UK, Germany and Japan had largely liberalized their capital controls (Abdelal, 2006, p. 3). Other developed countries followed suit in the 1980s (Helleiner, 1995, pp. 144-146). The opening up of the capital account became a "policy mantra" (Bibow, 2011). Moreover, in the early 1980s, the US state began to put strong pressure on other states to ease restrictions on cross-border flows (Crotty & Epstein, 1996; Helleiner, 1995, p. 329). The consequences were far-reaching: "By the end of the decade, an almost fully liberal financial order had been created in the OECD region, giving market operators a degree of freedom they had not had since the 1920s" (Helleiner, 1994, p. 9). Financial flows, rather than trade, came to dominate international economic relations (Armstrong, Glyn & Harrison, 1991, p. 303). There had been a worldwide – although not universal nor uniform – movement towards freer movement of capital flows (Underhill, 2003, p. 772). While this was partly the consequence of "spontaneous" actions by private actors, states were far from powerless victims; on the contrary, the rise of capital mobility was if not a state-led at least a state-authored process, led by the United States and the United Kingdom (Hay, 2000, p. 525; Helleiner, 1994, p. 8; Underhill, 2003, p. 771).

2.2.4 The institutionalization of the free movement of capital

Yet during the 1970s and first half of the 1980s, while the informal norms had changed, the formal rules still legitimized capital controls, both for developed and developing countries. With regard to developed countries, this changed in the late 1980s when the formal regulations started to catch up with reality and with the prevailing ideas. The EC and OECD frameworks were revised in respectively 1988 and 1989 to fully embrace the consensus in favour of the full free flow of capital (Abdelal, 2006, pp. 1-4, 2007, p. 10; Helleiner, 1994, p. 166).[iv] The Maastricht Treaty that came into force on 1 January 1994 states that "all restrictions on the movement of capital between member states and between member states and third countries shall be prohibited" (see also Kolo & Wälde, 2008, pp. 158-159).

However, the IMF Articles of Agreement still contained the more restrictive ideas of 1944. In 1972, a group of experts appointed by the Committee of Twenty[v] had already concluded that capital controls should not be a permanent feature of the international monetary system, in contrast to what Keynes had defended thirty years earlier (Pauly, 1995, pp. 337-338). They recommended the adoption of a

code of conduct monitored by the IMF to govern the future use of capital controls. In the end, however, the Committee of Twenty could not agree on such a framework, so formally nothing changed. In 1976, the IMF's Articles were amended so that the promotion of capital mobility became one of the essential purposes of the international monetary system (Chwieroth, 2007b; Helleiner, 1994, p. 110). Yet they did not state that the Fund should promote capital mobility, and the formal rules of the Fund's framework on capital mobility remained unchanged.

Nonetheless, the informal social norms within the IMF clearly favoured liberalization. As Chwieroth (2008, pp. 130-131) explains: "In the mid-1980s, recruitment and promotion patterns brought a new cadre of staff members, who were inclined to view liberalization as desirable, to senior positions and consequently shaped the Fund's adoption of the norm of capital freedom." By the early 1990s, the staff's internalization of capital freedom as a norm was more or less complete. This is also confirmed by the Independent Evaluation Office (IEO) of the IMF, which stated in an evaluation report that the IMF "did not hesitate to support capital account liberalization as part of the of the authorities' overall policy package as expressed in program documents" (IEO, 2005). Although the IMF could not use conditionality to force countries to abolish capital controls, the Fund actively encouraged the elimination of controls (Chwieroth, 2007b, 2008; see also Joyce & Noy, 2008).

The global move towards the full free movement of capital reached its zenith in the mid-1990s. Almost every mainstream economist recommended capital account liberalization (Prasad & Rajan, 2008, p. 149). Many countries abolished long-standing capital controls. Financial globalization reached the same levels as in the late 19th century (Obstfeld, 1998, p. 11; Obstfeld & Taylor, 1998, p. 354). As Benjamin Cohen (2003, p. 63) states: "By the 1990s, the tide was clearly moving towards the consecration of free capital mobility as a universal norm." In a way, this was a return to the beliefs and practices that had prevailed in the late nineteenth century (Abdelal, 2007, p. 2; Thompson, 1997, p. 85).

In the mid-1990s, proponents of capital account liberalization pursued the institutionalization of the new policy stance in the IMF's formal rules. According to Abdelal (2007, pp. 3-4), this happened under impulse of European countries and policymakers, as the US approach to globalization was more ad hoc than rule-based, and more unilateral or bilateral than multilateral. A first step toward institutionalization within the IMF emerged in October 1994, when the Interim Committee[vi] issued a statement in the "Madrid Declaration" welcoming the trend toward full capital mobility (IEO, 2005). In April 1997, the IMF's Interim Committee announced its intention to revise the IMF Articles of Agreement. At the Hong Kong meeting in September 1997, the Interim Committee adopted a statement that asked the Executive Board to complete work on the modification of the Articles (Kenen, 1998). Two revisions were proposed (Interim Committee, 1997; Wade & Veneroso, 1998; Abdelal, 2007, p. 11). The first proposed revision would change Article I to include the promotion of the orderly liberalization of capital accounts as one of the main purposes of the Fund. A second proposal would give the Fund jurisdiction over the capital account of its members. In practice, the changes would have given the Fund much greater power over member states.

2.2.5 The Asian crisis throws sand in the wheels of international finance

The institutionalization almost succeeded, but the Asian crisis threw sand in the wheels of international finance (Abdelal, 2007, p. 12; Chwieroth, 2008; Gallagher, 2010).[vii] By 1999, the proposed revisions to the Articles of Agreement were off the agenda, due to resistance from developing countries and more progressive policymakers in Western countries (Abdelal, 2006, pp. 18-19; Sarai, 2008). They feared that the Fund would be able to aggressively force through liberalization, which seemed unwise in the light of the Asian crisis.

While the institutionalization of the free movement of capital as a global *formal* norm failed, it could be argued that the free flow of capital has remained an *informal* norm even after the Asian crisis. Surely, the events of 1997-1998 definitely made an impact. As Leo Panitch (2000, p. 20) wrote on the aftermath of the Asian crisis: "The case for capital controls, a few years ago voiced only by few 'other-worldly' Marxists, received some surprising endorsements." Some authors thought capital controls were making a "comeback" after the Asian crisis (Soederberg, 2002, p. 490). Others noted that economists and public and private observers began questioning the merits of capital account liberalization (Abdelal, 2007, p. 197; Higgott & Phillips, 2000, p. 371; Tobin, 1999, p. 167). According to Abdelal (2007, p. 213), the orthodoxy of the unrestrained movement of capital was very much in decline.

However, capital controls did not return to their former status of mainstream policy tools. In a critical essay Jagdish Bhagwati stated:

> "*In the aftermath of the Asian financial crisis, the mainstream view that dominates policy circles, indeed the prevalent myth, is that despite the striking evidence of the inherently crisis-prone nature of freer capital movements, a world of full capital mobility continues to be inevitable and immensely desirable.*" (Bhagwati, 1998, p. 7)

Capital mobility was still considered as an indicator of "developed country status" (Abdelal, 2006, p. 4). That was one of the reasons why EMDCs were very reluctant to reinstate controls on cross-border capital flows. In the early 2000s they became even more integrated into the world of global finance (Chandrasekhar, 2008b; World Bank, 2013). Capital controls thus remained "the neglected option" (Cohen, 2003, p. 60). This was partly due to pressure from developed countries, who continued to back the free movement of capital. The US in particular were strongly opposed to a reversal of capital account liberalization and kept pushing countries to abolish their capital controls (Anderson, 2009; Cohen, 2003, pp. 68-69).

The IMF still also considered the full free flow of capital as a final objective for the global economy, despite the fact that several IMF studies recognized that the empirical evidence of the beneficial effects of capital account liberalization is very meagre (see Chapter 8). To be sure, a more cautious approach on capital account liberalization became trendy, with orderly liberalization, sequencing and gradualism as new key words (IEO, 2005). There was more openness to the use of limited, temporary capital controls under certain conditions. Nevertheless, in general there was still a broad disapproval of capital controls within the Fund.

In line with Radice's forecast, there was no reversal of financial globalization (Radice, 1998, p. 277). To the contrary, the cross-border capital stock increased further. While the stock of cross-border

assets has risen five-fold between 1980 and 2007 (HSBC Global Research, 2010), international capital flows increased from US$4.9 trillion in 2000 to US$11.7 trillion in 2007, much of which was short-term cross-border lending (Group of Thirty, 2013; see also Lund et al., 2013; Turner, 2008, p. 1). This represents an increase of annual gross capital flows from 5% of global GDP in 2002 to 17% in 2007 (Speller, Thwaites & Wright, 2011). The average *daily* turnover in foreign exchange markets has increased from $1.5 trillion in 1998 to $3.2 trillion in 2007, almost a third of *annual* merchandise trade (Chandrasekhar, 2008b). A boom in capital flows developing countries started in the early 2000s, mostly triggered by the expansion in liquidity in the developed world (Akyüz, 2012, p. 69). Net financial flows to developing countries rose from $173.5bn in 2002 to $785.5bn in 2006 (Chandrasekhar, 2008b). Just before the global economic crisis broke out, the stock of cross-border capital was at an all-time high (Bichler & Nitzan, 2012, p. 54). In many countries the size of gross capital flows reached peak levels in 2007 (Chowla, 2011).

Although the institutionalization of the free flow of capital as a global norm had thus failed after the Asian crisis, on the eve of start of the global economic crisis in 2007, the informal social norms still considered financial globalization a good thing and capital controls a bad thing (Batista, 2012, p. 93; Klein, 2012; Krugman, 2013; Tett, 2011). The trend towards liberalization of the capital account was not reversed; to the contrary, it continued with more countries moving towards the free movement of capital (Turner, 2008, p. 7).

2.2.6 After the global economic crisis: a "Third Age of Globalization" or "Back to Bretton Woods"?

Due to the global economic crisis, there has been a major reversal of financial globalization. Cross-border capital flows rapidly collapsed in the second half of 2008 (Akyüz, 2012, p. 71), and in 2013 they still were 60% below the pre-crisis level (see Figure 2.1; Lund et al., 2013). The reversal was larger than during the crises in Asia and Latin America in the 1990s (Chowla, 2011). Even FDI, which are supposed to be more stable, still were far below their 2007 peak in 2013, although they grew back to the 2005-2007 average in 2013 (UNCTAD, 2014a).

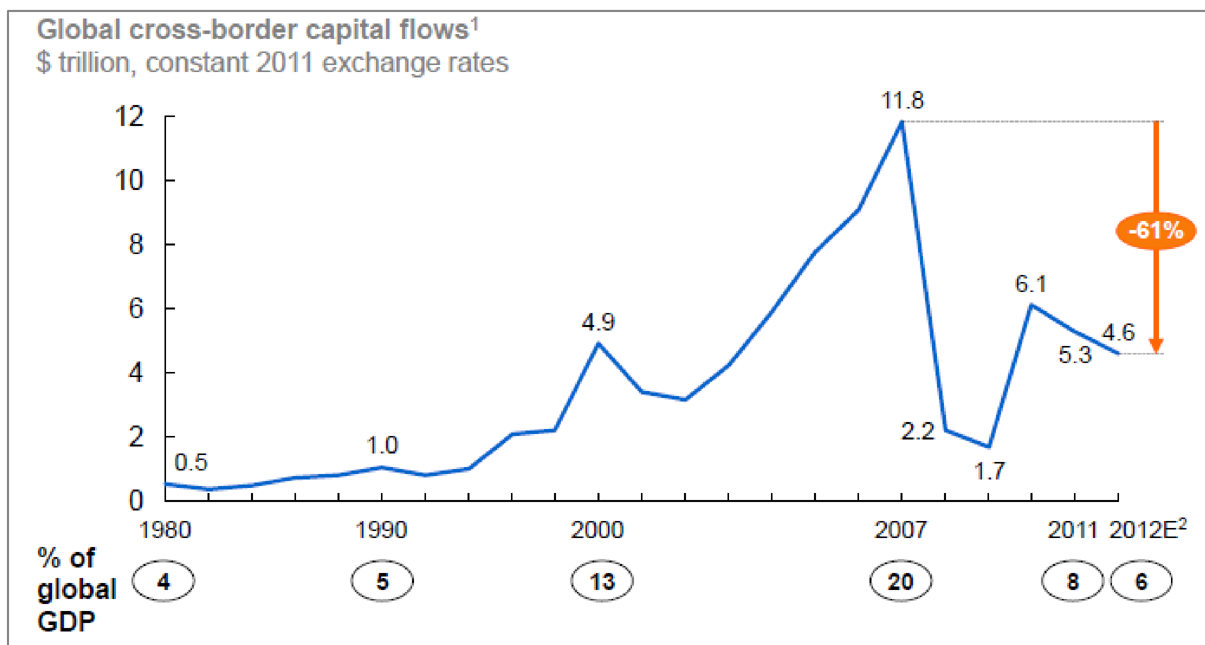

Figure 2.1: Global cross-border capital flows (from Lund et al., 2013)

The question then is: what will happen next? There are two scenarios. In the first, capital flows pick up and rise to similar levels as before the crisis, or even to new heights. The World Bank's projections, for instance, expects that by 2030 gross inflows to developing countries will reach between 6 and 11% of their GDP (while the peak in 2007 was at 9% of their GDP) (World Bank, 2013a). In this scenario, we are in a transition towards a "Third Age of Globalization" (Straw & Glennie, 2012; World Bank, 2013a). An even more tightly interconnected global economy with free trade and free capital flows is not improbable (Öniş & Güven, 2011, p. 482).

In the other scenario, financial globalization's time is past, and the pre-crisis peak levels will not be reached again in the near or medium-term. For instance, HSBC (HSBC Global Research, 2010) writes in a report that the trend of increasing capital mobility "is in danger of going into reverse. Among the obvious threats is the re-emergence of capital controls." The authors of the report fear that "we may be on the verge of seeing a major proliferation" of capital controls.

First, the crisis and its aftermath again demonstrated that capital flows are volatile (see Figure 2.2) and to a high degree determined by the conditions in financial market centres – in the first place the US (Bibow, 2011; Committee on the Global Financial System, 2009; Woods & Gertz, 2014). Developing countries have experienced volatility of capital flows and its consequences before, as they have been disposed to a stop-go pattern with three medium term cycles since the mid-1970s (Ocampo, 2012, p. 14; UNCTAD, 2013b). After the crisis, many EMDCs have responded to this volatility with capital controls, especially to deal with the surge in inflows that started in the second half of 2009, caused by quantitative easing and very low interest rates in the US (Akyüz, 2012, p. 64; Chowla, 2011; Chwieroth & Sinclair, 2013, pp. 474-475; Prates, 2011, pp. 907-908). These countries experienced a rapid appreciation of their exchange rate, and were acknowledging the prospect of financial instability when these large capital inflows would dry up. However, volatility was not confined to EMDCs. Iceland was one of the main developed countries undergoing large capital

outflows after the crisis (after a capital inflow boom before the crisis), and had to impose stringent capital controls. In 2009, the euro area also saw episodes of capital flight and disruptions in capital flows (Bagchee, 2012; Committee on International Economic Policy and Reform, 2012; Lapavitsas et al., 2010; Merler & Pisani-Ferry, 2012; Shin, 2011). If volatility increases further in the future, it is not unlikely that more countries will resort to capital controls (Speller, Thwaites & Wright, 2011).

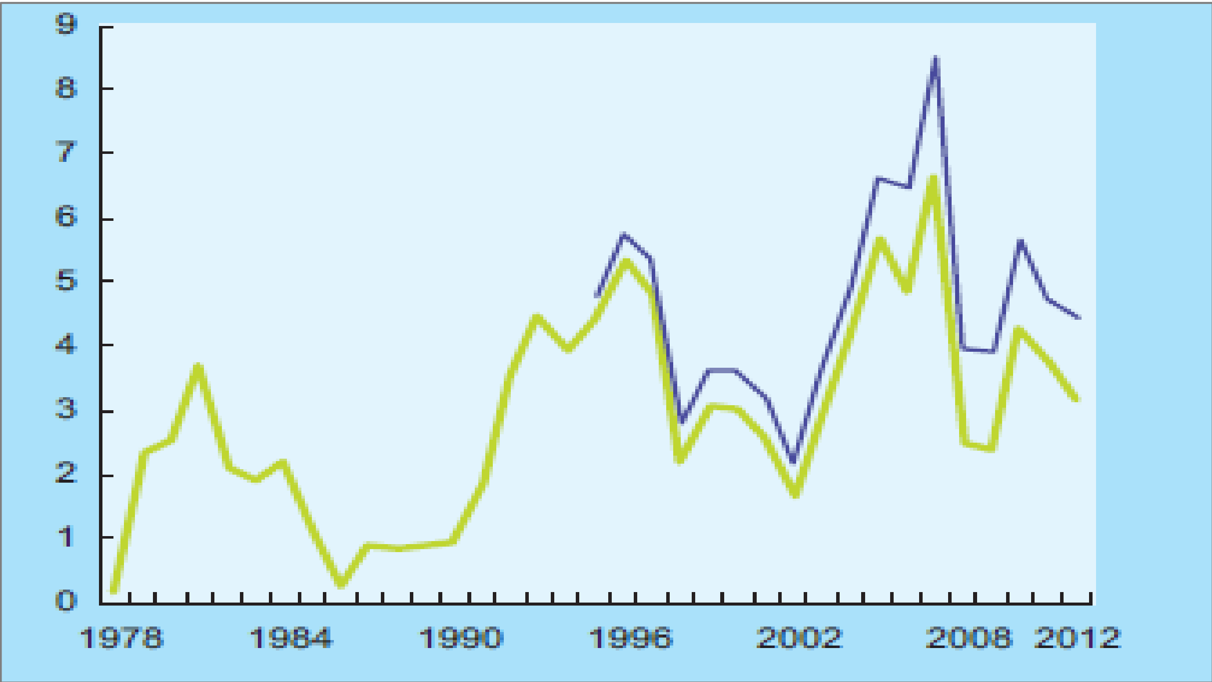

Figure 2.2: Net private capital flows to emerging markets (% of GDP) (from UNCTAD, 2013b)

Second, the thinking on capital controls seems to have turned again. The global economic crisis and its consequences revitalized the academic and political debate on capital account policies (Chowla, 2011; Chwieroth & Sinclair, 2013, p. 457; Gabor, 2012, p. 714; Gallagher, 2011b; Gallagher, Griffith-Jones & Ocampo, 2011; O'Farrell, 2011). As Fritz & Prates (2013) put it: "The debate about capital controls, long discarded as anachronistic, has returned to the political and scholarly agenda with a vengeance." In 2011, Financial Times commentator Gillian Tett (2011) wrote: "Is the world stealthily sliding towards capital controls? That is the question which is starting to hover, half-stated, on the edge of policy debates, as financial anxiety spreads across Europe." Due to the many financial crises of the last decades, many people have started questioning the benefits of financial globalization (O'Farrell, 2011; Sheng, 2012, p. 463). Abdelal (2007, p. 214) states that there is now more caution toward full capital mobility within the international financial community. This is part of a broader movement away from laissez-faire (Batista, 2012, p. 101). Capital controls received support from prominent intellectuals, such as Paul Krugman, who wrote: "But the truth, hard as it may be for ideologues to accept, is that unrestricted movement of capital is looking more and more like a failed experiment" (Krugman, 2013).

According to some authors, this debate has even already resulted in a renewed legitimacy for the use of capital controls. As a policy brief of the United Nations Conference on Trade and Development (UNCTAD) states: "Since the global financial crisis, a consensus has emerged around the need to

regulate capital flows in order to reduce the chances of future crises and to mitigate their damage if they do occur" (UNCTAD, 2013b; also Spiegel, Montes & Vos, 2010; Spiegel, 2012, p. 71). In this view, capital controls "have found far greater acceptance in the international community than at any time since the breakdown of the Bretton Woods system" (Reinhart, Kirkegaard & Sbrancia, 2011, p. 26), so that they are now the "new normal" (Grabel, 2012, p. 60), having acquired "a new aura of respectability" (HSBC Global Research, 2010). Krugman (2013) has written that the introduction of capital controls in Cyprus in 2013 may mark the beginning of the end of the era when the free movement of capital was seen as desirable around the world. Or, to summarize this position: "Capital controls were supposed to be a policy of the past. (…) They are back in fashion" (Pisani-Ferry, 2011).

However, it is also often posed that there will be a lot of hostility of forces who have a vested interest in open capital accounts. Several forces opposed the spread of capital controls after the crisis. The International Institute of Finance (IIF), a global association of banks and financial institutions, said in report that capital controls are not a good solution (Beattie, 2011). A letter by (both industrial and financial) business organizations asked the US government to maintain restrictions on the use of capital controls in US trade and investment treaties (USCIB, 2011). Moreover, Timothy Geithner, then US Finance Minister, turned down the call by economists to leave restrictions on the use of capital controls out of these US treaties (Geithner, 2011b). It is reasonable to expect that the same forces that were in favour of liberalization in the 1980s and 1990s, such as the financial sector, wealthy individuals, globally active companies and US policymakers are still opposed to capital account closure (Cohen, 2003, p. 71). Some authors have in any case argued that there is still a stigma on the use of capital controls, and that countries are afraid to employ controls because they are disliked by "financial markets" (Sheng, 2012, p. 464; Spiegel, Montes & Vos, 2010; Turner, 2008, p. 7). Another obstacle is that the effectiveness of unilateral capital controls is often questioned (see below), especially when implemented by countries with less administrative/bureaucratic capacity. Therefore, it is regularly stated that multilateral arrangements, cooperative controls and supervision "at both ends" would be necessary for an effective capital controls regime (Abdelal & Alfaro, 2003, p. 52; Chowla, 2011; Cohen, 1996, p. 289; UNCTAD, 2013b).

2.3 Capital controls in economic science

2.3.1 Neoclassical versus heterodox economics

Within the discipline of economic science, there are mainly two opposing strands of literature on the capital controls debate (see Chwieroth, 2010a, pp. 61-104 for an excellent summary of the debate; also Committee on the Global Financial System, 2009; Eichengreen, 2001, p. 341; Modenesi & Modenesi, 2008, pp. 561-569; de Paula, 2011, pp. 10-19). On the one hand there is the orthodox view that favours financial globalization and capital account liberalization, while on the other hand, there are Keynesian-inspired and heterodox economists that are more sceptical on the benefits of capital account liberalization. In this sections the two perspectives are outlined. It will become clear that both treat the issue of capital controls largely as a technical discussion, devoid of political considerations. They are thus profoundly anti-political in their orientation.

In mainstream neoclassical economic science, capital controls are usually strongly rejected. Several arguments are made. First, it is argued that capital account liberalization is typically beneficial both

to individual countries in particular and to the global economy in general (see e.g. Eichengreen et al., 1999; Fischer, 1998a, pp. 2-3; IMF, 2012e; Kose & Prasad, 2004; Massad, 1998, p. 35; Mishkin, 2009; Obstfeld, 1998). The argument is basically as follows (Speller, Thwaites & Wright 2011):

> *"Capital flows that reflect economic fundamentals alone are consistent with an efficient allocation of capital across countries and over time – put alternatively, these flows allow countries to diversify optimally their portfolio of domestic and foreign assets. By directing global savings to their most productive use and facilitating international risk-sharing (across countries, states of the world and over time), these types of capital flows can raise global welfare. Provided that these flows do not interact with frictions (for example, in financial markets) they need not require a policy response."*

The case for capital account liberalization is similar as the case for domestic financial liberalization from this point of view (Eichengreen, 2001, p. 341); the market is an efficient mechanism for resource allocation, which "channels world savings to its most productive uses" and produces a "first-best" equilibrium (Obstfeld, 1998, p. 10). It is expected that capital will flow to countries where it is most efficiently used, i.e. where the returns are highest (Cooper, 1998, p. 12; Obstfeld & Taylor, 1998, p. 356). In general this will be from developed countries to developing countries with little capital, which may thereby experience higher investment and economic growth (Obstfeld, 1998, p. 10; also Fischer, 1998a, pp. 2-3; Kose et al., 2009; Mishkin, 2009, p. 155; Prasad et al., 2003; World Bank, 2013; Williamson, 1999). Another advantage of financial integration would be a reduced consumption volatility relative to income volatility, as capital flows allow countries (and firms and households in these countries) to smooth consumption over time (Eichengreen et al., 1999; Kose et al., 2009; Prasad et al., 2003; Speller, Thwaites & Wright, 2011).

These assertions are firmly grounded within neoclassical theory with perfect markets, perfect information and perfect competition, built on the Efficient Market Hypothesis (EMH) (see Eatwell, 1996; de Paula, 2011, p. 10; Stiglitz, 2004). They are thus, as Epstein (2009) writes, based on a "basic faith in the efficiency of the market and the inefficiency and/or inefficacy of government regulation".[viii] The policy implication is that countries, regardless of development level and country-specific characteristics, should liberalize much further (and faster), move forward towards the full free movement of capital, and get more integrated with global financial markets (Mishkin, 2009, p. 140). In this mainstream view: "The argument in favour of cross border capital flows is, thus, very powerful" (HSBC Global Research, 2010).

While the neoclassical paradigm is certainly dominant in economic science, there is a tradition that is highly sceptical of its assumptions and models (Chwieroth, 2010a, p. 45). This tradition, which is here labelled "heterodox" to distinguish it from orthodox neoclassical macroeconomics, is often inspired by Keynesianism of some sort (de Paula, 2011, p. 16). The main assumption which separates them from orthodox economists is that markets can be and indeed often are imperfect and thus inefficient. They therefore support capital controls as a tool to maintain financial stability. There are two lines of reasoning within this heterodox tradition (see Carvalho, 2002-2003, pp. 39-40).

The first states that there are sometimes domestic distortions that prevent countries from reaching the "first-best" outcome (see Chwieroth, 2010a, p. 44; Committee on International Economic Policy and Reform, 2012; Rodrik & Subramanian, 2009, p. 114). As one of its main proponents argues: "In the theory of the second best, the elimination of one imperfection ('liberalizing capital markets') may

not lead to a welfare improvement, in the presence of other market imperfections" (Stiglitz, 2004, p. 61). Therefore, these countries could install capital controls as a "second-best" solution (Committee on International Economic Policy and Reform, 2012; Eichengreen, Tobin & Wyplosz, 1995, p. 171; Sheng, 2012, p. 464). Recently, according to Gallagher (2012c), a "new welfare economics of capital controls" has arisen, which is related to the literature on market imperfections and sees capital controls as a necessary tool to correct market failures (see Sheng, 2012, p. 472).

While authors that follow this line of argument often make very different theoretical and normative assumptions than orthodox economists, it could still be argued that the outcomes are not that far apart. In particular, the logical implication in this reasoning is that it is still better to remove the domestic distortions so that a first-best outcome can be reached (see Chwieroth, 2010a, p. 44, p. 76). As the more orthodox Maurice Obstfeld (1998, p. 10; see also Massad, 1998, p. 34) notes, despite the problems associated with capital account liberalization, "there is no reason to depart from conventional economic wisdom. The best way to maximize net benefits is to encourage economic integration while attacking concomitant distortions and other unwanted side effects at, or close to, their sources." Put another way, when all domestic distortions are eliminated, which should be a policy objective, capital controls become dead wood. As second-best solutions, they are not needed in a first-best world of perfect markets. Chwieroth (2010a, p. 76) therefore calls these arguments "decidedly non-Keynesian".

The second line of argument states that international capital markets are intrinsically subject to herding behaviour and instability (Bibow, 2011; Chwieroth, 2010a, p. 45; Cohen, 2003, p. 65; de Paula, 2011, p. 18). In this view, booms and busts due to speculation and excessive optimism and pessimism are a normal part of the working of financial markets. Capital flows are thus inherently pro-cyclical (Gallagher, 2011a, p. 389; Ocampo, 2012, p. 13; UNCTAD, 2013b). As Rodrik (1998, p. 57, original emphasis) states: "Market failures arising from asymmetric information, incompleteness of contingent markets, and bounded rationality (not to mention *irrationality*) are endemic to financial markets". This results in volatility, herding behaviour, asset price bubbles, crisis and contagion (Rodrik, 1998, pp. 57-58; UNCTAD, 2013b). The understandings of this second strand within heterodox approaches imply that capital controls are more than a second-best policy tool, and that they could be legitimate as a permanent feature of the international monetary system.

To sum up, while this may be a simplified account of the complex debate, there is a division between orthodox economists who strongly believe in efficient markets, and more heterodox economists who argue that many markets are in reality imperfect and thus inefficient markets (Chwieroth, 2010a, p. 43). As Carvalho (2002-2003, p. 37) summarizes this debate:

> *"As in the financial regulation debate, on the one hand, supporters of the efficient market hypothesis (EMH) argue that interventions in capital markets are at best innocuous, and more probably, welfare reducing. Opposing this view, a wide-ranging band of economists, from nonorthodox critics of neoclassical theory to more empirically minded researchers, argue that there are too many important sources of imperfections in capital markets and, in particular, in international capital markets, to warrant some kind of regulation and public intervention."*

However, there are other reasons why heterodox economists do not support unconditional capital account liberalization. For these economists this includes especially the purposes of monetary independence and of macroeconomic management (see 1.3.1). The policy implication of these

heterodox arguments is that countries should be extremely cautious in liberalizing capital flows, especially short-term flows. As UNCTAD (2013b) states: “Countries need to be selective in terms of the quantity, composition and their use of foreign capital.” Capital controls should be mainstream, normal and permanent policy instruments, especially for developing countries and emerging markets (Akyüz, 2012, p. 92; Bibow, 2011; Mohan, 2012, p. 24; Wade, 2008, pp. 46-47). The management of capital flows can help in ensuring financial stability and avoiding volatility, averting exchange rate appreciation and providing independent monetary policy (Epstein, Grabel & Jomo, 2004; Gallagher, 2011a, pp. 389-390; Ocampo, 2012, p. 15). Controls on both inflows and outflows are legitimate (Akyüz, 2012, p. 92; Gallagher, Griffith-Jones & Ocampo, 2011; Ocampo, 2012, p. 15), although most authors seem to prefer (preventive) controls on inflows rather than (curative) controls on outflows (e.g. Bibow, 2011). Direct, quantitative controls or a combination of direct and indirect controls and macro-prudential regulations might be better than just market-based controls (Bibow, 2011; Spiegel, Montes & Vos, 2010; Vernengo & Rochon, 2000, p. 77).

2.3.2 Faced with the evidence

If we make abstraction of the difficulties with measuring the effects of capital account liberalization (see 2.4.2 below), what does the “evidence” then tell us? The studies that have been executed are bad news for the proponents of liberalization: there does not seem to be clear evidence of a correlation (let alone causation) between opening up the capital account and economic growth (Committee on the Global Financial System, 2009; Eichengreen, 2001, p. 342; OECD, 2002; Prasad & Rajan, 2008, p. 149; Rodrik, 1998, p. 61; Went, 2002-2003, p. 485). IMF studies have confirmed this finding (see Chapter 8). This is despite the fact that most studies have been executed by proponents of the free flow of capital, who start from the assumption that liberalization brings with it large benefits (Carvalho, 2002-2003, p. 41).

The pro-liberalization consensus was not created by empirical evidence, then: “The policy consensus of the 1980s and early 1990s did not emerge from the accumulation of evidence that capital liberalization promotes economic growth, or that the benefits of liberalization systematically outweighs its risks. Such evidence did not exist then, nor does it exist now” (Abdelal, 2007, p. 33). It seems that the dominant view pro liberalization is based “more on ideological prejudice than on solid theoretical or empirical arguments” (de Paula, Oreiro & Silva, 2003, p. 74). It is any case not underpinned by clear evidence, which is problematic for the supporters of the free movement of capital: “Given the breadth of support commanded by this synthesis, the lack of empirical substantiation of its fundamental tenets is worrisome indeed. If the evidence is really not there, then it is high time to rethink the conventional wisdom”(Eichengreen, 2001, p. 360).

Recently, as the empirical evidence has demonstrated that these expected positive effects are not materializing, a number of other arguments have been put forward by proponents of controls. First, faced with the evidence, neoclassical economists have claimed that financial globalization brings other positive effects (see Mishkin, 2009; Prasad & Rajan, 2008; Rogoff, 2002). As Prasad and Rajan (2008, p. 150) observe: “The debate is refocusing on a different set of benefits, primarily the indirect or ‘collateral’ benefits that accrue to a country’s governance and institutions when it opens up to cross-border capital flows.” Some of these indirect benefits would be that financial globalization encourages financial development and promotes better institutions (in the realm of good

governance, the rule of law) and better macroeconomic policies (see Kose et al., 2009; Mishkin, 2009, pp. 154-1555; Prasad & Rajan, 2008, p. 153). Critics claim that this argument is not convincing, and that if it were true, it would also lead to higher growth (Rodrik & Subramanian, 2009, pp. 121-122; see also Bibow, 2011; Eichengreen, 2001, p. 353). This, as mentioned above, does not seem to be true.

Another argument is that countries first need to reach certain "thresholds" before capital account liberalization leads to the supposed benefits (IMF, 2012e; Kose et al., 2009; Prasad et al., 2003; Prasad & Rajan, 2008, p. 154). These thresholds have to do with the development of domestic financial markets and the quality of governance and macroeconomic policies.[ix] A related assertion is that the benefits only accrue when financial globalization is "done right", along with a number of other policies (Mishkin, 2009, pp. 157-158).[x] Finally, it is also argued that capital account liberalization "disciplines" governments and forces them to implement "sound" policies (Obstfeld, 1998, p. 10; Obstfeld & Taylor, 1998, p. 357; Prasad & Rajan, 2008, p. 153; World Bank, 2013).[xi] Conversely, controls could be used to delay necessary but painful policy adjustment or to substitute for structural reforms (Committee on International Economic Policy and Reform, 2012; OECD, 2002). These arguments have been reviewed by Rodrik and Subramanian (2009, p. 136), who come to the following conclusion: "If you want to make an evidence-based case for financial globalization today, you are forced to resort to fairly indirect, speculative, and, in our view, ultimately unpersuasive, arguments."

Second, even if financial globalization were to be undesirable to a certain extent, as the financial stability risks are substantial (see e.g. Speller, Thwaites & Wright, 2011), it is still inevitable, orthodox economists argue, because capital controls are ineffective (Calvo, 2010; Carvalho & Garcia, 2005, p. 49; Cooper, 1998, p. 12; OECD, 2002) or tend to lose effectiveness over time (Prasad & Rajan, 2008, p. 150; Turner, 2008, p. 7). According to Obstfeld (1998, p. 28): "Despite periodic crisis, global financial integration holds significant benefits and probably is, in any case, impossible to stop (…)." Prasad and Rajan (2008, p. 150, p. 166; also Prasad, 2009) state that policy makers may increasingly lose the option to decide on their economy's openness to capital flows, as these capital flows have surged and as international investors have become increasingly sophisticated. The task for policymakers then, is to mitigate financial stability risks while preserving financial globalization (Speller, Thwaites & Wright, 2011).

More heterodox economists and other supporters of capital controls have refuted this argument by arguing that controls at least have the potential to be effective, if properly designed. In this view, "there is no reason to believe that serious work could not produce a technically effective set of controls" (Glyn, 1986, p. 48; also Crotty & Epstein, 1996, p. 136). This is demonstrated with specific cases of (reasonably) successful controls (e.g. Abdelal & Alfaro, 2003, p. 41; Coelho & Gallager, 2013, pp. 396-397; Gallagher, 2011b; Helleiner, 1997; Magud, Reinhart & Rogoff, 2011; Palma, 2000). These economists, however, do often agree that the effectiveness requires more sophisticated and strict controls than in the past, and that international coordination would help increase effectiveness (Chowla, 2011; Coelho & Gallagher, 2013, p. 386; Gallagher, 2011b; Gallagher, Griffith-Jones & Ocampo, 2011; Subramanian, 2009). It is also noted that permanent controls, regulatory regimes, or monitoring may be more effective than temporary controls (Ocampo, 2012, p. 16; Spiegel, 2012, p. 81). Recent research has claimed that there is a difference in effectiveness between countries with "walls", or long-standing controls on a wide range of capital flows, and "gates", or temporary

controls on a usually more limited range of capital flows (Klein, 2012). As the study concludes: "There is more evidence of significant effects of durable controls than there is of episodic controls." The fact that controls are often implemented in a half-hearted and cautious way is arguably one of the reasons why their effectiveness is often questioned (Akyüz, 2012, p. 91).

Finally, there is some agreement between different strands that certain capital flows are to be preferred over others. In general, FDI are better than portfolio flows, which are more beneficial than debt flows (Ocampo, 2012, p. 15). Therefore, countries should first liberalize FDI, then portfolio flows, and only in the last instance debt flows. While more critical authors warn that FDI are not always entirely beneficial[xii], most analysts consider them to be less volatile and better for the future economic prospects of a country (e.g. Bhagwati, 1998, p. 10; Sheng, 2012, p. 465). While some argue that (complete) liberalization should be limited to FDI (Akyüz, 2012, pp. 89-90; Bibow, 2011), many observers are also in favour of the liberalization of portfolio flows, even though they are more volatile than FDI (Broner et al., 2013; Committee on International Economic Policy and Reform, 2012; Group of Thirty, 2013). Credit flows and flows transmitted through the banking system (especially foreign banks), then, are seen as the most volatile and least conducive to growth and investment (Akyüz, 2012, p. 89; Broner et al., 2013; Bruno & Shin, 2013; Committee on International Economic Policy and Reform, 2012; Reinhardt & Dell'Erba, 2013). Regulation of these flows is therefore more broadly accepted.

2.3.3 Capital controls as a technical fix?

While heterodox economists often provide an excellent refutation of more orthodox approaches (e.g. Rodrik & Subramanian, 2009), international capital mobility and capital controls are still treated as economic phenomena only. Both in orthodox and most heterodox accounts, if control controls are accepted, they are considered a technical, and not a political, choice. As Crotty and Epstein (1996, p. 120) note: "Discussions among economists about the pros and cons of capital controls usually take place in a fairly narrow context. Would this or that control help country X maintain a moderately lower interest rate or a somewhat lower rate of unemployment?"

This is illustrative of economics in general, which is often represented as a value-free science. By "depoliticizing" economic policies and disregarding issues such as power and interests, economics becomes a matter of making the right technical choices. As has been noted on orthodox policies, they are mostly presented "with a non-political, neutral and purely technical justification in economic theory" (Fine & Harris, 1987, p. 368). Even if Keynesians criticize orthodox economics, they still see it as a matter of good versus bad economic policies, not a matter of politics and power (Hossein-zadeh, 2010). Consequently, it could be argued that economic policies should be removed from democratic control and decision-making.[xiii] Ultimately, a large segment of economic science can thus be considered as un- or even antidemocratic. However, economic theory can never be neutral or apolitical (Lebowitz, 2004, p. 14). The self-presentation of many economists as "neutral" or "technocratic" mystifies that they are in fact making fundamentally political statements:

> *"Economists tend to present their understandings and associated standards of behavior as based solely on technical knowledge, evidence, and internal truth tests. Yet the information that economists provide is not simply technical knowledge based on evidence and internal*

> *truth tests. (…) Even the most ostensibly positive models of economic behavior are saturated with normative and ethical implications. (…) The economics profession, like all professions, thus has a normative value-laden aspect as well as a technical element."* (Chwieroth, 2010a, pp. 41-42)[xiv]

The same can be seen in discussions of capital controls. It has been explicitly argued that the use of controls should be depoliticized: "The discussion should be stripped of the prevalent ideological bias: CC are not inherent to the political leanings of the governments that adopt them but are an expedient used under a pragmatic justification" (Modenesi & Modenesi, 2008, p. 561). As they are considered not as a political choice but as a technical one, they should be designed at the right moment in the right place and target the right problems that arise because of market failure, information asymmetries and herding behaviour. While for more heterodox economists capital controls may be used more and more extensively, they are still a matter of technical choice, isolated from power relations (see Soederberg, 2002, p. 491). Typically, capital controls are the subject of a cost-benefit analysis (e.g. Blanchard, 2011; Modenesi & Modenesi, 2008, p. 562; Prasad & Rajan, 2008, p. 150; Williamson, 1999; Maziad et al., 2011). They are a part of economic *management* rather than economic *policy*.[xv]

However, a depoliticized treatment of capital controls neglects the power relations between social forces, which are affected by a certain capital control regime (see Chapter 4). What is represented as "good economic policy" can instead of mere economic logic actually be a (unconscious) commitment to a class-based project that benefits certain social forces (Soederberg, 2004, p. 43).[xvi] Hence, the issue of international capital mobility and capital controls is "intrinsically political" (Pauly, 1995, p. 371). As Girvan (1999, p. 416) stated on the debates on the regulation of capital flows after the Asian crisis: "These are not technical questions; they are questions of political economy that are connected to power relations and their consequences for the distribution of the benefits from and costs of alternative sets of arrangements." It is these aspects that could be emphasized in an IPE perspective. We therefore now turn to the IPE literature on capital account policies.

2.4 IPE and capital controls

2.4.1 The determinants of capital account liberalization

More than two decades ago, Jeffry Frieden wrote: "The scholarly literature on the economics of international capital movements grows daily in both quantity and quality. However, (…) a *political economy* approach to the topic is only in its infancy" (Frieden, 1988, p. 266, original emphasis). To some extent this is still true today. The most developed, mainstream (American) approach consists of a range of (mostly quantitative) studies which have tried to empirically examine the "causes" or "determinants" of capital account liberalization versus capital controls (for overviews see Chwieroth & Sinclair, 2013; Cohen, 1996; Kastner & Rector, 2003; Leblang, 1997; Li & Smith, 2002a). These studies – both quantitative and case-studies – have identified various determinants, which, for the sake of clarity, can be (somewhat artificially) grouped into four categories. Each category can be divided in the domestic and the international determinants (see Table 2.1).

	International	Domestic
Structural pressures	Competitive deregulation	Economic health
Interests	Pressure from UK & US	Interest groups
Ideas	Neoliberal ideas	Neoliberal ideas
Institutional factors	IMF & IFIs	Domestic institutional factors

Table 2.1: Determinants of capital account liberalization

The first range of determinants found in these studies can be put under the heading of "structural pressures". With regard to international structural pressures, many have claimed that countries that have liberalized because they do not want to lose out in a world where other (powerful) states already have an open capital account (Andrews, 1994; Brooks & Kurtz, 2012; Goodman & Pauly, 1993; Haggard & Maxfield, 1996; Helleiner, 1994, 1995; Kastner & Rector, 2003; Li & Smith, 2002a). There is thus a kind of "competitive deregulation" process at work. Related to this is the mechanism of "diffusion" whereby states follow the "example" or "model" of other states (Brooks & Kurtz, 2012, pp. 98-100; Quinn & Toyoda, 2007). Concerning domestic structural pressures, it has been contended that countries will rather liberalize when they are facing a balance-of-payments crisis (Haggard & Maxfield, 1996).[xvii] A similar argument has been made that liberalization is more likely in countries vulnerable to crises, seen in indicators like a higher level of foreign borrowing or higher interest rates (Chwieroth, 2007).[xviii]

A second series of determinants is related to the interests of certain actors. It has been argued that pressure from abroad can be important, in the form of powerful states with open capital accounts, in the first place the US and the UK (Bhagwati, 1998; Helleiner, 1994, 1995; Stiglitz, 2002; Wade & Veneroso, 1998). With regard to domestic interests, research has focused on the advocacy by sectoral interests (Frieden, 1988, 1991) such as the financial sector (Bhagwati, 1998; Stiglitz, 2002), the industrial sector in combination with the financial community (Helleiner, 1994, 1995), the capitalist class in general (Frieden, 1991), or domestic interest groups in general (Brooks & Kurtz, 2012, pp. 100-102; Haggard & Maxfield, 1996; Li & Smith, 2002a, 2002b).

The third number of studies analyses the importance of ideas (and the bearers of these ideas). In this regard, neoliberal ideology and neoliberal economists have been considered to be crucial as a determinant for liberalization (Chwieroth 2007, 2010a; Helleiner, 1994, 1995; Stiglitz, 2002). It is of course hard to ascertain, and it depends from country to country, to what degree these ideas originated domestically or spread from abroad. Besides neoliberal ideology, others have highlighted the contribution of pro-capitalist ideas (Quinn & Toyoda, 2007), right-wing governments (Kastner & Rector, 2003) and collectively shared beliefs in general (Chwieroth & Sinclair, 2013, p. 479).

Fourth and finally, institutions and institutional factors have also played a role according to the literature. Regarding international institutions, some have pointed to the role played by the international financial institutions (IFIs), the IMF in particular (e.g. Stiglitz, 2004). One paper found evidence of "IMF-led" capital account liberalization (Joyce & Noy, 2008). With regard to domestic institutions, research has pointed at the number of veto-players (Kastner & Rector, 2003), partisan factors (Quinn & Inclãn, 1997) and the commitment to central bank independence (Alesina, Grilli &

Milesi-Ferretti, 1993). It has also been argued that countries with fixed exchange rates (Alesina, Grilli & Milesi-Ferretti, 1993; Leblang, 1997), systematic financial repression (Brooks & Kurtz, 2012; Leblang, 1997) or a low level of foreign exchange reserves (Leblang, 1997) are more inclined to hold on to or reintroduce capital controls.

2.4.2 The limitations of quantitative studies

While some of these studies definitely shed light on the issue of capital account liberalization, several shortcomings can be discerned in the quantitative accounts. A first major problem with this literature is the measurement of capital controls, which also haunts the econometric analyses of the economic consequences of capital account liberalization. To give an example, the Chinn-Ito measure, often used in econometric analysis, has remained unchanged for India between 1970 and 2007 (see Chinn & Ito, 2014), which does not seem correct (see Chapter 7). Another example is that in 2000 the indicator for Brazil and India had the same value, even though Brazil was already far more open, as Chapters 6 and 7 will demonstrate.

This measurement problem has been recognized by several authors (Jayadev, 2007, p. 426; Magud, Reinhart & Rogoff, 2011; Obstfeld, 1998, p. 10; Prasad, 2009). As Barry Eichengreen notes in a survey of the literature: "Developing adequate measures of capital account restrictions is a particular problem for the literature on the causes and effects of capital controls" (Eichengreen, 2001, p. 347). Recent research, which has criticized the Chinn-Ito measure, replicated two earlier studies with a different measure, which resulted in different findings (Karcher & Steinberg, 2013). Moreover, not everything can be measured in quantitative terms; how, for instance, do you adequately operationalize pressure from the US? All these measurement problems imply that the quantitative studies on capital controls have inherent problems which cannot easily be solved.

Second, the difference between various categories of capital controls (controls on inflows versus controls on outflows; direct versus indirect controls) and capital flows (FDI, equity flows, debt flows) is mostly not or insufficiently made. It is either liberalization or not. In a way, this is of course a logical consequence of the drive to quantify capital controls and capital account liberalization into a single measure. This is especially a problem for the economic literature on the consequences of liberalization/controls: various controls or various capital flows might have dissimilar effects. For instance, it is widely assumed that FDI are more beneficial than short-term flows. But it is also a problem for the IPE literature on the causes of liberalization. The causes of liberalization of capital inflows could for instance be different from the causes of liberalization of outflows.

Third, these quantitative studies are, in line with positivist research, looking for general "laws". However, as will be explained in Chapter 3, this dissertation does not go along with his search for transhistorically valid truths. With respect to the literature discussed above, three things can be noted in this regard. First, correlation of course does not imply causality. Second, even if the studies would indicate causality, that doesn't mean that this causality is universally valid across space and time. Finally, while these studies may be able to highlight some indicators, this of course does not necessarily clarifies the motivations behind liberalization/controls, as well as about the respective coalitions opposing liberalization/controls. In sum, the quantitative method and the literature that

has made use of this method are inadequate to thoroughly examine policies and policy perspectives in individual countries, such as China, Brazil and India.

2.4.3 Historical accounts and country studies

Besides the quantitative studies, there have been many valuable perspectives examining the historical evolution of capital account policies, international regulations and norms, especially the transition from the more restrictive Bretton Woods order to the liberalization in the neoliberal era (e.g. Abdelal, 2006, 2007; Chwieroth, 2008, 2010a, 2014; Helleiner, 1994, 1995; Goodman & Pauly, 1993; Howarth & Sadeh, 2011; Leiteritz, 2005; Leiteritz & Moschella, 2010; Moschella, 2009, 2010, 2012, 2014). The focus of these studies has mostly been on international organizations such as the IMF and the OECD. When they have also examined individual countries, the emphasis has largely been on the developed world. On the political economy of capital account liberalization and capital controls in EMDCs, there have been a range of case-studies (see Chwieroth, 2010b on Indonesia; Doraisami, 2005 on Malaysia; Gallagher, 2014b on Brazil and South Korea; Haggard & Maxfield, 1996 on Chile, Indonesia, Mexico and South Korea; Pepinsky, 2013 on Indonesia and Mexico; Soederberg, 2002 on Chile; Vermeiren & Dierckx , 2012 on China).

This dissertation is related to these case-studies, but goes beyond most of them in several ways. First, it examines the cases of China, Brazil and India, countries whose capital controls have up to now only scarcely been scrutinized from an IPE perspective. There is a certain bias in country studies, with the focus largely been on the causes and/or timing of liberalization or re-adoption of controls. As especially China and India are relatively less free than many other countries and have held on to more comprehensive controls (see 1.3.3), this dissertation also looks at counter-examples of strong and swift capital account liberalization. It also looks into the policies and policy positions after the global economic crisis, and as such includes any transformations that the crisis may or may not have caused.

Second, the purpose of the case-studies is not just to understand and explain the capital controls and liberalizing measures that the BICs have implemented, but also to assess whether the BICs will challenge the Western norm of the full free movement of capital. In this sense, again, this dissertation goes beyond most existing studies. It will therefore examine capital account policies in relation to several other factors, such as the evolution of the capitalist world economy, the domestic growth models of the BICs, and the relations between different groups in society. In particular, the role of capital controls versus liberalization in the relations between capital and labour, as well as within capital, will be analysed. Labour, in the form of trade unions, social movements and disorganized workers, has been largely absent from most IPE approaches on capital controls (e.g. Cohen, 2003, p. 72). It could be argued that this neglect is strange, as “over the long run, international financial integration tends to favor capital over labor” (Frieden, 1991, p. 426). In this light, a neo-Gramscian theoretical and conceptual perspective can shed light on capital account policies in relation to all these factors. This perspective is the subject of the next chapter, Chapter 3.

2.5 Conclusion

This chapter has offered an overview of the existing literature on capital account policies. The first part (3.2) outlined the history of capital movements and capital controls from the late 19th century up until after the global economic crisis that started in 2007. This history will be useful in examining and understanding both the relationship between capital account liberalization and neoliberalism (see Chapter 4), and the capital account policies of the BICs (Chapter 5, 6 and 7). The second section (3.3) of this chapter has summarized the way the discipline of economic science studies capital controls. It was argued that, although there are a lot of differences between orthodox and heterodox perspectives, both strands treat capital controls in a depoliticized manner, devoid of (unequal) power relations and different interests in society.

Finally, the third section (3.4) reviewed briefly the IPE literature on capital account policies. It was asserted that the quantitative IPE literature is seriously flawed, and that the quantitative method is inadequate to study capital liberalization and controls. This dissertation is therefore more related to individual (and comparative) case-studies on EMDCs. To analyse the capital controls in China, Brazil and India, and their position on international regulation of capital controls, a neo-Gramscian perspective is adopted. It is to the principles of this theoretical framework that this dissertation now turns, in Chapter 3.

---

[i] For other accounts of the history of capital flows and/or capital account policies, see Committee on the Global Financial System, 2009; Obstfeld & Taylor, 1998; OECD, 2002; Quinn, 2003; Thompson, 1997.

[ii] He also wrote: "Advisable domestic policies might often be easier to compass, if the phenomenon known as 'the flight of capital' could be ruled out."

[iii] According to Helleiner (1994, pp. 94-95), with regard to the OECD, this was mainly due to the neoliberal orientation of officials in international organizations, and it did not reflect a change of heart on the part of the advanced countries' governments. The officials in the OECD's Committee on Capital Movements and Invisible Transactions (CMIT) also promoted capital account liberalization in the 1970s and 1980s against the preferences of many member states (Howarth & Sadeh, 2011, pp. 639-640).

[iv] This happened largely under the impulse of French policymakers. These had fully embraced capital account liberalization after the U-turn of Mitterrand. For the French left, the rich were able to evade capital controls, and so capital controls only restrained the middle class, the left's constituency (Abdelal, 2006, pp. 6-8; 2007, p. 4). Therefore, they decided that controls were no longer in their interest. After that internalization of the norm of the free movement of capital, they tried to institutionalize this norm at the international level.

[v] In full: "Committee on Reform of the International Monetary System and Related Matters", a committee composed out of officials from national finance ministries and central banks established to study the monetary system after the collapse of the Bretton Woods-system in 1971.

[vi] Now the International Monetary and Financial Committee (IMFC), a body which is composed of central bank governors or (finance) ministers, and which reflects the composition of the Executive Board.

[vii] A similar– but less relevant for this dissertation – story can be told on the failed institutionalization of rules on the treatment of foreign investment in the Multilateral Agreement on Investment (MAI) by the OECD countries (see Kolo & Wälde, 2008, p. 158).

[viii] Another, more philosophical, argument, based on the sanctity of private property rights, is that individuals should be free to use their income and wealth as they want (Cooper, 1998, p. 12). A critical perspective on this idea is provided by Williamson (1999).

[ix] Note the paradox: capital account liberalization may promote financial sector development, good governance and good macroeconomic policies, but before the capital account may be liberalized, the financial sector must be developed and good governance and macroeconomic policies must be in place.

[x] For a critical view, see Rodrik and Subramanian (2009, p. 125).

[xi] That the free movement of capital constrains governments is often not denied by more heterodox authors, but they express doubts whether this is beneficial (Eatwell, 1996).

[xii] First, FDI can also be volatile (Broner et al., 2013; Singh, 2005, p. 108). Second, the difference between FDI and portfolio flows is "more notional than real", because investment by an investor in more than 10% of the equity of a firm is defined as direct investment according to the IMF definition (Chandrasekhar, 2008b; see also Akyüz, 2012, p. 78; Singh, 2005, p. 108). Third, FDI does not always expand the productive capacity of a country, for instance because it can be mainly cross-border acquisitions instead of greenfield investments (Griffiths, 2014; UNCTAD, 2012). Bibow (2011) therefore argues: "Ideally, only foreign direct investment inflows that match the recipient countries' development goals should be allowed in. Selection may be stricter still in focusing on Greenfield investment only."

[xiii] Some authors have made similar arguments with regard to neoclassical or "neoliberal" economics (Centeno & Cohen, 2012, p. 329; Chang, 2002, pp. 550-551). However, the same could be said with regard to many more heterodox perspectives.

[xiv] It should also be noted that the efficient allocation of resources in general is understood as an allocation to where capital can reap the highest profit rates. This focus on profitability neglects the consequences for labour and nature (see also chapter 2).

[xv] As will be demonstrated in Chapter 8, the IMF's treatment of capital controls is an exemplary case.

[xvi] Sometimes this can even be a conscious commitment (see Green & Huey, 2005, pp. 639, 642).

[xvii] Pepinsky (2012) argues the opposite, namely that crises lead to capital account closure.

[xviii] On the other hand, authors have argued that countries are more inclined to liberalize in a situation of economic strength. For instance, it is claimed that liberalization is more likely for a country with a higher level of economic development (Eichengreen, 2001, p. 347; Leblang, 1997) or a current account surplus (Li & Smith, 2002a). Goodman and Pauly (1993) note that countries are more eager to abolish capital controls when they are experiencing capital inflows than when they are facing capital outflows.

3. Theoretical and conceptual framework: a neo-Gramscian perspective

3.1 Neo-Gramscian perspectives in IPE

3.1.1 Thinking in a Gramscian way

In this chapter, the theoretical and conceptual framework that forms the basis of this dissertation will be outlined. The purpose of this chapter is not to provide a dogmatic theoretical framework which will be meticulously used in the next chapters of this dissertation. It will also not touch upon all theoretical debates between various neo-Gramscian perspectives, or more broadly, between different Marxist strands. Rather, the intention is to present some general theoretical thoughts, which will make it easier to understand the following chapters. Before this outline, it should be made clear that this theoretical and conceptual view is not presented as the "correct" neo-Gramscian interpretation. Rather, within a plurality of neo-Gramscian approaches (Morton, 2001, p. 27), the framework applied here is only one potential approach.

The neo-Gramscian perspectives in International Relations (IR) and International Political Economy (IPE) are mostly based on the ground-breaking work by Robert W. Cox and Stephen Gill. In the 1980s, the Canadian scholar Robert Cox developed a conceptual framework using the writings of the Italian Marxist Antonio Gramsci, which is often considered the beginning of the neo-Gramscian legacy (Bieler & Morton, 2003, p. 469; Worth, 2008, p. 635).[i] This framework was then further developed, used, and adapted in various ways by a range of scholars.

In my interpretation of the neo-Gramscian perspectives, there are five central principles. A first tenet is that a neo-Gramscian perspective does not require a meticulous or dogmatic reading of Gramsci's writings. As Stephen Gill (2008, p. xxi) notes, the purpose is not to simply apply Gramsci's concepts and hypotheses to today's world order[ii]. Rather, it entails "thinking in a Gramscian way" (see Bieler & Morton, 2001, pp. 7-13; Bruff, 2011a, pp. 88-89; Morton, 1999, p. 5)[iii]. This implies adopting and transforming Gramsci's tools and insights to make them useful to analyse the contemporary situation, in a very different context than Gramsci's age. The same goes for Marx's writings (see Judis, 2014). Such a "absolute historicist" approach thus admits that while every analyst is a product of his times, he or she can also produce ideas that still have a relevance in other contexts and later periods (Morton, 2003a, pp. 128-132)[iv].

3.1.2 Critical theory

A second feature is that a neo-Gramscian perspective can be considered a "critical theory" perspective. This goes back to Robert Cox's statement that "theory is always *for* someone and *for* some purpose" (Cox, 1981, p. 128, original stress). According to Cox (1981, pp. 128-129; see also Bieler & Morton, 2004, p. 86), a distinction can be made between problem-solving theory and critical theory[v]. In general, the former is preoccupied with solving issues within the prevailing world order

without questioning this order. It is thus a rather conservative approach, as it is – whether consciously or unconsciously – preoccupied with sustaining the sustaining the existing order (Cox, 1981, p. 130; Gill, 2008, p. 19; Knafo, 2008). Critical theory, on the other hand, does question the origin, foundations and fairness of the prevailing world order. Through analysing this order critical theory also looks at ways to go beyond it (Cox, 1981, p. 130; Gill, 2008, p. 19; Worth, 2011, p. 359). As Gill (2008, p. xx) states: "The aim is to develop a transnational historical materialist perspective that is useful not only for the analysis of the new or emerging world order but also to identify potentials for progressive change."

Critical theory is thus by definition also concerned with a normative choice. It rejects the claim that social scientific research should be "neutral" or "objective" (Morton, 2003b, p. 172). Moreover, it can be argued that problem-solving theory is not value-free either: in (implicitly or explicitly) accepting the existing order, it serves the interests of those who are comfortable with this order (Cox, 1981, pp. 129-130). Thus, in a way, social scientific research can never be neutral; all research is underpinned by a certain perspective on the world (see also Bruff, 2011a, pp. 81-82). As historian Howard Zinn (1990, p. 7) has written: "It is impossible to be neutral. In a world already moving in certain directions, where wealth and power are already distributed in certain ways, neutrality means accepting the way things are now." The only difference is that critical theory is more explicit about this normative choice.

3.1.3 Historicizing the global political economy

The third and very much related principle is that a neo-Gramscian perspective adopts a historicist approach to study the global political economy (van Apeldoorn, 2004, p. 145; Gill, 2008, p. 17). This implies that the current world order is not a "natural" order. It has not always been like this and is not an "unavoidable" consequence of particular laws or phenomena[vi]. Moreover, as until now no world order has lasted forever, it is unlikely that any world order will ever be eternal (Gill, 2008, p. 24).[vii] Historicist theories thus reject, in line with Marx, the "eternalization" of orders and phenomena which are in fact not universally valid but historically specific, and the "naturalization" of specific historical structures as "arising not through historical processes but, as it were, from Nature itself" (Hall, 1986, p. 34; see also Knafo, 2008).

This awareness of the socially constructed and historically limited character of prevailing structures again distinguishes critical theory from problem-solving theory. To quote Robert Cox:

> "*Critical theory is theory of history in the sense of being concerned not just with the past but with a continuing process of historical change. Problem-solving theory is non-historical or ahistorical, since it, in effect, posts a continuing present (the permanence of the institutions and power relations which constitute its parameters).*" (Cox, 1981, p. 129)

A fundamental consequent preposition is therefore that there are no transhistorical "laws" which are valid in every context and time. This is contrary to mainstream positivist IPE (and orthodox economics) which, based on an ahistorical vision and the illusion of an objective researcher, tries to empirically map "observable" phenomena into universally valid, transhistorical causal mechanisms or "formulas" (Belfrage, 2011, p. 386; Gill, 2008, p. 12, 21; Knafo, 2008). Hence, historical materialism

rejects the positivist approach to social scientific research: "Clearly the possibility of speaking about universally valid 'laws' based on natural science criteria of 'objectivity' or some fixed standard or 'truth' is rejected" (Morton, 2003a, p. 133; see also Gill, 2008, p. 17; Sinclair, 1996, pp. 6-7).

Instead, critical theory pays attention to how the current world order was constructed in the past, to understand the world order today. What was created historically can be modified or even transformed, which of course also applies to capitalism (Judis, 2014; see below). A determinist, mechanical perspective is rejected in favour of an approach that emphasizes the open-ended future wherein multiple (although not unlimited, because they are shaped by the past and present) alternatives remain open. Through historicizing the global political economy, the potential for change and transformation is thus recognized (Amin & Palan, 1996, p. 212). To sum up, the purpose of historicist, critical research is not to search for mechanical causality, but to understand and explain the world in order to change it (Bieler & Morton, 2001, p. 29; Gill, 2008, p. xxiii, 21).

The epistemological consequence of this historicized thinking is an emphasis on "the contextuality and historicity of all claims to knowledge" (Jessop & Oosterlynck, 2008, p. 1157).[viii] Critical theory thus calls for reflexivity on the part of the academic about their background, practices and objectives, and about how their social context conditions them (Jessop & Oosterlynck, 2008, p. 1157; Knafo, 2008). It rejects the separation between the subjective and the objective world, and the independence of the researcher from his/her research object.[ix]

3.2 Social forces, ideas, institutions

3.2.1 The social relations of production under capitalism

The fourth principle is that the basis of society, and the starting point for analysis, is not the state, as in (neo-)realist theories, nor the individual, as in (neo-)liberal theories, but the production process (Cox, 1981, p. 134; Bieler & Morton, 2003, p. 475; Overbeek, 2004a). The reason for this starting point is quite simple: production is the basis of any society because for humanity to survive necessitates the production of certain goods, in the first place food, water, shelter and other basic goods (Bruff, 2009, p. 345, 2011b, p. 393, 2011c, 487-488). As Overbeek (2004a) puts it: "From the standpoint of historical materialism, any analysis of the world we live in must be grounded in an understanding of the way in which human beings have organized the production and reproduction of their material life."

However, this transhistorical necessity of production as a precondition for survival needs to be historicized: "In other words, the need to produce is essential to our existence; the way in which such production is organized is not" (Bruff, 2009, p. 347). Hence, while the production of basic goods is a transhistorical feature, the way this production is organized varies historically and contextually. In general, the production of goods and services implies "a power relationship between those who control and those who execute the tasks for production" (Cox, 1981, p. 135). This leads to the concept of the "social relations of production" which are based on the way production is organized (van Apeldoorn, 2004, p. 153; Bieler, Lindberg & Pillay, 2008b, p. 5; Bieler & Morton, 2001, p. 24; Harvey, 2006, p. 22; Soederberg, 2010, p. 69)[x]. As Bieler and Morton describe the basis of Cox's theory: "To examine the reciprocal relationship between production and power there is, then, a

focus on how *social relations of production* may give rise to certain *social forces*, how these social forces may become the bases of power in *forms of state* and how this might shape *world order*" (Bieler & Morton, 2003, p. 476, original emphasis).

Acknowledging the central importance of production leads to a focus on the historical specificities of the capitalist mode of production, in line with the historicized approached as outline above. These historical specificities of capitalism are often overlooked in mainstream International Relations (IR), as in orthodox economics, which threat capitalism and its tendencies, systemic properties, relations and structures as transhistorical phenomena (Amin & Palan, 1996, p. 210; Belfrage, 2011, p. 386). As van der Pijl writes:

> "*Let us first establish that, contrary to capitalist ideology and standard economics textbooks, capitalism is not a universal, eternal, transhistorical system which has always existed at least in embryo or in the depths of human nature. (...) But the subjection of society to the disciplines of the market, to the imperatives of competition, capital accumulation, and increasing labor-productivity, is historically specific, relatively recent, and has required profound and painful social transformations.*" (van der Pijl, 1997, p. 29)

What then are the specificities of capitalism in abstract? Within the capitalist mode of production, the fundamental conflict is between the capitalist class who controls the production process on the one hand, and the working class who executes production on the other hand: "The domination exercised by the capitalist class over the working class, both in the factories and in political life, is the fundamental *social relationship* underlying the capitalist system" (Armstrong, Glyn & Harrison, 1991, p. 12; also Harvey, 2006, p. 22).[xi]

Crucial in this relationship is that production within capitalism is not just geared at fulfilling the needs of society, but at endless accumulation of capital through profit maximization (Armstrong, Glyn & Harrison, 1991, p. 11; Wallerstein, 2011, p. 32).[xii] What is more, capital's profits are based on the exploitation of labour: workers have to produce surplus value for the capitalist to make a profit, or, in other words, they must produce goods which are worth more than their wages (Armstrong, Glyn & Harrison, 1991, p. 11). Since capital thrives on the exploitation of labour, the relations between capital and labour are inherently antagonistic and fraught with conflicts (see Anievas, 2011, p. 606; van Apeldoorn, 2004, p. 154; Soederberg, 2010, p. 69; Winters, 1994, p. 420). Hence the neo-Gramscian attention given to the role of class struggle.

However, capitalist social relations are not only antagonistic, they are also highly unequal. Capital as a social force is in general more powerful because it owns and/or controls the means of production (physical and financial assets) (van Apeldoorn, 2004, p. 154, 2011, p. 166; Bruff, 2011c, p. 489; Gill, 2008, p. 104, 192; Soederberg, 2010, p. 69). The remainder of society, among which the working class, does not have this substantial ownership and concomitant power. While both classes are mutually dependent on each other, this dependency is uneven: "Dependence on the market for *survival* [for labour] is considerably more visceral and compelling an experience than dependence on the market for *profit* [for capital]" (Bruff, 2011c, p. 489). Moreover, as Gill (2008, p. 105; also van Apeldoorn, 2011, pp. 166-167; Haggard & Maxfield, 1996, p. 41) notes: "Whereas an 'investment strike' by business may occur spontaneously if the business climate deteriorates, labour, in order to exert corresponding influence, would have to directly organize a wide-ranging or even general strike." While concessions to labour and other social forces are of course possible within capitalism,

the capitalist mode of production based on profit will always be tendentially favourable to capital (Bruff, 2011c, p. 490). As van der Pijl (1998, p. 37) states, "the imposition of the discipline of capital inevitably serves the interests of those who are its owners or controllers". In other words, under capitalism, the interests and discipline of capital must count first, and the interests of labour and other social forces are subordinate to these principles (Hall, 1982, p. 10). These unequal power relations are often visible within state organs and, consequently, in state policies (see below).

An important observation is that "capital" and "labour" are not homogenous social forces; there are also divisions *within* each class (Bieler, Lindberg & Pillay, 2008b, pp. 5-6). Many historical materialists therefore use the concept of "class fractions" (van Apeldoorn, 2004, p. 144; Gill, 2008, p. 104; Harvey, 2006, p. 74; Overbeek, 2004b, p. 118; Macartney, 2009b, pp. 460-462). This concept is especially used for capital fractions (although it can certainly also be used to analyse divisions within the working class). Various fractions of capital can be discerned, based on the role in the production process. For the purpose of this dissertation, productive or industrial capital on the hand and money or financial capital on the other hand are the most important (see Harvey, 2006, p. 70; Sablowski, 2008, pp. 136-138)[xiii]. In simple terms, productive capital is capital that makes profit from being engaged in the production of goods and services; financial capital makes it profits from financial activities that are supposed to support this production of goods and services. Importantly, financial capital is more mobile and fluid than productive capital, and is in general able to flee faster and easier (Winters, 1994, p. 421). Based on their respective needs, these two fractions *tend* to have a different viewpoint on some aspects: whereas productive capital tends to have a longer-term vision and is more concerned with long-term stability (the "productive capital concept"), financial capital is inclined to take on a more short-term view (the "money capital concept") (Gill, 2008, p. 192; Macartney, 2009b, p. 460; Overbeek, 2004b, p. 119).

In particular places and times, the dominant class fraction (as well as the dominant historic bloc, see below) can vary. The concept of capital fractions is thus useful to further historicize the capitalist social relations of production without neglecting "the universalist tendencies in capitalism" (Amin & Palan, 1996, p. 215). It is helpful in a periodization of capitalism in different epochs or eras, or historical structures in the conceptualization of Robert Cox. Without this periodization:

> *"The question left begging is whether this results in an ahistorical conception of capitalism so that capitalism, is capitalism, is capitalism, without due regard for changing modalities of capitalist exploitation and social organisation."* (Bieler & Morton, 2003, p. 474; see also van der Pijl, 1998, p. 51)

The concept of a historical structure highlights that within the capitalist mode of production (as within other modes of production) there can be coherent patterns of social relations that are changing over time (as well as geographically):

> *"This method highlights the overarching persistence of the capitalist mode of production while drawing attention to the changing processes of capital accumulation between historical structures and the potential for change through the agency of social forces."* (Bieler & Morton, 2001, p. 25)

The concept of historical structures also points to the non-determinist neo-Gramscian perspective, because it points to variability within a mode of production. Even within a historical structure

variation is possible. While this theoretical outline does not want to provide a solution to the debate between "the Scylla of voluntarism and the Charibdis of structuralism" (Overbeek, 2004b, p. 119), the neo-Gramscian perspective adopted here recognizes the role of *agency* (in line with e.g. van Apeldoorn, 2004, pp. 154-155; Bieler & Morton, 2001, p. 25; Martin, 1997, p. 49; van der Pijl, 1998, p. 31). Capitalism can only continue to exist if the agency of social forces produces and reproduces the discipline of capital. In addition, while the interests and identities of social forces are shaped by production relations and historical structures, they are not determined by them (Bieler & Morton, 2001, p. 25). Social forces always have several different options at their disposal in a given historical structure.

Every historical structure is supported by and serves the interests of a "historic bloc". This concept refers to an organic and relatively durable alliance of various social forces, "that represents more than just a political alliance but indicates the integration of a variety of different class interests" (Bieler & Morton, 2003, p. 484; see also Gill, 1990, p. 305; Simon, 1990, pp. 31-36). The formation of an historic bloc happens primarily within the national context, from which it can projected outwards (Bieler & Morton, 2004, p. 87, p. 102). By forming a historic bloc the leading social forces try to establish an order that serves their interests (Bieler, 2001, p. 97). They do this by transcending their "narrowly based economist or corporate perspectives" and transforming them into what is perceived as a universal position which serves the "general interests" (Gill, 2008, p. 34). In short, the leading social forces try to achieve "hegemony", which points to the crucial role played by ideas.

3.2.2 Ideas matter

An important role in the choices social forces make is played by ideas, which brings us to the fifth feature of the neo-Gramscian perspective adopted in this dissertation: ideas matter. While this theoretical chapter is not the place to give a definitive answer in the debate on the "ever debatable primacy" of ideas versus material properties (Centeno & Cohen, 2012, p. 328), this dissertation assumes that they are in a dialectical relationship with each other (Bieler, 2001, p. 98; Bieler & Morton, 2008, p. 105; Macartney, 2008a, pp. 433-434; McCarthy, 2011, p. 1217). As Martin (1997, p. 53) writes: "The novelty of Gramsci's argument lies in recasting the base-superstructure model – with its emphasis on the causal primacy of one over the other – in favour of seeing them as mutually interdependent spheres." In other words:

> "*From this perspective, ideology and socio-economic structure (or class interests) are not conceived as 'independent' or 'autonomous' causal factors relating to separate and discrete ideational and material spheres in explaining policymaking processes. Rather, they are conceptualised in their internal relations within a single social totality.*" (Anievas, 2011, p. 605)

There is then no simple determination from the material reality to ideas (van Apeldoorn, 2004, p. 153; Bieler, 2001, p. 99; Hall, 1986, pp. 41-43). Ruling classes do not just "define" the dominant ideas within a society. Nor is there a simple causal link from a certain class to certain ideas, or to a form of class consciousness (Hall, 1982, p. 2). Rather than automatically deriving from a certain class position, class consciousness often (but not mechanically) arises out of the experience of concrete class struggles (Morton, 2006, p. 66). In other words, there is no guarantee that a class-in-itself will

inevitably also develop in a class-for-itself. Besides, it cannot be predicted which ideas will prevail in society, and the outcome of an ideological clash is open-ended (Hall, 1986, p. 43).

On the other hand, ideas are not just totally independent from material circumstances (Bieler, 2001, p. 99; Hall, 1986, p. 40; Jessop & Oosterlynck, 2008, p. 1160; Macartney, 2008a, pp. 433-434; Morton, 2006, p. 68). They do not appear out of nowhere, and fundamentally, they must appeal to certain social forces to become important ideas. One most ask the question why some ideas are successful and others are not, which points to the underlying power structure of ideas (Bieler & Morton, 2008, p. 105). In that sense, "ideas only become effective if they do, in the end, *connect* with a particular constellation of social forces" (Hall, 1986, p. 42, original emphasis). It thus matters who the bearers of ideas are (Bieler, 2001, p. 97); ideas can only be understood if one looks at the position of their carriers in the social relations, and at the social structure that these agents are defending or opposing (Anievas, 2011, p. 605). Moreover, "the material structure of ideas" is emphasized (Bieler, 2001, pp. 94, 98; Bieler & Morton, 2008, p. 118), which relates to the dissemination of ideas through publishing houses, political newspapers, periodicals, etc. In sum, while the material does not determine the prevailing ideas, it does set the limits of the possible and puts constraints on which ideas are important (Hall, 1986, pp. 42-43). What is more, to have an impact, ideas have to be compatible with individuals' experience of the everyday life. The role of ideas can then only be considered in an historicized perspective, and in relation to the material circumstances (Hall, 1986, p. 40).

How then, do ideas matter? For one, they are decisive in the course of action that is chosen by a particular social force. They also play a role in cementing various social forces into a durable historic bloc (see above). Finally, ideas are an important instrument of and element in class struggles between various social forces (Bieler, 2001, p. 98; Hall, 1986, pp. 40, 42; Jessop & Oosterlynck, 2008, p. 1160; Morton, 2006, p. 67; Simon, 1990, p. 68). They are crucial in determining which strategy is generally accepted in society as the best, and thus in building a "hegemonic project"[xiv]. Adam Harmes provides a comprehensive definition of hegemony:

> *"A hegemonic order has classically been defined as one in which 'consent rather than coercion' characterizes the relations between classes, and between the state and civil society; one in which there is a 'fit' between institutional structures, material conditions and the dominant ideology. In positive terms, a hegemonic social force must be able both to project its own interests as being for the universal good, and also to provide – or appear to provide – real material benefits to those consenting to its rule. In negative terms, it will try to deny or preclude the existence of any alternatives; here, ideological dominance can be reinforced by cultural / patterns that help to 'embed' the outlook of a particular order by naturalizing it in everyday life and depoliticizing it."* (Harmes, 2001, pp. 103-104)

The concept of hegemony is subject to various interpretations. While the central tenet is indeed the consent of subaltern social forces, backed up by force and coercion only in the last instance (Abrahamsen, 1997, p. 147; Bieler & Morton, 2004, p. 87; Bruff, 2010, p. 412; Gill, 2008, p. 92; Overbeek, 2004a; Simon, 1990, p. 24), it cannot always straightforwardly be evaluated whether subaltern forces are "consenting" to the prevailing order. It should be noted that the difference between hegemony and dominance is hence better seen as spanning a continuum than as a dichotomy. Moreover, hegemony is always conjunctural and never fully realized. As the late Stuart

Hall (2012, p. 25) wrote: “No project achieves ‘hegemony’ as a completed project. It is a process, not a state of being. No victories are permanent or final. Hegemony has constantly to be ‘worked on’, maintained, renewed, revised” (for similar assessments see van der Pijl, 2010, p. 50; Robinson, 2005, p. 8; Rupert, 1998, p. 428; Simon, 1990, p. 42). It is also a matter of discussion whether hegemony requires only passive submission or whether it requires active consent of subaltern social forces. For Simon (1990, p. 72), for instance, hegemony entails active agreement, but how then is active agreement conceptualized (and operationalized)?

Hegemony does certainly not imply that all social forces or individuals actively agree on every single thing (Sekler, 2009, p. 61). Nor does it necessarily imply a lack of contestation by opposing social forces (Gill, 2008, p. 193; Rupert, 1998, p. 428).[xv] It could argued that protest does not preclude the existence of a hegemonic order, as it does not exclude the possibility that a (large) majority still (whether actively or passively) approve of the established social order. Again, the difference between a hegemonic and a non-hegemonic order is more a matter of degree than a matter of clear distinction. In general, one could agree with Bruff’s interpretation of Gramsci, namely that “active consent and contained dissent are distinct yet connected aspects of hegemony” (Bruff, 2010, p. 413).

The difficulties with assessing hegemony is even more difficult at the international level than at the national level, because of the range of varieties of capitalism, and even combinations of modes of production. Further, the uneven development of capitalism tends to undermine hegemonic configurations which were based on the hegemony of capitalist fractions in a particular geographical area (see Saull, 2012). Neo-Gramscian perspectives have therefore been criticized for using the concept of hegemony for non-hegemonic international orders (Lacher & Germann, 2012, p. 99)[xvi]. Another difficult question is whether hegemony can be present in a non-(liberal) democratic, more authoritarian order.[xvii] However, for the sake of this dissertation, the notion of hegemony refers (admittedly, somewhat vaguely) to a national or international order based largely on consent instead of coercion.

3.2.3 A theory of the capitalist state

While ideas matter, institutions also matter, especially in stabilizing a particular (hegemonic) order (Bieler & Morton, 2004, p. 88). The main institution under capitalism has until now been the capitalist (national) state. As “a fully developed theory of the state is not evident” in neo-Gramscian perspectives (Bieler & Morton, 2004, p. 100), this dissertation derives inspiration from Marxism in general for a notion of how the capitalist state works. There are several contradicting Marxist theories of the state, based on different notions that were already present in the writings of Marx and Engels (Barrow, 2000, p. 88; Hobson, 2010; Manley, 2006, p. 168; Simon, 1990, pp. 13-14). The purpose of this section is not to go back to the “original texts” – which are compatible with a range of state-theoretical positions according to Barrow (2000, pp. 87-88) – but to clarify a theory of the state that is underpinning the following chapters. This is necessary since the dissertation will examine state policies, in particular state policies on capital controls.

The starting point for this dissertation is the formal separation in capitalism between the “political” and the “economic” or between “state” and “society” (Brand & Görg, 2008, pp. 570-571; Cammack, 2003, p. 41; Harmes, 2006, p. 729; Jessop, 2010b, p. 39; Panitch & Gindin, 2012, p. 3; Rupert, 2010, p.

95). In other words, the ruling capitalist class does not directly control the political institutions and thus the state. Yet this does not exclude the possibility that (certain fractions of) the capitalist class indirectly control the state. There are thus a range of positions within the historical materialist literature on the relationship between capitalists and the state, which can more or less be clustered in three different – but not necessary always irreconcilable – theories of the state.

A first Marxist understanding of the state is that it is essentially an instrument in the hands of the ruling class, despite the formal separation between the economic and the political. For instance, Tabb (2006, p. 8) has argued that in the history of the US, the government had more or less always acted "in the interests of the rich". In this orthodox Marxist interpretation policymakers or "state managers" implement policies that are in the (short-term) interest of capitalists. Such crude Marxist analyses have become quite rare, and do not seem warranted. Although the state can under certain circumstances and in a particular place and time be nothing more than the "committee for managing the common affairs of the whole bourgeoisie", as the Communist Manifesto stated, the (modern liberal democratic) state is not always just an instrument in the hands of the capitalist class. Or put differently: "There is no guarantee that political outcomes will serve the needs of capital" (Jessop, 2002, p. 41).

In the second interpretation of Marx, state managers do not necessarily act in the interests of capitalists, but they do act in the long-term interest of the capitalist system. In this regard, the concept of the "relative autonomy" of the capitalist state is crucial (see e.g. Bieler & Morton, 2003, pp. 486-488; Cammack, 2003, pp. 41-42). The state is "autonomous" in that it is not directly controlled by the capitalist class or a particular fraction of capital. However, this autonomy is only "relative" in the sense that state managers will act to secure (what they perceive as) the long-term reproduction of the capitalist system as a whole, even against the will of certain capitalists or capitalist fractions (Manley, 2006, pp. 166-167; Panitch & Gindin 2005, p. 102). According to some, this relative autonomy is not only a reality, it is also a precondition because without it the capitalist system would not be able to reproduce itself (Hirsch & Kannankulam, 2011, p. 21; for an outline see also Block, 1980, p. 228; Hobson, 2010, pp. 112-113). Other authors admit that there is no guarantee that this relative autonomy is present in every space and time (Cammack, 2003, p. 42). This relative autonomy is not fixed and is historically and contextually differentiated (Kennedy, 2006, p. 183). And even when it is present, this does imply that state managers will never act to fulfill the short-term interests of (part of) the ruling class. Moreover, it is also questionable whether the policies that are necessary to reproduce the capitalist system can be "defined" objectively. Finally, one should also not overlook the similarities between this interpretation and the first interpretation. As Hobson (2010, p. 112) argues: "The key shift is from a short-term class instrumentalist model (…) to a long-term class structural-functionalist model." In both theoretical stances, however, state managers still try to act in the interest of the capitalist class and the capitalist system.

A third position moves further away from the instrumentalist vision and sees the state as "a terrain for political struggle between the two major classes – the working class and the capitalist class" (Simon, 1990, p. 18). More concrete, this interpretation also takes into account the existence of fractions within each class: "as a social relation constituting and constituted by broader production relations, the state is a terrain of systematic intra-elite and class struggles" (Tsolakis, 2010, p. 387; also Macartney, 2008b). In other words, state institutions are a battle field for the social forces within society. As such, while they are "relatively autonomous" from the ruling class, they are not

“independent” from societal power relations. After Poulantzas, states can generally be considered as the material condensation of the changing balance of class forces (see Brand & Görg, 2008, pp. 570-571; Bryan, 1987, p. 257; Gerstenberger, 2011, p. 65; Jessop & Oosterlynck, 2008, pp. 1157). As a result, the state is not a “thing in itself”, but a form of social relations (Brand, 2007; Demirović, 2011, p. 42; Kelly, 1999, p. 110; Morton, 2006, p. 65). The contradictory relations between and interests of different fractions and classes are “internalized” within the state (Bieler & Morton, 2003, p. 487). Moreover, the state is often not seen as homogeneous, because the balance of forces crystallizes differentially within different state apparatuses (see e.g. Tsolakis, 2010, p. 395). Class struggle between various social forces is thus also present within the state.

This third understanding leads to a focus on the *agency* of and the struggles waged by social forces within a certain social formation. Therefore, it moves away from a determinist position towards a more open-ended one, depending upon a historically and nationally differentiation balance of forces. Further, it allows for differentiation and struggles within the state, and it leaves room for state policies that benefit subaltern social forces. However, somewhat simplistically, it can still be labelled as determinist in that it assumes that state managers have no “free will”; they are fully determined by the specific balance of forces in society. Therefore, “the state is not conceptualized as a subject imbued with agency” (Demirović, 2011, p. 42; also Bryan, 1987, p. 257). This position, in our view, still does not acknowledge adequately the potential autonomy of state managers. It must be recognized that within the limits defined by the struggles between social forces it is possible to think of several conceivable policies. In concrete terms: is it, for instance, unimaginable that in a liberal democracy with proportional representation several different coalitions would be possible, which could implement different policies? Or, that different outcomes in elections, which do not necessarily categorically reflect the balance of power, can make a difference? Denying this would imply that elections are totally irrelevant, a position with which not many leftists would fully agree[xviii]. In sum, state institutions and state managers are part of the power relations between social forces and, crucially, in turn also impact upon these power relations through certain policies or through altering institutional configurations (see Brand, 2007; Major, 2008). Therefore, a focus on the agency of *state managers* is also essential.

This theoretical stance thus goes beyond many historical materialist positions by adopting an even more open-ended and less determinist point of view, in line with the historicized approach sketched above.[xix] It must be acknowledged that the consequence is less theoretical rigor (as noted on Jessop’s theory by Konings, 2010b, p. 176), but, it could be argued, to the benefit of a more reality-based framework. However, an important question then arises: Why, if state policies are open-ended, do states often adopt policies that please the short-term or long-term interests of the capitalist class or particular capitalist fractions? Indeed: “The deployment of public authority in ways that systematically benefit some interests more than others suggests the need for a more profound appreciation of the ways in which socio-economic sources of power make themselves felt in the political arena” (Konings, 2010b, p. 174). This brings us to what Konings (2010b, p. 177) defines as “the classical problem of Marxist state theory, that is, how to attribute authority a degree of institutional independence while still being able to articulate its constitutive connections to socio-economic power”. In other words, if there are any, what are the limits of the autonomy of state managers from the ruling class?

The position adopted here is more or less in line with Fred Block's theory of the state, which is based on "the acknowledgement that state power is *sui generis*, not reducible to class power" (Block, 1980, p. 229; also Anievas, 2011, pp. 608-610; Tsolakis, 2010, pp. 395-401). However, it also recognizes that "the exercise of state power occurs within particular class contexts, which shape and limit the exercise of that power" (Block, 1980, p. 229). State managers do not act in a vacuum, but in a specific societal (capitalist) context. It seems clear that "the state cannot be understood independently from broader social struggles: it simultaneously is shaped by and shapes them" (Tsolakis, 2010, p. 395). In other words, while state policies are the result of *agency* of policymakers or "state managers", several *structural* elements impact upon this agency. The capitalist context therefore leads to "structural selectivities" on the part of state managers (Brand, 2007)[xx]. There are many reasons for this pro-capital class bias.

First, the formal separation of the economic and the political sphere itself has an ideological function. As Konings (2010b, p. 179) claims:

> *"To make a distinction between state and society is not merely to describe a pre-existing state of affairs, but it is to participate actively in the construction of an institutional configuration in which certain kinds of relationships are said to be non-political even though they involve power and control. In other words, the state/society distinction is part of a political discourse that produces social effects (...)."*

As such, the notion of a political realm and a separate economic realm mystifies that the economic is also political, and this formal separation is instrumental to the workings of capitalism.

A second cause of the pro-capitalist bias of state managers is that they share the goal of private capital accumulation with the capitalist class (Lipson, 1985, p. 257). Therefore, as Anievas (2011, p. 609) contends: "State managers and capitalists can thus be viewed as constituting two distinct group of actors, drawn into strategic alliances with one another through the pursuit of their own *distinctive interests*." There are at least two reasons why state managers share the same objectives as the capitalist class. First, in a capitalist system, they are dependent on the economic activities of capitalists – especially multinationals, banks, wealthy individuals, and large investors – for growth, employment, and taxes (Block, 1980, p. 231; Rupert, 2010, p. 95). As capital accumulation by private capitalists is thus crucial to maintain the legitimacy both of the state as a whole and of individual state managers, state managers will try their very best to promote capital accumulation within their territory (Panitch & Gindin, 2012, p. 3; Rupert, 2010, p. 95). This explains the need to provide a favourable "business climate" and the compulsion to build, preserve and improve "business confidence", "investor confidence" and "policy credibility" (see also Chapter 3).

Third, states also operate in a structural context of international competition. If a state wants to be able to compete geopolitically, or even survive within an international system, it is more or less forced to develop the national productive forces (Anievas, 2011, pp. 609-610; Block, 1980, p. 230; Lockwood, 2006, p. 170). While cooperation between states is of course not impossible, it is plausible to assume that state managers don't want their countries to stay behind too much. Therefore, state managers want an economic structure that stimulates capital accumulation. As explained above, in a capitalist context this implies providing a favourable climate for the capitalist class. The concept of a "state-capital nexus" has been invoked to highlight that state power in a capitalist context cannot be separated from the private power of capital (van Apeldoorn, de Graaff & Overbeek, 2012, p. 472)[xxi].

As a fourth structural element leading to biased pro-capital state policies, the unequal power relations between capital and labour, as outlined above (see 3.2.1), in general obviously also lead to unequal power to influence state policies (Wolfson, 2003, p. 261). Integral to this power is the wealth of capitalists. This wealth can be used for all kinds of ways to influence both state managers and the public opinion (Block, 1980, p. 231; Tabb, 2006, p. 8). For instance, private media are often owned by capitalists; capitalists are better able to lobby (or even bribe) state managers; and capital has more resources to pay for PR and spokesmen, fund think tanks, and so on. The fact that the state often acts in the interests of the capitalist class is a reflection of capital's power, but it does not imply that this power (both outside and inside the state) cannot be challenged (Tsolakis, 2010, p. 396).

The background of state managers, and the "institutional and social channels through which capitalists and state managers directly relate" (Anievas, 2011, p. 609), is the fifth feature that causes a pro-capital bias. Highly ranked officials are often themselves members of the wealthier groups in society (Tabb, 2006, p. 8). Most state managers also have many things in common with capitalists, such as the sociological background, education, cultural influence, ... (Davidson, 2010, p. 84). Fifthly, it could be argued that in away, the *raison d'être* of state managers is to make the system work and manage its contradictions. Consequently, they are often impelled to protect and manage capitalism instead of trying to overthrow it (Block, 1980, p. 231).

If you take all these elements together, it becomes obvious why states have generally acted in the interests of the capitalist system and the capitalist class. This is not always because of conscious actions by state managers: "Policymakers and politicians may therefore very well think of themselves as disinterestedly serving the common good, but their historical constitution as actors in a capitalist society makes it likely that their epistemic framework will be biased in favour of capitalist interests" (Konings, 2010b, p. 178). Finally, it must be mentioned that one important aspect that affects the potential autonomy of state managers, concerns the degree of politicization: the less politicized a policy domain, the more autonomy for state managers. For this dissertation, this is crucial, as the issue of capital controls has often been considered as a highly technical, apolitical policy field (see Chapter 1).

3.3 The shortcomings of neo-Gramscian perspectives

There are three important shortcomings of neo-Gramscian perspectives which have been or could be identified with regard to neo-Gramscian perspectives, and which are relevant for this dissertation. First, with regard to geographical focus, neo-Gramscian concepts and theories have mostly been applied to the leading developed countries, especially Western Europe and the US.[xxii] For that reason, they have been blamed to pay insufficient attention to states outside of the core of the global political economy (van Apeldoorn, 2004, p. 169; Worth, 2008, p. 640). While some authors have offered an account of recent or less recent developments in particular (groups of) EMDCs[xxiii] and the former communist countries in Eastern Europe[xxiv], it could reasonably be argued that scant attention has been given to the question on whether and how rising powers will challenge the Western-made neoliberal world order. As van Apeldoorn (2004, p. 169) has stated on the neo-Gramscian perspectives developed by the "Amsterdam School", "more research and theorization of 'the transnational' beyond our traditional geographical approach seems all the more called for". Although

recent articles have examined the BRICs in general or particular countries (see van der Pijl, 2008, 2012; Rucki, 2011; Saull, 2012; Schmalz & Ebenau, 2012; Stephen, 2014), this dissertation will provide one of the first efforts to systematically fill this gap by studying three of the main rising powers.

Second, it could be argued that while neo-Gramscian accounts – and Marxism more generally – sometimes , while rich in theory, lack empirical substantiation. This is not surprising, as class (as well as class fractions) is an abstract concept which is not always empirically observable. However, the lack of empirical material potentially results in more “intuitive” assessments of the prospects of counterhegemonic projects in the Global South. This dissertation aims to strengthen neo-Gramscian perspectives by offering an empirically rich study. Besides a large amount of academic literature as well as empirical studies, the dissertation therefore makes use of four kinds of sources: (1) databases and statistics from international organizations such as the World Bank and the IMF; (2) official documents of governmental organs; (3) websites of the organized representation of various social forces such as certain capital fractions; and (4) 33 interviews (8 in China in September/October 2013, 13 in Brazil in May/June 2013 and 12 in India in November 2013) with state managers, representatives of different social forces and academics. Moreover, this dissertation is probably also one of the first in critical IPE in general, and neo-Gramscian IPE in particular, to offer a detailed examination of capital account policies and their relation to certain constellations of social forces (for a partial exception see Soederberg, 2002, 2004, for a historical materialist analysis of capital controls).

Third, neo-Gramscian perspectives as a whole have been accused to focus too much on elites, and to pay insufficient attention to labour and other subaltern social forces, resulting in a pessimistic and determinist view (e.g. Belfrage, 2012, p. 159; Strange, 2002, p. 343). While there is undoubtedly some truth to this claim (see Bieler & Morton, 2003, p. 480 for an assessment), recently there have been a range of accounts of labour and trade unions in different countries, especially under the impulse of Andreas Bieler (see Bergholm & Bieler, 2013; Bieler, 2012; Bieler, Lindberg & Pillay, 2008a; Bieler, Lindberg & Sauerborn, 2010). However, even if there is some truth that neo-Gramscian perspectives focus more on elites, this focus is not entirely misguided, as the capitalist class still calls the shots in a capitalist social order. Moreover, it is not always easy for trade unions to politicize depoliticized issues, such as capital account policies (see Chapter 3). Therefore, while this dissertation will also try to pay attention to the role and ideas of subaltern social forces, especially labour, concerning capital controls, it must be acknowledged that the centre of the analysis will probably be elites, such as capital fractions and state managers.

3.4 By way of conclusion: a neo-Gramscian approach and capital controls

This chapter has sketched the neo-Gramscian perspective and concepts that will be used as a device in the following chapters. In the next chapter, a historicized approach will outline how the current (neoliberal) world order came into being after the Bretton Woods order disintegrated, and the role that capital account policies played in this transition. Commensurate with the approach described in this chapter, the deep cause for this transformation in world order is sought in the social relations of production and the evolution of profitability. Further, primacy will be accorded to the consequences of this transition for the relations between capital and labour, for the capitalist state, and for the

various capital fractions, in particular financial capital and industrial capital. The role of ideas will also be discussed, as well as the limits of a primarily ideological interpretation of the neoliberal historical structure.

The three subsequent chapters will focus on the domestic political economy of capital controls in China, Brazil and India respectively. In line with the neo-Gramscian perspective outlined in this chapter, a historicized approach will sketch their capital account policies up until today, with an emphasis on the last three decades. These policies will be examined in relation to the respective countries' accumulation regime, social relations of production and (historic) blocs of social forces. Attention will also be given to the ideas within the BICs on capital controls (and neoliberal globalization more generally), and to how state managers have used their (relative) autonomy in the context of the pressures exerted on them by various social forces. On the whole, these analyses will allow us both to understand and explain the role played by capital account policies in these countries, and to assess whether the BICs can be a progressive force for change in the Western-centred, US-made neoliberal world order which is discussed in Chapter 4.

---

[i] The prefix "neo" indicates a different historical era than the one in which Gramsci lived (see Morton, 2001, p. 35).

[ii] Note that this is not even possible given the fragmented and sometimes contradictory writings of Marx (see e.g. Barrow, 2000) and Gramsci (see e.g. Green, 2002, p. 3).

[iii] For a different perspective see Germain & Kenny, 1998. A good refutation of similar arguments can be found in Gill, 2008, xx-xxiii.

[iv] Morton (2003) counterposes an "absolute historicism" to an "austere historicism". The former admits that one has to look at concepts in the historical-geographical contexts in which they arose, but assumes that these concepts can still be relevant in other contexts. Austere historicism, on the other hand, suggests that the usefulness of concepts beyond the context in which they arose is limited.

[v] Of course, these are ideal-types, and the delineation between problem-solving and critical theory is not always clear.

[vi] This is thus in contradiction with a more determinist approach.

[vii] Note that this runs contrary to an "end of history" worldview (Fukuyama, …) or a teleological Marxist view.

[viii] This should not be read as a pure constructivist stance, since the materiality of social relations and knowledge is stressed (see Jessop & Oosterlynck, 2008, p. 1157).

[ix] As Gill (2008, p. 22) puts it, "the process of thinking is part of a ceaseless dialectic of social being".

[x] For a non-mainstream critique of this materialist ontology, see Germain, 2007, 2011

[xi] The focus on class and production relations does not exclude analysing other forms of identity and exploitation, such as ethnic, gender, sexual, ..., and "non-class issues" such as peace, ecology, feminism and racism. However, these issues, identities, and forms of exploitation should also be considered in the context of and in relation to capitalist production relations and capitalism's tendencies (Bieler & Morton, 2003, p. 477; see also Simon, 1990, p. 27).

[xii] This is also why the rate of profit is a key variable in the functioning of capitalism, and thus in an analysis of the evolution of a capitalist society (Duménil & Lévy, 2002, p. 48). Note that the profit maximization motive is intensified by the competition between employers to survive in the market (Bieler, 2012, p. 367).

[xiii] There are also divisions within fractions. For instance, productive capital can be nationally-oriented or internationally-oriented, while financial capital can be banking capital but also capital in the form of investment funds, … (see e.g. Bieler & Morton, 2003, p. 487; van der Pijl, 1998, p. 52).

[xiv] The notion of a hegemonic project is similar to the concept of a "comprehensive concept of control" (see van Apeldoorn, 2004, p. 155; Overbeek, 2004a; van der Pijl, 1998, p. 4, 2010, p. 50). Kees van der Pijl (1998, p. 51) defines a concept of control as follows: "Concepts of control are frameworks of thought and practice by which a particular world view of the ruling class spills over into a broader sense of 'limits of the possible' for society at large. (...), a concept of control strategically articulates the special interests of a historically concrete

configuration of classes and states with the management requirements of the order with which those interests are most immediately congruent. Remaining largely implicit as long as it is actually hegemonic, a concept of control turns a particular interpretation of capitalist development into orthodoxy."

[xv] According to Martin (1997, p. 38), (neo-)Gramscians, because of their focus on hegemony, have often been blamed by other Marxist strands to overemphasize the role of consensus and downplay the presence of antagonism, conflict, and violence. For an analysis that criticizes the emphasis based on consent, see Miller, 2002. However, this dissertation assumes that consent is a necessary precondition for the sustainability of a social order. In simple terms, without underestimating the power of capitalist coercion, if a large majority consciously wants to overthrow capitalism, then it seems reasonable that capitalism would be overthrown.

[xvi] According to Lacher and Germann (2012, p. 99), in the international context hegemony can only be applied to the post-1945 world order under American leadership.

[xvii] The same goes for "historic bloc", as it is not clear whether one can speak of an *organic* alliance of social forces in an authoritarian context.

[xviii] This is also pointed out by Paul Krugman (2014a).

[xix] In terms of the dilemma between "a so-called bourgeois dead-end" and "the cul-de-sac of Marxist economic reductionism" as sketched by Hobson (2010, p. 115), this dissertation thus clearly leans towards the "bourgeois dead-end".

[xx] On Jessop's concept of "strategic selectivity" see also van Apeldoorn, 2004, p. 168; Hay, 1994, pp. 350-351; Morton, 2006, p. 67

[xxi] Another related tendency is that state managers often feel pressured to imitate the example of the leading states. As long as this leading state's example is based on a capitalist accumulation regime, state managers in other countries will feel inclined to apply this discipline of capital.

[xxii] See e.g. Bieler & Morton, 2001; Bruff, 2010; de Graaff & van Apeldoorn, 2010; Macartney, 2008a, 2008b, 2009b; Overbeek, 2004b; van Apeldoorn, 2002.

[xxiii] See e.g. Abrahamsen, 1997 on sub-Sahara Africa; Morton, 2003c, 2005 on Mexico.

[xxiv] E.g. Shields, 2008, 2011.

4. Neoliberalization: bringing class back in

4.1 Introduction: “neoliberalism” in the scientific literature

To assess whether the BICs deviate from the West, some kind of benchmark is needed. While the Western norm of full capital mobility in itself already provides a useful indication, the analysis can be improved if this move towards the free movement of capital is historicized, and put in the context of the changing relations between classes and class fractions. In this chapter, it will be argued that the move towards the free movement of capital in the West and the global economy as a whole can only be understood in relation to the transition from the Bretton Woods era to the “neoliberal” era. Full capital mobility and neoliberalism are mutually related: the neoliberal era cannot be understood without referring to capital account liberalization; and capital account liberalization can only be understood within the context of the neoliberal era.

This chapter will therefore conceptualize “neoliberalism” and “neoliberalization” with three objectives in mind. The first is to clarify the relationship between neoliberalism and capital account liberalization, and to demonstrate that the free movement of capital is a fundamental element in the neoliberal project. Second, a conceptualization of neoliberalism makes it possible to assess not only whether the BICs deviate from the norm of full capital mobility but also to examine where they stand on the neoliberal project more generally. Third, the neoliberal world order can be seen as the structural global context in which the BICs’ policies and evolution should be considered.

The concept “neoliberalism” seems to be everywhere in the social sciences, and the academic debate has been vibrant. Indeed, “its recent expansion into a field of academic inquiry has been nothing short of meteoric” (Springer, 2010, p. 1026) so that it “has rapidly become an academic catchphrase” (Boas & Gans-Morse, 2009, p. 138; also Cerny, 2008, p. 1; Peck, Theodore & Brenner, 2009, p. 97; Sparke, 2006, p. 357). Yet, while the use of “neoliberalism” has become widespread, its conceptualization and definition is a contentious issue, both in the academic literature and in the broader public debate. From the beginning of the use of the concept, “the life of this keywords has always been controversial” (Peck, Theodore & Brenner, 2009, p. 96).

Moreover, scholars have recently raised several concerns on the use of neoliberalism. First, neoliberalism is rarely explicitly conceptualized or defined (Boas & Ganse-Morse, 2009, pp. 138-139; Brenner, Peck & Theodore, 2010b, pp. 183-184; Mudge, 2008, p. 703). Second, the concept is used in many different (though sometimes overlapping) ways, so that it is often unclear what is meant by it (Birch, 2011; Boas & Ganse-Morse, 2009, p. 139; Ferguson, 2009, p. 166; Gamble, 2001, p. 134; Hall, 2012, p. 9; Patomäki, 2009, p. 432; Springer, 2010, p. 1031). Third, it is used in too broad a manner, for too wide a range of phenomena (Boas & Gans-Morse, 2009, p. 143, p. 156; Brenner, Peck & Theodore, 2010b, pp. 183-184; Cerny, 2008, p. 3). Fourth, for many critics, neoliberalism “is used as an all-purpose term of abuse” (Gamble, 2009, p. 4) or as “a kind of gigantic, all-powerful cause” (Ferguson, 2009, p. 171). Relatedly, while “neoliberalism” is often invoked by its opponents, few would readily describe themselves as “neoliberals” (Aalbers, 2013, p. 1084; Boas & Gans-Morse, 2009, p. 140; Patomäki, 2009, p. 432; Peck, Theodore & Brenner, 2009, p. 96). This is also very clear in public debates. In sum, “‘neoliberalism’ appears to have become a rascal concept – promiscuously

pervasive, yet inconsistently defined, empirically imprecise and frequently contested" (Brenner, Peck & Theodore, 2010b, p. 182).

After the global financial and economic crisis that started in 2007 (and is in fact still ongoing), the issue of conceptualizing neoliberalism has become even more pressing (Brenner, Peck & Theodore, 2010b, p. 183). Analysts , journalists, politicians and academics have often labelled the crisis "a crisis of neoliberalism"[i] (e.g. Dello Buono, 2010, p. 22; also Albo, 2009, p. 120; Brie, 2009, p. 16; Rucki, 2011, p. 346). In the early aftermath of the crisis, the question regularly being asked was therefore: does the collapse of global financial markets mark the end of neoliberalism? The popular answer in the public debate was that it definitely did; something was about to change. Some scholars agreed with this prediction and labelled the crisis the end of neoliberalism (e.g. Altvater, 2009, p. 75; Ceceña, 2009, p. 33; Li, 2010, p. 290; Nesvetailova & Palan, 2010, p. 797) or have at least posed the question whether the end of neoliberalism could be in sight (Harvey, 2009; Stiglitz, 2008). It seemed as though the crisis would herald "the final demise of the neoliberal project" (van Apeldoorn, de Graaff & Overbeek, 2012, p. 476; see also Peck, Theodore & Brenner, 2009, pp. 94-95). Keynesianism, seen as incompatible with neoliberalism, was back in fashion (as noted by Hendrikse & Sidaway, 2010, p. 2037).

As time passed by, however, it appeared that the neoliberal project had at least bought some time (van Apeldoorn, de Graaff & Overbeek, 2012, p. 478). Scholars increasingly claimed that neoliberalism is still alive and kicking (van Apeldoorn, 2011, p. 172; Buch-Hansen & Wigger, 2010, p. 39; Cahill, 2011, p. 488; Comaroff, 2011, p. 144; Henry, 2010, p. 549; Konings, 2009, p. 122; Macartney, 2009a, p. 111). Indeed, it is argued that "it would seem that the rumours of neoliberalism's death were premature" (Heyes, Lewis & Clarke, 2012, p. 236). Neoliberalism was even deepened and strengthened, so that "the aftermath of the crisis is turning out to be a neoliberal dream in the making" (Aalbers, 2013, p. 1086; also Morgan, 2013). In this view, while the global economic crisis may well be a crisis *within* neoliberalism, it has not turned into a crisis *of* neoliberalism (Fine & Milonakis, 2011, p. 7; Saad-Filho, 2010, p. 248, 264; Stockhammer, 2010). Of course, if different scholars conceptualize and understand neoliberalism's fundamentals in a different way, then neoliberalism can be both dead in one meaning and still alive in another meaning.

These concerns have led some authors to argue that we should drop the concept altogether (Barnett, 2005, p. 10; more prudently also Ferguson, 2009, p. 171). Yet, this is problematic for several reasons, which are also part of the reason why this chapter is devoted to the conceptualization and features of neoliberalism. First, neoliberalism "seems to be on the tip of virtually everyone's tongue" (Springer, 2010, p. 1025). Indeed, it has become so widespread in the scientific literature that it cannot be just be brushed aside. Relatedly, it is often invoked in popular debates and social scientists cannot just ignore this fact.

Second, the term "neoliberalism" is also a powerful political weapon. According to Stuart Hall, using neoliberalism "is *politically* necessary, to give resistance content, focus and a cutting edge" (Hall, 2012, p. 9, original emphasis). It brings together various progressive social forces against a common enemy. This enemy is associated with the policies and discourse of the last decades. But for these progressive social forces to know what they are fighting against, it should be clarified what exactly defines neoliberalism, and what is the driving force behind it. As will be argued below, it is especially

problematic that even many progressives believe that neoliberalism is predominantly an ideological project.

Third, as will be argued in this chapter, there have been global tendencies during the past decades that have played a similar (but still variegated) role in almost all countries in the world.[ii] Clearly then, if this is accepted, then it cannot be argued that "there is no such thing as neoliberalism", as one scholar puts it (Barnett, 2005, p. 9), or "that we have never actually been subject to neoliberal political-economic restructuring after all" (Birch, 2011). Fourth, the fact that the changes predicted right after the crisis did not materialize also raises questions. To many, especially on the left, it seems clear that the neoliberal era "should have concluded with the financial crisis of 2007" (Morgan, 2013); the question then is: "So why didn't the situation force a move away from neoliberalism after 2008?" (Callinicos, 2012, p. 69).

In general, the various conceptualizations of neoliberalism can be headed under five categories: (1) neoliberal economics; (2) neoliberal ideology; (3) neoliberal policies; (4) a neoliberal culture and governmentality; (5) a neoliberal class project (for other overviews see Boas & Gans-Morse, 2009, p. 143; Centeno & Cohen, 2013, p. 318; Fine, 2010, p. 12; Larner, 2000, p. 6; Mudge, 2008, pp. 704-705; Springer, 2010, p. 1026, 2012, pp. 136-137; Stockhammer, 2010). It is rather naïve to expect that scholars (or various social forces) will be able to agree on a "common" meaning or "proper usage" of neoliberalism (as advocated by Boas & Gans-Morse, 2009, p. 156), because paradigmatic, ontological and political differences inhibit this. Yet if scholars invoke the concept, they should explain clearly how they define it. This chapter therefore clarifies the use of "neoliberalism" in this dissertation.

The second section after this introduction briefly sketches the main tenets of the post-World War Bretton Woods order, and its downfall in the 1960s and 1970s. In the third section, a neo-Gramscian view of neoliberalism is offered as primarily a *class* project, as opposed to primarily an *ideological* project (for a similar distinction see Brand & Sekler, 2009, p. 6; Nesvetailova & Palan, 2010, p. 800). The role of ideas is assessed in the fourth section, and it is argued why neoliberalism cannot be seen as primarily an ideological project. In the fifth section, it is argued that the implementation of neoliberalism is differentiated, depending on the spatio-temporal context. It is therefore argued that a process of variegated neoliberalization can be discerned in many countries, instead of a single, uniformly implemented policy programme all over the world. This also implies that the BICs' policies and perspectives could deviate substantially from the neoliberal class project.

4.2 The rise and fall of the Bretton Woods order

4.2.1 The Keynesian Bretton Woods order in the era of "embedded liberalism"

To start an analysis of neoliberalism, a first element is that most historical materialist analyses see it as a new phase of capitalist development (Duménil & Lévy, 2006, p. 25; O'Connor, 2010, p. 692). Many authors talk about the "neoliberal era" (Fine & Milonakis, 2011, p. 15; Konings, 2010a, p. 742; Panitch & Gindin, 2009, p. 9; Peck, Theodore & Brenner, 2009, p. 95; Sader, 2009, p. 175; Watkins, 2010, p. 6). The start of this epoch can be situated in the 1970s. Neoliberalism can therefore only be conceptualized in the historical context of capitalist phases. This chapter starts with the resumption

of “the making of global capitalism”[iii] under the aegis of the American state after the Second World War, and after the long period of inter-capitalist war and rivalry (1914-1945).

After the defeat of Germany as a contender state in 1945, starting its incorporation into the heartland, the US as the leading state in the developed world created a new world order, the predecessor of the neoliberal era, based on what has been called an “embedded liberal” framework (Ruggie, 1982).[iv] In terms of social forces, the Keynesian or embedded liberal historical structure was based on a historic bloc in the Western “Lockean” heartland (see chapter 5 for this term) consisting of productive capital and organized labour. It was underpinned by the American state as the leading power in the developed world (Ruggie, 1982, p. 397; Saull, 2012, p. 329). Ideologically, Keynesian and New Deal ideas, as well as anti-communism, were crucial in cementing the historic bloc together. There was also a shared social purpose of economic growth with full employment and social stability (Ruggie, 1982, p. 397). Institutionally, the Bretton Woods monetary order, the Bretton Woods institutions, and the national welfare states supported the embedded liberal social order. Finally, the Fordist accumulation regime led to high growth rates and the incorporation of the working class into Western capitalism. The fifties and sixties are therefore labelled as capitalism’s Golden Age (Armstrong, Glyn & Harrison, 1991, p. 118).

The embedded liberal or Keynesian era was based on a number of compromises: between capital and organized labour[v]; with regard to economic policies between liberal internationalism and national interventionism; and between the aspirations of the people and the needs of the capitalist mode of production and the capitalist class (see Boyer, 2010, p. 349; Crotty & Epstein, 1996, p. 118; Germain, 2009, p. 672; Gill, 2008, p. 61; Neilson, 2012, p. 167; Ruggie, 1982, p. 393; Thompson, 1997, pp. 100-101). The class compromise between capital and labour, making this a relatively inclusive settlement, was especially innovative. However, it was also inherently limited and contradictory.

On the one hand, this compromise was only possible because of mass protests and actions by the working class (Brenner, 2007, p. 38; Halperin, 2004, p. 285). Without this mass industrial militancy, the New Deal reforms and social compromises in developed states would probably not have materialized.[vi] Capital controls, as documented in chapter 1, played a crucial – but insufficient by itself – role in this class compromise. By limiting the freedom of financial capital, they reflected and institutionalized “a partial victory of productivism over financial capital” (Patomäki, 2001, p. 43; see also Gill, 2008, p. 185, 187). They also allowed for independent monetary policy, and for expansionary Keynesian and social-democratic policies in pursuit of full employment and social stability on behalf of the national state, without triggering too much capital flight (Thompson, 1997, pp. 100-101). Controls, together with lower levels of international trade and investment, left capital without its “exit threat” and as such removed one of capital’s main weapons in class struggles. It undermined capital’s capacity to prevent the implementation of national policies that it disliked (Crotty, 2005, p. 77; Gill, 1998, p. 29). Suppressing (to a certain extent) the global economy created leeway for social-democratic policies such as the creation of a welfare state. Together with capital controls, strong domestic constraints on finance were put in place in many countries (Duménil & Lévy, 2001, p. 586).[vii] The reforms represented important victories for the working classes (Harmes, 2001, p. 104; Panitch & Gindin, 2012, p. 9).

On the other hand, the social compromise represented only a partial and limited victory for labour.[viii] Workers obtained concessions with regard to social rights, material benefits and working conditions,

but in turn, organized labour assured it would not question the profit motive, capitalist ownership and control and private property (Armstrong, Glynn & Harrison, 1991, p. 136; Baccaro, 2010, pp. 342-343; Panitch & Gindin, 2012, p. 84; Winters, 1994, p. 420). As Panitch (1985-1986, pp. 53-54) writes on this compromise: "With Keynesianism and the welfare state coming to provide new substantive content to 'state intervention' and being accepted as such by significant sections of bourgeois opinion, it was no longer necessary for social democratic parties to emphasise public ownership as the centerpiece of planning or control over the economy." This left an important aspect of the structural power of capital intact (Dale, 2012, p. 11; Skocpol, 1980, p. 199). The "decommodification" that happened was, especially in the US, limited, and did not include the labour "market" (Konings, 2009, p. 113; Lacher, 1999, pp. 344-345; Panitch & Gindin, 2012, p. 9). What is more, financial capital was still a very powerful social force in the US, expanding even during the "restrictive" Bretton Woods order (Gill, 1998, p. 30; Konings, 2010a, p. 746; Panitch & Gindin, 2012, p. 78, 86).

Whatever the intentions of the Bretton Woods architects, even during the 1950s, international trade, investment and finance were already growing (Lacher, 1999, p. 344). Capital, especially financial capital, was no longer satisfied with growing solely within domestic borders, and increasingly demanded the elimination of capital controls (Baccaro, 2010, p. 343; Goodman & Pauly, 1993, pp. 55-58, 81; Neilson, 2012, p. 168; Panitch & Gindin, 2012, p. 111). By the 1970s, the internationalization of business had greatly expanded. The internationalization of productive and financial capital meant in the first place the internationalization of American capital, especially in Europe.[ix] During the 1960s financial capital in the form of American banks also became an important actor in European finance, which involved the European adoption of American practices. The stage was set "for the implementation of American capital as a class force inside European social formations" (Panitch & Gindin, 2012, p. 114). This was promoted and secured by the US state (Harvey, 2005, pp. 28-29; Maxfield & Nolt, 1990, p. 78). The internationalization of capital was bound to undermine the Bretton Woods order (see Crotty & Epstein, 1996, p. 118; Gill, 2008, p. 27, 95, 102; Panitch, 2000, pp. 10-11; Panitch & Gindin, 2012, p. 111). Both the coherence of the historic bloc and the feasibility of national welfare states were fundamentally dependent on the (partial) repression of international economic transactions, especially short-term capital flows.[x]

4.2.2 The final crisis of the Bretton Woods order

The rate of profit began falling after peaking in Europe in 1960 and in the US in 1965 (Armstrong, Glyn & Harrison, 1991, pp. 176-185; pp. 225-230; Brenner, 2007, pp. 37-72).[xi] In the US, the profit rate in 1970 was 40% below its highest level in the 1960s (Panitch & Gindin, 2012, p. 135). Together with the oil prices this "profit squeeze" was a crucial cause of the economic crises and stagnation of the 1970s, the worst since the Great Depression of the 1930s. It was the main source of anxiety and discontent in the capitalist class (Bresser-Pereira, 2010, p. 521). The crisis, and the perception that Keynesian solutions were no longer effective, proved to be an important catalyst for the introduction of the neoliberal project (Albo, 2002, p. 46; Cerny, 2008; Clarke, 1987, p. 404; Duménil & Lévy, 2002, p. 43; Fine & Harris, 1987, p. 367; Harvey, 2005, p. 12). What started as an economic crisis developed into a "crisis of hegemony", in which the prevailing consensus completely unravelled (Gill, 1990, p. 299).

This profitability crisis went hand in hand with a growing radicalization and strength of the working classes at the end of the 1960s and in the 1970s, particularly in Western Europe (Albo, 2009, p. 119; Cumbers, 2012, pp. 45-46; Li, 2010, p. 294; Konings, 2009, p. 114; Maisano, 2012; Panitch & Gindin, 2012, p. 112; Radice, 2009, p. 91). While the post-war compromise was based on the acceptance by labour of the private ownership of the means of production, many capitalists and right-wing politicians perceived this acceptance to be under threat. There was large-scale social unrest, social movements[xii] and labour organizations in the West and in many developing countries were increasingly questioning the established order, and socialist and communist movements were gaining ground (Armstrong, Glyn & Harrison, 1991, pp. 192-207; Harvey, 2005, pp. 14-15, 2006, p. x; Panitch, 2000, pp. 10-11; van der Pijl, 1998, p. 123). Another challenge to the rule of capital, but also to US hegemony, came from the radicalization of the Third World in the form of the movement for a New International Economic Order (NIEO), aiming at more autonomous post-colonial development and opposition to US imperialism (Panitch, 2000, p. 10; Panitch & Gindin, 2012, p. 112; van der Pijl, 1998, p. 123; Radice, 2009, pp. 91-92).

There was thus a triple threat to the established elites (see Albo, 2009, p. 119; Harvey, 2005, pp. 14-15): first, an economic threat in the form of a decreasing rate of profit; second, a political threat in the form of social unrest and the radicalization of working class and urban social movements in advanced countries; third, an international threat in the form of the questioning of US hegemony and Western dominance by developing and industrializing countries. To counter these threats, profitability had to be restored, the power of the working class and social movements had to be broken, and the Third World had to be disciplined. In order to achieve this, the social compromises of the Bretton Woods order would have to be sacrificed (Brand, 2005, p. 162). The 1970s thus marked the transition away from the era of embedded liberalism towards the neoliberal era.

4.3 Neoliberalism as a class project

4.3.1 Restoring profitability and changing the balance of forces

The neoliberal project emerged as an answer to these multiple deep and profound crises that struck the capitalist world in the 1960s, 1970s and 1980s. At first, it did not entail a conscious, coherent and fully-formed strategy; to the contrary, the early response of state managers to the economic crises of the 1970s lacked coherence and clarity (Panitch & Gindin, 2012, p. 13; Radice, 2010, p. 133). The economic crises initially led to a variety of reactions (Albo, 2002, p. 47). The shift to the neoliberal project was thus not inevitable (Crotty, 2005, pp. 77-78). In David Harvey's words:

> *"In retrospect it may seem as if the answer was both inevitable and obvious, but at the time, I think it is fair to say, no one really knew or understood with any certainty what kind of answer would work and how. The capitalist world stumbled towards neoliberalization as the answer through a series of gyrations and chaotic experiments (...)."* (Harvey, 2005, p. 13)

Some of the policies implemented were pragmatic responses to the economic turmoil (Barnett, 2005, p. 10; Clarke, 1987, p. 404).[xiii] One of these was the Volcker Shock (see Grahl, 2001, pp. 151-152), which proved to be one of the decisive turning points towards neoliberalism (Overbeek, 2004b, p. 132; Panitch & Gindin, 2012, p. 171; Stockhammer, 2010). Yet one of the central goals of the

capitalist class and most state managers was to (re-)increase the rate of profit, which would supposedly revive private capital accumulation and economic growth.[xiv] In this context, the neoliberal project gained strength, based on two mutually reinforcing pillars: restoring corporate profitability and/through changing the balance of forces in capital's favour to the detriment of labour (Albo, 2009, p. 119; van Apeldoorn, de Graaff & Overbeek, 2012, p. 476; Armstrong, Glyn & Harrison, 1991, p. 306; Duménil & Lévy, 2002, p. 53; Hirsch & Kannankulam, 2011, p. 26; O'Connor, 2010, p. 697).[xv] Neoliberalism should thus primarily be seen as a *class* project, as many historical materialists have argued (e.g. Harvey, 2009). A definition which entails the most important elements is provided by Saad-Filho and Yalman:

> *"Neoliberalism is the contemporary form of capitalism, and it is based on the systematic use of state power to impose, under the veil of 'non-intervention', a hegemonic project of recomposition of the rule of capital in most areas of social life. This project emerged gradually after the partial disintegration of post-war Keynesianism and developmentalism in the 1970s and 1980s, and it has led to the reconstitution of economic and social relations of subordination in those countries where neoliberalism has been imposed."* (Saad-Filho & Yalman, 2010, p. 1)

The breakthrough of this project in the US (and UK to a lesser degree) was decisive for the new world order: "In fact, the shift in the balance of class forces in favor of capital promoted restructuring of the US economy so as to lay the basis for overcoming the crisis of corporate profitability. The way in which the crisis of the 1970s was resolved was decisive for realizing the project for a global capitalism under US leadership in the final two decades of the twentieth century" (Panitch & Gindin, 2012, p. 164).

The response to the radicalization of the working class and social movements was a fierce attack against trade unions, organized labour and the welfare state (Albo, 2009, p. 119, 133; Brenner, 2007, p. 42; Gamble, 2001, p. 131; Watkins, 2010, pp. 7-8).[xvi] While this has been clear in many countries, it was most explicitly expressed by the former chief economic advisor of Margaret Thatcher:

> *"The Thatcher government never believed for a moment that [monetarism] was the correct way to bring down inflation. They did however see that this would be a very good way to raise unemployment. And raising unemployment was an extremely desirable way of reducing the strength of the working classes. … What was re-engineered – in Marxist terms – was a crisis of capitalism which re-created the reserve army of labour, and has allowed the capitalists to make high profits ever since."* (Alan Budd quoted in Wade, 2010, p. 61)

Instead of an economic project, then, "neoliberalism was essentially a *political* response to the democratic gains that had been previously achieved by working classes and which had become, from capital's perspective, barriers to accumulation" (Panitch & Gindin, 2012, p. 15, original emphasis). The logic was obvious: "If the working class was strong enough to constitute a barrier to profitability then it had to be disciplined, its wages and benefits reduced and all sign of its capacity to exert a profit squeeze removed" (Harvey, 2006, p. xxv). Neoliberalism thus implied the abandonment by capital of the post-war class compromise between (industrial) capital and organized labour (Bieler, 2012, p. 368; Demirović, 2011, p. 47).

Even though trade unions, especially in Western Europe, were able to defend some achievements (Brenner, 2007, p. 43), the attack on labour can be termed successful: working people faced many defeats and have made many concessions (Armstrong, Glyn & Harrison, 1991, pp. 280-281). Only after this defeat of the working class, first and primarily in the US after the Volcker shock, did an exit from the 1970s' crisis become possible (Panitch & Gindin, 2012, p. 14, 171). In developed countries, the regressive distribution patterns that have emerged (see 4.3.5), direct attacks on the working of trade unions (together with decreasing member rates, see Figure 4.1), higher unemployment, job insecurity and flexibilization (partly because of restrictive macroeconomic policies, technological innovations, and de-industrialization and tertiarization), and the gradual withdrawal of universal welfare provision all imply that workers (again) have been increasingly under the discipline of capital, and that trade unions have been increasingly on the defensive (Albo, 2009, p. 119; Armstrong, Glyn & Harrison, 1991, p. 262; Bieler, Lindberg & Pillay, 2008b, p. 8; Harmes, 2001, pp. 104-105; Harvey, 2005, p. 76, 168; Saad-Filho, 2010, p. 257; Saad-Filho & Yalman, 2010, pp. 1-2; Saull, 2012, p. 331; Stockhammer, 2008, p. 187; Waterman, 2008, p. 252). The labour movement has ever since remained in an impasse.

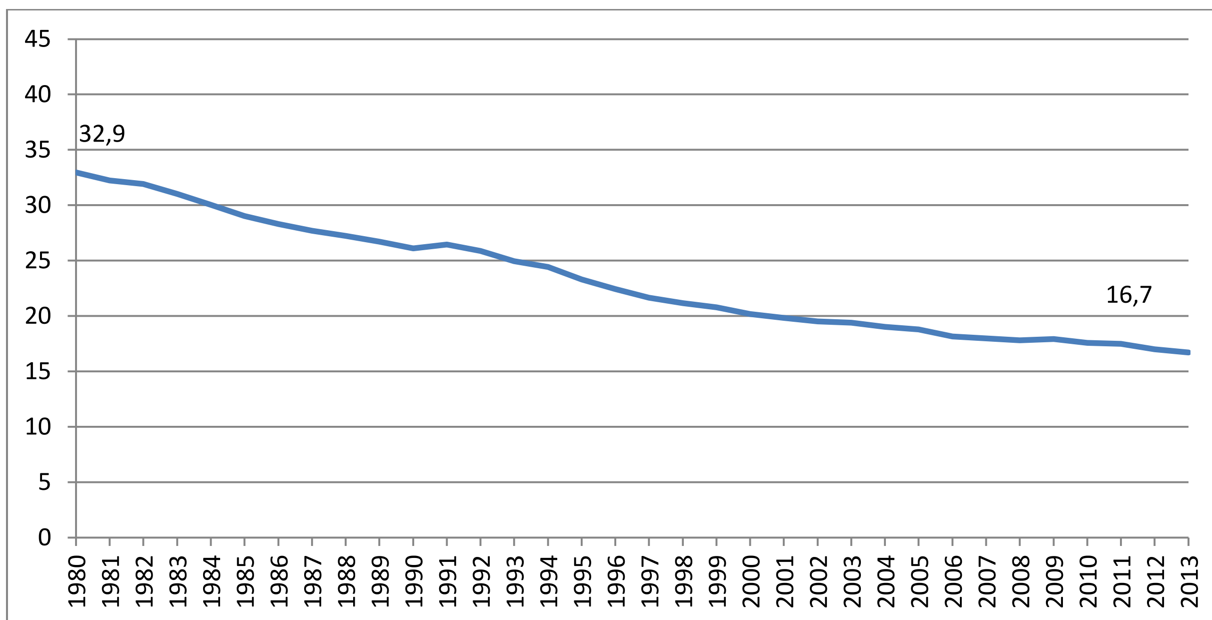

Figure 4.1: OECD unionization rate (data from OECD, 2014b)

To solve the profitability crisis, one of the main instruments that has been used is the restoration and strengthening of the discipline of capital (or "the law of value" in orthodox Marxist terms) on many actors in the capitalist system: not only the working class, but corporations and states as well (Eisenschitz & Gough, 1996, pp. 439-440; Gill, 2002, p. 63, 2008, p. 190; Harvey, 2006, p. 149). All these actors have faced increasing pressures to secure higher rates of profits by all means. Moreover, the profit motive has been expanded both into new geographical areas and into new sectors (van Apeldoorn, de Graaff & Overbeek, 2012, p. 476; Gindin & Panitch, 2002, p. 42; Jessop, 2010a, p. 29; Overbeek, 2004b, p. 132; Saad-Filho, 2010, pp. 254-255). In Sader's words: "Capitalism's passage to its neoliberal era extended commercial relations to an unprecedented degree, as if realising capitalism's original promises"(Sader, 2009, p. 175). The growing opening up of many countries,

including former communist countries, to the free movement of capital and free trade led to the spread and deepening of capitalist social relations (Cammack, 2003, p. 44; Panitch & Gindin, 2012, p. 14). Further, through privatization and liberalization a widespread commodification took place of fields and sectors which had previously been less subject to profitability obligations, and sometimes had been under public ownership (Harvey, 2005, p. 160, 165; Overbeek, 2004a). Neoliberalism, in sum, "meant the unambiguous reassertion of the maximization of the profit rate in every dimension of activity"(Duménil & Lévy, 2002, p. 52; see also van der Pijl, 2001, p. 186).

4.3.2 Capital account liberalization and the transnationalization of capital

The expansion and intensification of the discipline of capital and the attack on workers have been realized through a new accumulation regime. This has been based on three related processes: the globalization of production, the financialization of capital and the globalization of finance (Gills, 2010, p. 171; also de Graaff & van Apeldoorn, 2010, p. 408; Radice, 2010, p. 129).[xvii] Capital account liberalization has been crucial in the first and third of these processes, and as such played a fundamental role in changing the balance of power between labour and capital.[xviii]

First, with regard to productive capital, production has been transnationalized, as can be seen in the expansion of FDI (see Figure 4.2) and, to a lesser extent, trade (Figure 4.3). Through the transnationalization of production and the expansion of global production networks, transnational corporations (TNCs) have increased their bargaining leverage on the work floor by encouraging competition between workers from different countries (with different labour laws) (Albo, 2009, p. 124; Armstrong, Glyn & Harrison, 1991, p. 262; Bieler, Lindberg & Pillay, 2008, p. 264; Boyer, 2010, p. 349; Charnock, 2008, p. 126; Crotty, 2012, p. 85; Frieden, 1991, p. 434; Harvey, 2005, pp. 168-169; Jessop, 2010b, pp. 40-41; Neilson, 2012, p. 171). This competition between workers has been reinforced by the incorporation of the working classes of formerly communist countries, China in the first place, into the global capitalist economy (Foster, McChesney & Jonna, 2011, p. 17; Saad-Filho, 2010, p. 257). The liberalization of controls on FDI has been an essential precondition for the transnationalization of production. TNCs can now freely choose where to invest on a global scale, and they can relatively easy shift funds from one country to another and threaten trade unions with plant closures and relocation to other countries (Gill, 2008, pp. 107, 113; Tabb, 2006, p. 13). The fragmentation of production and outsourcing and have changed workers' perception of the economic environment and decreased their bargaining power (Cowling & Tomlinson, 2005, p. 45; Harvey, 2006, p. 421; Palley, 2007).

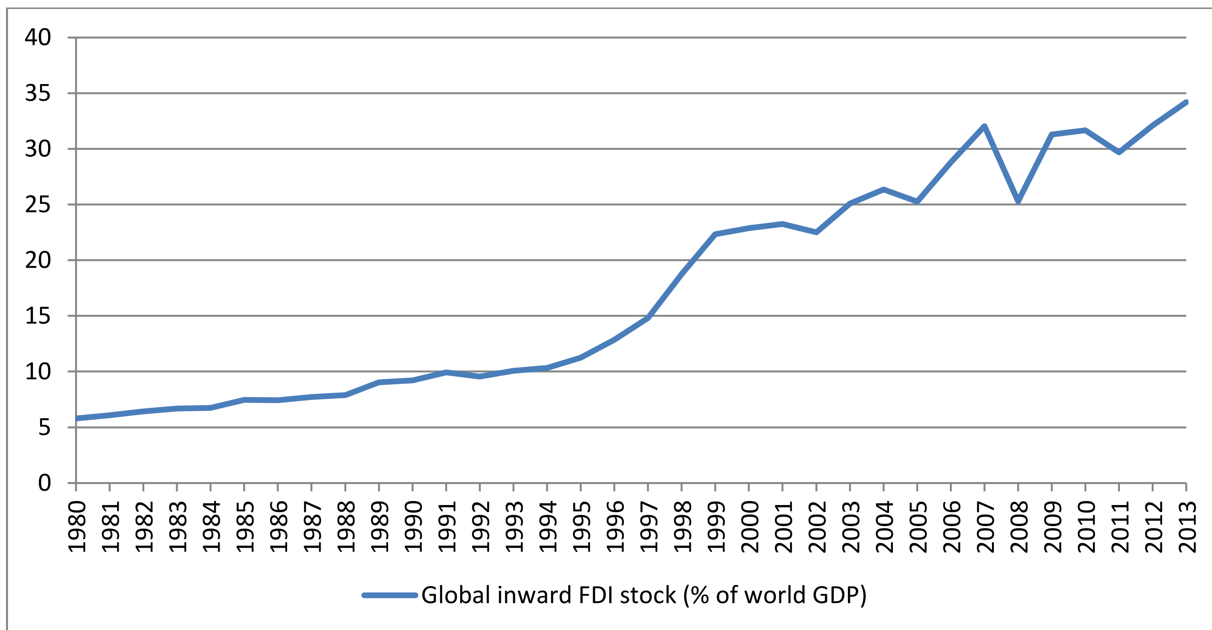

Figure 4.2: Global inward FDI stock (% of GDP) (data from UNCTAD, 2014b)

Figure 4.3 Global trade (% of world GDP)

Thus, through transnationalization, productive capital has increased its material power based on its "exit option", namely, the ability of transnationally mobile capital to relocate across borders when the conditions for profitability and capital accumulation are perceived to be deteriorating (van Apeldoorn, 2004, p. 159, 2011, p. 168; also Argitis & Pitelis, 2006, p. 67; Haggard & Maxfield, 1996, p. 41; Palley, 2009, p. 29). This exit power is a form of structural power, as capital does not even have to act to make this power visible (van Apeldoorn, 2011, p. 168). It does not even have to mention the threat to relocate to activate this power. The transnationalization of production has thus, through

changing the relative power relations between capital and labour, worked as a strong brake on workers' aspirations and demands.

A second tendency since the 1970s is the financialization of capital (see e.g. Bresser-Pereira, 2010, pp. 505-511; Harvey, 2005, p. 33).[xix] This process has been subject to various interpretations and conceptualizations, but in general it entails the dominance of financial activities and short-term profits over real economic activities and the long-term conditions for profitability (Eisenschitz & Gough, 1996, p. 443; UNCTAD, 2013b), a massive growth in global financial assets (see Figure 4.4; Panitch & Gindin, 2012, p. 284), a growing share of the financial sector as a percentage of GDP and employment (Lapavitsas, 2009, p. 126; Quiggin, 2013), and new practices and financial instruments (Fine, 2010, p. 13; Lapavitsas, 2009, p. 114, 2011, p. 611).[xx] Financial capital has appropriated an increasingly large share of profits (De Cock, Fitchett & Volkmann, 2009, p. 11; Krippner, 2005, p. 180; Saad-Filho, 2010, p. 249). In the US, the share of the financial sector in total domestic corporate profits increased from an average of 17% in 1960-1984 to 30% in 1984-2007 (Panitch & Gindin, 2012, p. 187). The rate of profit in the financial sector has been higher than in the nonfinancial sector, unlike during the embedded liberal era (Bakir & Campbell, 2013, pp. 299-300).[xxi]

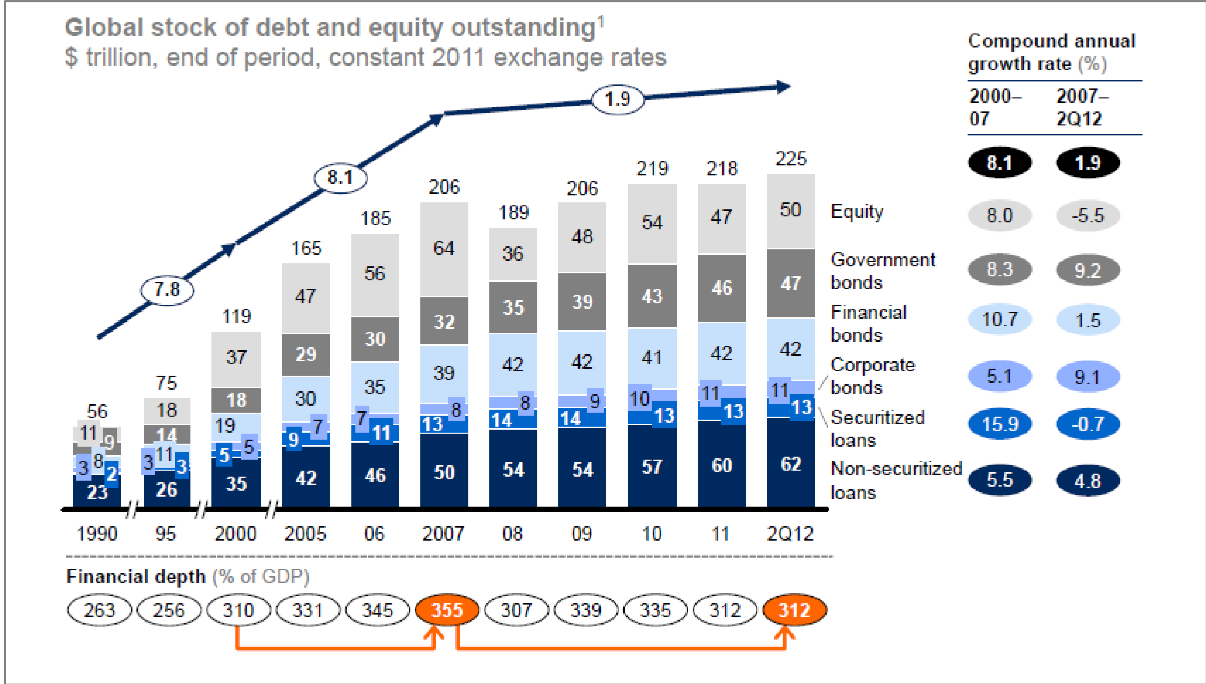

Figure 4.4: Global financial assets (from Lund et al., 2013)

Financialization was based on internal and external financial liberalization (Griffith-Jones & Stallings, 1995, p. 70; Helleiner, 2010, p. 626). It has been crucial to breaking the power of the working class, and in strengthening the discipline of capital[xxii]:

> *"Perhaps the most important aspect of the new age of finance was the central role it played in disciplining and integrating labour. The industrial and political pressures from below that characterized the crisis of the 1970s could not have been countered and defeated without the discipline that a financial order built upon the mobility of capital placed upon firms.*

Shareholder value was, in many respects, a euphemism for how the discipline imposed by the competition for global investment funds was transferred to the high wage proletariat of the advanced capitalist countries." (Panitch & Gindin, 2009, p. 17)

Securitization and derivatives have also increased the pressures to deliver high profit rates, pressures which have often been shifted onto workers (Bryan, Martin & Rafferty, 2009, p. 467; also Konings, 2010c, p. 81).

Third and finally, the transnationalization of financial capital, based on the liberalization of controls on foreign banks and short-term capital flows, has also played a crucial role in increasing the profitability imperative and disciplining working class movements.[xxiii] The international financial system is now characterized by almost complete freedom "to roam the world in search of the highest return" (Dufour & Orhangazi, 2007, p. 342; also O'Connor, 2010, p. 696; Wolfson, 2003, p. 257). Financial capital's appearance as "abstract" capital – its greater mobility, fluidity and short-termism – makes it more effective in enforcing capitalist discipline (Panitch & Gindin, 2012, p. 20; Winters, 1994, p. 421). As Gill notes, "financial capital can react to government policies, or expected policies, much more rapidly than productive capital" (Gill, 2008, p. 111; also Harvey, 2006, p. 147). Whenever and wherever there is a perceived threat to capitalist profitability and power, the continuing threat of capital flight is able to discipline progressive movements (Saad-Filho, 2010, p. 250). Capital's exit power is thus even greater because of the speed with which financial capital is able to react (Grabel, 1996, p. 1767; Palley, 2006b). It plays an important role in "reinforcing competitive processes of profit-equalization", not only within but also across countries (Panitch & Gindin, 2012, p. 290; see also Harvey, 2006, p. 286; Jessop, 2010a, p. 29; Went, 2002-2003, p. 490). The rise of global financial capital has thus strongly increased the material power of capital as a whole.

To sum up, the new historical structure is, next to the financialization of capital, dependent on the transnationalization of capital: "It is this organization of production and finance on a transnational level, which fundamentally distinguishes globalisation from the period of *pax Americana*" (Bieler & Morton, 2004, p. 94). This has been based on internal and external (financial) liberalization, including the liberalization of capital controls. Changes in the balance of power between social forces caused the initiation of these neoliberal reforms, which, in turn, strengthened these changes in the balance of power (Brand, 2007) and induced the introduction of more neoliberal policies, in both internal and external financial regulation and other policy domains (Chwieroth, 2010, p. 520; Neilson, 2012, pp. 170-171; Radice, 2010, p. 129; Watson, 2001, p. 88). Neoliberalization has thus led to more neoliberalization.

This is because the transnationalization of financial and productive capital, together with the general financialization of capital, has been instrumental in the attack on trade unions and organized labour. As Palley (2009, p. 33) summarizes: "Mobility of investment and production creates fear of employment losses, while mobility of finance creates vulnerability to financial disruption." These phenomena have strongly increased the structural material power of capital, and lead to the introduction of neoliberal policies in many domains – from environmental regulation over taxation and economic policy to social security – becoming more probable.[xxiv] As a corollary, the position of trade unions and progressive social movements has been considerably weakened. The transnationalization of capital has hence been crucial in changing the balance of forces (Baccaro, 2010, p. 347; Grabel, 2002, p. 39; Jayadev, 2007, p. 423).

4.3.3 The "competition state"

In line with the theoretical view of the state as sketched in chapter 2, the changing balance of power also had an impact upon the state and the actions of state managers. National labour movements are unable to strongly push through their demands when the state is faced with global capital. In other words, whereas the transnationalization of capital through the free movement of capital and goods ensures that profit rates are more or less globally equalized, labour is unable to demand national state policies that would potentially lower profit rates (such as policies in the realm of macroeconomics, social policy, the labour market, taxation and the environment). It is clear that social-democracy (and centre-left politics in general) – which was thriving during the Golden Age of capitalism – is profoundly threatened in such a situation (Birchfield, 1999, pp. 34-35; DeMartino, 1999; Palley, 2009, p. 30).

This is related to what Adam Harmes (2006, 2012) considers to be a self-conscious neoliberal project of "market-preserving federalism". In his view, two central principles are at the heart of the scalar project of neoliberalism. The first principle is related to the creation of global capital "through greater capital mobility and the centralization of 'market-enabling' policy competencies" (Harmes, 2006, p. 727). The second principle "is to decentralize the policy capabilities that neoliberals do not support" (Harmes, 2012, p. 67). As he argues, "neoliberalism is shown to advocate fiscal and regulatory sovereignty within the context of international capital mobility" (Harmes, 2012, p. 61). The purpose is clear, namely "to create an exit option that forces different political jurisdictions to compete for investment in a way that will discipline governments and constrain their options for pursuing market-inhibiting forms of intervention" (Harmes, 2006, p. 740).

Accordingly, the transnationalization of production and finance have led to a new environment in which state managers take decisions. On the one hand international capital mobility and free trade are now strongly (and often also legally[xxv]) anchored as the main drivers of neoliberal globalization. Wealthy individuals and firms have the ability to move their assets across jurisdictions. Therefore, states are "forced" to compete for transnationally mobile capital and export market shares. On the other hand, policies which comprise the core of labour movements' demands (such as social policies, taxation, labour and environmental standards) most of the time still reside at a lower scale (mostly the national state). Internationally mobile capital is able to play off states against each other by the possibility of "regime shopping" or "regulatory arbitrage" (Lesage & Vermeiren, 2011, p. 45; see also van Apeldoorn, 2011, p. 168; Jessop, 2010b, p. 41).

This has been captured in the notion of the "competition state" (Cerny, 1997; Fougner, 2006, 2008; Jessop, 2010, p. 41; Palan, 2006, pp. 259-260)[xxvi]. The rise to importance of concepts such as business or investor confidence, policy credibility, discipline and competitiveness are crucial in this regard (Gill, 2008; Grabel, 2000). States have been increasingly restrained to implement progressive policies due to the need "to act in accordance with norms and standards that first and foremost imply the provision of favourable conditions for mobile firms and capital" (Fougner, 2008, p. 320). Hence, International capital mobility has a disciplinary effect on states. The structural constraints that lead to a pro-capital bias on the part of state managers have been strengthened. There is both an ex-ante and an ex-post aspect to this (Grabel, 1996; see also Crouch, 2009, p. 389).

The ex-ante restraint implies that as states have to compete for the investments of transnational capital (and export market shares), they have been more or less obliged to provide an attractive

investment climate on a permanent basis (Cowling & Tomlinson, 2005, pp. 44-45; Frieden, 1991, p. 434; Gill, 2008, pp. 109-110; Harvey, 2005, p. 92; Wolfson, 2000, p. 376). The range of policies that are compatible with an attractive investment climate is rather narrow (Grabel, 1996, pp. 1763-1764). Moreover, an "international competitive dynamic" is at work "in which institutional change in one or more countries induce similar changes in other countries" (DeMartino, 1999, p. 346). As more states implement more pro-capital policies, other states are inclined to follow suit, which tends to lead to a vicious cycle (Gill, 2008, p. 110; van Harten, 2005, p. 609). Consequently, a good business climate is often given precedence over collective rights and environmental conservation (Harvey, 2005, p. 70).

The ex-post constraint means that "in the advent of capital flight or currency crises, the government is compelled to adopt measures aimed at reversing the outflow of portfolio investment" (Grabel, 1996, p. 1764). Even without actual crises, political independence is largely lost. If countries want to prevent capital flight, they must play by the rules of international investors and thus install the policies that internationally mobile capital wants them to install. Otherwise they could be punished by means of substantial capital outflows. As Gill (2008, p. 111) notes, the international mobility of capital "can swiftly force governments that deviate from policies seen as suitable by the 'market', to change course". Hence, the liberalization of capital outflows gives transnational capital exit power (see 4.3.2).

The ideological dimension, which is related to capital's exit option, is crucial here. The globalization narrative is often used to justify domestic policies that are in line with the neoliberal project, and that are directed at an attack on trade unions and the welfare state (DeMartino, 2002, p. 83; Swyngedouw, 2004, p. 40). The discourse of capital flight and the exit option, facilitated by the mobility and short-term horizon of financial capital, has hence been an important ideological force (van Apeldoorn, 2011, p. 168; see also Centeno & Cohen, 2012, p. 328; Fourcade-Gourinchas & Babb, 2002, pp. 568-569; Swyngedouw, 2004, p. 28; Watson, 2001, p. 87).[xxvii] It has strengthened the plausibility that there is no alternative (TINA) to neoliberalism (Cerny, 2008; Fourcade-Gourinchas & Babb, 2002, p. 535; Lesage & Vermeiren, 2011, p. 45; Patomäki, 2001, p. 92). As Watson (2001, p. 86, original emphasis) has noted: "Governments need only act on the *perception* of the structural constraints imposed by globalising tendencies in order to turn the globalisation hypothesis into a self-fulfilling prophecy." This ideological force has influenced not only state managers, but also workers and the population as a whole. In sum, the changes associated with capital account liberalization have further strengthened the structural selectivity of state managers in favour of capital (see Navarro, 2006, p. 21; Papadatos, 2009; Tsoukalas, 1999, pp. 68-69). This way, many national states have been moving closer towards the orthodox Marxist notion of a "committee for managing the common affairs of the whole bourgeoisie" (Neilson, 2012, p. 171; Swyngedouw, 2009, p. 307).

4.3.4 The historic bloc underpinning neoliberalism

An important question within the social scientific literature on neoliberalism is whether it was introduced as a response to systemic (economic) changes or as the product of the agency and pressure of fractions of the capitalist class (Centeno & Cohen, 2012, p. 326). While this dissertation does not aim to provide an answer to this question – it also probably differs from country to country and from policy domain to policy domain – it should be acknowledged that even though structural

factors are crucial (see Grahl, 2001, pp. 151-152; Kotz, 2002, p. 65), direct agency by fractions of the capitalist class has also played a role (see e.g. van Apeldoorn, 2000; Macartney, 2008a).

This leads us to a focus on the "transnational historic bloc" supporting neoliberalism (Gill, 2008, p. 93). The interests of this bloc are inherently connected with the global economy and the transnationalization of capital (Albo, 2002, p. 50; Gill, 2008, p. 93). At the apex of this new historic bloc is what has been called a transnational capitalist class (TCC), "comprised of the owners and managers of the transnational corporations and private financial institutions and other capitalists around the world who manage transnational capital" (Robinson, 2005, p. 7; also Gill, 2008, p. 93; Yildizoğlu, 2010, p. 43). This historic bloc was already materializing during the embedded liberal era, but it was consolidated and became hegemonic during the neoliberal era.

Transnationally-oriented financial capital has become the leading fraction within this historic bloc (see Brand, 2005, p. 162; Demirović, 2009, p. 51; Duménil & Lévy, 2001, pp. 578-579; van der Pijl, 1998, p. 47; Sader, 2009, p. 174). The capitalist class now derives a larger share of its wealth and income from financial activities (Duménil & Lévy, 2002, p. 54; Epstein & Jayadev, 2005, p. 67; Foster & Holleman, 2010, pp. 11-12).[xxviii] It is not surprising that financialization has largely benefited very wealthy individuals; financial wealth is highly unequally distributed, and as a result the gains made in financial markets are also highly unequally distributed (Lenzner, 2011; Patomäki, 2001, pp. 50-51).[xxix] The fraction of financial capital is strongest in the US and the UK, but extends across the whole world (Crouch, 2009, p. 389).

Large-scale, transnationally-oriented productive capital was not just a "victim" of this new historic bloc. It formed a crucial element of the organic alliance, especially in the form of TNCs (Crotty & Epstein, 1996, p. 122; Panitch & Gindin, 2012, p. 289; Sablowski, 2008, p. 156). This incorporation of a significant segment of industrial capital, which formerly more or less supported the embedded liberal framework, into the neoliberal historic bloc, was crucial for the adoption of the neoliberal project (Crotty & Epstein, 1996, p. 125). Due to the internationalization of production, these TNCs became more international in orientation and less dependent on national consuming markets, and increasingly supportive of a financially open global order (Crotty & Epstein, 1996, p. 125; Saad-Filho, 2010, p. 250). They benefited from the instruments provided by financial capital for hedging the risks associated with the transnationalization of production (Panitch & Gindin, 2009, p. 18). Further, productive capital was eager to crush the power of organized labour, and benefited from the capitalist discipline imposed on states by financial globalization (Jessop, 2010b, p. 43; Panitch & Gindin, 2012, p. 163). They also became themselves increasingly involved in the world of finance and credit, entangled in global financial markets, and making profits through their financial subsidiaries and activities (Fine, 2010, p. 14; Harvey, 2005, p. 32; Krippner, 2005, p. 184; Lapavitsas, 2009, p. 127; Panitch & Gindin, 2012, p. 188, 289-290; Patomäki, 2001, p. 55; Sablowski, 2008, p. 156).

4.3.5 Outcomes of the neoliberal era

As a class project, neoliberalism has been rather successful. It has resulted in "the restoration and reconstitution of class power" (Harvey, 2006, p. xi), which can, amongst others, be discerned in changing distribution patterns in capital's favour (Baccaro, 2010, p. 343; Crotty & Epstein, 1996, p. 129; Gill, 2008, p. 97; Stockhammer, 2010). The shift in the balance of power in favour of capital

helped restore corporate profitability in the US and elsewhere[xxx]. After 1982 the rate of profit started moving upward (Panitch & Gindin, 2012, p. 183). In sharp contrast with the upward trend for the profit share, and to a lesser degree, the rate of profit, both the wage share and real wages have stagnated or fallen in many countries. In the US, real wages in the private sector were lower in 1999 than in 1968 (Panitch & Gindin, 2012, p. 184). The decrease of the wage share and parallel rise of the profit share is not only a US phenomenon (see Figure 4.5; Federal Reserve Bank of St. Louis, 2014b; Harding, 2011b; Palley, 2007; Plender, 2014b), but has also occurred in many other countries (Albo, 2009, p. 123; Heyes, Lewis & Clark, 2012, p. 226; Jayadev, 2007, p. 427; Milberg, 2008, p. 427; Piketty, 2014, p. 222; for the OECD see Figure 4.6) and in the world as a whole (Karabarbounies & Neiman, 2013; UNCTAD, 2013b). According to research by Jayadev (2007, p. 424), the free movement of capital has a direct negative impact on the wage share, especially in developed countries.

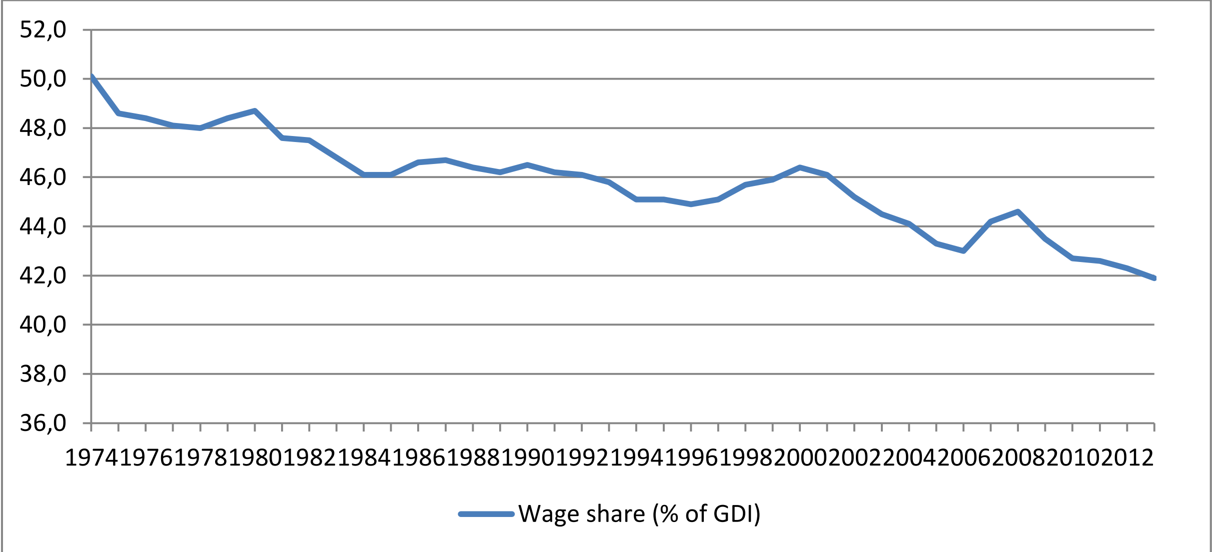

Figure 4.5: Wage share US (% of GDI) (data from Federal Reserve Bank of Saint Louis, 2014b)

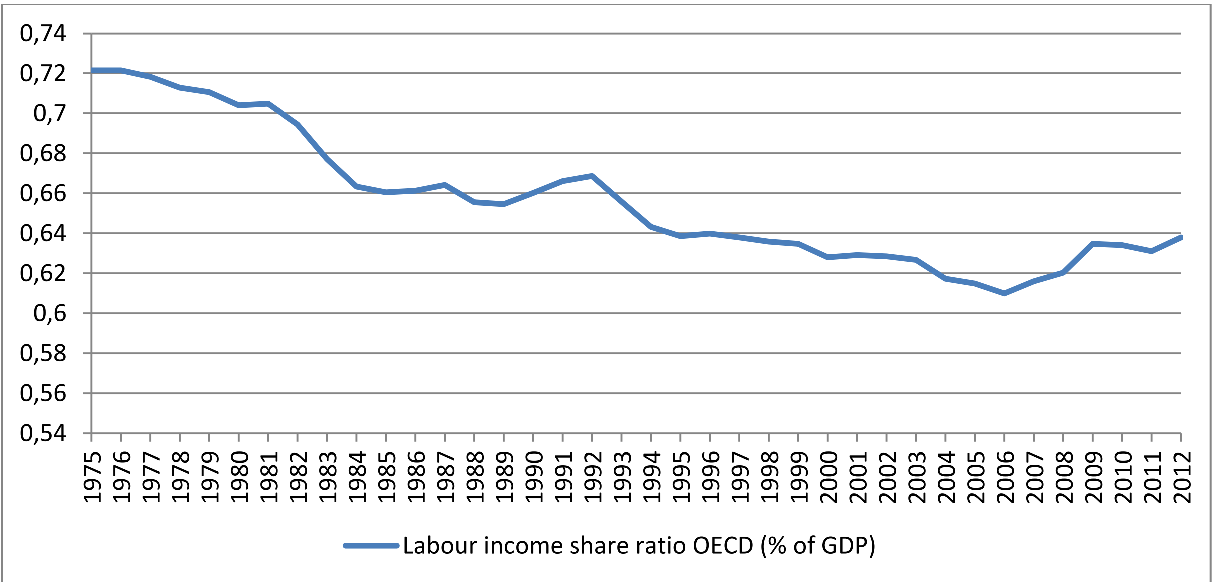

Figure 4.6: Labour income share OECD (from OECD, 2014a)

Wealth and personal income inequality have also increased substantially (on the US see Figure 4.7 & 4.8; Appelbaum, 2014; Duménil & Lévy, 2004; Gordon, 2014; Palma, 2009; globally see Harvey, 2006, pp. xi-xii; Fuentes-Nieva & Galasso, 2014; on the UK see Inman, 2014; within the OECD see OECD, 2011; in general see Piketty, 2014a).[xxxi] Several studies have demonstrated that the richest part of the population (mostly the "1%") owns a large part of national wealth even in countries that are generally considered as more egalitarian.[xxxii] All these measures of wealth, personal and functional income distribution are both an indication and a cause of the restoration of capitalist class power (Bieler, Lindberg & Pillay, 2008, p. 11; Harvey, 2006, p. xi; Tabb, 2006, p. 12).

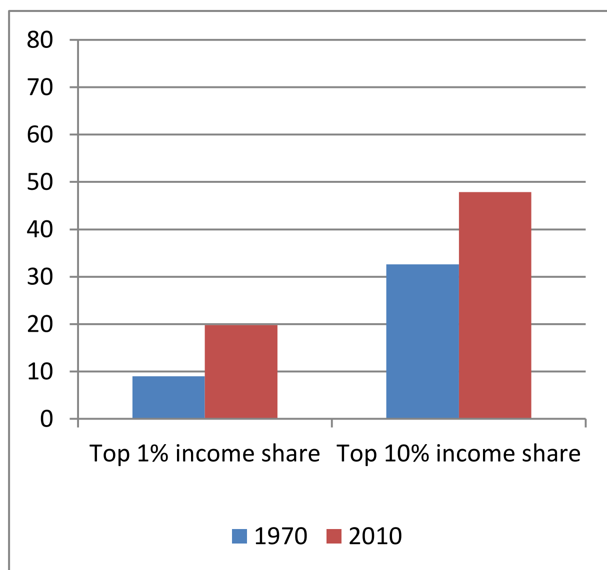

Figure 4.7: US top income shares (% of total income) (data from Piketty, 2014c)

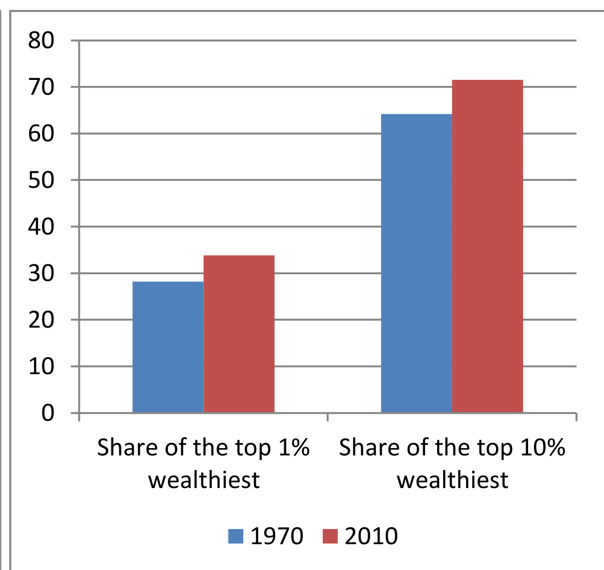

Figure 4.8: US top wealth shares (% of total wealth) (data from Piketty, 2014b)

4.4 Neoliberalism as an ideology?

4.4.1 The "free market" ideology

In the most common description of neoliberalism, especially in the public debate, neoliberalism is primarily an *ideological* project (Mudge, 2008, p. 706; Peck & Tickell, 2002, p. 401); the fundamental force that is propelling neoliberal policies, is ideology[xxxiii] (e.g. Bresser-Pereira, 2010, p. 499; Schwarzmantel, 2005, p. 85). *Ideas* are thus at the root of the global tendencies in the last few decades. The main idea, in this ideological project, is then the superiority of the market. Indeed, a number of scholars define neoliberalism as "market fundamentalism" (Stiglitz, 2008), the "free market project" (Peck, 2013, p. 720)[xxxiv] or a modern version of "laissez-faire" (Bresser-Pereira, 2010, p. 504; George, 1997, p. 47; Mudge, 2011, p. 337), or implicitly consider laissez-faire and the goal of free markets as the defining features of the past decades (Block, 2011, p. 54). Larner (2000, p. 6) correctly observes that: "The most common conceptualization of neo-liberalism is as a policy framework – marked by a shift from Keynesian welfarism towards a political agenda favouring the

relatively unfettered operation of markets." It is argued to be "an updated version of the classical liberal economic thought" (Kotz, 2002, p. 64).

What is defining the era of neoliberalism, then, is the "return" of the market: "The whole point of neoliberalism is that the market mechanism should be allowed to direct the fate of human beings" (George, 1997, p. 28). This is because of an ideology which stresses the strength and efficiency of markets, and is centred around the efficient market hypothesis (EMH), the idea that markets are automatically efficient and self-regulating. Thus, "the very core of the neoliberal dogma is premised on the belief in markets as the most efficient mechanisms of resource allocation" (Nesvetailova & Palan, 2010, p. 798). Neoliberalism in this sense is often equated to neoclassical economics, which can be seen as its theoretical foundation (Aalbers, 2013, p. 1085; Boas & Gans-Morse, 2009, p. 144; Bresser-Pereira, 2010, p. 499; Centeno & Cohen, 2012, p. 328; Chang, 2002, p. 540). One of the main theoretical propositions of neoclassical economics is that "decentralised decisions taken by competitive individuals responding to market signals generate an optimum allocation of resources which no central planner, however well informed or benign, could hope to match" (Fine & Harris, 1987, p. 381; see also Palma, 2009). The policy implications of the neoliberal ideological project are outlined by one of its gurus, Thomas Friedman (1999, pp. 86-87):

> *"To fit into the Golden Straitjacket a country must either adopt, or be seen as moving toward, the following golden rules: making the private sector the primary engine of its economic growth, maintain a low rate of inflation and price stability, shrinking the size of its state bureaucracy, maintaining as close to a balanced budget as possible, if not a surplus, eliminating and lowering tariffs on imported goods, removing restrictions on foreign investment, getting rid of quotas and domestic monopolies, increasing exports, privatizing state-owned industries and utilities, deregulating capital markets, making its currency convertible, opening its industries, stock and bond markets to direct foreign ownership and investment, deregulating its economy to promote as much domestic competition as possible, eliminating government corruption, subsidies and kickbacks as much as possible, opening its banking and telecommunications systems to private ownership and competition, and allowing its citizens to choose from an array of competing pension options and foreign-run pension and mutual funds."*

Neoliberal ideology consequently consecrates markets and diabolizes state intervention (Albo, 2002; Amable, 2011; Ferguson, 2009, p. 170; Mollo & Saad-Filho, 2006; Prasad, 2005; Schwarzmantel, 2005, p. 85). Many analysts argue that neoliberalism is opposed to not only state ownership, but also the state regulating the market and intervening in market outcomes with regard to distribution. In sum, the neoliberal state is supposed to be a "minimal state" (Öniş & Şenses, 2005; see also Kotz, 2002, p. 64). Postneoliberalism, then, implies in the first place a larger role for state intervention (Grugel & Riggirozzi, 2012, pp. 2-3; Riggirozzi, 2010, p. 71).

This conceptualisation is based on a dichotomy of "the market" versus "the state": "The concept of free markets (which is itself untheorised and treated as unproblematic) is presented as the opposite pole from state intervention with the result that state involvement in the economy is shown to be harmful (or irrelevant)" (Fine & Harris, 1987, pp. 368-369). This dichotomy is not only misguided in general (see theory of the state in chapter 2; see also Brand & Sekler, 2009, p. 7; Cahill, 2011, pp. 481-482; Chang, 2002, p. 544; Dale, 2012, p. 15; Krippner, 2007; Underhill, 2003, pp. 756-757), but it

is also a major barrier to understanding the transformations of the neoliberal era (Albo, 2002, p. 51; Amable, 2011, p. 7; van Apeldoorn, de Graaff & Overbeek, 2012, p. 476; Panitch, 2000, p. 8). Neoliberalism needs the state, and is a state-directed project.

4.4.2 Ideas versus practices and the material structure of ideas

First, in practice the "free market" ideas have in many cases not led to competitive markets with many enterprises competing, but to monopolistic or oligopolistic markets where a few (multinational) corporations yield huge market, political and other power (see e.g. Nolan, Sutherland & Zhang, 2002, p. 91; also Gill, 2008, pp. 130-131).[xxxv] These uncompetitive markets might not be the explicitly intended objective of early neoliberal ideologues, but it is not a coincidental outcome either. Many markets, when left to themselves, tend towards oligopoly and monopoly (Harvey, 2005, p. 67)[xxxvi]. Additionally, neo-liberal ideologues, such as within the Chicago School, have also changed their attitudes over time from an anti-monopoly position towards an attitude that is very permissive towards monopoly and uncompetitive markets (Birch, 2011; Crouch, 2009, p. 396; Jackson, 2010, p. 145). Finally, if markets are competitive, this is in general bad for profits (Dillow, 2014; Palan, 2006, p. 258). Therefore, attempts by states to introduce or maintain genuine competition are often fiercely resisted by capitalists. There is then often a contradiction between the rhetoric of competition and the reality of the increasing consolidation of power within a few TNCs, due to the reluctance to prevent the concentration of capital in practice (George, 2000, pp. 29-30; Harvey, 2005, p. 80; Henry, 2008, p. 218; on EU competition policy Buch-Hansen & Wigger, 2010, p. 37).

Second, globalization has not been about the retreat of the state, but about transformations in the form and purpose of the state, from stimulating domestic capital accumulation to facilitating global capital accumulation (Bryan, 1987, p. 254; Panitch, 1994, pp. 63-64; Underhill, 2003, p. 775). It never resulted in the retreat of the state, but only to state intervention of a different kind, benefiting different interests (Aalbers, 2013, p. 1084; Altvater, 2009, p. 85; Centeno & Cohen, 2012, p. 325; Fine & Harris, 1987, p. 369). The state has not just been a passive bystander of the internationalization of capital, it has actively authored, stimulated and managed this process. Related to this, "deregulation" has always been more about "re-regulation" benefiting certain social forces than just eliminating regulations. This is especially true for American finance, which is seen as an exemplary case of deregulation (e.g. Konings, 2010c, p. 80).

Third, even if neoliberalism was about the state facilitating and encouraging the private sector, the state has at several occasions intervened whenever the interests of this private sector have been threatened. This is especially clear with regard to the bailouts of financial institutions, which has not been a recent phenomenon, but has been a recurrent feature of the neoliberal era ever since at least the US savings and loan crisis of 1987-1988 and even before (Harvey, 2005, p. 73; Konings, 2010c, p. 743; Panitch & Gindin, 2009, pp. 18-19). Neoliberalism has been implemented very selectively, "quietly ignored when it would not serve dominant interests" (Massey, 2012a, p. 100; also Harvey, 2005, p. 19; Henry, 2008, p. 218).

This indicates that state withdrawal from markets has been "an ideological illusion" (Panitch & Konings, 2009, p. 72).The "return" of the state after the present economic crisis does not represent a clear deviation from earlier practices during the neoliberal era, even though it is irreconcilable with

neoliberal ideology. As Harvey (2009) states: “One of the basic principles that was set up in the 1970s was that state power should protect financial institutions at all costs. (…) The current bailout is the same old story, one more time, except bigger.” Just like previous interventions of the state in the financial system, the current state actions have mostly benefited financial capital (see van Apeldoorn, de Graaff & Overbeek, 2012, p. 477; Blackburn, 2011, p. 36; Centeno & Cohen, 2012, p. 322; Marois, 2011, p. 189; Papadatos, 2009; Watkins, 2010, p. 9).[xxxvii] This also implies that ending neoliberalism requires more than just strengthening states vis-à-vis markets. The idea that neoliberalism can be ended by merely bringing the state back in is in this sense a dangerous illusion (see Panitch, 2000, p. 7).

In summary, there are two crucial pitfalls in interpretations of neoliberalism as an ideological project. First, there has always been a deep discrepancy between neoliberal ideology and neoliberal practices (Cahill, 2011, p. 482; Harvey, 2005, p. 21; Konings, 2010a, p. 760; Krippner, 2007, p. 481; Montgomerie & Williams, 2009, p. 100). Despite the idea of state withdrawal, the neoliberal era did clearly not entail a retreat of the state (Cahill, 2011, p. 482; Panitch, 2000, p. 6). As Martijn Konings (2009, p. 110) writes: “IPE tends to assume that neoliberalism has been reshaping the world in its own image (…). But it is important to be critical of such strong constructivism: beliefs and ideas shape the world, but they do not do so by producing a reality that resembles or approximates their idealized version.” What is rejected, here and elsewhere, “is neoliberalism’s self-presentation as a regime of self-regulating markets” (Krippner, 2007, p. 481). To sum up: “Neoliberalism is much more than the above ideas of Friedrich Hayek, Milton Friedman, and Robert Nozick replacing those of J. M. Keynes, J. K. Galbraith and John Rawls” (Albo, 2002, p. 47).

This does in no way deny the importance of ideas. Ideas have been and still are a powerful force (as acknowledged by Harvey, 2005, p. 19; Henry, 2008, p. 218; Konings, 2009, p. 110), and have strongly influenced people in general, and state managers in particular, all over the world. In this sense, ideas are undoubtedly important in understanding the neoliberal era, however distorted some neoliberal ideas have been implemented in practice. Nevertheless, the focus on ideas, discourse and rhetoric masks which interests these ideas serve and have served, as noted by many authors (e.g. Aalbers, 2013, p. 1084; Hart-Landsberg, 2006, p. 2; Harvey, 2009; Lucarelli, 2009, p. 50). This is the second weakness in the understanding of neoliberalism outlined above. What is entirely missing in the neoliberalism-as-ideology account, is interests, class (fractions), the balance of power, and material developments. As Doreen Massey (2012, p. 81b) summarizes these flaws: “‘Neoliberalism’ as a purely economic doctrine – a doctrine about how to run an economy – was always (if not only then certainly in part) a tool in the armoury of a battle between social forces: the battle to restore profits at the end of the social-democratic settlement against a labour force that had made substantial gains.”

The aftermath of the crisis offers more proof that neoliberalism is not just about ideas. Several authors have argued that neoliberal policies and practices were still alive and kicking in state policies, even though the severe economic crisis delegitimized neoliberal ideas (Aalbers, 2013, p. 1083; Brenner, Peck & Theodore, 2010a, p. 340). As Peck (2013, p. 720) notes: “Austerity politics seem to epitomize neoliberalism’s paradoxically undead presence: intellectually bereft and operationally vacuous, yet retaining an icy grip.” Most scholars now agree that the answer in terms of policies and practices has been “more neoliberalism” (Aalbers, 2013, p. 1085; also Hendrikse & Sidaway, 2010, p. 2038). This cannot be explained in the conceptualization of neoliberalism as primarily an ideological

project. In this sense, ending neoliberalism does not only require ending neoliberal ideas or strengthening states, but changing power relations and ending the dominance of global financial capital.

Finally, the question could be posed why certain ideas become successful and others do not. The conceptualization of neoliberalism as primarily an ideological project neglects "the underlying power structures promoting individual discourses (Bieler & Morton, 2008, p. 105). As was explained in Chapter 2, in a historical materialist perspective, the material structure of ideas is therefore emphasized. With regard to neoliberal ideology, this puts the focus on two aspects.

First, the fact that neoliberal ideas have become so dominant in society is not due to the inherent quality of these ideas or the fact that they represented new scientific breakthroughs, but because of "their partial correspondence with the programme adopted by the dominant sections of the bourgeoisie" (Fine & Harris, 1987, p. 365; see also Bieler, Lindberg & Pillay, 2008, p. 6). While they were not "predestined" to become dominant, there is a certain logic to it; their rise to prominence[xxxviii] reflected the new balance of forces, and the fact that they were useful to (especially) the transnational fraction of the capitalist class (Bieler, Lindberg & Pillay, 2008, pp. 6-7; Bresser-Pereira, 2010, p. 521; Cahill, 2013, p. 81; Fine & Harris, 1987, p. 386).[xxxix] Ideas have been an important instrument to legitimize policies that have benefited this fraction (Cahill, 2013, p. 81; Harvey, 2005, p. 19). It is also no coincidence, then, that these ideas became common sense first in the Atlantic heartland, mainly the US, and were then diffused to other countries (Macartney, 2008a, p. 447).

Second, a lot of money and effort has been spent by conservative and right-wing foundations on producing and spreading neoliberal ideology (George, 1997, pp. 49-51, 2000, p. 28; Henry, 2008, p. 215; Kotz, 2002, p. 70; Salmon, 2013). As David Harvey (2005, p. 115) writes, "there is overwhelming evidence for massive interventions on the part of business elites and financial interests in the production of ideas and ideologies: through investment in think-tanks, in the training of technocrats, and in the command of the media." It is reasonable to think that these ideas would not have become hegemonic without these organizational and financial efforts:

> "*The now-dominant economic doctrine, of which widespread exclusion is a necessary element, did not descend from heaven. It has, rather, been carefully nurtured over decades, through thought, action, and propaganda: bought and paid for by a closely knit fraternity (they mostly are men) who stand to gain from its rule.*" (George, 1997, p. 41)

4.5 Variegated neoliberalization

4.5.1 A hegemonic project?

If neoliberalism is primarily a class project, making selectively use of and supported by ideas on the free market and neoclassical economics, an important question is: has it been, and is it still, a *hegemonic* class project? Some are sceptical whether it appeals to broader swathes of society than just the fractions of financial and productive capital. Neoliberalism is sometimes seen as a dominant project, based largely on coercion, rather than based on consent. For instance, according to

Demirović (2009, p. 46), "an essential characteristic of the neoliberal-dominated accumulation strategy is correspondingly the abandonment of consensus and hegemony". Stephen Gill (2008, pp. 123-124) has also called neoliberalism "politics of supremacy" rather than a politics of hegemony (see also Robinson, 2005, p. 12). It is often assumed that the contemporary trajectory of capitalism has a rather small base of support, especially amongst subaltern classes. Neoliberalism is thus facing a crisis of legitimacy (Gill, 2008, p. 147; Robinson, 2005, p. 12). The crisis has reinforced ideas about this non-hegemonic nature of neoliberalism, because the crisis makes it more difficult to make material concessions to the subaltern classes (e.g. Altvater, 2009, p. 78; van Apeldoorn, de Graaff & Overbeek, 2012, pp. 478-479; Demirović, 2009, p. 49; Ivanova, 2011b, p. 411).

A logical question consequently becomes: "Why, then, has the world not erupted into revolutionary revolt against this capitalist restoration and its burgeoning inequalities and its lack of concern for distributive justice?" (Harvey, 2006, p. xii-xiii). In the view of neoliberalism as non-hegemonic, it is only a matter of time before more coherent coalitions of opposition emerge and end the temporary dominance of neoliberalism (see Brand, 2007; Gill, 2008, p. 125; Robinson, 2005, p. 8). The only reason why this has not happened yet is because of the fragmentation, weakening and disorganization of the social forces that are affected by neoliberal policies.

This analysis does not seem very convincing. It downplays the support that the neoliberal project, or at least certain aspects or parts of it, has received within subaltern classes. Indeed, within some historical materialist analyses there is a tendency to emphasize the neoliberal impulses from above and to downplay the neoliberal impulses from below (see for a critique Barnett, 2005, p. 9; Germain, 2011, p. 72; Germain & Kenny, 1998, p. 18). As Konings, (2012, p. 610) writes: "What has gone largely untheorized in this way is a more basic ethical dimension, an affective charge that is at the heart of the neoliberal image of social order and enjoys a significant capacity to stir popular democratic sentiment." While the above analysis suggests that neoliberalism has only achieved such importance because it corresponds to the material interests of transnationally-oriented, especially financial, capital, it must nevertheless be acknowledged that there has been a dialectical interplay between neoliberalism from above and neoliberalism from below. Popular support for neoliberalism has been based on material, ideological and moral mechanisms through which subaltern classes have not only passively accepted, but also actively supported, neoliberal policies. All these mechanisms also make it more difficult to create solidarity between and class consciousness within the working classes (Harvey, 2006, p. xiii; Panitch & Konings, 2009, p. 83).

Materially, even though the neoliberal era has led to larger inequality and a stagnation or decrease of the wage share, working classes have been integrated through several mechanisms, such as house ownership, consumerism, consumer credit[xl] and ownership of financial assets (Aitken, 2005; Ivanova, 2011a, 2011b; Langley, 2006, p. 929, 2008, p. 135; Panitch & Gindin, 2009, p. 10; Saull, 2012, p. 331; Schwartz, 2008).[xli] Even though financialization does not deliver many of its promised advantages for many individuals (Erturk et al., 2007; Froud et al., 2010; Montgomerie, 2009), and even though financial ownership is highly unequally distributed (Harmes, 2001, p. 122), "mass investment" has resonated with many individuals:

> *"By transforming tens of millions from passive savers into 'active' investors, mutual funds may be vastly expanding the constituency in favour of neoliberal macroeconomic policies and structures, and creating a far more powerful ideological tool for finance capital than free-*

market orthodoxy alone can provide. By ensuring both the apparent benefits and the willing participation crucial to a genuinely hegemonic order, as well as helping to naturalize and depoliticize its processes, the new mass investment culture may serve to reproduce neoliberalism in a far more consensual form." (Harmes, 2001, p. 105)

Ideologically, neoliberalism as a discourse – even if not implemented consistently as noted in 4.4.2 – has become hegemonic among broad swathes of society (Hall, 2012, p. 25; Harvey, 2005, p. 3; Schwarzmantel, 2005, p. 89). Some ideas have been quite popular, especially among the so-called "middle classes". For instance, there is a widely spread distrust of the state in general, and of state intervention in the economy in particular (Brenner, 2007, p. 48; Hall, 2012, p. 9; Massey, 2012b, pp. 80-81; Stephens, 2012).[xlii] Support for the welfare state has also waned among parts of the middle classes in developed countries, as it is perceived as a drain from which they derive little benefit (Toporowski, 2010, p. 14).

Finally, ideology is also mixed with moral considerations. As Amable (2011, p. 4) writes, "it is totally wrong to believe that neo-liberalism is devoid of any moral content to start with. On the contrary, one may say that morals play a central role in the establishment of a neo-liberal society." The founding fathers of neoliberalism claimed that their project was based on compelling values such as individual freedom, personal choices, human dignity, meritocracy, and self-discipline and self-sustenance (Amable, 2011; Hall, 2012, p. 9; Harvey, 2005, p. 5, 119; Langley, 2008, pp. 134-135; Larner, 2000, p. 13; Morgan, 2013; Saull, 2012, p. 331).[xliii] It is argued that the best way to guarantee these values is through the "free market".[xliv] Market outcomes are also seen as "just", so that redistribution through state policies is unfair, and inequality is justified (Amable, 2011, pp. 5-6). To downplay the moral force of neoliberalism is not only theoretically, but also politically unsound, as it miscalculates the durability of the neoliberal class project.

4.5.2 The centrality of the US and the West

As Panitch and Gindin (2012), as well as Panitch and Konings (2008), have convincingly demonstrated, the "making of global capitalism", and of the neoliberal project, have both been American-led and –centred processes. The US has been at the apex of the global capitalist political economy since at least the making of the post-war world order. This is also true for the neoliberal era, which was largely a response to a hegemonic crisis within the Western heartland. In other words: "Although these neoliberal transformations are global processes, as a political *project* neoliberalism must be viewed as centred within and led by the liberal West, above all the US" (van Apeldoorn, de Graaff & Overbeek, 2012, p. 476, original emphasis; also van der Pijl, 1998, p. 129).

US capital has been dominant in the global economy (Nolan, Sutherland & Zhang, 2002, p. 105), with both the inward and outward FDI stock growing strongly since 1980 (see Figure 4.9).[xlv] The rise of global finance did not undermine US dominance but merely shifted and at the same time strengthened its basis (Patomäki, 2001, p. 76; Saad-Filho, 2010, p. 252). American dominance is greatest in global financial services, and Wall Street has clearly derived huge benefits from the neoliberal era (Panitch & Gindin, 2012, p. 289; Watkins, 2010, p. 8). Neoliberalization has in many countries involved the adoption of American standards and practices. It is therefore possible to speak of "neoliberalization-cum-Americanization" (Peck & Theodore, 2007, p. 734; see also Sablowski,

2008, pp. 156-157; Watkins, 2010, p. 8). The agency of the US state has been crucial in the spread of the discipline of capital and in encouraging countries to open up their capital accounts (Panitch & Gindin, 2005, p. 106, 2012, p. vii; Wade in Challenge, 2004, pp. 67-68; Watkins, 2010, p. 8). In the end, then, despite the talk of American decline in the 1970s, neoliberalism has reasserted US power and hegemony in the global political economy (van der Pijl, 1998, p. 5; Saull, 2012, p. 330).

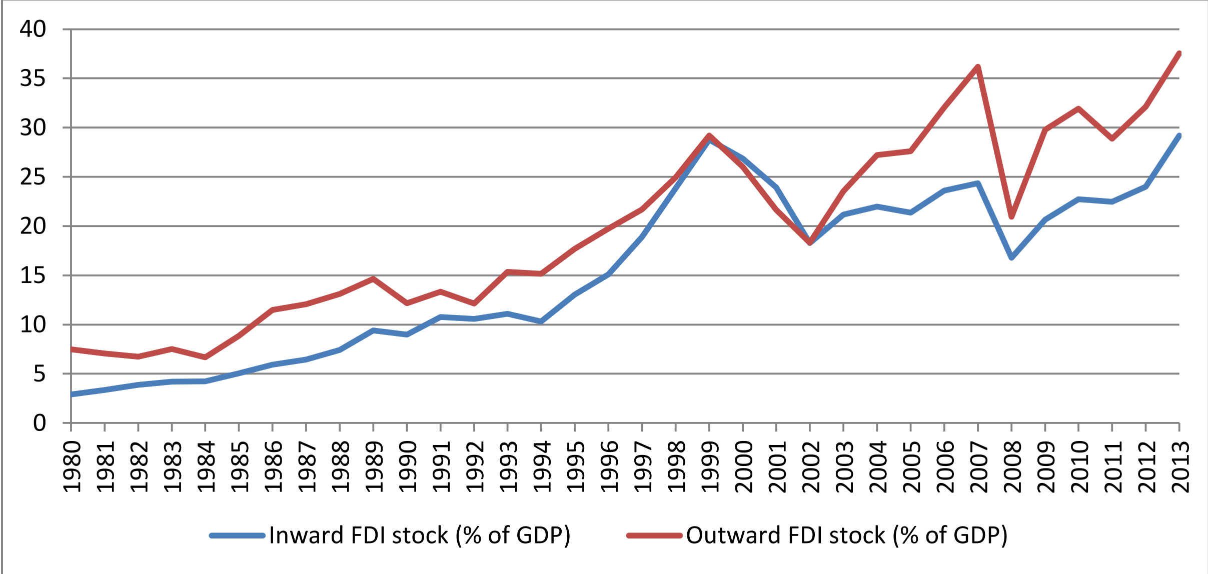

Figure 4.9: US inward and outward FDI stock (% of GDP) (data from UNCTAD, 2014b)

Western Europe and the developed world more broadly have been the most integrated into the US-led neoliberal world order, with the inward and outward FDI stock growing even stronger in the developed European countries than in the US (see Figure 4.10; Gill, 2008, p. 178; Panitch & Gindin, 2005; Saull, 2012, p. 333). US capital has been the most important "national" fraction of transnational capital, but capitalists from other countries have not been passive bystanders: "American industrial and financial capital deepened its penetration of Europe and Asia, while European and Japanese capital largely embraced, at home and abroad, the competitive terrain defined by neoliberalism" (Panitch & Gindin, 2005, p. 111). The US state and US capital have thus not just acted to secure US interests; they have also acted "on behalf of transnational capitalist interests" (Robinson, 2010, p. 71; see also Panitch & Gindin, 2005, p. 110). In sum: "Disciplinary neo-liberalism is commensurate with interests of big corporate capital and dominant social forces in the G7, especially in the U.S" (Gill, 2002, pp. 47-48).

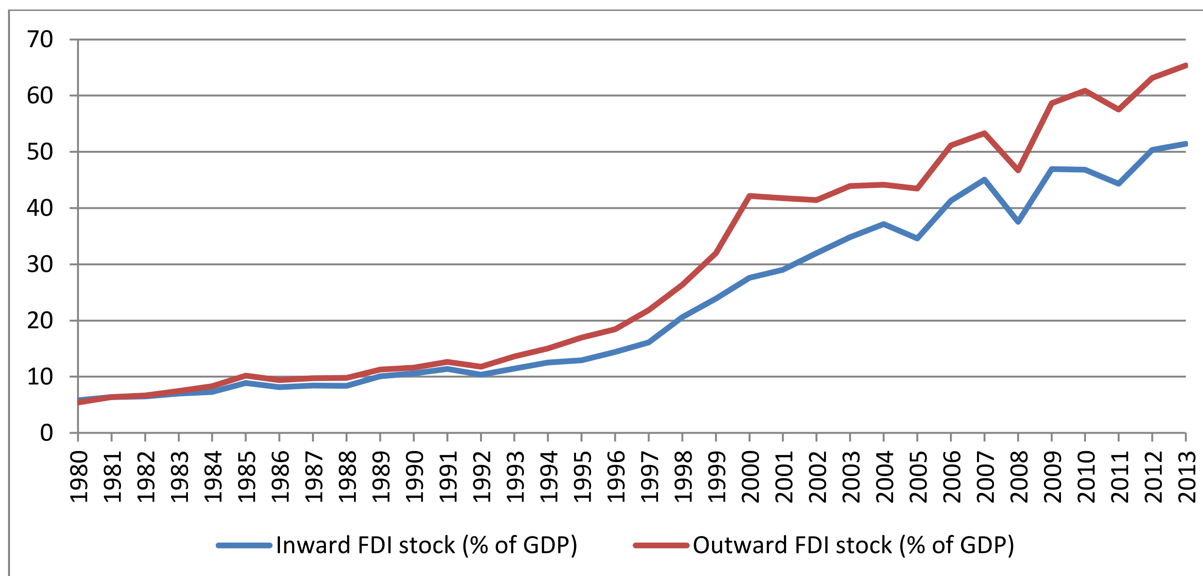

Figure 4.10: European developed countries' inward and outward FDI stock (% of GDP) (data from UNCTAD, 2014b)

4.5.3 Neoliberalization instead of neoliberalism

Despite the character of neoliberalism as a global class project, this dissertation acknowledges the importance of variety within the neoliberal global political economy. Many discussions on neoliberalism are based on the perception of a dichotomy between neoliberalism and other "varieties of capitalism". In this view, a country (or a person, region, ...) is either neoliberal or it is not. Relatedly, it is sometimes stated that neoliberalism does not exist in reality, because there are no completely neoliberal societies (as noted by Aalbers, 2013, p. 1084). It has also been argued , hat the concept of neoliberalism does not sufficiently recognize the differences and variation between and within countries.

It is of course true that there is no single, monolithic neoliberalism, that is implemented in a uniform and homogeneous way in different social formations. Neoliberalism, as implemented in practice, is marked by plurality, unevenness and variegation (Albo, 2002, p. 46; Brenner, Peck & Theodore, 2010b, p. 184; Macartney, 2009b, p. 459). However, recognizing this contextual diversity and uneven development should not retract attention from the tendency of most countries in the world going in a similar direction, and from the global structural context increasingly pushing countries in this direction (Aalbers, 2013, p. 1088; Brenner, Peck & Theodore, 2010a, pp. 329, 332; Centeno & Cohen, 2012, p. 319; Neilson, 2012, p. 170). Therefore, it is better to speak of a neoliberal project with differentiated manifestations and outcomes. Instead of a country "becoming" neoliberal, there are uneven and dynamic processes of "neoliberalization", or "variegated neoliberalization" rather than a fully realized, rigid, monolithic neoliberalism (Brenner, Peck & Theodore, 2010b; Macartney, 2009b, pp. 457-458; Peck & Tickell, 2002; Springer, 2010). There are many "varieties of neoliberalism" or "varieties of neoliberalization" (Birch & Mykhnenko, 2009).

National processes of neoliberalization are shaped by a range of factors. One of the main determining factors is probably the national balance of power relations and constellation of social

forces (e.g. Gill, 2008, p. 117; Harvey, 2005, p. 116; Overbeek & van Apeldoorn, 2012, p. 9).[xlvi] In particular, the strength and resistance of national working classes and trade unions could be a vital variable in (holding back) processes of neoliberalization. Another important factor may be the motivation behind neoliberalization. A distinction has been made between countries in which neoliberal policies were pragmatically adopted because they were seen as necessary to remain competitive in a global economy, and countries which implemented neoliberal policies out of the ideological conviction of powerful social forces (Fourcade-Gourinchas & Babb, 2002). Hence, the interplay between domestic and "external" factors in different social formations may be a significant factor (Harvey, 2005, p. 117). Finally, other aspects such as historical legacies, national traditions of thought, the timing of transformations in the direction of neoliberalization, and the institutional and geopolitical context may also play a role (Fourcade-Gourinchas & Babb, 2002, p. 534; Gill, 2008, p. 117; Harvey, 2005, pp. 116-118; Overbeek & van Apeldoorn, 2012, pp. 8-9). This also implies that the degree of hegemony differs from country to country.

4.6 By way of conclusion: the BICs and neoliberalization

This chapter has argued that the neoliberal era is defined primarily not by an ideological project, but by a neoliberal class project. This class project aimed to provide an answer to the issues emerging during the Bretton-Woods era, namely how to restore profitability, break the power of organized labour in developed countries, and inhibit state-led or more radical development strategies in the Global South. The transnationalization of productive and financial capital, together with the financialization of capital, was crucial in this class project. Capital account liberalization changed the power relations between (global) capital and (national) labour, strengthened the profitability imperative, and made it more difficult for state managers in the West and beyond to (radically) deviate from domestic neoliberal policies. Decreasing wage shares and rising inequality are two of the main outcomes of these transformed power relations.

Further, it was outlined how neoliberalism is a flexible project, with a differentiated implementation depending on the spatio-temporal context. In specific settings, it is therefore better to speak of a process of "variegated neoliberalization" instead of a uniform neoliberalism. This process of variegated neoliberalization also implies that the degree to which the neoliberal project is hegemonic varies from country to country. Neoliberalism is obviously a US-led, Western-based project. As such, it is possible that neoliberalization has not been implemented in the BICs (despite the global neoliberal structural context). It is also possible that it is not – or less – hegemonic there, and that the rise of the BICs will thus lead to a challenge to the Western-made neoliberal world order. By examining the domestic political economy of the China (Chapter 5), Brazil (Chapter 6) and India (Chapter 7), in particular regarding the issue of capital controls and capital account liberalization, the next three chapters will analyse whether or not the BICs are likely to contest the global neoliberal project.

[i] Or "a crisis of the neoliberal hegemonic project" (van Apeldoorn, de Graaff & Overbeek, 2012, p. 471).
[ii] As noted by Watkins (2010, p. 7), some concept is needed to describe the common developments or paradigm of the last decades. "Neoliberalism" is probably the best term there is.
[iii] This is the title of a masterly book by Leo Panitch and Gindin (Panitch & Gindin, 2012).
[iv] Or "corporate liberalism", in van der Pijl's terminology (van der Pijl, 1998, p. 6)
[v] Even though this compromise between capital and labour was still highly skewed in favour of capital (Crotty & Esptein, 1996, p. 118).
[vi] In the US, for instance, most capitalists opposed the New Deal reforms (Allen, 1991, p. 687).
[vii] By the 1970s, for instance, state-owned banks (SOBs) accounted for around 40% of all banking assets in developed countries, and 65% in developing countries (Marois, 2013). Other constraints include the separation of commercial and investment banking, and interest rate controls.
[viii] The compromise was also based on the defeat of radical labour in both the US and Europe (Armstrong, Glynn & Harrison, 1991, pp. 75-78, 84-105).
[ix] On the internationalization of American productive capital see Panitch & Gindin, 2012, pp. 112-117.
[x] The effectiveness of capital controls was also more and more undermined by the growth of international linkages (Goodman & Pauly, 1993, pp. 55-58). The result was that if states wanted to go against the power of financial capital, they would have to introduce more stringent capital controls and other policies (Panitch & Gindin, 2009, p. 16). TNCs feared that stronger controls on capital flows would also hit FDI, and opposed measures that would move in this direction (Goodman & Pauly, 1993, p. 58, 81).
[xi] In Japan, it fell sharply after a peak in 1970.
[xii] Such as the civil rights movement, the anti-war movement and the student movement.
[xiii] Some neoliberal outcomes were also the result of well-meant policies in the context of a changing and less favourable balance of forces (see e.g. Bertram, 2011-2012 on welfare reform in the US).
[xiv] Even though neoliberalism may then not have been "the outcome of highly coherent political-ideological projects" (Barnett, 2005, p. 10), there is a certain logic to it; it did not come about "accidentally".
[xv] For this neoliberal project, the coming to power of Margaret Thatcher proved to be a decisive turning point (Overbeek, 2004b, p. 132).
[xvi] The context in which neoliberalism rose also defined its enemies: organized labour and the post-war class compromise. This is an important difference with classical liberalism (Watkins, 2010, pp. 7-8).
[xvii] For the link between globalization of production and financialization see e.g. Milberg, 2008.
[xviii] This dissertation, then, with its conceptualization of neoliberalism, does not at all agree with Birch's claim that the erosion of national control over financial capital mobility "has nothing to do with neoliberalism in practical, policy or political terms" (Birch, 2011).
[xix] Ben Fine (2010, p. 108) even writes that financialization is a synonym for neoliberalism. I would not go that far, because it neglects other dimensions, such as the transnationalization of production and finance. Financialization within financially closed off economies, for instance, is not the same as financialization in a financially open world economy.
[xx] It also includes the privatization of state-owned banks and the growing importance of the private banking sector. The share of banking assets controlled by state-owned banks dropped from 40% in the 1970s to around 8% today in developed countries, and from 65% to 22% in developing countries (Marois, 2013).
[xxi] The financial sector has achieved "exceptional profitability" (Saad-Filho, 2010, p. 250) or "super-profitability" (Wade, 2010, p. 57).
[xxii] See also Crotty, 2005, p. 78; Lucarelli, 2009, p. 48; Marois, 2011, pp. 185-189; Overbeek, 2004b, p. 131; Panitch & Gindin, 2012, p. 337; Tabb, 1999, p. 4.
[xxiii] Note that the international financial system has been said to represent "one of the most significant absences in work on financialization – and certainly the most surprising" (French, Leyshon & Wainwright, 2011, p. 808).
[xxiv] It could be argued that this is one of the reasons why the US has promoted capital account liberalization in other countries, as "the US sees free capital movements as a battering ram to force other economies to adopt free market structures not only in finance but across the board" (Wade & Veneroso, 1998, p. 36).
[xxv] The "new constitutionalism" of the free movement of capital is still advancing after the global economic crisis (see chapter 8).
[xxvi] This is related to what has been called the "internationalization of the state" (Cox, 1981, pp. 144-146; Bieler & Morton, 2003, pp. 477-478, 2004, p. 96; Glassman, 1999, p. 673).
[xxvii] Note, for instance, that despite of the capital flight because of wealth taxes, some studies have found that the effect of wealth taxes on capital flight is negligible (Stewart, 2013; Tannenwald, Shure & Johnson, 2011).

[xxviii] According to Foster and Holleman (2010, p. 11), in 2007 27.3% of the Forbes 400 derived its wealth mainly from finance.

[xxix] To give one example: dividends in the US have risen as a share of the profits of nonfinancial corporation from an average of 32% in the period 1960-1980 to an average of 60% in 1981-2007 (Panitch & Gindin, 2012, p. 187).

[xxx] For a contrasting view, see Roberts (2014).

[xxxi] Estimates on inequality are probably an underestimation, because wealth that is hidden offshore is not taken into account (Shaxson, Christensen & Mathiason, 2012).

[xxxii] On Canada see The Canadian Press, 2014; on the Netherlands see Dekker, 2014; for a critical note on these studies see Salmon, 2014.

[xxxiii] For a genealogy of neoliberal ideology see Peck, 2008.

[xxxiv] These varieties include "free-market ideational programme" (Peck, 2008, p. 3), the "new free-market models" (Boas & Ganse-Morse, 2009, p. 157), "the pursuit of free markets" (Birch & Mykhnenko, 2009, p. 356), "the pursuit of unregulated markets" (Crotty & Dymski, 1998, p. 3), "free-market economics" (Challies & Murray, 2008, p. 230).

[xxxv] Due to this concentration, the Monthly Review school has labelled the current era the phase of "global monopoly-finance capital" (Foster, McChesney & Jonna, 2011, p. 1).

[xxxvi] Note that this is not necessarily bad for the economy, as these industries often "generate high productivity growth and consequently high standards of living" (Chang, 2002, p. 546). If one accepts that there are increasing returns of scale in many sectors, than competition is bad and concentration and oligopoly are good for the economy.

[xxxvii] The difference has then largely been one of visibility and explicitness of state intervention, from "an ostensibly market-led neoliberalism to a much more overtly state-led neoliberalism" (Watson, 2009, p. 184).

[xxxviii] But not their initial production.

[xxxix] On the danger of functionalism, and a (partial) answer on how to avoid this, see Fine & Harris, 1987, pp. 385-386.

[xl] In developing countries microfinance plays a similar role (Bateman & Chang, 2012).

[xli] In this sense, finance is more "embedded" today, especially in the US, than during the "embedded liberal era", because many workers are now more involved in various aspects of financial markets and products (Montgomerie, 2008, p. 243; Panitch & Gindin, 2012, p. 192).

[xlii] Populism, which used to be an emancipatory movement against big business, has in the last decades been directed against the state in the US (Goebel, 1997, p. 148; Konings, 2013)

[xliii] Morality also plays a role in the popularity of austerity among the American population (see Konings, 2012, p. 612).

[xliv] The figure of the "entrepreneur", already identified by 1930s' ordoliberalism (Bonefeld, 2012, p. 642), is also more and more worshipped in Western countries and beyond.

[xlv] As a share of domestic non-residential investment, US outward FDI increased from 10% in the 1990s to 22% in 2007; inward FDI also grew from 5% of domestic non-residential investment in the mid-1980s to 20% in 2007 (Panitch & Gindin, 2012, pp. 283-284).

[xlvi] Transnationally-oriented fractions of capital remain at the same timed embedded in different national contexts (Macartney & Shields, 2011, pp. 40-41). Neoliberalism's variegation thus "enables it to incorporate, subsume and, where necessary, marginalise competing tenets" (Macartney, 2009b, p. 459).

5. China's capital controls: between contender state and integration into the heartland[i]

5.1 Introduction

China is generally considered to be the most important rising power today. As Minqi Li (2005, p. 420) summarizes the prevailing consensus: "The rise of China as a major player in the capitalist world economy is likely to become one of the most significant developments in the first half of the 21st century." The "rise of China" is therefore at the heart of international attention today, not only in public debates, but in the academic literature as well. The strong economic growth has brought about various assessments of China's rise, from various theoretical perspectives. Some scholars argue that China represents a challenge to the Western "liberal order". In this view, a sort of "clash of ideas" is coming between Western-backed ideas and Chinese views (e.g. Amin, 2013; Arrighi, 2007; McNally, 2012, p. 769; Rucki, 2011; Strange, 2011). This has been captured in notions such as the "China Model" or the "Beijing Consensus" (see Breslin, 2011b; Ferchen, 2013; Fewsmith, 2011; de Haan, 2010b; Huang, 2011; Kennedy, 2010; Naughton, 2010), which are supposed to oppose the "Anglo-American model" or the "Washington Consensus".[ii] The country's state-led growth has in any case deviated from neoliberal precepts (Breslin, 2010, p. 153, 2011b, p. 1324). Especially if China is seen as a powerful state capable of challenging the liberal order, then "China's attempt to construct an alternative model of development is bound to make a systemic impact on the future direction of globalization" (Lo, 2007, p. 208).

Others, however, do not believe that the country will be able to make a systemic impact. In this view, China's rise will simply lead to changes within the current world order, without putting the Western-made world order into jeopardy (e.g. Panitch & Gindin, 2012; Hart-Landsberg & Burkett, 2006; Ikenberry, 2008; Parisot, 2013; Petras, 2006). According to David Harvey (2005, p. 151), for instance, China has undergone "neoliberalization with Chinese characteristics", and therefore does not form an ideological challenge to the American-led global capitalist economy. Authors have even gone as far as to label China "America's head servant" (Hung, 2009, p. 5).

Whether China will form a challenge to the American-led Western neoliberal order, or whether it will get integrated into this Western order, is still unclear at the moment (Chin & Thakur, 2010, pp. 118-119). Therefore, the potential future impact of China's rise is often evaluated based on ideological viewpoints and political hopes. This chapter will assess whether China will mount an ideological challenge to the neoliberal world order sketched in Chapter 4 by empirically mapping the evolution of capital controls in China, and by placing them in the context of China's social relations, accumulation regime and geo-economic rivalry with other states.

In the second section after this introduction (5.2) I briefly sketch Kees van der Pijl's theory of the heartland-contender structure in the global political economy. It is shown that China shares many of the characteristics of a contemporary contender state, despite the dependence on Western capitalism. The third section (5.3) considers China's capital control structure before the global economic crisis. It is argued that these controls are underpinned by a "historic bloc" supporting

controls for different reasons, composed of foreign export-oriented industrial capital, Chinese export-oriented and investment-oriented industrial capital (among which many state-owned companies), Chinese (state-owned) banking capital, and a fraction of China's state class. In the third section, the liberalization of capital controls after the crisis is discussed. It is argued that the main reason for this has been the strategy of a fraction of China's state class of "challenging America through Americanization". Other social forces that are in favour of a more open capital account include China's technocrats, wealthy individuals and foreign financial capital. Faced with opposition from the historic bloc favouring a continuation of the current accumulation regime, this fraction has resorted to "the internationalization of the renminbi (RMB)" as a hegemonic project. It is unclear whether this strategy on the part of the fraction of China's state class will be able to overcome domestic opposition. As the conclusion will sketch, for now, however, it seems that further liberalization and integration into the heartland are likely to continue.

5.2 The heartland-contender state structure and China

5.2.1 The heartland versus contender states

The question whether China will be integrated into the American-led Western-based global political economy can be answered from various theoretical perspectives. This chapter is loosely based on Kees van der Pijl's framework. Van der Pijl makes a difference between the "Lockean heartland" and "Hobbesian contender states" (see van der Pijl, 1998, 2008, 2012). The starting point for his analysis is the existence of two distinct state/society complexes. On the one hand, after the Glorious Revolution in England in 1688, in the English-speaking West a rising bourgeoisie created a liberal state. In this state form the primacy of the ascendant capitalist class is confirmed, and civil society in these countries is "self-regulating" and relatively autonomous towards the state. In the Lockean configuration prevailing in the West, there is therefore a differentiation between a property-owning ruling class, which controls the key levers in the economy and which define the pace of social change in society, and a governing class, which manages the state and day-to-day affairs. Over the next centuries, this state/society complex was expanded transnationally, so that the Lockean "heartland" has "occupied the international terrain commercially and culturally" (van der Pijl, 1998, p. 79).

On the other hand, in countries resisting subordination to this Lockean heartland, this differentiation between a ruling class and a governing class is largely absent. In these countries there is a Hobbesian configuration, in which one class controls both the economy and the state. Van der Pijl names this class a "state class", "because its power primarily resides in its hold of the state apparatus rather than in a self-reproducing social base" (van der Pijl, 1998, p. 79). There is no autonomous property-owning ruling class as in the Lockean state/society complex. These contender states rely "on state initiative to accelerate and sustain the pace of social change and develop the economic and military assets necessary to hold its own against the West" (van der Pijl, 2012, p. 504). The state's role is thus required to resist "peripheralization" in the face of a far more powerful heartland (van der Pijl, 1998, p. 78). Power resided by the state class instead of by the ruling (capitalist) class as in the heartland: "The sovereign state, rather than capital, ultimately determines the status of social actors and constrains for instance their capacity to articulate their interests (…)" (van der Pijl, 1998, p. 80).

In their struggle to catch up with the advanced capitalist countries in the heartland, contender states in general share several features. First, as already noted, is their distinct state/society complex. The second characteristic is that a strong degree of state control over the economy is maintained, and the state class steers the economy through an activist attitude. The aspirations of social forces within society are subordinated to national economic development as planned by the state class. State ownership in strategic economic sectors is often essential in this regard. Third, contender states in the past have been able to assert their sovereignty and maintain their contender position by “locking out Western influence and capital” (van der Pijl, 2008). A Hobbesian state is thus ideally closed off from processes materializing within the heartland.

Finally, it should be noted that all previous contender states have been defeated by the Western heartland, whether through warfare or through arms races (as well as economic competition). While this is not a foregone conclusion, there is a certain logic that results in contender states being integrated into the heartland. First, contender states inevitably enter into geo-economic competition with the heartland. However, the heartland enjoys the advantage, economically, militarily, and ideologically, because they are the “the prime movers of the capitalist revolution in the world and very much the controllers of the world economy” (van der Pijl, 2008). This competitive disadvantage forces contender states to (selectively) copy practices and elements of the heartland economies and state/society complexes, as the state class “is engaged in driving forward social development along lines effectively dictated by the society that enjoys the advantage” (van der Pijl, 2012, p. 505). Consequently, the domestic class constellation in contender states develops more and more “in the direction of the pattern prevailing in the heartland” (van der Pijl, 1998, p. 82). At some point, the ascending capitalist class asserts itself as a “class for itself”, “aspiring to merge into the social universe projected by the West” (van der Pijl, 2012, p. 505; also 1998, p. 82).

Second, there are also “transnational channels preparing hegemonic integration” (van der Pijl, 1998, p. 117). Thus, pressure by domestic social forces from the inside to evolve to a Lockean state-society structure and global Western capitalist standards is supplemented by pressure from the outside: “The West historically has exerted pressure on contender state societies (as on all others) to submit to capitalist discipline, and consciously probes for partners in the target state willing to be mobilized behind transnational liberalism” (van der Pijl, 2010, p. 45). Especially in a more globalized capitalist economy, the chances are greater that the “offshore” element in the contender states will be activated by the Western heartland.[iii] To sum up, “the potential combination of outside pressure and internal contestation always exists” (van der Pijl, 2012, p. 505).

5.2.2 The road to capitalism with Chinese characteristics

As may already be clear from the description of the typical contender state characteristics, China could be described as a contemporary – and possibly even the only remaining – contender state. Indeed, van der Pijl (2008, 2012) himself has argued that today China is the main contender state, potentially challenging Western hegemony. The basis for this was already laid during what has been called the “state-socialist” era (e.g. Harris, 2009, p. 17; van der Pijl, 2012, p. 508; Wu, 2008, p. 1094; Zhu, 2005, p. 498) under Mao in the 1950s, 1960s and 1970s, which “emphasized heavy industry, centralized economic planning, state ownership of the means of production, and party control over political and cultural life” (Hart-Landsberg & Burkett, 2004, p. 27; see also Li, 2008, p. 78). China’s

annual growth rate was more than 5% on average, and per capita GDP grew with an annual average of around 3% (see Figure 5.1).[iv] Moreover, during the 1970s, the share of manufacturing in the economy remained at over 40%, indicating that China already had a large industrial sector (see Figure 5.2; Dunn, 2007, p. 14; see also Hart-Landsberg, 2011, pp. 61-62; Wang H., 2011, p. 240).

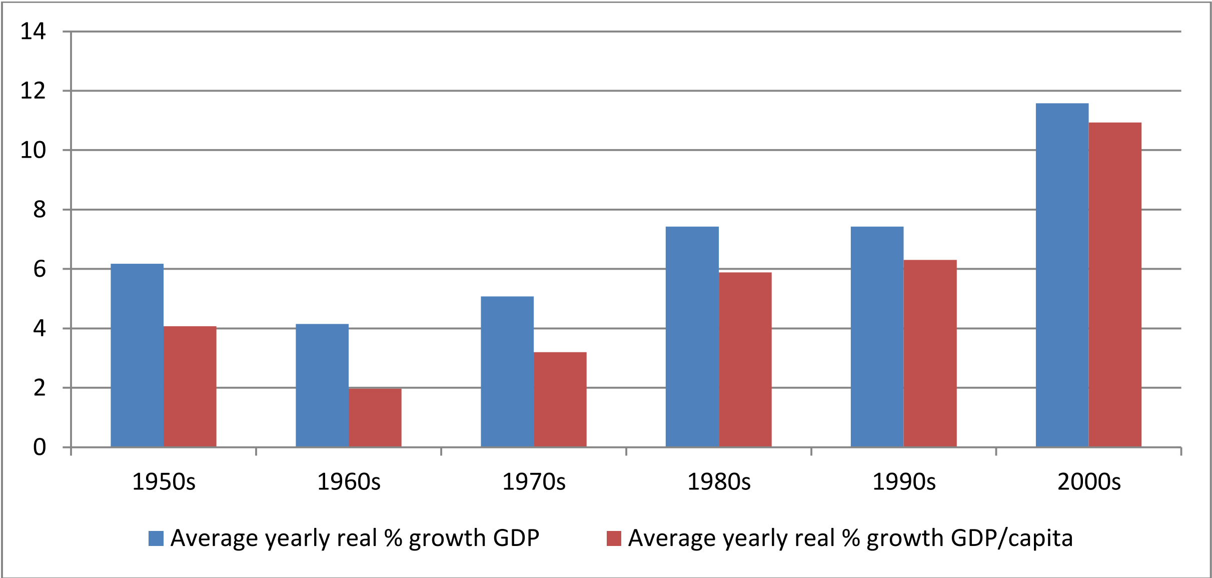

Figure 5.1: Average yearly real growth and per capita % growth China (data from The Conference Board, 2014)

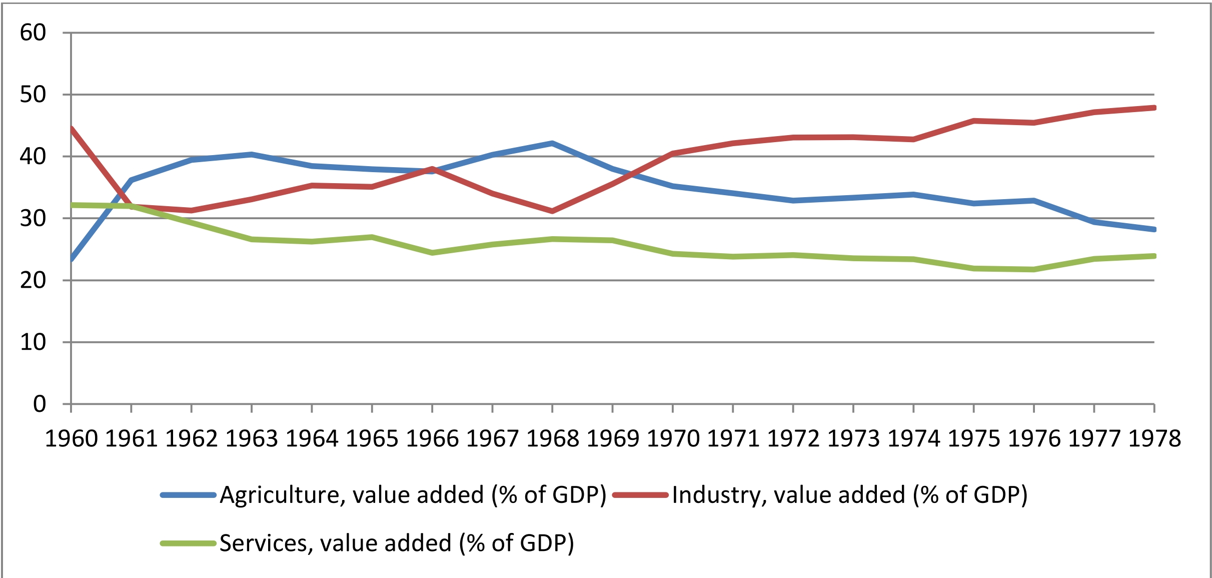

Figure 5.2: Value added per sector China, 1960-1978 (data from World Bank, 2014b)

Nevertheless, the growth rate was far behind its Asian neighbouring countries. This created an impetus for economic reform (Amin, 2013, p. 21; Harvey, 2005, pp. 122-123; Hasan, 2008, p. 577; McNally, 2012, p. 752; Snyder, 2013, p. 227), in a classic example of economic catch-up through

emulation of the leading states because of geopolitical and geo-economic pressures (see Callinicos, 2010, p. 495; Gill, 2008, p. 54; Morton, 2010, p. 326; Palan, 2006, p. 249; Teschke, 2005, pp. 8-9). According to Deng Xiapoing, the new Chinese Communist Party (CCP) leader, the introduction of the "market" was the best way to enhance the country's productive potential (Hart-Landsberg & Burkett, 2004, p. 30). As David Harvey (2005, p. 1) writes: "The path that Deng defined was to transform China in two decades from a closed backwater to an open centre of capitalist dynamism with sustained growth rates unparalleled in human history." Since the start of "economic reform and opening up" under Deng Xiaoping, presented at the Third Plenum of the CCP in 1978, China has grown at an average annual rate of more than 8.5%, and per capita growth has almost been 7.5% (see Figure 5.1).

At first, in the beginning of the 1980s, reforms created what has been called "a non-capitalist market economy" (Andreas, 2008, p. 127). While the market mechanism became more and more important, until 1988 there was balanced growth led by household consumption, as well as government consumption and fixed investment (Li, 2008, pp. 82-83; Lo, 2007, p. 198; Piovani & Li, 2011, p. 79; Zhu & Kotz, 2011, pp. 14-17). Although there was a gradual hollowing out of state-socialist elements, state-owned enterprises (SOEs) remained dominant, profitability was not yet the guiding motive for enterprises, state-directed planning was still the central principle and a labour "market" only emerged very slowly (Andreas, 2008, p. 127; Hart-Landsberg & Burkett, 2004, p. 33-38). However, reforms gave impetus for further reforms and changes, and while this was not an intended outcome of the pragmatic reforms embraced by the CCP, under Deng Xiaoping China was put firmly on the road to capitalist restoration (Hart-Landsberg & Burkett, 2004, p. 31; Harvey, 2005, pp. 122-123; Rucki, 2011, p. 347; Schmalz & Ebenau, 2012, p. 493).[v]

After the Tiananmen events of 1989 slowed down reform, Deng Xiaoping launched the next stage of the restructuring of China's economy in early 1992 with his "southern tour" (Andreas, 2008, p. 129; Dickson, 2007, p. 832; Hart-Landsberg & Burkett, 2004, p. 41; Piovani & Li, 2011, pp. 79-80; Zhang, 1998, pp. 57-58). In 1994 the privatization program was extended, and the privatizations, downsizing and plant closures of SOEs were numerous especially in the late 1990s (Andreas, 2008, p. 131; Cooke, 2010, pp. 308-309; Dickson, 2007, pp. 835-836; Hart-Landsberg & Burkett, 2004, p. 42; Lo & Zhang, 2010, p. 171; Zhu & Kotz, 2011, p. 23). While figures vary depending on the method and source, it is clear that employment in SOEs declined strongly. According to Cooke (2010, pp. 308-309), while SOEs still provided 62.3% of employment in 1990 in urban areas (down from 78.3% in 1978), this number declined to 35.0% in 2000 and to 22.7% in 2006. Whereas in 1981 the number of workers in SOEs was almost thirty-five times as large as the number of workers in the private sector, employment in the private (including foreign-owned) sector had overtaken SOE employment by 2000 (World Bank, 2013b).[vi] Profitability has become the primary goal for most of both state-owned and private enterprises, which were also obliged to subject to (international) competition (Andreas, 2008, pp. 132-133; Hung, 2008, p. 156).[vii] Financial reforms were implemented, and in 1990 the Shanghai & Shenzhen stock markets were established (Hope & Hu, 2006, p. 69; Chen & Thomas, 2002, p. 675; White & Bowles, 1994, pp. 89-92). The social relations of production have transformed completely, as a sort of cadre-capitalist class has come into the making (So, 2003, p. 369, see 5.4.3), and as workers became subject to the disciplines of the profitability imperative, the labour market, unemployment and shrinking welfare provisions (Hart-Landsberg & Burkett, 2004, pp. 58-63; He, 2000, pp. 79-84; Hung, 2008, p. 156; Lu & Jiang, 2008, p. 63; Rucki, 2011, p. 348).

The 1992 southern tour launched the definitive breakthrough not only of capitalism but also of the insertion of China into the global economy. Since then, the country has been firmly integrated into and highly dependent on global capitalism in general, and US capitalism in particular. Exports have grown strongly since 1978 up until the global economic crisis, from less than 10% in 1982 to more than 25% after 2001 (see Figure 5.3). After China's admission to the WTO in 2001, exports surged even more, and even reached almost 40% in 2007 and 2008. Moreover, two of the main trading partners are the US and the EU. The share of exports going to the US and EU increased from around 33% of total exports in 1994 to an average of almost 44% in 2003-2007 (data from National Bureau of Statistics of China, 2014; for similar data see Lum & Nanto, 2007; see also Hart-Landsberg, 2010b, p. 19). China is thus highly dependent on the US, and to a lesser degree EU, consumer markets (Fischer, 2010, p. 750-751; Panitch & Gindin, 2012, p. 276; Parisot, 2013, p. 1167; Saull, 2012, p. 325; Wang H., 2011, p. 248).

Figure 5.3: Exports China (% of GDP) (data from World Bank, 2014b)

Inward FDI, more or less introduced in 1978, have also grown strongly, especially after 1992, when the government expanded its efforts to attract FDI (see Figure 5.4; Breslin, 2000, pp. 211-213). While some authors stress that China has strategically used foreign investment to its advantage (Bach, Newman & Weber, 2006; Chen, 2011, p. 90), it could be said that China is qualitatively different from earlier developmental states or latecomer countries in the degree of importance of foreign industrial capital (e.g. Chin & Thakur, 2010, p. 124; Fischer, 2010, p. 752; Harvey, 2005, p. 137; Kennedy, 2010, p. 471; Nolan, 2011, p. 57). Indeed, according to Leo Panitch (2010, p. 82), the main difference between China and earlier late developers "is that China has relied to a much greater degree on direct foreign investment". Further, these TNCs investing in China produce more than half of all Chinese exports (up from 13% in 1990) (Breslin, 2005, p. 743; Hart-Landsberg & Burkett, 2004, p. 49; Kwong, 2010; Li, Huang & Li, 2007, p. 93; Palley, 2006a, p. 72; Panitch & Gindin, 2012, p. 297; Yue, 2008, p. 443). This indicates that China has been integrated into global (and East Asian) production networks, processing and assembling intermediate goods imported from mostly other East Asian nations (see Athukorala & Yamashita, 2009; Breslin, 2005, pp. 742-748; Liang, 2007b; Pan, 2009; Pei

& Peng, 2007, pp. 91-92). As Martin Hart-Landsberg (2006, p. 13) therefore states, "China's growth has become increasingly dependent on transnational corporate organized export activity." As he sees it, therefore, China's potential for autonomous development is lost (see also Fischer, 2010, p. 741; Liang, 2007a; Saull, 2012, p. 330). Obviously, the large role played by foreign industrial capital seems to contradict China's contender position (see e.g. Petras, 2006).

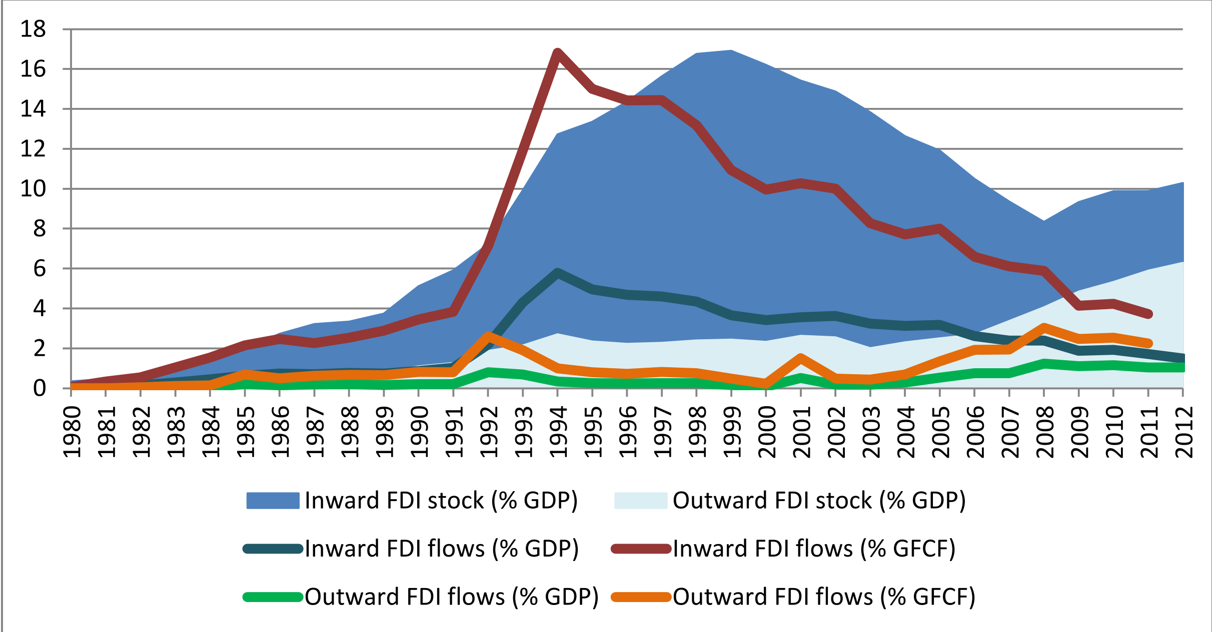

Figure 5.4: Inward and outward FDI China (data from UNCTAD, 2014b)

Additionally, it has been pointed out that China still tends to dominate in low value-added sectors, and has not benefited from technological upgrading through FDI (e.g. Fischer, 2010, p. 751; Kiely, 2008, p. 360; Li & Song, 2011, pp. 81-82; Saull, 2012, pp. 325-326). These analyses have also noted that foreign capital, which accounted for around 20% of China's industrial production in the early 2000s, had a market share of 47% in the domestic high-tech market, and 88% of high-tech exports, indicating the relative weakness of Chinese firms in high-technology production (Hart-Landsberg, 2010b, p. 17; Panitch & Gindin, 2012, p. 297; Yue, 2008, p. 443; see also Bach, Newman & Weber, 2006, p. 509).

5.2.3 China as the new contender state

While the above would indicate that China cannot be seen as a contemporary contender state, it also seems clear that China "represents a different 'variety of capitalism' than that which has become hegemonic in the West" (van Apeldoorn, de Graaff & Overbeek, 2012, pp. 480-481). Many analysts agree with the assumption of China as an important challenge to Western liberal capitalism. In this regard, van der Pijl's conceptualization of contender states contains certain elements (although in a distinct theoretical framework) that are often associated with notions such as the "developmental state" or a "late developer". Indeed, China has repeatedly been branded as a landmark case of a (Asian) developmental state (Baek, 2005, p. 486; Breslin, 2011b, p. 1336; de Haan, 2010a, p. 761;

Hasan, 2008, p. 588; Strange, 2011; Zhu, 2004, p. 1024; see also Golub, 2013, p. 1008; Snyder, 2013, p. 229), of late development (McNally, 2012, p. 754; Warner, Hong & Xu, 2004, p. 328) or of state capitalism[viii] (Amin, 2013, p. 20; Bremmer, 2012; ten Brink, 2011). Because China retains several characteristics of a contender state, "in the eyes of many Westerners, the Chinese model constitutes competition for and a challenge to Western values" (Cheng, 2010, p. 46). In the words of China expert Shaun Breslin (2005, p. 738): "It is not just that a new power is rising to challenge US supremacy, but the nature of the state that is providing this new challenge."

The first feature of China's contender position is its distinct state/society complex. A state class, in China's case in the form of the Chinese Communist Party (CCP), controls both the economy and the state. Civil society is not "self-regulating", and the pace of change in society is defined by the CCP: "In the political front, it is the state – not the civil society – that is the dominant institution because the state defines the legal channels and the scope of appropriate behavior that class forces are allowed to articulate their interests in the state" (So, 2003, pp. 373-374). There is no ruling class in the Western sense, autonomous from the Chinese state.[ix] Van der Pijl (2012, p. 509) writes that "the determining characteristics of the Chinese regime of accumulation remain those of a contender state – society complex, in which the state class retains the key levers of power and operates as a force anticipating and guiding class formation rather than being confronted by it." Forces favouring a further institutionalization of capitalism are acting largely "*through* the state, not against it" (van der Pijl, 2012, p. 509, original stress). As a leading Chinese capitalist has stated, China's capitalist class "dare not resist the authorities" (in WantChinaTimes.com, 2012) and it is certainly not (yet) a class for itself (see Tsai, 2005, p. 1135). Moreover, it "has not yet seized 'control of the commanding heights' of economy, society and state" (Walker, 2010, p. 69).

This leads us to the second characteristic. While doubts have been cast on the capacities of the central state in China (e.g. Breslin, 1996; Howell, 2006; Hung, 2008, p. 155), the Chinese state intervenes strongly in and maintains a certain degree of control over (and direct ownership in) the Chinese economy (Breslin, 2004, pp. 670-671; ten Brink, 2011; Cheng, 2010, p. 51; Chin & Thakur, 2010, p. 124; Lim, 2010, pp. 680-682; McNally, 2012, pp. 752-753; Walker, 2010, p. 67). In 2008, the largest forty-three companies in China were still state-owned (Panich & Gindin, 2012, p. 297). The state still defines the rate and direction of investment in important sectors such as steel, oil, petrochemicals, the automotive industry, railways and telecommunications (Andreas, 2008, p. 132; Hart-Landsberg, 2010b, p. 17; McNally, 2012, p. 753; Panich & Gindin, 2012, p. 297; see also Dunn, 2007, p. 14; Liew, 2005, p. 332). It has also been able to maintain a large industrial sector after reform and opening up (see Figure 5.5). Moreover, within this industrial sector the share of heavy manufacturing has expanded, whereas the share of extractive and light industries has declined (Lo & Zhang, 2010, p. 169).

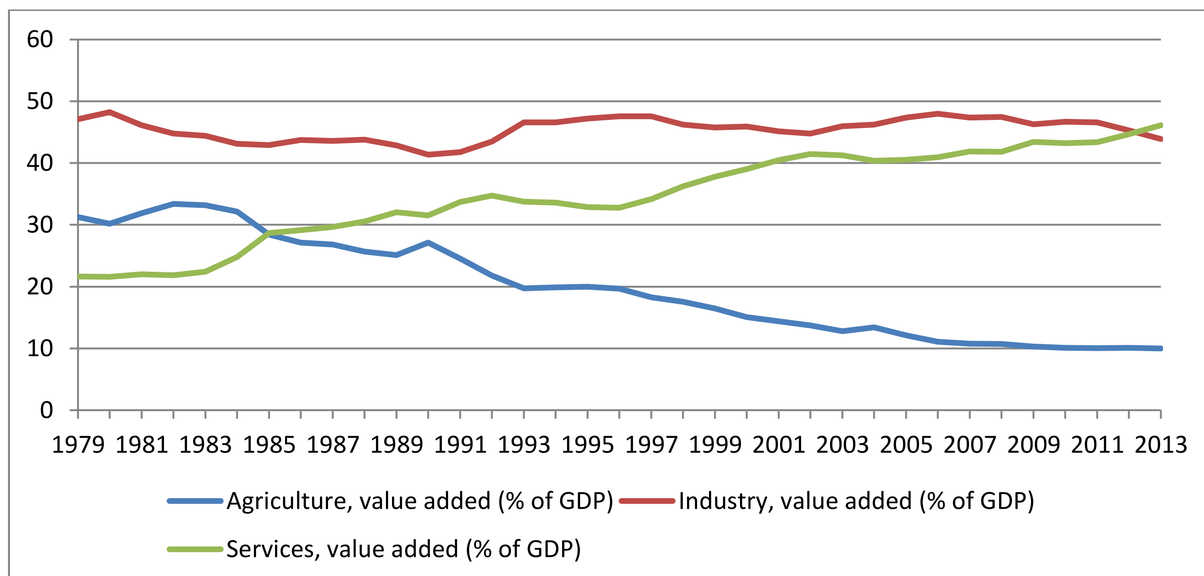

Figure 5.5: Value added per sector China, 1979-2013 (data from World Bank, 2014b)

As van der Pijl (2012, p. 505) argues, "the Chinese state class today remains the ability to decide development priorities and can accelerate/decelerate the pace of change". The introduction of "the market" does not contradict this finding.[x] Wu (2010, p. 624) points out: "By understanding that Chinese market-oriented reform is a state-engineered process, we can also understand the reason why the state's capacity has not diminished but rather has increased during market transition." While the role of the state may have changed (Petras, 2006, pp. 434-435), this does not imply that the state has weakened (ten Brink, 2011). China's capitalist variety still assigns the state "a leading role in fostering and guiding capitalist accumulation" (McNally, 2012, p. 750).

Third, the guiding logic behind the state/society complex and state intervention in the economy in China is "sovereign national development" (Chin & Thakur, 2010, p. 124). The growth of China is in van der Pijl's view owing to resistance to Western supremacy and integration into the heartland (van der Pijl, 2012, p. 504). However, China's rise as a contender state has coincided with and is affected by the historical phase of neoliberalism and the globalizing and liberalizing world economy in the 1970s and 1980s (Baek, 2005, p. 496; Kiely, 2008, p. 363; Saull, 2012, p. 330; Zhang, 2003, pp. 704-706). It has been noted that the Chinese state class has chosen to build its contender state within globalization (Strange, 2011, pp. 544-556; also McNally, 2012, p. 750), or even "through" globalization (Pan, 2009, p. 23) instead of "against" globalization, using insertion into the capitalist global economy to stir economic growth (Breslin, 2005, p. 749). While this is often seen as a source of vulnerability (see above), it has not only resulted in economic growth (see Figure 5.3), but also in an improvement of China's current account and trade balance (see Figure 5.6).

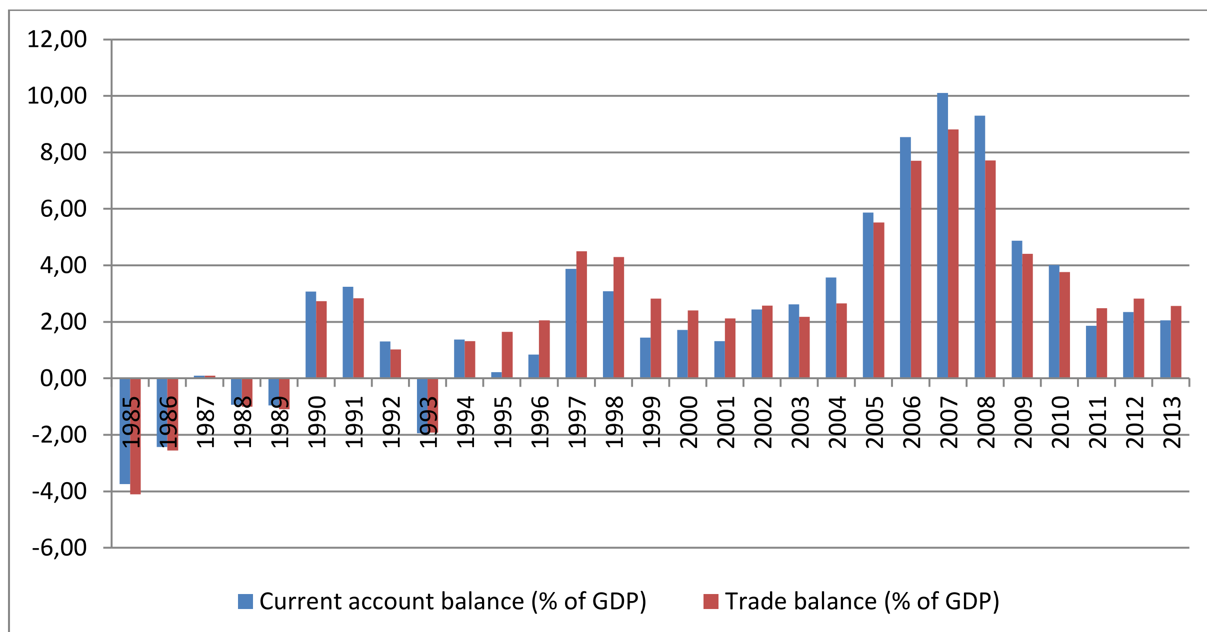

Figure 5.6: Current account and trade balance China (data from IMF, 2014c; World Bank, 2014b)

Further, while the role of FDI has been seen as a weakness by some (see 5.2.2), others claim that the Chinese government has used industrial policy to steer FDI towards industries it deems strategic (Bach, Newman & Weber, 2006, p. 508; see also Lippit, 2005, p. 446).[xi] Therefore, while the share of FDI in high-technology exports has strongly risen, the share of high-tech exports as a share of total exports has also risen strongly (from 3% in 1985 to 34% in 2009) (de Haan, 2010a, p. 761; Hart-Landsberg & Burkett, 2004, pp. 82-83; Hong, Vos & Yao, 2008, p. 38; Li & Song, 2011, pp. 70-71). Studies have also found that Chinese indigenous firms have been climbing up the value-added ladder (Brandt & Thun, 2010; Cui & Syed, 2007; Zhou, 2008). Finally, an additional sign of China's contender state position comes from its capital controls on non-FDI flows, which are outlined in the next section.

5.3 The historic bloc supporting capital controls

5.3.1 China's capital controls before the crisis

Despite the significant role played by FDI, China has preserved quite stringent capital controls on speculative capital flows throughout the past decades.[xii] Some liberalizing measures on the capital account were introduced in the 1980s and 1990s (see Guan, 2013, p. 7)[xiii], but China's financial system remained relatively insulated. The consequence of its relatively closed capital account was that China escaped the worst effects of the 1997 Asian crisis (Gallagher, Ocampo, Zhang, Yu, 2014; Liew, 2005, p. 332; Yu, 2009b). While policymakers were already planning for capital account convertibility in the early 1990s, the 1997 Asian crisis led to new restrictions on outflows and a backlash against capital account liberalization (and globalization in general) (Dean, 2000, p. 71; Garrett, 2001, p. 411; Grabel, 2002, p. 44; Guan, 2013, p. 11; Hu, 2008, p. 222; Huang & Yang, 1998,

p. 6; Interview 1, 4, 6 & 8; Lo, 2001, p. 260; Prasad & Wei, 2007, p. 453; Wang, 2000, p. 56; Yu, 2000, pp. 183-185, 2009b, 2013b; Zhang, 2012a, p. 86).

In other words, although foreign industrial capital has played a large role in China's economic development, foreign financial capital has been largely blocked by capital controls. Consequently, China's capital account is clearly – and purposely – dominated by FDI (see Figure 5.7; Bibow, 2011; Prasad & Wei, 2007, p. 422; Yu, 2000, p. 177). China is one of the main countries in the world which maintains such strict capital controls on non-FDI flows. While it achieved convertibility for the current account and accepted the IMF Article VIII obligations in 1996 (Epstein, Grabel & Jomo, 2004; Zhang, 2003a, p. 19), and while some liberalization occurred in the 2000s (see below), policymakers have been very cautious before the global economic crisis with regard to portfolio investment and debt flows, and the openness of the capital account was very limited (for an overview of the regulations at the turn of the century see Yu, 2000, pp. 179-183). Consequently, as Samir Amin (2013, p. 24) writes, "China has remained outside financial globalization" (also Breslin, 2004, p. 662; Hansakul, Dyck & Kern, 2009; Panitch & Gindin, 2012, p. 300).

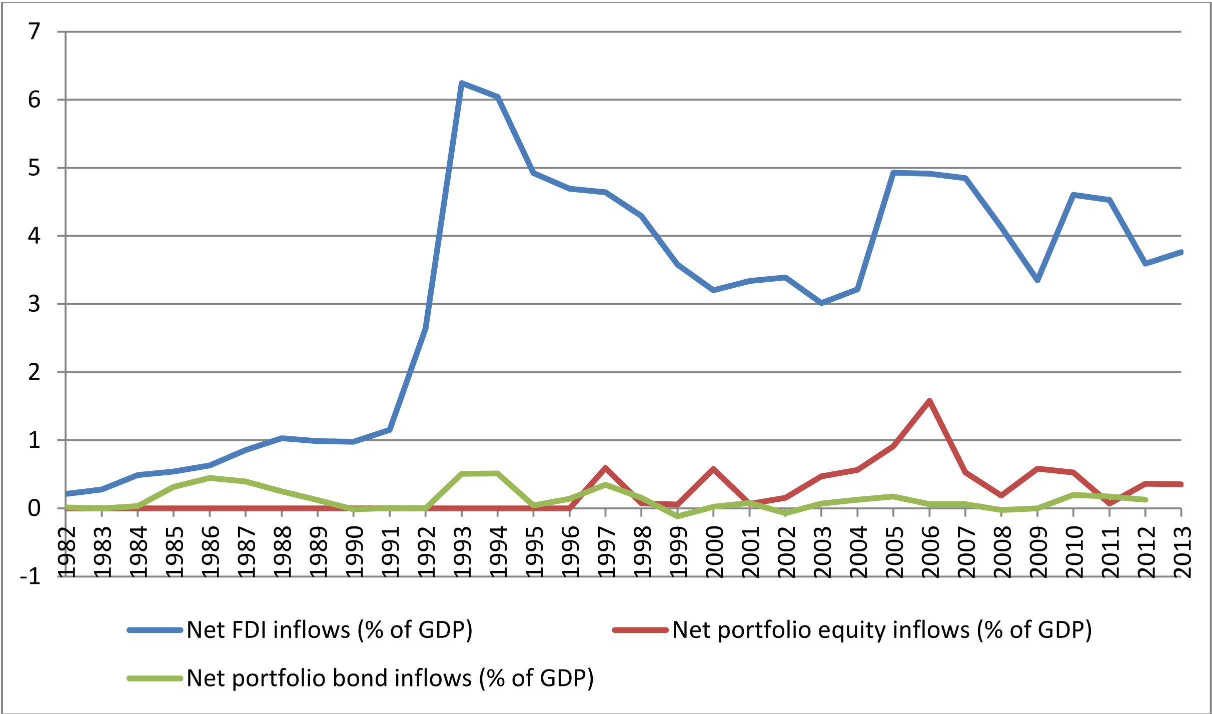

Figure 5.7: Capital flows China (based on data from World Bank, 2014b, partially own calculations)

In 2002, liberalization efforts were reinitiated (see Yu, 2013), but rather stringent capital controls have remained in place before the global economic crisis. These controls may analytically be divided into controls on inflows and controls on outflows. First, capital controls have strongly limited the entry of foreign financial capital. While gradual liberalization has been underway since 1981 (Gao & Yu, 2009, p. 122), China's banking sector has remained largely closed to participation by foreign banks. Although the WTO entry of China included substantially increased options for foreign banks to penetrate China's banking sector (Gao & Yu, 2009, p. 122; Chen & Thomas, 2002, p. 680), restrictions on foreign participation in China's financial services sector remain substantial. While foreign strategic

investors have acquired ownership shares in the largest Chinese banks since 2004, their ownership shares remained small at between 10% and 25% (Domanski, 2005, p. 72).[xiv] A foreign institution can own up to 20 per cent of the equity of a Chinese bank, and the total foreign ownership of a Chinese bank is restricted to 25 per cent (Hope & Hu, 2006, p. 63; Liang, 2010, p. 62). Furthermore, while by the end of 2007 193 foreign banks have entered China's financial services sector, their market share has remained very small, amounting to 1.8 per cent of total banking assets in September 2006 and 2.4 % in 2007 (see Leigh & Podpiera, 2006; Gao & Yu, 2009, p. 122; Hansakul, Dyck & Kern, 2009; see also Domanski, 2005, p. 72; Hope & Hu, 2006, p. 45; McCauley & Ma, 2008).

The Chinese authorities have also limited the entry of foreign investors in both the share and bond market. With regard to shares, "portfolio equity hardly flows at all into or out of the Chinese equity market" (McCauley & Ma, 2008). In the A-market, which is the most important exchange market, foreign investors were allowed to enter only from 2002 on, through the Foreign Qualified Institutional Investor programme (Chen & Thomas, 2005, p. 33; Lardy & Douglass, 2011; SAFE, 2012a; Suttle et al., 2012; Zhang, 2012a, p. 86).[xv] At the end of 2007, the quota of the QFII program stood at almost 10$bn, or about 3 % of China's tradable stock market capitalization, distributed among 52 QFII investors (Dobson & Masson, 2009, p. 129; Hansakul, Dyck & Kern, 2009; McCauley & Ma, 2008). Additionally, one foreign investor could acquire at most 10 % of a listed company, and the share of one listed company held by foreign investors was limited to 20 % (Hansakul, Dyck & Kern, 2009). In China's bond market, foreign participation is even more limited. The interbank bond market, which dominates China's bond market, was until 2010 closed to non-resident investors (Gao & Yu, 2009, p. 121; HSBC, 2011; McCauley & Ma, 2008). In 2007, only 0.5 % of outstanding bonds on the interbank bond market were held by foreign banks in China (Hansakul, Dyck & Kern, 2009; see also McCauley & Ma, 2008). With around 60 % of the total amount outstanding, domestic commercial banks are the main players in China's interbank bond market.[xvi]

One of the consequences of strict government control and the limited role of foreign portfolio investment is the small size of China's capital markets relative to GDP, especially in comparison to industrial countries (Baek, 2005, p. 490; Committee on the Global Financial System, 2009; Dobson & Masson, 2009, p. 129; Eichengreen, 2011b; Epstein, Grabel & Jomo, 2004; Hansakul, Dyck & Kern, 2009; Laurenceson & Tang, 2005; Lund et al., 2013; Zhou, 2005). As Lardy and Douglass (2011) write: "By keeping fund quotas low, the authorities have limited the ability of foreign financial institutions to play a significant role in the domestic markets and hindered capital market development." For instance, in 2003 China's corporate bond market amounted to less than 1 % of GDP, compared to 140 % for the US and 85 % for the EU (Chen & Thomas, 2005, p. 32). The average stock market capitalization during the period 1998-2007 was 45.6 % of GDP in China, compared to 79.1 % for Japan and 140.4 % in the US (Wu, Pan & Wang, pp. 67-69).

Due to the limited size of capital markets, bank loans accounted for a large share of the financing raised by enterprises. Bank finance accounted for between 70 and 90 per cent of financial intermediation in the period before the crisis (Hansakul, Dyck & Kern, 2009; Thomas & Chen, 2006, p. 21). Moreover, state-owned banks (SOBs) held a large market share (about four-fifth) in both loans and deposits (Baek, 2005, p. 491; Laurenceson & Chai, 2001, p. 211). In sum: "The limited development of debt and equity markets means that the state-owned banking system is effectively the only major game in town, for both borrowers and savers" (Prasad, 2009b, p. 114). As will be outlined below, this is crucial to China's accumulation regime.

The second category of capital controls consists of controls on outflows. Outflows of Chinese financial capital have been even more strictly controlled than inflows. Only in April 2006 was the Qualified Domestic Institutional Investors (QDII) programme introduced, which allows Chinese investors to invest part of their savings in foreign financial markets, and which doesn't have a pre-fixed overall limit, unlike the QFII programme (Dobson & Masson, 2009, p. 128; Gao & Yu, 2009, p. 121; Lardy & Douglass, 2011; SAFE, 2012a; Suttle et al., 2012; Zhang, 2012a, p. 86).At first, only investment in fixed-income instruments was allowed, but as from 2007 investment in equities is also permitted. As of end-2007, the approved quotas amounted to 42.17$bn, divided among 40 banks, securities firms and insurance companies (Song, 2007). At its peak in 2007, the QDII program represented 2.1 per cent of total Chinese household savings (Lardy & Douglass, 2011). Besides the QDII programme, the annual purchase limit by Chinese citizens of foreign exchange for personal settlement was installed at US$20,000 (Ji, 2011). Controls on both inflows and outflows were strengthened by strict controls on currency convertibility (Epstein, Grabel & Jomo, 2004; Dobson & Masson, 2009, p. 127). Renminbi could thus, before the crisis, only be converted into foreign currency for specific purposes.

5.3.2 China's accumulation regime and capital controls

Why has China kept such stringent capital controls in place in an era where capital account liberalization has become the internationally accepted norm? An important reason is that capital controls are crucial to maintain the current accumulation regime, and they have been "an integral part of China's development strategy over the last twenty years" (Epstein, Grabel & Jomo, 2004; Interview 2). This accumulation regime engenders social forces which could be argued to form a historic bloc together, benefiting from the capital controls in place. After shortly outlining this economic model, the role of capital controls in this accumulation regime will be discussed. The Chinese accumulation regime that was already coming into existence in the 1990s but materialized especially after the entry into the WTO in 2001, has been based on two growth poles: exports and investment (see Figure 5.8; Zhu & Kotz, 2011; Yu, 2009a; see also UNCTAD, 2013b), or as Palley (2006, p. 71) puts it, an external and internal accumulation strategy: "The external accumulation strategy rests on foreign direct investment (FDI) and export-led growth, while the internal strategy rests on the use of state-controlled domestic bank credit creation to fund SOEs and infrastructure investment."

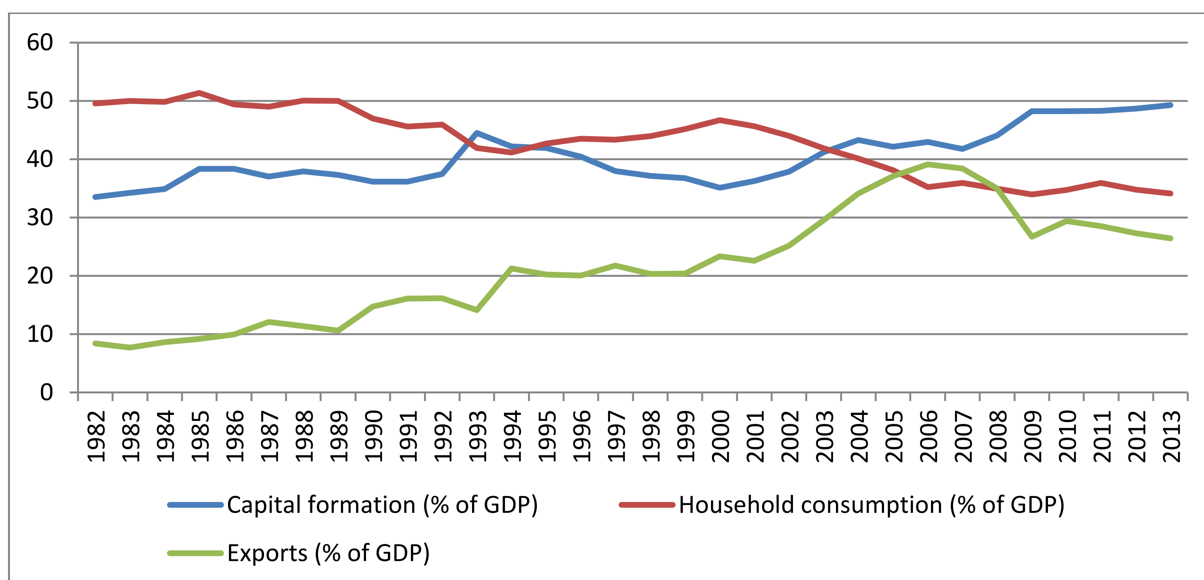

Figure 5.8: Investment, consumption and exports China (data from World Bank, 2014b)

The main pillar of China's accumulation regime, sometimes underreported, is investment. As Dunn (2007, p. 21) states about China's accumulation regime: "It is the ability to sustain investments, through domestic processes of saving and borrowing, that has been particularly remarkable." Fixed investment stood at more than 40% of GDP in 2003-2007 (data from World Bank, 2014b). The domestic content of fixed investment was estimated to contribute 37.7 per cent of GDP growth over the period 2001-2007, thereby making the most important contribution to economic growth (Zhu & Kotz, 2011, p. 22; see also Prasad, 2009b, p. 106; Vermeiren, 2014, p. 122). A significant part of these investments is made by SOEs (Geng & N'Diaye, 2012).

Financing for this investment is especially provided by SOBs, especially the "Big Four" (Bank of China, China Construction Bank, Industrial and Commercial Bank of China, and Agricultural Bank of China). In line with government rules, they provide cheap capital mainly to large state-owned industrial corporations (Overholt, 2010, p. 26; Prasad, 2009b, p. 106; Sender, 2013; The Economist, 2012; Yeung, 2009a). Their business model is largely built on this, as it accounts for around 75 % of total banks' profits (Rabinovitch, 2012d). While some say that the government-defined spread implies a low return on equity for banks (Hansakul, Dyck & Kern, 2009; Lardy, 2008; Thomas & Chen, 2006, p. 25), in general it is accepted that the spread guarantees SOBs stable and relatively high profits (e.g. Borst, 2012; Chancellor, 2013; Financial Times, 2012; Huang, 2013; Lardy & Douglass, 2011; Pettis, 2013; Sender, 2012a; Zhang, 2012b, p. 52). As Central Bank governor Zhou Xiaochuan argued in 2004: "In terms of interest rate structure, the differential between deposits and loans is still in the high range with promising outlooks for profits of commercial banks" (Zhou, 2004). Xiao Gang, former chairman of the Bank of China, acknowledged that in a liberalized environment net interest margins would be half of what they are in the government-controlled environment (in Lardy & Douglass, 2011).

The second pillar of China's accumulation regime, often emphasized in public debate, consists of China's exports. The export share amounted to 38.4 per cent of GDP in 2007 (data from IMF, 2014c). According to estimations, the domestic content of exports contributed 31.7 per cent of GDP growth

in the period 2001-2007 (Zhu & Kotz, 2011, p. 22).[xvii] As mentioned above, a significant part of these exports – around 60% - was produced by foreign-owned enterprises. While China maintains strong capital controls to limit flows of financial capital, the entry of foreign industrial capital through inward FDI is almost completely liberalized (Lardy & Douglass, 2011; SAFE, 2012a). The importance of exports is mainly due to low domestic consumption, or “underconsumption” (Akyüz, 2011, p. 16; Hung, 2008, p. 149). Household consumption has fallen from around 50% of GDP in the beginning of the 1980s to just over 35% before the global economic crisis (see Figure 5.8), “the lowest among the world economies” (Hong, Vos & Yao, 2008, p. 41). The result of the large and growing gap between fixed-asset investment and household consumption is export dependency, or as Akyüz (2011, p. 3) writes: “When investment grows faster than consumption, rapid expansion is required in foreign markets so that production capacity can be fully utilized to create and maintain strong growth.”

Capital controls are crucial in maintaining this export- and investment-led accumulation regime for two reasons. First, capital account liberalization could lead to more speculative capital flows, which would make the exchange rate more volatile and harder to control (Interview 2; Lim, 2010, p. 679; Zhang, 2012b, pp. 52-53). The fairly stable (and according to many undervalued) exchange rate (see Figure 5.9) has, together with low wages, been one of the main pillars of the large profits in China’s export sector. Liberalization of the capital account could thus potentially result in a loss of export competitiveness and lower economic growth. Moreover, to maintain its competitive exchange rate in the context of current and capital account surpluses, the central bank has had to buy dollars. Because selling RMB to buy dollars would increase the money supply and possibly cause higher inflation, the central bank sterilized the impact of these interventions through issuing central bank bills, which decreases the money supply again (Prasad, Rumbaugh & Wang, 2005; Zhang, 2012b, pp. 52-54). As described above, capital controls made low interest rates possible, without which the fiscal cost of these central bank bills – and thus also the exchange rate policies – would have been very high and probably unsustainable (Lardy, 2008; Prasad, 2009b, p. 105; Vermeiren, 2014, p. 123).

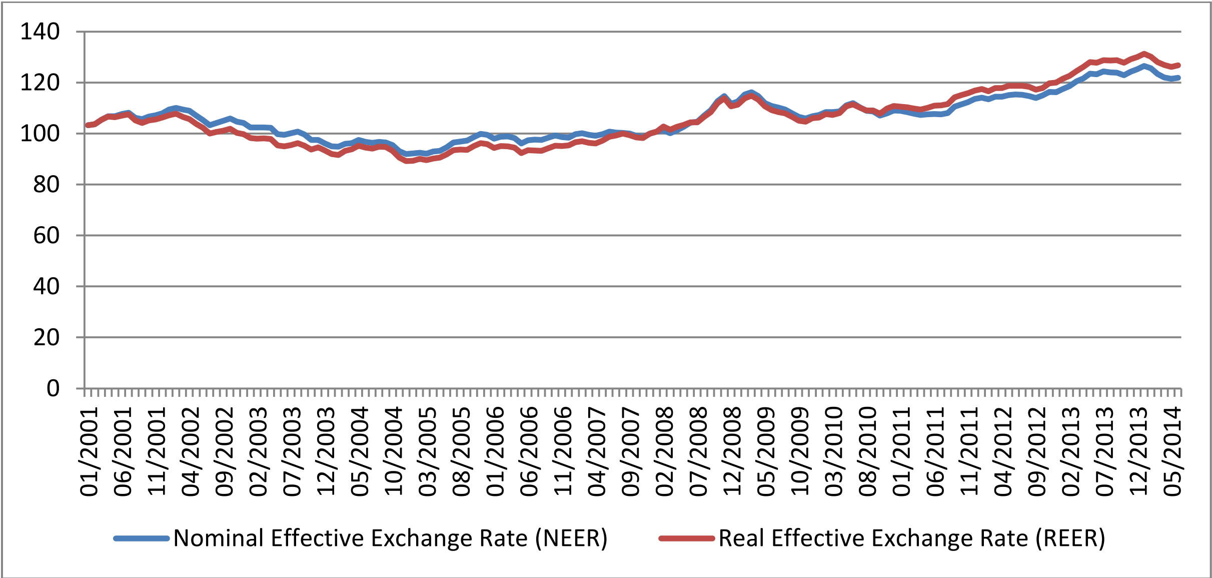

Figure 5.9: Nominal and Real Effective Exchange rate China (12/2007=100) (based on data from Bruegel, 2014)

Second, the imposition of capital controls is crucial for the financing of investment by SOBs because they imply that households have few options but to deposit their savings at the SOBs, often at negative real deposit interest rates (which implies that there is an "implicit tax" on these deposits) (see Figure 5.10; Borst, 2012; Huang, 2002, p. 383; Lardy, 2008; Palley, 2006, p. 73; Prasad, 2009b, p. 105; Zhang, 2012a, pp. 87-88, 2012b, pp. 41, 53).[xviii] Controls on capital outflows have largely prevented the large pool of Chinese household savings from seeking higher returns abroad. Moreover, the absence of deep and liquid stock and bond markets implies that there are few alternatives to funnelling savings into deposits with banks. Finally, the small market share of foreign banks means that the only genuine possibility within China is to deposit savings at SOBs. Consequently, SOBs have plentiful cheap household savings at their disposal to provide cheap loans to SOEs. The liberalization of capital controls could thus endanger the SOBs and their profits (Lardy & Douglass, 2011; Yao, 2013). It would give households the possibility to search for higher returns on their savings in domestic or foreign capital markets or foreign banks. In any case, interest rate liberalization, closely related to capital account liberalization, would significantly reduce the banks' interest margins and profits.

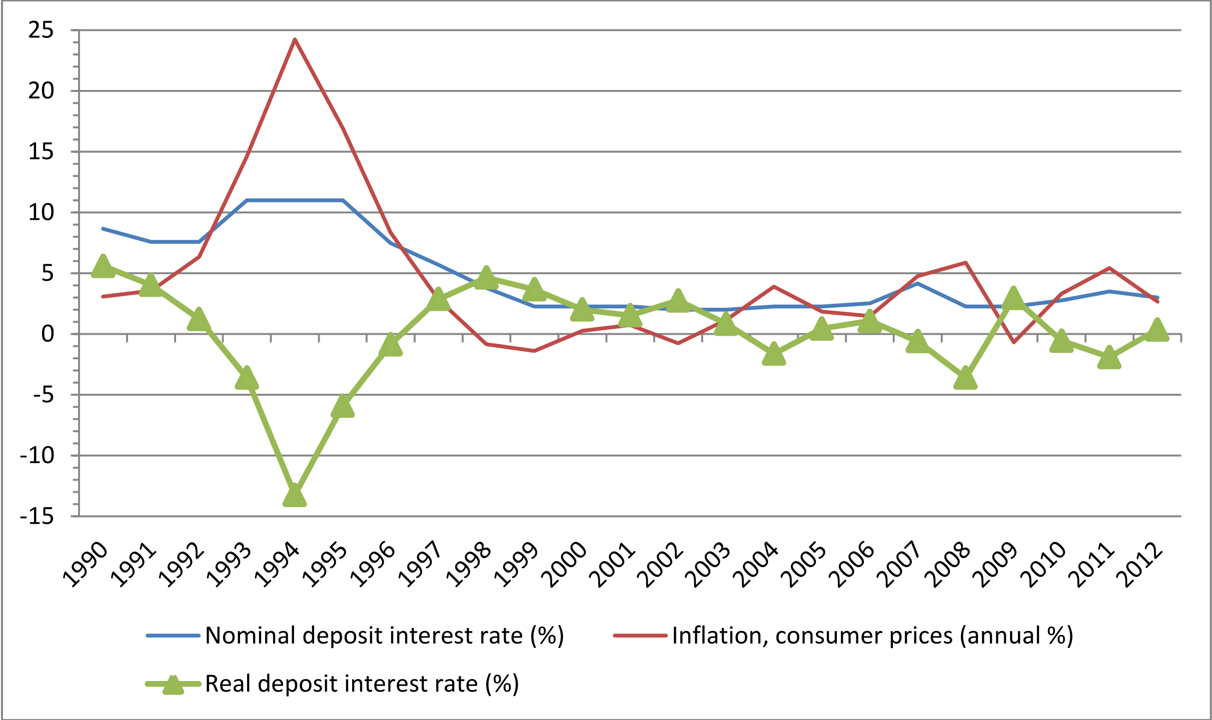

Figure 5.10: Deposit interest rate China (%) (partially own calculations, based on data from World Bank, 2014b)

As a more open capital account could jeopardize the SOBs, it could also put the cheap capital used for investment by SOEs in jeopardy (Chancellor, 2013; Dean, 2000, pp. 64-65; Ferri & Liu, 2010; Shinn, 2014; Yao, 2013). In other words, households "are forced to subsidize the borrowing costs of SOEs, which receive the bulk of bank loans in China" (Vermeiren, 2014, p. 129). SOEs have played a large role in the high investment rate. In 2006, they constituted only 8 % of all industrial firms, but they produced 36 % of all industrial value added (McNally, 2012, p. 753). If the investment activity of SOEs

were put in danger because of higher capital costs, China's accumulation regime would have to change substantially.

In sum, capital controls are crucial to maintain China's accumulation regime. They are therefore in the interest of the beneficiaries of this regime, namely (largely foreign-owned) export-oriented industrial capital, domestic investment-oriented industrial capital and domestic banking capital. These are often labelled as "vested interests" holding back reform (Huang, 2013; Sender, 2013; Yao, 2013; Zhang, 2013b; see also Hung, 2009). As Mallaby and Wethington (2012, pp. 139-140) describe this bloc: "State-owned banks do not want to pay depositors market interest rates. Politically connected borrowers, such as the state-owned construction companies that build China's impressive infrastructure, do not want to give up access to cheap capital. Politically connected exporters, on whom provincial governors count to create jobs in their regions, do not want to give up the competitive advantage created by favorable exchange rate." These social forces form an alliance that does not want a transformation of the current accumulation regime (Naughton, 2008; Subramanian, 2012b; Zhu & Kotz, 2011, p. 28). It is also clear that they are politically powerful, with "representatives" in the Chinese state through amongst others the Ministry of Commerce (MOFCOM), the former Ministry of Foreign Trade and Economic Cooperation (MOFTEC) (He, 2011, pp. 24-26; Liew, 2004, pp. 35-37) and the National Development and Reform Commission or NDRC (Kennedy, 2008, p. 75).

5.3.3 The state class: challenging the heartland

Besides the social forces benefiting from capital controls, there is a second reason why capital controls have been kept in place: they allow the state class to retain a certain degree of control over the domestic economy. The state class has been reluctant to give up control, as this could undermine China's contender position. Indeed, there is a "deep-seated reluctance to abandon tools used to maintain the state's influence over the economy" (Rosen & Hanemann, 2009).

First, control over international capital flows has given China's authorities the ability to maintain financial stability and to avoid crisis and volatility (Huang, 2002, p. 383; Prasad, 2009b, p. 120). Indeed, "the economy has to some extent been spared the potentially destabilizing effects of unwanted capital movements", especially short-term capital flows (Laurenceson & Tang, 2005). The dominance of FDI have meant that China "has been able to control the risks and get more of the promised benefits of financial integration than many emerging market that have taken a less cautious approach to capital account liberalization" (Prasad & Wei, 2007, pp. 451-452). An open capital account could lead to large capital outflows and a banking crisis (Lardy & Douglass, 2011; Palley, 2006, p. 75; Prasad, 2009b, p. 120). In this sense, China's contender state can be seen as "the logical institutional means by which weaker players in the global system can withstand the sheer power of international financial flows" (McNally, 2012, p. 768).

Second, as outlined above, capital controls have been crucial in maintaining China's distinct accumulation regime, which resulted in high growth rates. It has been long known that capital controls may allow a country to deviate from neoliberal macroeconomic, institutional and financial sector policies (…). By retaining capital controls, China has, at least to a certain extent, also been able to control and guide domestic flows (Baek, 2005, p. 491; Cookson, 2012b; Leung & Mok, 2000, pp.

45-46; McNally, 2012, p. 753; Panitch & Gindin, 2012, p. 300). While commercial performance may have been dismal at times, giving rise to a large amount of non-performing loans (NPL's), "the overall impact of state banks on China's economic development appears to have been positive and sustainable" (Laurenceson & Chai, 2001, p. 211).

Thus, in sum: "Regulating the inflow and outflow of capital has been a cornerstone of China's development reforms. For more than three decades after Deng Xiaoping's crucial reforms began, China's capital account policies were part of an apparatus to direct credit toward strategic development goals while maintaining financial stability" (Gallagher, Ocampo, Zhang & Yu, 2014). Capital controls allow the state class to keep a certain measure of control over the economy by keeping transnationally-oriented financial capital from flowing freely (Amin, 2013, p. 24; Baek, 2005, p. 486). As David Harvey (2005, p. 123) puts it: "The barriers erected to foreign portfolio investment effectively limit the powers of international finance capital over the Chinese state. The reluctance to permit forms of financial intermediation other than the state-owned banks – such as stock markets and capital markets – deprives capital of one of its key weapons vis-à-vis state power." Consequently, capital account liberalization could imply that China's state class, in the form of the CCP, would lose control over the economy (Palley, 2006, p. 76; The Economist, 2012). As such, the liberalization of capital controls could strongly undermine China's contender position. The fraction of the state class that wants to keep control thus provides important support for the social forces benefiting from China's accumulation regime, namely Chinese (especially state-owned) and foreign industrial capital and Chinese banking capital. It could be argued that these social forces were forming a historic bloc in the Gramscian sense before the global financial crisis. This historic bloc has thus benefited from and underpinned China's capital controls regime.

5.4 Capital account liberalization: integration into the heartland?

5.4.1 Capital account liberalization after the crisis

Despite the above assessment that the relaxation of capital controls could undermine China's contender position, the gradual liberalization that had already taken place before the crisis (e.g. Laurenceson & Tang, 2005; Ma & McCauley, 2007), was reinforced and even speeded up after the crisis. Both controls on inflows, outflows and currency convertibility have been relaxed. First, the potential for foreign capital inflows into China's financial markets has considerably grown. The QFII has been expanded by the China Securities Regulatory Commission (CSRC), with a quota increase from US$10bn to US$30bn in 2007, and to US$80bn in 2012 (Cookson, 2012a; Wei, 2013, SAFE, 2012a, 2012b; Suttle et al., 2012), "in one of the most significant relaxations of its strict capital controls in more than a decade" (Cookson, 2012a). In July 2012, the limit of 20% on shares of a single company owned by all QFIIs together was increased to 30% (SSE, 2012).

Moreover, it was also announced that QFIIs would be allowed to invest in the interbank bond market. However, as of May 2012, the total amount approved under the QFII schema was only US$26bn (SAFE, 2012b), and foreign investors still account for only 1 % of stock market capitalization (Rabinovitch, 2011; Cookson, 2012a; see also Xinhua, 2013). Yet more liberalization was fostered, as the quota was further increased to US$150bn in July 2013, and the outstanding amount stood at US$59.7bn in August 2014 (Reuters, 2014; Xinhua, 2013). Moreover, while the number of QFII

licences was still beneath 100 at the end of 2010 (Zhang, 2012a, p. 86), it has expanded to around 270 by July 2014 (China-XBR, 2014b).

In December 2011 a new scheme has also come into being, named the Renminbi Qualified Foreign Institutional Investor (RQFII) scheme (also called the mini QFII scheme), allowing foreign investors to invest their offshore renminbi holdings in China's stock markets (Fung & Yau, 2012, p. 119; Suttle et al., 2012; SWIFT, 2011). The quota of the Hong Kong RQFII scheme was increased from the initial RMB20bn first to RMB70bn in April 2012, and then to RMB270bn in November 2012, and the outstanding amount of the RQDFII scheme for all countries, assigned to 89 foreign institutional investors, has risen to RMB278.6bn in August 2014 (China-XBR, 2014c; Tan, 2014; Timewell, 2014; Wu, 2012).[xix]

Second, the potential for outflows of Chinese financial capital has also increased. The investment quota of the QDII programme has increased from $42.17bn in 2007 to $75.247bn in March 2012 (SAFE, 2012a). 2012 saw the biggest increase in quotas since its introduction, and the central bank is thinking about a second program which would allow Chinese investors to invest overseas directly (Wei, 2013). The number of QDII licensed institutions has grown from 40 to 96. Despite the significant expansion, the QDII programme remains small compared to total Chinese household savings (Lardy & Douglass, 2011). Moreover, although the number of quota holders increased further to 121 in August 2014, the outstanding amount increased only slightly in 2013 and the first half of 2014, reaching US$84.5bn in August 2014 (China-XBR, 2014a).

Another innovation is the Qualified Domestic Limited Partner programme, which has given foreign hedge funds permission to tap China's savings (Rabinovitch, 2012a). The low ceiling (about $5bn), however, implies that this will at the moment not be a significant opportunity for capital outflows. Another novelty was that from 2009 on qualified enterprises were permitted "to use, within a certain limit, their self-owned foreign exchange, foreign exchange purchased with RMB and other permitted foreign exchange to grant overseas loans, and such matters as the opening of special foreign exchange accounts for overseas loans" (SAFE, 2012a). Finally, the quota for individual purchases of foreign exchange for personal settlement was increased in 2007 from $20,000 to $50,000 (Ji, 2011; Ma & McCauley, 2007; PBOC, 2008, p. 143).

While these new openings are unlikely to significantly change the interpenetration between domestic and foreign capital, both in China and abroad, the QFII, QDII and RQFII programmes "represent important steps opening and liberalizing the financial sector" (Suttle et al., 2012), and they signal the path that has been chosen. A clearer signal, however, and the main transformation in the integration with global financial markets concerns the liberalization of controls on currency convertibility and the international use of the RMB (Gallagher, Ocampo, Zhang & Yu, 2014; for the various policies, see Cheung, Ma & McCauley, 2011, pp. 50-53; Dobson & Masson, 2009, p. 129; Fung & Yau, 2012; Gao & Yu, 2009; Huang & Lynch, 2013, pp. 576-577; Prasad & Ye, 2012; Ranjan & Prakash, 2010; Sekine, 2011; Shotter & Wildau, 2014; Suttle et al., 2012; Yu, 2012; Zhang, 2012a, p. 87). First, China has, after initial experiments, promoted the use of the RMB in trade settlement, and the Chinese currency is now widely and increasingly used for trade with especially Asian countries.[xx] Second, in the aftermath of the global crisis, bilateral currency swap agreements have been concluded with around 25 countries. Third, in 2007 Chinese financial institutions were allowed to

issue RMB-denominated bonds in Hong Kong, the so-called dim sum bonds. The issuers have gradually expanded to many other actors, such as Chinese domestic enterprises and TNCs.

Fourth, some foreign financial investors, including foreign central banks and Hong Kong-based RMB-settlement banks were allowed to invest in China's domestic bond market. The Chinese authorities have also allowed some 20 designated overseas banks to invest in the interbank bond market. Entry, however, is still subject to a quota and to approval. Fifth, since 2005, international development institutions were allowed to issue RMB-denominated bonds in China, the so-called panda bonds. Sixth, while RMB-denominated deposits in Hong Kong were already introduced in February 2004, there has been a fairly rapid growth after 2007 both in the value of deposits, from RMB33.4bn in December 2007 to RMB925.9bn in June 2014 (HKMA, 2014). There have also been measures to expand the convertibility of the RMB.[xxi]

5.4.2 *The crisis of China's accumulation regime*

To many, the global financial crisis that broke out in 2007 highlighted the capacity of the Chinese state "to mobilise the economy behind a national effort when it needs to" (Breslin, 2011a, p. 186). Moreover, as China's financial system was – despite the strong fall of the stock market (see Figure 5.14) – relatively undamaged, and China did not experience a sharp fall in its exchange rate against the dollar contrary to what happened in other EMDCs (see Figure 5.11; de Haan, 2010, p. 761; Interview 2 & 8; Liang, 2010, pp. 61-62; Yu, 2010, p. 2), this could have resulted in a backlash against free capital mobility and integration into the heartland, as happened in the aftermath of the Asian crisis in 1997-98. As Huang and Lynch (2013, p. 573) point out: "If anything, the financial turmoil in recent years could be expected to have made Chinese policymakers more inclined to retain controls over key financial variables and capital movements than to pursue liberalization."

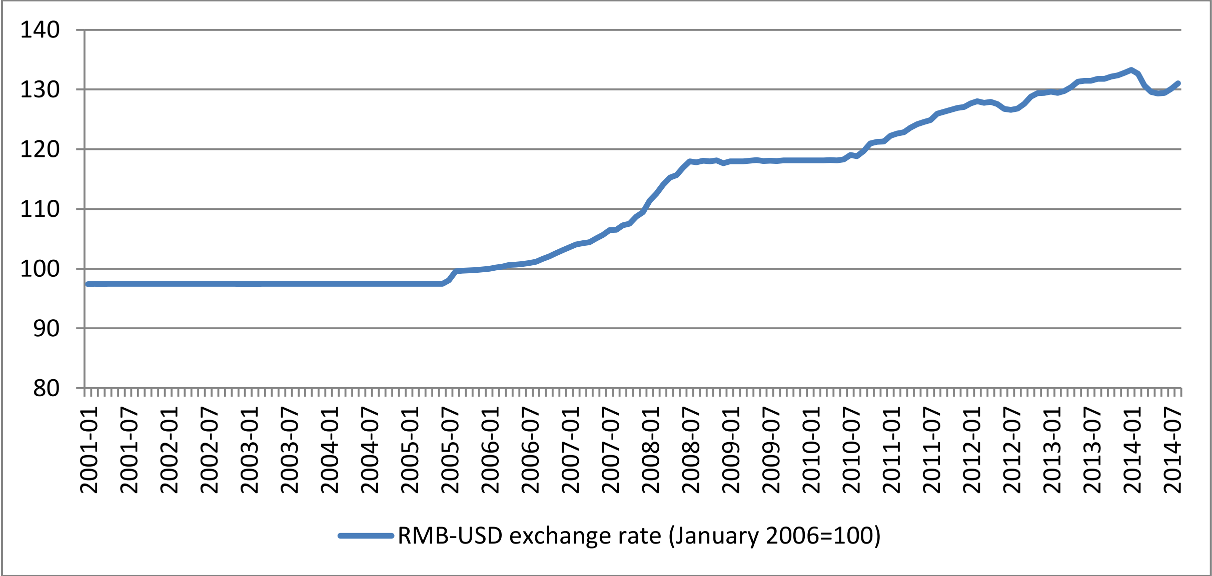

Figure 5.11: RMB-USD exchange rate, 2001-2014 (own calculations, based on data from Board of Governors of the Federal Reserve System, 2014)

However, as demonstrated above, this has not been the case, as China has liberalized cross-border capital flows significantly, and further liberalization is on the agenda. What are the causes of this puzzle? It could be argued that the hegemony of the historic bloc described above (see 5.3.3) has been unraveling. The most important reason is that the American-centred crisis led to a general feeling that China's accumulation regime "no longer contributes to a desirable pattern of development" (Wolf, 2012; also Sender, 2012a). As the prominent Chinese economist Yu Yongding has argued (Yu, 2009a): "China's investment-driven and export-led growth pattern is not sustainable. (...) The global economic crisis exposed the vulnerability of China's growth pattern in a dramatic fashion." The latest IMF Country Report stated: "With economic, social and environmental challenges rising, the need for another round of reforms has become ever more urgent" (IMF, 2014a).

First, the main lesson drawn from the global financial crisis is that China's accumulation regime, especially the export-oriented growth based on cheap labour, is no more viable for several reasons (Aglietta, 2013). In particular, while China was able to avoid financial havoc because of its capital controls and low financial integration, it was largely hit through the collapse of exports (Bibow, 2011; Breslin, 2011a, pp. 190-191; de Haan, 2010, p. 763; Liang, 2010, p. 65; Mallaby & Wethington, 2012, p. 138; Yu, 2009a, 2010, pp. 2-3; Zhu & Kotz, 2011, p. 24). Exports were 27% lower in May 2009 than in May 2008 (CIGI/CASS, 2009), and exports as a share of GDP fell from more than 38% in 2007 to less than 30% in 2009 (see Figure 5.3). It is estimated that between 20 and 36 million jobs were lost because of the crisis, especially in export-oriented sectors (World Bank, 2013b). China's excess capacity in many sectors has been widely reported (e.g. Akyüz, 2011, p. 16; EU Chamber of Commerce in China, 2009; Hart-Landsberg & Burkett, 2004, p. 64; Yu, 2010, p. 3). In sum, "the sharp drop in exports has raised questions regarding whether China can return to rapid and sustained export-led growth as the world economy recovers from the crisis" (Akyüz, 2011, p. 2).

Second, there are concerns about China's dependence on the US dollar (Chen & Cheung, 2011, p. 14; Cheung, Ma & McCauley, 2011, p. 45; Chin & Wang, 2010, p. 3-5; Gao & Yu, 2009, p. 105; Vermeiren, 2014, p. 121). After the Asian crisis, to protect itself against a run on the currency, China started accumulating massive foreign reserves (especially after 2004) (see Figure 5.12; Corden, 2009, p. 435; Interview 1; Panitch & Gindin, 2012, p. 292). The problem is that a depreciating dollar, as well as US inflation, could affect the value of China's international reserves. China's concerns about the dollar were thus magnified by the depreciating dollar, which affected the value of China's international reserves (Bowles & Wang, 2013, p. 1376; Gao & Yu, 2009, p. 105; Huang, 2010; Kynge, 2014; Yu, 2009a, 2010, p. 3). However, if China disposes of its dollar reserves, the dollar would fall further. China is thus "stuck" with its dollar reserves, captured in the notion of the "dollar trap" (Krugman, 2009; Lim, 2010, p. 680; Mallaby & Wethington, 2012, p. 140; Wade, 2009, p. 545; Yu, 2009a). In sum, as two CASS scholars stated (Gao & Yu, 2009, p. 105): "The current crisis has exposed the vulnerability of China's financial position under the existing international monetary system, which is characterised by the domination of the US dollar as the international reserve currency."

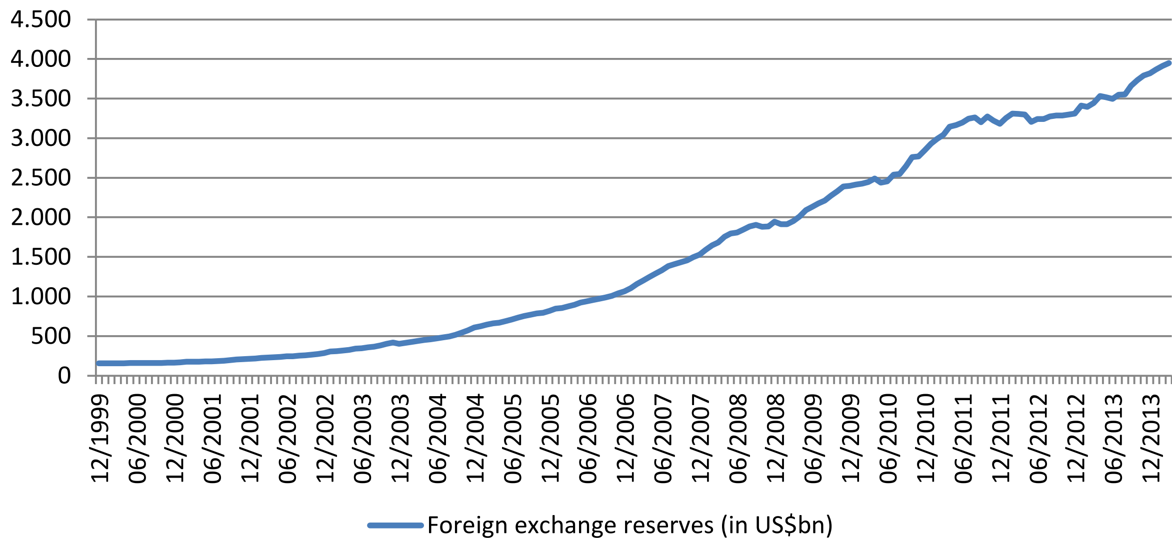

Figure 5.12: Foreign exchange reserves China (data from SAFE, 2014b)

The lesson learnt by a fraction of China's state class was therefore that China needs to change its accumulation regime if it wants to remain a challenger to the Western heartland in general and American hegemony. One of the solutions is to develop domestic demand, to diminish the reliance on exports (Liang, 2010, p. 66; Palley, 2006, p. 81). Rebalancing the economy away from exports and towards domestic consumption is necessary both to keep up economic growth and maintain social stability, and to become less dependent on the US consumption market and the US dollar. One of the deeper causes of the sluggish consumption, and the concomitant reliance on exports, is the falling wage share and growing inequality, as well as a high precautionary saving rate to compensate for inadequate government provision of public goods such as health care, education, pensions and housing (see Akyüz, 2011, p. 3; Foster & McChesney, 2012, p. 10; Hong, Vos & Yao, 2008, pp. 41-42; Hung, 2008, p. 162). Rebalancing the economy away from investment- and export-led growth towards domestic consumption thus requires an increasing wage share, reduced inequality, and the development of a welfare state (which necessitates higher taxes), which implies a significant redistribution towards China's workers (Akyüz, 2011, p. 21; Liang, 2010, p. 70; Palley, 2006, pp. 85-87; Panitch & Gindin, 2012, p. 336; Piovani & Li, 2011, p. 88; Zhu & Kotz, 2011, p. 27).

Making abstraction of ecological constraints, there are two major problems with rebalancing. First, the wage hikes that are necessary to increase consumption could possibly lead to the relocation of (foreign-owned) plants to countries with lower wages (Foster & McChesney, 2012, p. 9). There have been indications that some industrial corporations have already relocated or are about to relocate to even cheaper locations, such as Cambodia and Bangladesh (Bradsher, 2013; CLB, 2014; Morgan, 2008, p. 431; Wang, Appelbaum, Degiuli & Lichtenstein, 2009, pp. 497-498; Weil, 2006, p. 46). Second, an increase in the wage share will be and is already being opposed vigorously by the coastal export-oriented foreign and domestic industrial capitalists (Hung, 2009, p. 6; Li, 2011, pp. 47-48; Panitch & Gindin, 2012, p. 336; Zhao, 2012, p. 4). As Li (2011, p. 48) puts it: "Which section of the capitalist class is going to sacrifice its own interest for the sake of the collective interests of the

class?” Consequently, rebalancing requires a shift in the power relations, and the breaking of the power of China’s coastal urban elite (Hung, 2009, p. 6; Zhu & Kotz, 2011, p. 28).

It seems that this shift has not occurred until now. While exports fell strongly as a share of GDP after the crisis because of the crisis in advanced countries, the share of capital formation has grown strongly, from around 42% before the crisis to almost 50% of GDP in 2009-2013 (see Figure 5.8; data from World Bank, 2014b). An important cause was the large fiscal stimulus (14% of GDP) implemented after the crisis, which was strongly geared towards investment (amongst others in infrastructure) (Akyüz, 2011, pp. 16-17; Breslin, 2011a, p. 194; EU Chamber of Commerce in China, 2009; de Haan, 2010, pp. 764-765; Hung, 2009, p. 22; Liang, 2010, p. 68; Yu, 2009a; Vermeiren, 2014, pp. 144-147; Zhu & Kotz, 2011, p. 27). This perpetuates China’s unsustainable accumulation regime and only leads to more overcapacity, export dependency and the built-up of dollar reserves. In the absence of fundamental rebalancing, China is left with trying to reduce the country’s dependence on the US dollar, which has been the main aim of China’s international financial strategy after the crisis (Interview 2; Zhang, 2009, p. 22). The paradox is that this has led to a strategy that could be called“challenging America through Americanization”.[xxii] In particular, to challenge the hegemony of the dollar it was assumed that China needs, amongst other things, an internationalized and internationally accepted currency.[xxiii]

The global economic crisis has thus been a key catalyst of the internationalization of China’s currency (Bowles & Wang, 2013, p. 1374). As Zhang (2012a, p. 87) writes: “After the global financial crisis, the Chinese government has been promoting RMB internationalization aggressively.” The “internationalization of the renminbi” has become an important target for Chinese policymakers, and a much-debated theme in academia (see e.g. Bowles & Wang, 2013; Eichengreen, Walsh & Weir, 2014; McCauley, 2011) and the international financial press (e.g. Hancock, 2013; Jones, 2013). McNally (2012, p. 763) argues that China’s current strategy “attempts to benefit from the internationalization of the yuan, while not upsetting China’s development model”.

However, many analysts are sceptic whether this can be maintained. It is commonly accepted that capital controls are a huge impediment to the internationalization of the renminbi (Chin & Wang, 2010, p. 13; Dobson & Masson, 2009, p. 125; Fung & Yau, 2012, p. 108; Gao & Yu, 2009, p. 112, p. 118; He, 2013, p. 240; Hu, 2008, p. 222; Kahler, 2013, pp. 714-715; Lee, 2010; Ross, 2014). Consequently, next to liberalized, deep and liquid financial markets, “full internationalisation ultimately requires a fully open capital account” (Cheung, Ma & McCauley, 2011, p. 63), or as Yu Yongding puts it (Yu, 2012): “The process of yuan internationalization essentially is a process of capital account liberalization.”[xxiv] As outlined above, however, capital account liberalization is incompatible with the export- and investment-led accumulation regime. Barry Eichengreen (2011) writes that the liberalization of capital controls “presupposes fundamental changes in China’s development model”. While before the crisis, capital account policies where largely a domestic issue, they are now seen in the bigger picture of the international financial architecture (Interview 2). This brings the contradiction to the fore between China’s domestic accumulation regime and concomitant constellation of social forces, and its global geo-economic ambitions.

5.4.3 *The social forces pushing for liberalization*

The objective of RMB internationalization has provided an opportunity for the social forces which have long been in favour of capital account convertibility. The main force backing liberalization consists of a group of economic reformers, especially technocrats, but also academics and private analysts in think tanks. They are for the most part trained in (Western) neoclassical economics, which has become dominant both in the Chinese universities' economics departments (Interview 8; Kotz, 2007, pp. 59-60; Li, 2009a, pp. 15-18; Morgan, 2004, p. 74; Naughton, 2003; also Cheng, 2010, p. 55) and with political and bureaucratic leaders (Wang Q. K., 2011, p. 465). Their objectives are to make the domestic economy more market-led, to make it more attractive to international capital and more in line with international standards (e.g. Zhou, 2005, p. 9; see also Breslin, 2003, pp. 227-228).

One of the main agencies within reform this technocrat group is China's central bank, the People's bank of China (PBOC), which is largely staffed by pro-market Western-educated economists and which, according to one scholar, had become "the most influential ministry in economic affairs" by the late-1990s (Liew, 2004, p. 50; see also Chovanec, 2013; Kennedy, 2008, p. 75; Wei & Davis, 2014a). The president of the PBOC, Zhou Xiaochuan, is in particular considered as a powerful and determined reformer (e.g. Kennedy, 2008, p. 76; Naughton, 2013; Yao, 2013; Wei & Davis, 2014b). The PBOC has been the key organ in the push towards convertibility (Interview 2, 3 & 6). Since 2002, the PBOC has been advocating further capital account liberalization (Yu, 2012).[xxv] In 2011, Zhou argued (in Prudhomme, 2011, author's translation): "We know we have to render our currency convertible and liberalize the capital account." In a 2012 report the central bank proposes a roadmap for capital account liberalization in three phases (Rabinovitch, 2012b; Sekine, 2012a; Yu, 2013). In November 2013 Zhou said that investment caps for both the QFII and QDII programs will be phased out, and this was reiterated in the official PBOC 2013 Annual Report (released in English in August 2014) (Li & Zhou, 2013; PBOC, 2014).

As several journalists have argued, the recent decision that Zhou can remain in office as head of the PBOC even after the official retirement age of 65, could signal that China's new leaders want to maintain the momentum of reform and speed up the transition to a new accumulation regime, in particular dismantling capital controls (Lim & Bi, 2013; Yao, 2013). Another indication is that Yi Gang, vice-governor of the PBOC and close to Zhou Xiaochuan, has been named a senior official in the CCP's top economic advisory organ in June 2014 (Wei & Davis, 2014b).[xxvi]

These technocrats and reformers not only support capital account liberalization as a goal itself, but also because it would force a change in the domestic accumulation regime, necessitating financial liberalization and market reform (Huang & Lynch, 2013, p. 574; Interview 2, 3 & 6). In this regard, the internationalization of the renminbi and capital account liberalization are similar to entry into the WTO in 2001, which provided domestic reformers "with an external tool to use to pressure reluctant domestic forces to accept greater domestic liberalization" (Breslin, 2003, p. 226; see also Breslin, 2004, p. 665; Panitch & Gindin, 2012, p. 293; Prasad & Rajan, 2008, p. 169; Subramanian, 2012b). It has long been known that internal and external liberalization in China (and arguably, everywhere) are strongly interrelated (Dean, 2000, pp. 63-64; Zhang, 2003b, p. 707). That is also one of the reasons why Western actors are keen on the liberalization of China's capital account: not only because it would supply them with new profitable investment opportunities, but also because it could generate domestic change within China.

A second group underpinning liberalization entails Chinese financial capital in the form of the wealthy Chinese. Because of economic growth and increasing inequality, with the gains going to the higher-income groups after 1987 (see Figure 5.13), a "relatively small but numerically significant upper income group of Chinese" (Hart-Landsberg, 2006, p. 14) has come into being.[xxvii] This wealthy "one per cent" – owning one third of Chinese wealth according to a recent survey (Xinhua, 2014) – consists of, next to CCP officials, managers of SOEs and SOBs, the executives of large and medium-sized companies, and the owners of large or medium-sized private firms (Andreas, 2008, p. 135; He, 2000, pp. 73-74; Petras, 2008, p. 323).[xxviii]

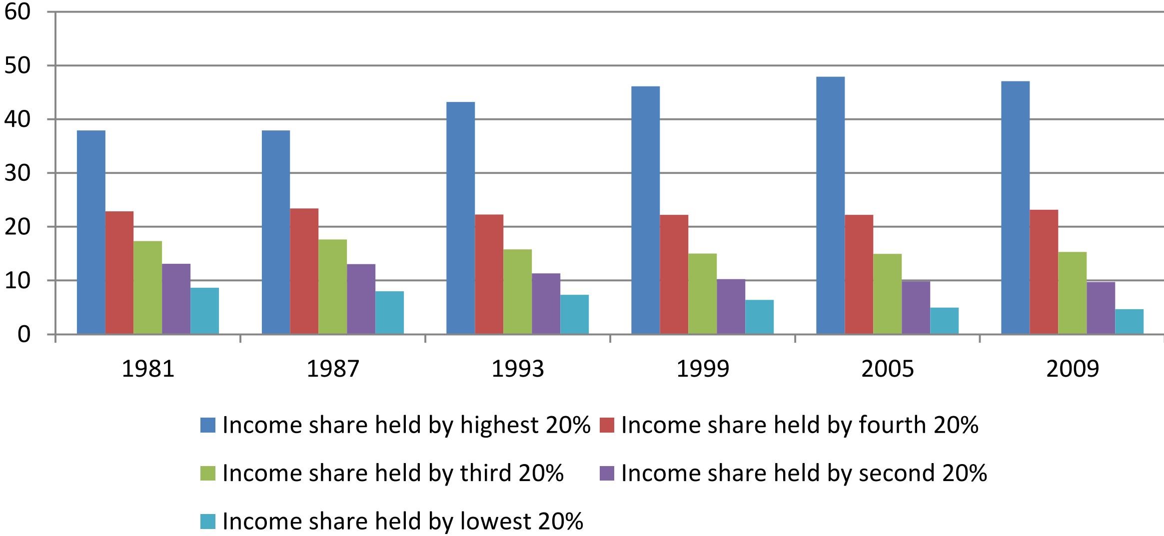

Figure 5.13: Income shares China (data from World Bank, 2014b)

This wealthy elite is intimately related with China's state class.[xxix] The capitalist restoration in China has changed the social base of the CCP: "In the marketization process, the boundary between the political elite and the owners of capital grows gradually more indistinct. The political party is thus changing its class basis" (Wang H., 2006, p. 39; see also Breslin, 2004, p. 672; Hung, 2008, p. 157; Liew, 2005, p. 342). On the one hand, members of the state class have "embourgeoisied" with the sell-off of state-owned assets and the changing nature of SOEs (So, 2003, pp. 367-368). On the other hand, while the number of private entrepreneurs within the CCP (sometimes called "red capitalists") already grew strongly in the 1990s, then president Jiang Zemin's July 2001 speech on the "Three Represents" implied that the CCP now would also represent capitalists instead of only farmers and workers (Dickson, 2004, pp. 251-252; Li, 2009b, p. 20; Liew, 2005, pp. 343-344). Since 2002, then, private entrepreneurs have officially been allowed as Party members (Dickson, 2007, p. 827; Yan, 2012). Not unlike state managers, "private" entrepreneurs are wholly dependent on the CCP (Khong, 2014). But they also have strong (family) ties with CCP officials (Andreas, 2008, p. 139; Barboza, 2012; McNally & Wright, 2010). This also implies that they have access to political power, and that their political weight has grown strongly (Petras, 2008, p. 324). There is thus a growing integration, as well as blurring, of party and business elites, and of private and state purposes (ten Brink, 2011; Dickson, 2007, p. 827; Ding, 2000; Hart-Landsberg, 2010a, p. 282; Harvey, 2005, p. 150; Kwong, 2010;

McNally, 2012, p. 751; Schmalz & Ebenau, 2012, p. 493). This has been captured in the notion of a "cadre-capitalist class" (So, 2003, p. 369).

This elite is eager for more investment (and consumption) opportunities abroad. As outlined above, real negative interest rates on deposits (see Figure 5.10) have meant low returns on their savings. Wealthy Chinese have therefore been looking for other investment channels with higher returns on capital (Cooper, 2012). The stock market has proven to be a bad option, due to volatility and a large fall in stock prices after the global economic crisis (see Figure 5.14).[xxx] Another favourite outlet has been investment and speculation in real estate (see e.g. Rabinovitch, 2012a; Huang, 2013; Zhang & Sun, 2006, p. 63). While many analysts have talked about a housing and real estate bubble (Akyüz, 2011, pp. 16-17; CIGI/CASS, 2009; Foster & McChesney, 2012, p. 2; IMF, 2014a; Walker & Buck, 2007, p. 49; Zhu & Kotz, 2011, p. 23), it seems that recently this bubble has run out of steam, and that the bubble is about to burst (see Anderlini, 2014; Davis, 2014b).[xxxi]

Figure 5.14: Stock market capitalization China (data from World Bank, 2014b)

The search for higher yields has also been important in fuelling the shadow banking sector in China, especially via the off-balance wealth management products (WMPs) which allow for higher returns, but are also more risky investments (see Barnett & Roache, 2014; Cookson, 2011b; Cooper, 2012; Huang, 2013; IMF, 2014a; Rabinovitch, 2012d; The Economist, 2013; Yu, 2014). It has been argued that the development of this riskier shadow banking sector (as well as the development of stock market and real estate bubbles) demonstrates the need to create more options for capital outflows (Huang & Lynch, 2013, p. 583; see also Anderlini, 2014).

In any case, it has been widely reported that wealthy individuals have already tried to invest more of their money abroad, sometimes through illegal capital flight (Anderlini, 2011b; Chancellor, 2012; Ding, 2000; Frangos, Orlik & Wei, 2012; Harris, 2012, p. 27; Harvey, 2005, pp. 146-147; Huang, 2014; Lardy & Douglass, 2011; Pomfret, 2014; Qin, 2014; Rabinovitch, 2012c; Wei, 2014).[xxxii] Some of them, especially corrupt officials, are afraid that one day their property might be nationalized, or that another sort of Cultural Revolution might break out (Interview 3; Zhang, 2012a, p. 88).[xxxiii] Both for

this reason and to obtain higher returns, they want to transfer their wealth abroad. Estimates suggest that the top 1 per cent of households owns between 30 and 50 per cent of bank deposits, so capital outflows by wealthy individuals might have a significant impact on the Chinese economy, and it might undermine the investment- and export-led accumulation regime (Chancellor, 2011). There is thus a contradiction between their position as wealthy individuals on the one hand and as owners and managers of the SOEs and SOBs as well as members of the state class on the other hand (Interview 8).[xxxiv]

Finally, it is clear that foreign financial capital is keen on exploiting more opportunities for investment in China's financial markets and banking sector (see e.g. Chancellor, 2013; Hutchens, 2002, p. 34; Poole, 2006; PwC, 2012a; Strongin, 2006; US-China Business Council staff, 2007; Wang Y., 2013; also Interview 2, 6 & 8).[xxxv] As researchers of the Deutsche Bank state, "China remains one of the most insulated financial markets in the global arena, and many market participants are hoping for greater integration with international financial markets" (Hansakul, Dyck & Kern, 2009). Despite the fact that export-oriented TNCs have benefited from China's competitive exchange rate regime supported by capital controls, TNCs in general are also in favour of more opening up (Interview 2, 6 & 8).[xxxvi] For instance, the US-China Business council's "long-standing position is that China should move faster to implement the financial sector reforms needed to remove capital controls" (Henry, 2012). Numerous reports by foreign business associations call for the liberalization of capital controls, increasing RMB convertibility, and the easing of restrictions in the financial sector (e.g. AmCham China, 2011, 2013; AmCham Shanghai, 2011; EU Chamber of Commerce in China, 2014).

These TNCs and Western banks are supported by Western states. According to a former US Treasury official in Beijing, the opening up to foreign investment in financial services is one of the main priorities of the US state (see Katz, 2014; see also Wade, 2008, p. 51).[xxxvii] Although the IMF has (more recently) advocated a gradual, cautious approach (IMF, 2014a; Prasad, Rumbaugh & Wang, 2005; see also Davis & Wei, 2013c), it has in general also been in favour of and pushing for capital account liberalization and the convertibility of the RMB (e.g. IMF, 2014a; Lagarde, 2012; Leigh & Podpiera, 2006; Sahay, 2013; see also Bretton Woods Project, 2012).[xxxviii] As the IMF's Deputy Director for the Asia Department, Markus Rodlauer (2013, p. 281) has stated, "China will be served well by continuing its careful approach, (...). (...) At the same time, liberalization must continue, and China's ultimate goal to make the Renminbi fully convertible is well placed."

5.4.4 Opposition from the state class

The dismantling of controls attracts opposition from the historic bloc identified above (see 5.3.3), as exporters, SOEs and SOBs are likely "to be nervous about currency internationalization, for fear of breaking the levers of growth at home" (Helleiner & Malkin, 2012, p. 52). However, the cohesion and strength of this historic bloc has been weakened not only by the exhaustion of China's accumulation regime[xxxix], but also because Chinese state-owned capital has contradictory interests. As outlined above, they have been the main beneficiaries of China's export- and investment-based accumulation regime and have thus benefited substantially from China's capital controls. On the other hand, however, they are increasingly globally active, due to "enterprise-led overseas investment, despite the constraints imposed by China's political system and economic transition" (Hong & Sun, 2006, p. 613; see also Breslin, 2013, p. 1274; Song, Yang & Zhang, 2011, p. 39). In 2001, the Chinese

government adopted its “Going Out Strategy” (first announced in 1999) in the Tenth Five-Year Plan (Gonzalez-Vicente, 2011, p. 402; Hong & Sun, 2006, p. 621; Luo, Xue & Han, 2010, p. 75; Zhang & Daly, 2011, p. 391), and the outward FDI stock has grown vigorously especially since 2006, to reach more than 6% of GDP in 2012 (Figure 5.4; see also Rosen & Hanemann, 2009; Suttle et al., 2012; Zhang, 2012a, p. 85). A significant part of overseas investment is done by SOEs (e.g. Morck, Yeung & Zhao, 2008, p. 340). As SOEs go abroad, they might benefit from and be in favour of RMB internationalization and thus capital account liberalization (Interview 1).[xl]

SOBs have also become globally active[xli], especially through cross-border lending, which accounted for almost 60% of non-reserve outward investment in 2011 (Aksoy, 2014; Lund et al., 2013; see also Hansakul, Dyck & Kern, 2009; Harris, 2009, p. 19; Sekine, 2010; Timewell, 2012).[xlii] They also benefit from the increasing use of international RMB transactions, and are keen to become more internationalized (see Gao, 2013; KPMG, 2013; Xiao, 2012). In sum, both industrial and banking SOEs “display an *outward-looking, economically expansionist* (rather than protectionist) outlook, integrating themselves into transnational circuits of capitalist production and finance” (van Apeldoorn, de Graaff & Overbeek, 2012, p. 482). The beneficiaries of SOEs and SOBs thus have contradictory interests: on the one hand their interests have been served well by the export- and investment-led accumulation regime, on the other hand their internationalization implies that they might benefit from a more open capital account and an internationalized RMB.[xliii]

In the context of contradictory interests for SOEs and SOBs, and the absence of strong opposition from these actors, it has been a fraction of the state class that has opposed capital account liberalization. As one interviewee noted, the “system” as a whole is more concerned than individual components (Interview 6). The main reason is that it does not want to risk losing control over Chinese economic development, with fears of financial instability and capital outflows running high. The effectiveness of China’s capital controls has already been declining (Interview 6; Verma, 2014; Yu, 2009b). De facto convertibility is higher than de jure convertibility suggests. As a SAFE official has said (Guan, 2013, pp. 2-3): “De facto capital account convertibility is much higher due to full current account convertibility, close economic and financial linkages with [the] outside world especially with Hong Kong SAR, and large numbers of overseas Chinese as well as foreign-funded enterprises.”

Moreover, the more China liberalizes both its capital account and its capital markets, the harder it will become to maintain the effectiveness of the remaining capital controls (Ma & McCauley, 2007; Prasad, Rumbaugh & Wang, 2005). As many analysts have argued, further capital account liberalization could result in more volatile and speculative capital flows, periods of capital flight, and crisis (Dobson & Masson, 2009, p. 134; Edwards, 2013; Fischer, 2010, p. 755; Gao & Yu, 2009, pp. 112-114; Huang & Lynch, 2013, p. 573; Kynge, 2014; Ma & McCauley, 2007; Saull, 2012, p. 326; Zhang, 2012a, pp. 88-89). It is clear that China is already to a certain extent undergoing volatile, speculative capital flows and arbitrage (see Figure 5.15; also Cookson, 2011a; Fischer, 2010, pp. 748-749; Gunter, 2004; Guo & Huang, 2010; IMF, 2014a; Park & Dole, 2008; SAFE, 2012c; Suttle et al., 2012; Yu, 2009b; Zhang, 2013a).[xliv] Growing financial integration and capital account liberalization will make it even harder to stop speculative inflows and outflows.

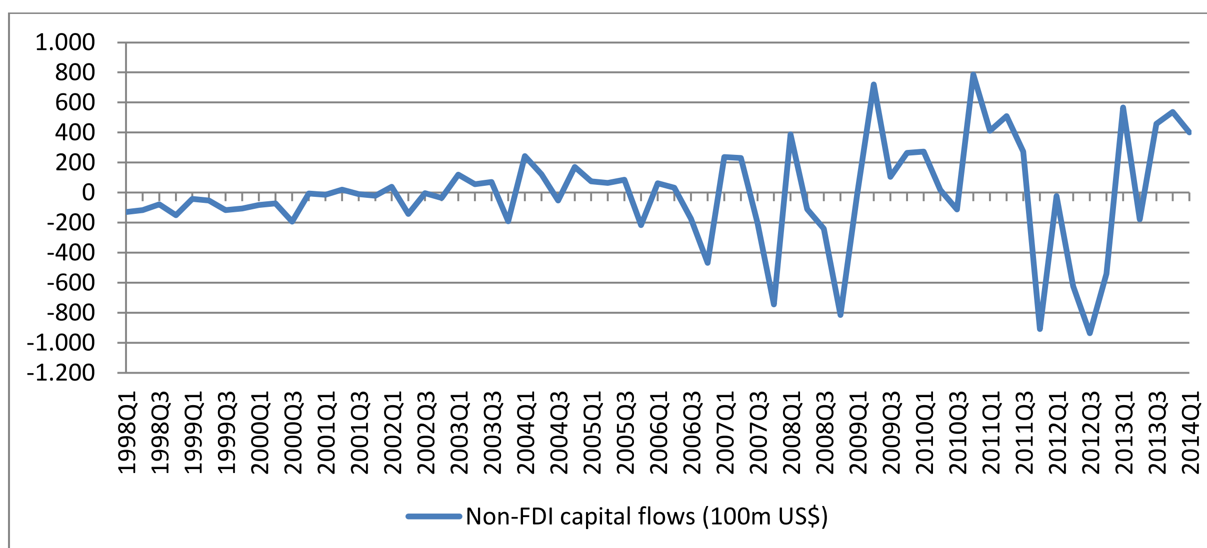

Figure 5.15: Non-FDI capital flows China (data from SAFE, 2014a)

The most controversial issue would probably be the relaxation of constraints on outflows by individuals.[xlv] Until now, Chinese residents can only take out US$50,000 a year (Davis & Wei, 2013c; Huang, 2014; Qin, 2014).[xlvi] If capital controls on outflows for individuals would be abolished, there could be huge capital outflows, especially in times of economic or political stress (Choyleva, 2014; Prasad & Ye, 2012; Yu, 2013).[xlvii] A crisis of the domestic financial system and a full-blown economic crisis could ensue (Lin, 2013; Yu, 2009b). As one interviewee therefore said (Interview 6): "Letting Chinese individuals take money abroad is a line they won't cross."

Well-known (mainstream) Chinese economists have therefore opposed further liberalization.[xlviii] Prominent among these are Yu Yongding and his colleagues at the Beijing-based Chinese Academy of Social Sciences (CASS) and Justin Yifu Lin, the former chief economist of the World Bank (see Lin, 2013; Yu, 2012; see also Davis & Wei, 2013c; Interview 2; Ross, 2014; Wei & Davis, 2014a). They have criticized the process of capital account liberalization "disguised as yuan internationalization" (Yu, 2012). Although it seems that many Chinese scholars are less ideologically committed to capital account liberalization and do not view it as a goal in itself, most of the economists do not oppose capital account liberalization as such, but they do oppose preliminary and hasty liberalization. They advocate a sequenced and cautious approach and want the Chinese government to focus on the essential preconditions first, such as deregulating interest rates, having a flexible exchange rate and stirring domestic financial markets (see Gao & Yu, 2009, p. 119; He, 2013, p. 235; Interview 2 & 3; Yu, 2012; Zhang, 2012a, p. 91; Interview 1; INTERVIEW; see also Gallagher, Ocampo, Zhang & Yu, 2014). As He Fan of CASS puts it (He, 2013, p. 235): "Cleaning the house then open the door and welcome the guests."[xlix]

But the lifting of capital controls could not only mean less impact on international capital flows, but also (further) losing control over domestic flows, and over the domestic economy (Cookson, 2011a, 2012b; Eichengreen, 2011, p. 146; Huang & Lynch, 2013, p. 575; Overholt, 2010, p. 26). This is already becoming clear with the liberalization of interest rates. While the profitability of (state-owned) banks was still high in 2012 and 2013 (Chen, 2014b; Timewell, 2013), it has been reported

that net interest margins have been falling, partly due to the liberalization of lending interest rates, as well as the competition of WMPs and other higher interest rate products (Chen, 2013; KPMG, 2013; Rabinovitch, 2012d; Sender, 2012a; Wildau, 2014a; Zhu, 2014).[l] As Rabinovitch (2013b) has written (see also Zhu, 2013): "Easy profits are fast becoming a thing of the past." If interest rates were fully liberalized, the banks' return on equity could drop between 40% and 50% (see Cai, 2013; see also Borst, 2012). The liberalization of deposit interest rates and/or more competition from foreign banks could thus bring the SOBs into trouble.[li] This would then also bring SOEs into trouble, especially because the profitability of SOEs is already quite low – and lower than for private enterprises (see Chen, 2014b; Lardy, 2014; The Economist, 2014; Wildau, 2014c; Yu, 2014).[lii] SOBs could thus turn to private enterprises who can afford to pay higher interest rates on loans, as Nicholas Lardy argues (see Davis, 2014c).

Consequently, as Martin Wolf (2012) writes, "reform is politically fraught and economically disruptive". In sum, liberalization "means giving up control" (Straszheim, 2008, p. 161), which implies that the state class' power will be significantly reduced (Overholt, 2010, p. 26; Shinn, 2014), and that, ultimately, in contradiction with the strategy of challenging America through Americanization, China's contender position might be undermined. As the Financial Times has written, challenging the influence of the dollar and US monetary power through the internationalization of the renminbi "would imply inviting in the oversight of global capitalism, the rules of which were written under Pax Americana" (Kynge, 2014).[liii] In sum, as Kahler (2013, p. 715; see also Subacchi, 2010; Vermeiren & Dierckx, 2012) therefore states, "Chinese ambitions to change international monetary governance collides with deeply entrenched patterns of domestic governance."[liv]

5.4.5 The internationalization of the renminbi as a hegemonic project

To overcome domestic opposition, the forces urging a more open capital account are using "the internationalization of the renminbi" as a hegemonic project to promote capital account liberalization. As Yu Yongding has argued (Yu, 2012): "Yuan internationalization is widely talked about, while capital account liberalization hides in the shadows." While capital account convertibility remains controversial in China's elite and public debate, "nobody argues against RMB internationalization" (Interview 2) . The internationalization of the yuan is likely to resonate with a broader constellation of social forces, for several reasons (see also Bowles & Wang, 2013, pp. 1377-1378).

First, challenging the power of the US dollar through the internationalization of the RMB "ought to resonate well with nationalist sentiments and help blunt domestic opposition to currency reform" (Prasad, 2012; see also Chovanec, 2013; Huang & Lynch, 2013, p. 573; Interview 2 & 6; Mallaby, 2011; Murphy & Wen, 2009). As two observers note, "once the crisis exposed China's vulnerability, reform acquired a fresh patriotic gloss: advocates could paint themselves as challenging the dangerous hegemony of the dollar" (Mallaby & Wethington, 2012, p. 140). In the China Daily it was stated (in Buckley, 2008): "The world urgently needs to create a diversified currency and financial system and fair and just financial order that is not dependent on the United States." The proponents of economic nationalism are thus in favour of the internationalization of the RMB, as it could lead to a world order less dominated by the US. As Subramanian (2011) argues, to overcome domestic opposition, "the Chinese authorities will play up the benefits of the international reserve status of

the yuan." PBOC president Zhou Xiaochuan already used nationalist arguments in 2009 to convince the State Council to support RMB internationalization (Davis & Wei, 2013b).

Second, it is argued that capital account liberalization could help the agenda of rebalancing, helping small- and medium-sized enterprises obtain more loans, and facilitating the transfer from profits to wages. Although this is contradictory with the finding that increasing openness is correlated with a declining wage share (Jayadev, 2007; for China see Luo & Jun, 2010), it is argued that full capital account convertibility would force a shift from an export-led model to an accumulation regime based on domestic consumption (e.g. Barnett, 2013; Yam, 2011). It is expected that marketization, the growth of capital markets and the reduction of state intervention that (must) go together with liberalization are necessary to solve problems such as an unequal income distribution and the lack of environmental protection (Huang, 2011, p. 2; Lim & Bi, 2013; Wang, 2008, pp. 27-28). Capital mobility is also seen to be crucial to put an end to the system of financial repression and low interest rates (e.g. The Economist, 2012). One of the arguments is that more competition for SOBs (from foreign banks or higher returns on savings abroad) would have to lead to higher interest rates on Chinese households' deposits (because otherwise SOBs would not be to attract deposits anymore), thus resulting in a lower propensity to save and more consumption (see also Davis & Wei, 2013b). Further, it is thought that capital account liberalization would help small- and medium-sized enterprises obtain more loans, thus facilitating a shift away from the SOEs' debt-financed investment (Barnett, 2013; see also Hong, Vos & Yao, 2008, p. 43).[lv]

These two arguments could convince a part of the "hardline nationalists and leftist ideologues" who are in general opposed to globalization and integration of China into the American-led heartland (Garrett, 2001, pp. 414-415). As a left-wing academic stated (Interview 8): "If we don't internationalize the RMB, we have to accept US dollar hegemony." Domestic social forces are thus using the internationalization of the RMB to force through capital account liberalization. As Yu Yongding has argued: "The truth is that yuan internationalization is an effort for capital account liberalization in disguise" (Yu, 2012; see also Lardy & Douglass, 2011). The outcome if this strategy is far from predetermined, as "China's uncertain effort to internationalize its currency has exposed the profound struggles that lie behind the country's larger push to transform its economic model" (Mallaby & Wethington, 2012, pp. 136-137).

5.4.6 Towards the full free movement of capital in China?

What are these struggles leading to? It should be noted that the state class has a lot of autonomy from societal pressures in designing capital account policies (Interview 2, 3 & 7).[lvi] As one interviewee said, capital account liberalization is a "politically-driven process" (Interview 3). Besides the general situation of China's political system, there are three important reasons for this autonomy in the domain of capital controls. First, as noted above, interest groups (both SOEs and SOBs and wealthy individuals) have contradictory interests. Second, the debate on capital controls, while controversial during the last years, is less politicized than other issues such as exchange rate policy (Interview 2 & 4). Third, the pressures exerted by both domestic social forces and foreign capital and states are limited and not that significant (Interview 1, 2, 6 & 7). In this context of relatively autonomous decision-making, will the state class put China on the road towards full capital account convertibility?

Until recently, a strong wall between the offshore renminbi market and the domestic onshore capital markets was still in place. At the moment, China's capital controls remain highly restrictive in comparison with the Western heartland, and even compared to other emerging powers (Lardy & Douglass, 2011; Prasad & Ye, 2012). Capital controls have been very effective in China (McCauley & Ma, 2008; Zhang, 2012a, p. 88).[lvii] For now, it also seems that developing the offshore market is more a priority than opening up China's domestic capital markets to foreign investors (Wallace, 2012).

Nevertheless, the trend towards further liberalization is very clear (Chen & Cheung, 2011, p. 12; Interview 3 & 4). According to many analysts, the plan is to make the RMB "fully convertible" by 2015, or 2020 at the latest (Davis & Wei, 2013b; Edwards, 2013; Hancock, 2013; Interview 7; Lim & Bi, 2013; SWIFT, 2011; see also Guan, 2013, p. 24). The 11th and 12th five-year plans both recognized capital account convertibility as a policy goal. In 2012, the 18th National Congress again emphasized the objective of full capital account convertibility (Gallagher, Ocampo, Zhang, Yu, 2014; Guan, 2013, p. 4; see also Anderlini, 2013).[lviii] At the Third Plenum in November 2013 this was reiterated, and it was stated that RMB convertibility would be achieved by 2020 (Li & Zhou, 2013).[lix] After the Third Plenum, central bank governor Zhou said that the quotas under both the QFII and QDII will be expanded and then scrapped, which would be a huge step in the opening up of China's capital account. The most recent experiment towards a more open capital account was started in the Shanghai Free Trade Zone (Borst, 2013; Hu, 2013). In sum, as PBOC Governor Zhou (2013a, p. i) has stated at a March 2013 conference: "The achievement of capital account convertibility is an inherent requirement of an open market economy, and China's willingness and determination to strive towards this objective are very clear." At the moment of writing (September 2014), it seems that further capital account liberalization is on the agenda. Observers have noted that Chinese policymakers are very enthusiastic about opening up the capital account, and that they want to open up faster than the IMF would advise (see Rabinovitch, 2013a).

On the other hand, analysts have said that it is improbable that all the remaining capital controls will be lifted shortly and quickly (Interview 2, 6 & 8).[lx] The fact that China has reinforced controls or organized a crackdown on evasion when necessary both before the crisis (see e.g. Kawai, Lamberte & Takagi, 2012, p. 41) and after the crisis (Bowles & Wang, 2013, p. 1380; Wang X., 2013; Wei, 2014; Wheatley & Chen, 2008; Wildau, 2014b) indicates that there is more pragmatism than dogmatism on the issue. And while Chinese policymakers want to move towards convertibility, they do not want to see rapid surges of either inflows or outflows (Interview 6). In that sense, the future could bring "capital account liberalization with Chinese characteristics", with an open capital account but still numerous "soft" controls (Prasad & Ye, 2012). Repeating a phrase in the 2012 PBOC Report, Zhou Xiaochuan has said that 100 per cent convertibility is not necessarily the end goal (in Wang, 2012; see also Rabinovitch, 2012b; SAFE, 2012a; Wolf, 2012).

Zhou has also stated that China will continue to adopt macro-prudential measures, and regulate "abnormal capital flows" (Zhou, 2013a). This was reiterated by China's Executive Director at the IMF, who stated (IMF, 2014a): "My authorities will accelerate the pace of capital account convertibility while, at the same time, monitoring cross-border capital flows closely against the backdrop of a volatile global monetary environment." As Martin Wolf (2012) notes, in this sense, "full integration would be indefinitely delayed". Some say China will probably turn more to market-based capital

controls instead of quantitative controls (Zhang, 2012a, p. 89; see also Guan, 2013, p. 6, He, 2013, p. 241). It has also been emphasized by officials, probably partly to neutralize criticism, that capital controls could be re-introduced in special cases (see e.g. Davis & Wei, 2013b; Guan, 2013, p. 6; PBOC, 2014).[lxi]

Moreover, even though full capital account liberalization is the official goal, this doesn't mean that it will be reached. In other words: even though a large part of the Chinese state class *wants* to liberalize, this does not necessarily imply they *will* liberalize, particularly if their ability to control the domestic economy comes into jeopardy. As Bowles and Wang (2013, p. 1380) write, "China is not about to remove the 'firewall' of capital controls while there are threats to its financial stability". Several analysts argue in general ad hoc crisis management measures and short-term adjustment prevail over a coherent long-term, well though-out grand strategy (e.g. Bowles & Wang, 2013, pp. 1380-1382; Gao & Yu, 2009, p. 116; Interview 6; Vermeiren, 2014, p. 187).

With all this in mind, some think that it might take very long – if it even "ever" happens – before capital will be fully free to enter and leave China (e.g. Interview 2 & 6). It has been asserted that China has recently pushed back its loose and unofficial timetable (Yao, 2014). Moreover, if substantial capital flight materializes, then an interruption or even reversal of liberalization is not unlikely (Interview 3; Sender, 2012b). It seems in any case that even many proponents of capital account liberalization are also quite pragmatic (e.g. Interview 1 & 2). Combined with the concern over financial stability for a part of the state class, and the remaining concerns over SOEs and SOBs, this could well mean that there will never be a completely full free flow of capital in and out of China.

5.4.7 What about the working class?

One actor is largely missing in the above account: labour. The integration of China into global capitalism "required nothing less than the remaking of its working class" (Panitch & Gindin, 2012, p. 298), which was considered the "leading class" after the communist revolution in China in 1949 (CLB, 2014; He, 2000, p. 69). The working class lost the status that it previously enjoyed (Blecher, 2002, p. 293; Li, 2011, p. 42; Wen, 2008, p. 91; Weston, 2002, p. 724). Workers' rights are not high on the agenda, and they are subordinate to the prerogatives of economic growth (Zhu, 2004, p. 1025). As Kwong (2010) therefore claims: "The secret of China's economic miracle is its browbeaten working class."

On the one hand, as incomes have risen, poverty has decreased forcefully between 1980 and 2009 (see Figure 5.16; see also Lippit, 2005, p. 443-444). Moreover, unemployment has remained low according to official figures.[lxii] While it increased from around 2% in the middle of the 1990s to more than 4% from 2002 onwards, the official figure has remained below 4.5%, even after the crisis (data from World Bank, 2014b).

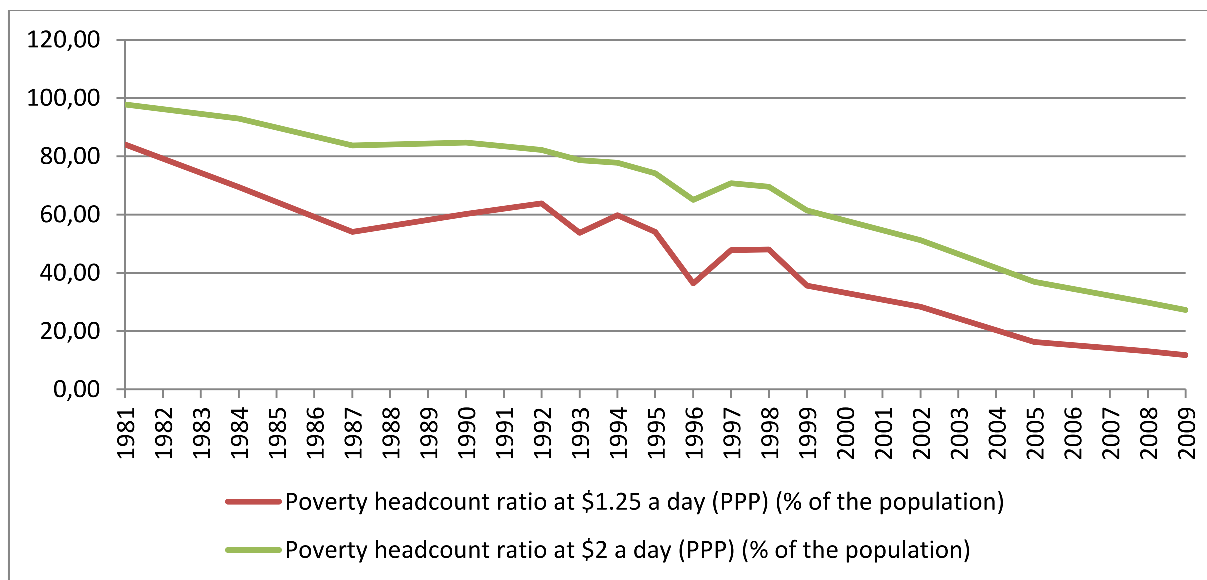

Figure 5.16: Poverty indicators China (data from World Bank, 2014b)

On the other hand, according to the Asian Development Bank, the wage share has fallen from 53% in 1998 to 40% in 2007 (Liang, 2009, pp. 398-399; The Economist, 2009c; see also Hung, 2009, pp. 18-19), and in manufacturing from 48% in the mid-1990s to 42% in the mid-2000s (Rhee, 2012).[lxiii] It has been argued that unemployment is much higher than the official statistics suggest, to even above 10% in urban areas (e.g. Baek, 2005, p. 496; Hart-Landsberg & Burkett, 2006, p. 23; Kiely, 2008, p. 363; Morgan, 2008, pp. 424-425; Schucher, 2009, p. 127; Walker & Buck, 2007, p. 44). Moreover, inequality has grown strongly, as can be seen from a rise in the Gini coefficient from less than 0.30 in 1981 to more than 0.42 in 2005, 2008 and 2009, and according to a recent survey even 0.55 in 2010 (see Figure 5.17; Xie & Zhou, 2014; see also Chancellor, 2011; Harvey, 2005, p. 142; Li, 2011, pp. 44-45; see also Figure 5.13). James Petras (2006, p. 424) highlights "the ferocious exploitation of labor, the massive displacement of peasants, [and] the firing of millions of skilled/semi-skilled industrial workers and bankrupt firms" (see also Amin, 2013, p. 20; Morgan, 2008, pp. 429-430; Zhu, 2004, p. 1015). Especially migrant workers coming from rural to urban areas have been vigorously exploited (see Foster & McChesney, 2012, pp. 18-21; Wen, 2008; Zhu, 2004). Social welfare provision has also weakened considerably (Guan, 2000). Statistics only record cash income and do not show the loss of goods and services previously provided by the state and work units, such as housing, health care and education (Andreas, 2008, p. 135; Petras, 2006, pp. 427-428). The result of all these evolutions is social and class polarization (Andreas, 2008, p. 135; He, 2000, p. 94; So, 2003, p. 367).

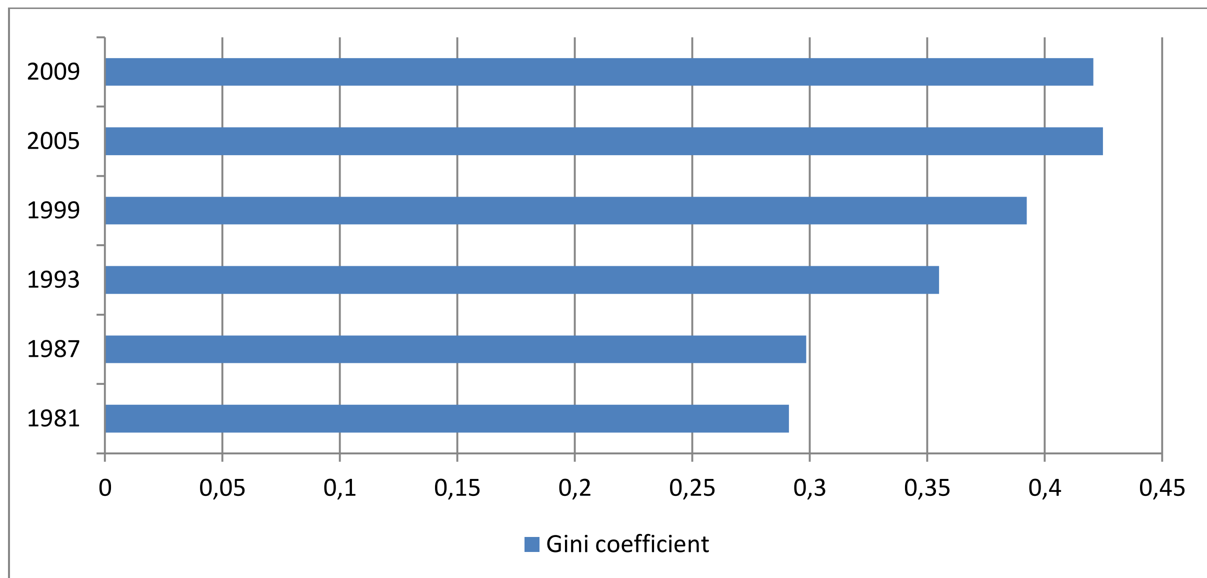

Figure 5.17: Inequality, Gini coefficient China (data from World Bank, 2014b)

After 2002, the Hu Jintao administration started promoting the ideas of the "scientific way of development" and the "harmonious society", with more attention given to social rights and environmental protection (de Haan, 2010, p. 763; Lee & Selden, 2008, p. 35; Li C., 2005, p. 394; Schmalz & Ebenau, 2012, p. 494). Until now, however, it doesn't seem to have led to a fundamental transformation.[lxiv]

The actions of China's working class could have a substantial impact upon the development of the Chinese political economy. As Robert Cox has written:

> *"The orientation of the state class is indeterminate. It can either be conservative or radical. It may either bargain for a better deal within the world economy of international production, or it may seek to overcome the unequal internal development generated by international capital. State classes of the first orientation are susceptible to incorporation into a new hegemonic world economy, and to the maintenance of state corporatist structures as the domestic counterpart to international capital. (…) However, a state class is only likely to maintain the second and more radical orientation if it is supported from below in the form of a genuine populism (…)."* (Cox, 1981, p. 151)

If Chinese workers grew stronger, it could thus change the orientation of China's state class towards a far more radical refutation of the US-made global neoliberal order (see also van der Pijl, 2012, p. 513). As David Harvey (2005, p. 199) has written: "The potential for labour unrest in China is immense though unpredictable." There are some grounds for optimism on the prospects of a Chinese workers' revolt. Authors have pointed out that wages have been rising, and that strikes have become more frequent (e.g. Friedman, 2014; Leung & Pun, 2009, pp. 553-554; Li, 2011, p. 41; Panitch & Gindin, 2012, p. 337; Therborn, 2012, p. 21). The China Labor Bulletin even writes that China now has "a strong and increasingly active working class, one that cannot so easily be controlled by the state" (CLB, 2014; see also Li, 2011). Further, a socialist tradition has to some extent both empowered workers and functioned to legitimize workers' struggles and socialist values, and to hold

back reform (see Lee & Selden, 2008, p. 33; Li, 2011, pp. 42-44; Wang, 2006, pp. 44-45; Weil, 2006, pp. 32-34). As Li (2010, pp. 299-300) therefore contends: "It is only a matter of time before the working classes in China and the rest of the semi-periphery learn how to get organized effectively, fighting for a broad range of economic and political demands." Other authors share this optimism (see e.g. Han, 2013; Leung & Pun, 2009).

Others signs are less encouraging, however. Wang Hui, a well-known academic, for instance, has stated (in Khong, 2014): "Of course every day you see different protests, but what of its class consciousness?" According to him, disputes are more focused on legal and individual rights than on politicized, collective working class demands (see also Zhu, 2004, pp. 1017-1018). Protests remain largely localized and unconnected to other areas (Lee & Selden, 2008, p. 34; Panitch, 2010, p. 86).[lxv] Moreover, there is no independent Chinese trade union which effectively defends workers[lxvi], and the official trade union ACFTU still seems "incapable of breaking free of its traditional bureaucratic mind-set and actually do something to help the workers" (CLB, 2014; see also Friedman, 2014; Howell, 2008, p. 850). And of course, the Chinese state "has been highly active in seeking to forestall the emergence of a political conscious organised labour movement" (Gray, 2010, p. 450; see also Zhu, 2004, pp. 1027-1028). While it seems unlikely that a powerful labour movement will emerge in the near future (Hurst & Sorace, 2011, p. 522; Therborn, 2012, p. 21; Weil, 2006, p. 43), it cannot be ruled out either (Harvey, 2005, pp. 150-151). If that were to happen, it is bound to have a large impact throughout the developing world and beyond (Gray, 2010, p. 449; Han, 2013; Li, 2011, p. 50; Panitch & Gindin, 2012, p. 337; Therborn, 2012, p. 21).

In any case, because labour does not have any clear "representation" in China (nor within the CCP, nor independent of the CCP), it has not had a direct influence on China's capital account policies until now.[lxvii] It could be argued, however, that the working class has had an indirect impact. There has long been a tension in China between the economic objectives of economic growth and pleasing (international) "market actors" and the objective of maintaining socio-economic and political stability, requiring control over the domestic economy (Bowles & White, 1992, p. 368; Jarvis, 2011, p. 76; White & Bowles, 1994, p. 86; Yeung, 2009b, pp. 188, 190). The CCP's concern with social (and hence political) stability implies that they need to maintain control over the domestic economy. Large-scale workers' unrest could thus force the state class to choose the stability of a more closed capital account over the more uncertain consequences of capital account liberalization and RMB internationalization.

5.5 Conclusion: towards integration into the heartland?

In this chapter I have outlined the evolution of China's capital controls. It was argued that China's extensive capital controls were underpinned by a historic bloc of social forces supporting controls for two reasons. First, controls are crucial to maintain China's accumulation regime, benefiting Chinese (state-owned investment-oriented) and foreign (export-oriented) industrial capital and Chinese banking capital. Second, a fraction of China's state class supports controls because it allows them to control and guide the Chinese contender state economy in the face of an economically more advanced (neoliberal) Western heartland.

Despite the hegemony of this historic bloc, controls have been significantly relaxed, especially after the global financial crisis. The main reason has been the strategy of a fraction of China's state class of "challenging America through Americanization", in the context of the exhaustion of the investment- and export-led accumulation regime. This fraction has received support from technocrats, Chinese financial capital in the form of wealthy individuals and foreign financial capital. The objective of capital account liberalization has faced opposition however, especially from the fraction of the state class afraid of losing control, supported by pragmatic economists concerned over sequencing and pacing the opening up of the capital account. To cope with this opposition, the social forces in favour of liberalization have resorted to "the internationalization of the RMB" as a hegemonic project. It is still unclear whether this strategy, tapping into nationalist and leftist feelings, will be able to overcome domestic opposition.

What can we conclude about the potential of China challenging the Western norm of full capital mobility then? First, China has been gradually moving towards a freer flow of capital. While inward FDI have been liberalized earlier, especially in the last decade (since 2002) there has been a gradual liberalization of outward FDI, equity and bond inflows and outflows, (inward and outward) foreign loans and restrictions on currency convertibility. This drive towards a more open capital account was fastened and deepened after the global economic crisis. In sum, "the sharp increase in capital flows during the past several years underscores the move toward currency convertibility and the growing openness of the economy" (Suttle et al., 2012).[lxviii]

Second, these liberalizing measures also indicate that China has internalized the norm of the free movement of capital. Full capital account convertibility is not only (quite enthusiastically) embraced by many officials and technocrats, it is also an official goal, included in important official documents such as the Five-Year Plans. There has been even more enthusiasm about the internationalization of the RMB, as a way to challenger US dollar hegemony. This embrace of the norm of the free movement of capital is also because, and this is the third conclusion, it seems that the main social forces do not strongly oppose capital account liberalization. Even though it is difficult to clearly delineate the positions of important social forces due to the fact that interest group representation is different in China than in the Western liberal democracies (Interview 6), it seems that the (importance of) opposition of "vested interests" (mostly SOEs and SOBs) holding back capital account liberalization has been overstated. It is especially a fraction of the state class which still supports capital controls, supported by some well-known economists. However, in general they only oppose the pace and sequencing of liberalization, not its inherent desirability.

Based on these three conclusions, the case of capital controls indicates that China will not fundamentally resist the fact that full capital mobility is seen as a norm.[lxix] In larger terms this indicates that China is not a challenger to the Western-based, US-led neoliberal world order, as economic and financial integration into the heartland is likely to continue, even though this might undermine its contender state position.[lxx] As Kennedy (2010, p. 477) has argued, "in the grand scheme of things these challenges do not match the ideological conflicts of the Cold War between communism or capitalism or even those pitting the global wealthy North against the poor South." Several authors argue that China has thrived because of integration into the Western (neoliberal) order, and will therefore only advocate limited reforms (e.g. Ikenberry, 2008, p. 24; Kennedy, 2010, p. 477).

However, and this is the fourth conclusion, China obviously still deviates from the norm of the full free flow of capital. It has used stringent capital controls in the past, and still uses a range of capital controls. Despite the decreasing effectiveness of capital controls, China is still more closed off from short-term capital flows than most countries in the world. Moreover, while full capital account liberalization and convertibility could be considered to be the norm within China, this is not entirely uncontested. The consequence is that the norm has to a certain extent be "distorted", as it is now stated that the realization of capital account convertibility does not mean that there will be no controls at all, that short-term capital flows will still be monitored closely, and the controls might be re-introduced when necessary. In this sense, the norm will be applied less rigorously, and more pragmatically.

Additionally, the fact that China has deviated from the norm of the free movement of capital might show other countries that capital controls are not undesirable. As a large rising power, China has successfully used effective and comprehensive foreign exchange and capital controls (Epstein, Grabel & Jomo, 2004; Yu, 2009b). These stringent capital controls have not prevented high economic growth, and FDI has not been deterred by controls on other capital flows. As one economist has stated, China's capital control regime "may be a model for other EMEs to follow" (Bibow, 2011). On the other hand, even if China wanted to export its "capital controls model" to other countries, it is doubtful whether this would work. As Francis Fukuyama (2014) has written: "China no longer projects a universalistic ideal beyond its own borders, as it did in the revolutionary days of Mao." Indeed, several interviewees in India and Brazil indicated that China's capital controls structure does not represent a model to be followed, because "we're a democracy" (Interview 17; similar remarks were made in Interview 12 & 32).

Fifth, although China is now strongly associated with transnationally-oriented capital through several channels,[lxxi] it is clear that global financial capital – and even transnationally-oriented capital in general – has not (yet) developed the structural power in China that it has developed in many other countries (including Brazil and India, see Chapter 6 and 7). In other words, "foreign transnational capital fractions gained importance throughout the reform process, but still have only limited influence on state institutions" (Schmalz & Ebenau, 2012, p. 493). As Breslin (2011b, p. 1329) writes, China is often considered to have become integrated into the world economy on its own terms and conditions. China's experience makes it clear that deviating from the neoliberal precepts and from subjecting itself to the power of transnationally-oriented financial capital is possible. If neoliberalization is seen as a class project under the auspices of global financial capital, then China thus clearly deviates from it. On the other hand, it has also been pointed out that China's autonomy has to a certain extent (and increasingly) been compromised by its decision to integrate into the neoliberal world economy (e.g. Breslin, 2004, p. 672), or as Lo and Zhang (2010, p. 173) write, "given that China has by now already deeply integrated itself into the world market, it will be a challenge of unprecedented scale to move against the currents of globalisation in the pursuit of 'constructing a harmonious society'."

Finally, if one sees the exploitation and powerlessness of the working class in order to increase profitability as an important feature of the global neoliberal order, "then China certainly qualifies as a neoliberal economy, albeit 'with Chinese characteristics'" (Harvey, 2005, p. 144; also Kwong, 2010; Wu, 2008, p. 1093). In this sense, while China's capital controls have allowed to avoid being subject to the whims of global financial capital, they not been used to create a more progressive order. The

main difference with other countries in this regard is that the country's state class has not needed foreign financial capital to discipline the working classes. Capital controls, in this sense, have not at all been used to finally legitimize the "People" in the "People's Republic of China".

---

[i] This chapter is based on two articles, one published (Vermeiren & Dierckx, 2012), one submitted (Dierckx, 2014a).

[ii] Ferchen (2013, p. 39) asserts that China has been following closely the precepts of the Washington Consensus. Others (Liew, 2005, pp. 331-332; Lo & Zhang, 2010, p. 166) claim exactly the opposite.

[iii] Note that this is commensurate with certain liberal-institutionalist perspectives, that state that the (economic) advantages of integration into the "liberal order" are large (e.g. Ikenberry, 2008).

[iv] It has also been said that in spite of the lack of technological upgrading, the outcomes of the Mao area with regard to health, literacy and education were also significant (Christiansen, 2010, p. 125)

[v] This goes against Arrighi's claim that "the nature of development in China is not necessarily capitalist" (Arrighi, 2007, p. 24). For a critique of Arrighi's claim and book, see e.g. Andreas, 2008; Chase-Dunn, 2010; Panitch, 2010.

[vi] According to Harvey (2005, p. 129), while SOEs still accounted for 40% of manufacturing employment in 1990, this share had fallen to 14% by 2002. Note that these figures do not match the World Bank figures, which show a far larger share of SOEs both in 1990 and 2002. For more/other figures, see Andreas, 2008, p. 130; Baek, 2005, p. 487; Guan, 2000, p. 119; Hart-Landsberg & Burkett, 2004, p. 117; Lo & Zhang, 2010, p. 171; Zhu, 2012, p. 111.

[vii] The number of goods of which the price was fixed by the state instead of by the "market" has also declined immensely, for producer goods from 100% in 1978 to 64% in 1985, 16% in 1995 and 10% in 2003, and for retail prices from 97% in 1978 to 47% in 1985, 9% in 1995 and 2.6% in 2003 (Hart-Landsberg, 2011, p. 58).

[viii] The theoretical weakness of this term is noted by van Apeldoorn, de Graaff and Overbeek (2012, p. 480): "In these discussions the term 'state capitalism' is used in a rather loose and a-theoretical way as a colloquialism referring to a perceived tendency of an increased role of the state in the management of the economy (whether nationally or of the global economy as a whole)."

[ix] The attraction of FDI FDI can be seen as a way of introducing capitalism, while at the same time preventing the development of a coherent, autonomous indigenous Chinese capitalist class (Harvey, 2005, p. 123).

[x] As Wooldridge (2012) has written: "The current system of state capitalism is surely more market-friendly than its predecessors. State capitalists use the disciplines of the market to strengthen their national champions rather than to protect them from global competition."

[xi] According to Petras (2006, p. 426), "the notion that foreign investment and TNCs are being subordinated by the Chinese state to serve Chinese strategic goals" is a "questionable presumption".

[xii] For the evolution of China's capital controls and the policies introduced in 1980-2010 see Prasad & Wei, 2007, pp. 462-478; Prasad & Ye, 2012.

[xiii] In particular, some measures were taken to foster capital inflows. In 1982, domestic entities were allowed to issue foreign currency bonds abroad, and in 1993 they were allowed to issue shares abroad. Foreign investors were allowed to invest in a special stock market, the B-share market, in 1991, but this B-market remained small.

[xiv] 25% was also the ceiling for foreign ownership, with a maximum share of 20% ownership for a single foreign investor (Planning Commission India, 2009; Yeung, 2009a).

[xv] Before that, foreign investors had access only to the smaller dollar-denominated US-dollar B-market and to the Shenzhen Security Exchange denominated in Hong Kong dollars (Chen & Thomas, 2002, p. 675).

[xvi] Besides the interbank bond market, China also has a stock exchange bond market, but the trading volume of bonds on the Shanghai Stock Exchange was only about 5% of the interbank bond market (McCauley & Ma, 2008). Moreover, QFIIs were only given access to China's stock exchange bond market in September 2007.

[xvii] According to Akyüz (2011, pp. 15-16), exports even accounted for between 40% and 50% of GDP growth in 2004-2007.

[xviii] A large part of the profitability of SOEs can be explained by the low interest rates on loans by SOBs (see Pettis, 2013).

[xix] Besides Hong Kong, other countries have been assigned RQFII quota as well, namely the UK and France (RMB80bn each) and Singapore (RMB50bn) (Tan, 2014). Taiwan is expected to be assigned RMB100bn.

[xx] For instance, Vietnam, Laos, Myanmar, Central Asian states, Russia, … (Ranjan & Prakash, 2010).
[xxi] Companies can now use RMB for FDI into China (see Cookson, 2011a)
[xxii] The partial integration of China into the global economy has already "allowed some of the dominant Anglo-American institutions and values to enter China" (McNally, 2012, p. 750). It is clear that there has been a gradual and still partial Americanization of capital markets, for instance in the introduction of derivative markets (Bradsher, 2012; Lardy & Douglass, 2011), and the acquisition of foreign standards and practices (SAFE, 2012b). It seems unlikely that the strategy of challenging the US through Americanization of China's financial system is going to work, however. The American state capacities and financial system have "organically" grown, incorporating the working class through various strategies. A replication of this strategy is unlikely to succeed in a completely different spatiotemporal context. This has already been demonstrated with regard to the European Union's emulation of the American "model" (e.g. Ryner, 2010, pp. 560-561; see also Grahl, 2011). It is also comparable to earlier incomplete achievements in state-led attempts of developmental catch-up (see Morton, 2010, p. 227).
[xxiii] China also called for a larger role for the special drawing rights (SDRs) as a multilateral alternative for the US dollar (see Zhou, 2009). It was partially out of frustration with the slow or non-progress in regional financial cooperation and the reform of the international monetary system that RMB internationalization was seen as the only way to reduce the reliance on the dollar (Gao & Yu, 2009, p. 106).
[xxiv] It has also been stated that China also needs political liberalization for its currency to get internationally accepted (see Kynge, 2014).
[xxv] According to Yu (2013b), most economists in China support the PBOC's call for capital account liberalization.
[xxvi] One of the main economic advisors close to president Xi Jinping, Liu He, is also a market-oriented reformer (see Davis & Wei, 2013a).
[xxvii] According to World Bank (2014b) data, the income share held by the highest 10% increased from 21.6% in 1984 to 32.0% in 2005, after which it decreased to 30.0% in 2009.
[xxviii] An outward-looking Chinese middle class (around 20% of the population) keen on Western consumption standards has also come into existence (Elfick, 2011; Saull, 2012, p. 332). In general, a culture of consumerism has developed in China (Pun, 2003, p. 487; Tomba, 2004; Walter & Buck, 2007, pp. 50-51).
[xxix] According to one study, 2932 out of the 3220 Chinese citizens with a personal wealth of more than RMB100m (US$13m) are children of high-level cadres, and children of high-level cadres hold around 85-90% of the key positions in key industrial sectors (Holz, 2007, p. 38).
[xxx] Note that "most Chinese economists believe that the alteration of the boom and bust in China's stock markets so far is mainly a domestic matter", largely due to capital controls (Yu, 2010, p. 2).
[xxxi] For a more optimist vision on the real estate sector see Liu, 2014.
[xxxii] According to a central bank report, corrupt officials have sent about RMB800bn abroad since the mid-1990s (see Rabinovitch, 2012c). The Guardian has reported how family members of China's CCP leaders (among them the brother-in-law of China's president Xi Jinping) are making use of offshore tax havens, in particular the British Virgin Islands, with a central role played by Western accountancy firms and banks (see Ball & Guardian US Interactive Team, 2014; see also Zubak-Skees, 2014).
[xxxiii] As a New York Times journalist has written (Barboza, 2012): "The apparent efforts to conceal the wealth reflect the highly charged politics surrounding the country's ruling elite, many of whom are also enormously wealthy but reluctant to draw attention to their riches."
[xxxiv] The question then becomes which of these two identities will be dominant. Several authors have argued that the wealthy elite "cannot even think of the longer-term interests of its own class" (He, 2000, pp. 95-96; also Li, 2011, p. 45).
[xxxv] Note that while foreign banks' market share accounted for less than 2% nationally, the market share in Shanghai was around 12% (PwC, 2012a). This demonstrates that foreign banks already have a considerable presence within China.
[xxxvi] This is despite the fact that TNCs are to a certain extent exempt from capital controls: they are allowed to borrow from global capital markets as long as the amount does not exceed the gap between the firm's registered capital and the investment amount (Norton Rose, 2010; Sekine, 2012b; Zhang, 2012a, p. 87). Analysts have argued, however, that TNCs are not (yet) a key driving political force in China (Interview 6; see also Vermeiren, 2014, p. 134).
[xxxvii] It could also be argued that it is important for the US that China not only liberalizes its financial sector and capital account, but also gives up its "alternative" model of statist capitalism in general (see Wade, 2008, p. 51).
[xxxviii] It could be argued that foreign financial capital is not yet very "present" within the Chinese state, as it has not yet penetrated the Chinese economy, and

[xxxix] The Economist (2014) writes: "The received wisdom in China used to be that 'vested interests', namely SOEs themselves, would thwart reform. Few believe that any more."

[xl] Note that although SOEs account for 72% of Chinese outward FDI, the main investors going abroad in the sector of manufacturing are private enterprises (with a share of 64% (see Wang & Wang, 2011, pp. 103-104). This might be one of the reasons why private investors are in favour of capital account liberalization (Interview 4).

[xli] For the Bank of China, for instance, overseas profits accounted for almost a quarter of their post-tax profits in the first quarter of 2012 (Xiao, 2012).

[xlii] Around 25% of non-reserve outward investment concerned FDI, and 15% was made up by the purchase of foreign equities and bonds (Lund et al., 2013). Note that almost 50% of China's non-reserve foreign assets were in developing countries, and that a large part of both FDI and foreign lending is linked to commodities.

[xliii] It is not completely surprising then, that some interviewees stated they are opposed to capital account liberalization (Interview 2, 5 & 8), other said they are in favour of liberalization (Interview 1 & 6).

[xliv] For instance, while a net $35.5bn hot money entered China in 2010 (Dyer, 2011), it was estimated that speculative outflows reached $214bn in 2012 (Edwards, 2013).

[xlv] In 2013, it was stated that the PBOC will start a trial program (QDII2), which allows individuals to invest overseas, which was until now limited to institutional investors (Li & Zhou, 2013).

[xlvi] Although it has been argued that wealthy Chinese "have always had an open capital account" (Prasad in Frangos, Orlik & Wei, 2012).

[xlvii] According to estimates (Choyleva, 2014), capital outflows could reach 5 to 10% of Chinese bank deposits.

[xlviii] This has been a minority position within China (Interview 2, 3, 4 & 5).

[xlix] Note that opponents of liberalization can use these academics' arguments to advance their interests without seeming self-interested (see Davis, 2014a).

[l] It is no coincidence that China's banks' association opposes interest rate liberalization (see Davis, 2014c; Shih, 2011, pp. 443-444).

[li] Especially because foreign banks would target the lucrative market of high-end costumers, which has in the past accounted for almost 80% of the profits for Chinese banks (see Yeung, 2009b, p. 185; Zhou, 2004).

[lii] The banking sector is still by far the most important source of financing in China. In 2011, it provided 75% of external financing, whereas bonds provided 14% and equity only 11% (Group of Thirty, 2013). For non-financial corporations 92% of debt financing consisted of loans, and only 8% of bonds.

[liii] This contradiction is the consequence of two contradictory pressures. On the one hand, this is a classical example of how "the serial emergence of powerful capitalist states each so alters the terms of geopolitical competition as to increase the pressure on the surviving old regimes to transform themselves or succumb" (Callinicos, 2010, p. 495). While this has been similar for earlier developmental states, the global neoliberal context implies that China (assumes that it) must copy the "most advanced" capitalist model, namely the financialized US growth regime, to challenge the Western heartland. On the other hand, this geopolitical and geo-economic competition also provokes pressure for the state class maintain control over the productive forces in the country, and to direct the domestic economy (see Cox, 1981, p. 151). These contradictory pressures lead to a statist contender catch-up strategy, but the nature and form of this strategy is quite different from earlier contender states (see van Apeldoorn, de Graaff & Overbeek, 2012, p. 480).

[liv] See also Mallaby, 2011.

[lv] It is often stated that SMEs don't get a lot of loans from SOBs (e.g. Anderlini, 2011a; Interview 5), although a recent assessment concludes (Borst, 2014a): "On both access to finance and cost of borrowing, China's small enterprises are doing better than the conventional wisdom would suggest." Additionally, a survey by PricewaterhouseCoopers found that SMEs are the lowest priority out of several activities for foreign banks (see PwC, 2012a). It thus far from certain that the entry of foreign banks (or expansion of capital markets) would improve the situation of SMEs.

[lvi] Although one interviewee disagreed with this assessment (Interview 8).

[lvii] However, it must also be noted that China has seen huge outflows of illicit capital, which averaged US$246.77bn annually in 2000-2009 (Kar & Freitas, 2011). One of the major channels has been trade mispricing.

[lviii] According to Sekine (2012a), the 2012 PBOC report, while not an official policy stance, also suggest "growing support" within the government on capital account liberalization.

[lix] The goal of turning Shanghai into an international financial centre by 2020 (see Deloitte, 2009; PwC, 2012a; Sekine, 2012a; Subacchi, 2010) also suggests that the authorities intend to proceed with capital account liberalization and financial reform.

[lx] Note that the Shanghai Free Trade Zone experiment has been criticized for the slow progress on reforms related to capital account liberalization (see Waldmeir, 2014; Wildau, 2014d), although this should not be exaggerated (Borst, 2014b).
[lxi] Justin Lin (2013)'s response has been: "It is not easy to curb the flow after opening the capital account."
[lxii] On the unreliability of China's unemployment numbers, see Pi, 2014.
[lxiii] Other sources give different figures, but the same trend (see e.g. Piovani & Li, 2011, p. 81; The Economist, 2010).
[lxiv] One important law was the 2007 Labour Contract Law. However, the problem is lack of effective enforcement (see Cooke, 2010, pp. 310-311; Wang, Appelbaum, Degiuli & Lichtenstein, 2009, pp. 489-494).
[lxv] The working class is also divided between permanent workers in the SOEs and rural migrants with temporary jobs (So, 2003, p. 370; Weil, 2006, pp. 27-29).
[lxvi] Although labour rights groups, NGOs defending workers' rights, have become more important, especially in the southeastern coastal provinces (CLB, 2014).
[lxvii] This is despite the fact that the left in China has a clear and very strong opinion against capital account liberalization (Interview 8; Naughton, 2006).
[lxviii] According to Yu Yongding (2009b), around 80% of China's capital account had already been liberalized before 2010, using calculations based on the IMF's formula.
[lxix] Authors differ on whether international norms in general have been internalized by China's elites and population (see Wang Y., 2006, p. 43), or whether the acceptance of international norms has been largely based on instrumental calculations (see Zhang, 2003b).
[lxx] Developments in class formation might also undermine China's contender state position. As van der Pijl (2012, p. 512) has written: "All contender states in the past at some point entered into a conjuncture in which external pressure emanating from the Lockean heartland (as capital seeking access and property rights guarantees and as liberal constitutional demands usually constructed from the individual human rights vantage point) combined with demands articulated by liberal capitalist forces to dispossess the state class." Analysts have already spoken about a Chinese fraction of the transnational capitalist class (Harris, 2012, p. 18; Morgan, 2004, p. 84; Thornton, 2007, p. 214). While for now both overseas Chinese investors and the indigenous capitalist class are still intertwined with the state class, domestic and external liberalization might at some point activate the "offshore" element (as identified in 5.2.1) within China, which could lead to the dispossession of the state class and the transition to a more Lockean configuration.
[lxxi] It has also been noted that: "While foreign pressure does not explain why China initiated economic reform and opening up, foreign response to China's policy initiatives is often the reason that China undertook steps for further economic liberalization" (Zhang, 1998, p. 52).

6. Capital controls in Brazil: towards neo-developmentalist neoliberalism?

6.1 Introduction

This chapter studies Brazil's capital account policies and puts them in the context of Brazil's changing accumulation regime and constellation of social forces. In the second section of this chapter, Brazil's import-substitution-industrialization (ISI) model is sketched. This provides the context for the transition to a neoliberal project in the late 1980s and first half of the 1990s (symbolized by the 1994 Real Plan), handled in the third section, and the concomitant shift from an almost completely closed capital account to a basically open capital account. The fourth section discusses the way the first Lula administration (2003-2006) perpetuated and even deepened the neoliberal accumulation regime and capital account liberalization, even though it implemented social policies alleviating poverty and (moderately) decreasing inequality.

In the fifth section, the introduction of more neo-developmentalist policies during the second Lula administration (2007-2010) and first Dilma government (2011-2014) is debated, including the re-introduction of moderate controls on capital inflows. It is argued that though this shift has had an important impact, it remains within the context of a neoliberal project, including an almost fully open capital account, and has not affected the power of (global) financial capital in Brazil's accumulation regime. The sixth section discusses the limits that the adherence to a neoliberal macroeconomic framework imposes, and the limits of moderate capital controls. It is claimed that Brazil's accumulation regime is not sustainable, and that the orthodox macroeconomic framework, combined with the power of global financial capital, only allows for "easy gains" in terms of social progress. Finally, in the conclusions of this chapter, the research questions identified in Chapter 1 are answered, and in particular the question is discussed whether Brazil's capital controls challenge the neoliberal norm of the free movement of capital.

6.2 Brazil under ISI

From the start of the era of the Portuguese colonization in the sixteenth century, Brazil remained a largely natural resource-based economy, dependent on international demand for commodities , and dominated by an agrarian (especially coffee-producing and export-oriented) aristocracy committed to laissez-faire (Amann, 2005, p. 150; Cammack, 1991, pp. 23-25; Del Roio, 2012, p. 220; Paulani, 2012, pp. 90-91). It wasn't until the 1930s under Getúlio Vargas that the dominance of this aristocracy faded, and that the modernization and industrialization really began with the ascendancy of the fraction of industrial capital (Amann, 2005, p. 151; Castro & Carvalho, 2003, p. 467; Del Roio, 2012, p. 223; Roett, 2010, p. 37). This marked the start of the era of ISI in Brazil, which was consolidated in the next decades. This growth model, also called "national-developmentist", was based on large-scale capital-intensive activities producing consumer goods for the domestic market, and the export of both primary and manufactured goods (Cammack, 1991, p. 22). It relied on a

“triple alliance” between the state, transnational industrial corporations, which were active in the more dynamics sectors, and domestic capital as a junior partner (Cammack, 1991, p. 22; Oliveira, 2006b, p. 269; de Paula, 2011, p. 28; Schmalz & Ebenau, 2012, p. 490). The state was to play an active role, and stringent capital controls and import tariffs guaranteed the (relative) autonomy of domestic economic policies (Castro & Carvalho, 2003, p. 468; Doctor, 2012, p. 800; de Paula, 2011, p. 28).

The economic results of this growth model were, at first sight, quite impressive, with an average annual GDP growth of almost 7% between 1950 and 1980 (see Figure 6.1; see also Amann, 2005, p. 149; Bruno, 2008; Frieden, 1981, p. 419; Marquetti, Maldonado Filho & Lautert, 2010, p. 487). Moreover, the share of industry in GDP increased from less than 30% in the beginning of the 1950s to more than 40% in the second half of the 1970s (see Figure 6.2; IPEA, 2014f).[i] Summed up: “A poor agricultural country, specialized in coffee production and exports, became a large, diversified and relatively wealthy industrial power, capable of exporting aircraft to the United States, durable consumer goods to China, and construction technology to the Middle East” (Saad-Filho, 2003, p. 4; see also Jakobsen & Barbosa, 2008, p. 116). A national (industrial) working class, protected by labour legislation, came into existence, even though labour legislation protected only some segments of the working class (Jakobsen & Barbosa, 2008, p. 116).

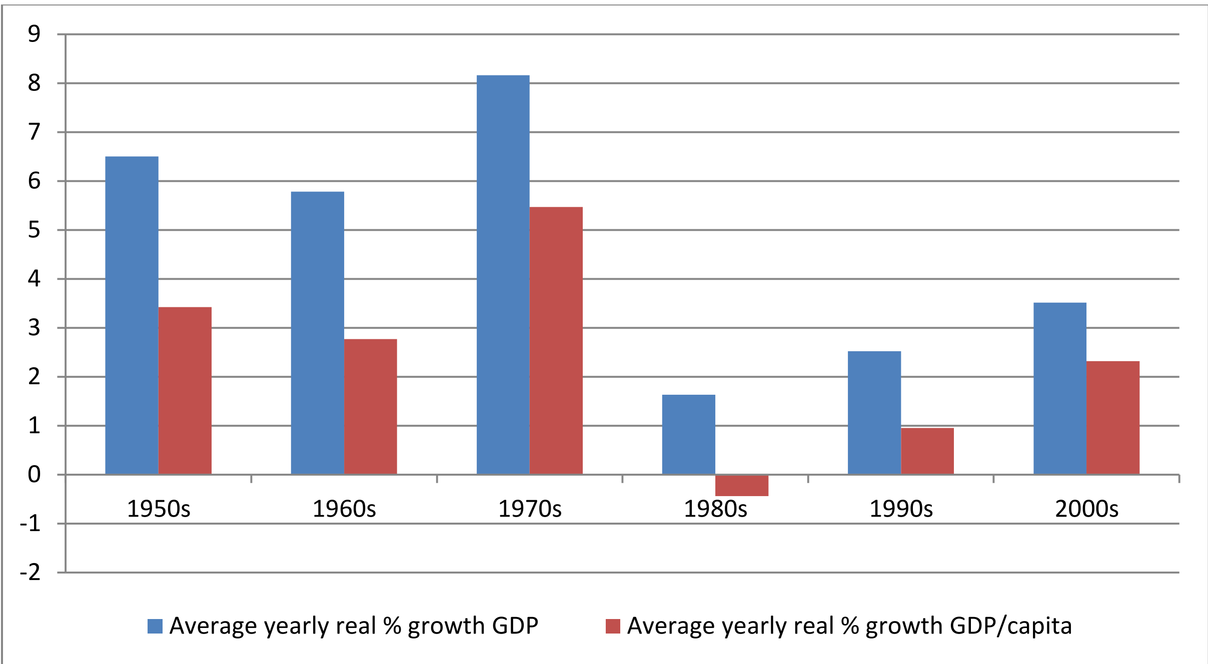

Figure 6.1: Average yearly real growth and per capita growth Brazil (data from The Conference Board, 2014)

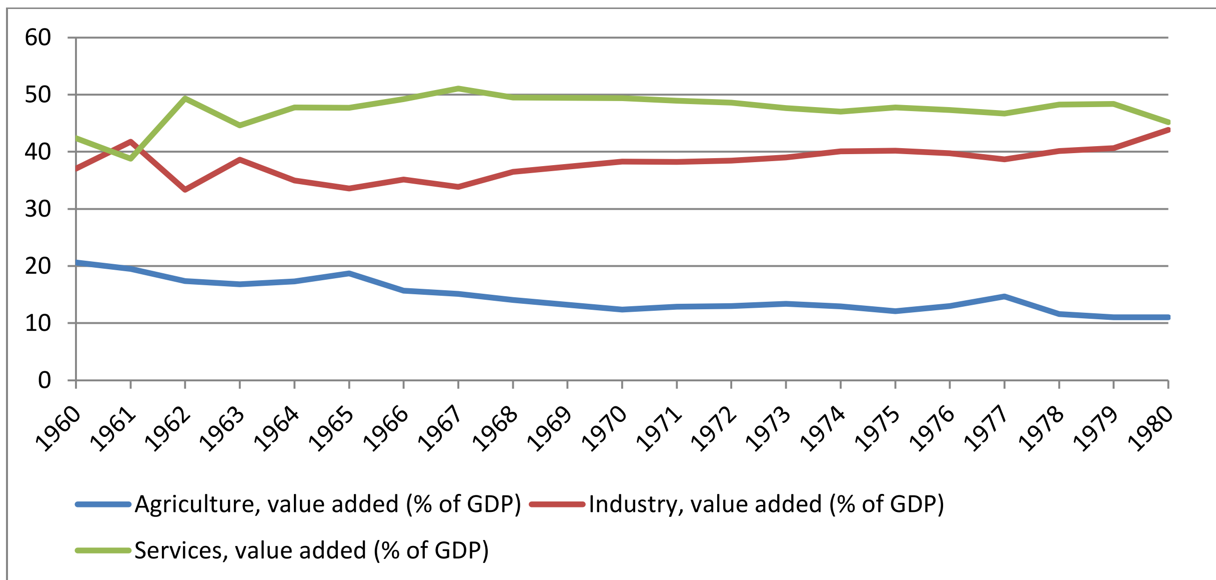

Figure 6.2: Value added per sector Brazil, 1960-1980 (data from World Bank, 2014b)

However, there have always been contradictions in and limits to this accumulation regime. Economically, growth was dependent on two important variables. First, the evolution of "the mass of appropriated ground-rent", in other words, profits from the primary sector which could be transferred to fund the expansion of Brazilian industrial capital (Grinberg, 2008, 309, 2013, p. 184). Second, external credit, especially in the form of foreign loans (Grinberg, 2008, p. 309; Nassif & Feijó, 2013, p. 560). ISI was unable in the long term to close the persistent deficit on the current account balance, and thus to lift the balance-of-payments constraint (Amann, 2005, p. 151; Saad-Filho, 2003, p. 7). The result was a heavy reliance upon foreign borrowing and a heavy external indebtedness (see Figure 6.3; see also Cammack, 1991, p. 22; Del Roio, 2012, pp. 228-229; Frieden, 1981, p. 420)[ii].

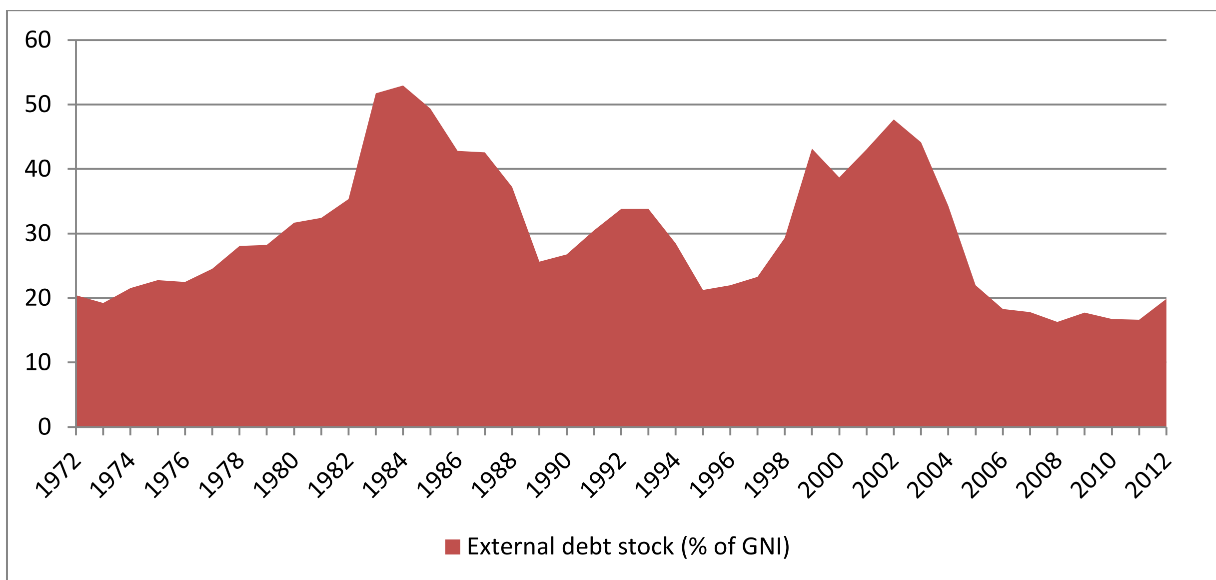

Figure 6.3: External debt stock Brazil (data from World Bank, 2014b)

There were other economic problems too. Crucially, Brazilian industrial capital was deterred by, amongst other things, high financial costs, due to high interest rates and an inefficient and short-termist (private) financial system (Jakobsen & Barbosa, 2008, p. 116; Saad-Filho, 1998, p. 195, 2003, p. 7). Consequently, Brazil was strongly dependent on FDI by TNCs for its industrial sector (Jakobsen & Barbosa, 2008, p. 116). By the 1970s, foreign corporations were responsible for about half of manufactures produced in Brazil (Schneider, 2009, p. 560). These TNCs did not provide the economic (and technological) upgrading needed in the longer term (Baer & Borges Rangel, 2001, p. 86). Moreover, the gains of the economic growth were divided highly unequally, and social exclusion, poverty and inequality remained widespread (Amann, 2005, p. 151; Câmara Neto & Vernengo, 2006). This also restricted the domestic market, which remained largely limited to the richest 30% of the population, and was thus an important impediment to economic growth (Jakobsen & Barbosa, 2008, p. 116). Besides the economic troubles, it also proved to be hard for the dominant capitalist fractions to forge a hegemonic project accepted by various social forces. There was both intra-capitalist fighting between the different fractions, and radical pressure and trade union militancy from below. The 1964 military coup has been interpreted as a strategy "against the risk of democratic revolution", and a means to deepen capitalist rule in Brazil in the absence of a hegemonic bourgeoisie (Del Roio, 2012, p. 227).

After 1973 the social and economic contradictions became more and more apparent. The decline of the prices of raw materials, one of the sources of Brazil's economic growth, meant an increasing importance of the second source, capital inflows in the form of foreign loans (Grinberg, 2013, p. 186). In the beginning of the 1980s Brazil was one of the countries suffering an external debt crisis, caused both by an increase in foreign interest rates due to the Volcker Shock in the US and by the growing current account deficit in the 1970s (de Paula, 2011, p. 28). External debt increased strongly, from 20.4% of GDP in 1972 to 31.7% in 1980 and 52.9% in 1984 (World Bank, 2014b; see also Goldfajn & Minella, 2007, p. 362). Next to the debt crisis, faltering growth, falling profit rates, and persistent and rising inflation all pointed to the limits of the ISI model as it was implemented in practice (Marquetti, Maldonado Filho & Lautert, 2010, p. 492; Morais, Saad-Filho & Coelho, 1999, pp. 10-11). The debt crisis marked the beginning of the end for Brazilian ISI. Economic stagnation, together with political instability and social conflict, convinced analysts and policymakers that a different development model was needed (Doctor, 2012, p. 800; Filgueiras, 2006, pp. 181-182; Marquetti, Maldonado Filho & Lautert, 2010, p. 487; Novelli & Galvão, 2001-2002, pp. 5-6; Saad-Filho, 1998, p. 9, 2003, pp. 8-9). The 1980s were therefore not only a decade of stagnation, but also a decade of transition, although it was not clear at first whereto.[iii]

6.3 The neoliberal project in the 1990s

6.3.1 The Real Plan and the neoliberal breakthrough

It was only in the late 1980s and early 1990s – after the return to civilian rule in 1985 – especially under president Collor who was elected in December 1989, that a final rupture with ISI became clear, and that a neoliberal project was introduced[iv], although still slowly and tentatively at first, and unable to proceed as a generally supported hegemonic project (Amann, 2005, pp. 152-153; Cunningham, 1999, pp. 75-76; Filgueiras, 2006, p. 186; Marquetti, Maldonado Filho & Lautert, 2010,

p. 488; Novelli & Galvão, 2001-2002, p. 4; Oliveira, 2006b, p. 273; Saad-Filho, 1998, p. 193, 2003, p. 9; Vernengo, 2004a, p. 62).[v]

The definitive and resolute breakthrough of a neoliberal project arrived with the Real Plan in 1994, which brought neoliberal policies together in a consistent way (Marquetti, Maldonado Filho & Lautert, 2010, p. 489; Mollo & Saad-Filho, 2006, p. 103; Vernengo, 2003, p. 62, 2004a, p. 62). Its main architect was finance minister Fernando Henrique Cardoso (FHC), who would be Brazil's president from 1995 until 2002. The Real Plan was in the first place a stabilization program, meant to control the hyperinflation that had increasingly haunted Brazil (see Figure 6.4). As Nassif and Feijó (2013, p. 562) state: "In this sense, we can say that the long fight to curb high inflation paved the way to the implementation of radical liberalizing reforms (...)." However, it was much more than "just" a stabilization program; it represented the deepening and strengthening of earlier neoliberal policies, bringing them together in a consistent and systematic way (Jakobsen & Barbosa, 2008, p. 119; Mollo & Saad-Filho, 2006, p. 103). The Real Plan, together with earlier and subsequent policies, included trade and capital account liberalization, financial liberalization, privatizations, and fiscal and labour market reform.

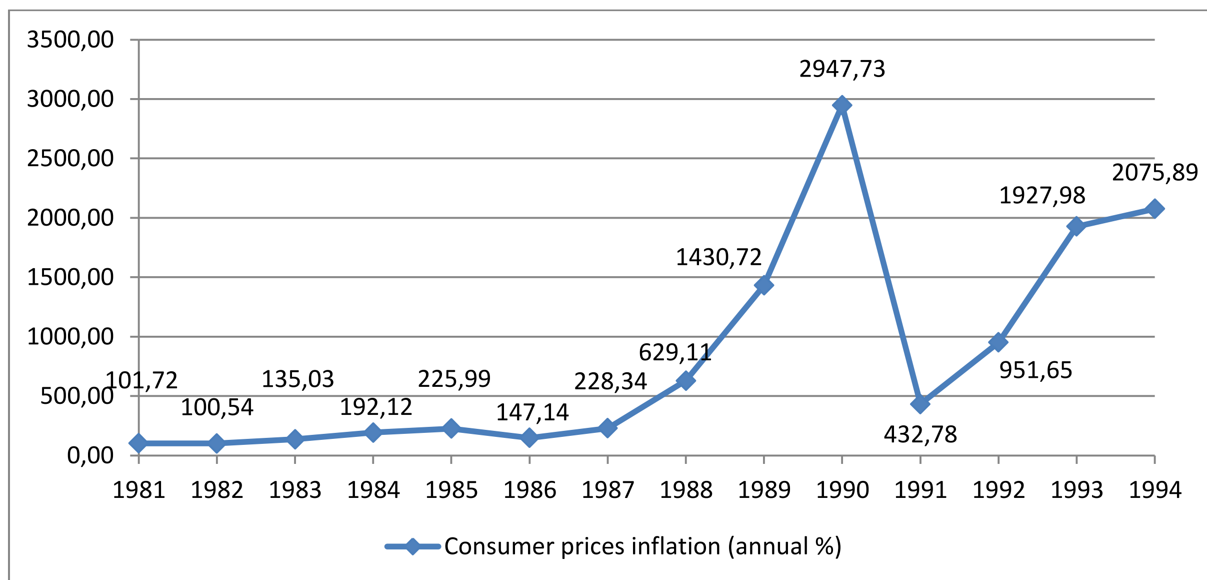

Figure 6.4: Consumer prices inflation Brazil, 1981-1994 (data from World Bank, 2014b)

A central role in the Real Plan was played by extremely high nominal (see Figure 6.5) and real interest rates (on these mechanisms see Barbosa-Filho, 2008, p. 198; Garcia & Barcinski, 1996; Kregel, 1999, p. 26, 34; Gonçalves & Teixeira, 2006, p. 1867; Libânio, 2010, p. 76; Mollo & Saad-Filho, 2006, p. 104; Oliveira & Nakatani, 2007, p. 46; de Paula, 2011, p. 38; Saad-Filho, 1998, p. 196; Vernengo, 2003, p. 65). These high interest rates, together with a liberalized capital account, attracted large inflows of (short-term) foreign capital, which wanted to take advantage of interest rate differentials. Excessive capital inflows in turn resulted in an overvalued exchange rate. Currency overvaluation led to cheaper imports, which would have to reduce inflation. The Real Plan was, then, quite successful in rapidly bringing down inflation (see Figure 6.6; see also Amann, 2005, p. 153; Beynon & Ramalho, 2001, p. 226; Marquetti, Maldonado Filho & Lautert, 2010, p. 489; de Paula, 2011, p. 37; Saad-Filho & Mollo, 2002, p. 123)[vi]. It was therefore at first very popular with large swaths of the population,

because it had positive effects on consumption, especially in combination with the overvalued exchange rate, cheaper foreign products because of trade liberalization, and greater supply of credit (Novelli & Galvão, 2001-2002, pp. 12, 21-22).

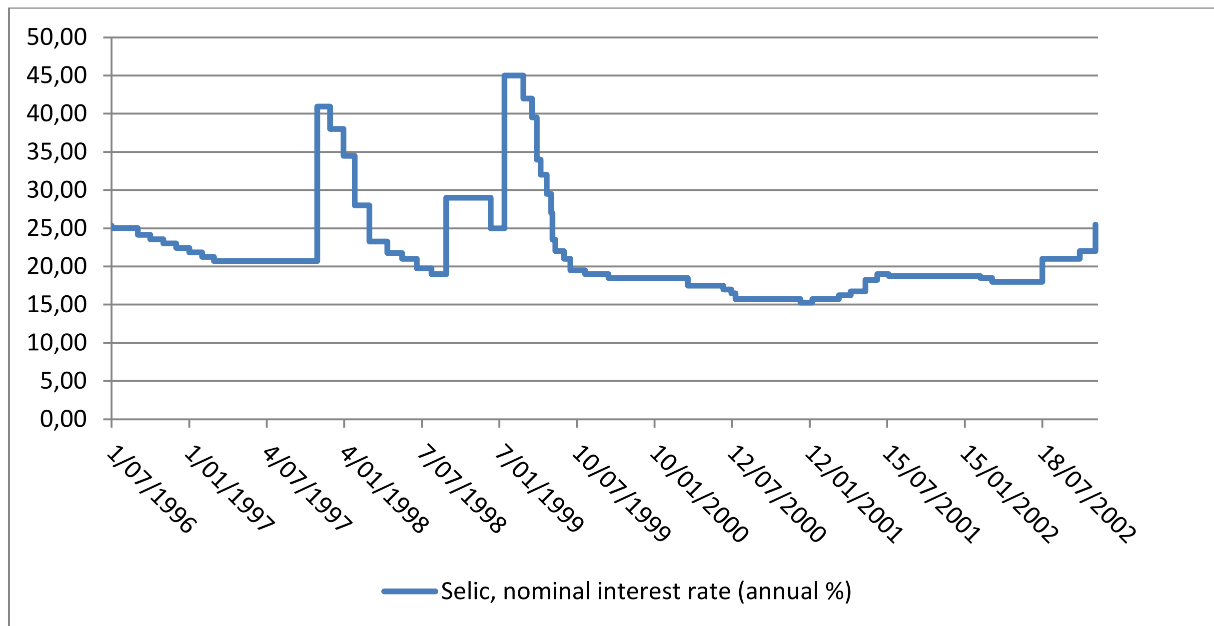

Figure 6.5: Selic, 01/07/1996-21/11/2002 (data from IPEA, 2014n)

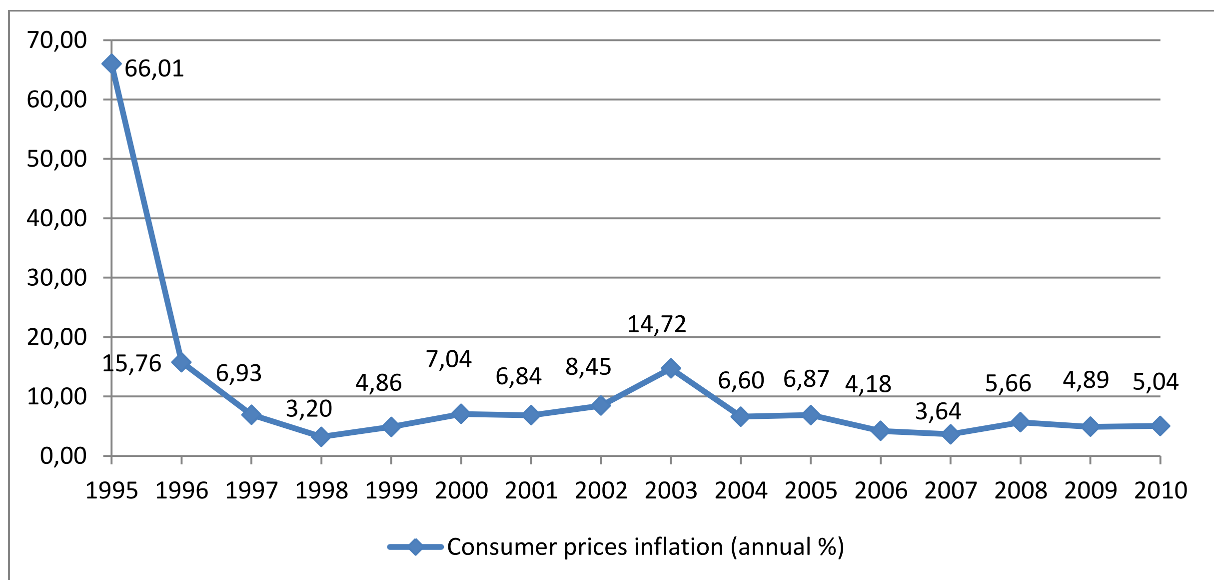

Figure 6.6: Consumer prices inflation Brazil, 1995-2010 (data from World Bank, 2014b)

However, it has not been able to bring about a new, sustainable and stable accumulation regime. Limits, contradictions and vulnerability remain until this day. The most important problem is the dependence on foreign finance and the vulnerability to volatility in capital flows (Saad-Filho & Mollo, 2002, p. 123). Trade liberalization and the use of high interest rates and an overvalued exchange rate

to hold down inflation have made it difficult for the Brazilian industrial sector to compete with international productive capital and intensified the balance-of-payments constraint (Amann & Baer, 2012, pp. 416-417; Kregel, 1999, p. 34; Oliveira & Nakatani, 2007, p. 46; Vernengo, 2004a, p. 67). Increasing import penetration and the low competitiveness of exports have spelled trouble for the trade account balance with large and unsustainable current account deficits (including increasing repatriation of profits and interest and dividend payments[vii]) in the 1990s (see Figure 6.7; Mollo & Saad-Filho, 2006, p. 106; Saad-Filho, 2003, pp. 13-14; Vernengo, 2003, p. 64). External debt, which had been brought down after the 1980s debt crisis, grew strongly again, from 28.5% in 1994 to 47.7% in 2002 (see Figure 6.3; see also Marquetti, Maldonado Filho & Lautert, 2010, p. 489; Mollo & Saad-Filho, 2006, p. 109; Vernengo, 2003, p. 65).

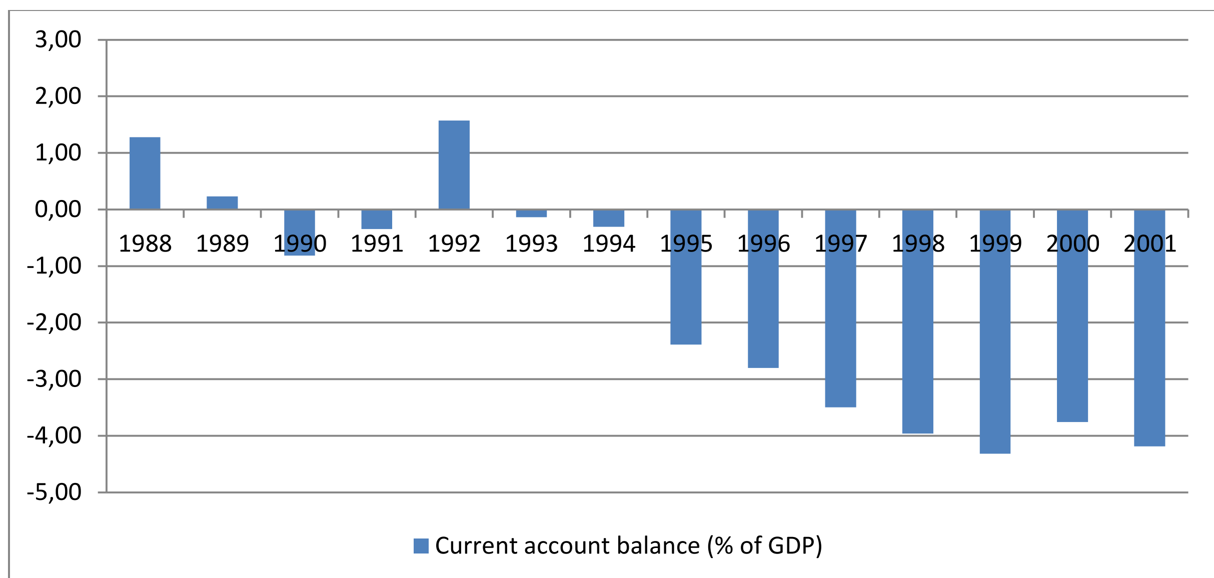

Figure 6.7: Current account balance Brazil, 1988-2001 (data from IMF, 2014c)

To finance these deficits, steady large capital inflows were needed (Jakobsen & Barbosa, 2008, p. 119; Mollo & Saad-Filho, 2006, p. 106; Rocha, 2002, p. 12). The dependence on, especially short-term, capital inflows has made the Brazilian economy vulnerable to international shocks and volatility (Carvalho, 2002-2003, p. 37; de Paula, 2011, p. 38; Saad-Filho, 2003, p. 12). A sudden-stop pattern of economic growth is the consequence, with strong capital inflows during the boom, and decreasing capital inflows and increasing capital outflows leading to or reinforcing the bust. This was painfully demonstrated by the 1998-1999 crisis caused by the outflow of speculative capital (O'Farrell, 2011; Saad-Filho, 2003, p. 14).

A second problem resulting from the neoliberal project is public debt (see Castro & Carvalho, 2003, p. 482; Kregel, 1999, p. 34; Mollo & Saad-Filho, 2006, p. 106; Morais, Saad-Filho & Coelho, 1999, p. 9; Oliveira & Nakatani, 2007, p. 46; Saad-Filho, 2003, p. 13; Vernengo, 2007, pp. 89-90). Orthodox monetary policies and high interest rates, together with the sterilization of capital inflows to limit the expansion of the monetary base, led to a strong increase both in public debt and in interest payments. According to IPEA (2014a), a Brazilian government body collecting statistics and data, net public debt increased from 30.0% in 1994 to 50.5% in 2002.[viii] The result is permanent fiscal austerity and cuts in government expenditures, which hardly succeed in reducing public debt substantially

because of the larger debt service (Câmara Neto & Vernengo, 2006; Saad-Filho, 1998, p. 196).[ix] In other words: “It has become obvious that the debt is far more sensitive to the level of interest rates and the changes in the exchange rate than to the size of the fiscal surplus” (Mollo & Saad-Filho, 2006, p. 115). Interest payments after 1994 have been around 4% of GDP (Vernengo, 2007, p. 84). Monetary policy has thus been a threat not only to external stability but also to fiscal stability (Vernengo, 2003, p. 69). It has also been a hamper on both public investment, for instance in infrastructure, and social expenditures (Mollo & Saad-Filho, 2006, p. 115; Vernengo, 2007, pp. 89-90).

Third, the accumulation regime after the Real Plan with high interest rates, an open capital account and, most of the time, an overvalued exchange rate, does not lead to impressive results with regard to economic performance (Castro & Carvalho, 2003, p. 482). In 1995-2003, average annual growth was only 2.2% (Amann & Baer, 2012, p. 413). One of the main reasons is a low rate of investment (see Figure 6.8; see also Amann, 2005, p. 157; Gonçalves & Teixeira, 2006, p. 1869; Gonçalves, 2006, p. 210; Mollo & Saad-Filho, 2006, p. 106; Oliveira & Nakatani, 2007, pp. 47-48). Both private and public investment have been held back by high interest rates. Additionally, the overvalued exchange rate hampers both exports and investment in the tradable goods sector.

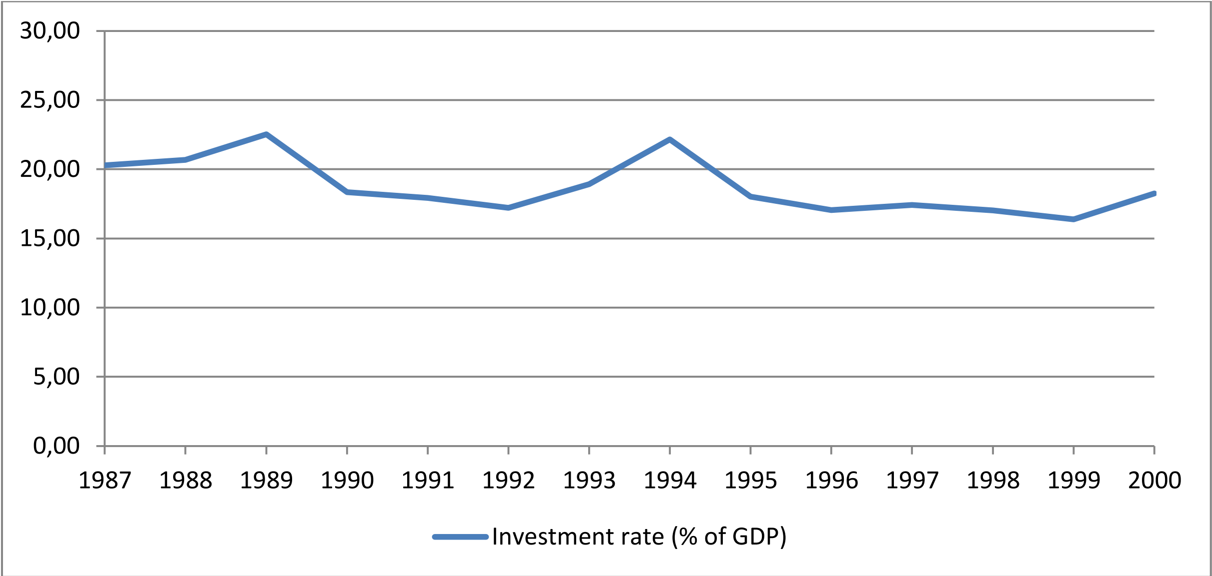

Figure 6.8: Investment rate Brazil, 1987-2000 (data from IMF, 2014c)

Finally, the Real Plan has made the framework of high interest rates to attract foreign capital flows in order to maintain an overvalued exchange rate more or less permanent. Attempts to lower interest rates could lead to capital outflows and depreciation of the exchange rate, a currency and/or sovereign debt crisis, and the return of high inflation (Kregel, 1999, p. 23, 34; Mollo & Saad-Filho, 2006, p. 107; Saad-Filho, 1998, p. 196). The Real Plan has thus created a policy trap from which it is very difficult to get out of:

> *In this context, if the administration wants to avoid the inflationary pressures caused by depreciation, as it did after 1994, the main policy instrument is to increase the rate of interest to avoid capital flight and stimulate capital inflows. High interest rates to control capital*

flows become central irrespective of the monetary regime once the capital account is open. (Vernengo, 2006)

6.3.2 Capital account liberalization and the transnationalization of capital

As can be derived from the above, foreign capital has played an increasingly important role in Brazil's accumulation regime, based on high interest rates and an overvalued exchange rate. The internationalization of the Brazilian economy through capital account liberalization and attracting productive and financial capital inflows was deliberately attempted by both the Collor and FHC administrations (Abu-El-Haj, 2007, p. 99; Jakobsen & Barbosa, 2008, p. 118; Rocha, 1994, p. 85, 2002, pp. 7, 10). With the stabilization of the Real Plan, the transnationalization of capital within Brazil became reality: "The Real plan inserted the Brazilian economy much more deeply into international financial and productive circuits" (Saad-Filho & Mollo, 2002, p. 126). As such, the country's economy was transformed "in order to service the short-term imperatives of *global* accumulation" (Morais & Saad-Filho, 2005, p. 12, original emphasis).

Liberalization started cautiously in 1987, when legislation 1,289 authorized foreign portfolio capital to enter the Brazilian capital market (see Freitas & Prates, 2000, p. 58; Goldfajn & Minella, 2007, pp. 372-376; Gonçalves & Teixeira, 2006, p. 1868; de Paula, 2011; de Paula & Prates, 2013, p. 59 for a detailed overview of these liberalizations)[x]. This was followed by legislation (Resolution 1,552) which allowed previously forbidden foreign exchange operations, with quantitative limits on each type of operation, which were later gradually increased and abolished. In May 1991, an important resolution (CMN Resolution 1,832) was approved that allowed foreign investors to enter the Brazilian capital market directly. With regard to capital outflows, two regulations (Circular Letter 2,259 and Resolution 1,946) in 1992 transformed CC5 accounts, which basically indirectly made all (short-term) capital outflows possible, though still in an indirect way, both for residents and non-residents[xi]. While certain taxes on foreign portfolio inflows and other moderate restrictions were introduced in the mid-1990s – and later repelled or lowered, especially after the 1997 Asian crisis and with the 1998-1999 Brazilian crisis (see Garcia & Barcinski, 1996; Magud, Reinhart & Rogoff, 2011), these temporary measures did not at all go against the trend towards full capital mobility. Moreover, these taxes on inflows went together with further measures easing capital outflows (Garcia & Barcinski, 1996; Goldfajn & Minella, 2007, pp. 373-374). Finally, Resolution CMN no. 2,689 in 2000 gave unrestricted access to foreign investors to all segments of the Brazilian capital markets, including derivatives (de Paula & Prates, 2013, p. 59).[xii]

All in all, while there was no "big bang" liberalization, the opening up of the capital account in the 1990s was comprehensive and rather quick, and Brazil did not maintain more thorough capital controls as China and India did (see respectively Chapter 5 and Chapter 7) (de Paula, 2011, pp. 30, 67). "By the end of the decade, controls over both capital inflows and outflows were banned from the policy arsenal of the federal government" (Carvalho, 2002-2003, p. 42).

The evolutions which were identified in Chapter 4 as central to a neoliberal class project have, then, also been present in Brazil: the transnationalization of both productive capital and financial capital. First, with regard to the transnationalization of productive capital, there was a strong increase of FDI, with net inflows rising from an annual average of US$1.7bn in 1990-1994 to an average of US$16.9bn

in 1995-1998 (see Figure 6.9; see also Baer & Borges Rangel, 2001, p. 87; Hennings & Mesquita, 2008, p. 104). Brazilian manufacturing was integrated into global production networks (Saad-Filho & Mollo, 2002, p. 126). Large Brazilian companies have also embraced transnationalization and international competition abroad, helped by state policies and the country's diplomacy (Marques, 2010; Morais & Saad-Filho, 2011a, p. 35).[xiii]

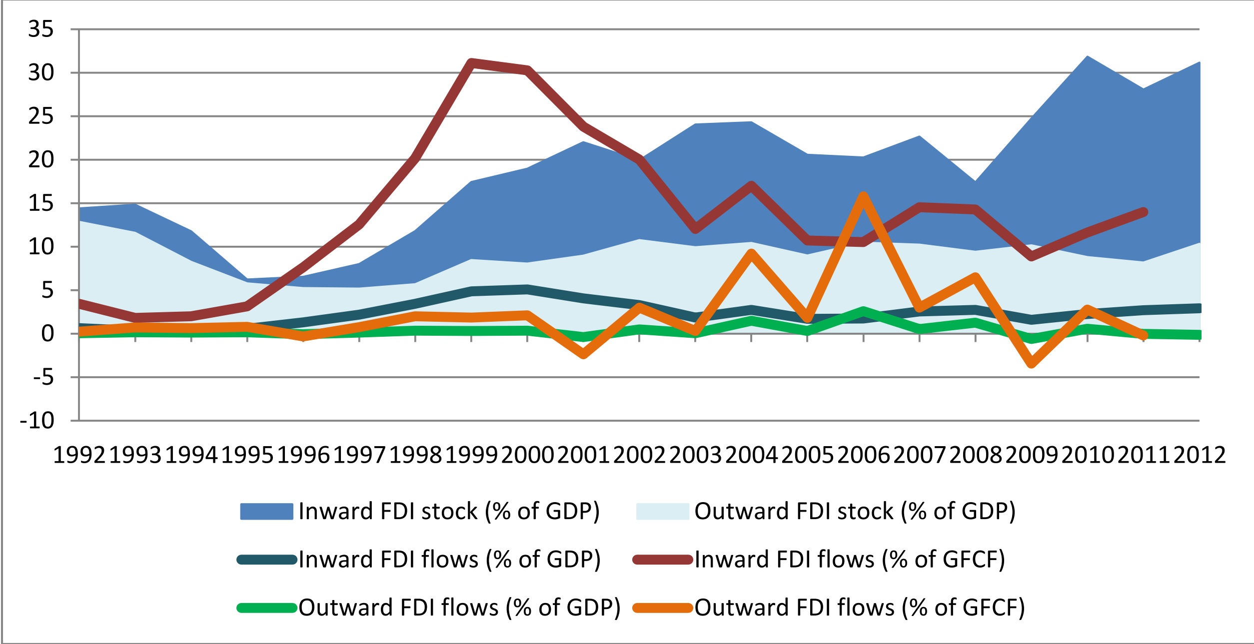

Figure 6.9: Inward and outward FDI Brazil (data from UNCTAD, 2014b)

While TNCs accounted for 30.8% of the 500 largest corporations in Brazil in 1980-1994, this share rose to 41.3% in 1995-2004, against 38.2% for national private corporations (Gonçalves, 2006, p. 216).[xiv] A significant part of foreign productive capital entered through mergers and acquisitions, often targeting state-owned enterprises that were being privatized (Baer & Borges Rangel, 2001, pp. 86-87; Hennings & Mesquita, 2008, p. 105; Jakobsen & Barbosa, 2008, p. 121; Rocha, 2002, p. 22).[xv] Moreover, transnational capital was less interested in investing in Brazil's industrial sector which was not really competitive in international markets. About 80% of FDI between 1996 and 2000 was directed to the services sector (Abu-El-Haj, 2007, p. 98; Hennings & Mesquita, 2008, p. 105; Jakobsen & Barbosa, 2008, p. 121).

Second, financialization has also been visible. From 1994 on, "Brazil became an emerging financial power" and "positioned itself as an international platform for financial valorization" (Paulani, 2010, p. 369). Financial activities – not in the least through public bonds – have been far more lucrative than productive activities, especially thanks to high interest rates (Boito Jr., 2006, pp. 243-246; Filgueiras, 2006, p. 196; Gaulard, 2012, pp. 375-376; Gonçalves, 2006, p. 216). In relative terms, the importance of productive capital has declined, while income out of financial operations has increased (Bruno, 2008; Paulani, 2010, p. 369). Mechanisms that have been seen in advanced financialized economies, such as non-financial groups creating their own financial institutions, have also been observed in Brazil (Filgueiras, 2006, p. 190; Gaulard, 2012, pp. 375-376). Representatives of financial capital have also been increasingly present in the state bureaucracy, especially in the Central Bank

and economic ministries (Morais & Saad-Filho, 2003, p. 19). In sum, the economy has been subordinated to the interests of financial capital (Filgueiras, 2006, p. 195; Gonçalves, 2006, p. 207; Prates & Paulani, 2007, p. 32).

Third, regarding the transnationalization of financial capital, it is clear that Brazil has a high degree of financial openness, and has been far more financially open than China and India (Goldfajn & Minella, 2007, p. 349; de Paula & Prates, 2013, p. 58; Prates, 2011, p. 909; Roett, 2010, p. 122). The opening up to portfolio inflows resulted in increasing foreign participation in Brazil's financial markets (see Figure 6.10; see also Freitas & Prates, 2000, p. 61; Schwartzman, 2006, p. 278)[xvi]. In sum, Brazil has become integrated with world financial markets (Roett, 2010, p. 121).

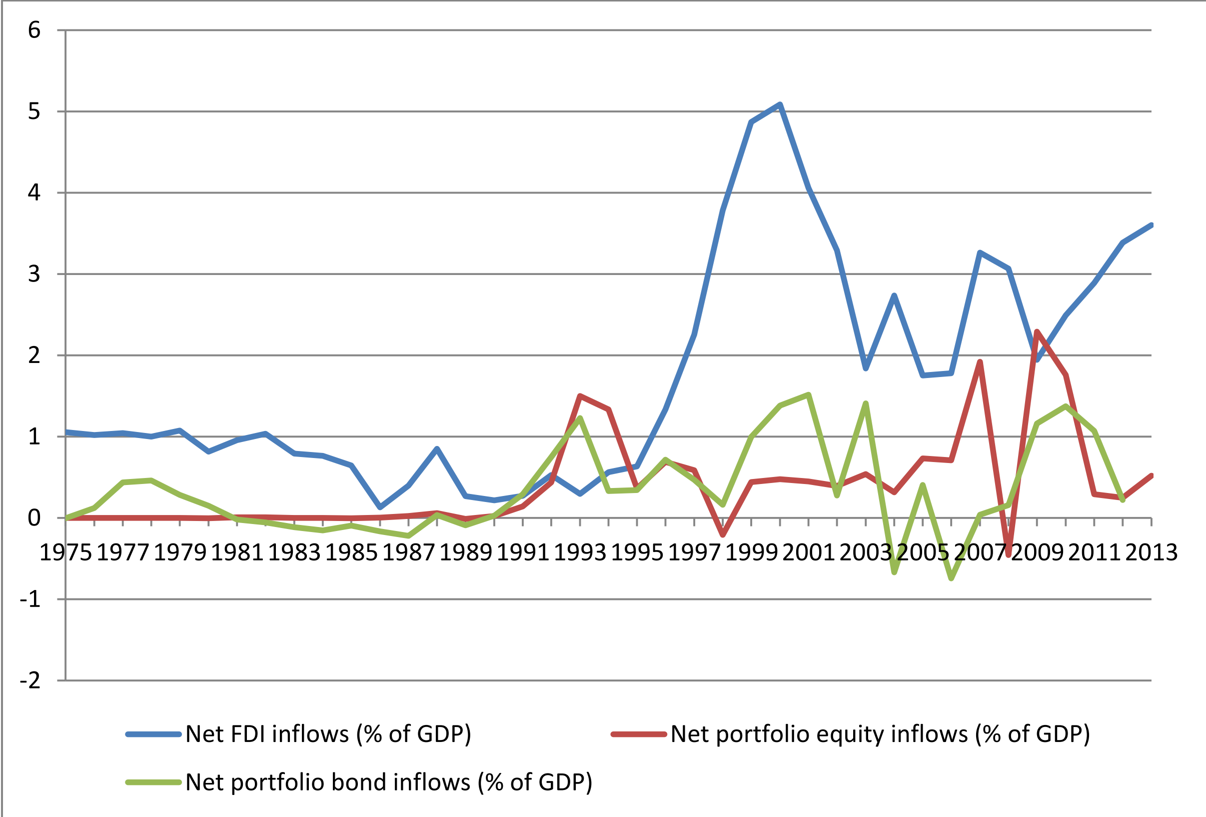

Figure 6.10: Capital flows Brazil (based on data from World Bank, 2014b)

The banking sector has also been transformed as Brazilian banking "has become closely bound up with global finance through extensive privatisations, mergers, acquisitions and strategic alliances between domestic and foreign institutions" (Morais & Saad-Filho, 2005, p. 13). In 1995, in the context of banking distress, legislation was approved (*Exposição de Motivos* no. 311) which allowed the president to authorize the entry of foreign banks on a case-by-case basis (Freitas, 2011; Freitas & Prates, 2000, p. 64; de Paula, 2002, p. 72, 2011, pp. 159-160; de Paula & Prates, 2013, p. 56)[xvii]. The share of foreign banks' assets as a share of total assets of the banking sector in Brazil rose from 7.5% in 1994 to 12.8% in 1997 and then to 27.4% in 2000 (Freitas, 2011; de Paula, 2002, p. 74; de Paula, 2011, p. 169; de Paula & Sobreira, 2010)[xviii]. In 2000, seven out of the twelve biggest private banks were foreign-owned (de Paula, 2002, p. 77). It was especially state-owned banks that lost market share to foreign banks (Abu-El-Haj, 2007, p. 104; de Paula, 2002, p. 74). The concentration and

centralization of capital in the banking sector has also increased (Morais & Saad-Filho, 2005, p. 14; de Paula, 2002, p. 74).

It must be noted, however, that because it was on a case-by-case basis, the opening up and denationalization/transnationalization of the banking sector was less dramatic in Brazil than in many other countries (de Paula & Prates, 2013, p. 56; also Abu-El-Haj, 2007, p. 104; Nölke, 2010, p. 8). The private sector was still dominated by Brazilian banks (de Paula, 2002, p. 77). Moreover, important federal public banks were not privatized and continued to play a strategic role (Jakobsen & Barbosa, 2008, pp. 121-122)[xix]. The result was that by end-2000, public banks' market share, with 36.6% of total assets, was still higher than both Brazilian private banks (35.2%) and foreign-owned banks (27.4%) (de Paula, 2002, pp. 74-76).

6.3.3 The new historic bloc underpinning neoliberalism

As with neoliberalism in general (see Chapter 4), and as seen in many other countries, the results of the neoliberal policies benefited capital to the detriment of labour. The profit rate recovered[xx], and the profit share rose significantly, from 43% in 1990 to 56% in 2003 according to some estimates[xxi] (Marquetti, Maldonado Filho & Lautert, 2010, p. 487). However, it benefited certain fractions of capital more than others. Domestic and international financial capital were clearly among the winners. It is clear that tight monetary policy and high interest rates have benefited financial capital. The Brazilian banking sector has been particularly lucrative (Doctor & de Paula, 2007).[xxii] The bank spread in Brazil has been extremely high (compared to other countries), at around 40% in 2000-2005 (Oreiro & de Paula, 2010, p. 573, 580). While before the Real plan it had been able to use inflation to make large profits, high interest rates now meant that the banking sector was able to make high profits out of credit operations and fixed-income assets (Bruno, 2008; Bruno et al., 2011, p. 740; Oreiro & de Paula, 2010, p. 574; de Paula, 2011, pp. 154-155; de Paula & Sobreira, 2010). High interest rates have also made government securities, which accounted for around 40% of total banking assets in 1998-2005, highly lucrative (de Paula, 2011, p. 165; see also Boito Jr., 2006, p. 245; Bruno et al., 2011, p. 746; Gaulard, 2012, p. 376). The growing Brazilian financial markets have also been an important platform for financial profits.

While foreign industrial capital benefited from privatization schemes and liberalized trade and investment, domestic industrial capital was damaged by high interest rates and an overvalued exchange rate (Doctor & de Paula, 2007). The transnationalization of productive capital did not translate into sustained economic gains, however, but rather to denationalization[xxiii] and a process of de-industrialization throughout the 1990s and continuing in the early 2000s (Diniz, 2011, p. 61; Doctor & de Paula, 2007; Morais, Saad-Filho & Coelho, 1999, p. 9; Oreiro & Feijó, 2010, p. 229; Sader, 2005, p. 66). The share of industry declined from 43.8% in 1980 and 40.0% in 1994 to 27.1% in 2002 (see Figure 6.11; see also Marquetti, Maldonado Filho & Lautert, 2010, p. 487). Plant closures and employment losses were numerous.[xxiv] Moreover, trade liberalization and an overvalued exchange rate after the Real Plan made imports surge, with a deterioration in the trade balance as a consequence (Mollo & Saad-Filho, 2006, pp. 104-106).[xxv] The imports of the TNCs present in Brazil increased far more than their exports (Abu-El-Haj, 2007, p. 107; Baer & Borges Rangel, 2001, p. 93; Fernandes & Campos, 2008, pp. 490, 500-501).

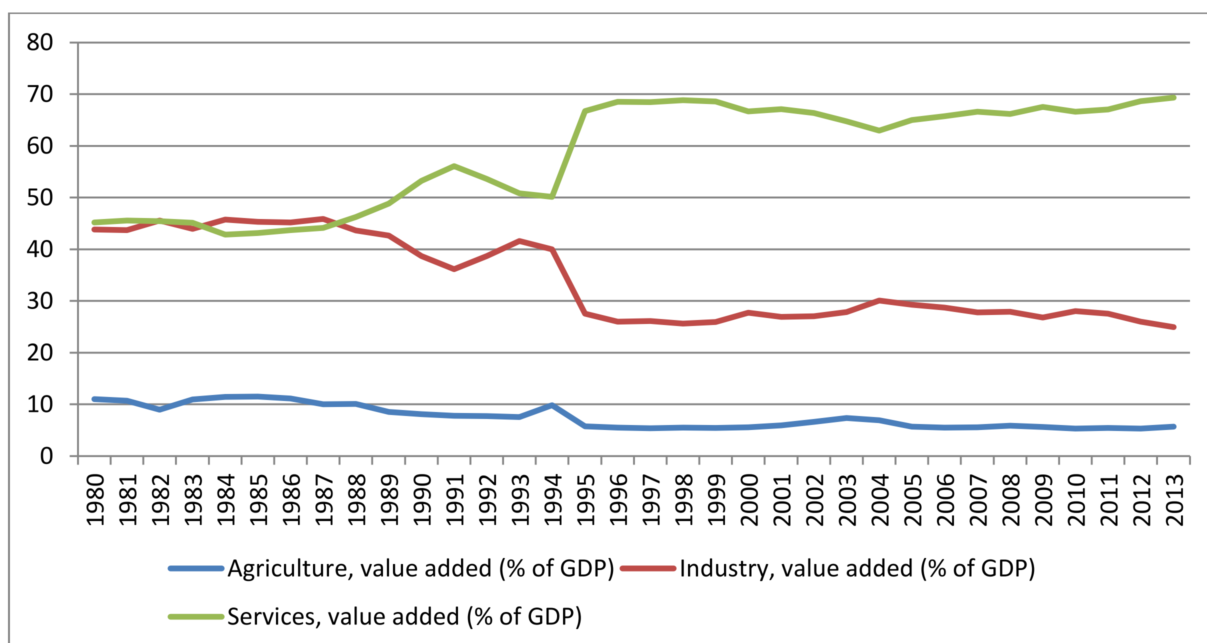

Figure 6.11: Value added per sector Brazil, 1980-2013 (data from World Bank, 2014b)

Finally, the working class as a whole lost considerably. The wage share decreased strongly (Araújo & Gala, 2012, p. 50; Bruno, 2008; Câmara Neto & Vernengo, 2006; Filgueiras, 2006, pp. 187-188; Jakobsen & Barbosa, 2008, p. 123; O'Farrell & Villafañe, 2013; Serrano & Summa, 2011)[xxvi]. In 2006, real average wages were still at less than 60% of their level in the beginning of the 1980s (Câmara Neto & Vernengo, 2006). Neoliberal policies, economic malaise and crises, the restructuring of production and de-industrialization also had a strong impact upon social and labor rights and working conditions (Filgueiras, 2006, pp. 187-188; Jakobsen & Barbosa, 2008, p. 123; Novelli & Galvão, 2001-2002, p. 25). Workers were heavily affected by unemployment (see Figure 6.12; see also Gonçalves, 2006, p. 210), precarization, flexibilization and informalization, the decentralization of collective bargaining, and wage moderation. In the industrial sectors that had been the core of working class militancy until the 1980s, unionization dropped significantly (Jakobsen & Barbosa, 2008, p. 130; Oliveira, 2003, p. 46, 2006a, p. 5).[xxvii] All these evolutions meant that trade unions saw an important part of their power base crumble (Beynon & Ramalho, 2001, p. 230; Novelli & Galvão, 2001-2002, p. 28; Sader, 2005, p. 66). What was posed on the neoliberal project in general in Chapter 4, can thus also be said about Brazil in particular: "What actually happened was a counter-revolution orchestrated by capital in an attempt to defend itself from the alternatives that could have been set up by various segments of civil society, and especially organized labour, during its awakening in the 1980s" (Jakobsen & Barbosa, 2008, p. 123). It succeeded in reinforcing the power of the capitalist class (Marquetti, Maldonado Filho & Lautert, 2010, p. 487).

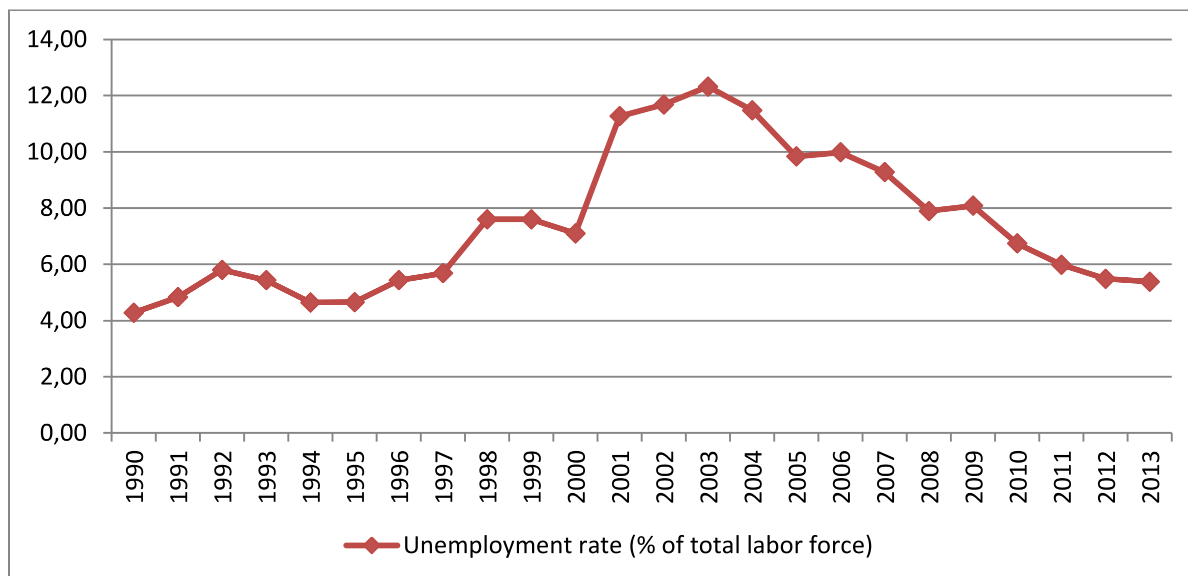

Figure 6.12: Unemployment rate Brazil (data from IMF, 2014c)

In sum, financial interests clearly benefited from the neoliberal transition and the Real Plan, while Brazilian manufacturing and the working class were forced to bear the costs (Vernengo, 2006). A new historic bloc was thus formed by the neoliberal policies (see Boito Jr., 2003, p. 12; Del Roio, 2012, p. 233; Filgueiras, 2006, pp. 183-185). At the apex of this new bloc is both domestic and foreign financial capital, which benefited from high interest rates and financial liberalization. It also included transnationally-oriented industrial capital in the form of foreign-owned TNCs. These fractions of capital found support amongst the middle classes as well as marginalized parts of the population which did not have the means to defend themselves against inflation (in contrast with a large part of organized labour), and even a part of the working class which was opposed to the “privileges” of public sector workers (Anderson, 2011; Boito Jr., 2003, pp. 24-34; Filgueiras, 2006, p. 185; Schmalz & Ebenau, 2012, p. 491). Agribusiness was also part of the historic bloc (in a subordinate position) because of its important role in exports (Filgueiras, 2006, pp. 190-191). Indeed, Brazil’s exports remained concentrated in commodities (Rocha, 2002, p. 26).

There were, as can be derived from the above, two important social forces who were not included in this historic bloc. The first is the largest part of urban and rural organized labour[xxviii], which had since the early 1980s been the spine of the Brazilian left (Morais & Saad-Filho, 2005, p. 5). The second concerns (a part of) the industrial fraction of Brazilian capital, which was disappointed by the outcomes of the neoliberal project (Del Roio, 2012, p. 232; Morais & Saad-Filho, 2005, p. 5; Saad-Filho, 1998, p. 195)[xxix]. Both organized labour and Brazilian industrial capital were part of what has been called the “losers’ alliance” which would elect President Lula da Silva of the Workers Party (*Partido dos Trabalhadores*, PT) in the 2002 presidential elections (Morais & Saad-Filho, 2003, p. 21, 2005, pp. 4-5; also Diniz, 2012, p. 65; Schmalz & Ebenau, 2012, p. 491).[xxx]

6.4 Lula and the Workers Party in power

6.4.1 From hope to illusion

When Lula took office in January 2003, there was a strong expectation that fundamental changes were imminent (Amann, 2005, p. 155; Gonçalves, 2014, p. 8; Tavolaro & Tavolaro, 2007, p. 426; Vernengo, 2011, p. 18). His victory "clearly revealed a widespread desire for change" (Diniz, 2011, p. 65; see also Mollo & Saad-Filho, 2006, p. 99). The PT had the image of a radical party, associated with left-wing movements such as the trade union confederation *Central Única dos Trabalhadores* (CUT) and the landless peasants' movement *Movimento dos Trabalhadores Rurais Sem Terra* (MST) (Mollo & Saad-Filho, 2006, p. 100). It is no surprise then that his victory has been seen as "one of the most important achievements of the Left, anywhere in the world, in the last two decades" (Saad-Filho, 2003, p. 15). However, expectations and hopes have not materialized. The PT in power under Lula has from 2003 onwards strengthened many of Cardoso's orthodox neoliberal policies, especially in the macroeconomic front (Amann, 2005, p. 159; Arestis, de Paula & Ferrari-Filho, 2007; Boito Jr., 2003, pp. 10-11; Câmara Neto & Vernengo, 2006; Filgueiras, 2006, p. 186; Fortes, 2009, p. 116; Gill, 2008, p. 262; Jakobsen & Barbosa, 2008, p. 137; Morais & Saad-Filho, 2005, pp. 18-19; Paulani, 2003; Prates & Paulani, 2007, p. 38; Rocha, 2007, pp. 138-139; Vernengo, 2011, p. 18). Initial propositions or anticipations that this would be a mere transitory arrangement in the context of international vulnerability, and that this would change later, have been proven wrong (Bresser-Pereira, 2002-2003, p. 78; Sader, 2005, pp. 70, 73). The Lula administration has been orthodox to such an extent that the first Lula-mandate has been labelled by critics as "the third mandate of FHC" (Oliveira, 2006b, p. 285).

The causes for this turn are multiple and complex. First, already before election, it was clear that the PT's ideological profile was in flux. While the PT was never a Marxist organization, after the defeats with the presidential elections of 1989, 1994 and 1998, together with the PT's gradual rise within the state apparatus, a small group of cadres around Lula secured the de-radicalization of the party and a decrease in the weight of social movements and the Party's radical base (Bianchi & Braga, 2005, p. 1749-1751; Morais & Saad-Filho, 2003, p. 19; Oliveira & Nakatani, 2007, p. 40; Sader, 2005, pp. 65-66; Samuels, 2004, pp. 1001-1002). In the program for the 2002 elections (as in 1998), references to socialism were then completely absent (Morais & Saad-Filho, 2003, p. 19; Samuels, 2004, p. 1004; van der Westhuizen, 2012, pp. 340-341). The alliances that the PT established before the elections – in particular with the right-wing Liberal Party (PL), supported by wealthy businessmen and evangelical pastors – were another sign that gaining power was more important than ideological considerations (see Arestis, de Paula & Ferrari-Filho, 2007; Saad-Filho, 2003, pp. 16-17; van der Westhuizen, 2012, p. 343).[xxxi]

Second, international "financial markets" played a role in the 2002 election by showing their "concern" about the possibility of socialist policies introduced by Lula (Roett, 2010, p. 7; Morais & Saad-Filho, 2003, p. 20; Vernengo, 2004b). When it became clear that Lula would probably become the new Brazilian president, capital flight led to a large depreciation of the currency, foreign reserves decreased from US$42 bn in June to US$35 bn in November, and demand for Brazilian public securities decreased strongly (Arestis, de Paula & Ferrari-Filho, 2007; Barbosa-Filho, 2008, pp. 193-194). This "terrorism committed by the international financial market" (Novelli & Galvão, 2001-2002, p. 31) demonstrated the power that international (including Brazilian) financial capital already had

acquired in Brazil, and its "ability to sabotage any new government to which it objected" (Sader, 2005, p. 69; see also Arestis, de Paula & Ferrari-Filho, 2007; Mollo & Saad-Filho, 2006, p. 114; Morais & Saad-Filho, 2005, p. 10). The consequence was that Lula released a document called *Carta ao Povo Brasileiro* [Letter to the Brazilian People] in June 2002, in which he promised to maintain all the commitments made by previous governments, including the repayment of external and public debt and the freedom of capital movements (Arestis, de Paula & Ferrari-Filho, 2007; Mollo & Saad-Filho, 2006, p. 113; Paiva, 2006, pp. 200-201; Sader, 2005, p. 69; van der Westhuizen, 2012, pp. 340-341). These events and the curve of the PT "may have been the best illustration of the irrelevance of politics under capital account liberalization" (Carvalho, 2002-2003, p. 44).

Third, the economic team appointed after the election ensured the continuation of the neoliberal policies. Lula named the orthodox Henrique Meirelles, a former vice president of the Bank of Boston, president of the Central Bank (Banco Central do Brasil, BCB), and Antonio Palocci, the man behind the Letter to the Brazilian People, became the minister of finance (Arestis, de Paula & Ferrari-Filho, 2007; Castro & Carvalho, 2003, p. 484; Diniz, 2011, p. 66; Mollo & Saad-Filho, 2006, p. 114; Oliveira, 2006a, p. 12; Sader, 2005, pp. 69-70). All the important positions with regard to economic policies were filled with orthodox, neoliberal technocrats, and leftist economists were excluded from the government.[xxxii]

6.4.2 Neoliberal policies under Lula

Once in power, the Lula administration thus adopted orthodox macroeconomic policies based on three pillars: (1) high primary surpluses and thus permanent fiscal austerity; (2) an inflation-targeting regime, with high nominal and real interest rates; (3) a flexible (but in practice overvalued) exchange rate with free capital mobility (Rocha, 2007, p. 139). As Sader (2005, p. 71) has written: "Cardoso's economic policy was not simply maintained but, with the hike in interest rates and raising of the primary fiscal surplus, taken a step further." On the fiscal front, one of the first decisions taken under Lula was to increase the primary fiscal surplus target from 3.75% of GDP to 4.25% of GDP (Arestis, de Paula & Ferrari-Filho, 2007; Morais & Saad-Filho, 2005, p. 18). The primary surpluses have been even higher in the first years under Lula than under FHC (Amann, 2005, p. 159). On average, it reached 3.5% in 2003-2006 (see Figure 6.13 and Table 6.1).

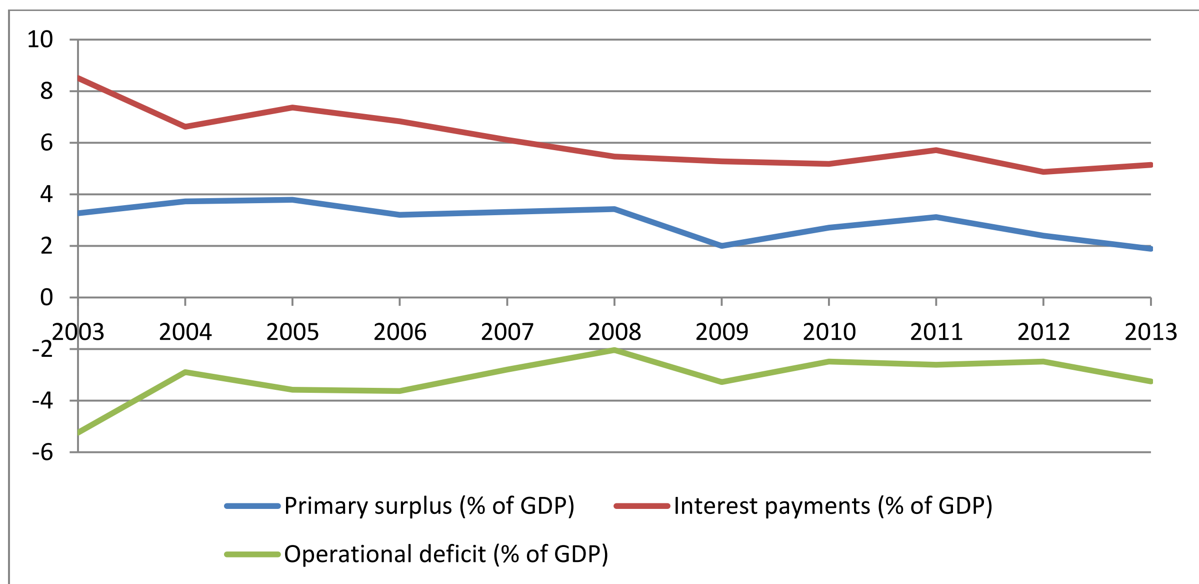

Figure 6.13: Primary surplus, interest payments and operational deficit ("public sector net borrowing requirements") Brazil (source: BCB, 2014a)

	Primary surplus	Interest payments	Operational deficit
2003	3.27	8.51	5.24
2004	3.72	6.62	2.90
2005	3.79	7.36	3.58
2006	3.20	6.83	3.63
2007	3.31	6.11	2.80
2008	3.42	5.46	2.04
2009	2.00	5.28	3.28
2010	2.70	5.18	2.48
2011	3.11	5.71	2.61
2012	2.39	4.87	2.48
2013	1.89	5.14	3.26

Table 6.1: Primary surplus, interest payments and operational deficit ("public sector net borrowing requirements") Brazil (% of GDP) (source: BCB, 2014a)

Next to fiscal policy, monetary policy has also been even more tight than in the last years under FHC (Amann, 2005, p. 160). The BCB's (nominal) base interest rate Selic (*Sistema Especial de Liquidação e Custodia*), which was at 25,00% when Lula came to power, was increased to 25,50% in January and to 26,50% in February 2003 (see Figure 6.14).[xxxiii] From June on, it was lowered to reach 16% in April 2004, after which another round of tightening started in September, culminating in another peak of 19,75% in May 2015. It was only – after easing began in September 2015 – in July 2006 that Selic was brought under 15%, to finally reach its lowest point during the first Lula administration in December 2006, at 13,25%. Brazil's real interest rates were still exceptionally high compared to similar (Latin American) countries (Modenesi, 2014).

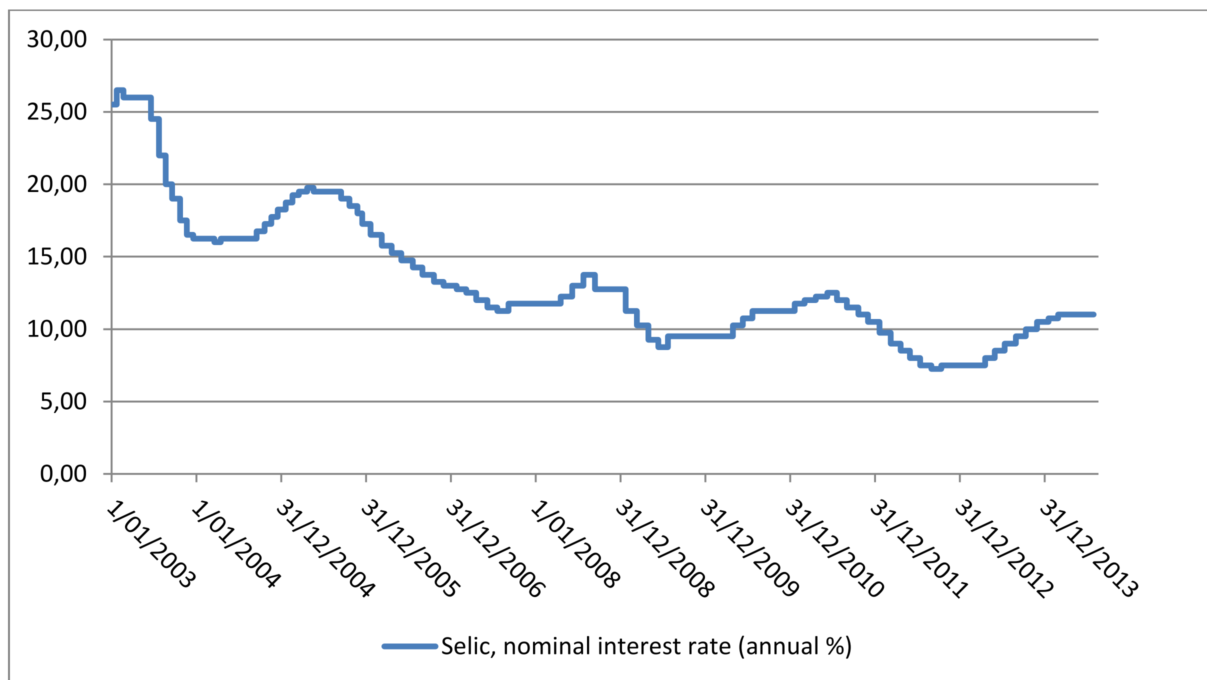

Figure 6.14: Selic, 01/01/2003-30/07/2014 (data from IPEA, 2014n)

One of the results of high interest rates was high interest payments on public debt, which accounted on average for 7.33% of GDP in 2003-2006 (see Figure 6.13 and Table 6.1; see also Mollo & Saad-Filho, 2006, p. 106; Rocha, 2007, p. 143).[xxxiv] As this is more than double the primary surpluses, Brazil had an average government deficit of 3.8% of GDP, despite the strong budgetary efforts. Because interest payments were high, the reduction in government debt was – compared to the budgetary efforts – rather small (Arestis, de Paula & Ferrari-Filho, 2007; Sader, 2005, p. 74). However, the reduction was still substantial, with net public debt (including the BCB and government enterprises) decreasing from 62.9% of GDP in September 2002 to 47.3% in December 2006 (see BCB, 2014a, 2014c).[xxxv] This was done to the detriment of public investment (Barbosa-Filho, 2008, p. 202). Despite this reduction of government debt, the Lula administration kept a regressive arrangement intact, through which “Brazil’s government budget has become a giant machine for recycling scarce tax revenues back to Brazil’s wealthy elites in the form of interest payments” (Palley, 2006b; also Barbosa-Filho, 2008, p. 195; Mollo & Saad-Filho, 2006, p. 106; Vernengo, 2004b).[xxxvi] The Workers’ Party thus did not reverse the fact that interest payments accounted on average for almost half of total government spending since 1994, far more than spending on social security, health care and education (Câmara Neto & Vernengo, 2006).

The Lula government also proceeded with and consolidated capital account liberalization (see Arestis, de Paula & Ferrari-Filho, 2007; Kaltenbrunner, 2010, p. 302; de Paula, 2011, pp. 45, 75; Prates, 2006, pp. 122-123; Prates & Paulani, 2007, pp. 35-36; Souza & Carvalho, 2011, p. 567). The most important changes involved the unification of the foreign exchange market, and especially the abolition of limits “on the amount physical and juridical persons could convert from reais into dollars and transfer abroad” (de Paula, 2011, p. 77). This implied that capital could now flow out of Brazil directly, without the use of the CC5 accounts which could previously be used to transfer money abroad indirectly (Carvalho & Garcia, 2005, p. 61; Goldfajn & Minella, 2007, p. 376; de Paula, 2011, p.

79; Prates & Paulani, 2007, p. 35).[xxxvii] Foreign investors became more important in Brazil's stock market, holding more than 25% of the total market capitalization in 2004-2010 (see Park, 2012).[xxxviii] Moreover, the combination of high real interest rates and the tendency of the exchange rate to appreciate led to a carry-trade and the internationalization of the Brazilian currency, which meant that foreign (and domestic) financial capital was able to make gigantic speculative profits in Brazil (Kaltenbrunner, 2010, pp. 297, 307-308).

Financialization was not reversed under Lula. To the contrary, it was fostered and deepened: "Measures taken by the Collor/Itamar and Cardoso governments were instrumental in preparing the Brazilian economy to participate fully in the financial turn of the capitalist economy. The Luiz Inácio Lula da Silva (Lula) Administration perpetuated this process" (Prates & Paulani, 2007, p. 32; see also Bruno et al., 2011). Brazil has been hailed for its "substantial progress in capital market development" during the Lula governments (Park, 2012). The stock market Bovespa grew strongly and offered high speculative profits (see Figure 6.15; see also Anderson, 2011, p. 37; Committee on the Global Financial System, 2009).

Figure 6.15: Stock market capitalization Brazil (data from World Bank, 2014b)

Furthermore, the banking sector also grew strongly (Gonçalves, 2014, pp. 27-28; Kaltenbrunner, 2010, p. 303; Roett, 2010, p. 122). The continuity of high interest rates and high spreads, together with the consumer credit boom, has assured the sustained existence of high profitability for banks in Brazil, with loan revenues accounting for more than 40% and security revenues around 30% of total revenues (de Paula, 2011, pp. 171-173). Banks' profits have thus been very high under the PT governments (see Figure 6.16; Oliveira, 2006a, p. 14; Rocha, 2007, p. 143). The return on equity in 2003-2008 averaged 24.9% (based on Kregel, 2009, p. 350).[xxxix]

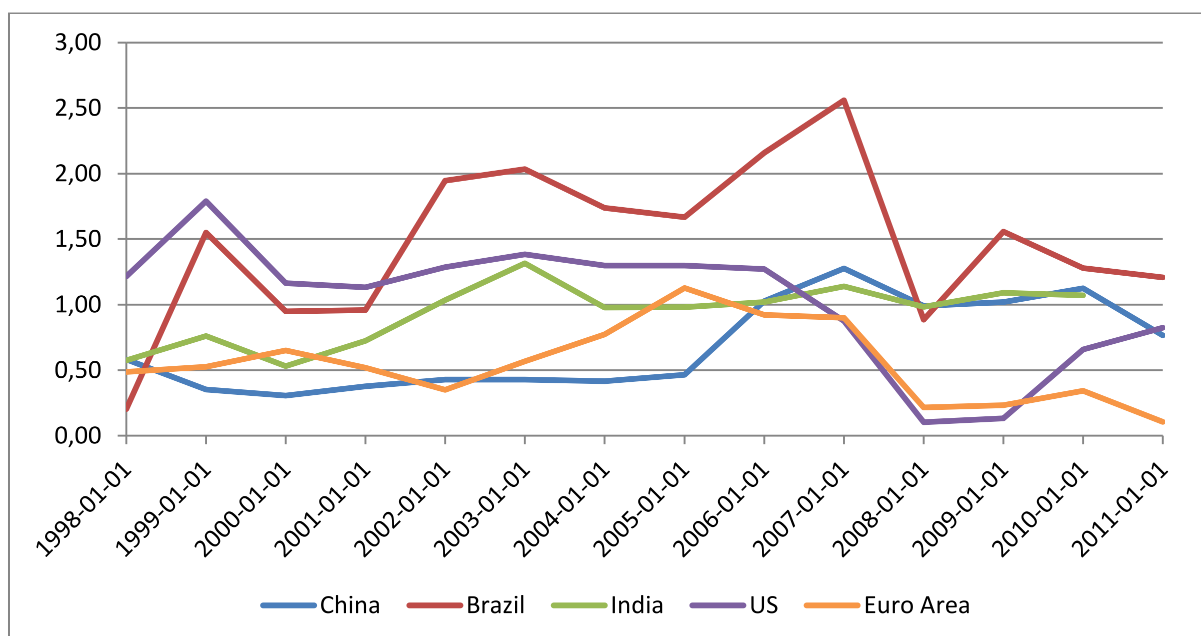

Figure 6.16: Return on assets banking sector (data from Federal Reserve Bank of St. Louis, 2014a)

The PT government disappointed the Left in other fields as well, such as social security, tax reform, labour legislation, and, not least, land reform and agricultural policies which were strongly criticized by the MST (Fortes, 2009, pp. 120-121; Gill, 2008, p. 262; Morais & Saad-Filho, 2005, pp. 18-19; Sader, 2005, p. 71; Stedile, 2007, pp. 50-53). It is not surprising, then, that the government had to face opposition from within the party, from intellectuals, social movements and the most organized and politicized workers (Filgueiras, 2006, p. 202; Rocha, 2007, pp. 138-139; Tavolaro & Tavolaro, 2007, pp. 432-433). In sum, the leftward shift that had been expected with the election of Lula did not at all materialize, especially during the first years of his first term. While the causes are multiple, at least one important cause has been the transnationalization of capital and the necessity of maintaining the confidence of international investors (Amann, 2005, pp. 155-156; Bruno et al., 2011, p. 746; Filgueiras, 2006, pp. 183, 190; Interview 14 & 19). Transnationalization has thus implied the subordination of the Brazilian economy to international capital flows:

> "*The forms of dependence become more complex, restricted not only to the decisions made by multinationals or the export of more volatile goods in terms of prices, but dependent upon the submission to international financial capital, which establishes conditionalities for the internal economic policy, thus limiting the state's autonomy to set interest and exchange rates, and holding the state's investing capacity hostage to the international conjuncture*." (Jakobsen & Barbosa, 2008, p. 123)

In other words, it seems that globalization has "tamed the left" in Brazil (Palley, 2006b).

6.4.3 The social agenda and Lula's re-election

There was one important area[xl] in which the PT represents a partial break with the previous governments: social policies and inequality (Anderson, 2011, p. 48; Fortes, 2009, p. 113; Vernengo, 2011, p. 17). While it should be noted that the targeted anti-poverty approach comes nowhere near the idea of – and the PT's historical commitment to – universal social rights (Hunter & Power, 2007, p. 17; Marques & Mendes, 2006, p. 73, 2007, p. 22; Motta, 2013; Rocha, 2007, p. 145), the targeted social policies have made a huge difference in the lives of many poor families. Under Lula, several anti-poverty programmes were merged into a single one, called *Bolsa Família*, a conditional cash programme which disburses a low amount, directly paid by the federal government, to poor families (see Anderson, 2011, p. 37; Marques & Mendes, 2006, pp. 67-70). Spending increased from 1.1% to 2.5% of government expenditures and from 0.2 to 0.5% of GDP, and the number of beneficiaries increased from 3.6m to almost 11 million between 2003 and 2006, so that the programme reached about one quarter of the entire population (Barbosa-Filho, 2008, p. 204; IPEA, 2014g; van der Westhuizen, 2012, p. 348).

Probably even more important than the Bolsa Família have been the minimum wage increases, which improved the situation of the low-paid workers in the formal sector significantly.[xli] The real minimum wage rose with 27.4% between 2002 and 2006, whereas per capita income increased only 8.5% in 2003-2006 (see Table 6.2; see also Barbosa-Filho, 2008, p. 205; The Conference Board, 2014).[xlii]

2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**Jan-April 2014**
0.7%	3.7%	7.0%	14.1%	6.0%	3.1%	7.2%	5.3%	0.1%	8.4%	2.5%	2.6%

Table 6.2: Annual growth of the real minimum wage Brazil (based on annual averages) (calculated with data from IPEA, 2014m)

The results of these policies was a reduction in poverty and inequality (see e.g. Morais & Saad-Filho, 2011a, p. 36). The number of poor diminished from 58.7 million in 2002 to 49.0 million in 2006 or from 34.38% to 26.75% of the population, and the number of extreme poor from 23.9 million to 17.3 million in the same period, or from 13.98 % to 9.45% of the population (see Figure 6.17; data from IPEA, 2014b, 2014c, 2014d, 2014e).[xliii] With regard to inequality, the Gini coefficient, which had only decreased with 0.15 percentage points between 1993 and 2002, was reduced from 0,589 in 2002 to 0,563 in 2006, a reduction of 0.26 percentage points in only four years (see Figure 6.18; data from IPEA, 2014i).[xliv]

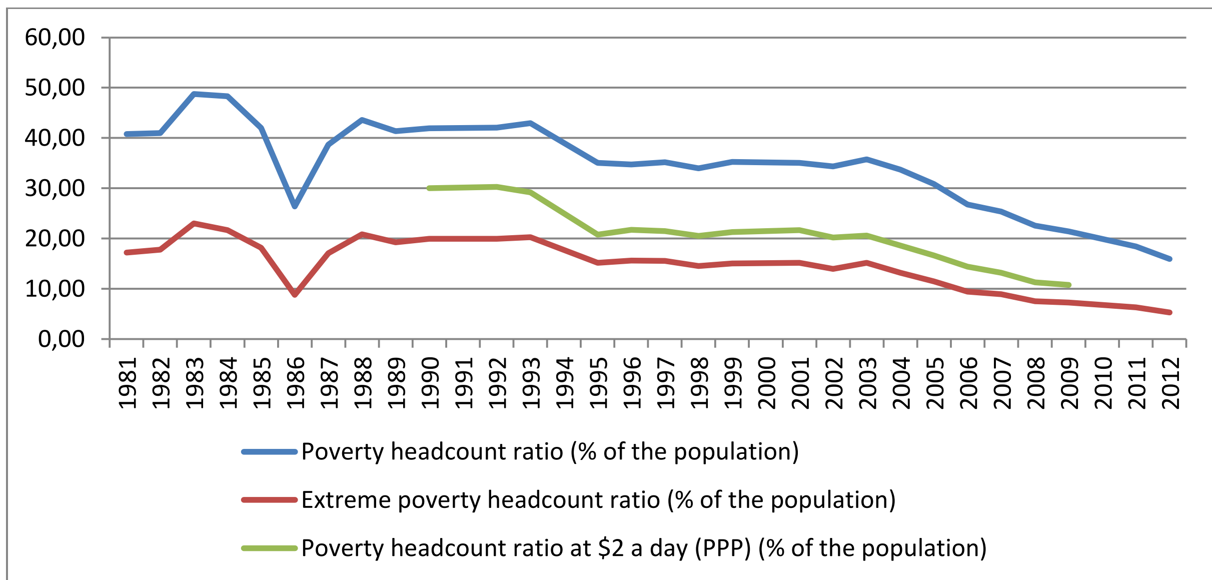

Figure 6.17: Poverty indicators Brazil (data from IPEA, 2014d, 2014e; World Bank, 2014b)

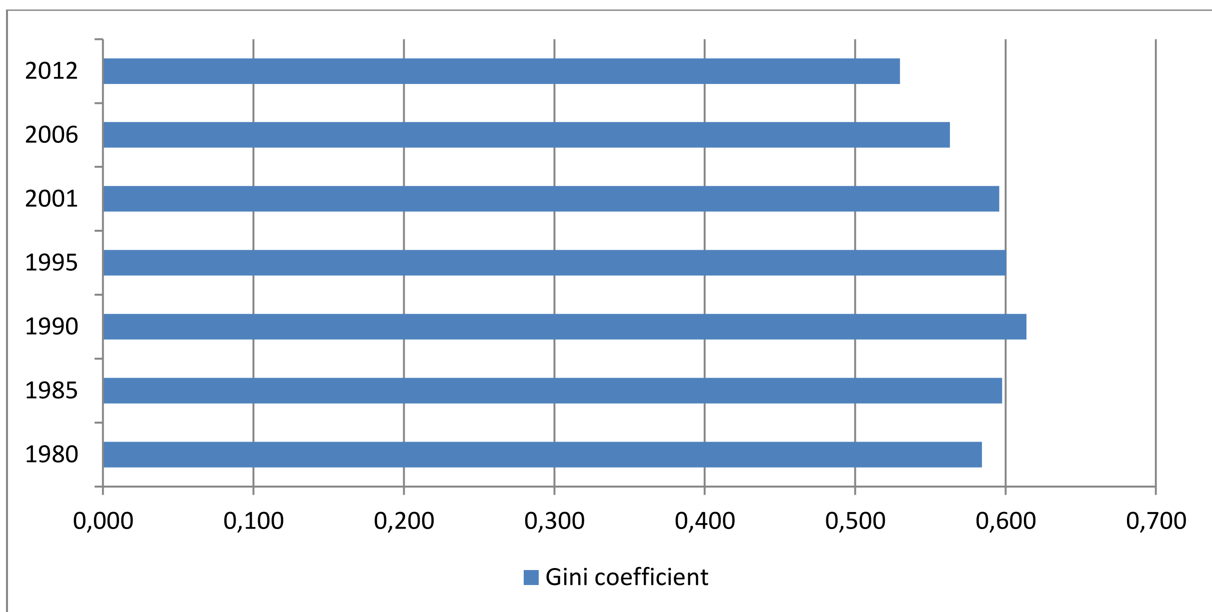

Figure 6.18: Inequality, Gini coefficient Brazil (data from IPEA, 2014i)

It must be emphasized that these social and minimum wage policies did not at all endanger the commitment to fiscal stability, and left the interests of financial capital unharmed. As Sader (2005, p. 72) has argued: “While some good initiatives have been proposed on social issues, they have largely been stymied by the Finance Ministry’s rigid fiscal austerity.” In sum, the very poor would be helped, but in a context of macroeconomic (and other) policies that conformed to the expectations of financial capital. These achievements have not been enough to neutralize criticism from the left (Tavolaro & Tavolaro, 2007, p. 433).

But despite the disappointments of the first Lula administration, Lula managed to get re-elected in 2006. This was in large part thanks to the votes of the poorest, a "subproletariat" that appreciated Lula's "order with redistribution", and benefited from the *Bolsa Família* programme (Singer, 2009, p. 86).[xlv] This programme has been very important in Lula's re-election (and later Dilma's election as well): "The Bolsa Família has created a new base of support for the Lula government, one independent of unions and social movements" (Marques & Mendes, 2007, p. 27). Research has demonstrated that the poor have voted in large numbers for Lula (Hunter & Power, 2007, pp. 1, 4; Marques & Nakatani, 2007, p. 17). Lula's victory was impressive in the impoverished North and Northeast, but he also received most votes from the poor in many other parts of Brazil. Their main motivation seems to be the improvement of their personal situation (Hunter & Power, 2007, p. 1; Marques & Nakatani, 2007, p. 20; Morais & Saad-Filho, 2011a, p. 40).

6.5 Towards neo-developmentalist neoliberalism?

6.5.1 The turn towards neo-developmentalist policies

From the beginning, there had been a split between the neoliberal current in the Lula administration, and a more heterodox, neo-developmentalist current, represented by amongst others then Chief of Staff Dilma Rousseff and BNDES head Guido Mantega (Boito Jr., 2007, p. 125; Sader, 2005, p. 72; Schmalz & Ebenau, 2012, p. 491; Wheatley, 2010)[xlvi]. While the neoliberal faction had all the powerful positions at first, it seemed that the neo-developmentalist faction gained traction from 2005/2006 on, and especially during the second Lula administration (Erber, 2011, p. 31; Interview 14; Morais & Saad-Filho, 2011a, p. 31, 2011b, p. 521, 2012, p. 792; Nassif & Feijó, 2013, p. 566). In March 2006 Guido Mantega succeeded Antonio Palocci as Finance Minister after a series of corruption scandals.[xlvii]

The PAC (*Programa de Aceleração do Crescimento*), an investment programme of about US$290bn introduced in 2007,[xlviii] has been perceived as an important pillar of a neo-developmentalist economic programme (Ban, 2013, p. 305; Erber, 2011, pp. 45-48; Kröger, 2012, p. 889; Morais & Saad-Filho, 2012, p. 793; Nassif & Feijó, 2013, p. 567; Schmalz & Ebenau, 2012, p. 491)[xlix]. Public investment has increased from 1.4% of GDP in 2006 to 2.2% of GDP in 2008 (see Table 6.3). It has been one of the causes of the rise of Brazil's investment rate from 16.21% in 2005 to 20.69% in 2008, the highest level since 1994 (see Figure 6.19; see also Ban, 2013, p. 305; Barbosa-Filho, 2008, p. 210; Morais & Saad-Filho, 2011a, p. 35)[l]. Another cause has been the expansion of credit lines by state-owned banks, in the first place the national development bank *Banco Nacional de Desenvolvimento Econômico e Social* (BNDES)[li] (Diniz, 2011, p. 66; Flynn, 2007, pp. 19-20; Morais & Saad-Filho, 2011a, p. 35). The market share of state-owned banks increased considerably after 2006, while the share of both foreign banks and domestic private banks decreased (Freitas, 2011; de Paula, 2002, p. 74, 2011, p. 169; de Paula & Sobreira, 2010; Rumsey, 2013).[lii]

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1.1%	1.3%	1.3%	1.4%	1.7%	2.2%	2.1%	2.3%	2.3%	2.5%

Table 6.3: Public investment Brazil (% of GDP) (based on data data from Barbosa-Filho, 2009; IMF, 2012a, 2013)

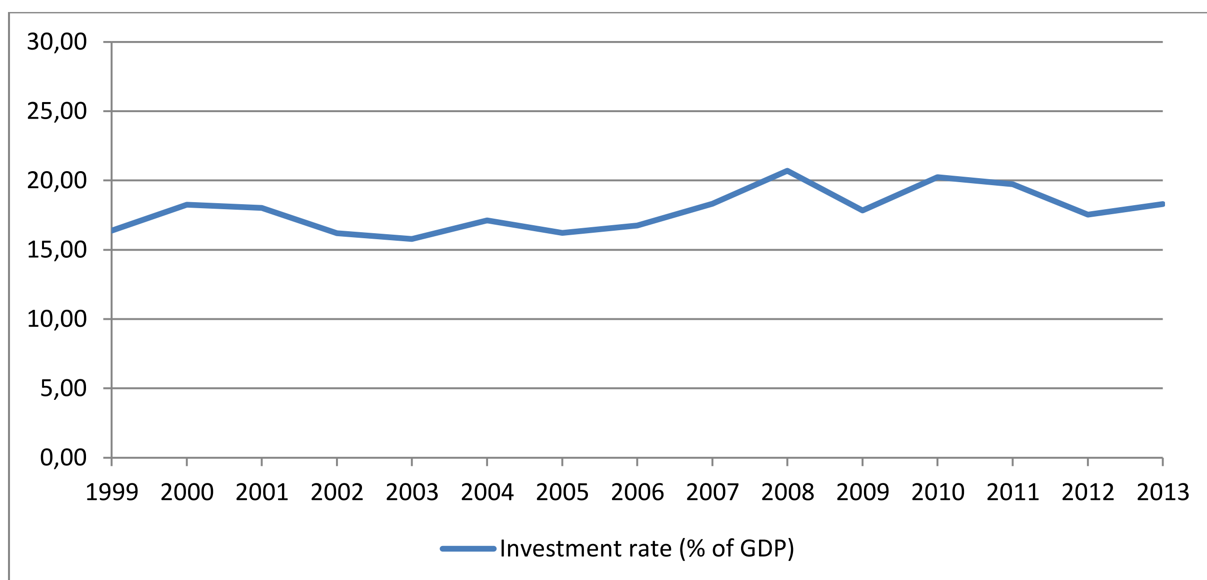

Figure 6.19: Investment rate Brazil, 1999-2013 (data from IMF, 2014c)

A new industrial policy entailing tax cuts and financial incentives was also introduced in 2008 (*Política de Desenvolvimento Produtivo, PDP*) (Barbosa-Filho, 2010; Nassif & Feijó, 2013, p. 567).[liii] Another important policy has been an increase of the real minimum wage (see Table 6.2).[liv] As described above, this already started in 2003, but it was more forcefully implemented from 2005 onwards (see Baltar, 2014). Whereas real minimum wage growth was 0.7% in 2003 and 3.7% in 2004, its average growth rate was 7.1% in 2005-2010.[lv] The increases have been crucial not only for expanding domestic demand, but also for diminishing income inequality, probably more so than the *Bolsa Família* programme (Amann & Baer, 2012, p. 418; Ban, 2013, p. 318). A boom in consumption credit, which was not affected during the global economic crisis, has also been vital for domestic demand (Barbosa-Filho, 2008, pp. 194, 207; Paulani, 2010, p. 371).

Thus, there was a combination of these neo-developmentalist policies with the more established neoliberal framework of fiscal austerity, high interest rates and capital account convertibility (Ban, 2013, p.320; Erber, 2011; Morais & Saad-Filho, 2011b, p. 507, 2012, p. 790). This hybrid could therefore be called "neo-developmentalist neoliberalism".[lvi] The introduction of neo-developmentalist elements was beneficial to the two social forces which were excluded from the neoliberal historic bloc: national productive capital and (organized) labour (Boito Jr. & Berringer, 2013, p. 31; Morais & Saad-Filho, 2011a, p. 37; see also Ban, 2013, pp. 321-322). Agribusiness also became more deeply integrated into the historic bloc, not in the least through Lula's foreign economic policy aimed at opening up markets for Brazil's agricultural products (Boito Jr., 2007, p. 116; Hopewell, 2013; Motta, 2013; Schmalz & Ebenau, 2012, p. 491; Stedile, 2007, pp. 52-53). However, this was done in such a way as not to harm the interests and hegemony of financial capital (and transnational industrial corporations), with the maintenance of the neoliberal macroeconomic policy framework (Ban, 2013, p.320; Boito Jr., 2006, pp. 247-252; 2007, p. 119; Filgueiras, 2006, p. 199; Interview 11; Kingstone, 2009, p. 106; Morais & Saad-Filho, 2011b, p. 516; Nassif & Feijó, 2013, p. 569)[lvii]. It thus did not lead to a replacement of the historic bloc through a different accumulation

regime; it only used the available policy space within the neoliberal model to advance the interests of the previously excluded social forces. Through making it more inclusive, Lula thus strengthened the hegemonic nature of the neoliberal project (Boito Jr., 2007, pp. 116, 121).

6.5.2 *After the crisis and under Dilma*

The global economic crisis that hit Brazil hard in the fourth quarter of 2008 (see below) did not lead to the withdrawal of neo-developmentalist policies. To the contrary, neo-developmentalism was rather strengthened than weakened. An anti-cyclical Keynesian policy package was introduced with, amongst other things, the accelerated realization of the PAC investment programme (Schmalz & Ebenau, 2012, p. 495). Fiscal policy was slightly loosened, but without running fiscal deficits or endangering fiscal stability (see Table 6.1; also Ban, 2013, p. 306; Barbosa-Filho, 2009). In 2009, the primary surplus was only 2.0%, the first time under a PT government that it went under 3%.[lviii] Monetary policy was loosened as well, with lower interest rates (see Barbosa-Filho, 2010). The nominal interest rate was lowered to under 10% in April 2009 for the first time since the PT took power (see Figure 6.14). The real interest rate went under 5% in 2010 (see Figure 6.20).

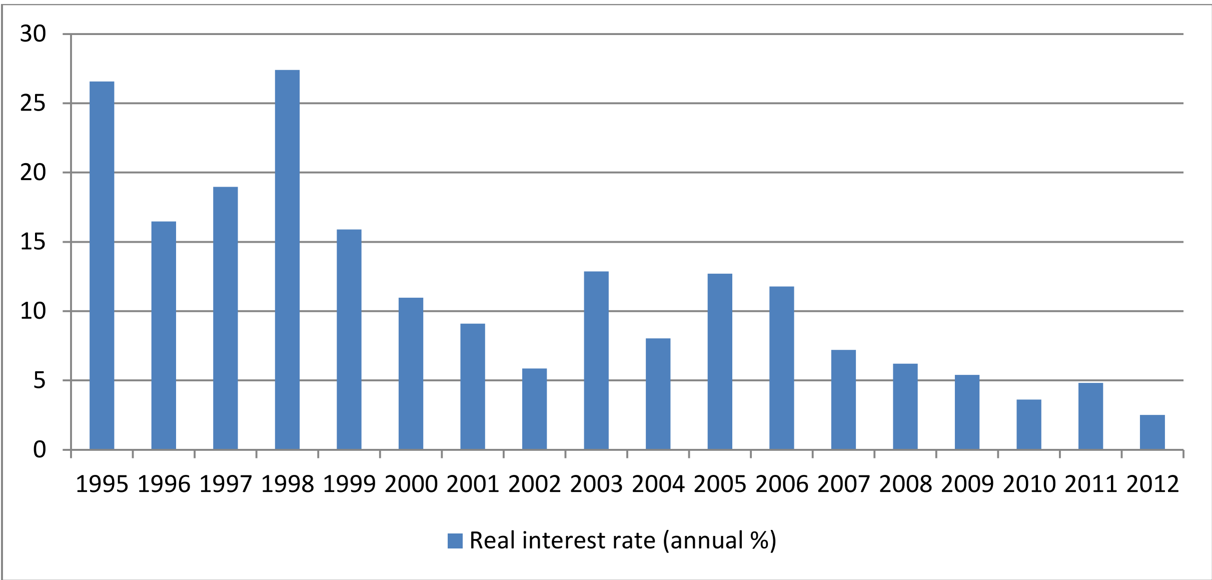

Figure 6.20: Real interest rate Brazil (based on Modenesi, 2014)

Other components included wage increases and additional social spending through increases in the *Bolsa Família* programme. The number of beneficiaries of the *Bolsa Família* rose from almost 11m in 2006 to 12,8m in 2010, and to almost 14m in 2012 (IPEA, 2014g).[lix] Industrial policy was deepened, with, amongst others, taxes levied on certain manufactured imports (*Imposto sobre Produtos Industrializados*), which seems to have had a positive influence on FDI in certain sectors (UNCTAD, 2012). A second investment programme, PAC II, with a volume of US$539bn, was approved for the period 2011-2014 (Schmalz & Ebenau, 2012, p. 495). Further, Brazil more forcefully used its state-owned banks as an anti-cyclical and industrial policy instrument (Ban, 2013, p. 306; Barbosa-Filho, 2009).[lx] State-owned banks' credit-to-GDP ratio increased from 12.5% in August 2008 to 17.3% in July

2009[lxi], and the assets of state-owned banks as a share of total banking assets increased from 39.8% in 2008 to 43.5% in 2010 and around 47% in 2012 (Marois, 2013; Rumsey, 2013; see also IMF, 2013a).[lxii] The balance sheet of BNDES doubled in size, from 7.5% of GDP in 2007 to 15% in 2011 (Park, 2012)[lxiii]. In August 2011 the BNDES loan programme was expanded again (UNCTAD, 2012).

Early signs – including the appointment of a "market-friendly" transition team – indicated that the first administration led by Dilma Rousseff, who was elected in 2010 by the same social base as Lula's, would again be rather moderate (Anderson, 2011, p. 47; Colitt, 2010; Rathbone, 2010; Vernengo, 2011, p. 22).[lxiv] However, quite soon, especially after the orthodox chief of staff Palocci quit in June 2011 over a corruption scandal, the neo-developmentalist policies were continued, and according to some, even strengthened (see Ban, 2013, p. 315; Colitt, 2010; Modenesi, 2014; Morais & Saad-Filho, 2012, p. 792; Schmalz & Ebenau, 2012, pp. 495-496). After only a very small rise of 0.1% in 2011, minimum wage growth reached 8.4% in 2012 and 2.5% in 2013 (see Table 6.2).[lxv] Fiscal stimulus and industrial policy were continued as well (Biller, 2012; IMF, 2013a). Further, Dilma, which had promised during the elections to reduce interest rates, not only vocally criticized high spreads and banks' profits; she was also able to reduce spreads through lower interest rates, and through using state-owned banks as a competitive pressure on private banks (Interview 9 & 11; Leahy, 2013a; Rumsey, 2013). Spreads and banks' profits remained high, but they did not return to their pre-crisis levels (Caplen, 2011; Rumsey, 2013).[lxvi] The relationship with the more orthodox central bank over interest policy has also come under strain (see Modé, 2013).

In sum, several authors have argued that the neo-developmentalist approach was strengthened after the crisis, and after the election of Dilma Rousseff (Ban, 2013, p. 312; Kröger, 2012, p. 889; Interview 20; de Lucena, 2013; Nassif & Feijó, 2013, pp. 572-573; Schmalz & Ebenau, 2012, pp. 495-496). As such, it seems that the hybrid of neo-developmentalist neoliberalism has been preserved under Dilma (Ban 2013, p. 305; Morais & Saad-Filho, 2012, p. 790). On the one hand, the neoliberal macroeconomic policy framework was not replaced – although it was used in a more flexible way. The capital account remained open, and fiscal surpluses, the inflation targeting framework and a flexible exchange rate were maintained. On the other hand, however, financial capital has more and more felt threatened by the neo-developmentalist policies and the PT's vocal opposition against speculation and high spreads (see also Boito Jr. & Berringer, 2013, pp. 31-32; Interview 11).

Consequently, a fracture within the neo-developmentalist neoliberal bloc has become clearer, with on the one hand national large-scale industrial capital, organized labour and the lower middle class, and the marginalized poor, and on the other hand financial capital, large landholders and the wealthy Brazilians, and the upper middle class (see also Boito Jr. & Berringer, 2013). Two of the main divisive issues are exchange rate policy and interest policy, as productive capital tends to support a reduction in interest rates and a less appreciated exchange rate (Amann, 2005, p. 165; Diniz, 2011, pp. 70, 72; Erber, 2011, pp. 42-43; Interview 10; Leahy, 2013a; Pinto, 2013).[lxvii]

6.5.3 The return of capital controls in 2009

The neo-developmentalist policies of the Lula-administrations did not, however, forge a revival of the industrial sector. To the contrary, the share of industry in total value added, if anything, decreased rather than increased (see Figure 6.10; O'Farrell, 2011; see also Souza & Carvalho, 2011, p. 575).

Brazil's exports are still mostly concentrated in commodities and natural resources, as well as some labour intensive low-technology goods; the share of manufactured and semi-manufactured goods in exports has also fallen strongly; and imports are mostly medium- and high-technology goods (Anderson, 2011, pp. 47-48; Carvalho & Souza, 2011; Gaulard, 2012, p. 374; Nassif & Feijó, 2013, p. 571; Paulani, 2012, p. 94; Prates, 2006, pp. 139, 143; Prates & Paulani, 2007, p. 37).[lxviii] The trade deficit in manufacturing has grown (Doctor, 2012, p. 801; Gaulard, 2012, p. 375). Beside the appreciated exchange rate (see below), the competition of Chinese goods – both in Brazil and in export markets – has also played a large role, not only in low-technology labour-intensive products, but also in high-technology products (Castro, 2008; Doctor, 2012, p. 803; Jenkins & Barbosa, 2012, pp. 75, 77).[lxix] With regard to FDI, the share of extractive industries in the inward FDI stock grew from 3% in 2005 to 15% in 2010 (UNCTAD, 2012).

Academics have claimed that the appreciation of the real exchange rate has been an important factor in the explanation of the loss of dynamism in the industrial sector (see Figure 6.21; see also Barbosa-Filho, 2008, p. 207; IMF, 2012a; Oreiro & Feijó, 2010, p. 228; Oreiro, Punzo & Araújo, 2012, p. 929; Palley, 2006b; Souza & Carvalho, 2011, p. 574). After the crisis, when the favourable climate of the global economy had faded, the debate on de-industrialization and the importance of the exchange rate, was reopened (Doctor, 2012, p. 805; see also Pinto, 2013). Several observers have argued that Brazil will face further de-industrialization and hollowing out of manufacturing – and a concomitant "re-primarization of the economy" – in the longer term, especially if it doesn't address, amongst others, its overvalued exchange rate (Doctor, 2012, p. 806; Jenkins & Barbosa, 2012, pp. 75, 81; Mollo & Saad-Filho, 2006, p. 109).[lxx]

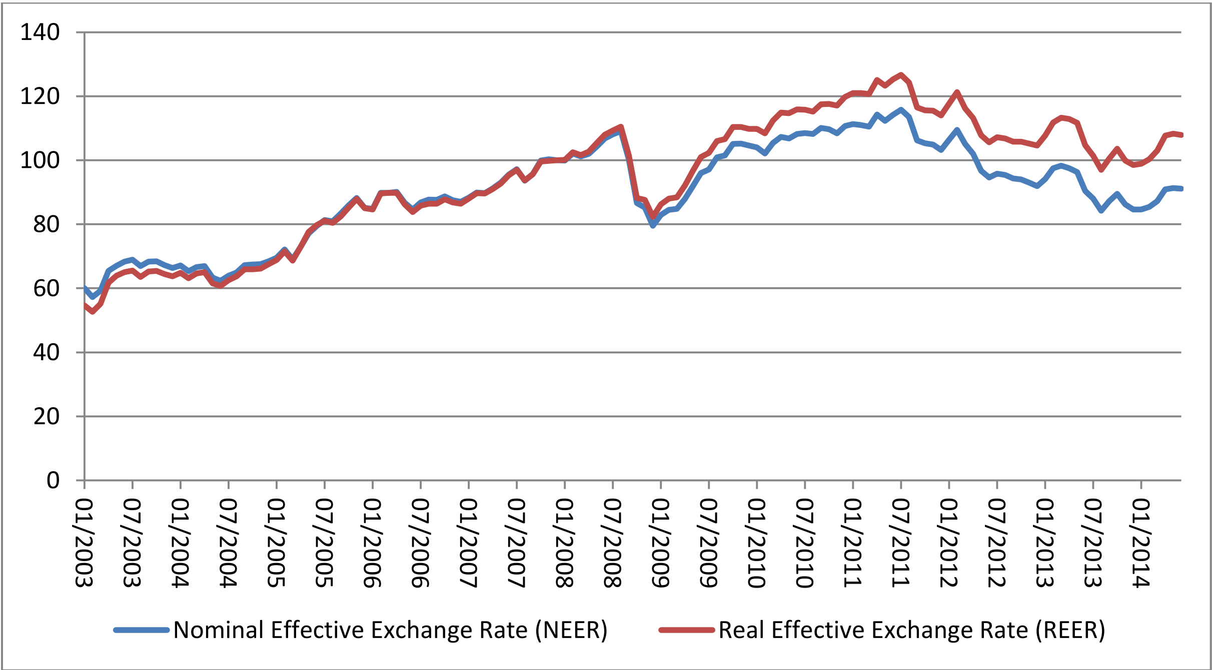

Figure 6.21: Nominal and Real Effective Exchange rate Brazil (12/2007=100) (based on data from Bruegel, 2014)

Exchange rate appreciation ended abruptly in the fourth quarter of 2008, when the consequences of the global economic crisis once again demonstrated Brazil's vulnerability to capital flow volatility (see Figure 6.10; see also Barbosa-Filho, 2010; Kaltenbrunner, 2010, pp. 310, 318-319; de Paula, 2011, p. 60; de Paula & Sobreira, 2010; Prates, 2011, pp. 904-905). Despite solid fundamentals and a sound banking system, US$27bn of capital outflows, or a capital flow reversal of over 11% of GDP (see Barbosa-Filho, 2009; IMF, 2012a), resulted in a strong fall of equity prices on the Brazilian stock market (see Figure 6.15) and a sharp depreciation of the real.[lxxi] This depreciation demonstrates the "international financialization" of the Brazilian economy, in particular the increased use of the Real as an international portfolio asset and the concomitant increasing participation of foreign investors in short-term Brazilian assets (Kaltenbrunner, 2010, pp. 296-297). Next to portfolio flows, outflows also entailed a rise in the remittance of profits and dividends by subsidiaries of TNCs (de Paula & Sobreira, 2010).

In January 2009, however, the tide turned again. With the low interest rates and abundant liquidity in the developed world, especially the US, and the high interest rates in Brazil, substantial carry-trade flows into Brazil re-emerged (Biancarelli & Rossi, 2014; Bibow, 2011; O'Farrell, 2011; de Paula & Prates, 2013, p. 60; Prates, 2011, p. 907).[lxxii] These short-term portfolio capital inflows appreciated the real, which led to an even more difficult situation for Brazilian industrial capital (Gaulard, 2012, p. 367; O'Farrell, 2011; de Paula, 2011, p. 62; Pearson, 2012a). Politically powerful domestic manufacturers – as well as labour – lamented this strong appreciation (AFP, 2012; Boito Jr. & Berringer, 2013, p. 33; Leahy, 2012a; Market News International, 2012; O'Grady, 2012; Pearson, 2011c). It is clear that the government became more and more concerned, because it doesn't want to lose the manufacturing sector, as Finance Minister Mantega has explicitly acknowledged (see Leahy, 2012b; also O'Grady, 2012).[lxxiii] It is in this context then, to prevent further appreciation and loss of competitiveness, that the government introduced some moderate capital controls. These measures received support from domestic industrial capital and trade unions (Andrade, 2012; Carlos, 2010; De Lorenzo, 2010; IEDI, 2010; Interview 9, 10 & 21; Machado, 2012; Veja, 2009).[lxxiv]

In October 2009, Brazil imposed a tax of 2% on purchases of stocks and bonds by foreign investors, named IOF1 (*Imposto sobre Operações Financeiras*) (Gallagher, 2011b; Gallagher, Griffith-Jones & Ocampo, 2011; Gaulard, 2012, p. 373; HSBC Global Research, 2010; Magud, Reinhart & Rogoff, 2011; O'Farrell, 2011; Prates, 2011, p. 909).[lxxv] It is clear that there were many backdoors to evade this tax (Gallagher, 2011b; O'Farrell, 2011; de Paula & Prates, 2013, p. 62). Therefore, in November 2009, the government implemented a 1.5% tax on American Depositary Receipts (ADRs)[lxxvi], called IOF2 (Gallagher, 2011b; Gallagher, Griffith-Jones & Ocampo, 2011; O'Farrell, 2011). Because the taxes were not very successful, the tax on foreign investments in fixed-income instruments and investment funds (but not on the purchase individual equities) was increased first to 4% and then to 6% in October 2010 (HSBC Global Research, 2010; O'Farrell, 2011; Magud, Reinhart & Rogoff, 2011). Moreover, the IOF on margin requirements on FX derivative transactions was increased from 0.38% to 6% (Magud, Reinhart & Rogoff, 2011; de Paula & Prates, 2013, p. 62). In January 2011, a non-interest bearing reserve requirement was adopted on certain positions by banks, to counter evasion of the existing capital controls (Gallagher, Griffith-Jones & Ocampo, 2011; de Paula & Prates, 2013, p. 62).

Because companies were evading controls and trying to benefit from carry-trade activities through intercompany loans (Gaulard, 2012, p. 376; Paula & Prates, 2013, p. 62; Pearson, 2012c, 2012d), the

IOF of 6% was extended to loans with a maturity of up to one year in March 2011, and to loans with a maturity of up to two years in April 2011 (Deloitte, 2014). To close another loophole, a tax of 1% – which could be increased if necessary to up to 25% – on all derivatives was introduced in July 2011 (O'Farrell, 2011). In March 2012, finally, the 6% IOF on foreign borrowing, which was previously applied only to loans with maturities of under two years, was extended first to overseas loans with maturities of up to three years and later to foreign borrowing with maturities of up to five years (Pearson, 2012b, 2012c). All these measures should thus be seen in the context of a sort of renewed "neo-developmentalism" which entails a form of state activism in stimulating and even steering industrial activity, and with the purpose of protecting the industrial sector from the detrimental effects of extreme exchange rate appreciation.

6.5.4 The neo-developmentalist neoliberal accumulation regime

Despite the limits imposed by the tightened fiscal and monetary policy, and despite the outbreak of the global economic crisis, the implementation of neo-developmentalist policies has resulted in better results during the years of the Lula and Dilma administrations than under the previous governments. Average annual growth was 4.6% in 2004-2008, whereas it had been only 2.5% in 1995-2002 (see also Figure 6.1). The accumulation regime leading to this growth has been called a "commodity and consumption based model" (Loman, 2014). Economic growth, in the context of abundant international liquidity, has mostly been due to the export of commodities (including price rises), in particular from the expanding agribusiness sector and from mining, especially to China (Amann, 2005, p. 163; Anderson, 2011, p. 28; Canuto et al., 2013; Grinberg, 2013, pp. 186-187; Kingstone, 2012; Mollo & Saad-Filho, 2006, p. 109; Oliveira, 2006a, p. 13; Palley, 2006b; Paulani, 2012, p. 94; Prates & Paulani, 2007, p. 37; Sader, 2005, p. 73; Saull, 2012, p. 331; Schmalz & Ebenau, 2012, p. 491). Exports of goods and services amounted to an average of 14.7% in 2003-2008 against only 7.8% in 1995-2000 (data from World Bank, 2014b).

This initial growth, together with increases in the minimum wage, social spending and the rising availability of consumer credit fuelled consumption and domestic demand, which has led to a discourse on the development of a growing "middle class" (Anderson, 2011, p. 29; Amann & Baer, 2012, p. 417; Biancarelli & Rossi, 2014; Loman, 2014; Oreiro, Punzo & Araújo, 2012, p. 920; Paulani, 2012, pp. 99-100; Schmalz & Ebenau, 2012, p. 491; Souza & Carvalho, 2011, p. 574)[lxxvii]. Higher domestic demand has in turn resulted in higher economic growth and more jobs. Finally, the increase in gross fixed capital formation, based on the neo-developmentalist policies, has also led to an acceleration of growth (Oreiro, Punzo & Araújo, 2012, p. 920).

The growth of exports has been positive for the balance-of-payments, with current account surpluses from 2003 onwards (see Figure 6.22). These surpluses have been used to repay foreign debt, which decreased from 47.7% of GDP in 2002 to 19.9% in 2012, and to accumulate foreign reserves, which grew from US$37.8bn in 2002 to US$85.8bn in 2006, US$206.8bn in 2008 and US$375.8bn in 2013 (Amann, 2005, p. 163; Barbosa-Filho, 2008, p. 206; IPEA, 2014l; Morais & Saad-Filho, 2012, p. 794; World Bank, 2014b). Vulnerability also decreased on the fiscal front, with the stabilization of public debt[lxxviii], the reduction of public debt owed to foreign creditors, and a change in the composition of public debt (see Ban, 2013, p. 308; Barbosa-Filho, 2008, p. 201; IMF, 2013a; Jaeger, 2011; Mullins &

Murphy, 2009, pp. 440, 446). Moreover, the conditionality agreement with the IMF was terminated in December 2005.

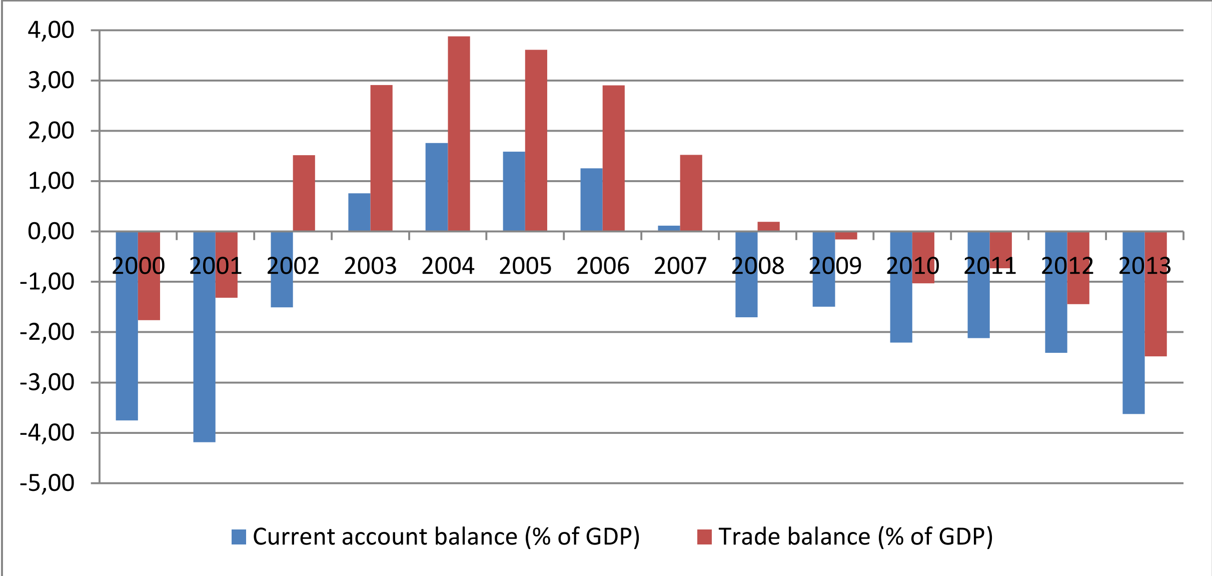

Figure 6.22: Current account and trade balance Brazil, 2000-2013 (data from IMF, 2014c; World Bank, 2014b)

Social indicators have also improved (see e.g. Amann & Baer, 2012, p. 418; Baltar et al., 2010; Vernengo, 2011, pp. 19-20). The number of poor declined further from 26.75% of the population in 2006 to 15.93% in 2012, and the number of extremely poor declined from 9.45% to 5.29% of the population in the same period (data from IPEA, 2014d, 2014e; see Figure 6.17). With regard to inequality, the Gini coefficient, which had already decreased during the first Lula government, decreased further from 0,563 in 2006 to 0,543 in 2009, and to 0,530 in 2012 (data from IPEA, 2014i; see Figure 6.18). Other indicators have shown improvement as well, such as an increasing share of formal employment (Baltar, 2014), and increasing expenses on education (Anderson, 2011, p. 29; see also data from World Bank, 2014b). Crucially, the real median wage, which had been decreasing after 1996, has also started (and kept) rising again after 2003 (see Figure 6.23), and contrary to the international trend, the wage share also rose significantly (Araújo & Gala, 2012, p. 50; ILO, 2013; O'Farrell & Villafañe, 2013; Pochmann, 2014; Serrano & Summa, 2011).[lxxix]

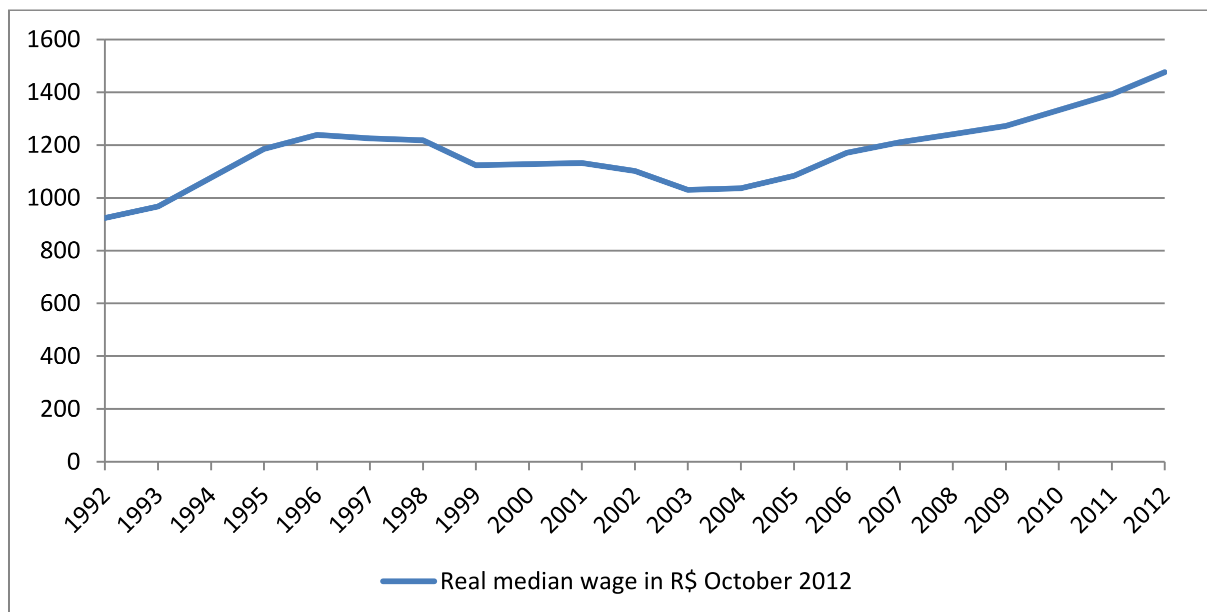

Figure 6.23: Real median wage Brazil (based on data from IPEA, 2014k)

The conclusion that can be drawn: "The achievements of Lula's administration are in no way revolutionary, but they are real enough" (Morais & Saad-Filho, 2011a, p. 38; see also Therborn, 2012, p. 23). However, as the next section shows, it is questionable whether these gains are sustainable, let alone whether further gains will be possible if the neoliberal project is not opposed. While the progress that the governments under Lula and Dilma have realized deserves to be lauded, there are fundamental limits to what this neo-developmentalist neoliberalism can achieve.

6.6 The limits of neo-developmentalist neoliberalism

6.6.1 Economic and social limits

The adherence of the PT administrations to neoliberal economic policies, meant to please transnationally-oriented financial capital, inherently limits social and economic progress (Boito Jr. & Berringer, 2013, p. 32; Câmara Neto & Vernengo, 2006; Morais & Saad-Filho, 2012, p. 794; Sader, 2005, p. 74). In other words, "despite the considerable successes achieved by the hybrid economic policies pursued by Lula and Dilma, the suspension of the incompatibility between their two component parts is likely to be provisional" (Morais & Saad-Filho, 2012, p. 796; see also Nassif & Feijó, 2013, p. 566).

Economically, higher investment and the construction of an industrial sector less dependent on imports are needed to create a sustainable accumulation regime.[lxxx] The investment rate still remains low, especially compared to a country such as China, at an average of less than 19% of GDP in 2009-2013 (data from IMF, 2014c; see Figure 6.19; see also Amann & Baer, 2012, p. 415; IMF, 2012a, 2013; Keidel, 2013; Loman, 2014)[lxxxi]. The consequence is that investment in (amongst others) infrastructure, education and R&D is small and insufficient (Amann & Baer, 2012, pp. 421, 423;

Barbosa-Filho, 2008, p. 210; Leahy, 2012a). More public and private investment is thus needed. The main impediment is high interest rates and high spreads (and thus profits) for banks (Arestis, Ferrari-Filho & de Paula, 2011, p. 136; Barbosa-Filho, 2008, p. 213; Gaulard, 2012, p. 375; Mollo & Saad-Filho, 2006, p. 119).

Moreover, after the current account surpluses in 2003-2007, (large) current account deficits have re-emerged since 2008 (see Figure 6.22; see also Morais & Saad-Filho, 2012, p. 794).[lxxxii] The problem is that the exchange rate has still been the main (effective) instrument to contain inflation (Arestis, Ferrari-Filho & de Paula, 2011, pp. 134-135; Leahy, 2013b; Modenesi, 2014; de Paula, 2011, p. 44; Vernengo, 2011, p. 18). The BCB has reacted asymmetrically to inflation, increasing the Selic swiftly and strongly when inflation rises[lxxxiii], and decreasing it only slowly and gradually when inflation drops (Arestis, Ferrari-Filho & de Paula, 2011, p. 136; Libânio, 2010, p. 73). Therefore, other policies and arrangements to contain inflation (as well as the acceptance of temporary higher inflation rates) are essential (see e.g. Interview 11; Modenesi, 2014; Oreiro, Punzo & Araújo, 2012, pp. 937-938). The orthodox bias of the Central Bank also needs to be tackled (Diniz, 2011, p. 69; Morais & Saad-Filho, 2012, pp. 795-796). A less overvalued exchange rate, together with more aggressive industrial policies, is also necessary to enable a more diversified industrial base (Barbosa-Filho, 2008, p. 210; Morais & Saad-Filho, 2011a, pp. 38-39).

With regard to social policies, the amount spent on the Bolsa Família has been quite low (at less than 1% of GDP), and even more so when it is compared to the government expenditures on debt servicing, with interest payments in 2009-2013 continuing to account for an average of more than 5% of GDP (see Table 6.1; see also Amann & Baer, 2012, p. 418; Rocha, 2007, p. 143; Saad-Filho, 2013; Vernengo, 2011, p. 21). This implies that almost half of the federal budget has been devoted to paying off public debt (Saad-Filho, 2013). As long as this "welfare programme for the rich" (Saad-Filho, 2013) is maintained, it will be difficult to devote more resources to public investment and social expenditures. Besides lower interest rates (Câmara Neto & Vernengo, 2006; Mollo & Saad-Filho, 2006, p. 118; Vernengo, 2007, p. 90), renegotiation of government debt has also been proposed to lower interest payments (Coordenação dos Movimentos Sociais in Hochstetler, 2004; Galbraith, 2003, p. 89; Rocha, 2007, p. 141).

To sum up, a more sustainable and socially just accumulation regime will require getting out of the high interest rate – overvalued exchange rate trap (Oreiro, Punzo & Araújo, 2012, p. 921), and moving towards lower interest rates (and a lower spread for banks), a less appreciated (controlled) exchange rate and less public resources devoted to debt servicing (Morais & Saad-Filho, 2012, p. 794; Oreiro, Punzo & Araújo, 2012, p. 937; Vernengo, 2003, p. 71, 73). This would stimulate investment, consumption and exports. It would also provide more room for both public investment and social spending. However, these are policies that run against the interests of financial capital, which benefits from high interest rates, an overvalued exchange rate and high profits from government debt. The logical implication is that, where until now the Workers' Party has been able to improve people's lives without any cost for financial capital and for wealthy Brazilians, and without challenging the balance of power (Anderson, 2011, pp. 51-52; Marques & Mendes, 2006, p. 63)[lxxxiv], a confrontation with "the market", with transnationally-oriented financial capital in other words, is ultimately unavoidable (Mollo & Saad-Filho, 2006, p. 99).

6.6.2 *The limits of moderate capital controls*

Even though the financial sector has strongly opposed these moderate capital controls (Interview 13 & 14; also noted by O'Farrell, 2011; Murphy, 2013; Souza & Carvalho, 2011, p. 577; see also Colitt, 2010; Pinto in Pearson, 2011b),[lxxxv] it is clear that the government's intention was never to challenge the power of financial capital. To the contrary, the government emphasized that its policies were "modest, temporary and market-friendly" (see Grabel, 2012, p. 62). They were used in a depoliticized manner. As the Secretary of Economic Policy at the Ministry of Finance emphasized: "Capital account management measures are rather a technical than an ideological issue" (Holland, 2013; also Interview 20). The measures were also endorsed by the IMF (IMF, 2012a, 2013a).[lxxxvi] More forceful capital controls were probably never considered, despite calls from industrialists for more stringent controls (see Leahy, 2011; Pearson, 2011c).[lxxxvii] As The Economist (2009a) noted: "Brazil seems almost apologetic about its taxes [on capital inflows], which it insists are meant only to prevent excesses." Indeed, Finance Minister Mantega emphasized (in Peel, 2011): "We have to make it clear that we limit capital flows because we have no other alternative. We would prefer to have capital freedom and a freely floating exchange rate system."[lxxxviii]

The cautious approach of the Brazilian authorities means that these capital controls are inherently limited in three ways. First, although studies have indicated that Brazil's capital controls had some effects, they "had a very small impact on cooling hot money flows and were not enough to significantly mitigate the harmful effects of speculation" (Gallagher, 2012a; see also Baumann & Gallagher, 2012; Chamon & Garcia, 2013; Holland, 2013; IMF, 2013a; Jinjarak, Noy & Zheng, 2013; Munhoz, 2013; Pereira da Silva, 2013, p. 376).[lxxxix] Many analysts have argued that the tax rate is or could be too low (Akyüz, 2012, p. 90; Bibow, 2011; O'Farrell, 2011; Spiegel, 2012, p. 81; Souza & Carvalho, 2011, p. 577), or that direct, quantitative controls could also have been introduced (Bibow, 2011; Prates, 2011, p. 910). As Akyüz (2012, p. 91) has argued on the Brazilian IOF: "It is often such half-hearted attempts that lend support to the orthodox contention that capital controls do not work."

Second, the Brazilian government is still subjected to the whims of transnationally-oriented financial capital. This became clear when the inflow surge was halted and turned again into capital outflows, a fall in stock market prices and the depreciation of the real in 2011 (see also Figure 6.15, Figure 6.21), resulting in calls for the withdrawal of the capital controls (Cookson & Leahy, 2011; Pearson, 2011a). Moreover, in 2013, FDI inflows were for the first time since 2001 insufficient to cover the current account deficit (data from IMF, 2014c; World Bank, 2014b; see also Figure 6.22; Murphy, 2013). This implies that Brazil remains dependent on and subject to volatile short-term capital flows (Interview 11), or as the IMF (2013a) puts it, "Brazil's continued reliance on foreign saving and its highly integrated financial markets leave it vulnerable to swings in global financial conditions." From December 2011 onwards, then, the moderate capital controls introduced in 2009-2011 were gradually lifted "in response to a large and sustained decline in gross and net portfolio inflows" (IMF, 2013a). Moderate capital controls were thus abolished to please international financial markets and regain investor confidence (Interview 9). In December 2011, the IOF on the purchase of Brazilian securities by foreign investors was eliminated; the maturity of foreign loans to which the 6% IOF applied was lowered first to up to two years in June 2012, then up to one year in December 2012, and finally up to only six months in June 2014; and in June 2013 the IOF tax was reduced to zero on all purchases of bonds by non-residents in both the primary and secondary market, as well as on

currency derivatives (Biller, 2012; Deloitte, 2014; IMF, 2013a; Leahy & Pearson, 2013; Strauss, 2014). Besides lifting the taxes on capital inflows, other measures to please (foreign) investors, were also announced, including less fiscal stimulus and more fiscal austerity (see Pearson, 2014).[xc]

Third, as noted above, a more sustainable accumulation regime would require lower interest rates and a less appreciated (controlled) exchange rate. However, as these policies would undoubtedly lead to capital flight, they would not be possible without much stronger capital and exchange controls, with both controls on speculative inflows and (administrative) controls on capital outflows as well as higher taxes on the repatriation of profits and dividend payments (Arestis, de Paula & Ferrari-Filho, 2007; Câmara Neto & Vernengo, 2006; Galbraith, 2003, p. 89; Kaltenbrunner, 2010, p. 298; Keidel, 2013; Mollo & Saad-Filho, 2006, p. 118; Oreiro, Punzo & Araújo, 2012, p. 937; de Paula, Oreiro & Silva, 2003, pp. 108-113; Vernengo, 2003, p. 73).[xci]

Both domestic and international regulations give Brazil the policy space to regulate capital flows. Domestically, Law 4,321/1961 and Law , which is still in effect, allows for the introduction of capital controls at any time (Carvalho & Garcia, 2005, pp. 33-35; Goldfajn & Minella, 2007, p. 351; de Paula & Prates, 2013, p. 58). Because all foreign exchange transactions above a certain amount have to be reported to the BCB, it would also be relatively easy to implement controls (Vernengo, 2004b). Internationally, Brazil has ensured that it has not made any commitments with regard to the (non)regulation of capital flows, nor in trade or bilateral investment treaties, nor in multilateral treaties such as the General Agreement on Trade in Services (GATS) (Anderson, 2009; de Paula & Prates, 2013, p. 55, 58).[xcii] At the moment, however, it seems unlikely that enforcing more stringent capital controls is a path that the PT wants to follow.

6.6.3 Renewal of the left?

One development that could lead to the introduction of more comprehensive capital controls is pressure from below. It is an open question whether social movements and organized labour will be willing to accept the limits imposed by the neoliberal project. From the beginning of the election of Lula as president, and the PT's rise to power, the Workers' Party administrations had to find a difficult balance between pleasing international (financial) capital through "macroeconomic stability" on the one hand and the aspirations of their militants and the Brazilian people in general on the other hand (Amann, 2005, pp. 155-156; Gill, 2008, p. 262; Hochstetler, 2004; Paiva, 2006, p. 204; Morais & Saad-Filho, 2003, p. 22; Saad-Filho, 2003, p. 18).[xciii] This has been visible in the combination of orthodox macroeconomic and financial policies and more neo-developmentalist social and industrial policies. The favourable international economic climate more or less allowed for this compromise for a while.

However, with the current less favourable (international and domestic) economic climate, the ability to keep everyone satisfied will be difficult to maintain. As Saad-Filho (2013) notes: "The economy has stalled, and it has become difficult to continue to reduce inequality without directly hurting established privileges." While the income share of the rich has decreased, the highest 20% still earned almost 60% of Brazilian income in 2009 (see Figure 6.24), and the richest 1% captured 12.58% in 2012 against 13.43% in 2002 (data from IPEA, 2014j).[xciv] It is also questionable whether further substantial improvements in the distribution of income can be realized without a reduction of wealth

inequality (see Amann & Baer, 2012, p. 420).[xcv] Further, the tax system remains very regressive, despite changes implemented in 2008 which made it more progressive (Anderson, 2011, p. 37; Baer & Galvão Jr., 2008; Ban, 2013, p. 319; Barbosa-Filho, 2010, p. 8; Mollo & Saad-Filho, 2006, p. 119). This implies that distributional tensions between various social forces are bound the resurface.[xcvi]

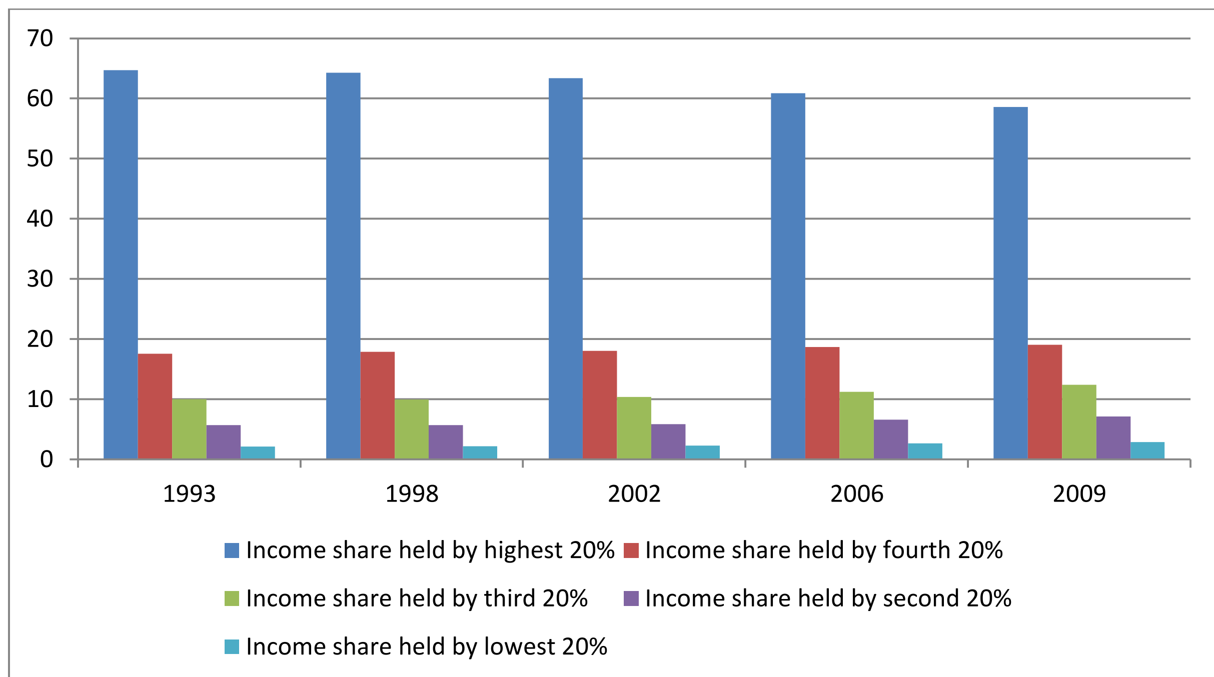

Figure 6.24: Income shares Brazil (data from World Bank, 2014b)

Moreover, analysts have expressed doubts on whether neoliberalism represents a truly hegemonic project in Brazil (e.g. Boito Jr., 2007, p. 122; Oliveira, 2006b, pp. 282, 286-287). In contrast with countries where the neoliberal ideology has been strong, it has also been argued that the adoption of neoliberal policies has more been a consequence of pragmatism (Interview 20; Kingstone, 2009, p. 106; Martinez-Diaz in Doctor & de Paula, 2007; Pinheiro, 2000; Pinheiro, Bonelli & Schneider, 2004). This also implies that to the extent that neoliberal policies were only an instrument and not a goal in itself, their failure could also lead to their removal. In sum:

> "*When we assess the implementation, from the 1990s onwards, of neoliberal policies, we realize that Brazil, after all, was one of the countries in Latin America where they were less easily internalized.(…) That does not mean that the neoliberal destructive avalanche was less powerful in Brazil, but simply that resisting it may be a less arduous endeavor here than in the rest of Latin America, in both political and economic terms*." (Jakobsen & Barbosa, 2008, p. 136)

But although some have stated that the demobilization of social movements was not (only) the PT's fault (see Fortes, 2009, pp. 114-115), it is clear that the PT administrations are "doomed to leave behind a huge political vacuum in the Brazilian left" (Tavolaro & Tavolara, 2007, p. 440), and the difficulty with dealing with a supposedly leftist party in power has created many problems for the position and strength of organized labour (especially the CUT), social movements and leftist social forces. This includes the loss of many experienced cadres which accepted a position in the PT

administration; the difficulty of organizing frontal opposition against a former radical party and a charismatic president, a former trade unionist, with popular appeal; the lack of a noteworthy opposition party to the left of the PT; the process of co-optation of the left orchestrated by the government; and for the working class, especially the CUT, their integration into the financialized neoliberal economy (amongst through workers' pension funds) (Arcary, 2008; Bianchi & Braga, 2005, p. 1761; Boito Jr., 2003, pp. 15-23, 2007, p. 123; Hochstetler, 2004; Interview 16; Jakobsen & Barbosa, 2008, pp. 137-138; Marques & Mendes, 2006, p. 64; Morais & Saad-Filho, 2005, p. 23, 33; Motta, 2013; Oliveira, 2003, p. 55, 2006a, p. 13; Saad-Filho, 2013). The consequence is that the left is currently probably not in a position to push through radical change (see Saad-Filho, 2013). Moreover, there is no credible left-wing political alternative to the Workers' Party, which implies that the defeat of the PT would result in a right-wing victory, with negative effects on the Brazilian and Latin-American left (Saad-Filho, 2013; see also Fortes, 2009, p. 119).

This does not mean that pessimism should rule. As Therborn notes, Brazil "still has the strongest left-wing forces to be found in any of the world's 'giant' states, and offers the brightest prospects for social change" (Therborn, 2012, p. 23; see also also Beynon & Ramalho, 2001, p. 219; Boito Jr. & Marcelino, 2011, p. 65). Pressure on the state from below could lead (and already has led) to victories, especially combined with the reorganization and rebuilding of an organized working class (Morais & Saad-Filho, 2011a, p. 41; Saad-Filho, 2013). Saad-Filho (2003, p. 20) already postulated at the beginning of the first Lula-administration, "the most important terrain of struggle for the Brazilian Left remains *outside* the state, or even *against* the state (...)".

The mass protests that started in June 2013 are highly significant in this regard. However, they should not be considered as inherently leftist. The protesters represented a heterogeneous coalition with heterogeneous demands. Included in the protests was a right-wing movement, supported by right-wing media, and based on upper and traditional (upper) middle class people, which have always rejected the PT, Lula and Dilma (Saad-Filho, 2013). While they have not necessarily lost in material terms under the PT governments, they deplore their loss of privilege because of the democratization of the state and the expansion of mass consumption (see Anderson, 2011, p. 37; Morais & Saad-Filho, 2005, p. 7, 2011a, p. 38; Saad-Filho, 2013).[xcvii] Moreover, they condemn the "populism" of the PT and the "buying of votes" through the *Bolsa Família*. Financial capital is also opposed to the increased interventionism of the Second Lula and first Dilma government. There are signs that financial capital has turned more strongly against Dilma ahead of the coming October 2014 elections (see e.g. Brito, 2014; Grabois, 2014).

On the other hand, the protests also included a left-wing movement, which seems to have regained some force during the past year, with strikes, and significant victories of, amongst others, the Free Fare Movement (MPL), fighting for free public transportation, and the Homeless Workers' Movement (MTST). One of the reasons for the left's protest is that progress under the PT largely remained limited to private consumption, whereas collective public goods such as education, health, transportation have been neglected (see Biancarelli & Rossi, 2014). It seems that the labour movement has regained force during the last year (Fernandes, 2014). Trade unions hope to be able to force the government to implement more policies which are favourable to the working class. They have already declared their support to Dilma Rousseff and the PT for the presidential elections (Carta Maior, 2014; Telesur, 2014).

The coming elections represent, therefore, the same choice as the 2010 elections. It is, as Morais and Saad-Filho (2011a, p. 39) state on the 2010 elections, "a choice between two political economic and social projects and two visions of the Brazilian state. (...) One was [is] about broader-based economic growth, the expansion of citizenship, continuing (if intrinsically limited) redistributional gains, and the incremental democratization of the state, while the other was [is] about the renewal of elite control of the state, economy, and society and the promotion of neoliberal dependent development." It seems that, for now, another PT president and incremental gains is the most that the Brazilian working class can hope for. For broader, deeper, and more sustainable gains to be realized, however, the working class will also have to mount a stronger challenge the power of financial capital, including a reversal of capital account liberalization (Saad-Filho, 2003, p. 18).

6.7 Conclusion: Brazilian capital controls and global neoliberalism

This chapter has offered an historicized account of Brazil's capital account policies put in the context of their accumulation regimes and the social forces comprising different historic blocs, with a particular focus on the period from the late 1980s until the time of writing (July 2014). To shortly recapitulate, the chapter has argued that the ISI period, including extensive capital controls, became unsustainable in the 1980s due to mounting contradictions. From the late 1980s onwards, and especially after 1994, a neoliberal project was implemented, including almost complete capital account liberalization.

While the first Lula government did not reject this neoliberal project, the second Lula government and first Dilma administration did adopt more neo-developmentalist and social welfare elements. However, these elements were implemented within the context of a neoliberal macroeconomic framework, including an open capital account. Therefore, this accumulation regime was labelled as "neo-developmentalist neoliberalism". This chapter has argued that this regime, and the power relations coming with the free movement of capital, ultimately limit social progress and the adoption of a sustainable neo-developmentalist growth model. Brazil remains economically vulnerable, and the space for more broad-based (universal) social policies is limited by the orthodox fiscal and monetary framework. Moreover, the moderate capital controls that were implemented in 2009-2014 did not temper the neoliberal constraints.

What can we conclude about Brazilian capital account policies and the Western, neoliberal norm of the free movement of capital then? A first conclusion is that since the late 1980s Brazil has unquestionably and strongly moved towards the adoption of this norm, both in terms of policies and in terms of the internalization of this norm. Before 2009, capital was almost completely free to enter and exit Brazil. This indicates that the Brazilian capital account policies do not seem to offer a challenge to the norm of full capital mobility.

A second conclusion which confirms this general proposition is that Brazil does not want to challenge the norm of full capital mobility, as many interviewees in both the government (Interview 17) and the private sector (Interview 9 & 20) emphasized. It is especially relevant that after more than ten years of the PT in power, main policymakers are not supporting permanent or more stringent capital controls. They do not explicitly promote the adoption of controls by other countries, and in this

sense, again, Brazil's capital account policies do not seem to form a substantial challenge to the norm of full capital account liberalization.

The third conclusion is that there are no powerful domestic social forces politicizing the debate on capital controls, and trying to push for more stringent and permanent capital controls. Brazilian and international financial capital were strongly opposed even to the introduction of the moderate IOF. Domestic productive capital supported the IOF in order to weaken exchange rate appreciation, but while it is quite pragmatic with regard to capital controls, in general it prefers other instruments and still sees full capital mobility as the ideal end-goal (Interview 10). Finally, it seems that although more radical leftist groups and social movements still try to politicize the debate on capital account liberalization and support more strict capital controls (see Carvalho & Kregel, 2009; Interview 15; Lourenço, 2014), the labour movement (including the CUT) in general, and the Workers' Party as the political party closest to the trade unions, do not have a well-developed view on capital account policies[xcviii], and are not in favour of a significant closure of the Brazilian capital account (Interview 10, 19 & 21).[xcix]

Fourth, even though Brazil is not fond of its own capital controls, the fact that it still adopts controls, as "there is no alternative" given the consequences of capital flows (Interview 15), deviates from the norm of the complete free movement of capital. The recent re-introduction also shows that Brazilian policymakers are less "ideological" and more pragmatic with regard to the use of capital controls, as Brazil "has always been a proponent of the view that capital controls are a tool just like any other" (Interview 12; also Interview 20). This may have a demonstration effect, and may delegitimize the norm of the free movement of capital to a certain extent. Indeed, there have already been many references to and (economic) research on Brazil's capital controls, which makes them a kind of reference point, and to a certain extent legitimizes restrictions in other countries as well. Moreover, it is clear that Brazilian policymakers do not want to lose the autonomy to impose capital controls, and therefore avoid binding constraints on the use of controls in international and multilateral trade and/or investment treaties (Gomes, 2013; Interview 15).[c] This will also be demonstrated with regard to the IMF framework on capital controls in Chapter 8. The inclination to maintain policy space also deviates from the Western view of the *full* free movement of capital.

Finally, while the introduction of neo-developmentalist policies have strengthened Brazil's working class in some ways, it has not (yet) developed into a challenge to the power of global financial capital. What is more, economic and social progress is fundamentally limited by the adherence to an orthodox macroeconomic framework which benefits financial capital, and by the potential mobilization of financial capital's exit option, if more radical policies would be implemented. That Brazil's neo-developmentalist policies have not challenged the power of global financial capital can also be observed in the depoliticized way in which Brazil has implemented capital controls, which might have prevented worse things from happening, but which did not form an actual challenge to the neoliberal project and the concomitant power relations. This was, amongst others, demonstrated by the fact that Brazil already reconsidered its moderate capital controls on capital inflows when it was faced with a capital flow reversal and the depreciation of the real. Brazil, especially in the context of its more or less structural current account deficit, does not endorse any alternative to subjecting itself to the power of global financial capital, and has not promoted nor implemented transformative restrictions on capital flows. In this sense, Brazil's capital account policies do not form a fundamental challenge to the neoliberal norm of the free movement of capital.

[i] According to data from IPEA (2014f), the share of industry grew from 26.3% in 1953 to 44.1% in 1980. World Bank (2014b) data also indicate an increasing share, but only from 37.1% in 1960 to 42.8% in 1980. With regard to the primary sector, the share of agriculture decreased from 24.4% in 1953 to 10.9% in 1980 (Marquetti, Maldonado Filho & Lautert, 2010, p. 487).
[ii] Besides external indebtedness, public indebtedness was also a growing problem. The state was incapable of introducing a strong tax system necessary for activist industrial policies (Saad-Filho, 2003, p. 8). High interest rates and orthodox monetary policies after the 1964-1965 financial reform, intended to increase savings, posed an additional problem for the domestic public debt (Saad-Filho, 1998, p. 196).
[iii] It was definitely not yet clear that a transition to neoliberalism was forthcoming. The 1988 Constitution, for instance, foresaw universal social security, health care and education (Câmara Neto & Vernengo, 2006). The privatization of state-owned enterprises was also rather limited in the 1980s (Pinheiro, 2000).
[iv] Brazil was thus a latecomer in Latin America and the developing world in general to implement the neoliberal project (Cunningham, 1999, pp. 75-76; Filgueiras, 2006, p. 180; Morais & Saad-Filho, 2003, pp. 17-18; Vernengo, 2004a, p. 62).
[v] The rise of neoliberalism in Brazil was at first largely due to the influence of the IMF, the World Bank, the US and the UK on financial-market practitioners, economists and politicians, and as a pragmatic answer to the economic problems such as inflation (Gómez-Mera, 2011, p. 260; Gonçalves & Teixeira, 2006, p. 1867; Saad-Filho, 2003, p. 9). It also had the support of (part of) national industrial capital (Rocha, 1994, p. 88). Moreover, as one interviewee explained, "globalization required that you had some kind of policy geared at integration, a degree of openness" (Interview 18).
[vi] Annual inflation declined from 2,489% in 1993 to less than 22% in 1995 and remained at one digit for seven years during the Cardoso administrations (Novelli & Galvão, 2001-2002, p. 14).
[vii] Profit and dividend remittances rose from about US$1bn in the early 1990s to US$6.5bn in 1997 and US$7.3bn in 1998 (Baer & Borges Rangel, 2001, p. 94).
[viii] There are different data available on Brazil's public debt (see BCB, 2014b, 2014c; IMF, 2014c; IPEA, 2014a). The database used for the 1994-2002 data (IPEA, 2014a) is only available until 2008, while for the other two databases I only found data from respectively 2000 (IMF, 2014c), 2001 (BCB, 2014b) and 2006 (BCB, 2014c) onwards. This implies that I found no data which allow for an exact comparison from 1994 to 2014. However, the databases together do make clear several trends in the period from 1994 onwards.
[ix] Interest payments have on average accounted for almost one fifth of both government expenses and government revenues in 1997-2002 (data from World Bank, 2014b).
[x] Foreign portfolio capital could, from now on, enter the Brazilian capital market under three "annexes": Annex I (investment company), Annex II (investment funds) and Annex III (securities portfolio) (de Paula, 2011, p. 69).
[xi] Although more so for residents than for non-residents (Goldfajn & Minella, 2007, p. 373).
[xii] For an overview of all the regulations liberalizing capital flows see Goldfajn & Minella, 2007, pp. 403-417.
[xiii] This even goes for SOEs, e.g. on the state-owned Banco do Brasil see Caplen, 2011.
[xiv] The share of TNCs grew especially at the expense of SOEs, whose share decreased from 28.7% in 1980-1994 to 20.6% in 1995-2004; the share of national private corporations decreased only slightly from 40.5% to 38.2%.
[xv] Note that market concentration increased since 1993 (Amann & Baer, 2008).
[xvi] For instance, the share of foreign investors in the total amount traded on Bovespa, Brazil's main stock market, increased from 6.5% in 1991 to 29.4% in 1995 (Freitas & Prates, 2000, p. 61).
[xvii] As de Paula (2011, p. 2) explains: "Although the 1988 Brazilian Constitution prohibited the installation of foreign banks, it allowed entry on a case-by-case basis through authorizations resulting from international agreements, from reciprocity or from the interest of the Brazilian government."
[xviii] For other data, demonstrating similar trends, see Abu-El-Haj, 2007, pp. 103-104; Domanski, 2005, p. 72;.
[xix] Even though state-owned banks "are legally required to operate under market rules" (Morais & Saad-Filho, 2005, p. 13).
[xx] Even though it was still below the 1983-1984 level in 2003 (Marquetti, Maldonado Filho & Lautert, 2010, p. 492).
[xxi] Other estimates give different percentages, but the same trend of an increasing profit share (e.g. Câmara Neto & Vernengo, 2006).
[xxii] The return on equity of the 3 largest domestic private banks was 19.0% in 1997-2000, while it was only 12.0% in 1989-1993 (de Paula, 2002, p. 82).

[xxiii] A good example of denationalization is the automobile sector (see Doctor & de Paula, 2007). While domestic and foreign capital each accounted for about half of both assets, sales revenues and investments in the auto parts industry in 1994, in 2005 foreign capital account for about 80%, while the share of domestic capital had fallen to around 20%.

[xxiv] In total, around 1 million jobs in manufacturing were lost in the 1990s, circa one third of total employment (Saad-Filho & Mollo, 2002, p. 127).

[xxv] Especially significant is the fact that the import of capital goods increased from $7.5bn in 1995 to $14.8bn in 2001, and for intermediate goods from $15.6bn in 1995 to $27.3bn in 2001 (Rocha, 2002, p. 24).

[xxvi] To give an example, according to one estimate, it decreased from 45.1% in 1991 to 40.1% in 1994, and to 35.6% in 2003 (Câmara Neto & Vernengo, 2006).

[xxvii] Unionization as a whole, though, remained fairly stable, thanks to increases in unionization in agriculture and the public sector (Jakobsen & Barbosa, 2008, pp. 129-130; see also ILO, 2014).

[xxviii] This includes "especially skilled and semi-skilled manual and office workers, the lower ranks of the civil service, sections of the professional middle class and many informal workers" (Morais & Saad-Filho, 2005, p. 5).

[xxix] Even though it could be argued that Brazilian industrial capital benefited from some of anti-labour neoliberal policies, other policies went against its interests. For instance, after 1994 the profit rate of productive capital also increased (Bruno, 2008).

[xxx] Other groups in the losers' alliance included parts of the middle class, especially the upper middle class, many unorganized informal and unemployed workers, and right-wing oligarchs and landowners which had been removed from their influential positions within the state by officials associated with financial capital (Boito Jr., 2007, p. 122; Morais & Saad-Filho, 2003, p. 21, 2005, pp. 5-6). This alliance did not form a historic bloc in the Gramscian sense (see Morais & Saad-Filho, 2003, pp. 21-22, 2005, pp. 4-5). The respective social forces shared the negative experience of losing under neoliberalism, but they did not were not united behind a common positive project. This implies that Lula did not receive a clear, unambiguous mandate.

[xxxi] That the PT had to form a *coalition* government, has also been pointed out as a reason for the deradicalization of the PT and the fact that it did not reverse capital account liberalization (Interview 15 & 19).

[xxxii] Other reasons that has been cited is the clientelist and fragmented political system (e.g. Fortes, 2009, p. 112; Saad-Filho, 2003, p. 15) and the exhaustion of the extra-parliamentary left (in particular trade unions) during the 1990s and after 2002 (Anderson, 2011, p. 33; Fortes, 2009, pp. 114-115; Sader, 2005, p. 70).

[xxxiii] For data, see IPEA, 2014m.

[xxxiv] Around 50% of government debt was indexed to *Selic*, so that an increase in interest rates immediately and directly resulted in an increase in interest payments on public debt (see Arestis, Ferrari-Filho & de Paula, 2011, p. 136; Arestis, de Paula & Ferrari-Filho, 2007; Vernengo, 2004b).

[xxxv] These data are based on the methodology used by the BCB since 2008. According to the methodology used until 2007, net public debt (including the BCB and government enterprises) declined from 60.4% in December 2002 to 47.3% in December 2006 (see IMF, 2014c), while still other calculations indicate a smaller reduction, from 50.5% in 2002 to 44.0% in 2006 (see IPEA, 2014a). Gross government debt declined from 79.4% of GDP in 2002 to 66.7% in 2006 according to the IMF (2014c), while according to BCB (2014b) data (methodology used until 2007), gross government debt of the general government (excluding the BCB and government enterprises) fell from 76.7% of GDP in 2002 to 65.7% of GDP in 2006. (Note that in the methodology used from 2008 on, gross government debt in 2008 stood at 56.4% of GDP in 2006, with no data available for the years before 2006.)

[xxxvi] According to research, 80% of government debt is owned by the 10% richest Brazilians (Pochmann et al. in Bruno, 2008).

[xxxvii] Other measures include the reduction and elimination of minimum maturity requirements for external loans and taxes on capital flows, and the elimination of restrictions on investments by foreign investors in the securities markets (de Paula, 2011, p. 45). For an overview of the remaining restrictions see Fritz & Prates, 2013; Goldfajn & Minella, 2007, pp. 351, 397-418; de Paula, 2011, p. 81).

[xxxviii] The share of foreign investors in Brazil's stock market is the largest of the BRICs (including Russia), and is more than double the share of foreign investors in China's and India's stock market (see Park, 2012).

[xxxix] A positive side effect was that banks had less incentives to search for higher yields abroad, which is why they were less implicated in the US mortgage-backed securities. Although they have recently been looking for opportunities to expand abroad, profitability in the domestic market remains higher (Kregel, 2009, p. 350; Pavoni, 2011a, 2012; Rumsey, 2011).

[xl] Another policy domain on which it deviated from the previous governments (but less important for this dissertation), and on which it attracted sympathy from within the left in general, is foreign policy (Schmalz & Ebenau, 2012, p. 491; Tavolaro & Tavolaro, 2007, p. 433).

[xli] The minimum wage is defined annually by federal law, approved by Congress. In 2007, a formula has been adopted on which minimum wage increases are based. This formula is based on previous inflation and economic growth.

[xlii] Annual averages, calculated on basis of data from IPEA (see IPEA, 2014m).

[xliii] For different data but similar trends with regard to poverty and inequality, see Barbosa-Filho, 2008, pp. 204-206; World Bank, 2014.

[xliv] It should be noted that this is mostly based on labor income, as capital income is often not well measured in these surveys (Amann & Baer, 2012, pp. 419-420; Barbosa-Filho, 2008, p. 205). Moreover, the Gini coefficient remains very high in comparative perspective (OECD, 2013).

[xlv] Singer (2009, p. 84) calls the strategy of diminishing inequality without threatening the established order "Lulismo".

[xlvi] This neo-developmentalism, including market-based capital controls, also has a theoretical basis in academics, based on a Keynesian-structuralist school of thought (see Bresser-Pereira, 2011).

[xlvii] Heterodox economists were also appointed at the Ministry of Finance, the Institute of Applied Economic Research (IPEA) and BNDES. However, the BCB remained untouched and kept its orthodox bias (Morais & Saad-Filho, 2011a, pp. 34-35, 2012, p. 792).

[xlviii] PAC includes a housing programme called *Minha Casa, Minha Vida*, aimed at building one million new houses in three years (2009-2011) (Barbosa-Filho, 2010, p. 8).

[xlix] Even though many of the PAC projects have met with delays or cancellation, due to a number of problems (Amann & Baer, 2012, p. 415).

[l] Between 2005 and 2008, public investment increased from 0.5% to 0.9% of GDP, and domestic investment by the national oil company Petrobras increased from 0.8% to 1.3% of GDP (Barbosa-Filho, 2010, p. 3).

[li] This is an important difference with the FHC administration, when BNDES was used mostly to steer the privatization of SOEs (Diniz, 2011, p. 66; Flynn, 2007, p. 20; Hermann, 2010, pp. 200-201).

[lii] This is in contrast with the preceding period (after 2000), when it was largely domestic private banks whose market share increased to the disadvantage of both foreign banks and state-owned banks.

[liii] The fact that there have been no new privatizations has also been seen as part of the neo-developmentalist agenda (see Ban, 2013, p. 314; Fortes, 2009, p. 113), although renationalization was not on the agenda either.

[liv] It is important to note that pensions are indexed to the minimum wage, and the minimum wage also serves as a reference point for workers in the informal sector (Anderson, 2011, p. 29)

[lv] Annual averages, calculations based on data from IPEA, 2014m.

[lvi] Elsewhere it has been called "liberal neo-developmentalism" (Ban, 2013, p. 299). I prefer the term "neo-developmentalist neoliberalism" because the overwhelming feature is still the neoliberal class project, not neo-developmentalism.

[lvii] It should also be noted that neo-developmentalism can also have a negative ecological (as well as social) impact (see Böhm & Flores, 2014; Hall & Branford, 2012).

[lviii] It was also less than 3% in 2010, 2012 and 2013, reaching the lowest level under the PT at 1.89% in 2013.

[lix] The nominal value of the amount dedicated to *Bolsa Família* expenditures rose from 686.7m reais in 2006 to 1.239bn reais in 2010, and to 2,012bn reais in 2012 (IPEA, 2014h).

[lx] Note that this increase in the market share of public banks has been forcefully rejected by the IMF (2013a).

[lxi] In the same period, domestic private banks' credit-to-GDP ratio increased only from 16.2% to 17.6%, and for foreign banks from 7.7% to 8.3% (de Paula & Sobreira, 2010).

[lxii] According to data from Rumsey (2013), foreign banks' market share decreased from 21% in 2008 to 16.5% in 2012, while domestic private banks' market share fell from 42.8% in 2008 to 36.5% in 2012.

[lxiii] On the growth of BNDES, see also Amann & Baer, 2012, p. 420; Pavoni, 2011b.

[lxiv] One of the indications entails the appointment of Alexandre Tombini, a rather conservative economist, as president of the BCB (Vernengo, 2011, p. 19) – although less orthodox than his predecessor Meirelles (Interview 11).

[lxv] Annual averages based on data from IPEA, 2014m.

[lxvi] According to data from the World Bank (2014b), while the interest rate spread was still almost 40% on average during Lula's first term, it was reduced to 33.8% on average during Lula's second term. Under Dilma it declined further to 32.9% in 2011 and to 28.7% in 2012.

[lxvii] The appreciation of the exchange rate is bad news for the rich Brazilians, as Pearson (2012e) describes: "For the average wealthy Brazilian, it's those much-loved shopping trips in Miami, where iPads and Louis Vuitton bags will now be far more expensive."

[lxviii] According to World Bank (2014b) data, while manufacturing as a share of total exports was still relatively stable between 50 and 55% in 2003-2006, it dropped afterwards to below 50% in 2007 and 2008, and to little more than an average of 35% of total exports in 2009-2012. On the other hand, it was especially the share of fuel and metal and ore exports that grew strongly.

[lxix] Although Brazil had a trade surplus with China, more than 80% of exports to China consisted of commodities (iron ore and soya in particular), while more than 90% of imports from China were manufactured goods (Doctor, 2012, p. 803; see also Jenkins & Barbosa, 2012, pp. 70-71).

[lxx] Beside the appreciated exchange rate, the competition of Chinese goods – both in Brazil and in export markets – has also played a large role, not only in low-technology labour-intensive products, but also in high-technology products (Castro, 2008; Doctor, 2012, p. 803; Jenkins & Barbosa, 2012, pp. 75, 77). Although Brazil has had a trade surplus with China, more than 80% of exports to China consisted of commodities (iron ore and soya in particular), while more than 90% of imports from China were manufactured goods (Doctor, 2012, p. 803; see also Jenkins & Barbosa, 2012, pp. 70-71).

[lxxi] The Real depreciated 42.6% in only 4 months (September – December 2008 (de Paula, 2011p. 61).

[lxxii] While foreign investors are the most important agents in this carry trade, Brazilian institutional investors and companies have also engaged in carry-trade activity (de Paula & Prates, 2013, p. 61).

[lxxiii] It is also in this context that Mantega launched the term "currency war" in September 2010 (see Wheatley & Garnham, 2010).

[lxxiv] For an overview of the measures see the table by de Paula & Prates, 2013, p. 63.

[lxxv] The IOF was not without precedence. It is comparable to controls implemented taken in the 1990s, introduced in a period of excessive exchange rate appreciation, and lifted when capital inflows were needed to finance the current account deficit or to counter inflation (see Carvalho & Garcia, 2005, p. 36). There had also been an IOF tax of 1.5% on foreign purchases of fixed-income investments between March and October 2008 (Magud, Reinhart & Rogoff, 2011).

[lxxvi] As Gallagher (2011b) explains: "ADRs are issued by US banks and allow investors to buy shares of firms outside the US – enabling investors to purchase Brazilian shares but in New York and thereby skirt controls in Brazil."

[lxxvii] Some analysts have been critical of this notion (e.g. Vernengo, 2011, p. 21).

[lxxviii] As noted above, public debt already declined substantially between 2002 and 2006. After 2006, net public debt declined further (with a temporary rise in 2009), from 47.3% of GDP in December 2006 to 33.6% in December 2013, although gross government debt remained at more or less the same level (BCB, 2014c; IMF, 2014c).

[lxxix] For a less positive account, see Vernengo, 2011, p. 20.

[lxxx] Paulani (2010, p. 371) writes the following: "The great problem is that, unlike investment, consumption is not dynamic enough to fully invigorate the economy, not to mention that credit-driven consumption is not sustainable in the long run, as the American experience clearly shows." It should also be noted that the bursting of a housing and real estate bubble, fuelled by household debt and FDI related to the World Cup 2014 and the Olympics in 2016, could cause even more havoc (Gaulard, 2012, pp. 379-384).

[lxxxi] The (of course highly uncertain) projections of the World Bank forecast that Brazil's investment rate will remain low, at around 19% in 2030 (World Bank, 2013a).

[lxxxii] Note that one of the reasons is the increasing repatriation of profits and dividends by foreign firms to compensate for their losses in other markets during and after the crisis (Gaulard, 2012, p. 376; de Paula, 2011, p. 60).

[lxxxiii] Even when this inflation is caused by cost pressures and not demand pressures (Arestis, Ferrari-Filho & de Paula, 2011, p. 139; Oreiro, Punzo & Araújo, 2012, p. 930).

[lxxxiv] Indeed, Lula himself has stated that the Brazilian elite has never made as much money as under his government, and the same could be said on the Dilma administration (Saad-Filho, 2013; see also Anderson, 2011, p. 39; Morais & Saad-Filho, 2011a, p. 38).

[lxxxv] The American investor and co-founder of hedge fund Quantum Fund (together with George Soros) even said that the capital controls had made it "impossible" and "illegal" for foreign investors to invest in Brazil (see Xavier, 2013).

[lxxxvi] Although they were not fancied by some of the Directors of the IMF's Executive Board (see IMF, 2012a).

[lxxxvii] As has been noted, export-oriented firms can be expected to have contradictory desires with regard to capital account liberalization: “For just as financial openness may offer access to lower-cost finance, it brings the risk of currency appreciation and exchange rate volatility, which harm exports. Thus, industrial exporters may be expected to advocate a middle-ground position between a liberal and closed capital account, which allows them to mediate between these competing goals” (Brooks & Kurtz, 2012, p. 103).

[lxxxviii] Note that Brazil also preferred the use of the term “macroprudential measures” instead of “capital controls”, to avoid a “deterioration in market sentiment” (Pereira da Silva, 2013, 377-378; see also Holland, 2013).

[lxxxix] This is similar to the mid-1990s controls which have, according to studies, also been only marginally effective (Cardoso & Goldfajn, 1997; Carvalho & Garcia, 2005, p. 32; Garcia & Barcinski, 1996). The advanced stage of Brazilian financial markets, including the well-developed derivatives market, has been suggested as causes for the limited effectiveness in both the 1990s (Carvalho & Garcia, 2005, p. 49, 52).

[xc] Fiscal austerity is particularly problematic given the fact that the short-term multiplier for government spending is quite high in Brazil (1.84), according to UNCTAD (2013b).

[xci] For a different view, suggesting full capital account liberalization, see Goldfajn & Minella, 2007, p. 352.

[xcii] Note also that it seems that Brazil, with its large domestic market, is well-placed to receive market-seeking FDI, which do not seem to have been deterred by the capital controls that have been introduced from 2010 on (see Barbosa-Filho, 2008, p. 210; Suttle et al., 2012; UNCTAD, 2012).

[xciii] For a more optimist vision on the compatibility between social targets and a (more flexible) macroeconomic framework, see Biancarelli & Rossi, 2014.

[xciv] The income share of the poorest 60% went from 18.6% in 2002 to 22.4% in 2009 (data from World Bank, 2014b).

[xcv] According to slightly outdated data, the 10% richest control 45% of GDP and own 75% of total wealth in Brazil (Pochmann et al. in Bruno, 2008; for other data see Filgueiras, 2006, p. 189). Moreover, only 0.3% of the population invests in the stock market (Caplen, 2011).

[xcvi] It seems that at least part of the labour movement acknowledges this. As the President and Secretary for International Relations of the CUT have written: “Meeting these challenges will cost money. Until now, it was possible to make progress with relatively modest outlays, but education and health costs are rising as services become more sophisticated and widely available. There are bound to be unprecedented confrontations between the different social strata” (Moraes & Felicio, 2013).

[xcvii] Their hatred against Lula is even stronger because he is a former “ordinary” (industrial) worker, who lacks formal education.

[xcviii] Although they do sometimes identify full international capital mobility as a problem (see e.g. CUT, 2009).

[xcix] Note that in 2003 the Coordenação dos Movimentos Sociais still demanded “control of currency exchange rates and capital flows” (see Hochstetler, 2004). As an interviewee confirmed, the technical nature of the issue makes it difficult to politicize (Interview 21).

[c] Amongst others, Brazil does not want to “protect capital speculation or gambling”, and capital inflows may “require a wide range of policy tools” (Gomes, 2013).

7. Pragmatic neoliberalization in India: the case of capital account liberalization

7.1 Introduction

India is probably the least "conspicuous" of the BRICS countries. It is less outspoken on many foreign policy issues than China or Russia (although it recently blocked a WTO deal), and it does not really have the same attractive image as Brazil. However, with its population of more than 1.2bn people, and becoming (or even already being) the third largest economy in the world, India's position on a range of issues is bound to become more important in the future (IBRD/World Bank, 2014; Standard Chartered, 2013). This is also true with regard to India's capital account policies. In this chapter, therefore, India's capital controls are studied, and put in the context of India's changing social relations and accumulation regime.

The second section, after this introduction, discusses the ISI period, from India's independence in 1947 to the early 1990s, and the concurrent system of strict capital controls. In the third section, the neoliberalization of India in the 1990s is sketched, as well as the Indian approach to capital account liberalization. Thereafter, the fourth section looks at the period from the Asian crisis up to the global economic crisis. It is argued that further liberalization and the transformation of the banking sector have led to a new accumulation regime, which, however, is unsustainable for several reasons. In the fifth section, the situation of India during and after the global economic crisis is examined. It is also claimed that the crisis has not unraveled the neoliberal historic bloc, although it is questionable whether neoliberalism is a *hegemonic* project in India. The sixth section outlines the contemporary debate on capital account policies within India. Finally, in the conclusions of this chapter the question is answered whether India forms a challenge to the norm of the free movement of capital.

7.2 India under ISI

7.2.1 After Independence in 1947

Similar to other countries in the Global South (and to Brazil), India had a state-led import-substitution industrialization (ISI) model of development after it gained its independence in 1947, under the Indian National Congress Party (INC) (Agarwal, 2006, p. 95; Chandrasekhar, 2010, p. 30; Schmalz & Ebenau, 2012, p. 492). This state capitalist accumulation regime entailed, especially after the mid-1950s, a rather strong involvement of the state (amongst other things in basic and heavy industries), a form of central planning to influence the allocation of investment, strong protectionism through import controls and high tariffs, and the regulation of foreign capital inflows (Amin, 2005, pp. 5-6; Chakrabarti, Chaudhury & Cullenberg, 2009, p. 1174; Chandrasekhar, 2010, p. 31; De & Vakulabharanam, 2013; Kohli, 1989, p. 309; Nayyar, 1998, p. 3123; Schmalz & Ebenau, 2012, p. 492).[i]

Although finance remained relatively free until 1969 (Jayadev, 2013), the financial system was slowly transformed to support the ISI model of economic growth. Prior to India's independence, the

financial system was relatively liberal and sophisticated, with banks mostly under private ownership, and there was capital account convertibility within the sterling area (Bery & Singh, 2006, p. 147). However, between the mid-1950s and late-1960s the financial system was fully transformed, in line with the Keynesian thinking of the time, and under the influence of the Soviet economic success (Bery & Singh, 2006, p. 147). Soon after independence, a broad and complex web of capital controls was implemented, based on the Second World War exchange controls (Bery & Singh, 2006, p. 147; Patnaik & Shah, 2011; Reddy, 2001, p. 86). These controls would be strengthened and deepened in 1956, after a foreign exchange crisis (Bery & Singh, 2006, p. 147). Moreover, in the first decennia after independence, the Indian financial system was bank-based (Jadhav, 2006, p. 115). In 1955 the largest bank, the State Bank of India (SBI), was nationalized (Bery & Singh, 2006, p. 147).[ii]

The ISI accumulation regime was underpinned by a (sometimes strained) alliance between the state, the national industrial capitalist class and a rural landowning class (Chatterjee, 2008, p. 57; De & Vakulabharanam, 2013; Nayyar, 1998, p. 3124; Schmalz & Ebenau, 2012, p. 492). The state took the lead in fostering economic growth through public investment and government spending (Chakrabarti, Chaudhury & Cullenberg, 2009, p. 1174; De & Vakulabharanam, 2013). However, “Nehru was careful to keep public sector expansion within the bounds that were acceptable to Indian business houses” (De & Vakulabharanam, 2013). Domestic capital thus reaped the benefits of this accumulation regime. Urban skilled workers also benefited because of the expansion of jobs in the public sector. Efforts were made to improve the lives of the poor, “even if it was long on words and short on substance” (Nayyar, 1998, p. 3121; see also De & Vakulabharanam, 2013). The nationalist spirit also served as a glue, reducing conflicts (Nayyar, 1998, p. 3121). Satisfactory (industrial) growth until the mid-1960s also legitimized the ISI model (Chandrasekhar, 2010, p. 31)

7.2.2 Economic stagnation and the crisis of ISI

From the mid-1960s, the limits and contradictions of India’s ISI model became clearer, and India entered a period of “secular stagnation” (see Figure 7.1; see also Chandrasekhar, 2010, p. 31). First, while urban inequality declined over this period, income and wealth inequality (not the least the inequality of land ownership) persisted at high levels (Amin, 2005, pp. 6-7; Chandrasekhar, 2010, pp. 32-33; De & Vakulabharanam, 2013; Nayyar, 1998, p. 3124). The result was that the domestic market (for mass consumption) remained inherently limited. Consequently, the state had to provide a continuous stimulus to spur economic growth through government spending and public investment. Second, the state was incapable of creating a tax system that was able to fulfil the needs with regard to government expenses (Chandrasekhar, 2010, p. 34).[iii] This was bound to undermine the state’s ability to fuel economic growth in the long-term.

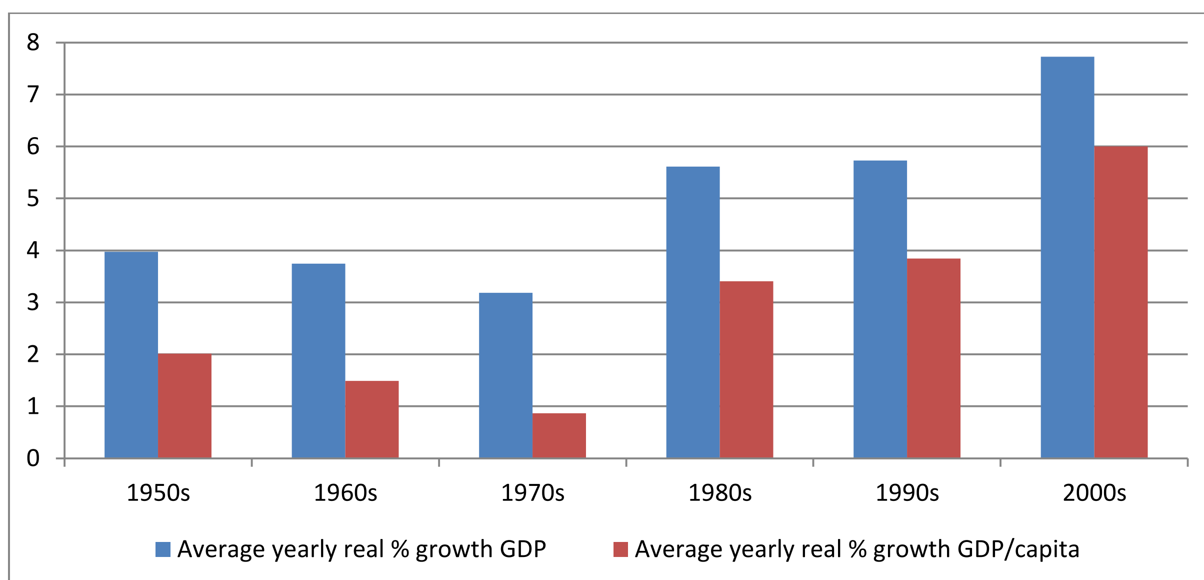

Figure 7.1: Average yearly real growth and per capita growth India (data from The Conference Board, 2014)

Third, the state was not strong enough to control the Indian industrial sector. Even though it was not strong enough to get all of its demands fulfilled, Indian industrial capital was able to create monopolies through abusing state regulation, and to prevent the Indian state from creating disciplinary structures and disciplinary planning (Chandrasekhar, 2010, pp. 32-34; D'Costa, 2000, p. 144; Vanaik, 2004, pp. 155-157). One of the effects was that export-led growth was impossible, and exports grew at less than 1% (see De & Vakulabharanam, 2013). Imports on the other hand remained high, both because India remained dependent on energy and machinery from abroad, and because wealthier parts of the population wanted to emulate Western consumption patterns and were not satisfied consuming Indian goods (Chandrasekhar, 2010, p. 35; De & Vakulabharanam, 2013). The external imbalance this entailed led to a structural balance-of-payments problem.

A balance-of-payments crisis in 1965-1966, however, did not lead to the replacement of ISI.[iv] To the contrary, the crisis contributed to the "radical turn" of Prime Minister Indira Gandhi (Sengupta, 2009, pp. 186-187). She forged a closer relationship with the Soviet Union, adopted a populist rhetoric, and strengthened import controls. In July 1969, fourteen of the largest private domestic banks, which were criticized for insufficiently fulfilling the needs of India's economic development, were nationalized, which meant that more than 80% of Indian deposits were controlled by state-owned banks (Bery & Singh, 2006, p. 147; Chandrasekhar, 2008a; De & Vakulabharanam, 2013; Gupta et al., 2011; Jayadev, 2013).[v] While foreign banks were not nationalized, they were heavily controlled. In the pre-nationalized period credit had been directed mostly to the urban corporate sector, which increased its share of credit from 34% in 1951 to 68% in 1968 (Jayadev, 2013). After the nationalization, banks were "persuaded" or forced to focus on (less lucrative) activities which were considered to be crucial in development, generating employment and alleviating poverty (including agriculture, small-scale industry and retail trade). By the late 1970s, "priority sector lending requirements" obliged banks to direct 33% – later increased to 40% by 1985 – of their credit to priority sectors, with varying rates for preferred borrowers.[vi] The nationalized banks also set up

branches in the rural and semi-urban areas. This publicly-owned financial system hence contributed to agrarian development and poverty reduction in the 1970s and 1980s (Jayadev, 2013). Next to the nationalization of the banks, in 1973, capital controls were strengthened through the Foreign Exchange Regulation Act (FERA) (De & Vakulabharanam, 2013; Joshi, 2003, p. 183; Reddy, 2001, p. 86).

In 1965, the New Agrarian Strategy (also "Green Revolution") was introduced, aimed at improving agricultural productivity through rapid modernization (De & Vakulabharanam, 2013; Schmalz & Ebenau, 2012, p. 492; Walker, 2008, p. 567). This led to the strengthening of capitalist social relations in agriculture and more power for agrarian capitalists. Increased subsidies to the rich peasantry resulted in (slightly) higher agricultural growth, but the benefits went largely to the large landholders and rural elites , at the cost of smaller landholders and the rural poor (De & Vakulabharanam, 2013; Nayyar, 1998, p. 3125). Rural poverty was countered through the implementation of poverty alleviation programmes (on a modest scale), which could not, however, prevent urban and rural inequality from increasing.

Furthermore, increasing resources towards agriculture and poverty alleviation implied fewer resources for industry, and less room for public investment in the 1970s (De & Vakulabharanam, 2013). This also impacted negatively upon corporate investment. Combined with the end of the Bretton Woods system and the oil crises during the 1970s, the consequence was industrial stagnation, and overall decreased growth, with an average annual GDP growth rate of 3.18% in the 1970s against 3.97% in the 1950s and 3.75% in the 1960s, and with average annual GDP growth per capita decreasing from 2.01% in the 1950s and 1.49% in the 1950s to 0.87% in the 1970s (see Figure 7.1, data from The Conference Board, 2014). In 1979, a negative growth rate of almost 5% was registered, with GDP per capita decreasing with more than 7%.

7.2.3 The first steps towards liberalization in the 1980s

Faltering economic growth, combined with both internal contradictions and a changing international context, weakened the ISI model, or "Nehruvian Consensus", as a hegemonic project during the 1970s (see Chandrasekhar, 2010, pp. 31-32; Kohli, 1989, pp. 307, 310; Nayyar, 1998, p. 3125; Schmalz & Ebenau, 2012, p. 492).[vii] India's declining industrial growth rate stood in stark contrast with the success of the supposedly pro-market East Asian tigers (Ahluwalia, 2006, p. 2; Mukherji, 2013, p. 368; Sengupta, 2009, p. 188). Moreover, by the early 1980s, of the two main communist countries, the Soviet Union was already perceived to be in economic decline, and China had started its own process of liberalization. This domestic and international context provided the opportunity for liberalizers to advance their cause.

During the 1980s the transition away from ISI started prudently (Mukherji, 2013, p. 368). Under Indira Gandhi (1980-1984) and especially Rajiv Gandhi (1984-1989) – who has been considered as an important reformer – the Congress Party abandoned the leftist rhetoric and became more pro-capital[viii], with positive effects on private investment and economic growth (see Figure 7.2; De & Vakulabharanam, 2013; Kohli, 1989, p. 308, 2006a, pp. 1251-1252, 1255; Mukherji, 2013, p. 375; Rodrik, 2011, p. 177-178; Rodrik & Subramanian, 2004; Shastri, 1997, p. 27).[ix] The main drivers of corporative investment were fiscal stimulus through increased public consumption and subsidies to

business (Chandrasekhar, 2010, p. 36; De & Vakulabharanam, 2013; Nayyar, 1998, p. 3126). However, the 1980s reforms did not change the accumulation regime dramatically (Kohli, 1989, p. 306).

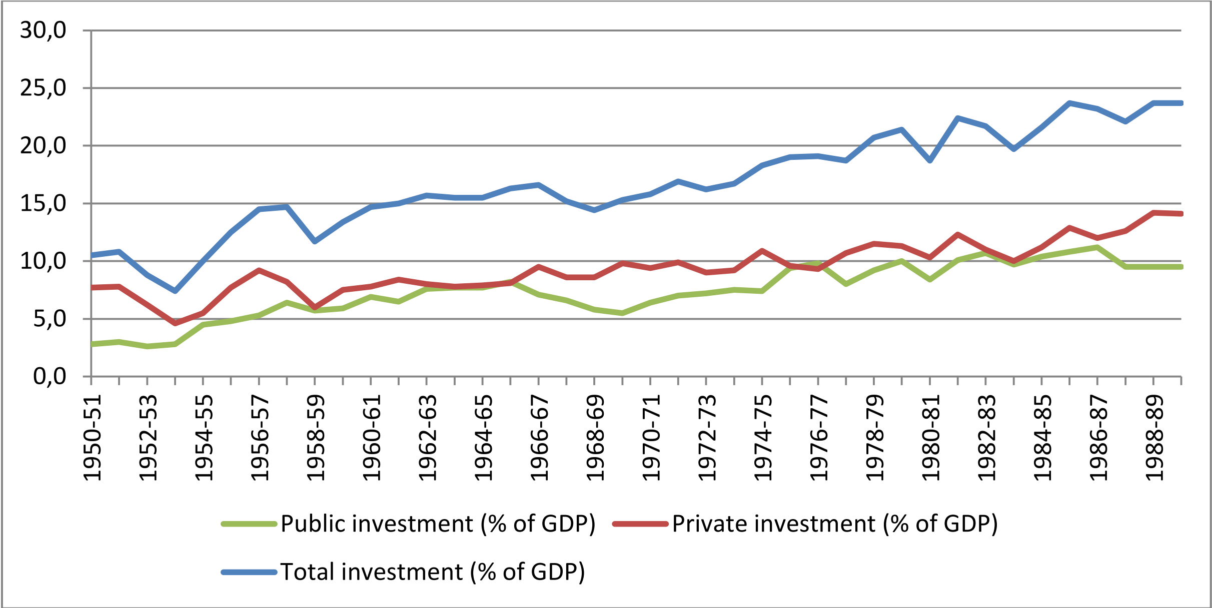

Figure 7.2: Investment rate India, 1950-51–1989-90 (based on data from Ministry of Finance India, 2005, 2012, 2013a, 2014)

The main reforms concerned relaxations of controls on the domestic private sector (Ministry of Finance India, 2007; Sengupta, 2009, p. 188). External liberalization remained largely limited to (moderate) trade liberalization. Trade liberalization led to a boom in imports (which grew at more than 7% and were important in stimulating economic growth through making capital goods cheaper), and export growth couldn't keep up with imports, as exports remained at less than 7% of GDP (see Figure 7.3; Chandrasekhar, 2010, p. 36; De & Vakulabharanam, 2013). This resulted in widening trade and especially current account deficits, with the CAD increasing from an average of 1.49% of GDP in 1980-1985 to 2.30% in 1986-1990 (see Figure 7.4).[x]

Figure 7.3: Exports India, 1960-1990 (data from World Bank, 2014b)

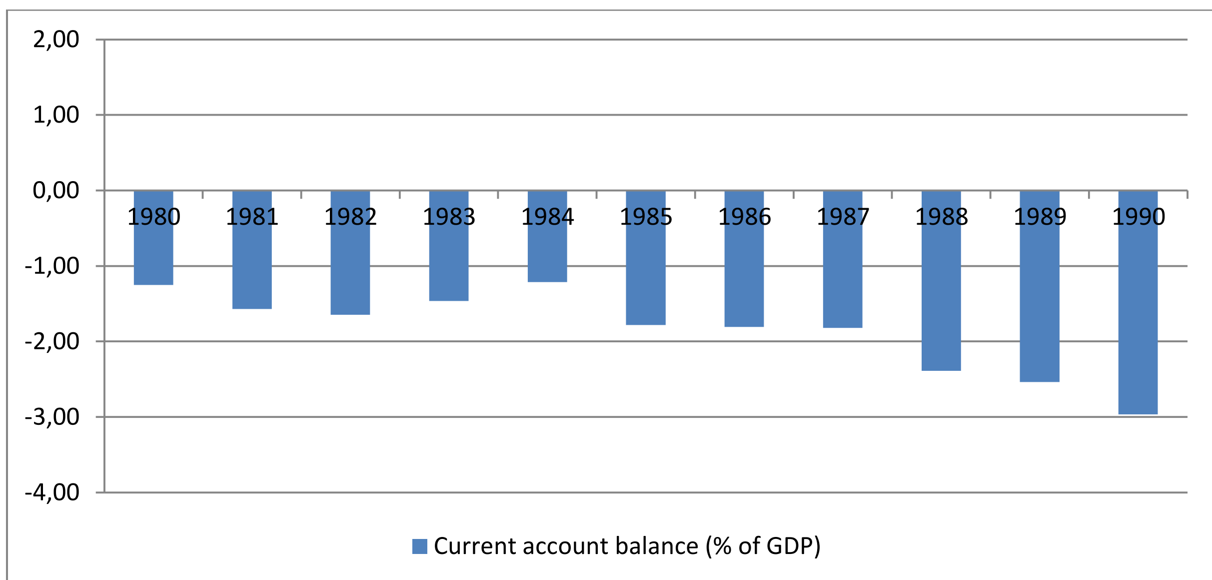

Figure 7.4: Current account balance India, 1980-1990 (data from IMF, 2014c)

While capital inflows had been restricted to official finance until then, and capital flows had thus been negligible, in the 1980s (short-term) external commercial borrowings (ECBs) from foreign banks and deposits from non-resident Indians (NRIs) increasingly supplemented official flows to finance the current account deficits (Chandrasekhar, 2008a, 2010, p. 36; De & Vakulabharanam, 2013; Jayadev, 2013; Joshi, 2003, pp. 194; Mohan, 2008, pp. 235-236; Reddy, 2001, p. 86).[xi] The result was that foreign debt more than doubled as a percentage of GNI during the 1980s, from 11.10% in 1980 to 26.57% in 1990 (see figure 7.5) (data from World Bank, 2014b; see also Chandrasekhar, 2010, p. 41).

Figure 7.5: External debt stock India (data from World Bank, 2014b)

While the pro-reform social forces did clearly not (yet) form a (hegemonic) historic bloc, a neoliberal historic bloc was undoubtedly in the making. At the apex of this historic bloc was not the Indian (or foreign) capitalist class, but reformers within the state. Indeed, "the immediate and the most sustained push for liberalization has come from a group of technocratically inclined leaders that has come to control the levers of India's economic policy making" (Kohli, 1989, p. 306; see also Jenkins, 2003, p. 593; Shastri, 1997, p. 30). Key policymakers, politicians, officials, advisors, technocrats and bureaucrats had become convinced by the late 1970s that India's growth model had to change (Shastri, 1997).[xii] They were inspired by "market-friendly" ideas and were in favour of opening up to the world economy. Moreover, new economic advisors with the same pro-market ideas, who had enjoyed education and/or professional experience abroad (especially in the US and the international financial institutions), entered the bureaucracy in the 1980s (Kohli, 1989, p. 307; Sengupta, 2009, pp. 190-192; Shastri, 1997, pp. 31, 36, 38).[xiii]

Some of the economic advisors favouring liberalization included Montek Singh Ahluwalia, later Deputy Chairman of the Planning Commission (2004-2014), Manmohan Singh, later Finance Minister (1991-1996) and Prime Minister (2004-2014), and Rakesh Mohan, later Deputy Governor of the RBI (2002-2004, 2005-2009) and Executive Director at the IMF (2012-now) (Kohli, 1989, p. 312; Shastri, 1997, p. 39). Support from Rajiv Gandhi was crucial for these advisors: "The fact that Rajiv Gandhi was willing to listen and encouraged discussions on a variety of topics made it possible for bureaucrats with new ideas to state their ideas openly and to translate them into operational policies" (Shastri, 1997, p. 38). The fact that they also received support from the Bretton Woods institutions (both the IMF and the World Bank) has also been crucial in the rise of these "free-market" reformers, especially in the battle with the rival faction in favour of more selective and restrained liberalization (Sengupta, 2009, pp. 182, 191; Shastri, 1997, p. 39).

Indian (industrial) capital did not lead the push for liberalization. According to Kohli (1989, p. 317): "The business community of India has tended to react to rather than lead economic policy. Its power is closer to one of veto than of agenda setting." Nevertheless, it has in general been supportive of

Rajiv Gandhi's policies, especially with regard to domestic liberalization (Kohli, 1989, pp. 306, 316; Mukherji, 2013, pp. 365, 376; Vanaik, 2004, p. 158). Yet a significant part of the business community opposed opening up to the global economy. As Kohli (1989, p. 317) writes, a major area "where business response has been quite hesitant, or even negative, is the extent to which the economy should be opened to external goods and capital." This is one of the reasons that external liberalization in the 1980s was much more limited than domestic deregulation. India's urban middle class also supported reforms for various reasons (Kohli, 1989, pp. 306, 318). Their buying power increased considerably. Although this was not an organic alliance with a shared ideological framework, a historic bloc was in the making, consisting of the technocrats and the bureaucracy, parts of Indian capital, and the urban middle class.

Structural resistance to the reforms came from organized labour in the public sector[xiv], leftist intellectuals[xv], and part of the rank-and-file of the Congress Party[xvi]; more diffuse opposition was expressed by rural groups such as the landless poor and middle peasants (Jenkins, 2003, p. 593; Kohli, 1989, p. 306; Mukherji, 2013, p. 376; Sengupta, 2009, p. 191; Shastri, 1997, p. 47). These social forces did not succeed in forcing a reversal of liberalization, but they did manage to slow down liberalization in 1985-1989 and force Rajiv Gandhi to adopt a more populist economic programme.[xvii] Redistributive and poverty alleviation programmes grew strongly in the 1980s, and the rural elites continued to receive a lot of state subsidies (De & Vakulabharanam, 2013; Nayyar, 1998, p. 3126). The period before the 1990s has been described then, as "a contradictory phase in policy where the strengthening of some measures of intervention was accompanied by a creeping process of limited liberalization" (Chandrasekhar, 2010, p. 32).

7.3 Neoliberalization in the 1990s

7.3.1 The 1991 economic crisis and the definitive breakthrough of neoliberalization

The growing current account deficit in the 1980s brought India on the verge of a balance-of-payments crisis in 1991 (see Figure 7.4 and 7.5; also Chandrasekhar, 2008a; Joshi, 2003, pp. 185-186).[xviii] This balance-of-payments crisis, combined with a fiscal crisis, created an occasion for neoliberal reformers in the state bureaucracy, including the newly elected Prime Minister Narasimha Rao, Finance Minister Manmohan Sing and Commerce Minister P. Chidambaram, as well as Montek Singh Ahluwalia and Rakesh Mohan, to marginalize their adversaries and to introduce more (systemic) neoliberal policies, in the form of the "New Economic Policy" (NEP) (Chakrabarti, 2012, p. 460; Chakrabarti, Chaudhury & Cullenberg, 2009, p. 1175; Chandrasekhar, 2010, p. 41; Kohli, 2006b, p. 1363; Mukherji, 2013, pp. 368, 377-379; Nayyar, 1998, p. 3127; Schmalz & Ebenau, 2012, p. 492; Sengupta, 2009, pp. 181, 195; Shastri, 1997, pp. 44-45; Vanaik, 2004, p. 153).[xix] Thus, while the 1980s already saw some changes, the 1991 crisis represents the final end of ISI and the definitive breakthrough of the neoliberal project in India (Jha, 2008a, p. 65; Sengupta, 2009, p. 181). It "provided an excellent window of opportunity for India's distinguished technocrats and economists to deal decisively with parts of the dominant electoral coalition at the time of a foreign exchange shock" (Mukherji, 2013, p. 364).

In 1991-1993, the crisis was "solved" with an orthodox stabilization programme, including an IMF loan of US$2.3bn (Joshi, 2003, pp. 185-186; Raman, 2009, p. 284).[xx] In general, it targeted central

planning and state intervention in the form of regulations and state enterprises holding back private capital accumulation. Besides trade and capital account liberalization, the wide-ranging reforms comprised domestic financial liberalization such as the liberalization of interest rates (including the end of targeted lending at differential interest rates) and the development of capital markets, the sale of publicly-owned assets[xxi], and a smaller role for public investment[xxii] (Ahluwalia, 2006, p. 3; Bery & Singh, 2006, pp. 149-150; Chandrasekhar, 2010, p. 32; De & Vakulabharanam, 2013). In 1994, India accepted convertibility on the current account (Bery & Singh, 2006, p. 151; Gaur, 2008, p. 269; Reddy, 2001, p. 92; Vasudevan, 2006, p. 1881).[xxiii]

The historic bloc that was being formed in the 1980s underpinned the 1990s reforms. This bloc was led by Indian technocrats and bureaucrats, influenced by the global ideological climate (Mukherji, 2013, pp. 364-365; Williamson, 2006, p. 1849). Indian capital supported many of the reforms, but it was not the leading force. More importantly, it did not demand external liberalization, and a significant part of Indian industry, organized in the Federation of Indian Chamber of Commerce and Industry (FICCI), was even opposed to opening up the economy (Interview 24; Joshi, 2003, p. 195; Kochanek, 1995-1996, p. 547; Mukherji, 2013, pp. 365, 379; Sengupta, 2009, p. 183). However, a segment of Indian capital had become more efficient in the 1980s, and the part of manufacturing that was organized in the Confederation of Indian Industry (CII) supported globalization, partly due to the changing international context (Kohli, 2006b, p. 1362; Mukherji, 2013, pp. 379-380; Williamson, 2006, p. 1849).[xxiv] According to Kohli (2006b, p. 1363), the social forces supporting the neoliberal shift thus included "the narrow political leadership, the technocratic policy elite, a segment of Indian capital, and external actors, expressing their preferences mainly in the form of policy conditionalities set by the IMF." This was quite a narrow support base, and the crisis and international organizations' preferences were definitely important as catalysts for change (Kohli, 2006b, p. 1363; Sengupta, 2009, p. 196).

While there were no "extensive or immediate, political and other protests" (Shastri, 1997, p. 49), organized labour was the main social force opposing the 1991 reforms, with the support of Marxist and non-Marxist socialist political parties (Davala, 1994, p. 406; Mukherji, 2013, p. 380).[xxv] However, trade unions had been weakened in the previous decades, which created "am ambience conducive to the neoliberal reforms" (Jha, 2008a, pp. 70-71; see also Teitelbaum, 2006, p. 408). Even though they were able to slow down some reforms, unions' resistance and strike actions were not able to deter the government from transforming the Indian economy in a neoliberal direction (Davala, 1994, p. 406).

7.3.2 The Indian approach to capital account liberalization in the 1990s

Capital account liberalization was also included in the reforms after the 1991 balance-of-payments crisis. Until 1991, except for ECBs and official finance, capital flows were restricted by means of administrative controls and prohibition (Kletzer, 2004; Kohli, 2001). Based on and very much in line with the recommendations made by the 1993 "Report of the High-Level Committee on the Balance of Payments", chaired by Dr. C. Rangarajan, the 1990s are marked by the gradual, piecemeal, but continuous liberalization of both capital inflows and capital outflows (Francis, 2013, p. 109; Reddy, 2001, p. 88, 2007, p. 21).[xxvi] The "Indian approach" to capital account liberalization has a number of features. First, its gradualism is often emphasized by policymakers and analysts (and even leftist

critics), as opposed to a "big bang" approach to liberalization, and in contrast to many other countries (e.g. Ahluwalia, 2006, pp. 4, 10; Interview 26; Jayadev, 2013; Joshi, 2003, p. 194; Mohan, 2008, p. 250; Prasad, 2009a; Reddy, 2007, p. 20; Shah & Patnaik, 2007, p. 610).

Second, a hierarchy has been established in both the sources and types of capital flows. As former RBI Governor Reddy (2007, p. 23; see also Ahluwalia, 2006, p. 10; Bery & Singh, 2006, p. 171; Epstein, Grabel & Jomo, 2004; Reddy, 2001, p. 90) explains: "The priority has been to liberalize inflows relative to outflows, but all outflows associated with inflows have been totally freed. Among the types of inflows, FDI is preferred for stability, while excessive short-term external debt is eschewed. A differentiation is made between corporates, individuals, and banks. For outflows, the hierarchy for liberalization has been corporates first, followed by financial intermediaries, and then individuals." Moreover, there is also a difference between capital outflows for residents (restricted) and capital outflows for non-residents who have invested in India (not restricted).

Thus, inflows have been more liberalized than outflows (except for outflows related to inflows, see below). Liberalization with regard to capital inflows especially concerned FDI and portfolio equity inflows (Bibow, 2011; Epstein, Grabel & Jomo, 2004); "FDI was generally viewed as a preferred form and these inflows were liberalised early in the reform, while the liberalisation of portfolio flows took place a little later" (Ahluwalia, 2006, p. 2; also Jayadev, 2013). In contrast with the opening up to FDI and equity inflows, India tried to deter private debt flows, especially short-term debt flows (Bibow, 2011; Jayadev, 2013; Joshi, 2003, pp. 194-195; Shah & Patnaik, 2007, p. 609). The experience of the 1991 crisis was important in this regard, as it had exposed the dangers of short-term debt flows. Deposits by NRIs with Indian banks, and ECBs by Indian corporations, as well as banks' borrowing and lending abroad, remained largely managed (Bibow, 2011; Jayadev, 2013). With regard to the NRI deposits, which had proven to be potentially volatile during the 1991 crisis, interest rate incentives were eliminated and there was a fine-tuning of reserve requirements (Joshi, 2003, p. 184; Mohan, 2008, p. 241). Interest rates on repatriable NRI deposits were made subject to adjustable ceilings (Reddy, 2001, p. 91). ECBs for corporations and financial institutions were to be approved on a case-by-case basis, with limits on the amount of each loan and an overall annual ceiling for all ECBs, and regulations on the maturity (short-term loans to be disfavoured) and end-use (with a priority given to projects in the energy and infrastructure sectors) of loans (Joshi, 2003, p. 184; Mohan, 2008, p. 236; Reddy, 2001, p. 91).

With regard to outflows, there are no restrictions on outflows (including repatriation of the principal, interest income, dividends, profits and capital gains) associated with inflows (Interview 28; Reddy, 2001, p. 91). Corporations investing in India are allowed to repatriate capital, and foreign institutional investors (FIIs) as well enjoy full capital account convertibility and are thus permitted to retract from the Indian capital markets whenever they like (Bery & Singh, 2006, p. 159; Jayadev, 2013; Joshi, 2003, p. 183; Reddy, 2001, p. 90; Shah & Patnaik, 2007, p. 620). While there are thus limits on portfolio equity inflows by FIIs there are no limits on outflows by these FIIs.[xxvii] For Indian corporations, capital outflows in the form of outbound FDI were allowed after October 1992, although on a restricted scale, both via an automatic list and through case-by-case approval (Bibow, 2011; Joshi, 2003, p. 185; Pradhan, 2005; Reddy, 2001, p. 91). Capital outflows for Indian individuals, however, remained highly restricted, and individual residents were "virtually prohibited from holding foreign currency assets" (Reddy, 2001, p. 91; see also Jayadev, 2013; Joshi, 2003, p. 185).

A third feature of India's approach is that it has consisted of a large number of quantitative restrictions operated by a bureaucratic apparatus, with a gradual and incremental increase in the quantitative ceilings and number of sectors available to foreign investors (Reddy, 2001, p. 83; Shah & Patnaik, 2007, pp. 609-610). As Reddy (2001, p. 90) has written: "Thus, moves from more restrictive to less restrictive take place from time to time based on both micro-experience and the macro-policy environment." With regard to incoming FDI, the automatic approval of FDI of up to 51% of shareholding was allowed for a range of industries in 1991, which was a major symbolic event (Jayadev, 2013; Joshi, 2003, p. 183; Mohan, 2008, p. 236).[xxviii] After that, more industries were opened up to FDI, and the ceiling was gradually raised, in some sectors to up to 74% of equity in 1996.[xxix] By the early 2000s, most sectors were open to FDI, although important restrictions remained in banking, finance, real estate, retail and infrastructure (Bery & Singh, 2006, p. 171; Epstein, Grabel & Jomo, 2004).

Since September 1992, portfolio equity inflows are allowed only, as in China, through a framework with registered FIIs such as pension funds and mutual funds (Bery & Singh, 2006, p. 171; Bibow, 2011; Chandrasekhar, 2008a; Jayadev, 2013; Joshi, 2003, p. 183; Mohan, 2008, p. 236; Reddy, 2001, p. 91; Shah & Patnaik, 2007, pp. 617-618). At first, one FII could own no more than 5% of a company, and all foreign investors together could own no more than 24% of a company. In April 1997, the 24% limit was raised to 30% (subject to the shareholders' approval), and the 5% limit was increased to 10% in June 1998 (Shah & Patnaik, 2007, p. 619).[xxx]

Restrictions on portfolio bond flows have also been eased, but less than equity flows (Shah & Patnaik, 2007, p. 618). A complex regulatory framework was established with two investor classes: on the one hand regular FII investors, which could at most invest 30% of their portfolio in (government and corporate) debt securities (and thus had to devote at least 70% of their investment to equity), and on the other hand 100% debt FIIs, which had to register separately (SEBI, 2004a). It was only in April 1998 that FIIs were allowed to invest in government bonds, with a ceiling of US$1bn (Jadhav, 2006, p. 128; Joshi, 2003, p. 183; RBI, 2006d; Shah & Patnaik, 2007, pp. 619, 625). Indian companies were also allowed to issue shares in foreign markets, through the American Depositary Receipts (ADRs) and the Global Depositary Receipts (GDRs), subject to approval by the Ministry of Finance (Bery & Singh, 2006, p. 159; D'Costa, 2003, p. 219; Jadhav, 2006, p. 117; Jayadev, 2013; Joshi, 2003, p. 184; Reddy, 2001, p. 91; Shah & Patnaik, 2007, p. 625).[xxxi] These contributed to large capital inflows in the mid-1990s (Jayadev, 2013).

A few general remarks can be made about the mix of capital flows during the 1990s (and afterwards). First, capital inflows "gained momentum from the 1990s after the initiation of economic reforms" (see Figure 7.6; see also Mohan, 2008, p. 235; also Kohli, 2001; Ministry of Finance India, 2007).[xxxii] The economic reforms thus succeeded in attracting foreign capital and inserted India firmly into the global economy. There was a rise in both net and gross capital flows and in FX turnover (Bery & Singh, 2006, p. 164; Ghosh & Chandrasekhar, 2009, p. 730; Ministry of Finance India, 2007; Mohan, 2008, pp. 237, 246; Ranjan & Prakash, 2010; Prasad, 2009a; Shah & Patnaik, 2007, pp. 611, 613, 2008).

Second, a large part of capital inflows to the Indian stock market occurred through "participatory notes" (PNs), over-the-counter derivatives sold by registered FIIs to foreign investors which are not registered in India (such as hedge funds), linked to a security traded in the Indian market

(Chandrasekhar, 2008a; Kawai, Lamberte & Takagi, 2012, pp. 41-42; Patnaik & Shah, 2011; Prasad, 2009a; Shah & Patnaik, 2007, p. 620, 2008). As Chandrasekhar (2008a) explains: "Through these routes, entities not expected to play a role in the Indian market can have a significant influence on market movements (…)."

Third, as foreseen, debt flows, and especially short-term loans, have decreased in importance during the 1990s (Epstein, Grabel & Jomo, 2004; Mohan, 2008, p. 235; Reddy, 2007, p. 22; Shah & Patnaik, 2007, pp. 610, 613; Singh, 2007). The external debt stock shrank from 32.08% of GNI in 1991 to 21.72% in 1999 (see Figure 7.5). It declined further to go under 20% in 2003 and stood at 16.54% in 2007, before the global economic crisis broke out.[xxxiii] Fourth, an unintended outcome was a larger role for portfolio inflows over incoming FDI – in contrast with most emerging markets and developing economies (see Figure 7.6; see also D'Souza, 2008, p. 35; Epstein, Grabel & Jomo, 2004; Mohan, 2008, p. 240).

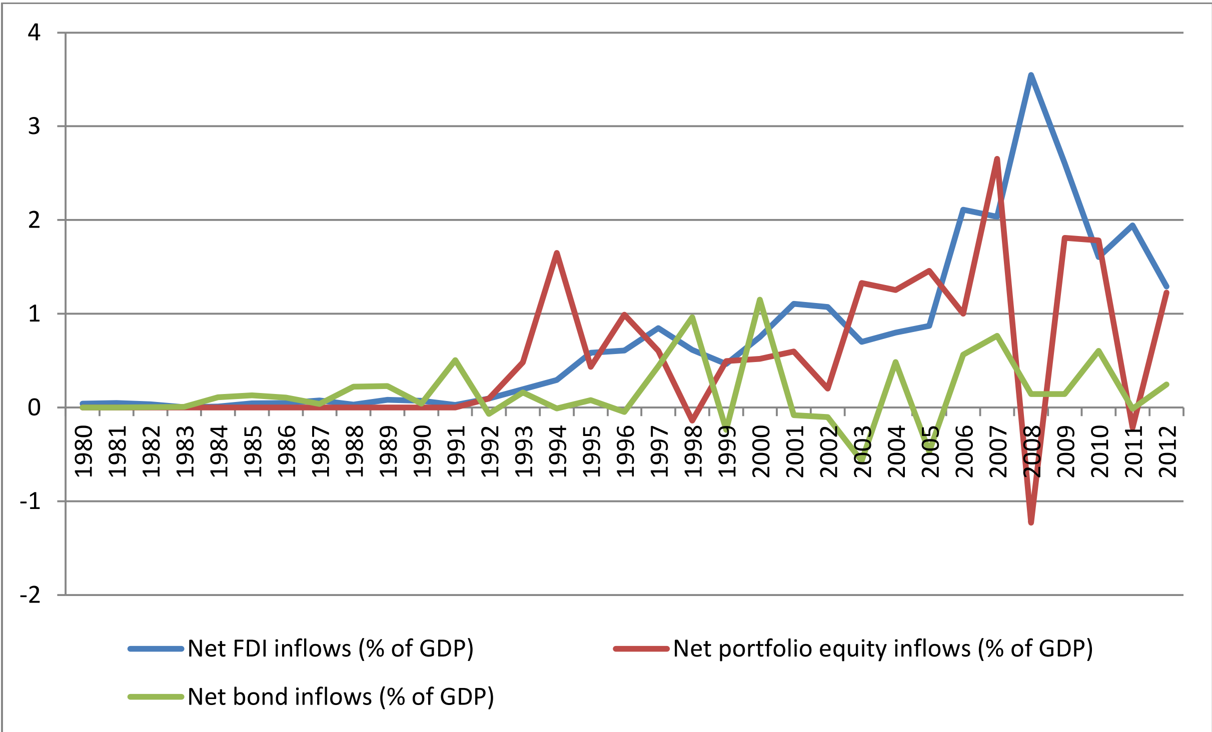

Figure 7.6: Capital flows India (based on data from World Bank, 2014b, partially own calculations)

Finally, besides the transnationalization of capital, it is important that a market-based system of finance has been developed. In the traditionally bank-based system, financial markets assumed a more prominent place (Jadhav, 2006, p. 115). The National Stock Exchange (NSE) was established in 1993 (Jayadev, 2013). India's stock market has been the "first place in India where modern finance and financial regulation have taken root" (Shah & Patnaik, 2011). The average value of the stock market went from less than 10% in 1988-1990 to almost 30% in 1991-1995 (data from World Bank, 2014b). Slowly but steadily, derivatives markets were also developed (especially accessible to banks), although with a precautionary and controlled approach (Jadhav, 2006, p. 117; Joshi, 2003, p. 184; Reddy, 2010; Sarkar, 2007).

7.4 From the Asian crisis to the global economic crisis

7.4.1 The Tarapore Report and the Asian crisis

When P. Chidambaram became Finance Minister in 1996 he argued for full capital account convertibility in India within the next three years (Venkatesh, 2008). There was a relative consensus within the bureaucracy and the political arena, among mainstream economists, and in the media that the Indian economy was ready for convertibility, and opposition to the idea was rare. A committee was constituted to prepare a road map for capital account convertibility, under the chairmanship of the Deputy Governor of the RBI S.S. Tarapore (Bery & Singh, 2006, pp. 168-169).[xxxiv] The committee finished their report, commonly called the Tarapore Report, in 1997, on the eve of the Asian crisis.[xxxv] This report represents "the culmination of a paradigm shift in development strategy that began in July 1991" (EPW Research Foundation, 1997, p. 1300). Even though it accepted some limited controls on debt flows, it was clearly in favour of capital account liberalization, and recommended the completion of (almost full) capital account convertibility by 1999-2000 (Bery & Singh, 2006, p. 170; EPW Research Foundation, 1997, pp. 1302-1303; Mohan, 2008, p. 236).[xxxvi] It stated that opening up would bring with it great benefits and would stimulate the development of the Indian financial system (see Bery & Singh, 2006, p. 170). There was pressure from the bureaucracy and from parts of the private non-bank financial sector to implement the Tarapore Report recommendations swiftly (EPW Research Foundation, 1997, p. 1300; Joshi, 2003, p. 195).

The Asian crisis, however, demonstrated the potential havoc that a liberalized capital account can cause. India, thanks to stronger capital controls, emerged relatively unscathed – as did China – compared to other Asian countries. The crisis thus reaffirmed to many the wisdom of India's gradual, cautious approach to capital account liberalization, and of its controls on outflows in particular (Ahluwalia, 2006, p. 10; Chandrasekhar, 2008a; Dutt, 2006, p. 1853; Interview 23 and 27; Joshi, 2003, pp. 182, 192; Kletzer, 2004; Reddy, 2001, p. 97, 2007, p. 20).[xxxvii] Capital account convertibility had even become "a dirty word, disowned and discredited thanks to the East Asian Crisis" (Venkatesh, 2008). The timing of the Tarapore Report was thus rather unfortunate for the pro-liberalizers, as the Asian crisis aborted the process towards the free movement of capital in and out of India. The memory of this crisis lingered in the first decade of the 21st century (Barua, 2006, p. 1875).

7.4.2 Capital account liberalization after 1997

Even though the goal of full capital account convertibility was off the agenda after the Asian crisis, the liberalization of the capital account continued and even accelerated in the 2000s (Chandrasekhar, 2008a; Francis, 2013, p. 109; Gokarn & Singh, 2011, p. 190; Shah & Patnaik, 2007, p. 610; Venkatesh, 2008). In June 2000, the 1999 Foreign Exchange Management Act (FEMA), which replaced the 1973 FERA, took effect (Francis, 2013, p. 109; Patnaik & Shah, 2011; Reddy, 2001, pp. 86, 95). With the new legal framework, the philosophy changed from control to liberalization. However, importantly, the FEMA retained the option to re-impose capital controls when necessary.[xxxviii]

With regard to incoming foreign institutional investment, from March 2000 to September 2001, the limit of foreign portfolio equity investment by all FIIs in a single company was gradually increased from 30% of the paid-up capital first to 49% and then to the "sectoral cap" for FDI if approved by the

company's shareholders (Bery & Singh, 2006, p. 159; Chandrasekhar, 2008a; Shah & Patnaik, 2007, p. 619). FEMA also created the Portfolio Investment Scheme for NRIs, which allows them to buy up to 5% of the paid-up capital of a single company, and with a limit of 10% of paid-up capital for all NRIs together, which can be increased to 24% subject to approval by the shareholders (Ministry of Overseas Indian Affairs, 2001).[xxxix] In 2002-2003, inflows and outflows for NRIs were also further liberalized (Bery & Singh, 2006, p. 171; Padmanabhan, 2003; RBI, 2003b). With regard to portfolio debt flows, in November 2004 the ceiling for FII investment in government securities was raised from US$1bn to US$1.75bn, and a ceiling for foreign ownership of corporate bonds was set at US$0.5bn (Planning Commission India, 2009; RBI, 2006d; SEBI, 2004b; Shah & Patnaik, 2007, pp. 619, 625). The ceilings were raised to US$2bn and US$1.5bn respectively in April 2006, and the ceiling for FII investment in government bonds was further increased to US$2.6bn in January 2007, and to US$3.2bn in January 2008 (SEBI, 2006, 2008a). In June 2008, finally, the ceilings were raised again, from US$3.2bn to US$5bn for government bonds, and from US$1.5bn to US$3bn for corporate bonds (SEBI, 2008b).

ECBs were also liberalized. In March 1997 restrictions on the end-use were largely eliminated, limits for individual borrowers were increased, interest rate limits were eased, and the list of sectors allowed to raise ECBs was expanded (Padmanabhan, 2003, p. 125). More liberalization ensued in 2000, with ECBs automatically approved for an amount up to US$50m per company, and with a further relaxation of end-use limits. In 2004, regulations were approved which created a new framework for ECBs, with an automatic route for ECB up to US$20m with a minimum average maturity of three years, and for between up to US$500m with a minimum average maturity of five years, and with approval from the RBI needed (but generally obtained without limits) for larger loans abroad (Bery & Singh, 2006, p. 171; Chandrasekhar, 2008a; RBI, 2004a). A ceiling was installed for both automatic and the case-by-case route; companies could only borrow if the cost was at most 200 basis points over Libor for loans with a maturity between three and five years and at most 350 basis points over Libor for loans with a maturity of more than five years. The ceilings were lowered in 2007 but again raised to 200 and 350 basis points over Libor in May 2008. There was also an overall annual ceiling for all ECBs, which was set at US$22bn in 2006-2007 (up from US$16bn in 2005-2006) (Ministry of Finance India, 2007). In sum, before the crisis: "Indian companies operate in a fairly liberal environment for external borrowings" (Barua, 2006, p. 1876). The result was that ECBs increased considerably (Ghosh & Chandrasekhar, 2009, p. 730; Prasad, 2009a).

Outward FDI was liberalized in 2002-2004, with Indian corporations being allowed to invest 100% of their net worth abroad under the automatic route from 2003 onwards (Pradhan, 2005; Shah & Patnaik, 2007, p. 625). In May 2005, this ceiling was increased to 200% of the company's net worth (Rao & Dhar, 2012; RBI, 2006d). Finally, in June and September 2007, the ceiling was raised first to 300% and then to 400% of net worth (Chandrasekhar, 2008a; Mohan, 2008, p. 251; Rao & Dhar, 2012). Portfolio outflows by Indian mutual funds were allowed in January 2003, with a ceiling of US$1bn (RBI, 2003a). Again, this limit was raised in several steps to reach US$5bn in September 2007 and US$7bn in April 2008, besides a facility to invest up to US$1bn in overseas Exchange Traded Funds for a limited number of Indian mutual funds (Chandrasekhar, 2008a; Mohan, 2008, p. 251; RBI, 2006a, 2006b, 2007d, 2007f, 2008a). From February 2004 onwards, individuals were also able to take up to US$25,000 abroad for any purpose through the Liberalised Remittance Scheme (LRS) (RBI, 2004b, 2006d; Shah & Patnaik, 2007, p. 625). This was gradually increased in 2006-2007 to reach US$200,000 in September 2007 (RBI, 2006c, 2007c, 2007e), "a generous ceiling by any standards"

(Prasad, 2009a). Corporations were also allowed to buy stocks abroad, with a limit of 25% of their net worth from January 2003 onwards (RBI, 2003a). This limit was increased to 35% in June 2007 (RBI, 2007a) and to 50% in September 2007 (RBI, 2007b).

However, despite ongoing liberalization, after the Asian crisis Indian governments did not have the courage to explicitly push for complete capital account convertibility (Venkatesh, 2008). It was only in 2005 that the issue of capital account convertibility was more explicitly put on the agenda again, when a committee was established to investigate fuller capital account convertibility (Vasudevan, 2006, p. 1881). The 2006 Report of the Committee on Fuller Capital Account Convertibility was in favour of more liberalizing measures[xl] and generally set out the preconditions for liberalization, but it also stated that fuller capital account convertibility "would not necessarily mean zero capital regulation" and that one of the lessons of the East Asian crisis was that "imposition of safeguards in the form of moderate controls on capital flows may be necessary in some cases" (RBI, 2006d). Nevertheless, in 2005-2008, pressure was building up to move towards complete liberalization of the capital account, and the RBI "was criticized as being antediluvian and ad hoc, since full capital account convertibility was always seen to be the end goal" (Jayadev, 2013). The 2007 Report of the Higher Powered Expert Committee on Making Mumbai an International Financial Centre endorsed a swift move towards full capital account convertibility (Ministry of Finance India, 2007). It seems then, that India was getting closer to adopting the norm of the free movement of capital before the global economic crisis broke out.

7.4.3 The transformation of the Indian banking sector in the 1990s and 2000s

The Indian banking sector had appeared relatively unscathed from the 1980s reforms (Jayadev, 2013). Until the 1990s the banking system was almost entirely state-owned, and was crucial in the allocation of resources. It was only after the 1991 crisis that the sector was reformed through financial liberalization. Reforms were based on the 1991 Narasimham Committee, which recommended, amongst others, the entry of new private banks, the deregulation of interest rates, the widening and deepening of financial markets, and the phasing out of priority sector lending (Jayadev, 2013; Reddy, 2001, p. 89). With regard to ownership, although the state-owned banks remained dominant, the entry for both domestic and foreign private banks has been liberalized (although with different degrees of freedom) (Bery & Singh, 2006, p. 152; Gupta et al., 2011). Foreign investors may, since 2004, own up to 74% of private banks and 20% of public banks, with a respective ceiling of 10% and 1% for one single foreign investor (Chandrasekhar, 2012; Gupta et al., 2011; Hindustan Times, 2013; Planning Commission India, 2009). More important has been the changing role and functioning of (public sector) banks. In particular, the practices of priority sector lending and differential interest rates were undermined, and the focus shifted from redistributive and developmental concerns to profit-making (Chandrasekhar, 2008a; Jayadev, 2013).

Besides the regulations and the new political emphasis on profitability for state-owned banks, the entry and expansion of private banks have also exerted competitive pressures upon public banks (Chandrasekhar, 2008a; Gupta et al., 2011; Jayadev, 2013).[xli] Between 1994 and 2004, a total of 12 new private banks were permitted to operate (Shah & Patnaik, 2011). In 2002-2003 foreign banks were also given more flexibility in their operations in India (Bery & Singh, 2006, pp. 152-153). As public banks have to compete with private and foreign banks to attract savers, they also have to

search for more profitable activities, instruments and lending operations (Ghosh & Chandrasekhar, 2009, p. 733; Chandrasekhar, 2008a).[xlii] One of the consequences is a rapid build-up of retail credit before the global financial crisis, especially housing loans (some of which of doubtful quality) (Chandrasekhar, 2008a; Ghosh & Chandrasekhar, 2009, p. 734; Mor, Chandrasekhar & Wahi, 2006, p. 18). This move to retail finance was led by domestic private banks, and followed by foreign banks, but also public banks.[xliii] The off-balance sheet exposure of banks also increased significantly between 2002 and 2008, mainly on account of derivatives (Ghosh & Chandrasekhar, 2009, p. 734).

While the positive result is that the threat of non-performing assets (NPAs) has receded, all of this has happened at the expense of the urban and especially rural poor (Jayadev, 2013). Growth of bank branches in rural and semi-urban sectors (and in the poorest states) has fallen, especially in the late 1990s. Although the priority sector requirement of 40% of credit remained in place, it has been expanded to many other sectors, including housing for middle income families (Jayadev, 2013).[xliv] Consequently, priority lending has been hollowed out, as its original intention has been eroded. Both the share of total bank credit going to the agricultural sector and small-scale industry have fallen strongly (Chandrasekhar, 2008a; EPW Research Foundation, 2008, p. 26; Jayadev, 2013). Smaller borrowers have thus been led towards expensive informal borrowing and microfinance, both of which are unable to improve their situations durably.[xlv] As Jayadev (2013; see also EPW Research Foundation, 1997, p. 1303) writes, therefore: “Overall, the story of finance in the age of reforms suggest a profound gap between what is fiscally prudent and profitable for banks and financial institutions in a liberal, competitive requirement and the social needs of a society in India.”

India’s banking sector is still largely dominated by Indian banks. In March 2008, foreign bank credit amounted to only 20% of total bank credit (McCauley & Ma, 2008). The share of assets held by foreign banks as a share of total banking assets has never been more than around 8% (in 2004), and stood at 5% of total assets in 2009 and 6% in 2012-2013 (data from World Bank, 2014a; PwC, 2013a; for other estimations in the same range see Bery & Singh, 2006, p. 152; Domanski, 2005, p. 72; Mehon, 2010).[xlvi] The 34 foreign banks active in India owned around 315 branches in 2010, against more than 65,000 for domestic banks (Mehon, 2010). Moreover, in 2010, almost 74% of total banking assets in India were owned by state-owned banks (Marois, 2013; see also Bery & Singh, 2006, pp. 145, 152; Crabtree, 2012a; Gupta et al., 2011; Reddy, 2010; Shah & Patnaik, 2008, 2011). As in China, the financial system thus remains dominated by publicly-owned banks (Planning Commission India, 2009).

It is not surprising, then, that the banking sector has been one of the primary aims of pro-liberalization reformers (see e.g. Barber, Crabtree & Mallet, 2013; Gupta et al., 2011; Ministry of Finance India, 2007; Planning Commission, 2009; RBI, 2013d).[xlvii] In December 2012, a law was passed which allows the RBI to issue new banking licences, and which raised the limit of foreign investment by one foreign investor in Indian private banks from 10% to 26% and in public banks from 1% to 10%, despite a two-day nationwide strike at the public banks, organized by the United Form of Bank Unions, in August 2012 (Crabtree, 2012a, 2012c; PwC, 2012b; Talwar Thakore & Associates, 2013). In November 2013, new rules were released by the RBI which created new opportunities for foreign banks, although with certain regulations and with clear advantages if they set up a local subsidiary instead of a branch of a foreign parent (Crabtree, 2013e; Jain & Anand, 2013). This indicates that efforts to privatize, liberalize and internationalize the banking sector are ongoing. However, in contrast to capital account liberalization, the debate on the privatization of state-owned banks,

liberalization of the banking sector and expansion of foreign banks has been quite politicized and controversial in India (see Bery & Singh, 2006, pp. 152, 154, 161-162; Crabtree, 2012a; Planning Commission, 2009; Shah & Patnaik, 2011).

Finally, it should also be noted that, despite the attention given to the stock market in India, and while capital flow volatility has a strong impact upon the Indian economy, equity is not at all the most important source of financing for corporate investment. Investment by Indian corporations is financed mostly through internal sources[xlviii], and loans from commercial banks (Chandrasekhar, 2008a). Despite the rapid development of India's capital markets, the financial system remained largely bank-based. As a report on "making Mumbai an international financial centre" states: "Indian finance continues to be rooted in the past, with a banking-dominated financial system that should, by now, have become much more capital-market oriented especially in the market for debt in the form of traded securities rather than bank loans" (Ministry of Finance India, 2007).

Equity has never accounted for more than 20% of corporate financing and even accounted for no more than 10% in 2000-2005 (Chandrasekhar, 2008a).[xlix] Stock prices thus have little effect on real productive investment (Dutt, 2006, pp. 1852-1853).[l] The corporate bond market is even less important than the equity market (see Group of Thirty, 2013; Jadhav, 2006, pp. 123-125; Lund et al., 2013; Wigan, 2011). On the other hand, internal sources accounted for more than half of corporate financing in 2000-2005, and still stood at 44% in 2005-2006, and the role of commercial banks has also grown, with 24% of total corporate financing in 2003-2004 (Chandrasekhar, 2008a). The argument that portfolio inflows have fuelled India's investment and economic growth is thus not credible.

7.4.4 Towards a new accumulation regime?

Through capital and trade liberalization, India's growth model has robustly turned away from ISI. At first sight, the implications for economic development have been positive (see also Reddy, 2010). Although a growth spurt had already taken place in the 1980s, it increased even more. Annual average growth mounted from 3.63% over the 1950s, 1960s and 1970s to 5.61% in the 1980s, 5.73% in the 1990s and 7.73% in the 2000s, while annual average per capita growth rose from 1.45% over the ISI decades to 3.40% in the 1980s, 3.84% in the 1990s and 6.00% in the 200s (see Figure 7.1).[li] However, a number of problems have been identified with regard to India's economic growth in the neoliberal era.

The first problem is that the growth drivers of India's recent growth are not sustainable. In the first place, while public spending had been the principal stimulus under ISI, in the 1990s it was replaced by debt-financed housing investment and private consumption of the higher-income groups (especially in urban areas), which in turn fuelled corporate investment (especially after 2003-2004, see Figure 7.7) and economic growth (Chandrasekhar, 2010, pp. 43-46, p. 58; De & Vakulabharanam, 2013; Ghosh & Chandrasekhar, 2009, pp. 726-727). The liberalization of banking, and the concomitant increasing availability of credit (and retail loans, see above), allowed for investment in housing and real estate to rise. Rising inequality and larger income growth for the higher-income groups (see Figure 7.8)[lii], resulted in more private consumption and "the expansion of a productive structure catering to the 'class and comfort' of both the expanding middle class and India's tiny, but

by world standards extremely wealthy, 'billionaire' bourgeoisie" (Walker, 2008, p. 558; see also Banerjee-Guha, 2008, p. 57).

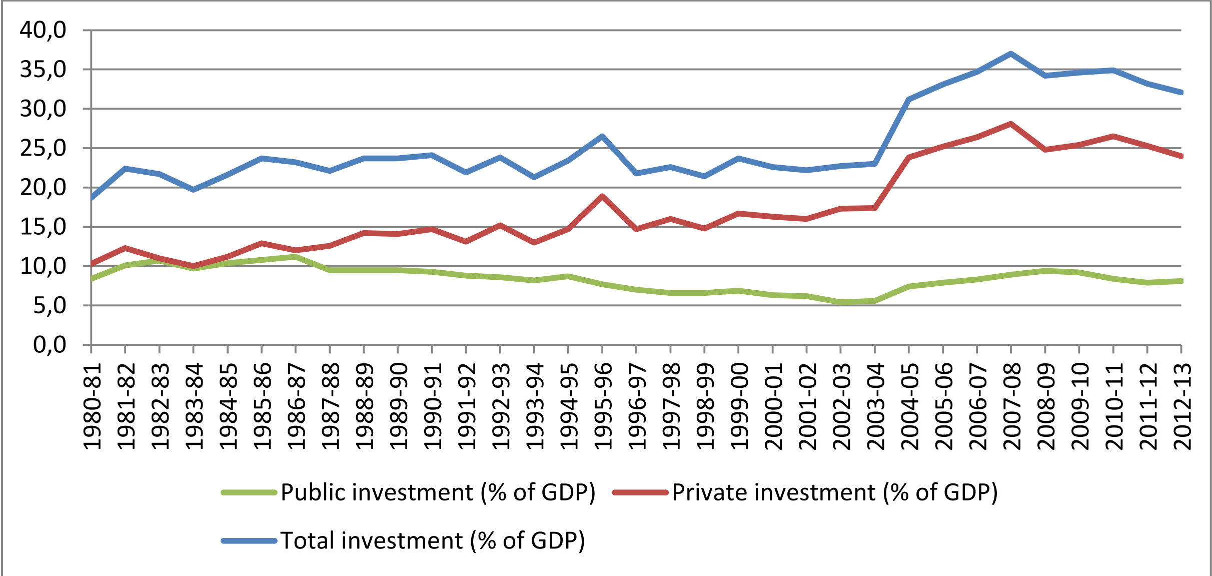

Figure 7.7: Investment rate India, 1980-81–2012-13 (based on data from Ministry of Finance India, 2005, 2012, 2013a, 2014)

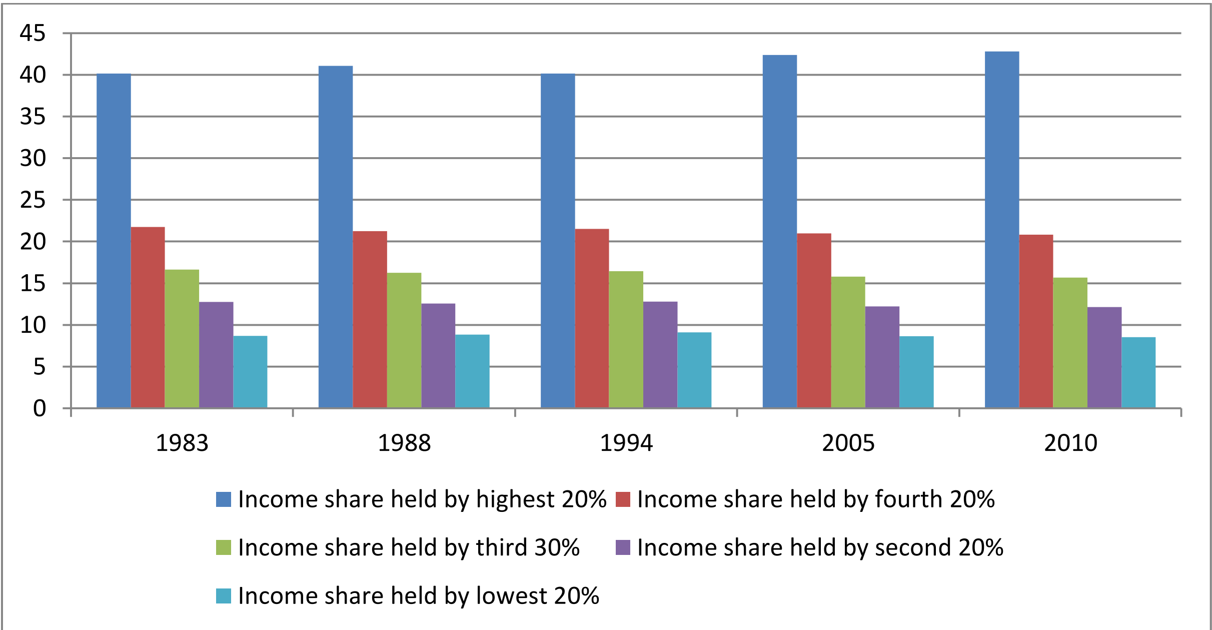

Figure 7.8: Income shares India (based on data from World Bank, 2014b)

Capital inflows contributed to the rising asset prices (see Dutt, 2006, p. 1853; Jayadev, 2013), in particular real estate and stock prices, with a clear stock market bubble (see Figure 7.9). The number of registered FIIs in the equity market rose from 18 in 1993 to 540 in 2004 (Jayadev, 2013). With FIIs being the biggest institutional investors in Indian capital markets, FIIs had a large impact upon prices

and volatility (Chandrasekhar, 2008a; Dutt, 2006, p. 1853; Ghosh & Chandrasekhar, 2009, p. 731; Jayadev, 2013; Singh, 2009). Rising asset prices in turn powered rising consumption (especially in consumer durables and automobiles) among the rich and the (higher) middle class.[liii] This credit- and bubble-fuelled growth model was already reaching its limits before the global crisis hit. Moreover, inequality coming with this "enclave based growth model" (De & Vakulabharanam, 2013) has meant that the domestic market remains strongly limited (Ghosh & Chandrasekhar, 2009, p. 727). One of the constraints on domestic demand is the strong dependency on the services sector, with a declining share of agriculture and manufacturing in GDP (see Figure 7.10).[liv] To generate employment opportunities for the "reserve army of labour", the manufacturing sector must expand, as the growth of services is inadequate (Nabar-Bhaduri & Vernengo, 2012; Sanyal, 2014; Subramanian, 2012a).[lv]

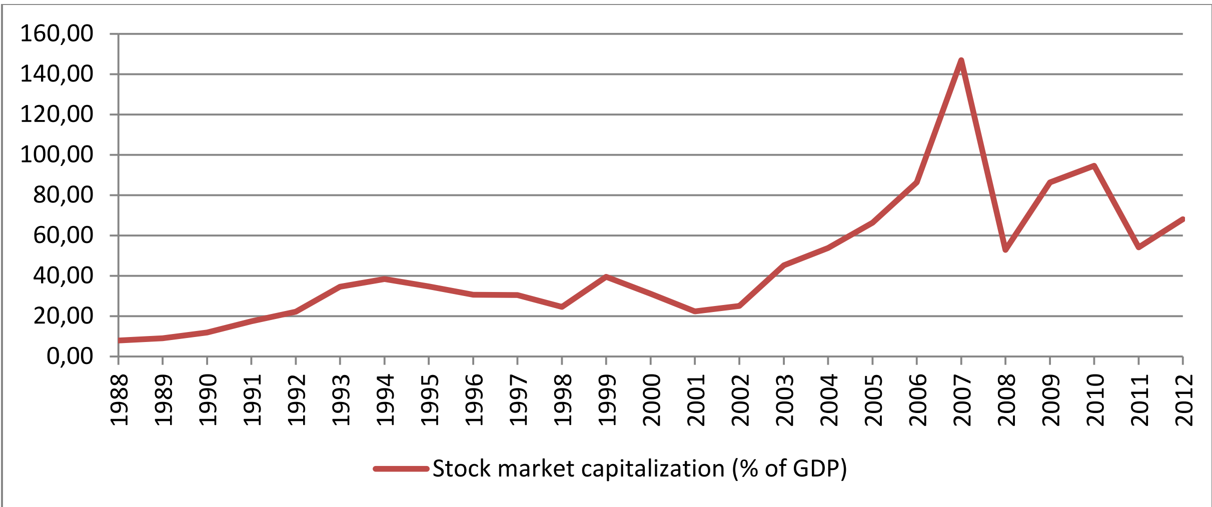

Figure 7.9: Stock market capitalization India (based on data from World Bank, 2014b).

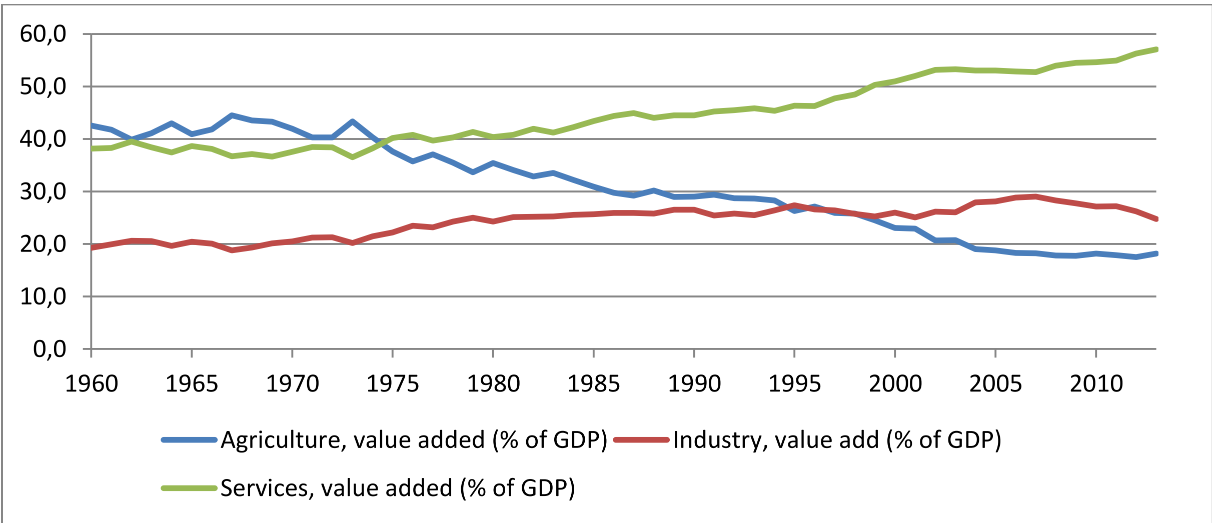

Figure 7.10: Value added per sector India (based on data from World Bank, 2014b)

A second problem is that India has been running a persistent deficit in the trade balance and the current account balance (see Figure 7.11; see also Nabar-Bhaduri & Vernengo, 2012). The problem is situated in India's manufacturing sector. Although exports have grown strongly (see Figure 7.12), unlike in China, export growth – as with economic growth in general – has largely been confined to services, with the share of software exports in total exports up from less than 2% in 1994-1995 to 16.3% in 2001-2002, swelling to around 30% in 2011 (with ITC accounting for 45% of services exports) (D'Costa, 2003, p. 215; Ghosh & Chandrasekhar, 2009, p. 727; Hyvonen & Wang, 2012, p. 34; Nabar-Bhaduri & Vernengo, 2012).[lvi] FDI is concentrated in the services sector (with on average almost 70% of inward FDI in 2007-2011 in the tertiary sector) – again in contrast with China and East Asia – and/or aimed to serve the domestic market, rather than exports, and therefore does little to overcome the balance-of-payments constraint (Interview 29; Jayadev, 2013; Mohan, 2008, p. 240; Nabar-Bhaduri & Vernengo, 2012; Shah & Patnaik, 2007, p. 610, 2008; UNCTAD, 2013a).

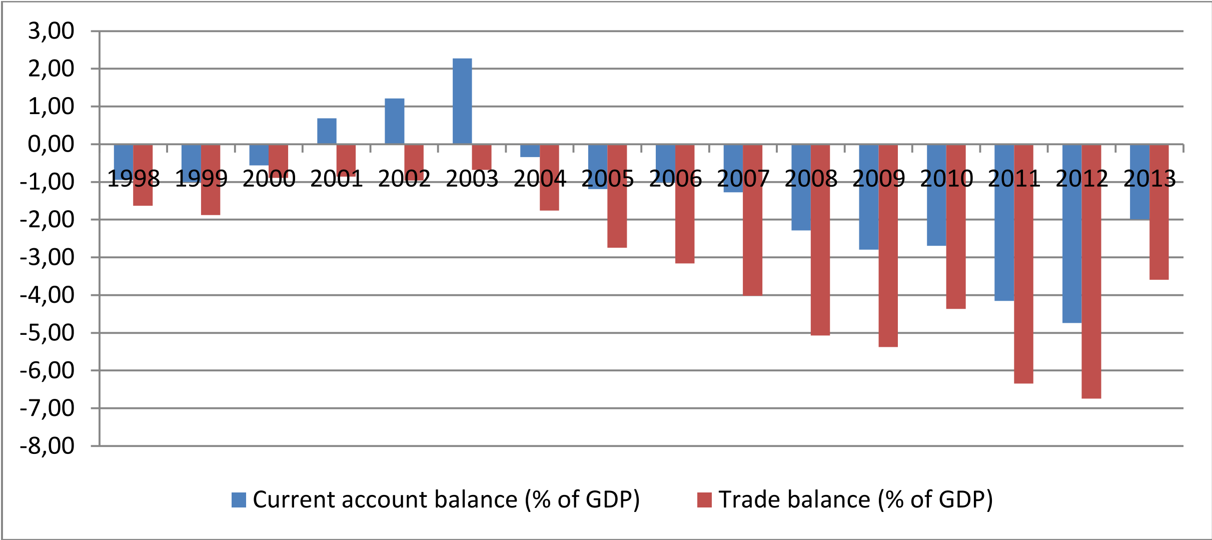

Figure 7.11: Current account and trade balance India, 1998-2013 (data from IMF, 2014c; World Bank, 2014b)

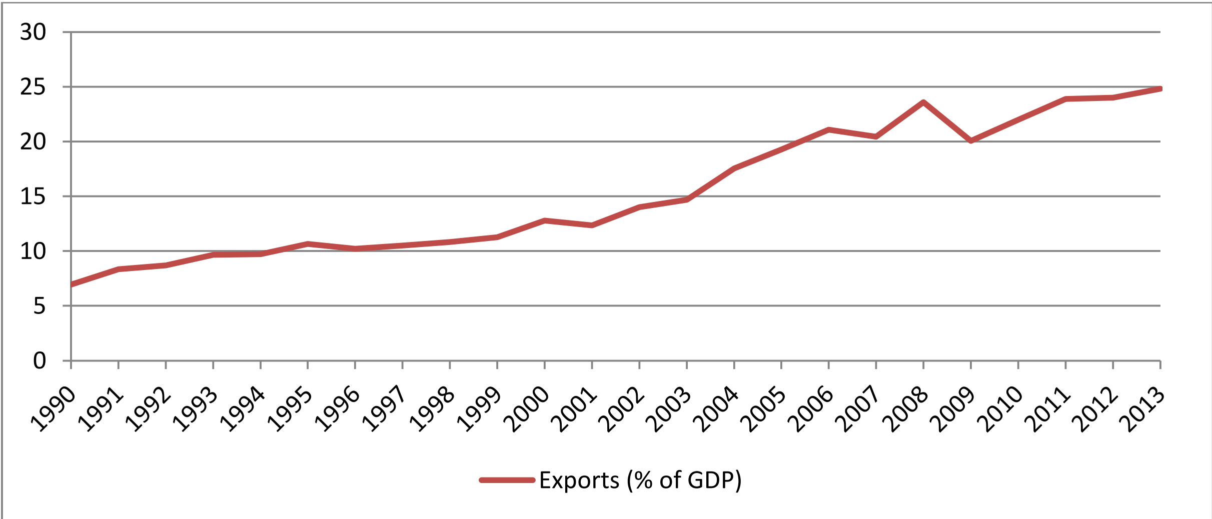

Figure 7.12: Exports India, 1990-2013 (data from World Bank, 2014b)

Third, to finance the current account deficit, India has relied on capital inflows, and is thus dependent on financial liberalization (Nabar-Bhaduri & Vernengo, 2012). The volatility in capital flows which can ensue has been evident in India, with consequences for the value of the rupee, asset prices and economic growth (Dutt, 2006, pp. 1852-1853; Jha, 2008b, p. 264; Ranjan & Prakash, 2010). Capital flows thus create difficulties in managing the economy, as they can either be too large or too small. Excessive capital inflows can result in exchange rate appreciation, which undermines competitiveness and further increases the trade and current account deficit, and which potentially creates an asset price bubble (Interview 29; Kohli, 2001; Mohan, 2008, p. 235; Nabar-Bhaduri & Vernengo, 2012; Rangarajan, 2011; Subramanian, 2012a). The larger CAD then makes India even more reliant on volatile capital inflows, and creates the danger of a vicious cycle. This was precisely the problem before the global economic crisis broke out. During the 1990s and early 2000s, there was a moderate increase in the volume of capital inflows. These inflows were used to cover India's current account deficit. However, especially after 2003, inflows surged, as a response to both India's liberalization and the higher returns available, and inflows were far in excess of what was needed to finance the current account deficit (Chandrasekhar, 2008a; D'Souza, 2008, p. 35; Ghosh & Chandrasekhar, 2009, p. 730; Mohan, 2008, p. 244; Prasad, 2009a; Reddy, 2007, p. 22; Singh, 2009).[lvii] Because of capital inflows, the exchange rate appreciated (despite the trade and current account deficits), leading to a deteriorating current account balance (D'Souza, 2008, p. 35).

The government and RBI have weakened the appreciation of the exchange rate through sterilized intervention in the foreign exchange market. Through these interventions, the RBI buys dollars with rupees, and then sells government bonds to prevent an increase in the domestic money supply caused by their rupee-for-dollar transactions. These interventions resulted in a rapid rise of foreign reserves (Chandrasekhar, 2008a; Ghosh & Chandrasekhar, 2009, p. 730; Mohan, 2008, p. 237; Prasad, 2009a; Venkatesh, 2008).[lviii] However, the surge in capital inflows has made it difficult for the RBI to manage the exchange rate.[lix] In April 2004, the Market Stabilization Scheme (MSS) was launched, which allows the RBI to issue government securities for sterilization (Chandrasekhar, 2008a; D'Souza, 2008, p. 37). The government has to pay the interests on the government securities issued under the MSS, which means that the interest burden of the Indian government rises with sterilization. Sterilization of capital inflows may thus lead to cuts in capital and social expenditures and as such inhibit development (Chandrasekhar, 2008a). In sum, there are clearly limits to the sterilization of large-scale capital inflows (Chandrasekhar, 2008a; D'Souza, 2008, pp. 36-38; Mohan, 2008, p. 244; Planning Commission, 2009; Subramanian, 2007, p. 2416). If encouraging outflows is not a viable option – although this was the road taken by the government – because it often only leads to more capital inflows, then curbing capital inflows is the only remaining possibility (see Chandrasekhar, 2008a; Jha, 2008b, p. 269; Subramanian, 2007, p. 2417).

Besides the problem of too much inflows, capital flow volatility can also result in sudden capital reversals, with capital outflows or not enough capital inflows, which affects the rupee, stock prices and the repayment of debt denominated in foreign currency, and which can even lead to a balance-of-payments crisis. The increasing CAD also increases the odds of balance-of-payments difficulties: the larger the capital inflows, the larger the current account deficit becomes, the greater the possibility that investor confidence suddenly wanes (Chandrasekhar, 2008a). The opening up to short-term capital flows has thus increased India's financial fragility: "Dependence on portfolio equity

and debt inflows of this magnitude meant that if any internal or external development was seen to warrant pulling out of India, the exit could be as strong as the earlier inflow of foreign capital" (Ghosh & Chandrasekhar, 2009, p. 731). This was demonstrated in 2007, when a proposal issued by SEBI to tighten regulations on PNs (which accounted for about half of all FII inflows) caused a stock market crash (Shah & Patnaik, 2007, p. 620; Singh, 2007; The Economic Times, 2007). After the Finance Minister made clear that a ban was not on the table, however, capital flows resumed.[lx] The vulnerability to capital outflows was demonstrated again after the global financial crisis broke out (see 7.5.1).

A fourth problem is that India's public finances have become less conducive to economic development. Before the 1991 reforms, a substantial part of government deficits was financed by low-interest borrowing from the RBI (Chandrasekhar, 2008a). Financial liberalization, less financial repression and higher interest rates (in part to attract foreign capital flows) have led to an increasing share of interest payments, both relative to government expenditures (see Figure 7.13) and relative to GDP (see Figure 7.14; Chandrasekhar, 2008a; Jayadev, 2013; Kletzer, 2004).

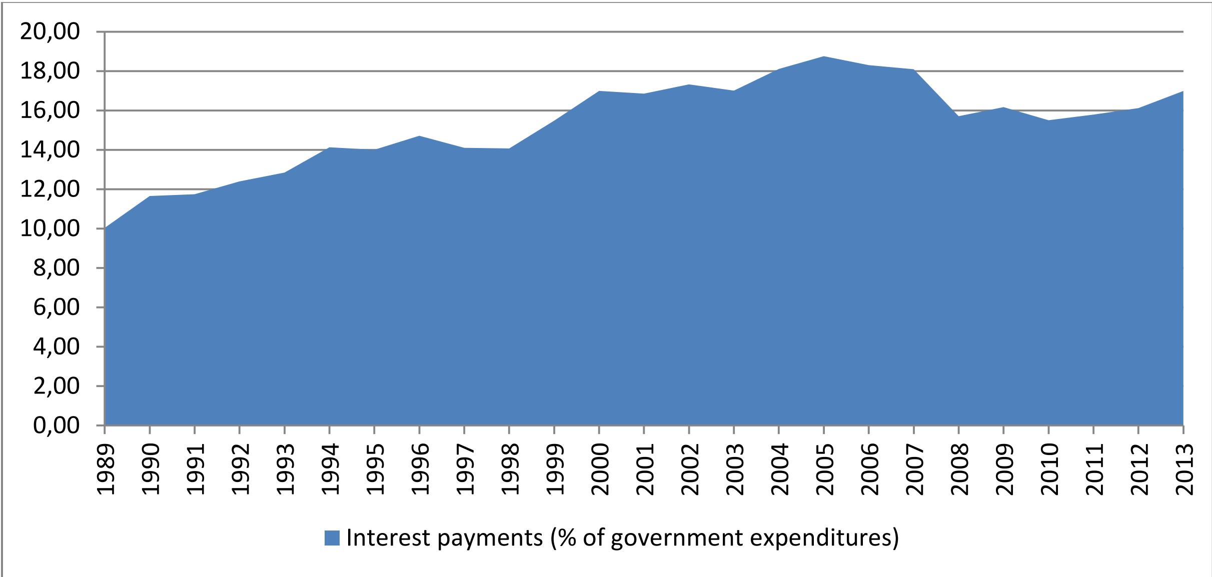

Figure 7.13: Interest payments as a share of government expenditures India (own calculations, based on data from IMF, 2014c)

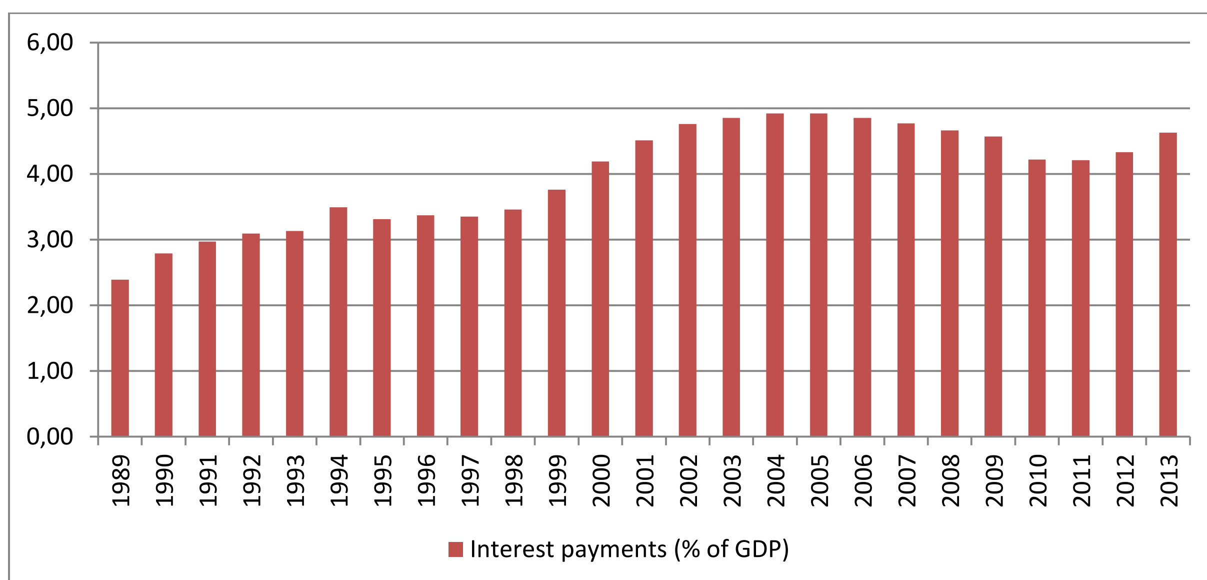

Figure 7.14: Interest payments as a share of GDP India (own calculations, based on data from IMF, 2014c)[lxi]

On the other hand, tax revenue as a percentage of GDP has only feebly risen (see data from Ministry of Finance, 2013b; World Bank, 2014b). Indeed, as even the Indian Liberal Group has stated, the figures "do not show any alarming rise in the size of the government", and compared to developed countries, "the size of the government in India is more modest" (Indian Liberal Group, 2006). The result is that public investment has declined (see Figure 7.7), with negative consequences for future growth prospects (Jayadev, 2013). Various reports have therefore argued for more public investment (e.g. Indian Liberal Group, 2006; see also Vikaraman, 2012).

Finally, a fifth problematic characteristic of India's opening up, and the liberalization of capital flows in particular, is that it has reinforced the tendency of state governments to do everything to please (foreign) investors (Ahluwalia, 2006, p. 6; Banerjee-Guha, 2008, p. 55; see also Das, 2001, p. 109; Jeffrey & Lerche, 2000, p. 868; Raman, 2009, p. 297; Sud, 2009, pp. 662-663). As Chatterjee (2008, p. 58) writes, "the dismantling of the licence regime has opened up a new field of competition between state governments to woo capitalist investment, both domestic and foreign." Competition to attract capital – probably a zero-sum game – thus strengthens the pro-capital bias of Indian states, at the expense of subaltern groups.[lxii] This has been stimulated by competitiveness rankings of states (produced by business organizations and think tanks).[lxiii] Capital account liberalization has consequently also reinforced the uneven development within India (see e.g. Desai, 2013; Kapur & Subramanian, 2012). According to Kohli (2006a, p. 1252), "Indian states with more pro-growth and pro-business governments have tended to experience higher rates of economic growth." States that have tried to please investors more have thus fared better. As former Deputy Chairman of the Planning Commission Montek Singh Ahluwalia (2006, p. 6) has written: "There is little doubt that individual states have responded differently to the economic reforms and this has been reflected in their ability to attract investment."

7.5 After the global economic crisis

7.5.1 India in the global turmoil

On the one hand, India emerged relatively unscathed through the first years of/after the global financial crisis. Economic growth decreased from a high of 9.57% in 2006 to 9.32% in 2007 and to 6.72% in 2008, but then rose again to reach 8.59% in 2009 and 9.32% in 2010.[lxiv] The low financial integration and prudential banking regulation were important in this regard (Schmalz & Ebenau, 2012, p. 496). This probably also explains why India reacted relatively late to the economic crisis, and why only a small fiscal stimulus was implemented (Ghosh & Chandrasekhar, 2009, p. 736; Schmalz & Ebenau, 2012, p. 496).

However, this does not at all mean that India remained unaffected. The Indian feature of equity portfolio flows being more important than FDI had continued in the first decade of the 21st century (Bibow, 2011; D'Souza, 2008, p. 34; Shah & Patnaik, 2007, p. 610).[lxv] After the global economic crisis, their "hot money" nature and concomitant volatility has been underscored (Bibow, 2011; Mohan, 2012, pp. 30-31; Nabar-Bhaduri & Vernengo, 2012).[lxvi] The existing capital controls could not prevent the contagion from the global economic crisis: "De facto integration has risen sharply in recent years, but India still remains fairly closed. The rapid transmission of the impact of the Lehman bankruptcy into Indian financial markets was consequently unexpected"(Patnaik & Shah, 2009-10, p. 39). There was a sudden reversal of capital flows, because of the global "flight to safety" whereby international investors sold assets which were perceived to be more risky (generally in EMDCs) and bought assets perceived to be more risk-free (in general in developed countries, in particular the US). FIIs pulled out US$5.7bn out of the Indian stock market during the first seven months of 2007, causing the collapse of the stock market (see Figure 7.7; Bibow, 2011; Chandrasekhar, 2008a; Ghosh & Chandrasekhar, 2009, p. 731; Subramanian, 2008).[lxvii] Capital outflows also resulted in a strong rupee depreciation (see Figure 7.15; Ghosh & Chandrasekhar, 2009, p. 732).

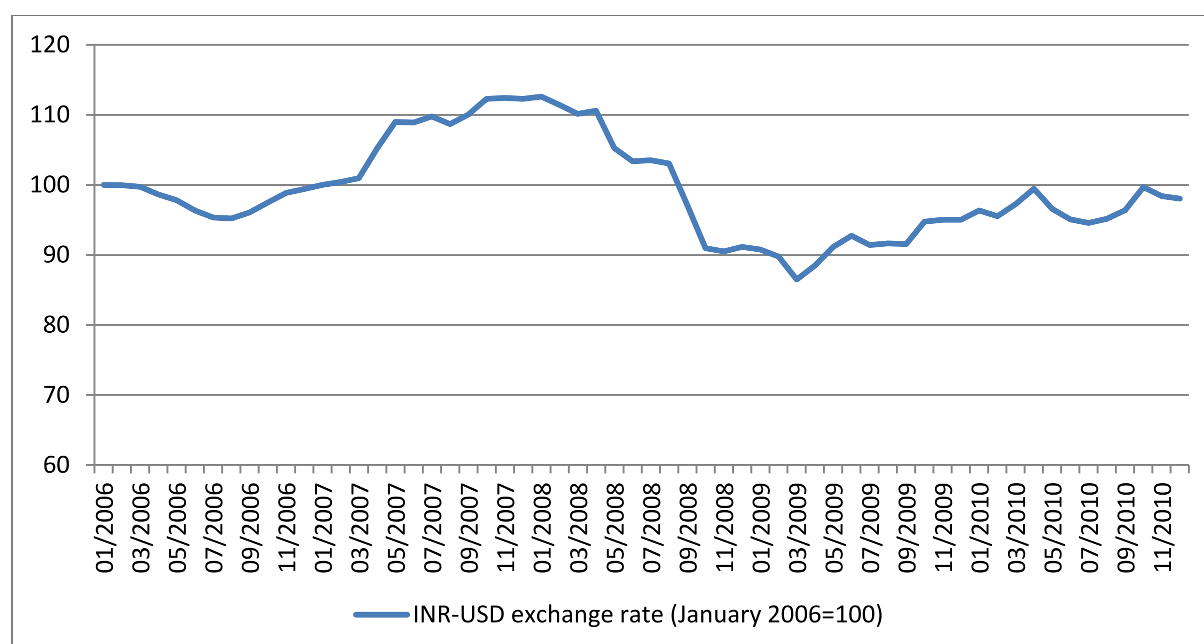

Figure 7.15: INR-USD exchange rate, 2006-2010 (own calculations, based on data from Board of Governors of the Federal Reserve System, 2014)

One of the channels through which the Indian economy was affected involved Indian TNCs which had borrowed abroad in foreign currency before the crisis, often to finance mergers and acquisitions or to benefit from the carry-trade with higher interest rates in India than abroad (Chandrasekhar, 2008a; Interview 26; Subramanian, 2008; Patnaik & Shah, 2009-10, pp. 39-40; Prasad, 2009a). After the crisis hit, they got short of dollars, borrowed rupees and converted them into dollars, which was partly responsible for the depreciation of the rupee. To deal with these strains, the RBI enhanced access to domestic and foreign credit (EPW Research Foundation, 2008, p. 25; Ghosh & Chandrasekhar, 2009, p. 735). In October 2008 the limit of FII investment in corporate bonds was increased from US$3bn to US$6bn, and in March 2009 from US$6bn to US$15bn (SEBI, 2008c, 2009). Moreover, in October 2008 the 70/30 ratio for FII investment in equity/debt was eliminated (SEBI, 2008c). Regulations on NRI deposits too were liberalized (Jain, 2012; Mohanty, 2012).[lxviii] ECBs were also progressively relaxed in the wake of the crisis, "in view of the tight liquidity conditions in the International financial markets" (RBI, 2008b). The ceiling was raised in October 2008 to 300 basis points over Libor for loans with a maturity between three and five years, and to 500 basis points over Libor for loans with a maturity of more than five years. In January 2009 ceilings were even lifted completely, although they were reinstalled in January 2010 "in view of the improvement in the credit market conditions and narrowing credit spreads in the international markets" (RBI, 2009b; see also RBI, 2009a). During the crisis, the RBI also had to lend foreign currencies to Indian banks to help them meet their obligations on their foreign branches (The Economist, 2009b).

Despite the relatively strong transmission of the global economic crisis to India, the difficulties in India were relatively short-lived. In its Staff Report for the 2009 Article IV Consultation, completed in January 2010, the IMF (2010b) already wrote: "India's economy is rebounding strongly ahead of most countries in the world, bringing policy trade-offs to a head earlier than in other countries. Growth is approaching pre-crisis levels and leading indicators bode well for continued recovery." Capital inflows had also resumed.

7.5.2 Between liberalization of inflows and controls on outflows after the crisis

While India recovered rather quickly, after the crisis India's trade and current account balance, which had already been deteriorating since 2003, got even worse, with trade deficits of more than 6% of GDP (see Figure 7.11). As Bibow (2011) argues: "Traditionally cautious with regard to global finance, India has increased its external vulnerability in recent times through liberalization and toleration of larger current account deficits." According to the World Bank (2013a), India will maintain a current account deficit between 2015 and 2030, which implies that it will remain dependent on foreign capital inflows during this period. Two of the main problems are oil imports[lxix], and gold imports which increased by 60% in 2011-2012 (amongst others as a hedge against inflation) (IMF, 2011a, 2013b; Interview 26; Kazmin, 2013a; Suttle et al., 2012). Moreover, during the last years net FDI flows were increasingly insufficient to finance the current account deficit, which means that India was increasingly dependent on short-term capital inflows (see Figure 7.16; IMF, 2014b).

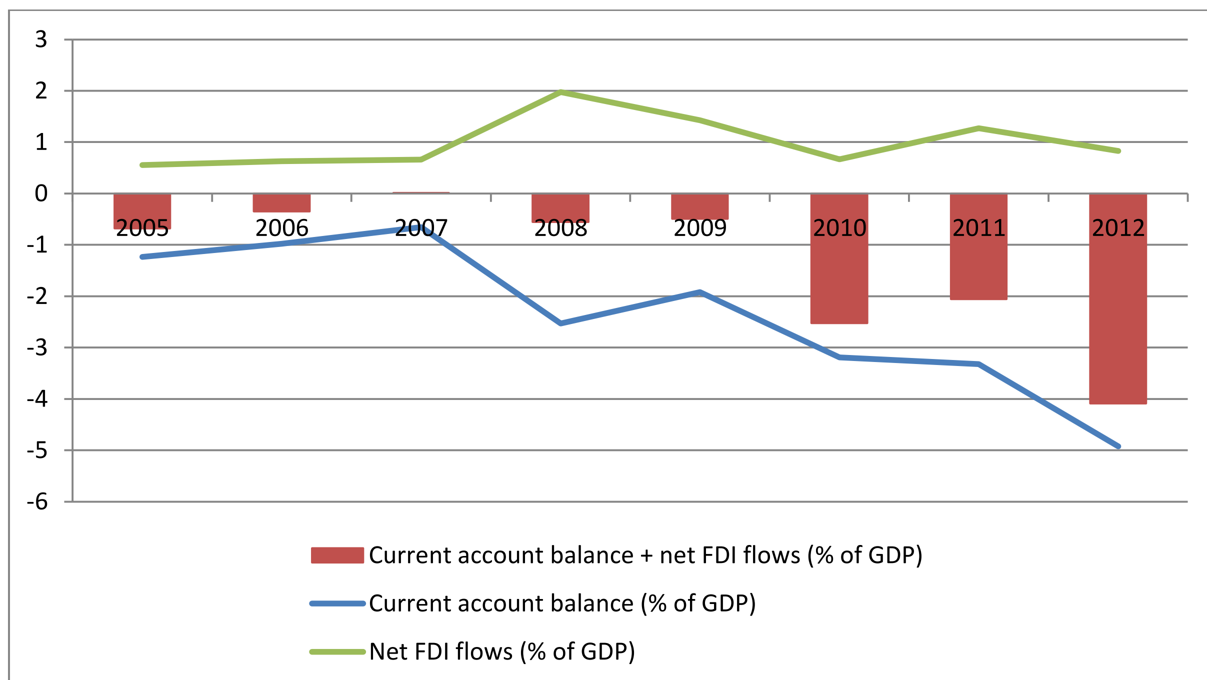

Figure 7.16: Current account balance and net FDI flows India (based on data from World Bank, 2014b, partially own calculations)

The rising current account deficit, the need for foreign short-term capital, and the depreciation of the rupee in 2011 (see Figure 7.17; IMF, 2012b) (after the temporary inflow surge in 2009 in the context of quantitative easing in the US, see Figure 7.6, Figure 7.15) have already led to more liberalization (Bibow, 2011; Subramanian, 2012a; The Economist, 2009a).[lxx] In different steps (until January 2014), the limits of FII investment in government and corporate bonds were increased from US$5bn and US$15bn to US$30bn and US$51bn respectively, although with certain sub-limits and other stipulations (RBI, 2013b; SEBI, 2014).[lxxi] ECBs were also relaxed again. In November 2011, the ceiling for loans with a maturity of between three and five years was raised to 350 basis points over Libor instead of the earlier 300 basis points, while the ceiling for longer-term loans remained unchanged (RBI, 2011, 2014c). The overall annual ceiling for all ECBs was also increased in several steps, from US$22bn in 2006-2007 to US$40bn in 2013-2014 (Arun, 2013).[lxxii] The result was that, as before the crisis, ECBs increased considerably (Subramanian, 2013).

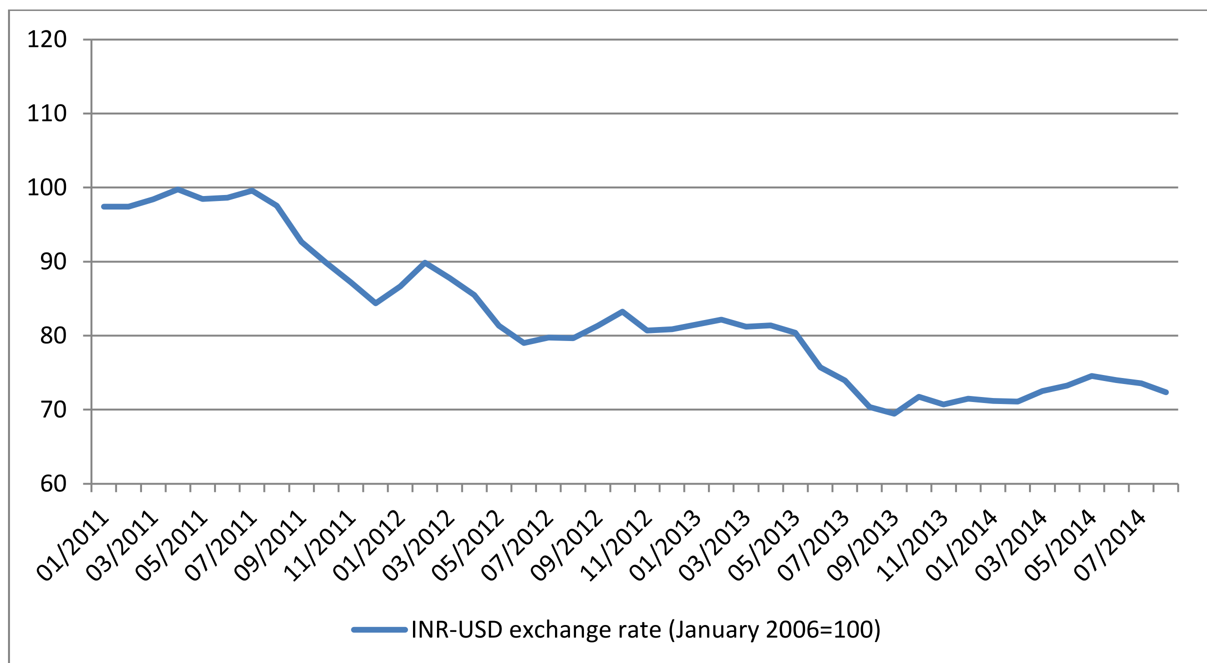

Figure 7.17: INR-USD exchange rate, 2010-2014 (own calculations, based on data from Board of Governors of the Federal Reserve System, 2014)

Further, in September 2012, the Indian parliament made the contentious move to allow FDI in the retail sector (as well as investment by foreign broadcasters and foreign airlines), greeted by industrialists and analysts but opposed by the left and (part of) the nationalists, including the BJP (Ahmed & Guha, 2012; Kazmin & Crabtree, 2013; Timmons, Kumar & Raina, 2012; The Wall Street Journal, 2012).[lxxiii] The debate on FDI demonstrates that foreign investment in certain sectors remains controversial.[lxxiv]

Despite the liberalization of capital inflows and other measures to attract investment, there has been widespread pessimism over the investment climate with both India's capitalist class and foreign capital. Complaints range from inadequate infrastructure and electricity, over red-tape, corruption and bureaucracy, to high interest rates, an unpredictable tax regime and high labour costs, and bad macroeconomic policies with large fiscal deficits and high and rising inflation since 2005[lxxv] (see Figure 7.18) (Crabtree & Mallet, 2013; Fontanella-Khan, 2012; IMF, 2012b, 2013b, 2014b; Interview 2; Jacob, 2012; Kazmin, 2013b; Lamont, 2012; The Hindu Business Line, 2012). In the context of this pessimism, investors, Indian capital and analysts have not refrained from warning that capital is mobile and that money can be invested abroad instead of in India (see Crabtree, 2012d; Kumar & Singh, 2012; Kundu, 2012; Lamont, 2012; Financial Times, 2013).

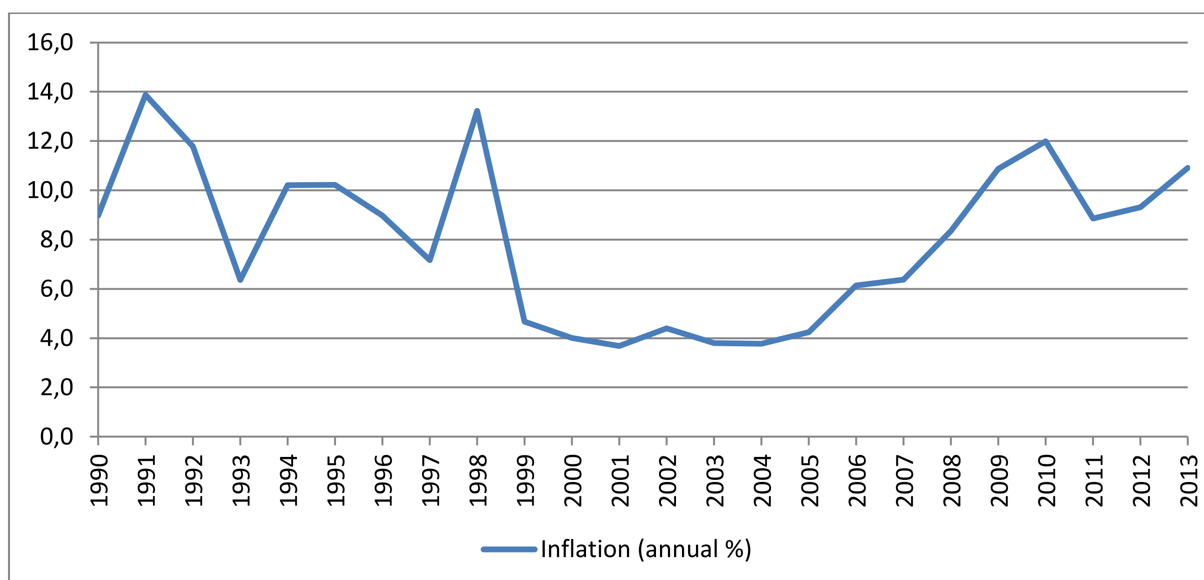

Figure 7.18: Consumer prices inflation India (data from World Bank, 2014b)

When there were indications of tapering by the US Federal Reserve in May 2013, India was hit by a surge in capital outflows, and a concomitant sharp depreciation of the rupee (see Figure 7.17; Ministry of Finance India, 2014). The situation got worse in June and August. As the IMF (2014b) states: “As global liquidity conditions tightened, India was faced with significant portfolio debt outflows, and pressures on currency, equity, and bond markets.” In August 2013, some capital controls on outflows by residents were strengthened (see Chilkoti & Mallet, 2013; Mallet & Crabtree, 2013; PwC, 2013b; RBI, 2013c; Rodrigues & Xie, 2013).[lxxvi] Corporations could from now invest no more than 100% of net worth overseas without approval instead of 400%, and individuals were allowed to remit only US$75,000 abroad, instead of the earlier US$200,000. These measures were strongly criticized by Indian and foreign capital, (foreign) economists and the international financial press (see e.g. Mallet & Crabtree, 2013; Financial Times, 2013). As the IMF staff has written (IMF, 2014b): “Measures to further restrict capital outflows should be avoided, not least because recent experience suggests that they could well be counterproductive, potentially catalysing capital flight through different routes. The renunciation of such measures should be clearly communicated to bolster investor confidence.”

In any case, the measures were probably unable to stop capital flight, and policymakers rejected broader and deeper controls on outflows, including the extension of capital controls to foreign investors such as FIIs (Crabtree, 2013d). The “crisis” was relatively short-lived and soft and the rupee rebounded slightly (see Figure 7.17; Crabtree, 2013b; Ministry of Finance India, 2014). Moreover, it is also clear that the Indian policymakers do not want a more significant closure of the capital account. The constraints on outflows have already been relaxed again, as individuals are now allowed to remit US$125,000 abroad instead of the earlier limit of US$75,000 (RBI, 2014b), and the restrictions for corporations were partially reversed in September 2013 (IMF, 2014b; RBI, 2013d). Capital inflows were liberalized as well. Besides the further liberalization of ECBs and FII investment in bonds outlined above, the restrictions on FDI inflows were eased, and NRI deposits at Indian banks were also (temporarily) made more attractive (Chilkoti, 2013; Deulgaonkar, 2014; IMF, 2014b; Press Trust

of India, 2013). Finally, India also agreed to the launch of US$1bn (doubled in 2014) of offshore rupee-linked bonds in 2013-2014 by the International Finance Corporation (IFC), the World Bank's private arm, of which the proceeds were to be invested in Indian assets (Crabtree, 2014c; IFC, 2013; IMF, 2014b; Khan, 2014; Talley, 2013).

On the one hand, India is now in a far better position than in 1991. With regard to the external situation, the external debt stood at 20.8% of GNI in 2012 against 32.1% in 1991 (data from World Bank, 2014b; see Figure 7.5).[lxxvii] The average maturity of this relatively low debt has also been lengthened, and the external debt service ratio has declined strongly (Kapur & Subramanian, 2013; Mohan, 2008, pp. 241-242; Mohanty, 2012). The fiscal situation has also improved, with gross government debt at 66.6% of GDP in 2012 against 75.3% in 1991 (data from IMF, 2014c), and with long maturities and low foreign currency government indebtedness (see Zhong, 2014).

On the other hand, India's is still vulnerable to capital flow volatility. While the current account and trade deficit have already become smaller in 2013 (see Figure 7.11; IMF, 2014b), "with a still-significant external financing need, India is exposed to higher global interest rates and a reversal of capital flows" (IMF, 2014b). The external financing need implies that India is dependent on foreign capital and cannot alienate foreign investors too much (see Banerjee in Timmons, Kumar & Raina, 2012; Rangarajan, 2011). It is clear that the government is now highly and permanently concerned about maintaining investor confidence in general and stock prices in particular (Jayadev, 2013).[lxxviii] Consequently, the Indian government "does all it can to please the financial markets, for it is these (metaphorical) financial shopping centres that have the power to engineer booms and busts with the volatile inflows and outflows of capital" (Economic and Political Weekly, 2012, p. 8).

This was already one of the reasons why the government did not restrict capital inflows before the crisis, namely "the fear of annoying the financial markets, especially the global financial players, by imposing restrictions on capital flows" (Reddy, 2010). As the Report of the Committee on Financial Sector Reforms stated: "We should not stamp on foreign capital now for we may need to retain its confidence in the future" (Planning Commission India, 2009). One interviewee claimed that early in the 1990s capital account liberalization happened because of the ideology of the liberalizers, while now it happens out of sheer fear of a (currency) crisis (Interview 24). The reticence to impose more strict controls on short-term capital flows is thus also due to the concern on how foreign investors perceive these controls (Interview 27). It seems, then, that the statement that India "is a prisoner of (foreign) hot money" (Economic and Political Weekly, 2012, p. 8) is not too far-fetched.

7.5.3 The neoliberal historic bloc

Despite the turmoil experienced by India during and after the global economic crisis, then, it does not appear that India is heading towards a post-neoliberal configuration of social forces. One of the reasons is that the alliance that was developing in the 1980s and the 1990s is by now a fully-developed historic bloc, which has gained from the neoliberal project in India implemented especially from 1991 onwards. This bloc has remained strongly committed to the neoliberal project , even after the crisis (Schmalz & Ebenau, 2012, p. 493). It consists of technocrats and bureaucrats, the Indian capitalist class, the urban middle class and, increasingly, foreign corporations and investors, and is supported by the international financial organizations (see Amin, 2005, p. 11; De & Vakulabharanam,

2013; Nayyar, 1998, p. 3129; Saull, 2012, p. 332; Schmalz & Ebenau, 2012, pp. 492-493; Sengupta, 2009, p. 196).

From the beginning of the reforms, the Indian state was trying to establish a new "social contract" with Indian capital: state support in exchange for a more competitive Indian industry (Kohli, 2006b, p. 1361). While the capitalist class was in many instances not the force behind external liberalization, both wealthy Indians themselves and their businesses are now highly bound up with foreign capital and the global economy (see D'Costa, 2000, p. 159; Petras, 2008, p. 326; van der Pijl, 1998, p. 131; UNCTAD, 2012).[lxxix] Since 2004, "thousands of Indian firms have embarked on turning themselves into multinational corporations" (Shah & Patnaik, 2008; also Gaur, 2008, p. 271; Ministry of Finance India, 2007).[lxxx] Despite the scepticism by Indian industrial capital about external liberalization at the beginning of the reforms, it has now fully embraced opening up, globalization, incoming FDI and international competition (see Figure 7.19; Chakrabarti, 2012, p. 460; Interview 30; Vanaik, 2004, p. 159).

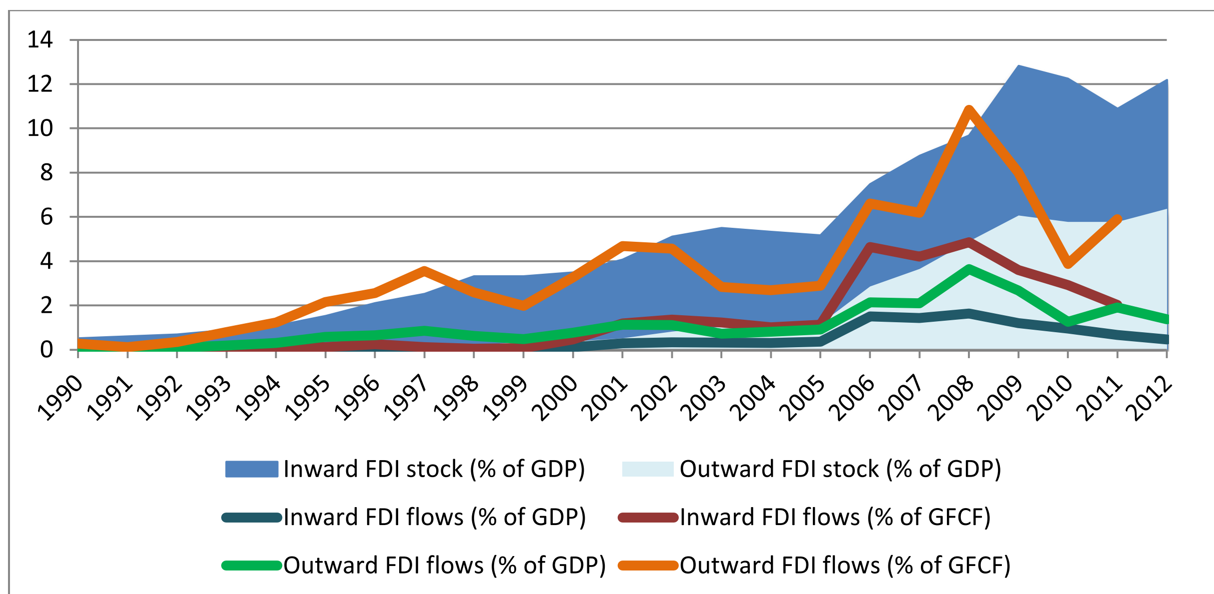

Figure 7.19: Inward and outward FDI India (based on data from UNCTAD, 2014)

As Montek Singh Ahluwalia (2006, p. 12; see also Chatterjee, 2008, p. 57) has written: "Perhaps the most important structural change that has taken place, which augurs well for the future, is a change of mindset in the part of Indian business persons, which has given them confidence to cope with globalisation and the challenges it throws up." Emboldened by some crucial supportive preconditions dating from the ISI era[lxxxi], and by considerable successes in some sectors such as software, steel and automobiles, big Indian companies have gone abroad and transformed into global capitalist enterprises (Ahluwalia, 2006, pp. 12-13; Chakrabarti, 2012, p. 460; D'Costa, 2000, p. 141; Saull, 2012, p. 332).[lxxxii] Outward FDI flows increased from close to zero until 1991 to an average of 1.52% of GDP in 2006-2008, although there was a fall after the global financial crisis (see Figure 7.19; see also Chandrasekhar, 2008a; Shah & Patnaik, 2008; The Economist, 2009b). According to Vanaik (2004, p. 159; also Interview 24, 26, 27 & 31), "very substantial sections of Indian capital now seem prepared to accept a future in which they will seek niches in the large Indian market, pursue outward

expansion wherever they can and accept junior partnership with TNCs." The consequence is that Indian industrial capital is by now the main social force in the neoliberal historic bloc. As an Indian government report puts it: "The same industrialists who opposed such reforms at the time are now their most ardent advocates" (Ministry of Finance India, 2007).

The Indian urban middle class is also strongly integrated (economically and culturally) into the neoliberal project (Saull, 2012, p. 332). It has become more affluent and gained from the increasing consumption of durable consumer goods, and part of it now invests in the Indian stock market (Agarwal, 2006, p. 97; Chandrasekhar, 2010, p. 58; Raman, 2009, p. 297; Sengupta, 2009, p. 196). The middle class also sees the private sector as far more efficient than the state apparatus and "appears now to have largely come under the moral-political sway of the bourgeoisie" (Chatterjee, 2008, p. 58).

7.5.4 Trade unions and the (un)organized working class

While the 1990s brought higher economic growth in India, the new accumulation regime also led to a crisis in small-scale agriculture and in the situation of the rural poor (Agarwal, 2006, p. 97; De & Vakulabharanam, 2013). The liberalization of imports of commodities and the withdrawal of state support were detrimental to parts of the agricultural sector (Walker, 2008, p. 558). Moreover, the liberalization of banking and the scaling back of directed credit at regulated interest rates implied that the proportion of bank credit going to (small-scale) agriculture declined, which made agriculture more dependent on commercial banking and interest rate fluctuations (and thus to the profit motive) (Chandrasekhar, 2008a; Jayadev, 2013). Finally, the expropriation of land in order to transfer it to domestic and international capital (amongst others in special economic zones or SEZs) led to the dispossession and displacement of many of the rural poor (Banerjee-Guha, 2008, p. 51; Walker, 2008, p. 588). All these evolutions have led to an agrarian crisis, as indicated by suicides and starvation deaths (see Walker, 2008).[lxxxiii] Consequently, a large dispossessed, desperate and cheap "reserve army of labour" has come into existence in both urban and rural areas (Banerjee-Guha, 2008, pp. 51, 56; Chatterjee, 2008, p. 62; Walker, 2008, p. 558).

Capital account liberalization and the neoliberalization of India after 1991 have also, as in other countries, changed the balance of power to the benefit of capital, and at the detriment of labour (Chakrabarti, 2012, p. 461; De & Vakulabharanam, 2013; Jha, 2008a, p. 73; Vanaik, 2004, p. 157). As the benefits of higher productivity have largely gone to Indian industrial capital, the wage share has fallen strongly since the late 1980s and the profit share has risen (Chandrasekhar, 2010, pp. 55-58; Rhee, 2012). Unemployment increased in the 1990s, as employment in the (public) organized sector declined, especially after 1997, leading to fears of "jobless growth" (Agarwal, 2006, p. 97; Ahluwalia, 2006, pp. 7-8; Chandrasekhar, 2010, pp. 55-57; De & Vakulabharanam, 2013; Jha, 2008a, p. 66; Mathew, 2006, p. 74). With insufficient employment opportunities in the formal sector, low-wage employment in the informal sector has been the only way out.

Globalization has also increased the attack on workers' rights and on trade unions (Jha, 2008a, pp. 74-76). With increasing competition, Indian capital tried to maintain profitability through forcing the costs onto labour (Interview 31). They have often been supported by policymakers, as "political parties of all ideological hues tend to follow policies of wooing investors and encouraging cost-based

competition, and workers bear the brunt of those neo-liberal policies" (Ratnam and Verma, 2010, p. 334). Trade unions have therefore been under attack, and "the ultimate objective is none else but to disarm the working-class movement completely" (Jha, 2008a, p. 75).

However, it should also be noted that trade unions represent only a small part of the working class. The most important reason is that informality is widespread, and in general it is largely formal workers which are members of a union (Jha, 2008a, p. 69). A majority of India's workforce (close to 70%) lives in rural areas and almost 60% is employed in the agricultural sector, and less than 10% of the workforce is employed in the "formal" sector (which accounts for 40% of GDP) (Ahluwalia, 2006, pp. 7-8; Bhowmik, 2013; Jha, 2008a, pp. 65-66; Ratnam & Verma, 2010, p. 330).[lxxxiv] Moreover, only a small part – around one sixth – of the Indian workers is employed in manufacturing, a sector that is easier to organize (Therborn, 2012, p. 22). In sum, "India's labour market is constituted primarily by the unorganized sector, and the small organized segment is like an island in this vats fluid and floating mass of humanity" (Jha, 2008a, p. 67).

The consequence is that the unionization rate is less than 5% of the total workforce (Interview 24; Ratnam & Verma, 2010, p. 330). Moreover, only 2% is subject to collective bargaining (Ratnam & Verma, 2010, p. 334).[lxxxv] As Therborn (2012, p. 22) notices: "India's trade unions have limped on, but they have failed to establish themselves as a pole of attraction for the great masses of the working poor." This is one of the great challenges for Indian unions, as they cannot keep relying on a small "vanguard" of workers to turn back neoliberalization. While they have inhibited the pace of reform (especially in the case of privatizations), they have largely been on the defence, and they "have clearly found it extremely difficult to check the barrage of policies and practices affecting workers negatively" (Jha, 2008a, p. 73; see also Bhowmik, 2013; Teitelbaum, 2006, p. 411). Radical left parties have also been in (an electoral) crisis, amongst others because of implementing neoliberalization and repression of social movements at the state level (especially West Bengal and Kerala) (on the CPI(M) see Banerjee, 2008; Chakrabarti, 2012; Crowley, 2014; Raman, 2009).

7.5.5 Neoliberalization as a hegemonic project?

As in Brazil, it is questionable whether neoliberalization is a fully developed hegemonic project in India (see Jenkins, 2003, p. 585; Parisot, 2013, p. 1169; Sahoo, 2010, p. 488; Vanaik, 2004, p. 153). For a long time, the "free market" and foreign capital have been viewed with suspicion by large swaths of the population, as they have been associated with colonialism and foreign rule (Jenkins, 2003, pp. 594-595; Joshi, 2003, p. 194; Reddy, 2001, p. 85). Even more significant, Montek Singh Ahluwalia (2006, p. 8) has acknowledged that "there were aspects of economic performance which created a perception of unfairness in large sections of the population." In terms of progress for the lower classes, the results of neoliberalism have been poor (Therborn, 2012, p. 13; see also IMF, 2012b). As Nayyar (1998, p. 3128) has stated: "The most important failure, situated in a long-term perspective, was that this process of development did not improve the living conditions, or the quality of life, for the common people." While poverty has declined after 1990, the decline has been rather small, and poverty remains widespread (see Figure 7.20). Both urban and overall inequality have increased after the 1991 reforms, according to various sources, whereas rural inequality first declined, then rose, and then declined again (see Figure 7.21; see also Azam & Shariff, 2011; De & Vakulabharanam, 2013; OECD, 2011; Planning Commission India, 2012; Topalova, 2008).[lxxxvi]

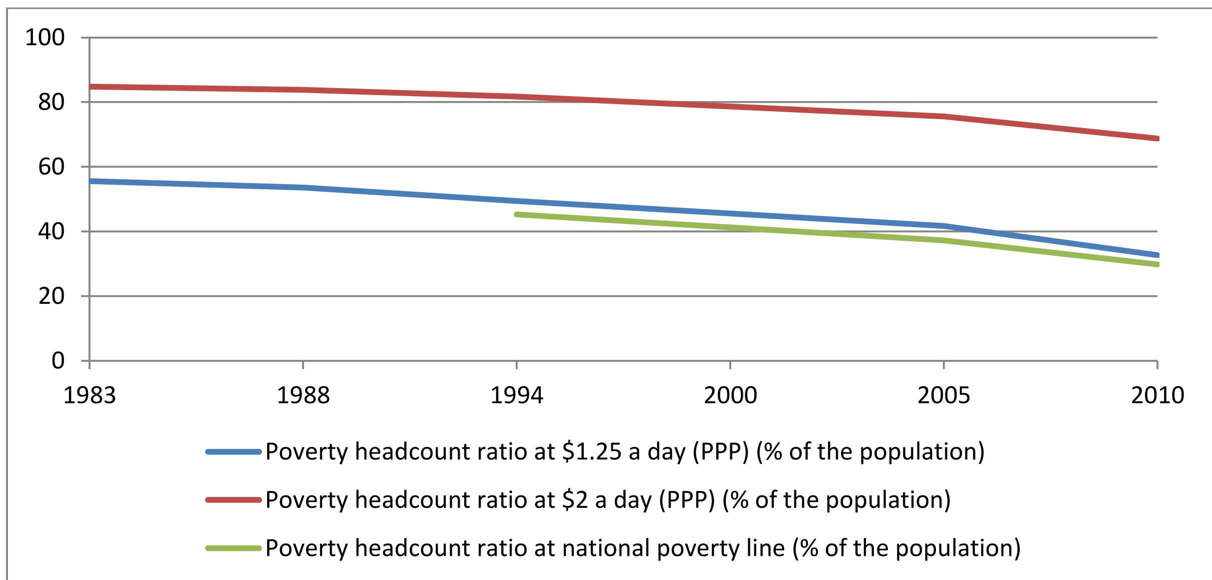

Figure 7.20: Poverty indicators India (data from World Bank, 2014b)[lxxxvii]

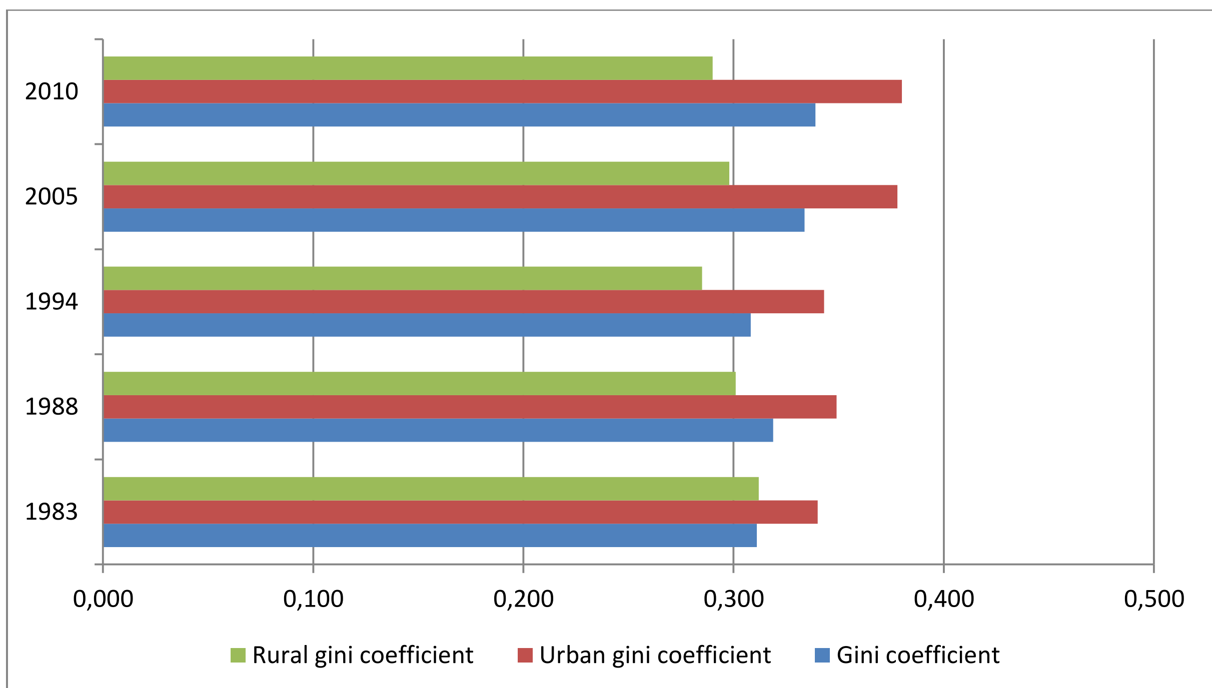

Figure 7.21: Inequality, Gini coefficient India (data from Planning Commission India, 2012; Topalova, 2008)

Inequality, persistent poverty and social tensions make it difficult to incorporate subaltern social forces into the hegemonic bloc (Nayyar, 1998, p. 3129; Schmalz & Ebenau, 2012, pp. 492-493). Moreover, there has also been a decline of redistributive policies since 1999 and a shift from universalist towards targeted policies (De & Vakulabharanam, 2013). Because of these social outcomes the marginalized reject the accumulation regime by various means. The neoliberal project

"does not have an acceptance at the level of the people, most of whom are poor or silent and thus unheard" (Nayyar, 1998, p. 3129). As Schmalz and Ebenau (2012, p. 493) write: "Consequently, far from representing a hegemonic project, the ruling bloc is faced with growing social discontent and resistance, even giving way to limited state disintegration in parts of India's east controlled by Maoist guerrilla organisations."[lxxxviii]

How neoliberal India will deal with the gap between haves and have-nots might determine its future (Thornton & Thornton, 2009, p. 183). As in other countries, the challenge lying before every Indian government is to resolve the conflict "between pleasing the interests of domestic and international capital in order to attract investment and, at the same time, demonstrating that it is doing something for the poor on whose electoral verdict its survival depends" (Kamdar, 2008, pp. 103-104; see also Sahoo, 2010, p. 505). It remains to be seen how the BJP's Narendra Modi government, which took office in May 2014 with the clear support from (foreign investors) (see e.g. Crabtree, 2013a, 2014a; Ghosh, 2014; Jain, 2013; Sanyal, 2014), will deal with this challenge.[lxxxix]

7.6 The contemporary debate on capital controls

7.6.1 *A bureaucratic and political consensus*

While neoliberalism may not be strongly hegemonic because of its impact on the lower strata of the Indian population, it has not (yet) led to a debate on the difficulties that an open capital account produces. One interviewee even went as far as to label capital controls a "non-issue", because there is no fundamental political debate on it (Interview 22). However, most interviewees agreed that there is at least some debate. What is the state of this debate, then? A first aspect to note is that the discussions are largely technical and depoliticized, and that the large public is not involved in these arguments (except for controversial issues such as foreign investment in retail) (Interview 24, 25, 27 & 30). One of the consequences is that the executive (in particular the prime minister and finance minister) and the RBI have a lot of autonomy in defining capital account policies, with only a small role for parliament (Interview 22, 27, 28 & 31). Related to this, most people are more concerned about issues which directly impact their lives than about the abstract issue of the cross-border movement of capital (Interview 22 & 28).

A second important aspect is that most analysts agree that India's capital account is already fairly open, and that India has also undergone a significant degree of liberalization (e.g. Interview 23 & 24). Additionally, despite the still existing de jure capital controls, de facto financial integration has increased strongly, and some even speak of de facto convertibility (Ministry of Finance India, 2007; Nachane, 2008, p. 16; Patnaik & Shah, 2009-10, p. 40, 2011; Subramanian, 2008; The Economist, 2009b). It is a common understanding in the Indian policymaking circles (and beyond) that liberalization is largely an irreversible process, because a reversal would immediately erode investor confidence and cause capital flight (Interview 23, 28, 29 & 32; also Prasad, 2009a; Subramanian, 2007, p. 2417). Moreover, both proponents and opponents of more liberalization of capital flows are convinced that India needs foreign investment, although they differ on how selective India should be (Interview 23, 26, 27, 28, 31 & 32). Further, just like a fundamental reversal is not on the agenda, a swift transition towards full capital account convertibility is also not being discussed, because of the

weakness of the Indian economy and the unfavourable international economic context (Interview 22, 26 & 32). Therefore, the debate is already circumscribed.

The third noteworthy aspect is that there is a relative consensus – with minor differences – within the Indian bureaucracy and technocracy on the way forward. By the early 2000s, capital account liberalization had become less controversial according to former RBI Governor Reddy, and the issue had become "more one of technical judgement on sequencing rather than whether to open up or not" (Reddy, 2001, p. 96; see also Shah & Patnaik, 2008). Before the crisis, in 2005-2008, there was a lot of pressure to fully open up India's capital account (see above). Just as with the Asian crisis, however, the global financial crisis and the more limited impact upon India again justified India's gradualism, pragmatism and caution (Interview 26 & 27; Jayadev, 2013; Subbarao, 2010a, 2013). As The Economist (2009a) put it: "Having avoided the Asian financial crisis in the 1990s and escaped the worst effects of the most recent meltdown, India's cautious liberalisers feel they have won the argument this time around. It is hard to disagree." It seems, then, that within a large part of the bureaucracy, there is now a consensus on a gradualist, cautious liberalization (Interview 27, 29, 30 & 32). Technocrats remain aware of the risks of volatile capital flows, and argue that (both indirect and direct) capital controls remain a legitimate instrument to deal with them (see Interview 22 & 33; Jayadev, 2013; Mohan, 2008; Mohanty, 2012; Reddy, 2001, p. 98; The New Indian Express, 2011). They also feel emboldened by the IMF's new view on capital controls (see Chapter 8)[xc] as well as other multilateral bodies' legitimization of capital controls (Interview 22, 23 & 32; Mohanty, 2012). In their view, liberalization should be pragmatic, gradual and country-specific (Interview 22 & 33; Subbarao, 2010a).

However, it seems that full capital account liberalization is still the final goal for technocrats and policymakers, even if still far away (Interview 32 & 33; Chandrasekhar, 2008a; Subbarao, 2013; see also Williamson, 2006, p. 1850). As the IMF (2012c) notes, as in China, "liberalization of capital flows is a long-term objective of the authorities." While they may differ on the pace and timing, they still see more liberalization of capital flows, with the pace depending on the domestic preconditions and the external environment, as the only road forward, and do not want a reversal of the opening up of the capital account (Interview 29 & 30). The consensus is thus in favour of the direction of liberalization.

This consensus on a gradualist, pro-liberalization road extends to the largest part of the political spectrum. As former Central Bank Governor Reddy (2007, p. 23) has argued: "It is remarkable that, despite diversity in political ideologies and frequent elections, the progress of well-calibrated economic reforms continues to be impressive." The nationalist BJP has also been in favour of globalization and capital account liberalization, restricting its nationalism to a critique of premature competition without making Indian companies competitive first, and has acted not fundamentally different from Congress in government with regard to foreign capital (Jenkins, 2003, p. 604; Nayar, 2000; Thornton & Thornton, 2009, p. 197).[xci]

Finally, the consensus also extends to Indian industrial capital. As one representative from a business confederation explained: "The RBI's calibrated approach has been appreciated" (Interview 23). Indian industry has not pushed for full convertibility. Two important reasons is that they want a stable exchange rate without large fluctuations (see also Fontanella-Khan & Sender, 2011), and that they are concerned about hot money (Interview 23, 24, 26 & 27). Several interviewees, among which

the business representative, thus argued that Indian industrial capital is not necessarily opposed to all capital controls or in favour of a swift liberalization (Interview 23, 26 & 28). They did also not oppose the capital controls implemented in August 2013 (see above) to stop the depreciation of the rupee (Interview 23).[xcii] An important qualification was that the RBI has emphasized that the controls were only meant to be temporary, and that there was no reason to think that policymakers were going back to the old ISI spirit. Moreover, the limits were still quite high, so that “they don’t feel like restrictions” (Interview 23). In sum, Indian industry is quite pragmatic on the issue of capital account policies, and is not in favour of bold and swift liberalization.

7.6.2 *Economists, practitioners and foreign actors as outliers*

It has been stated that the consensus in favour of more liberalization at a measured pace, without hastily moving towards full convertibility also extends to practitioners and academics (especially since the Asian crisis) (Barua, 2006, p. 1875; Reddy, 2010). Yet there is still some debate going on among technocrats and economists, especially as the global economic crisis has demonstrated the risks associated with an open capital account. On the one hand, as interviewees noted (Interview 24 & 25) some economists and practitioners, especially those involved with (international) financial institutions, argue that further (rapid) liberalization would be beneficial and even that India should move more promptly towards full capital account convertibility (see also e.g. Barua, 2006, p. 1877; Bery & Singh, 2006, p. 173; Interview 30). They argue that de facto convertibility is already quite high, and that the best way to deal with capital flows is to move further towards full convertibility (Planning Commission India, 2009; Prasad, 2009a; Shah & Patnaik, 2008). Wealthy Indian individuals are also in favour of less limitations on their ability to transfer capital abroad, although they do not often publicly put pressure on policymakers, and although they have already found ways around the current limitations (Barua, 2006, p. 1877; Interview 24, 25 & 27).[xciii]

Further, official reports and other documents demonstrate that despite the relative consensus identified above a part of the bureaucracy is in favour of more rapid and fundamental liberalization (see e.g. Ministry of Finance India, 2007, 2010; Planning Commission, 2009; RBI, 2013d; Tarapore, 2014; see also Crabtree, 2013c; Shah & Patnaik, 2008). They have received support from a small circle of policymakers which is more ideologically inclined to liberalization (Interview 24, 25, 27 & 31). These policymakers are also liberalizing out of fear of a crisis (Interview 24).

Foreign players have also been seen to exert pressure on India to open up more rapidly. The Economist has slammed India’s capital controls for being too complex and for the frequent changes, stating that India’s current controls “seem less like stepping stones to a more open future then relics of its shuttered past” (The Economist 2009a; see also The Economist 2009b). Although it has not always been vocal or has focused on more fundamental issues, foreign capital has also at times pushed for more liberalization, with especially foreign banks arguing for liberalization in the banking sector (Interview 23, 24, 27, 28 & 29; Joshi, 2003, p. 195; see e.g. also Deloitte & AmCham India, 2014; Moneycontrol, 2014). Governments from the US, the UK, and other Western states have also asked more rapid liberalization (Interview 24 & 27). Finally, the IMF has at several occasions argued for more liberalization with regard to FDI and portfolio (equity and debt) flows, although it has also argued for caution on relaxations of ECBs (IMF, 2010b, 2012b; 2013b, 2014b).

7.6.3 *Opposition from the left*

Some economists are sceptical on or opposed to more liberalization and often argue that India has liberalized too fast in the past (e.g. Interview 25 & 29; Sen, 2006, p. 1853; Subramanian, 2007, p. 2417). As Venkatesh (2008) argues, "the in between point, a hybrid between controls and liberalisation of the Capital Account, has served India rather well for nearly a decade. Why disturb when the going is good?" However, besides these more mainstream economists, the only critique of capital account liberalization has come from the left, both in the form of leftist political parties and MPs and of the trade union movement and NGO's (Interview 23, 24, 28 & 29). They have voiced their opposition to liberalization at several occasions, have raised awareness on the consequences of liberalization, and have included the demand for controls in their manifestos and resolution (see e.g. CPI(M), 2000, 2014; Mody, 2012; NTUI, 2009; The Hindu, 2008; United News of India, 2006).

As interviews with trade unionists made clear, there is a strong consciousness on the part of the leadership of trade unions that capital account policies are an important issue, and that capital account liberalization has detrimental effects on workers and trade unions (Interview 26 & 31; also Interview 24 & 27). They oppose liberalization because it makes the economy vulnerable to speculation and financial capital's whims, because they recognize national development and autonomy as important goals, and because they are aware that capital account liberalization changes power relations in favour of capital and inhibits progressive policies. Although they are aware that a reversal of liberalization is not easy, they argue for more capital controls. Moreover, there is also a strong consciousness on these issues within unions representing banks' employees and the RBI's workers' union (Interview 24, 26, 27 & 31). They have been especially important in preventing privatization and liberalization in the banking sector (see 7.4.3).

A partial reversal of capital account (as well as trade) liberalization could also form the basis of and provide policy space for an alternative, more sustainable and equitable accumulation regime (Ghosh & Chandrasekhar, 2009, p. 738; Interview 24 & 27). This accumulation regime would require more (debt-financed) public investment, high value-added manufacturing, wage-led growth and a more equal income distribution to widen the domestic market, less tax evasion and more good quality employment and industrial policies (Ghosh & Chandrasekhar, 2009, p. 737; Interview 24 & 26; Nabar-Bhaduri & Vernengo, 2012). As India potentially has a large domestic market, it also has some leverage in imposing capital controls and dealing with TNCs.

However, it is not easy for trade unions and left-wing parties to hold back capital account liberalization. First, because trade unions and the left are in general not in a really strong position (see 7.5.4). Second, although they try to instigate a public debate on capital controls, this is difficult because of the technical nature and sophistication of the subject (Interview 27 & 31). As one trade unionist admitted (Interview 26): "Is capital controls an issue we will be able to mobilize our membership on? The answer would be no." It could therefore be argued that the remaining capital controls are not a victory of the left (Interview 28), but the consequence of India's development level and pragmatic bureaucracy.

7.7 Conclusion: India as an outlier?

In this chapter, an overview was given of India's capital control policies, and the relation with India's changing accumulation regimes and social forces. It was described how India, after an initial ISI phase with stringent capital controls after independence in 1947, went through a gradual and cautious capital account liberalization after 1991, and continued liberalizing after the 1997 Asian crisis. This was an important aspect of the wider changes in India's accumulation regime, which led to higher, but ultimately unsustainable and inequitable, economic growth. Next, it was discussed how the global economic crisis and its aftermath affected India. It was also outlined how India liberalized inflows after the crisis, but also strengthened restrictions on outflows by residents in August 2013 to deal with a depreciating rupee.

However, as was examined subsequently, the crisis and its aftermath do not seem to have created frictions within the bloc of social forces underpinning the neoliberal project, in particular Indian industrial capital, foreign corporations and investors, the urban middle class, and a large part of the Indian bureaucracy. This historic bloc also underpins the consensus on gradual, cautious capital account liberalization after the global economic crisis. Opposition to this consensus comes, on the one hand, from social forces arguing for faster liberalization, and on the other hand, from trade unions and the left, opposing further liberalization and fighting for stricter capital controls. However, this opposition has until now (August 2014) not been able to upset the prevailing consensus.

What can we conclude about Indian capital account policies and the Western, neoliberal norm of the free movement of capital then? First, India has gradually but increasingly moved towards fuller capital mobility, and many restrictions have been liberalized to an extent that there is a lot of freedom for incoming and outgoing capital flows. Moreover, the final goal of the dominant social forces is still the full free movement of capital. There is a relative consensus on more liberalization when the domestic and international environment is more favourable.

Second, none of the interviewees considered India to be a challenge to the norm of full capital mobility, as it does not want to challenge the international movement of capital. However, this should be qualified to a certain extent. While India agrees that the full movement of capital should be the end-goal, it still diverges partially from the Western consensus on the way to get there, as its gradualism and caution are often considered too conservative by more neoliberal economists and policymakers. As one interviewee noted (Interview 29): "India will not argue against international capital mobility, but it also won't argue in favour of unbridled or unqualified capital mobility." In addition, this gradualism and caution is often emphasized by policymakers and bureaucrats, and it is frequently stated that the global consensus after the crisis has moved towards India's "model" (e.g. Interview 32). In this sense, while India does not promote the use of capital controls, in a certain way it does (implicitly) promote its approach to capital account liberalization.

The third conclusion is that there is no politicized debate on capital controls within India. While main social forces in India, such as Indian industrial capital and the Indian bureaucracy, are quite pragmatic with regard to the use of controls, there is a relative consensus on gradual liberalization, and the debates are framed as a depoliticized, technical issue. While trade unions and left-wing economists, social movements and political parties have tried to politicize the discussions and argue against

liberalization and for stronger controls, the left does not seem strong enough to stir a debate, or to mobilize a large part of society to demand stricter capital controls.

A fourth conclusion is that even though India has liberalized substantially, it has still maintained capital controls, especially on debt inflows and on outflows by residents. In the current neoliberal world order, this deviates considerably from the norm of the full free movement of capital. As Kohli (2006b, p. 1361) argues: " The scope of India's external economic reforms must be kept in perspective. By India's own past standards, the changes were quite dramatic. In a comparative and global perspective, however, India's opening to the world remains relatively modest." Indeed, India "is one of the few large countries with a complex system of capital controls" (Patnaik & Shah, 2011) and is still less financially open than many other countries (Prasad, 2009a). Indeed, India has widespread institutional experience with (comprehensive) capital controls, including the regulation of financial institutions, and a permanent legal and administrative structure to implement these controls (Epstein, Grabel & Jomo, 2004; Joshi, 2003, p. 194; Reddy, 2001, pp. 84, 92; Patnaik & Shah, 2011).[xciv]

Moreover, as in Brazil and China, policymakers are more pragmatic on the issue, and they are "forced" to be by India's economic vulnerability. As one interviewee stated (Interview 25): "Even this [2009-2014 Congress] government, which is an ideological believer in capital account liberalization, was forced to come back on liberalization when the rupee plummeted." Indeed, the capital controls on outflows implemented in August 2013, although still only on residents and quite moderate, demonstrate this pragmatism. Further, like Brazil and China, India wants to keep the autonomy to impose capital controls (Interview 28 & 29).[xcv] As India has repeatedly stated with regard to capital account policies: "No policy instrument is clearly off the table and our choice of instruments will be determined by the context" (IMF, 2011; see also Subbarao, 2010a, 2010b). As with Brazil, this also became clear when the new IMF framework on capital was being developed (see Chapter 8). As with Brazil's contra-cyclical capital controls, this pragmatic, gradualist, and cautious approach might serve as an example to follow for other countries.[xcvi]

Finally, while India's capital controls in a "narrow" view might be seen as a partial challenge to the norm of full capital mobility, India has not at all been willing nor able to challenge the power of global financial capital. To the contrary, because of its large current account deficit, the country is strongly dependent on short-term capital inflows. While it thus has retained some capital controls, or has recently re-introduced certain limits on residents, this is largely out of financial stability motives, and does not form a real threat to the neoliberal power relations. In sum, while India could in a certain sense be considered an "outlier" with regard to the full free movement of capital, it does not seem to be a challenger of the norm.[xcvii]

---

[i] The perspective underlying ISI has been called "capitalocentric-orientalist", because it emulates – despite differences – the Western economic model with large-scale capital accumulation as the central goal (see Chakrabarti, Chaudhury & Cullenberg, 2009, p. 1174).
[ii] Before the nationalization the SBI was named "Imperial Bank of India" (Gupta et al., 2011).
[iii] Moreover, large-scale transfers were made to the private sector, which also limited the resources available for more productive means.
[iv] An important reason that ISI remained unchallenged was that Indian technocrats and officials were still convinced about the advantages of the prevailing accumulation regime (see Mukherji, 2013).
[v] In 1980, another six smaller banks would be nationalized (Bery & Singh, 2006, p. 147; Gupta et al., 2011).

[vi] Note that the unprofitable priority sector requirements meant that high spreads were needed to keep banks healthy (Planning Commission India, 2009).

[vii] The failure to fundamentally improve the lives of the poor, and the waning of the earlier nationalist and anti-colonialist sentiments also contributed to the weakening of the developmentalist consensus (Kohli, 1989, p. 307; Nayyar, 1998, p. 3124).

[viii] Another important reason that Congress became more business-oriented was to neutralize the political threat from the private-sector-oriented Janata Party which had won the 1977 election (Rodrik, 2011, pp. 177-178; Sengupta, 2009, p. 188).

[ix] This is in contradiction with the popular myth that the 1991 reforms were responsible for India's increasing economic growth.

[x] Own calculations based on data from IMF, 2014c.

[xi] Except for ECBs and deposits from NRIs the capital account remained largely closed in the 1980s, including for FDI. It should be noted that the rise of international financial capital in the 1970s and 1980s was a crucial precondition to allow for the ECBs and thus Indian economic growth in the 1980s (Chandrasekhar, 2010, p. 38).

[xii] As Shastri (1997, p. 42) states on these bureaucrats: "The increasing complexity of economic decisions and the fact that this group was insulated from the rigors of day-to-day politics had provided greater autonomy to their work."

[xiii] This stands in contrast in contrast to the earlier generation of leftist economists, who had often been educated in the UK (Kohli, 1989, p. 307).

[xiv] With, amongst others, a one-day strike in January 1986 (Kohli, 1989, p. 321).

[xv] 29 economists issued a statement in October 1985, which was critical of the economic reforms (Kohli, 1989, p. 320).

[xvi] There were three reasons for this opposition: ideology, electoral considerations and a personal, opportunistic motivation (i.e., members who had lost influence under Rajiv Gandhi) (Kohli, 1989, pp. 319-320).

[xvii] As Ahluwalia (2006, p. 9) puts it, "the pace of reforms in India was inevitably affected by India's democratic polity."

[xviii] Two important factors in the worsening balance-of-payments were the disruption of trade with the former Soviet Union, and the Gulf crisis (Reddy, 2001, p. 87).

[xix] According to Mukherji (2013, p. 368), the technocrats could use the crisis to overcome resistance by "vested interests".

[xx] Although the reforms were probably more the result of Indian technocrats' visions than of IMF conditionality, the IMF loan was useful to get the reforms approved in India (Agarwal, 2006, p. 97; Mukherji, 2013, pp. 364-365). For an interpretation which gives more weight to the international financial institutions, see Sengupta, 2009.

[xxi] "Privatization" was thus limited to selling minority stakes in state-owned enterprises, and did not include the full-scale privatization of SOEs (Ahluwalia, 2006, pp. 2-3). Moreover, in sectors such as steel, petroleum, air transport, telecommunications and mining, which were previously the exclusive terrain of SOEs, private investment was now allowed.

[xxii] As Kohli (2006b, p. 1361) notes: "It is clear (...) that the overall rates of capital formation in the Indian economy did not alter significantly between the 1980s and the 1990s. What did alter, however, was the composition of this investment (...): public investments declined in the 1990s and the balance was filled by a variety of private investors."

[xxiii] To prevent capital outflows in the guise of current account transactions, a range of regulations were adopted to strengthen the effectiveness of capital controls (see Reddy, 2001, p. 92).

[xxiv] The changes in the international context which had already been visible in the 1980s were by now even more clear: the demise of the Soviet Union, the US as the only remaining super power, the rapid economic growth in East Asia and especially China, and the availability of international liquidity looking for investment opportunities (see e.g. Agarwal, 2006, p. 99; Chandrasekhar, 2010, p. 32; De & Vakulabharanam, 2013; Kohli, 2006b, p. 1362; Nayyar, 1998, p. 3128).

[xxv] The BJP was divided on the reforms (Mukherji, 2013, p. 380). Besides organized labour, agrarian elites also opposed the 1991 reforms (Sengupta, 2009, p. 183).

[xxvi] This committee recommended, amongst others, current account convertibility, a shift from debt-creating flows to non-debt creating flows, the strict regulation of short-term ECBs, discouraging volatile flows from NRIs, full freedom for outflows associated with inflows and the gradual liberalization of other outflows (Mohan, 2008, pp. 235-236; Reddy, 2001, p. 88, 2007, p. 21).

[xxvii] This is an important difference with China, where there are controls on outflows by foreign investors who have invested through portfolio equity inflows (McCauley & Ma, 2008).
[xxviii] There was also a discretionary, case-by-case route, but the automatic route was increasingly enlarged to almost all sectors (Mohan, 2008, p. 236; Reddy, 2001, p. 91).
[xxix] It must be noted that there still were numerous bureaucratic hurdles as well (Joshi, 2003, p. 183).
[xxx] For a detailed overview of all the changes, see Shah & Patnaik, 2007, p. 619.
[xxxi] However, because of the development of the Indian equity market, the annual issuance on the GDR/ADR market fell from 1.08% of market capitalization in 1993-1997 to 0.4% in 1998-2007 (Shah & Patnaik, 2008).
[xxxii] Official flows have become insignificant, compared to private capital flows (Kohli, 2001; Mohan, 2008, p. 241; Shah & Patnaik, 2007, p. 610).
[xxxiii] Other indicators of indebtedness also showed improvement. Short-term external debt decreased from almost 10% of total external debt in 1990 to 2.76% in 2001, although it increased again after 2001 (data from World Bank, 2014b). Indicators that also demonstrated that India's vulnerability was reduced, include the external debt stock as a percentage of exports of goods, services and primary income; the interest payments on external debt as a percentage of GNI; and the average interest rate on new external debt commitments (data from World Bank, 2014b; see also Bery & Singh, 2006, p. 172; Epstein, Grabel & Jomo, 2004; Kapur & Subramanian, 2013; Mohan, 2008, pp. 241-242; Prasad, 2009a).
[xxxiv] It is interesting to note that Tarapore was in favour of an amendment of the IMF articles to include capital account liberalization in the IMF's objectives and jurisdiction (see Tarapore, 1998, p. 74).
[xxxv] The official name is the "Report of the Committee on Capital Account Convertibility".
[xxxvi] For a critical discussion of the Tarapore Report, see EPW Research Foundation, 1997.
[xxxvii] Although Tarapore himself forcefully rejected this interpretation (Tarapore, 1998, p. 72).
[xxxviii] Note that it is the RBI which is given the authority to regulate capital flows by the FEMA Act, in consultation with the Ministry of Finance (Ministry of Finance India, 2010).
[xxxix] The Portfolio Investment Scheme thus allows NRIs to enter India's capital markets as an *individual*, whereas other foreign investors can only enter as an institutional investor.
[xl] E.g. it stated: "It would be desirable to consider a gradual liberalisation for resident corporates/business entities, banks, non-banks and individuals." It also recommended raising the ceiling on FII investment in government securities and corporate bonds, and on ECBs by Indian companies.
[xli] As Gupta et al. (2011) conclude: "The paper confirms past studies' conclusions that financial liberalization and increased entry of private banks has increased competition and has significantly improved the efficiency and profitability of public banks to the point where they are now comparable to private banks."
[xlii] Moreover, private and foreign banks often offer the most lucrative clients special services and terms (Chandrasekhar, 2008a; Planning Commission India, 2009; Singh, 2013).
[xliii] It is also significant that many Indian banks, including the largest bank, the almost 60% state-owned State Bank of India (SBI), have already gone abroad, and many of the banks make around one quarter of their profits abroad (Bery & Singh, 2006, p. 152; Timewell, 2012; UNCTAD, 2012). As Indian companies go abroad, they want their Indian banks to become global too, which is difficult to resist for policymakers (The Economist, 2009b).
[xliv] For foreign banks with less than 20 branches it is only 32% (RBI, 2014a).
[xlv] On microfinance in India see Morgan & Olsen, 2011.
[xlvi] Foreign banks are banks of which a majority of shares is held by nonresidents. Foreign investors are not allowed to own more than 74% of Indian private banks (Bery & Singh, 2006, p. 154).
[xlvii] It should also be noted many Indian companies (including the Tata group) have been wanting to transform their financial services division into regular banks (Crabtree, 2012c).
[xlviii] In particular, retained profits and depreciation reserves.
[xlix] It is also striking that foreign investors invest especially in large companies (see Ministry of Finance India, 2010). This indicates that foreign portfolio investment is unlikely to significantly help SME's obtain financing.
[l] The corporate bond market is even less important, and accounted for only 3.2% of GDP in 2009 (Ministry of Finance India, 2010).
[li] Own calculations, based on data from The Conference Board, 2014.
[lii] A group of billionaires and "ultra-high net worth individuals" (UHNW) with inherited wealth (around 54% of which initially made money out of monopoly positions under ISI) and privileged access to political connections has come into existence (Crabtree, 2012b; Petras, 2008, p. 352; Rangaswami, 2011). These wealthy Indians have increased their share of wealth, partly thanks to the booming stock and real estate markets, and they have not refrained from using their wealth for "conspicuous consumption" on luxury goods. According to Crabtree (2012b), the billionaires' share of wealth went from 1.8% in 2003 to 22% by 2008, to fall back to

around 10% after the crisis (because of the fall in stock market prices). Note that stocks are primarily owned by a small elite, about 20m people or 7.5% of the population in 2003 (Jayadev, 2013).

[liii] India's economic growth has therefore been compared to bubble-led growth in other developed and developing countries before the crisis (Ghosh & Chandrasekhar, 2009, p. 727).

[liv] According to the World Bank (2013), in 2030 70% of all investment will go to the services sector, and only 17% to manufacturing and 13% to agriculture.

[lv] Note that this also requires a competitive exchange rate.

[lvi] Although exports are also significant in sectors like automobile parts, chemicals and pharmaceuticals (Chandrasekhar, 2010, p. 47).

[lvii] As Chandrasekhar (2008a) notes, this has forced India to export capital to absorb the excess capital inflows.

[lviii] The build-up of foreign reserves as a result of capital inflows is different from most countries including China, where foreign reserves are build up through a current account surplus. This means that India's surplus FX is not earned, but a liability.

[lix] Two reasons are important (see Chandrasekhar, 2008a). First, the volume of government securities held by the RBI is finite. Second, reforms in India have imposed restrictions on the government's borrowing from the RBI.

[lx] Note that the share of participatory notes in total investments by FIIs had fallen to 7.9% by June 2012 (Vasudevan, 2012).

[lxi] The various annual Economic Surveys of the Indian Ministry of Finance give different data, with interest payments except for 2010-2011 over 20% of total government expenditures, reaching more than 30% in four years, but also at less than 4% of GDP from 2005-2006 onwards. Because the data change over time (in one Economic Survey the data for a particular year deviate from the data for that same year in a later Economic Survey), however, they are not comparable over a longer-term period.

[lxii] It thus becomes harder for Indian states to implement a progressive project. For example, on the "Kerala model" being swept away, see Raman, 2009.

[lxiii] States are also under heavy pressure because of fiscal austerity (and adopt policies "such as expenditure cuts in social sectors, the raising of utility charges such as those of power and water, and the withdrawal of subsidies on basic needs", caused by amongst others, rising debt service to the federal state because of higher interest rates (Raman, 2009, p. 289).

[lxiv] Data from The Conference Board, 2014. Per capita growth made a similar movement, decreasing from 7.78% in 2006 to 7.57% in 2007 and 5.04% in 2008, and then rising to 7.06% in 2009 and 7.81% in 2010.

[lxv] See Mohan, 2008, p. 239 for an overview of the composition of capital inflows into India.

[lxvi] It is important that India's equity market was more integrated with global financial markets than China's (McCauley & Ma, 2008). The main reason is that there are no quota – nor minimum investment requirements – for FIIs on the Indian equity market (McCauley & Ma, 2008; Shah & Patnaik, 2008).

[lxvii] 56.5% of this amount was pulled out by just five FIIs, namely Citigroup Global Markets, HSBC, Merrill Lynch Capital Markets, Morgan Stanley & Swiss Finance corporation (Chandrasekhar, 2008a).

[lxviii] On the deposit schemes and facilities for NRIs, see RBI, 2013a.

[lxix] India imports more than 70% of its oil needs (Fontanella-Khan, 2011).

[lxx] Note that former Managing Director of the IMF Strauss-Kahn praised India for this, lauding that "while other countries facing surging capital inflows cry foul, India has neither undertaken massive intervention, nor further tightened its existing system of capital controls" (IMF, 2010a).

[lxxi] In April 2014, for instance, a new stipulation stated that the minimum maturity for new FII investment in government securities would be one year (Crabtree, 2014d; SEBI, 2014).

[lxxii] As Subramanian (2013) discusses, there is a (danger of a) kind of vicious circle in which liberalization of ECBs ultimately leads to or worsens a rupee shock, which then leads to even more liberalization, and so on.

[lxxiii] It should be noted that FDI was only permitted in citied with more than one million inhabitants, and states had the right to opt out (Ahmed & Guha, 2012). As by February 2014, only 10 states out of 29 had permitted FDI in retail (Pahwa, 2014).

[lxxiv] According to The Wall Street Journal (2012), a significant feature of the liberalization of FDI in retail was that "the political establishment is starting to publicly support market liberalization." According to this view, earlier reforms were implemented by technocratic means, and the arguments in favour of "free markets" were never sold to the public opinion.

[lxxv] According to the IMF (2014b), high inflation "is a result of a number of factors, including: food inflation feeding quickly in to wages and core inflation; entrenched inflation expectations; cost-push shocks from

binding sector-specific supply constraints (particularly in agriculture, energy, and transportation); the pass through from a weaker rupee; and ongoing energy price increases."

[lxxvi] The import duty on gold was also increased, to 10% (IMF, 2014b).

[lxxvii] Even though short-term debt as a share of total external debt has increased strongly since 2001, from less than 3% to almost 25% in 2012 (data from World Bank, 2014b).

[lxxviii] The importance of the stock market was already demonstrated in 2004, when there was a sharp fall in stock prices after a coalition of the Congress Party and leftist parties defeated the BJP in the general elections (Jayadev, 2013). The INC reassured investors with rhetoric and through naming Manmohan Singh as prime minister instead of the seemingly more leftist Sonia Gandhi.

[lxxix] To give just one example, the Tata group, one of the largest business houses, generates 60% of its revenues abroad (Crabtree, 2012d).

[lxxx] On the transnationalization of the garment industry see Mezzadri, 2010.

[lxxxi] Including significant state intervention, see e.g. Saraswati, 2008 on the software industry.

[lxxxii] However, the strength of Indian business should not be overestimated, as "most Indian firms remain structurally dependent on foreign technology and constrained by limited domestic markets" (D'Costa, 2000, p. 141).

[lxxxiii] One of the consequences is agrarian class conflict between rural elites and the rural poor, "solved" by violence by both the state and private landholders against the rural poor (Banerjee-Guha, 2008, p. 51; Walker, 2008, p. 559).

[lxxxiv] On the organization of informal workers, see Herring & Agarwala, 2006, p. 346.

[lxxxv] In the formal sector, 30% of the workforce is covered by collective bargaining, and in the large public and private enterprises more than 70% is under collective bargaining.

[lxxxvi] While the trend is similar, the figures by Azam and Shariff display a way higher rural inequality than the official estimates.

[lxxxvii] The line is constructed based on data only for the years 1983, 1987-1988, 1993-1994, 2004-2005 and 2009-2010. On India's poverty statistics see Spagnoli, 2010. The latest official Indian report also discusses the problems of India's statistics (see Planning Commission India, 2012).

[lxxxviii] Note, however, that a class discourse has also given way to identity politics (Herring & Agarwala, 2006, p. 328; Thornton & Thornton, 2009, p. 195; Vanaik, 2004, p. 153).

[lxxxix] It seems that Modi is at least trying to avoid a backlash from voters and workers (Crabtree, 2014b).

[xc] Although according to Reddy (2007, p. 22), the IMF has been supportive of India's gradualist approach from the beginning of the reforms.

[xci] Many interviewees stated that there are no differences between the BJP and Congress on capital account policies (Interview 23, 24, 27 & 29).

[xcii] Indian capital is hurt by a strong depreciation of the rupee for two reasons. First, they have borrowed in foreign currencies (before the crisis). Second, they are importers of capital goods.

[xciii] "Illicit outflows" averaged US$10.415bn annually in 2002-2009, and reached the sum of US$344bn in 2002-2011 (Bellman, 2013; Kar & Freitas, 2013). As a 2007 official report by the Ministry of Finance stated (Ministry of Finance India, 2007): "It is estimated that Indian households have accumulated considerable wealth outside the country; well beyond the present limits set by the RBI." Thus not even official committees are able to gather adequate information on capital outflows (Chandrasekhar, 2008a).

[xciv] It must be noted that although research has found that India's capital controls have been effective (Interview 29), although less than in China and weakening over time (Interview 29; Kohli & Belaisch, 2012, p. 259; McCauley & Ma, 2008), many (pro-liberalization) researchers question the effectiveness (Bery & Singh, 2006, p. 170; Ministry of Finance India, 2007; Patnaik & Shah, 2009-10, p. 40; Prasad, 2009a; Shah & Patnaik, 2008; Tarapore, 1998, p. 71; The Economist, 2009b).

[xcv] Although it has been stated that contrary to Brazil and China, India has signed BITs in the past which could limit India's policy space to impose certain restrictions (Francis, 2013, p. 110; Ranjan, 2012).

[xcvi] On the other hand, as India's economy is not in a position of strength, India might not be seen as an example to follow.

[xcvii] One of the interviewees made this distinction between a challenger and an outlier (Interview 26).

8. The institutionalization of the free movement of capital: beyond the new constitutionalism?[i]

8.1 Introduction

In the three previous chapters, China's, Brazil's and India's capital controls were examined, as well as placed in the context of their respective accumulation regimes and configurations of social forces. This chapter will look at the BICs position on the international regulation of capital controls, especially at the IMF, which "has been at the forefront of the debate on the merits of capital account liberalisation and controls" (Moschella, 2014, p. 2). The Fund's position can be seen as a symbol for the changing perspectives on capital controls. As outlined in Chapter 3, it went through an evolution from an institution from which the Articles of Agreement explicitly allowed capital controls after the Second World War, to a supporter of capital account liberalization and full capital mobility in the (late) 1980s. If the thinking on capital controls is undergoing changes, whether or not under the influence of emerging countries such as China, Brazil and India, we could thus expect to observe these changes at the IMF as well.

Nevertheless, in this chapter, it is demonstrated that the free movement of capital, as one of the main pillars of neoliberalism, is to the contrary being further institutionalized at the IMF after the global economic crisis, although in a less rigid and more flexible way. It is argued that this is a classic case of the "new constitutionalism of disciplinary neo-liberalism", by which Gill (1995) describes the institutionalization of neoliberalism into constitutions, laws, institutions and regulations. This new constitutionalism of the free movement of capital reveals that the neoliberal project remains very well alive, and is in fact being extended, even after the global economic crisis. Moreover, by institutionalizing neoliberal policies, new constitutionalism could bind future governments and make it even harder to transcend the neoliberal world order in the coming decades.

In the second section (8.2), I elaborate on the concept of the new constitutionalism and the criticisms that it has attracted. The third section (8.3) explores how the free movement of capital has been institutionalized at different scales, and how the IMF has treated capital controls before the crisis. Next, the fourth section (8.4) analyses how capital controls were dealt with after the crisis at the global level, specifically at the IMF. Evidence is presented that emerging markets and developing countries (EMDCs), under the leadership of Brazil, resist the new constitutionalism of the free movement of capital. Finally, concluding this chapter (8.5), the findings are summarized and some general lessons presented.

8.2 The new constitutionalism of disciplinary neoliberalism

8.2.1 New constitutionalism according to Gill

The concept of "new constitutionalism" was introduced by Stephen Gill in the 1990s (Gill, 1995, 1998, 2002, 2008). It was meant to reflect the growing institutionalization of neoliberal frameworks and policies into legal and quasi-legal agreements, insulating these policies from day-to-day democratic debate and decision-making. As Gill has stated, the central goal of new constitutionalism is to firmly secure the protection of private property rights, and to transform public policy in accordance with the interests of internationally mobile capital. This implies binding constraints on fiscal, monetary and trade and investment policies, and emphasizes values such as market efficiency, discipline, business confidence, policy credibility, and competitiveness. Via these constraints, disciplinary neoliberalism is legally encoded. Moreover, "these frameworks can be modified only in extraordinary circumstances and through burdensome procedures, often requiring special majorities or unanimity" (Lesage & Vermeiren, 2011, p. 43).

New constitutionalism entails efforts at different scales. At the national scale, one can think of the institutionalized independence of central banks or the IMF-sponsored currency boards in the 1990s. Bilateral investment agreements (BITs) and free trade agreements (FTAs) constitutionalize various aspects of neoliberal globalization between two or more countries.[ii] The European Union (EU) or the North American Free Trade Agreement (NAFTA) are the main examples at the regional scale. Finally, at the global scale, the World Trade Organization is the classic case of a new constitutionalist framework that ties the hands of future governments.

Three aspects are worth stressing. First, the main purpose of new constitutionalism is to limit democratic control over economic policymaking, and to subordinate democracy to the profit motive. It is a device to make sure that populations would not use democratic processes to turn back certain neoliberal "achievements". Thus, "new constitutionalism is designed to 'lock in' commitments to disciplinary neo-liberalism and to 'lock out' other potential political economy alternatives (…) partly by making many of their means (…) illegal" (Gill, 2008, p. 79).

Second, these limits to democracy are definitely not "neutral", they are strongly political in the sense that they "subordinate the universal to the particular interests of large capital" (Gill, 2008, p. 175). Thus, new constitutionalism is the political-juridical component of the neoliberal political project aimed at restoring and deepening capitalist class power (Gill, 2008, p. 163), under the predominance of transnationally-oriented capital. By constraining democracy through the institutionalization of policies that favour internationally mobile capital, what is emerging is a social order in which holders of internationally mobile capital are conferred privileged rights of citizenship and representation (Gill, 1998, p. 25). In effect, "the mobile investor becomes the sovereign political subject" (Gill, 1998, p. 23). As Gill (2008, p. 139) states: "Central, therefore, to new constitutionalism is the imposition of discipline on public institutions, partly to prevent national interference with the property rights and entry of exit options of holders of mobile capital with regard to particular political jurisdictions."

Third, while the efforts are intended to benefit transnationally-oriented capital, they are part of an American-led G-7 project (Gill, 1998, p. 37, 2008, p. 142, 168). This is commensurate with what Panitch and Gindin have written:

> *"It was one of the hallmarks of the centrality of the American empire in the making of global capitalism that the multilateral and bilateral treaties that established the regime of free trade and investment in the final two decades of the twentieth century were deeply inscribed with long-standing US legal and juridical rules and practices."* (Panitch & Gindin, 2012, p. 223)

Thus, it can be expected that governments in EMDCs are less inclined to stick to the new constitutionalist frameworks than Western governments, in particular the US and EU member states.

8.2.2 The limits to new constitutionalism?

Stephen Gill's conceptualization of new constitutionalism has prompted several (sympathetic) critiques. Four interrelated arguments can be identified. First, Stephen Gill's account is too "determinist" (Strange 2002, 2006, pp. 206, 227; Parker, 2008). According to Hartmann (2011, p. 565): "Law is pictured as just another political instrument at the disposal of the powerful". This determinism is mistaken, because the liberal world order designed by the West makes it possible to engage with international institutions and legal frameworks in order to change them. Thus, it is better to speak of "democratic constitutionalism" (Parker, 2008, p. 397) or "liberal global governance" (Strange, 2011, p. 544).[iii]

Second, because of Gill's determinism, he understates the opportunities for contestation and resistance (Strange, 2002, p. 351; Parker, 2008, p. 398). Because of the liberal modalities of global institutions and regulations, global governance can also facilitate progressive change (Strange, 2011, pp. 555-556), and constitutionalism should be seen as a "more open terrain" (Parker, 2008, p. 401), on which the rules of the global political economy can be changed (Strange, 2011, p. 544). This also explains why organizations or states which are resisting neoliberalism, engage with these constitutional frameworks (Parker, 2008, p. 401; Strange, 2011, pp. 543-545). Gill is, because of his determinism, too pessimist in this regard (Strange, 2002, p. 344).

These two criticisms imply that, thirdly, Gill wrongly relates the new constitutionalism to neoliberalism. It is argued that this association is false: constitutionalism "might be formulated in accordance with more social-democratic political preferences" (Parker, 2008, p. 397). Not all constitutional frameworks are neoliberal, and they often contain several provisions that deviate significantly from neoliberalism. According to these authors, the European Union is a case in point (Strange 2002, 2006; Parker, 2008).

The fourth and final criticism is that it is not only "hard" constitutional modes of governance that are used to promote neoliberal policies (Parker, 2008). Non-legal or soft legal means may be far more important. Thus, the emphasis on new constitutionalism "fails to do justice to those modes or technologies of governance other than the law via which a neoliberal hegemony could be promoted" (Parker, 2008, p. 402).

8.2.3 Rereading Stephen Gill

It seems that the above criticisms are mostly based on a biased interpretation of Stephen Gill's conceptualization, and a tendency to equate historical materialism with determinism and orthodoxy. A different reading suggests that the comments are at least exaggerated. As to the first critique, Gill doubted the ability of new constitutionalism as a strategy to institutionalize neoliberalism in a more permanent way and to solve the crisis of social reproduction within neoliberalism (Gill, 2002, pp. 63-64, 2008, p. 176). While noting the constraints that new constitutionalist strategies have produced, he also emphasized the "contingent and contested character" of these constraints (Gill, 2002, p. 61).[iv] Nevertheless, as mentioned above, it must also be recognized that when neoliberal policies are institutionalized via laws and constitutions, they are often difficult to change.

Second, Gill observed that new constitutionalism already contained efforts to contain dislocations and to co-opt political opposition to prevent a political backlash against neoliberalism (Gill, 1998, pp. 23-24, 27, 37; 2008, pp. 79, 163, 173). He called these efforts "trasformismo" (after Gramsci), "attempts by ruling classes and élites to co-opt and incorporate opposed political forces and their intellectual leaders in order to make their power more legitimate and sustain the prestige of their regimes" (Gill, 2002, p. 65). Moreover, again Gill doubted the effectiveness of these strategies of co-optation and incorporation, especially in the longer term (see e.g. Gill, 1998, p. 24, 2002, p. 65).

It is, thirdly, certainly not the case that constitutions and institutions do not contain non-neoliberal elements. It was even stated explicitly that these arrangements include "measures for dealing with the dislocations produced by fictitious commodities" (Gill, 1998, p. 26). Indeed, neoliberalism has always been a flexible project, with a "remarkable transformative capacity" (Peck & Tickell, 2002, p. 400). It could be argued that the growing capacity to deal with both crises and social protest is also an inherent part of neoliberalism (Rude, 2008, p. 220). This flexibility has been highlighted by terms such as "pragmatic neoliberalism" (Sandbrook, 2000).[v]

With regard to the fourth critique, again, my reading is that Gill has never stated that "a neoliberal project [is] always to be pursued via the law" (Parker, 2008, p. 412). To the contrary, neoliberalization is a multidimensional process advanced via, amongst other things, political, economic, legal, ideological and cultural instruments (see e.g. Gill, 1998, p. 31). However, a valuable extension to the conceptualization of new constitutionalism has been made by Adam Harmes (2006) (see also Lesage & Vermeiren, 2011). According to him, the *legal* anchoring of neoliberalism should be seen in relation to neoliberalism's *economic* anchoring. The free movement of capital, goods and services is (legally) anchored as one of the pillars of neoliberal globalization. In the meantime, policies of market correction (social policies, taxation, labour and environmental standards) most of the time still reside at a lower scale (particularly the national scale). "In this way, new constitutionalism more or less freezes a political-geographical mismatch between market promotion and market correction" (Lesage & Vermeiren, 2011, p. 45). As such, internationally mobile capital is able to play off different states (as well as regions, cities, ...) against one another by the possibility of "regime shopping" or "regulatory arbitrage". This has encouraged states to install new constitutionalist frameworks as a demonstration of self-discipline to be credible in the eyes of mobile investors and corporations (Gill, 1998; Gill & Law, 1989). Neoliberal thinkers have consciously promoted this "market-preserving federalism" to constrain government intervention by anchoring inter-jurisdictional competition (Harmes, 2006).

Thus, to sum up, the concept of "new constitutionalism" provides a useful starting point for analysing the growing patchwork of constitutions, laws and treaties institutionalizing neoliberal policies, comprising both "hard law" and "soft law". This does not imply that there is no resistance to new constitutionalism, that these regulations comprise only neoliberal elements, or that new constitutionalism is the only instrument used to strengthen and deepen neoliberalism.

A final observation is that the new constitutionalism should not necessarily be seen as "conspirational". New constitutionalist attempts are not always the result of a conscious strategy on the part of capital fractions to defend their material interests. For instance, it is plausible that for technocrats that often design these frameworks, ideological orientations and social background may be an essential element, and they may be relatively unaware that their ideas are in line with the interests of transnationally-oriented capital. However, it is also clear that the success of these attempts to institutionalize neoliberalism is largely dependent on the structural and direct power of transnationally-oriented capital.

8.3 The constitutionalization of the free movement of capital

8.3.1 International capital mobility institutionalized

As the free movement of capital is crucial to the neoliberal project, it is also itself being increasingly constitutionalized. This was already evident to Gill, who wrote that central to the new constitutionalism is constitutional controls "partly to prevent national interference with the property rights and entry and exit options of holders of mobile capital with regard to particular political jurisdictions" (Gill, 1998, p. 26; see also Gill, 2008, p. 170). However economically and politically difficult this would be, without this institutionalization of international capital mobility, it remains a possibility for a country to withdraw from international capital markets and to reinstate substantial control over international capital movements, which would endanger neoliberal policies in other domains as well. Therefore, the norm of free movement of capital has been legally locked-in via a patchwork of bilateral, regional and global legal and institutional mechanisms (see Anderson, 2009; Chowla, 2011; Gallagher, 2011a, 2012b; Gallagher & Stanley, 2013).

At the bilateral level, many countries have concluded bilateral investment agreements (BITs) and free trade agreements (FTAs) with the major industrialized countries, in the first place the US. These agreements strongly limit the rights of these countries to use capital controls, even temporary controls in extraordinary situations (see e.g. Anderson, 2009; Gallagher, 2011a, 2013; Kolo & Wälde, 2008; Schneiderman, 2000). As such, "the US Bits are some of the most extensive and stringent and contain strong provisions against the use of capital account regulations" (Chowla, 2011). Even taxes on inflows or outflows could be interpreted as a violation of these agreements (Gallagher, 2011a, p. 405). Moreover, if they violate the terms of the treaties, these countries potentially face lawsuits by private US investors in supranational tribunals (Anderson, 2009; Gallagher, 2011a). Therefore, "current government leaders are constrained by these capital control restrictions, even though the vast majority were not in power when these deals were negotiated" (Anderson, 2009). Although the EU member states' BITs contain more exceptions that allow the use of capital controls (Gallagher, 2011a, pp. 407-408), they still limit the policy space available to emerging markets and developing countries (Chowla, 2011).

At the regional level the European Union has institutionalized the free movement of capital in the Lisbon Treaty, which not only limits the use capital controls within the European Union, but with third countries as well (Chowla 2011).[vi] Another example of a regional agreement that strongly restricts the use of capital controls is the North American Free Trade Agreement (NAFTA) (Albo, 2009, p. 124; Anderson, 2009). The ASEAN member states want to create an ASEAN Economic Community, which would institutionalize the freer movement of capital (Kawai, Lamberte & Takagi, 2012, p. 43). Furthermore, member states of the Organisation for Economic Cooperation and Development (OECD) are subject to the OECD Code of Liberalisation on Capital Movements (Chowla 2011). As the OECD (2002) has stated itself: "It has served to entrench the capital account opening process as irreversible undertakings by members (...)." While the provisions in this code are substantial, there are broader exceptions than in other legal accords (Gallagher, 2011a, p. 407).

Finally, at the global level, besides the IMF, which will be dealt with in the next section, the World Trade Organization (WTO) also constitutionalizes free movement of capital in certain forms. The WTO's General Agreement on Trade in Services (GATS) contains some restrictions on capital controls (Albo, 2009, p. 124; Anderson, 2009; Chowla, 2011; Gallagher, 2011a). This only applies to countries that have committed to the liberalization of certain financial services. For these countries, the liberalization of cross-border trade in financial services may require opening the capital account. While some exceptions in the GATS text may be invoked, Gallagher (2011a, pp. 396-397) states that it may be "extremely difficult" to meet the conditions to use these exceptions. Again, if a country restricts capital flows, it potentially faces arbitration at a dispute panel. However, probably the most important attempts to constitutionalize the free movement of capital at the global level have been undertaken at the IMF.

8.3.2 Capital controls and the IMF before the 2007 crisis

In Chapter 3, the history of capital controls at the IMF – from the more positive position towards controls in the Articles of Agreement in 1944 to the informal pro-liberalization approach in the 1980s and 1990s – was already outlined. This chapter will therefore start at the attempts to change the Articles of Agreement in 1995-1997. To recall, the revisions proposed by the IMF's Interim Committee in September 1997 in Hong Kong would have included the promotion of capital account liberalization as one of the main purposes of the Fund, and would have given the IMF jurisdiction over the member states' capital account policies. They would also have permitted the staff to employ conditionality attached to its loans to encourage capital account liberalization (Abdelal, 2006; Chwieroth, 2007, p. 16).

This period in the 1990s illustrates how new constitutionalism provides a useful conceptual framework for interpreting these events. First, the changes to the Articles of Agreement would have firmly institutionalized the norm of free movement of capital, one of the main pillars of neoliberalism. As an amendment to the Articles requires the acceptance of three-fifths of the members, having 85 percent of the total voting power in the Board of Governors (IMF, 1945), this constitutionalization of the free movement of capital would have been very difficult to reverse. For example, the US could use its voting power to effectively veto an amendment.

Second, the proposals sought to incorporate and co-opt opponents of the new constitutionalism via the discourse of orderly liberalization and gradualism, as opposed to a "big bang" approach. Third, the events also illustrate the contingent and contested character of new constitutionalist proposals. In the final instance, the Asian crisis threw sand in the wheels of the institutionalization of the free movement of capital, and by 1999 the proposal was taken off the agenda due to resistance from developing countries (Abdelal, 2007, p. 143; on Brazil see Batista, 2012, p. 100; on India see Reddy, 2007, p. 22) and some policymakers in advanced countries (Abdelal, 2007, p. 12; Chwieroth, 2010a; Chowla, 2011; Panitch & Gindin 2012, p. 243). It can thus be seen as "a case of failed norm institutionalization" (Leiteritz & Moschella, 2010; see also Leiteritz, 2005; Moschella, 2009), in other words, an example of how contestation can effectively block the new constitutionalism.

Fourth and finally, it is also evident that neoliberalism was not only pursued via legal agreements. As explained above, without any changes to the Articles of Agreement, the staff had already changed its informal approach to capital account policies before the Asian crisis. After the rejection of the new constitutionalist proposals, whereas it could not officially demand capital account policies in its surveillance, policy advice or conditionality packages, it could still informally stimulate member states to liberalize. While the formal rules may not have changed, it might be useful to examine whether the Asian crisis has altered the ideas and informal practices within the IMF on capital controls. What, then, was the IMF's approach during the period from the Asian crisis up to the global economic crisis?

First, just like before the Asian crisis, the IMF still considered capital account liberalization to be beneficial, and the final goal should be the full free movement of capital (see e.g. Rossi, 1999; also noted by Chwieroth, 2010; IEO, 2005).[vii] As Stanley Fischer, then First Deputy Managing Director of the IMF, said in 1998 (Fischer, 1998b): "The most advanced countries have fully liberalized capital flows, and that is where all countries should ultimately be heading (…)." Some important IMF papers recognized that the empirical evidence was meagre.[viii] Edison et al. (2002) conclude: "There is mixed evidence that capital account liberalization promotes long-run economic growth." In an influential paper, that is frequently referred to, Prasad et al. (2003) recognize that "it is difficult to establish a robust causal relationship between the degree of financial integration and output growth performance." Other papers had similar findings (e.g. Epaulard & Pommeret, 2005; Gourinchas & Jeanne, 2004).

Yet the absence of empirical evidence on the beneficial growth effects of capital account liberalization did not lead to the abandoning of the theoretical view that open capital accounts are beneficial (e.g. Prasad et al., 2003; Kaminsky & Schmukler, 2003). On the contrary, the staff attempted to find new evidence that would demonstrate the theory and nuance earlier empirical material. For instance, it was argued that capital account liberalization would boost productivity growth instead of output growth, which would only be fully evident in the long run (e.g. Kose et al., 2006; Kose et al., 2008). Another argument was that open capital accounts are generally beneficial, but mostly when certain threshold conditions are met (e.g. Kose et. al., 2006). In sum, "the staff team clearly retains a fundamental belief in the long-run desirability of capital freedom" (Chwieroth, 2010, p. 222). It is fair to say that the Fund still acted as a "cheerleader" of capital account liberalization (see IEO, 2005; also Gallagher, 2012b) on the eve of the global economic crisis.

Second, while it had always recognized that an open capital account carries risks, these risks were more highlighted in the staff's analyses (as noted by IEO, 2005; see e.g. Fischer, 1998b; Gupta et al., 2003; López-Mejía, 1999; Ötker-Robe et al., 2007; Prasad et al., 2003). It was also acknowledged that herding behaviour and contagion could exist, without any relation to country fundamentals (e.g. Ariyoshi et al., 2000; Bayoumi et al., 2003; Bikhchandani & Sharma, 2001; Borensztein & Gelos, 2000; Fischer, 1998b, Gelos & Wei, 2002). Fischer wrote shortly after the Asian crisis that "markets are not always right" and that "usually, these swings are rationally based, but they may on occasion be excessive, and they may sometimes reflect contagion effects" (Fischer, 1998a, p. 3; see also Boorman, 2003). A more cautious approach became trendy, with orderly liberalization, sequencing and gradualism as key words (e.g. Boorman, 2003; Prasad et al., 2003; also noted by Chwieroth, 2014, p. 453; IEO, 2005).[ix] As former Indian RBI governor Reddy (2007, p. 22) has stated: "The Fund seems to have generally softened its stance and broadly follows an eclectic and integrated approach towards capital account liberalization, emphasizing proper sequencing and phasing combined with several concomitant reforms."

Third, however, there was still a broad disapproval of capital controls. The risks associated with liberalization "are reasons to proceed with liberalisation carefully; they are not reasons for turning away from it altogether" (Boorman, 2003). As the IEO (2005) report concludes: "It is possible here to make a broad characterization that the IMF staff was in principle opposed to the use of such instruments, either on inflows or outflows." There was still a lot of scepticism on the (long-term) effectiveness of controls (e.g. Laurens & Cardoso, 1998; Le Fort, 2005; Nadal-De Simone & Sorsa, 1999; Ötker-Robe et al., 2007; Polak, 1998, p. 48; Prasad, Rumbaugh & Wang, 2005), and it was still emphasized that the costs of introducing controls are large (e.g. Ariyoshi et al., 2000; Johnston & Tamirisa, 1998; Polak, 1998, p. 48; Prasad et al., 2005; Wei & Zhang, 2007).

Moreover, the staff assumed that there are better solutions to the problems associated with capital flows than using restrictions on international capital mobility. For instance, Ariyoshi et al. (2000) conclude: "The evidence presented in this paper supports the conclusion that capital controls cannot substitute for sound macroeconomic policies." The emphasis was on macroeconomic "soundness", the quality of domestic institutions and the depth of financial markets (e.g. Laurens & Cardoso, 1998; Le Fort, 2005; Ötker-Robe et al., 2007; Prasad et al., 2003; Zakharova, 2008). As Fischer (1998b) stated after the Asian crisis: "The first line of defense in dealing with capital flow reversals, aside from macroeconomic policy and exchange rate responses, is to use the foreign exchange reserves." As Chwieroth (2014, p. 453) sums it up: "Thus, while the Fund began to show greater recognition of the risks posed by removing controls, the organisation did not fundamentally alter its norm hierarchy that prioritised the long-run desirability of capital freedom."

Fourth, there was more openness to the use of temporary, market-based controls in extraordinary circumstances (see e.g. Ariyoshi et al., 2000; Eichengreen et al., 1999; López-Mejía, 1999; Polak, 1998, p. 48; Prasad et al., 2005; Rossi, 1999; Tamirisa, 2004). As the IEO (2005; also Epstein, Grabel & Jomo, 2004) report observes: "As a general rule, the IMF staff, in line with the evolution of the institution's view, became much more accommodating of the use of capital controls over time, albeit as a temporary, second-best instrument." Fifth, however, if capital controls are used, they should be market-based instead of quantitative, temporary and targeted to short-term flows, and only on capital inflows, not on outflows (see Fischer, 1998b; Polak, 1998, p. 48; see also Chwieroth, 2014, p. 453).[x]

8.4 Capital controls in the IMF: towards the new constitutionalism of pragmatic neoliberalism?

8.4.1 The IMF and capital controls after the crisis

As discussed in Chapter 3, the outbreak of the global economic crisis and the capital flow volatility in the years during and after the crisis triggered a renewed interest in capital controls in EMDCs. The IMF did not at all have anything to say to EMDCs that (re-)introduced these (moderate) controls. Several observers have noted that the IMF's interest in controls was a reaction to this "rehabilitation" of controls by EMDCs (see Grabel & Chang, 2010; Mohan, 2012, p. 23). Chwieroth (2014, pp. 458-459) has written that "organisational insecurity imperatives" meant that some IMF officials wanted "to convince emerging markets that the organisation was taking their preferences seriously". The IMF started doing research on capital flows and capital controls in 2010 and continued this research in 2011 and 2012 (IMF, 2010c, 2011b, 2012c; on the internal process driving reform within the IMF see Chwieroth, 2014). While capital flow management measures (CFMs), as the IMF calls capital controls now, were "a quiet undertaking" before the crisis, the Fund now became "fairly vocal" about its new views (Gallagher, 2012b). In November 2012, this culminated in the final official "institutional view" on "the liberalization and management of capital flows" (IMF, 2012e), based on the preceding research by the staff, which was meant to present a "comprehensive, flexible, and balanced approach for the management of capital flows" and which discusses controls on both inflows and outflows.

Does this new IMF framework matter? As has been contended in the past (Cooper, 1998, p. 11): "A cynic could argue that whether or not the IMF embraces capital-account convertibility as a formal objective will make no difference whatsoever." Ilene Grabel (2012, p. 60) has pointed out that "the Fund's position has become increasingly irrelevant as developing countries now enjoy the policy space to introduce and adjust capital controls without waiting for the institution." It is highly doubtful whether the IMF can be a central actor in deciding the capital account policies of countries such as the BICs in the (near to medium-term) future.

On the other hand, one could argue that the IMF's position is important for many smaller and less powerful EMDCs (see e.g. Wade & Veneroso, 1998, p. 38). This is commensurate with Gill's position that the pressures and constraints that the new constitutionalism produces "vary according to the size, economic strength, form of state and civil society and prevailing national and regional institutional capabilities, and the degree of integration into global capital and money markets" (Gill, 2008, p. 142). In this line of reasoning, Grabel (2012, p. 66) has also proclaimed: "Whether the IMF seizes this opportunity and how it comes to interpret this possible new charge is of critical importance to advocates of national policy space for capital controls (and other measures)." It can be argued that small developing countries will be more prone to obeying new constitutionalist frameworks than large emerging markets.

The second reason why the IMF's institutional view is important, is because it is symbolic for the changing mainstream position with regard to capital controls. As can be derived from Chapter 3, the IMF Articles of Agreement more or less echoed the Keynesian consensus after the Second World War. Later, in the 1980s and 1990s, the Fund's informal view in favour of the full free movement of capital reflected the hegemony of the neoliberal project. Consequently: "The IMF's position on

capital controls is thus not only very important per se but is also one of the crucial litmus tests for assessing ideational changes in global financial governance at large" (Moschella, 2014, p. 2).

The specifics of the framework thus far developed can be summarized in five central principles (see Dierckx, 2011 for a more detailed analysis of the inflows framework).[xi] First, in line with the view before the global economic crisis, the staff still considers full capital mobility to be advantageous to the world economy as a whole and to individual countries in particular.[xii] These benefits include greater efficiency, financial sector competitiveness, facilitating investment, consumption smoothing and macroeconomic discipline (IMF, 2012e). For countries that still apply comprehensive capital controls, such as China and India, the IMF argues that further (extensive) liberalization would certainly be beneficial (IMF, 2012e). While it is indicated that "recent research suggests that there is no certainty that full liberalization is an appropriate objective for all countries at all times", the last stage of the liberalization of capital flows still "eliminates all remaining controls" (IMF, 2012c). It is obvious that "the IMF still thinks that in an ideal world there would be free movement of capital" (Elliott, 2012), that "capital freedom still shows an enduring appeal among some staff" (Chwieroth, 2014, p. 461), and that full capital account liberalization is still a long-term objective (see also IMF, 2010c).

However, second, "the limitations of market efficiency and rationality also feature in staff reports" (Chwieroth, 2014, p. 461). It is recognized that liberalization in general, and inflow surges in particular, can carry considerable risks, and that markets may be prone to herding behaviour. There are both financial stability and macroeconomic risks. In particular, capital inflow surges can lead to asset price bubbles, rapid exchange rate appreciation, credit booms, inflation and sudden stops/reversals of capital flows (IMF, 2012e).[xiii] While this was already acknowledged before the global economic crisis, there is a noticeable shift in emphasis. For instance, the institutional view admits that capital outflows are not always driven by domestic factors and can also be driven by international factors (IMF, 2012e). According to Gabor (2012, p. 728), this "recognises the demise of the old conceptual apparatus that posits the optimality of free capital flows". As such, the pre-crisis position that a "planned, timed and sequenced" approach to liberalization is appropriate has been strengthened, and it is argued that liberalization is more beneficial to countries that have reached certain "thresholds", in particular certain levels of institutional and financial development (IMF, 2012e). Therefore, sound and stable macroeconomic policies, a developed financial sector, a flexible exchange rate and greater trade openness are crucial.

Third, the IMF position still holds that most of the time the apparent risks do not imply that capital controls are the "right" answer. Indeed, "rather than favouring closed capital accounts, these experiences highlight the need for policymakers to remain vigilant to the risks" (IMF, 2012e). A key role to deal with the challenges presented by capital flows should be played by macroeconomic policies.[xiv] While in the final institutional view it is stated that the temporary re-imposition of controls "is consistent with an overall strategy of capital flow liberalization" (IMF, 2012e), in an earlier paper it was also noted that "liberalization should not be seen as a "two-way street" (IMF, 2012c). Further, the effectiveness of controls on both inflows and outflows is questioned. Thus: "Even when CFMs are desirable, their likely effectiveness remains a key consideration" (IMF, 2012e).[xv] In November 2009, then Managing Director Strauss-Kahn said that "the problem [with controls] is that most of the time it does not work" (see Guha, 2009). The costs of capital controls are also assumed to be very high, including the possibility of financial repression, corruption and high enforcement costs, reducing

discipline, impeding financial development, creating an inefficient allocation of capital, and limiting the available financing resources (IMF, 2012e).[xvi]

Fourth, in some instances capital controls can be useful and legitimate, but they should only be used as a last resort and in very limited circumstances.[xvii] Controls on inflows may only be used when the exchange rate is not undervalued, when reserves are more than adequate or sterilization costs very high, when the economy is overheating so that expansionary monetary policy is not advisable, and when fiscal policy is profoundly tightened (IMF, 2011b). With regard to outflows, they "should usually be handled primarily with macroeconomic, structural, and financial policies" (IMF, 2012e). Controls can only be used "in crisis situations, or when a crisis may be imminent", especially to prevent a free fall of the exchange rate or a depletion of international reserves. In sum, "to manage the macroeconomic and financial stability risks associated with inflow surges or disruptive outflows, a key role needs to be played by macroeconomic policies, including monetary, fiscal and exchange rate management, as well as by sound financial supervision and regulation and strong institutions" (IMF, 2012e). In sum, "the recognition of the role of capital account management is qualified by a number of statements that effectively downplay the role that these measures can have" (Batista, 2014).

Fifth, while a staff position note states that "there is no 'one-size-fits-all' approach to capital control design" and that "the design of capital controls needs to be tailored to country circumstances" (Ostry et al., 2011), the IMF also reveals a clear preferences for certain controls over others. If they are used, they should be "limited and temporary" (IMF, 2012e). Controls on inflows should be temporary[xviii], preferably non-residency based[xix], market-based[xx], country-specific and designed to target the specific risk (IMF, 2011b, 2012e). Macroprudential measures are to be preferred over controls. Controls on outflows can also be used[xxi], but they should likewise be temporary, and they should be "lifted as soon as certain conditions are met". While it is recognized that controls should be comprehensive to avoid evasion (IMF, 2012e), it has been stated earlier that often market-based measures will be sufficient (IMF, 2012c).[xxii]

8.4.2 Postneoliberalism or pragmatic neoliberalism?

When assessing the IMF's institutional view, two perspectives are possible. In the first perspective, the Fund's framework finally departs from the neoliberal ideology, as it now accepts certain capital controls. There are certainly elements in the IMF's framework that are at odds with this neoliberal ideology, although it does not represent a radical departure.[xxiii] However, from the perspective adopted in this dissertation which views neoliberalism as a hegemonic class project, it is clear that the IMF's institutional view does not deviate significantly from its earlier neoliberal position.

First, the novelty of the IMF's institutional view should not be overstated. As Chwieroth (2014, p. 446) puts it, the institutional view combines "new greater acceptance of controls with an older emphasis on their negative consequences and on the desirability of free movement of capital". The basic assumptions remain the same as before the global economic crisis (Moschella, 2014, p. 10). In general, the IMF still considers full capital mobility the best option for both the global economy and for individual countries. The gradual shift in emphasis on the risks of open capital liberalization, that had taken place after the Asian crisis[xxiv], has certainly continued and been strengthened. However,

"this is not as big a change as it may seem" (Batista, 2014). The proposed policies to deal with the diagnosed risks have not changed substantially. Prudential and macroeconomic instruments are preferred over controls. As one IMF official has explained, the Fund is "accepting" controls, it is not "recommending" them (see IMF, 2011c). Although it is a significant novelty that the IMF legitimates capital controls, it is clear that legitimate controls according to the Fund's view would still be rather exceptional.[xxv] Moreover, they should still be temporary, preferably non-residency-based and market-based, country-specific and targeted to the specific risk. In sum: "Although the differences between the pre- and post-crisis intellectual stances may at first seem dramatic, a closer look at the Fund's ideational shift in the aftermath of the global financial crisis reveals several elements of continuity with pre-crisis thinking" (Moschella, 2014, p. 9).

Second, several Keynesian-oriented economists have criticized the Fund's institutional view for being flawed, for not going far enough in accepting capital controls, and for being insufficient to protect EMDCs from the risks associated with volatile capital flows (Akyüz, 2012, pp. 91-92; Chowla, 2011; Fritz & Prates, 2013; Gabor, 2012, p. 728; Gallagher, Griffith-Jones & Ocampo, 2011; Ocampo, Griffith-Jones & Gallagher, 2011; Stiglitz, 2011; UNCTAD, 2013b). The three main criticisms are that capital controls should not only be a measure of last resort, that they should be a permanent policy tool instead of just a temporary measure, and that quantity-based controls can be more effective than price-based controls. This criticism has also been mirrored by civil society organizations (e.g. Chowla, 2011; O'Farrell, 2011).

Third, the IMF always strongly emphasizes that capital controls should definitely not be used to diverge from orthodox economic policy (Ostry et al., 2010; IMF, 2012e). The framework on inflows makes clear that "measures that affect inflows merit greater scrutiny because they can potentially be used to substitute for appropriate macroeconomic policies" (IMF, 2011b). In the 2012 paper, it is stated that controls "should always be part of a broader policy package that also includes macroeconomic, financial sector, and structural adjustment" (IMF, 2012c). It can thus be argued that in the Fund's view, capital controls would only be legitimate for neoliberal poster children. Where capital controls are not endangering the neoliberal project, they are accepted; where they could be used to put in place less orthodox economic policies, they are rejected.[xxvi] This is consistent with Susanne Soederberg's (2004, p. 43) critique: "In this sense, capital controls are only to be used as a means to reach the larger end, namely, the proper (neoliberal) management of financial liberalization."

Another indication that the IMF does not accept deviations from the neoliberal project is the IMF's emphasis that "policy credibility" must always be kept in mind when using controls, to "avoid damaging market perceptions" (IMF, 2012e). It is emphasized that a credible exit strategy from capital controls is crucial to preserve policy credibility (Ghosh et al., 2009), that capital controls risk affecting investor confidence for a considerable time (IMF, 2011b, 2012c; 2012e), and that the benefits of controls should be "weighed against the risk that such an approach may create an adverse market reaction" (IMF, 2011b). Capital controls should mostly be temporary and limited "so as not to (...) adversely affect investor confidence" (IMF, 2012e). While this might be logical from the staff's point of view, it indicates that the Fund accepts the power of global financial capital as an "objective reality" which cannot be resisted. As such, the Fund depoliticizes and mystifies this power of global financial capital, and hence reinforces this power.

Fourth, the IMF does definitely not want controls to be a widespread phenomenon. It is stated that "it is important to be cognizant of the multilateral risks if CFMs where to be broadly and indiscriminately adopted, for example through a process of imitation or diffusion" (IMF, 2011b; see also IMF, 2012e). These "risks" are more explicitly clarified in a staff position note (Ostry et al., 2010): "In addition, controls imposed by some countries may lead other countries to adopt them also: widespread adoption of controls could have a chilling longer-term impact on financial integration and globalization, with significant output and welfare losses." The Fund does certainly not see capital controls as a possible permanent feature of the international monetary system, in the way Keynes and White did in the 1940s.

Finally, the capital controls that would be allowed under the institutional view do not represent a challenge to the power of global financial capital or transnationally-oriented productive capital. Financial capital would in general still be free to chase the highest returns on stock exchanges, bond markets and derivatives markets all over the world. The Fund even recommends financial deepening as a means to soften the risks of capital account liberalization, which from a critical approach could be seen to lead to financialization and growing power for financial capital. Although there can be prudential limits on foreign exchange positions, restrictions on the activities of foreign banks are not compatible with the IMF's framework. Limitations on FDI and investment by multinational corporations seem off-limits even more. The only measure that would (partially) harm the interests of transnationally-oriented capital is the imposition of strict controls on outflows. However, two caveats are important. First, that controls are only allowed in crisis situations implies that the structural power of capital will not be limited during "normal" times. Second, it remains to be seen in which cases controls on outflows would be defined as "legitimate". It seems unlikely that the Fund would allow a "proliferation" of controls on outflows in crisis situations. In sum, the IMF's institutional view leaves the structural power of transnationally-oriented capital intact.

To sum up, while the approach certainly implies a more pragmatic standpoint on capital controls that deviates to a significant degree from the IMF's earlier view, the current approach remains within neoliberal limits. Moreover, "there is a lingering overall bias against capital flow measures, especially capital controls" (Batista, 2014). The relatively limited controls that would be allowed under the framework are certainly not a threat to the power of transnationally-oriented financial and productive capital. As such, the IMF's institutional view is better referred to as an illustration of pragmatic neoliberalism than of postneoliberalism.

8.4.3 A renewed effort to constitutionalize the free movement of capital?

As the current IMF framework does not deviate from neoliberalism, this chapter argues that it can be seen as a more subtle, and more flexible form of the new constitutionalism of neoliberalism after the earlier attempt to constitutionalize the free movement of capital within the IMF Articles of Agreement failed. It contains several characteristics which were outlined in the first section of this chapter. First, it might be seen as an attempt to restrain the use of capital controls by emerging markets and it gives the IMF staff the power to evaluate national policies on capital flows. As such, it locks in neoliberal policies, in this case the free movement of capital. This in effect subordinates national policies to the protection of private property rights, in particular those of transnationally-oriented capital.

Second, whereas Parker (2008) associates new constitutionalism with hard law, this case demonstrates that the demarcation line between hard law and soft law can be rather blurry. The institutional view was endorsed by the IMF Executive Board as an official IMF policy framework (IMF, 2012b), and can thus be considered a binding hard law. However, the implications are not unambiguous. On the one hand, it is stated explicitly that the institutional view does not create any legal obligations for member states nor does it alter the Fund's jurisdiction (IMF, 2012e; see also IMF, 2011b, 2012c).[xxvii] Moreover, members that maintain "illegitimate" capital controls cannot be excluded from IMF resources.

On the other hand, the framework was developed as a way to outline the "global rules of the game" (IMF 2010c, 2011b). In a 2010 paper, it was stated explicitly that the IMF should have the mandate "to identify actions that members should take or refrain from" in designing capital account policies (IMF, 2010c).[xxviii] In general, the institutional view will be used for policy advice, bilateral surveillance and multilateral surveillance (IMF, 2012e; see also Siegel, 2013, pp. 72-73). While states will usually not be obliged to follow these recommendations, it could create obligations in some cases.[xxix] In this context, it is also remarkable that Nicolas Ayzaguirre, director of the IMF's Western Hemisphere Department, declared that the IMF has the mandate to preserve the stability of the international monetary system, and that the Fund could use this mandate to suppress the proliferation of capital controls (IMF, 2011c). Paulo Nogueira Batista, Brazil's Executive Director at the IMF[xxx], saw the framework "as an attempt to prepare the terrain for more interference by the fund in the policies of emerging-market countries" (in Talley & Reddy, 2011). In any case, Gill (1998, pp. 25-26, 2008, p. 139) described surveillance mechanisms of international organizations as an important aspect of the new constitutionalism.[xxxi]

A third aspect is that this should not be seen as a "conspiracy theory" position. The Fund threats capital controls as a technical matter, not as a political issue. Olivier Blanchard, Director of the Research Department of the IMF, wrote on his blog that "while the issue of capital controls is fraught with ideological overtones, it is fundamentally a technical one, indeed a highly technical one" (Blanchard, 2011). In this way economic policy is depoliticized, so that it can be put in the hands of technocrats and specialized economists, far removed from democratic decisions.[xxxii] However, this draws attention away from the increased structural power of capital that results from capital account liberalization. In the words of Susanne Soederberg (2004, p. 61): "Largely due to its appearance as a pluralistic multilateral lending institution and its exclusive emphasis on the economic dimensions of capital controls, the IMF is not only able to reproduce the 'common sense' assumptions that free capital mobility is a natural phenomenon driven by the external forces of globalization, but also its ability to cloud the fact that the Fund's judgement call is primarily political in nature." Thus, due to its neoliberal bias and technocratic values, the Fund encourages open capital accounts as apolitical "good economic policy", while it is actually engaging in a class-based project that favours internationally mobile capital.

Fourth, the project to constitutionalise the free movement of capital in the IMF is especially supported by Western governments, and there was "considerable resistance to change and intellectual flexibility (...) from advanced country chairs, especially the US and European chairs" (Batista, 2014).[xxxiii] For instance, while France may have been one of the countries in favour of a more flexible approach to capital controls, it also made great efforts to give the IMF more power in the assessment of which controls are legitimate in which circumstances. In January 2011, Nicolas Sarkozy

proposed the development of "a code of conduct" by the G20, and the broadening of the IMF's role in the "surveillance" of international capital transactions (AFP, 2011). Sarkozy also wanted to make sure that a multiplication of unilateral measures would not lead to a new financial protectionism (see Batista, 2012, p. 99; Leparmentier & Thibault, 2011).[xxxiv] He also said that that the code of conduct should "define the conditions under which restrictions on capital movements are legitimate, effective and appropriate to a given situation" (Sarkozy, 2011). Moreover, he stated that France was in favour of a modification of the IMF's Articles of Agreement "to broaden its supervision mandate". Statements by advanced countries' officials have repeated this, or have said that capital account policies should be included in the Fund's surveillance (Bernstein, 2011; Borg, 2013; Geens, 2013; Geithner, 2011a; Johnsen, 2011; Matolcsy, 2011; Noonan, 2013; Schäuble, 2013; Swan, 2012).[xxxv]

Moreover, advanced countries have been broadly supportive of the approach that the IMF developed. Many have explicitly endorsed the institutional view in their IMFC statements (Borg, 2013; Fekter, 2013; Geens, 2013; Grilli, 2013; Lew, 2013; Noonan, 2013; Schäuble, 2013; Widmer-Schlumpf, 2013). According to Swedish finance minister Borg (2013), the institutional view was even "an important milestone". Some acknowledged that capital controls can play a role in certain circumstances. However, most advanced countries also emphasized that other measures are preferable, that controls should be temporary, market-based and last resort only, and that they cannot be used to substitute for the necessary reforms (see de Jager, 2011; Geithner, 2011a; Grilli, 2013; Johnsen, 2011; Lagarde, 2010; Lew, 2013; Matolcsy, 2011; Osborne, 2011; Rostowski, 2011; Schäuble, 2011a, 2011b; Tremonti, 2011; Widmer-Schlumpf, 2011, 2012, 2013).[xxxvi] The benefits of capital mobility were also underlined. As German finance minister Schäuble (2011a) said: "Free movement should remain the ultimate objective and countries, through individual and cooperative efforts, should work to put in place the preconditions for successful capital account liberalization."

Finally, it was noted above that the IMF's approach can be defined as pragmatic neoliberalism. Hence, because it comprises to a certain extent elements that appear as a departure from neoliberalism, the pragmatic neoliberal approach contains efforts to incorporate and co-opt resistance. The fact that the Fund endorses controls, although, as explained above, in limited and extraordinary circumstances, has made some analysts talk about a turnaround in the Fund's view (Harding, 2011a; Talley & Reddy, 2011), "a small revolution" (Pisani-Ferry, 2011) or even "the end of an era in global finance" (Rodrik, 2010). According to Chwieroth (2014, p. 462), the combination of the acceptance of capital controls with the preservation of the long-term goal of the full free movement of capital was meant to avert opposition from actors in favour of capital freedom, in particular the US, and at the same time appealing to EMDCs that are less ideologically inclined to full capital mobility. However, these efforts to incorporate oppositional political forces have not prevented the emergence of resistance.

8.4.4 The opposition of EMDCs

While the advanced countries statements in the International Monetary and Financial Committee (IMFC) are broadly supportive of the framework, at the same time emphasizing that capital controls should remain exceptional, some EMDCs have been very critical from the very beginning of the process. Further, contrary to advanced countries, none of the EMDCs has endorsed the IMF's institutional view. The main reason, besides the lack of focus on "push countries", has been that they

consider the framework as an attempt to limit the use of capital controls.[xxxvii] As such, they categorically contest the new constitutionalism of neoliberalism in the domain of capital controls.

One of their motivations was that the IMF framework was too orthodox in content, and that capital controls should not only be used as a last resort but should be a "normal" policy tool (Batista, 2012, p. 97; Interview 12; Mantega, 2012b; Mohan, 2012, p. 25; Mukherjee, 2012). As Brazil's finance minister Guido Mantega (2012a) has stated: "Experience has shown that the free flow of capital is not necessarily the preferable option in all circumstances." After the institutional view was finalized, he said: "The IMF has to be supportive of this approach [of capital controls as an ordinary instrument], not just tolerate it reluctantly, as in its 'institutional view' document" (Mantega, 2013).

However, interviewees in China, Brazil and India said that the IMF's thinking was very much in line with the Chinese/Brazilian/Indian position and policies (Interview 2 & 7 on China; Interview 15 on Brazil; Interview 28 & 32 on India).[xxxviii] Especially in India, officials felt that there had been a convergence between the West and EMDCs, and that the West has moved towards the approach applied and advocated by India since 1990 (Interview 23 & 32). The second motivation is therefore even more important: many EMDCS explicitly argued against the constraining of policy space by an international institution in general and the IMF in particular (Interview 12, 15, 28 & 33). As one interviewee (Interview 15) said: "We don't know how the next crisis is going to be. We need to have a space of manoeuver to deal with it." Even though Brazilian policymakers are against controls on outflows, for instance, the interviewee argued that they should keep the option open.

The most important opponent of the framework in this regard has been Brazil. At the IMFC meeting on April 16, 2011, explicitly referring to John Maynard Keynes' views on capital controls, Brazil's finance minister Guido Mantega made a clear statement (Mantega, 2011): "We oppose any guidelines, frameworks or 'codes of conduct' that attempt to constrain, directly or indirectly, policy responses of countries facing surges in volatile capital inflows. Governments must have flexibility and discretion to adopt policies that they consider appropriate, including macroeconomic, prudential measures and capital controls." Brazil's Executive Director at the IMF, Paulo Noguero Batista, declared (Batista, 2012, p. 98): "Under the pretext of allowing capital account regulations in some limited circumstances, the Fund may be seeking to extend its jurisdiction to the capital account." Clearly then, Brazil interprets the framework as an instrument to restrain the policy autonomy of member states.

At the April 2012 Spring Meeting of the IMFC, Mantega therefore reiterated his opposition to the IMF's approach, and urged the Fund to rethink its approach (Mantega, 2012b). Batista has also voiced opposition to the IMF's approach on several occasions, saying that Brazil opposes any attempts to restrict the policy space of the member countries (see e.g. Rastello, 2011; Batista, 2012). He has also argued "that it would be highly inappropriate and politically unsustainable to attempt to use the Fund's skewed voting power, which gives undue weight to advanced countries, to impose their agenda on developing countries that are not willing to face any restrictions on the liberty to manage the capital account" (Batista, 2012, p. 100). Finally, the day the IMF's institutional view was released, Batista said in a statement: "Our chair does not consider itself part of this 'institutional view'" (see Rastello, 2012). Interviewees confirmed that Brazil is against any frameworks constraining policy space in whatsoever way (Interview 12 & 15).

While Brazil is clearly in the forefront in the opposition to the new constitutional approach to capital controls, it is not alone in its contestation. India has been a second pillar of the resistance to the IMF's approach (see e.g. Batista, 2014; Bretton Woods Project, 2011a). In 2010, then RBI governor Subbarao (2010b) said: "It would be preferable for the IMF to play only an advisory (and not jurisdictional) role on capital account issues as our collective understanding is not yet complete and differences in views/perceptions/experiences need to be accommodated." India's former finance minister Pranab Mukherjee called for flexibility during an IMF session on the reform of the international monetary system in May 2011 (Ghoshal, 2011). At the 2012 Spring Meeting of the IMFC, he stated that countries must have flexibility and discretion in their capital account policies, "without a sense of stigma attached to particular instruments" (Mukherjee, 2012).

China has been less vocal in its opposition to the IMF framework, but it has still defended the use of capital controls. For instance, in April 2010 Zhou Xiaochuan stated that EMDCs "need to strengthen monitoring and management of cross-border capital flows to reduce the risk of a sudden reversal" (Zhou, 2010). This was repeated at other IMFC meeting (see Yi, 2011). After the institutional view was released, Zhou (2013b) reiterated the position that "policy space needs to be rebuilt, while macroprudential and capital flow management measures should be readily deployed against excessive credit growth and volatile capital inflows". This demonstrates that China sees capital controls as a mainstream tool instead of as a tool of last resort. The BRICS as a whole have also emphasized "the risks of large and volatile cross-border capital flows being faced by the emerging economies" in their summit communiqués (BRICS, 2012), and according to the South African Trade minister Rob Davies, the BRICS are "wary" of the IMF's framework (in Seria, 2011).

Further resistance to the new constitutionalism has come from two constituencies composed of EMDCs.[xxxix] In his April 2011 IMFC statement, Mohammed Laksaci, governor of the Banque d'Algerie, said that the IMF's framework should not be part of surveillance, and that countries should maintain policy flexibility (Laksaci, 2011).[xl] He repeated that the IMF's ongoing research and work on capital controls "should not compromise members' ability to adopt policies and tools which they deem appropriate to their specific circumstances" in his 2012 IMFC Spring Meeting statement (Laksaci, 2012). At the same meeting, the Minister of State for Financial Affairs of the United Arab Emirates also called for policy flexibility and said that the states in his constituency oppose "modifications of member obligations with respect to capital flows" and "constraints on countries' ability to manage volatile flows" (Al-Tayer, 2012).[xli] The criticism of the IMF's new constitutionalist approach has also been expressed in G-24 communiqués (G-24, 2011a, 2011b).[xlii] The G-24 emphasized that this approach "should not result directly or indirectly in new obligations on members" (G-24, 2012). Moreover, it was underlined that capital controls should be seen as an integral part of the toolkit.

This resistance to new constitutionalism from EMDCs has already resulted in small, but significant accomplishments. First, while staff papers often emphasised that controls should only be used as a last resort and be preferably market-based, this disappeared in the IMF's final institutional view (IMF, 2012e). Second, while the "G20 Coherent Conclusions for the Management of Capital Flows Drawing on Country Experiences" are still strongly in favour of open capital accounts, they also conclude: "There is no one-size-fits-all approach or rigid definition of conditions for the use of capital flows management measures" (G20, 2011).[xliii] Third, that the staff has, even though restricted, legitimized the use of controls on capital outflows in its final institutional view, despite its former resolute rejection of controls on outflows (Soederberg, 2004), indicates that it may have felt more restrained

by the opposition of EMDCs to the 2011 framework on inflows. Finally, while early research after the crisis examining Country IV Reports found that capital controls were not yet accepted most of the time when officials assessed (see Dierckx, 2011; Weisbrot et al., 2009), later studies have found that the staff has become more supportive in these reports, especially from 2010 onwards (see Gallagher & Tian, 2014; see also Chwieroth, 2014, p. 463). This also points to the flexibility of the staff, which may be partly because of their need not to lose legitimacy in the developing world after EMCDs' rejection of the institutional view.

Despite these accomplishments, for now, "the policy will go ahead despite the acrimony" (Bretton Woods Project, 2011b). The institutional view has been accepted by the Executive Board, and it will be difficult to replace the framework by a more flexible approach, as this requires a majority in the Executive Board.

8.5 Conclusion: the future of neoliberalism and the new constitutionalism

This chapter has engaged with the concept of the "new constitutionalism" as developed by Stephen Gill. It has argued that this is a valuable concept to describe and understand the legal anchoring of neoliberal policies into laws and constitutions that are difficult to change or abolish. This restricts democratic decision-making in the interests of Western-led transnationally-oriented capital.

The institutionalization of the free movement of capital at the IMF forms an exemplary and important case to study the new constitutionalism after the crisis. While the Fund has taken a more pragmatic stance, its "institutional view" on capital controls remains broadly within neoliberal limits. As controls are allowed only in extraordinary circumstances for countries that are already neoliberal poster children, this does not seem to threaten the interests of transnationally-oriented financial capital in a substantial way. However, the attempt to constitutionalize the free movement of capital is contested by EMDCs, with Brazil taking the lead. They do not contest the desirability of free capital flows, but do not want to give up their policy autonomy either. Because of the power asymmetry at the IMF, both in terms of voting power and ideological power, advanced countries have so far been quite able to press forward their approach, but contestation by EMDCs has led to some minor victories.

What general lessons can be drawn from the study presented in this chapter? I would argue that there are three. First, while neoliberalism has been ideologically damaged through the global crisis, this does not yet spell the end of neoliberalism as a hegemonic project. Key features of neoliberalism such as the free movement of capital remain alive and kicking. This also means that neoliberal policies may still be increasingly institutionalized. As such, for anti-neoliberal social forces it is both intellectually and politically necessary to engage with the new constitutionalism, in order to create a global institutional environment that is more open to postneoliberal policies.

Second, Gill (2008, p. 165) states that the main political struggle within capitalism has been between those that want to extend and lock in the rights of capital and those that want to democratize, socialize and politically control capital. Yet, I would suggest that in this case it is a struggle between those that want to lock in the rights of transnationally-oriented financial capital under the dominance of Western and particularly US capital, and those that reject this dominance, without necessarily

envisaging more democratic control over capital (neither in the authoritarian Chinese regime, nor in the Brazilian or Indian liberal democracy). As demonstrated in previous chapters, all rising powers still seem to agree on the final goal of full international capital mobility and of gradually liberalizing their capital accounts. Nonetheless, while their motives may not be inherently "progressive", the contestation of the new constitutionalism in general and of the absolute free movement of capital in particular may result in decreased structural power for transnationally-oriented financial capital.

Finally, while emerging markets may come to play a bigger role in the global political economy, Western social forces, ideas and institutions are still crucial in the neoliberal project, as the case of the free movement of capital at the IMF demonstrates. The material, ideological and institutional power of a declining US and European Union should not be underestimated. If anti-neoliberal social forces in the Western heartland fail in their opposition to neoliberalism, we should not expect progressive social forces in emerging markets to be able to build a global postneoliberal world order. Opposition to neoliberalism in the West remains essential.

---

[i] This chapter is a revised version of an article published in Globalizations (Dierckx, 2013).

[ii] BITs often include investor-state arbitration, which makes it even more difficult for future governments to deviate from neoliberal policies (on investor-state arbitration see Eberhardt & Olivet, 2012; van Harten, 2005).

[iii] This critique mirrors an earlier critique of the "Gramscian legacy" on international institutions (Gareau 1996). Referring in particular to the work of Robert Cox, one of the criticisms formulated by Gareau was that the Gramscian legacy did not acknowledge that international institutions can work to delegitimize the ongoing hegemony. Again, this is not entirely correct. On the one hand, Cox (1981, p. 136) did state: "Institutionalisation is a means of stabilising and perpetuating a particular order." On the other hand, however, he also wrote (Cox, 1981, pp. 136-137): "Eventually, institutions take on their own life; they can become either a battleground of opposing tendencies, or stimulate the creation of rival institutions reflecting different tendencies."

[iv] Besides the attempt to change the IMF Articles of Agreement (see 8.3.2), one other example that failed, and thus affirms the contingent and open-ended character of new constitutionalist attempts, is the Multilateral Agreement on Investment (MAI) negotiated between the OECD members in 1995-1998 (see Egan, 2001).

[v] It should again be recalled that Gill doubted the effectiveness of these strategies of co-optation and incorporation, especially in the longer term.

[vi] The Maastricht Treaty states (see European Union, 1992): "Within the framework of the provisions set out in this Chapter, all restrictions on the movement of capital between Member States and between Member States and third countries shall be prohibited."

[vii] In this, the Fund agreed with US Secretary of the Treasury Larry Summers, who explained that "it would be a tragedy if the lesson learned from recent events was that the flow of capital from rich to poor countries was something that should be prevented, rather than encouraged" (in Panitch & Gindin, 2012, p. 277).

[viii] These papers actually mirrored the conclusions of earlier research related to the IMF one way or another. For instance, in a 1993 paper it was concluded: "we reject rather strongly the hypothesis that capital controls reduce growth" (Alesina, Grilli & Milesi-Ferretti, 1993; see also Grilli & Milesi-Ferretti, 1995).

[ix] Note that Wade and Veneroso (1998, p. 35) have written on this more cautious approach: "It is difficult to escape a sense of déjà-vu: for just the same was said after the disasters following the opening of capital accounts in the Southern Cone in the early 1980s."

[x] Although some working papers also endorsed controls on outflows to a certain extent (e.g. Rossi, 1999).

[xi] Unless stated otherwise, this analysis comprises controls on both inflows and outflows.

[xii] Former Managing Director Strauss-Kahn said that "the right answer in the medium term is that capital flows are a good thing. Capital flows are helping the global economy to develop" (IMF, 2010d). For other examples stressing the benefits of the free flow of capital see IMF, 2011b; Matheson, 2011; Mody & Murshid, 2011; Ostry et al., 2010; Ostry et al., 2011.

[xiii] See also Atoyan, 2010; Blanchard & Milesi-Ferretti, 2009; Cardarelli et al., 2009; Gelos, 2011; Ghosh et al., 2009; IMF, 2011b; Mecagni, Atoyan & Hofman, 2009; Mitra, 2011; Ostry et al., 2010; Ostry et al., 2011; Pradhan et al., 2011.

[xiv] For other papers and documents demonstrating that prudential and macroeconomic instruments are preferred over controls see Atoyan, 2010; Cardarelli, Elekdag & Kose, 2009; Clemens & Kamil, 2009; IMF, 2011d; Magud & Sosa, 2010; Mitra, 2011.

[xv] See also Cardarelli, Elekdag & Kose, 2009. On the other hand, other documents are more positive on the effectiveness of controls in general (e.g. Binici, Hutchinson & Schindler, 2009; Reinhardt, Ricci & Tressel, 2010) or in reaching particular objectives (e.g. Clemens & Kamil, 2009; Ostry et al., 2010).

[xvi] See also Cardarelli, Elekdag & Kose, 2009; Ostry et al., 2011.

[xvii] Other papers and documents have also called capital controls legitimate in certain circumstances (e.g. Atoyan, 2010; IMF, 2010e, 2010f, 2011d; Ostry et al., 2010; Ostry et al., 2011; Pradhan et al., 2011).

[xviii] That controls should be temporary has also been emphasized by former Strauss-Kahn (IMF, 2010d).

[xix] E.g. reserve requirements on foreign exchange deposits are preferred over reserve requirements on nonresidents' deposits (IMF, 2011b). The motivation is that "non-discriminatory application of measures to resident and nonresident investors and the absence of restrictions on mobility of flows generally provide reassurances to markets that countries remain receptive to inflows."

[xx] While administrative measures are not excluded, it is also stated that "a rule of thumb could be that price-based measures are preferable in general" (Ostry et al., 2011), because they "are typically more transparent than administrative measures" (IMF, 2011b).

[xxi] Note that in a paper in 2009 controls on outflows were still rejected (Ghosh et al., 2009): "Controls on outflows would at best de facto 'freeze' credit lines at their current levels while almost surely leading to a collapse of fresh inflows."

[xxii] Significantly, this reference to market-based measures has disappeared in the final institutional view.

[xxiii] In a certain sense, the IMF analysis echoes elements of structuralist and (post-)Keynesian economics. However, while the analysis echoes these theoretical strands, in my view the proposed policies do not. Moreover, if one of the key attributes of "neoliberal ideology" is "shared knowledge about the desirability of liberalizing capital controls in the long run" (Chwieroth, 2007, p. 11), then clearly even the analysis does not deviate much from neoliberal ideology.

[xxiv] And was in a certain sense even already evident before the Asian crisis (see Dierckx, 2011; IEO, 2005).

[xxv] In the 2011 paper on dealing with inflows (IMF, 2011b), out of a sample of 39 countries, only 9 would have met the criteria to potentially validate the use of capital controls. A 2011 staff position note states that almost all of the countries examined (10 countries in Asia, Turkey, Brazil and South Africa) would have to deal with the risks through further relying on macroeconomic instruments before controls could legitimately be used (Pradhan et al., 2011).

[xxvi] The IEO report (2005) remarks on the staff's diverging assessment on capital controls are interesting in this respect. It considers the support for controls in one country as related to the fact that that country already had an IMF-supported program in place, whereas countries whose capital controls were rejected did not have an IMF program in place.

[xxvii] Moreover, Angel Gurría, head of the OECD stated that it's not a hard set of rules, and that it's not meant to prevent countries from using capital controls when they feel they need to (in Reddy 2011). An adviser in the IMF's Strategy Policy and Review Department said that the framework will only be used to provide policy advice (in Rastello, 2011).

[xxviii] Note that giving the IMF jurisdiction over capital controls has also been proposed by economists and think tanks, both to give advice on when capital controls could be used (as well as which controls), and to "overrule" countries when their use of capital controls is "illegitimate" (see e.g. Group of Thirty, 2013; Pisani-Ferry, 2011; Subramanian, 2012c, pp. 111-113).

[xxix] At least two cases present themselves. First, when the staff notes in its bilateral surveillance that countries use capital controls to manipulate their exchange rates. Second, when capital controls in a country that applies for IMF resources affect the resolution to the country's balance of payments difficulties.

[xxx] Batista is now the Executive Director for a constituency with Brazil, Cabo Verde, the Dominican Republic, Ecuador, Guyana, Haiti, Nicaragua, Panama, Suriname, Timor-Leste and Trinidad and Tobago. Earlier, the constituency included Colombia but excluded Cabo Verde, Nicaragua and Timor-Leste.

[xxxi] It should also be noted that the IMF institutional view does not alter legal obligations under other international agreements which handle capital controls (which were sketched in the first part of the third section), such as the European Union Treaty and certain BITs.

[xxxii] This is typical for the IMF's approach to economic policies in general. As former Research Director Polak (1991, p. 32) states: "The proprieties of the Fund contain an unwritten rule that political arguments should be dressed up in economic garb whenever possible."

[xxxiii] This is consistent with the neo-Poulantzian view that international institutions "are in the final analysis the result of the condensation of different power relations in the individual state apparatuses, we are dealing here with a *second order condensation of societal relationships of forces*" (Brand & Görg, 2008, pp. 571-572). Note that the "autonomy of state managers", in this case officials at international organizations, is at many occasions larger than for national state managers (see also Brand, 2007; Brand & Görg, 2008, pp. 571-572).

[xxxiv] OECD Secretary-General Angel Gurría (2010) has similarly stated: "Widespread resort to capital controls represents another danger to the multilateral system." Jörg Asmussen, formerly official at the German Ministry of Finance, now Director on the ECB's Executive Board, also said that capital controls should only be allowed in "exceptional circumstances", and stated that Germany wanted the IMF and/or G20 to discuss measures to limit the use of capital controls (see Peel, 2011).

[xxxvxxxv] Others have said that the IMF's view should be used in its surveillance mechanisms (e.g. Tremonti, 2011).

[xxxvi] This was also stated outside of the IMF. For instance, a German central bank official said that capital controls could sometimes be used, but: "If measures to limit capital flows are applied in exceptional cases, they should be temporary, transparent and targeted and as much as possible should not harm others" (Dombret in Reuters, 2013).

[xxxvii] For instance, the Deputy Governor of China's central bank has stated that "it is necessary for the Fund to strengthen macroeconomic policy surveillance and coordination of the major reserve currency-issuing countries (…)" (Yi, 2011). Brazil's Finance Minister Guido Mantega (2011) was even more critical of the IMF when he said: "Insufficient consideration is given to 'push' factors or to the policies in major advanced economies that have produced large and often disruptive financial flows." Partly in response, the IMF has stated in its institutional view: "Policymakers in all countries, including countries that generate large capital flows, should take into account how their policies may affect global economic and financial stability." However, it is true that the main focus is still on capital controls, and not on the volatility generated by the West's, in particular the US', monetary policy.

[xxxviii] One official, for instance, also said: "We cannot go back to Keynes' world, we live in a globalized world now" (Interview 32), indicating that the use of capital controls as foreseen by Keynes is not something India supports.

[xxxix] Although the Chilean central bank governor was far more sceptical on the use of capital controls, he also opposed the inclusion of capital account policies in surveillance mechanisms (De Gregorio, 2011).

[xl] Laksaci spoke on behalf of a constituency composed of Afghanistan, Algeria, Ghana, Iran, Morocco, Pakistan and Tunisia.

[xli] Al-Tayer spoke on behalf of a constituency composed of Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Oman, Qatar, Syria, United Arab Emirates and Yemen.

[xlii] The G-24 is a group of 25 developing countries and emerging markets, namely, Algeria, Argentina, Brazil, China, Colombia, Congo, Cote d'Ivoire, Egypt, Ethiopia, Gabon, Ghana, Guatemala, India, Iran, Lebanon, Mexico, Nigeria, Pakistan, Peru, Philippines, South Africa, Sri Lanka, Syria, Trinidad & Tobago and Venezuela.

[xliii] In fact, the G20 framework shares many features with the IMF institutional view. It also states that capital flows "may entail important benefits for the country involved as well as the global economy", if the necessary preconditions are in place (G20, 2011). The G20 countries should thus avoid "financial protectionism". Moreover, "sound macroeconomic policies bear the prime responsibility for ensuring overall economic health", and capital controls cannot substitute for "appropriate monetary, exchange rate, foreign reserve management and prudential policies". Finally, they "should not be used to avoid or unduly delay necessary adjustments in the economy", and they "should be adapted or reversed as destabilizing pressures abate".

9. Conclusions

9.1 Main findings of the dissertation

9.1.1 Summary of the dissertation

This dissertation has aimed to offer an answer to the question whether China, Brazil and India will challenge the Western-promoted neoliberal norm of the free movement of capital across borders. From a neo-Gramscian perspective, sketched in Chapter 3, it was argued in Chapter 4 that capital account liberalization has been an essential aspect of the neoliberal project. This class project was meant to restore profitability in the developed world (and beyond), and discipline the working class in advanced countries and nationalist projects in the Third World. The transnationalization of both productive and financial capital, as well as the financialization of capital in general, have been crucial in this project. They have changed the power relations between capital and labour by giving capital an exit option, and they have made state managers (even) more prepared to give in to the demands of transnationally-oriented capital. Consequently, capital account liberalization has also played an essential role, and the issue of capital account policies provides an important indication of the position of the BICs with regard to the US-led, Western-based neoliberal world order in general.

To answer the general research question, this dissertation first analysed the domestic capital account policies of the BICs, in relation to their domestic accumulation regimes and constellations of social forces. In Chapter 5, it was argued that capital controls have played a key role in China's investment- and export-led accumulation regime, and in allowing China's state class to retain a substantial measure of control over the domestic economy. However, after the crisis, technocrats and a fraction of the state class aiming to challenge the US dollar through the internationalization of the renminbi, have been able to advance capital account liberalization substantially, with the support of wealthy Chinese and foreign financial (as well as productive) capital. While full capital account convertibility is an official goal of the Chinese government, it is unclear whether China's state class will be willing to give up completely on capital controls, given that they have been a crucial instrument to maintain financial stability, to manage macroeconomic policies, and to sustain China's accumulation regime.

Chapter 6 examined Brazil's capital account policies. It was argued that Brazil quite forcefully went through a process of neoliberalization in the late 1980s and first half of the 1990s, with the 1994 Real Plan being an important milestone for the neoliberal project in Brazil. Capital account liberalization was a crucial part of this process, and it has entrenched the power of transnationally-oriented financial capital. The Workers' Party of Lula and Dilma has not fundamentally challenged this neoliberal project after it came to power in 2003. Although some neo-developmentalist policies were introduced after 2005-2006 under pressure from productive capital and organized labour, the orthodox macroeconomic framework and open capital account remained in place. Some moderate capital controls implemented between 2009 and 2013, meant to counter excessive exchange rate appreciation, also did not fundamentally reduce the power of transnationally-oriented financial capital. The chapter contended that, although the neo-developmentalist neoliberalism of the PT has improved some social (and economic) indicators in comparison to previous governments, the adherence to neoliberalism fundamentally limits economic and social progress. Both the orthodox

macroeconomic policies and the vulnerability to capital's exit option imply that the PT will be unable to extend and deepen the (modest) gains that it has achieved for the working and lower classes.

In chapter 7, India's capital account policies were scrutinized. It was outlined how India embarked on a process of gradual, cautious capital account liberalization from 1991 onwards, as a part of broader neoliberal reforms. While these reforms have brought about rapid economic growth, India's accumulation regime has neither been sustainable nor equitable. However, the crisis and its aftermath did not derange the historic bloc of Indian industrial capital, foreign TNCs and investors, the urban middle class and a large part of the Indian bureaucracy. Neither did it upset the prevailing consensus on further gradual capital account liberalization. While it is doubtful whether India's pre-crisis accumulation regime can be sustained, it is not clear what kind of regime could replace it. In any case, it seems that India is already subject to capital flow volatility, and that transnationally-oriented financial capital has substantial power to influence India's future accumulation regime.

Finally, in Chapter 8 the influence of the BICs on the international regulation of capital controls was examined, in particular the IMF's institutional view, which was developed after the global economic crisis and finished in December 2012. It was argued that the BICs did not fundamentally disagree with the IMF's tenets, namely that the full free movement of capital is in general beneficial to individual countries and the world economy as a whole. However, EMDCs in general did oppose any restrictions on the ability to use capital controls, with Brazil taking the lead, supported by India, China and other countries. In this sense, the BICs have resisted the West's attempts to institutionalize full capital mobility as a global norm, or what was called the "new constitutionalism" of neoliberalism. To sum up, while they did not contest the free movement of capital *an sich*, they did contest its institutionalization as a global norm.

9.1.2 A challenge to the neoliberal norm of the free movement of capital?

What can be concluded with regard to the BICs' capital account policies and the prevailing perspectives on the free movement of capital? A first conclusion is that all three countries have been increasingly liberalizing their capital account over the past decades. Brazil has liberalized the most, and is now almost completely open to in- and outflows. India has a complex web of controls for various capital flows, but there is a relative and growing freedom for cross-border in- and outflows for corporations, institutional investors and individuals. China, except for FDI flows, still has more restrictions in place. Yet it had also liberalized before the global economic crisis (especially with regard to inflows), and liberalization has been accelerated after the crisis. Liberalization in the BICs has gone together with growing financial openness and financial integration with the rest of the world. It thus seems that all three countries under consideration have been, to various degrees (Brazil the most, China the least) and at a differential pace (Brazil the quickest, China and India more gradually), moving towards the neoliberal norm of full capital mobility during the past decades. Variegated neoliberalization, as identified in Chapter 4, has thus clearly occurred in the BICs. While some new regulations have been introduced, especially in Brazil and India, the global economic crisis and its aftermath have not resulted in a substantial closure of the capital account.

Second, China, Brazil and India want to move towards the full free movement of capital, and see it as a final goal. There is a rather broad-based consensus on this within policymaking circles. As one

interviewee stated (Interview 27): "If you ask them if full capital mobility should be a long-term goal, all of the BRICs will say yes. They are very much embedded into this neoliberal thinking process and definitely not challenging this." The BICs have thus not only moved towards freer capital flows in terms of policies. They have also (often wholeheartedly) embraced and internalized the free movement of capital as a norm, and a strong process of socialization has taken place. There is no difference in this regard between the Workers' Party in Brazil, the Congress Party and BJP in India and the Chinese state class organized in the CCP.

The third finding is that the social forces trying to politicize the debate on international capital mobility or backing more substantial capital controls are very rare. The common factor in all BICs is transnationally-oriented – often foreign – financial capital, which opposes capital controls and strongly insists on further (and full) capital freedom. Next to this common factor, there are differences between the three countries examined in this dissertation. Insofar the positions of dominant social forces can be discerned in China, it seems that while wealthy Chinese and technocrats are in favour of more liberalization, neither SOEs nor SOBs strongly question the objective of liberalization. In Brazil, trade unions and domestic productive capital have supported moderate capital controls to counter exchange rate appreciation, but nor industrial capital nor trade unions have called for broader, more stringent restrictions. Brazilian financial capital has joined foreign financial capital in its opposition to controls. In India, domestic industrial capital supports the bureaucracy's views on gradual liberalization. While some leftist groups, such as trade unions and far-left-wing political parties or academics, have tried to politicize the debate in Brazil and India (and to a lesser extent in China), they are often not strong enough, or they have more urgent priorities.

These three findings seem to support the conclusion that the BICs do not represent a fundamental challenge to the Western, neoliberal norm of the full free movement of capital. The BICs are close to the second situation identified in Chapter 1, namely (1) a considerably liberalized capital account, (2) a large coalition in favour of an open capital account, and (3) an acceptance of full capital mobility as a global norm. If the issue of cross-border capital flows is indicative of the BICs' position towards the neoliberal world order in general, then they are unlikely to radically contest the main tenets of this world order. However, the conclusion that China, Brazil and India do not form a challenge to the norm of full capital mobility, should be qualified by the two following findings of this dissertation.

A fourth finding is that, even though they have liberalized substantially, and even though they see the full free movement of capital as the end-goal, the BICs have deviated, and still deviate to various extents, from the Western norm of full capital mobility. China and India still have a substantial degree of controls on certain flows such as outflows by resident individuals, debt inflows and, to a lesser degree, portfolio inflows and outflows. Brazil has after the crisis temporarily re-introduced controls on portfolio (equity and debt) inflows, supplemented by controls on loans and derivatives (amongst others to avoid evasion). Capital controls in the BICs have served financial stability, monetary autonomy and macroeconomic management purposes.

This indicates that Chinese, Brazilian and India policymakers (as well as some influential social forces such as domestic industrial capital) are quite pragmatic and treat the free flow of capital as a flexible instead of a dogmatic norm. In this regard, even if the BICs will move towards full capital mobility, there might still be temporary and/or counter-cyclical capital controls, and monitoring and regulations with regard to large-scale speculative capital flows. Moreover, even though they *want* to

fully liberalize, this doesn't mean they also *will* liberalize. State managers are concerned about financial stability (as financial instability could cause social and political instability). This could force policymakers to hold on to certain controls, especially in an uncertain, volatile and fragile international economic context.

The fact that they have not completely liberalized also functions as a legitimizing factor for capital controls in other countries. Whether it is China's approach with stringent controls combined with strong economic growth, India's caution and gradualism, or Brazil's moderate contra-cyclical approach, they all refute the idea that there is no alternative to full liberalization. They have also demonstrated that controls can be reasonably to strongly effective when they are comprehensive and supported by administrative experience. This may have a certain demonstration effect and serve as an example to be followed, although it is unlikely to do so if policymakers in the BICs do not "defend" and/or "promote" their capital controls internationally.

A fifth finding is that even though the BICs do not contest the norm of the full free movement of capital, they do contest restrictions on their policy space, in this case on their ability to use capital controls. Because pragmatism is more important than dogmatism, policymakers do not want to give up their autonomy to maintain or re-introduce capital controls in the future if they would deem this necessary. The discussions on the IMF's institutional view on capital controls, developed after the global economic crisis, confirm this finding. While the BICs have not really contested the view that full capital mobility is desirable, they have opposed restraints on their policy space. This inclination to maintain the autonomy to (re-)impose capital controls deviates from the Western idea, which is to institutionalize the free movement of capital in internationally binding laws and regulations. Maintaining policy space is a common concern for China, Brazil and India, as well as other EMDCs. In this regard, by making sure countries are able to implement capital controls without international regulations constraining them, the BICs do contest the institutionalization of full capital mobility as a legal norm, even though they do not fundamentally disagree with the perspective that the full free movement of capital is desirable and preferable.

The fourth and fifth finding of this dissertation indicate that although the BICs are unlikely to fundamentally contest the US-led, Western-based neoliberal word order, they are in favour of more flexibility, pragmatism and domestic policy space. They do not want to be bound by rigid international laws and regulations. If they would strengthen this position and be able to achieve more policy autonomy for EMDCs both in the domain of capital controls and other policy issues, this could result in a more heterogeneous world order. However, it must also be noted that in the absence of a broader challenge to the power of transnationally-oriented (financial) capital, it will only be large EMDCs with a strong domestic economy that will be able to use this policy space.

This brings us to the sixth and final finding of this dissertation, namely that that transnationally-oriented financial capital already has a substantial and growing presence in, and influence on, Brazil and India. Both countries do not seem to promote an alternative to subjecting themselves to the power of transnationally-oriented capital. An additional problem for Brazil and India is that, even if they wanted to, they are unable to challenge the power of global financial capital. Because of their economic vulnerabilities, and in particular current account deficits, they are dependent on (short-term) capital inflows. Large swings in capital flows, currency fluctuations and speculative capital movements thus force Brazil and India to take into account the position and potential reaction of

global financial capital. This power of transnationally-oriented capital, the important position in the respective accumulation regimes, and its exit option, create limitations to alternative projects, whether it is the neo-developmentalist model in Brazil, or the allegedly pro-poor economic growth in India.

China is clearly different in this regard, as transnationally-oriented financial capital does not have the structural power in China that it has developed in Brazil and India. Due to its current account surpluses, its foreign exchange reserves, and its less open financial system, China has been far less subjected to the whims of transnationally-oriented financial capital. In a way, although liberalization has recently resulted in more volatility and speculation, capital controls in China have thus also had a *transformative* impact and affected power relations to the detriment of global financial capital, contrary to the controls in Brazil and India. However, it should also be noted that these transformative restrictions have not been used to create a more progressive domestic order, as the working class and the population in general have not been the main beneficiaries of China's accumulation regime in (at least) the past two decades.

9.2 Suggestions for further research

This dissertation is a first attempt to bring together several themes, in particular capital account policies, constellations of social forces, ideas on capital controls, and rising powers. As such, there are many issues, some which have been touched upon in this dissertation, that could be further explored and examined. With regard to the financial sector, an interesting theme which has been touched upon more superficially in this dissertation concerns the issue of SOBs. It is clear that the large role played by SOBs in both China, Brazil and India deviates more strongly from neoliberal norms than the BICs' capital account policies regarding short-term capital flows. However, it has also been noted that these SOBs have been transforming, with the purpose of profitability becoming a stronger priority. More research could analyse whether these SOBs differ from (Western) private banks in, amongst other things, their lending priorities, social and environmental impact, important objectives and risk-taking. Other interesting issues with regard to the BICs perspectives on international capital mobility and the power of transnationally-oriented capital include their position on the implementation of a global Tobin Tax as well as financial transactions taxes; their positions on safeguarding policy space within BITs and FTAs, and the issue of investor-state-dispute settlement (ISDS) which allows TNCs investing in a certain state to sue that state in private international tribunals for a range of issues (see Eberhardt & Olivert, 2012; van Harten, 2005); and the evolution of the New Development Bank and the contingent reserve arrangement (CRA) which are planned to be introduced in the following years.

Another stimulating exercise would be to examine to what extent there are linkages between elites within the BICs and the West. There have been studies on linkages between elites in global forums and networks (see e.g. Carroll, 2008; Carroll, Fennema & Heemskerk, 2010; Carroll & Sapinski, 2010; Gill, 1992; van der Pijl, Holman & Raviv, 2011). Research could for example focus on the composition of the World Economic Forum (WEF), and whether the power shift to BICs and other EMDCs is also reflected in the WEF. Studies could also look into the pathways of organic intellectuals in the BICs, and whether/how they are connected with Western intellectuals, academic and other institutions, or international organizations.

Another interesting research area concerns the role and visions of trade unions in the BICs. The trade unions in these three countries have a very different position in their respective countries, from the ACFTU as a party organ in China, over the CUT which is incorporated– but therefore also demobilized and neutralized – into Brazil's neo-developmentalist neoliberal historic bloc, to the Indian trade unions which represent only a small fraction of India's population, and some of which are still radical anti-capitalist organizations. More insight into the strategies deployed by these labour movements, and their successes and failures, would also be relevant for trade unions elsewhere. A comparison of their positions on trade, investment and capital account liberalization (as well as other issues), and a more detailed account of how they have (not) influenced their countries' policies on these issues, would likewise be interesting. Further, it would be thought-provoking if there are differences on the issue of capital account policies between unions in advanced countries and unions in the Global South (as has been argued on the issue of free trade, see Bieler, 2013).

9.3 A counter-hegemonic project: what role for capital controls?

While it is not my intention to tell "the left" what to do to get out of the structural crisis it is in, this dissertation has of course some relevant implications for the future of the left. This final section considers the role that capital controls could potentially play in advancing a left-wing project. A first question that should be posed is: what does the left need to become stronger? In general, four elements are needed to produce an important political project (see also Cahill, 2011, p. 479): (1) a historic bloc of social forces (2) with good ideas that could become hegemonic, (3) institutions in which these ideas can be institutionalized; (4) the power to translate these ideas into policies and institutions. In other words, as already indicated in Chapter 4, the "end of neoliberalism" requires more than just the de-legitimization of neoliberal ideas; it also requires social forces opposing it through large-scale mobilizations and political battles (see Cahill, 2011, p. 490; Crouch, 2009, p. 395; Hall, 2012, p. 75; Harvey, 2009; Massey, 2012b, p. 81; Michl, 2011, p. 125; Saull, 2012, p. 335).

These mobilizations by counter-hegemonic social forces need to transform power relations and challenge the power of transnationally-oriented financial capital: "Whether called socialism or not, today's revived demands for social justice and genuine democracy could only be realized through such a fundamental shift of political power, entailing fundamental changes in state as well as class structures" (Panitch & Gindin, 2012, p. 340). It is in this power shift that *transformative* capital controls could play a role. Elsewhere I have argued that, similar to Rodrik's political trilemma (see 1.3.1), there is a "leftist trilemma" (see Dierckx, 2014b). This trilemma states that (1) if capital is internationally mobile and (2) if trade unions and social movements are mainly national in nature, then (3) the capitalist class will always have a relative power advantage so that a leftist project will be very difficult to implement (see Figure 9.1).

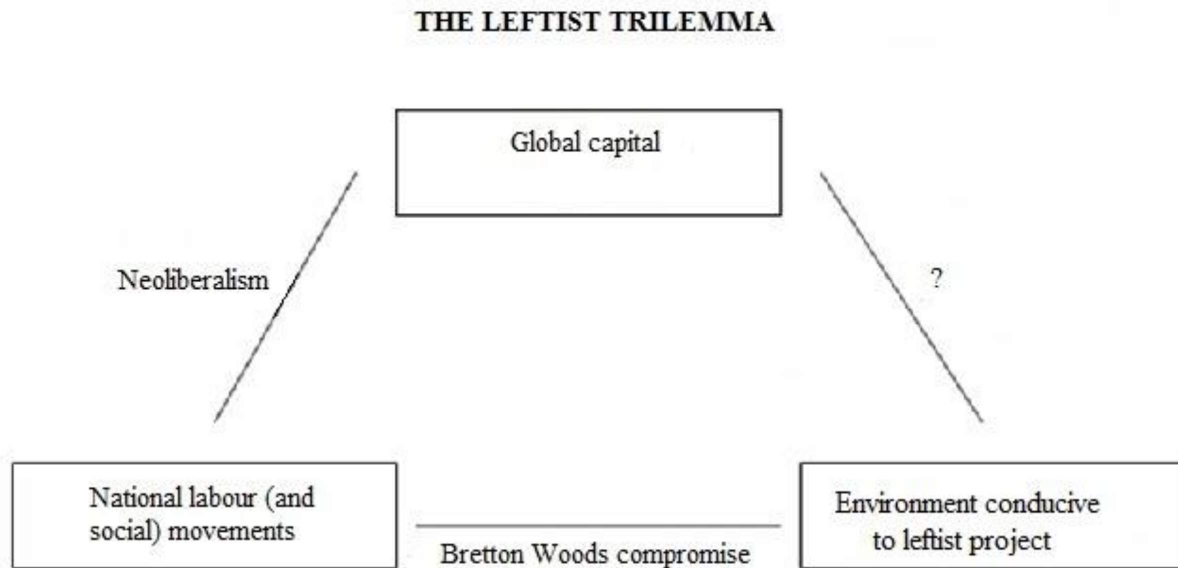

Figure 9.1: The leftist trilemma

As can be derived from the trilemma, there are two possibilities to deal with the impasse of the left (see also DeMartino, 1999; Harmes, 2006, 2012): (1) either leftist social forces are scaled up, to demand anti-capital (profit-lowering) policies at the supranational level, or (2) capital can be scaled down, to make sure that capital cannot flee ant-capital (profit-lowering) policies at the national level. While many authors have pled for the first option, the transnationalization of labour and social movements (see e.g. Bieler, Lindberg & Sauerborn, 2010, p. 257; Harvey, 2008, p. 39; Palley, 2007; Radice, 2000, p. 15; Rupert, 1998, p. 432; Swyngedouw, 2004, pp. 73-74), the de-transnationalization or de-globalization of capital has received far less attention. But a two-pronged strategy – scaling up labour while scaling down capital – has the potential to be more effective than a sole focus on the transnationalization of the labour movement. To sum up, "the strategic formula is to build durably and relatively democratic mass movements informed by internationalism, combined with demands upon the national state to 'lock capital down'" (Bond, 2007, p. 47).

This scaling down of capital entails the (re-)introduction of substantial and stringent controls over the international movement of capital (and to a lesser extent goods). By limiting the transnationalization of capital, the relative – both material and ideological – power of capital would decrease because its exit option would become less credible (see Crotty & Epstein, 1996). While this would not imply that capital would suddenly be powerless, it would put capital and labour on a more equal footing. Moreover, capital controls could be a first step in the realization of "greater democratic control over the production and utilization of the surplus" (Harvey, 2008, p. 37).

Indeed, this would not only involve capital (and trade) controls, but also controls over domestic investment (Panitch & Gindin, 2009, p. 29). Major decisions on capital flows and investment should be democratically made, and not be left to individual wealthy investors and multinational corporations. A more radical version of what Keynes called the "socialization of investment"[i], whereby decisions on investment are made by public bodies instead of private individuals and firms, should be put on the agenda (see also Cahill, 2011, p. 492).

A first instrument to achieve this socialization of investment concerns the banking sector, or the financial sector more generally. Several authors have argued that transforming the financial sector into a public utility should be a priority for the left (Blackburn, 2011, p. 56; Marois, 2013; Panitch, 1994, p. 90; Panitch & Gindin, 2012, p. 340; Saad-Filho, 2010, pp. 265-266; see also Wade, 2008, p. 48; UNCTAD, 2013b). SOBs would play a central role in such a system, and the structure and functions of these SOBs would be radically reorganized. Instead of (short-term) profitability and speculation, their purpose would be to facilitate socially and ecologically sound investments in the public good. Instead of being controlled by technocrats or managers, they would have to be democratically managed through innovative decision-making structures. While this might sound radical, it is less radical than allowing more future systemic financial crises and regressive bailouts.

A further reason to nationalize is that banks would have to play an important role in the implementation of capital controls, as they have done in the past (see OECD, 2002). Therefore, banking systems would probably have to be de-globalized, as foreign banks have often been vehicles for more capital mobility and a lower effectiveness of capital controls (see Prasad & Rajan, 2008, p. 165; Williamson, 1999). Moreover, it is clear that private banks with the aim of profit maximization would also represent an obstacle to effective capital controls. As Glyn (1986, p. 48) already noted almost thirty years ago: “It is hard to see how such [technically effective] controls could be successfully implemented without the nationalization of the major UK financial institutions and the support of those who work in them.”

Besides the creation of a public-utility financial system, other instruments to socialize investment should also be explored. This includes a renewal of public ownership, which has been strangely absent in recent debates on the left (Cumbers, 2012, p. 3). While public ownership has in the past mostly been used to stabilize capitalist economies, it could also be used to move beyond it.[ii] Co-operative firms could likewise play a role.

Finally, higher public investment, financed by higher taxation of TNCs and wealthy individuals, could also be an important mechanism (see also Winters, 1994, p. 450). The left has an important weapon in this regard. While profit shares and inequality have risen, investment has been rather sluggish, and has in any case not at all been particularly high (see Baker, 2013; Blyth, 2013, p. 748; Hart-Landsberg, 2014; Harvey, 2009; Milberg, 2008, p. 435; Milberg & Winkler, 2010, p. 286; Stockhammer, 2008, p. 184, 2010). High profits thus do not lead to high investment – nor to jobs and lower unemployment (Bivens & Weller, 2006; Wade, 2010, p. 55). The contradiction between the profitability imperative and social needs has become stronger after the crisis. This is demonstrated by the growing levels of cash that large TNCs are sitting on instead of investing them in productive activities (see Crooks, 2014; Sakoui, 2014; UNCTAD, 2012), while at the same time there are huge public, social and environmental needs. In sum, as UNCTAD (2013b) has stated, “the presumed transmission of higher profits to higher gross fixed capital formation has not materialized.”

As can be derived from this short overview, the (re-)politicization of the free flow of capital and the re-introduction of capital controls are only the start, not the ending. Their potential should not be overestimated, especially when they are not combined with stronger left-wing mobilizations, social movements, trade unions and social protest. But even if capital controls could play only a small role, this would be very helpful. After all, the challenges and hurdles for the left are great and many. As Warren Buffett has stated (in Stein, 2006): “There’s class warfare, all right, but it’s my class, the rich

class, that's making war, and we're winning." This, however, should not be seen as a discouraging observation, but as a realistic view that avoids illusions, and as an urgent call to arms (metaphorically of course). To paraphrase Antonio Gramsci, while we can be pessimist because of intelligence, it is our duty to remain optimist because of will.

---

[i] Keynes envisaged that between 65% and 75% of investment would be directly influenced by (semi)public bodies, with other motives than profitability (Seccareccia, 1995, p. 48).

[ii] See the book by Cumbers (2013) for an overview of how public ownership could/should be organized, and the roles it could play.

Bibliography

Aalbers, M. B. (2013). Neoliberalism is dead … Long live neoliberalism! *International Journal of Urban and Regional Research, 37* (3), 1083-1090.

Abdelal, R. (2006). Writing the rules of global finance: France, Europe, and capital liberalization. *Review of International Political Economy, 13* (1), 1-27.

Abdelal, R. (2007). *Capital rules: the construction of global finance*. Cambridge: Harvard University Press.

Abdelal, R. & Alfaro, L. (2003). Capital and control: lessons from Malaysia. *Challenge, 46* (4), 36-53.

Abrahamsen, R. (1997). The victory of popular forces or passive revolution? A neo-Gramscian perspective on democratisation. *The Journal of Modern African Studies, 35* (1), 129-152.

Abu-El-Haj, J. (2007). From interdependence to neo-mercantilism: Brazilian capitalism in the age of globalization. *Latin American Perspectives, 34* (5), 92-114.

Acharya, A. (2014). *Move over, big brother*. Retrieved September 8, 2014, from http://www.thehindu.com/opinion/op-ed/article6231205.ece.

AFP (2011). *IMF endorses some capital controls for first time*. Retrieved April 5, 2011, from http://www.channelnewsasia.com/stories/afp_world_business/view/1120891/1/.html.

AFP (2012). *Brazil's Rousseff to raise 'currency war' in US*. Retrieved June 12, 2012, from http://alpari-forex.com/en/news/1124011.html.

Agarwal, M. (2006). Understanding India's political economy. *International Studies, 43* (1), 93-99.

Aglietta, M. (2013). *Chinese capitalism and its future*. Retrieved February 17, 2014, from http://www.paristechreview.com/2013/03/01/chinese-capitalism/.

Ahluwalia, M. S. (2006). India's experience with globalisation. *The Australian Economic Review, 39* (1), 1-13.

Ahmed, R. & Guha, R. (2012). *Party's exit imperils India government*. Retrieved September 19, 2012, from http://online.wsj.com/article/SB10000872396390443720204578004220064332736.html.

Aitken, R. (2005). 'A direct personal stake': cultural economy, mass investment and the New York stock exchange. *Review of International Political Economy, 12* (2), 334-363.

Aksoy, Z. E. (2014). *International expansion of Chinese banks*. IIF research note, February 2014. Washington D.C.: Institute of International Finance.

Akyüz, Y. (2011). Export dependence and sustainability of growth in China. *China & World Economy, 19* (1), 1-23.

Akyüz, Y. (2012). The boom in capital flows to developing countries: will it go bust again? *Economi-tek, 1* (1), 63-96.

Albo, G. (2002). Neoliberalism, the state, and the left: a Canadian perspective. *Monthly Review, 54* (1), 46-55.

Albo, G. (2009). The crisis of neoliberalism and the impasse of the union movement. *Development Dialogue*, no. 51, 119-131.

Alesina, A., Grilli, V. & Milesi-Ferretti, G. M. (1993). *The political economy of capital controls*. NBER working paper series, working paper no. 4353. Cambridge: National Bureau of Economic Research.

Allen, M. P. (1991). Capitalist response to state intervention: theories of the state and political finance in the New Deal. *American Sociological Review, 56* (5), 679-689.

Al-Tayer, O. H. (2012). *IMFC Statement by His Excellency Obaid Humaid Al-Tayer*. Retrieved August 29, 2014, from https://www.imf.org/External/spring/2012/imfc/statement/eng/uae.pdf.

Altvater, E. (2009). Postneoliberalism or postcapitalism? The failure of neoliberalism in the financial market crisis. *Development Dialogue*, no. 51, 73-87.

Amable, B. (2011). Morals and politics in the ideology of neo-liberalism. *Socio-Economic Review, 9* (1), 3-30.

Amann, E. (2005). Brazil's economy under Lula: the dawn of a new era? *World Economics, 6* (4), 149-169.

Amann, E. & Baer, W. (2008). Neo-liberalism and market concentration in Brazil: the emergence of a contradiction? *The Quarterly Review of Economics and Finance, 48* (2), 252-262.

Amann, E. & Baer, W. (2012). Brazil as an emerging economy: a new economic miracle? *Brazilian Journal of Political Economy, 32* (3), 412-423.

AmCham China (2011). *American business in China: 2011 White Paper*. Retrieved September 22, 2014, from http://web.resource.amchamchina.org/cmsfile/2011/04/28/8ff8c3d4d14f50713e1be8f538b43f80.pdf.

AmCham China (2013). *American business in China: 2013 White Paper*. Retrieved September 22, 2014, from http://web.resource.amchamchina.org/cmsfile/2013/04/23/bdc6b202456080c09530a66d8c5ea48d.pdf.

AmCham Shanghai (2011). *Financial services in China: capitalizing on the world's fastest growing market*. Retrieved September 22, 2014, from https://www.amcham-shanghai.org/ftpuploadfiles/Publications/Viewpoint/Viewpoint_Financial-Services.pdf.

Amin, A. & Palan, R. (1996). Editorial: the need to historicize IPE. *Review of International Political Economy, 3* (2), 209-215.

Amin, S. (2005). India, a great power? *Monthly Review, 56* (9), 1-13.

Amin, S. (2013). China 2013. *Monthly Review, 64* (10), 14-33.

Anderlini, J. (2011a). *China's banks bring new meaning to stress tests*. Retrieved August 4, 2011, from http://www.ft.com/cms/s/0/3e56ff20-bcfc-11e0-bdb1-00144feabdc0.html.

Anderlini, J. (2011b). *Corrupt officials took $124bn out of China*. Retrieved June 20, 2011, from http://www.ft.com/cms/s/0/1af60a9c-9841-11e0-ae45-00144feab49a.html.

Anderlini, J. (2013). *China premier Li Keqiang commits to financial reform*. Retrieved September 12, 2013, from http://www.ft.com/intl/cms/s/0/43fb452e-1adf-11e3-87da-00144feab7de.html.

Anderlini, J. (2014). *Property bubble is 'major risk to China'*. Retrieved September 16, 2014, from http://www.ft.com/intl/cms/s/2/42ed2476-1648-11e4-93ec-00144feabdc0.html.

Anderson, P. (2011). O Brasil de Lula. *Novo Estudos*, 91, 23-52.

Anderson, S. (2009). *Policy handcuffs in the financial crisis: how U.S. trade and investment policies limit government power to control capital flows*. Washington D.C.: Institute for Policy Studies.

Andrade, R. B. (2012). *Sucatear a indústria é voltar ao século 19*. Retrieved August 13, 2014, from http://www1.folha.uol.com.br/fsp/opiniao/34570-sucatear-a-industria-e-voltar-ao-seculo-19.shtml.

Andreas, J. (2008). Changing colours in China. *New Left Review*, 54, 123-142.

Andrews, D. M. (1994). Capital mobility and state autonomy: toward a structural theory of international monetary relations. *International Studies Quarterly, 38* (2), 193-218.

Anievas, A. (2011). The international political economy of appeasement: the social sources of British foreign policy during the 1930s. *Review of International Studies, 37* (2), 601-629.

van Apeldoorn, B. (2000). Transnational class agency and European governance: the case of the European Roundtable of Industrialists. *New Political Economy, 5* (2), 157-181.

van Apeldoorn, B. (2004). Theorizing the transnational: a historical materialist approach. *Journal of International Relations and Development, 7* (2), 142-176.

van Apeldoorn, B. (2011). De macht van het kapitaal. *Socialisme en Democratie*, nr. 7-8, 165-175.

van Apeldoorn, B., de Graaff, N. & Overbeek, H. (2012). The reconfiguration of the global state – capital nexus. *Globalizations, 9* (4), 471-486.

van Apeldoorn, B. & Overbeek, H. (2012). Introduction: the life course of the neoliberal project and the global crisis. In H. Overbeek & B. van Apeldoorn (eds.). *Neoliberalism in crisis* (pp. 1-20). Basingstoke: Palgrave Macmillan.

Appelbaum, B. (2014). *Fed says growth lifts the affluent, leaving behind everyone else*. Retrieved September 24, 2014, from http://www.nytimes.com/2014/09/05/business/economy/least-affluent-families-incomes-are-declining-fed-survey-shows.html?_r=0.

Araújo, E. & Gala, P. (2012). Economic growth regimes in Brazil: empirical evidence and policy implications. *Estudos Acançados, 26* (75), 41-56.

Arcary, V. (2008). Peculiaridades da história política do Brasil contemporâneo: notas para um balance do ciclo de supremacia do PT e da CUT. *Lutas Sociais*, no. 19/20, 150-162.

Arestis, P., Ferrari-Filho, F. & de Paula, L. F. (2011). Inflation targeting in Brazil. *International Review of Applied Economics, 25* (2), 127-148.

Arestis, P., de Paula, L. F. & Ferrari-Filho, F. (2007). *Assessing the economic policies of president Lula in Brazil: has fear defeated hope?* Centre for Brazilian Studies, working paper number CBS-81-07. Oxford: University of Oxford.

Argitis, G. & Pitelis, C. (2006). Global finance, income distribution and capital accumulation. *Contributions to Political Economy, 25* (1), 63-81.

Ariyoshi, A., Habermeier, K., Laurens, B., Ötker-Robe, İ., Canales-Kriljenko, J. I. & Kirilenko, A. (2000). *Capital controls: country experiences with their use and liberalization*. IMF occasional paper, no. 190. Washington D.C.: International Monetary Fund.

Armstrong, P., Glyn, A. & Harrison, J. (1991). *Capitalism since 1945*. Oxford: Basil Blackwell Ltd.

Arrighi, G. (2007). *Adam Smith in Beijing: lineages of the twenty-first century*. London: Verso.

Arun, S. (2013). *RBI prepares ECB calm for corporates batter by rupee*. http://archive.indianexpress.com/news/rbi-prepares-ecb-balm-for-corporates-battered-by-rupee/1132145/2.

Aslund, A. (2009). *Take the R out of BRIC*. Retrieved September 10, 2014, from https://petersoninstitute.org/publications/opeds/oped.cfm?ResearchID=1445.

Athukorala, P. & Yamashita, N. (2009). Global production sharing and Sino-US trade relations. *China & World Economy, 17* (3), 39-56.

Atoyan, R. (2010). *Beyond the crisis: revisiting emerging Europe's growth model*. IMF working paper, no. 10/92. Washington D.C.: International Monetary Fund.

Azam, M. & Shariff, A. (2011). Income inequality in rural India: decomposing the Gini by income sources. *Economics Bulletin, 31* (1), 739-748.

Baccaro, L. (2010). Does the global financial crisis mark a turning point for labour? *Socio-Economic Review, 8* (2), 341-348.

Bach, D., Newman, A. L. & Weber, S. (2006). The international implications of China's fledgling regulatory state: from product maker to rule maker. *New Political Economy, 11* (4), 499-518.

Baek, S. W. (2005). Does China follow "the East Asian development model"? *Journal of Contemporary Asia, 35* (4), 485-498.

Baer, W. & Borges Rangel, G. (2001). Foreign investment in the age of globalization: the case of Brazil. *Latin American Business Review, 2* (1/2), 83-99.

Baer, W. & Galvão Jr., A. F. (2008). Tax burden, government expenditures and income distribution in Brazil. *The Quarterly Review of Economics and Finance, 48* (2), 345-358.

Bagchee, D. (2012). *Spain's capital flight now worse than Asian financial crisis*. Retrieved September 19, 2012, from http://www.cnbc.com/id/48891162/Spain_s_Capital_Flight_Now_Worse_Than_Asian_Financial_Crisis.

Baker, D. (2013). *Profit and investment: does more of one mean less of the other?* Retrieved August 3, 2013, from http://www.cepr.net/index.php/blogs/cepr-blog/profit-and-investment-does-more-of-one-mean-less-of-the-other.

Bakir, E. & Campbell, A. (2013). The financial rate of profit: what is it, and how has it behaved in the United States? *Review of Radical Political Economics, 45* (3), 295-304.

Ball, J. & Guardian US Interactive Team (2014). *China's princelings storing riches in Caribbean offshore haven*. Retrieved January 25, 2014, from http://www.theguardian.com/world/ng-interactive/2014/jan/21/china-british-virgin-islands-wealth-offshore-havens.

Baltar, P. E. A. (2014). *More pay and more jobs: how Brazil got both*. Retrieved June 24, 2014, from http://column.global-labour-university.org/2010/06/more-pay-and-more-jobs-how-brazil-got.html.

Baltar, P. E. A., dos Santos, A. L. Krein, J. D., Leone, E., Weishaupt Proni, M., Moretto, A., Gori Maia, A. & Salas, C. (2010). *Moving towards Decent Work. Labour in the Lula government: reflections on recent Brazilian experience*. IRLE Working Papers, 2010-10. Campinas: Institute of Economics (Unicamp).

Ban, C. (2013). Brazil's liberal neo-developmentalism: new paradigm or edited orthodoxy. *Review of International Political Economy, 20* (2), 298-331.

Banerjee, S. (2008). A political cul-de-sac: CPI(M)'s tragic denouement. *Economic and Political Weekly, 43* (42), 12-15.

Banerjee-Guha, S. (2008). Space relations of capital and significance of new economic enclaves: SEZs in India. *Economic & Political Weekly, 43* (47), 51-59.

Barber, L., Crabtree, J. & Mallet, V. (2013). *Rajan offers radical vision of India's future*. Retrieved August 24, 2014, from http://www.ft.com/intl/cms/s/0/07aa12a4-5030-11e3-befe-00144feabdc0.html.

Barbosa-Filho, N. H. (2008). An unusual economic arrangement: the Brazilian economy during the first Lula administration, 2003-2006. *International Journal of Politics, Culture, and Society, 19* (3-4), 193-215.

Barbosa-Filho, N. (2009). *The Brazilian response to the world crisis*. Retrieved August 1, 2014, from http://www.observatorylatinamerica.org/pdf/barbosa.pdf.

Barbosa-Filho, N. H. (2010). Latin America: counter-cyclical policy in Brazil: 2008-09. *Journal of Globalization and Development, 1* (1), article 13.

Barboza, D. (2012). *Billions in hidden riches for family of Chinese leader*. Retrieved December 20, 2013, from www.nytimes.com/2012/10/26/business/global/family-of-wen-jiabao-holds-a-hidden-fortune-in-china.html.

Barnett, C. (2005). The consolations of 'neoliberalism'. *Geoforum, 36* (1), 7-12.

Barnett, S. (2013). *China's growth: why less is more*. Retrieved December 2, 2013, from http://blog-imfdirect.imf.org/2013/10/29/chinas-growth-why-less-is-more/.

Barnett, S. & Roache, S. (2014). *What's lurking in the shadows of China's banks?* Retrieved September 20, 2014, from http://blog-imfdirect.imf.org/2014/09/15/whats-lurking-in-the-shadows-of-chinas-banks.

Barrow, C. W. (2000). The Marx problem in Marxian state theory. *Science & Society, 64* (1), 87-118.

Barua, A. (2006). A practitioner's perspective. *Economic and Political Weekly, 41* (19), 1875-1878.

Bateman, M. & Chang, H. (2012). Microfinance and the illusion of development: from hubris to nemesis in thirty years. *World Economic Review, 1* (1), 13-36.

Batista, P. N. (2012). The IMF, capital account regulation, and emerging market economies. In K. P. Gallagher, S., Griffith-Jones & J. A. Ocampo (eds.). *Regulating global capital flows for long-run development* (pp. 93-102). Boston: The Frederick S. Pardee Center for the Study of the Longer-Range Future.

Batista, P. N. (2014). *IMF debates on capital account management: an insider's account*. Speech given at the CAFRAL-IPD conference on "Capital account management and macro-prudential regulation for financial stability and growth", New Delhi, January 13-14, 2014. Washington D.C.: International Monetary Fund.

Baumann, B. A. & Gallagher, K. P. (2012). *Navigating capital flows in Brazil and Chile*. Initiative for Policy Dialogue Working Paper Series, June 2012. Boston: Boston University.

Bayoumi, T., Fazio, G. Kumar, M. & MacDonald, R. (2003). *Fatal attraction: a new measure of contagion*. IMF working paper, no. 03/80. Washington D.C.: International Monetary Fund.

BCB (2014a). *Indicadores Fiscais – com informações até março de 2014*. Retrieved June 23, 2014, from http://www4.bcb.gov.br/pec/gci/port/focus/faq%204-indicadores%20fiscais.pdf.

BCB (2014b). *Série histórica da Dívida líquida e bruta do governo geral (metodologia vigente até 2007)*. Retrieved June 24, 2014, from http://www.bcb.gov.br/?DIVIDADLSP.

BCB (2014c). *Série histórica da Dívida líquida e bruta do governo geral (metodologia vigente a partir de 2008)*. Retrieved June 24, 2014, from http://www.bcb.gov.br/?DIVIDADLSP08.

Beattie, A. (2011). *Emerging markets to see investment rise*. Retrieved June 9, 2011, from http://www.ft.com/cms/s/0/be578bf6-8c6c-11e0-883f-00144feab49a.html.

Belfrage, C. (2011). Facing up to financialisation and the aesthetic economy: high time for aesthetics in international political economy! *Journal of International Relations and Development, 14* (3), 383-391.

Belfrage, C. (2012). For a critical engagement with aesthetics in IPE: revitalizing economic imagination in times of crisis. *International Politics, 49* (2), 154-176.

Bellman, E. (2013). *India leaks $344 billion in dirty money*. Retrieved December 13, 2013, from http://blogs.wsj.com/indiarealtime/2013/12/13/india-hemorrhages-344-billion-in-dirty-money.

Bergholm, T. & Bieler, A. (2013). Globalization ahd the erosion of the Nordic model: a Swedish-Finnish comparison. *European Journal of Industrial Relations, 19* (1), 55-70.

Bernstein, N. (2011). *IMFC Statement by Nils Bernstein*. Retrieved August 29, 2014, from https://www.imf.org/External/AM/2011/imfc/statement/eng/dnk.pdf.

Bertram, E. (2011-2012). Democratic divisions in the 1960s and the road to welfare reform. *Political Science Quarterly, 126* (4), 579-610.

Bery, S. & Singh, K. (2006). Domestic financial liberalization and international financial integration: an Indian perspective. In J. Aziz, S. Dunaway & E. S. Prasad (eds.). *China and India: learning from each other: reforms and policies for sustained growth* (pp. 145-180). Washington D.C.: International Monetary Fund.

Best, J. (2004). Hollowing out Keynesian norms: how the search for a technical fix undermined the Bretton Woods regime. *Review of International Studies, 30* (3), 383-404.

Beynon, H. & Ramalho, J. R. (2001). Democracy and the organization of class struggle in Brazil. *The Socialist Register*, vol. 37, 219-237.

Bhagwati, J. (1998). The capital myth: the difference between trade in widgets and dollars. *Foreign Affairs, 77* (3), 7-12.

Bhowmik, S. (2013). *India: nation-wide strike on 20-21 February 2013*. Retrieved August 25, 2014, from http://column.global-labour-university.org/2013/02/india-nation-wide-strike-on-20-21.html.

Biancarelli, A. & Rossi, P. (2014). *The macroeconomic policy in a social-developmentalist strategy*. Paper presented at the World Economics Association Conference "Is a more inclusive and sustainable development possible in Brazil?", online conference, May 5 – July 20, 2014. Campinas: Institute of Economics (Unicamp).

Bianchi, A. & Braga, R. (2005). Brazil: the Lula government and financial globalization. *Social Forces, 83* (4), 1745-1762.

Bibow, J. (2011). *Permanent and selective capital account management regimes as an alternative to self-insurance strategies in emerging-market economies*. The Levy Economics Institute Working Paper Collection, no. 683. Annandale-on-Hudson: The Jerome Levy Economics Institute.

Bichler, S. & Nitzan, J. (2012). Imperialism and financialism: a story of a nexus. *Journal of Critical Globalisation Studies,* issue 5, 42-78.

Bieler, A. (2001). Questioning cognitivism and constructivism in IR theory: reflections on the material structure of ideas. *Politics, 21* (2), 93-100.

Bieler, A. (2012). 'Workers of the world, unite'? Globalisation and the quest for transnational solidarity. *Globalizations, 9* (3), 365-378.

Bieler, A. (2013). The EU, Global Europe, and processes of uneven and combined development: the problem of transnational labour solidarity. *Review of International Studies, 39* (1), 161-183.

Bieler, I. Lindberg & D. Pillay (eds.) (2008a). *Labour and the challenges of globalization: what prospects for transnational solidarity?* London: Pluto Press.

Bieler, A., Lindberg, I. & Pillay, D. (2008b). The future of the global working class: an introduction. In A. Bieler, I. Lindberg & D. Pillay (eds.). *Labour and the challenges of globalization: what prospects for transnational solidarity?* (pp. 1-22). London: Pluto Press.

Bieler, A., Lindberg, I. & Sauerborn, W. (2010). After 30 years of deadlock: labour's possible strategies in the new global order. *Globalizations, 7* (1-2), 247-260.

Bieler, A. & Morton, A. D. (2001). The Gordian knot of agency-structure in International Relations: a neo-Gramscian perspective. *European Journal of International Relations, 7* (1), 5-35.

Bieler, A. & Morton, A. D. (2003). Globalisation, the state and class struggle: a 'Critical Economy' engagement with Open Marxism. *The British Journal of Politics & International Relations, 5* (4), 467-499.

Bieler, A. & Morton, A. D. (2004). A critical theory route to hegemony, world order and historical change: neo-Gramscian perspectives in International Relations. *Capital & Class, 28* (1), 85-113.

Bieler, A. & Morton, A. D. (2008). The deficits of discourse in IPE: turning base metal into gold? *International Studies Quarterly, 52* (1), 103-128.

Bikhchandani, S. & Sharma, S. (2001). Herd behavior in financial markets. *IMF Staff Papers, 47* (3), 279-310.

Biller, D. (2012). *Rousseff's stimulus measures to spur Brazil economy: timeline*. Retrieved August 4, 2014, from http://www.bloomberg.com/news/2012-10-24/rousseff-s-stimulus-measures-to-spur-brazil-economy-timeline.html.

Binici, M., Hutchison, M. & Schindler, M. (2009). *Controlling capital? Legal restrictions and the asset composition of international financial flows*. IMF working paper, no. 09/208. Washington D.C.: International Monetary Fund.

Birch, K. (2011). *Have we ever been neoliberal?* Retrieved August 21, 2013, from http://www.iippe.org/wiki/images/c/cd/Working_Paper_Ever_Neoliberal.pdf.

Birch, K. & Mykhnenko (2009). Varieties of neoliberalism? Restructuring in large industrially dependent regions across Western and Eastern Europe. *Journal of Economic Geography, 9* (3), 355-380.

Birchfield, V. (1999). Contesting the hegemony of market ideology: Gramsci's 'good sense' and Polanyi's 'double movement'. *Review of International Political Economy, 6* (1), 27-54.

Bivens, L. J. & Weller, C. E. (2006). The "job-loss" recovery: not new, just worse. *Journal of Economic Issues, 60* (3), 603-628.

Blackburn, R. (2011). Crisis 2.0. *New Left Review*, 72, 33-62.

Blanchard, O. (2011). *What I learnt in Rio: discussing ways to manage capital flows*. Retrieved June 15, 2011, from http://blog-imfdirect.imf.org/2011/06/03/what-i-learnt-in-rio-manage-capital-flows.

Blanchard, O. & Milesi-Ferretti, G. M. (2009). *Global imbalances: in midstream?* IMF staff position note, no. 09/29. Washington D.C.: International Monetary Fund.

Blecher, M. J. (2002). Hegemony and workers' politics in China. *The China Quarterly,* vol. 170, 283-303.

Block, F. (1980). Beyond relative autonomy: state managers as historical subjects. *The Socialist Register*, vol. 17, 227-241.

Block, F. (2011). Crisis and renewal: the outlines of a twenty-first century new deal. *Socio-Economic Review, 9* (1), 31-57.

Bloomfield, A. I. (1946). Postwar control of international capital movements. *The American Economic Review, 36* (2), 687-709.

Blyth, M. (2013). *Austerity* as ideology: a reply to my critics. *Comparative European Politics, 11* (6), 737-751.

Board of Governors of the Federal Reserve System (2014). *Data download program*. Retrieved August 21, 2014, from http://www.federalreserve.gov/datadownload/Choose.aspx?rel=H10.

Boas, T. C. & Gans-Morse, T. (2009). Neoliberalism: from new liberal philosophy to anti-liberal slogan. *Studies in Comparative International Development, 44* (2), 137-161.

Böhm, S. & Flores, R. K. (2014). *It's not just the World Cup Brazilians are protesting about*. Retrieved June 23, 2014, from http://theconversation.com/its-not-just-the-world-cup-brazilians-are-protesting-about-27770.

Boito Jr., A. (2003). A hegemonia neoliberal no governo Lula. *Crítica Marxista*, no. 17, 10-36.

Boito Jr., A. (2006). A burguesia no Governo Lula. In E. M. Basualdo & E. Arceo (eds.). *Neoliberalismo y sectores dominantes: tendencias globales y experiencias nacionales* (pp. 237-263). Buenos Aires: Consejo Latinoamericano de Ciencias Sociales (CLACSO).

Boito Jr., A. (2007). Class relations in Brazil's new neoliberal phase. *Latin American Perspectives, 34* (5), 115-131.

Boito Jr., A. & Berringer, T. (2013). Brasil: classes sociais, neodesenvolvimentismo e política externa nos governos Lula e Dilma. *Revista de Sociologia e Política, 21* (47), 31-38.

Boito Jr., A. & Marcelino, P. (2011). Decline in unionism? An analysis of the new wave of strikes in Brazil. *Latin American Perspectives, 38* (5), 62-73.

Bond, P. (2007). Perils of elite pacting. *Critical Currents*, no. I, 41-50.

Bond, P. (2014). *In Fortaleza, BRICS became co-dependent upon eco-financial imperialism*. Retrieved September 9, 2014, from http://zcomm.org/znetarticle/in-fortaleza-brics-became-co-dependent-upon-eco-financial-imperialism.

Bonefeld, W. (2012). Freedom and the strong state: on German ordoliberalism. *New Political Economy, 17* (5), 633-656.

Boorman, J. (2003). *IMF explains capital flows proposal*. Retrieved March 23, 2012, from http://www.imf.org/external/np/vc/2003/020303.htm.

Borensztein, E. R. & Gelos, R. G. (2000). *A panic-prone pack? The behavior of emerging market mutual funds*. IMF working paper, no. 00/198. Washington D.C.: International Monetary Fund.

Borg, A. (2013). *IMFC Statement by Anders Borg*. Retrieved August 29, 2014, from http://www.imf.org/external/spring/2013/imfc/statement/eng/swe.pdf.

Borst, A. (2012). *Are Chinese banks too profitable?* Retrieved September 23, 2014, from http://blogs.piie.com/china/?p=1191.

Borst, N. (2013). *The Shanghai Free Trade Zone's financial farewell*. Retrieved December 8, 2013, from http://www.piie.com/blogs/china/?p=3593.

Borst, A. (2014a). *Does China have an SME lending problem?* Retrieved September 20, 2014, from http://blogs.piie.com/china/?p=4025.

Borst, N. (2014b). *Taking stock of the Shanghai FTZ after one year*. Retrieved September 19, 2014, from http://blogs.piie.com/china/?p=4056.

Boughton, J. M. (2002). *Why White, not Keynes? Inventing the postwar international monetary system*. IMF Working Paper, no. 02/52. Washington D.C.: International Monetary Fund.

Bowles, P. & Wang, B. (2013). Renminbi internationalization: a journey to where? *Development and Change, 44* (6), 1363-1358.

Bowles, P. & White, G. (1992). The dilemmas of market socialism: capital market reform in China – part I: bonds. *The Journal of Development Studies, 28* (3), 363-385.

Boyer, R. (2010). The collapse of finance but labour remains weak. *Socio-Economic Review, 8* (2), 348-353.

Bradsher, K. (2012). *China quietly relaxes controls on foreign capital*. Retrieved March 26, 2012, from http://www.nytimes.com/2012/03/21/business/global/china-quietly-relaxes-controls-on-foreign-capital.html.

Bradsher, K. (2013). *Wary of China, companies head to Cambodia*. Retrieved July 16, 2013, from http://www.nytimes.com/2013/04/09/business/global/wary-of-events-in-china-foreign-investors-head-to-cambodia.html?pagewanted=all.

Brand, U. (2005). Order and regulation: global governance as a hegemonic discourse of international politics? *Review of International Political Economy, 12* (1), 155-176.

Brand, U. (2007). *The internationalization of the state as the reconstitution of hegemony.* IPW working paper, no. 1/2007. Vienna: University of Vienna.

Brand, U. & Görg, C. (2008). Post-Fordist governance of nature: the internationalization of the state and the case of genetic resources – a Neo-Poulantzian perspective. *Review of International Political Economy, 15* (4), 567-589.

Brand, U. & Sekler, N. (2009). Postneoliberalism: catch-all word or valuable analytical and political concept? Aims of a beginning debate. *Development Dialogue,* no. 51, 5-13.

Brandt, L. & Thun, E. (2010). The fight for the middle: upgrading, competition, and industrial development in China. *World Development, 38* (11), 1555-1574.

Bremmer, I. (2009). State capitalism comes of age: the end of the free market? *Foreign Affairs, 88* (3), 40-55.

Bremmer, I. (2012). *State capitalism: the opposition's opening remarks*. Retrieved August 7, 2013, from http://www.economist.com/debate/days/view/802.

Brenner, N., Peck, J. & Theodore, N. (2010a). After neoliberalization? *Globalizations, 7* (3), 327-345.

Brenner, N., Peck, J. & Theodore, N. (2010b). Variegated neoliberalization: geographies, modalities, pathways. *Global Networks, 10* (2), 182-222.

Brenner, R. (2007). Structure vs conjuncture: the 2006 elections and the rightward shift. *New Left Review*, 43, 33-59.

Breslin, S. (1996). China: developmental state or dysfunctional development? *Third World Quarterly, 17* (4), 689-706.

Breslin, S. (2000). Decentralisation, globalisation and China's partial re-engagement with the global economy. *New Political Economy, 5* (2), 205-226.

Breslin, S. (2003). Reforming China's embedded socialist compromise: China and the WTO. *Global Change, Peace & Security, 15* (3), 213-229.

Breslin, S. (2004). Globalization, international coalitions and domestic reform. *Critical Asian Studies, 36* (4), 657-675.

Breslin, S. (2005). Power and production: rethinking China's global economic role. *Review of International Studies, 31* (4), 735-753.

Breslin, S. (2010). The end of the world as we know it? Li Minqi, China and the death of capitalism. *Journal of Contemporary Asia, 40* (1), 144-154.

Breslin, S. (2011a). China and the crisis: global power, domestic caution and local initiative. *Contemporary Politics, 17* (2), 185-200.

Breslin, S. (2011b). The 'China model' and the global crisis: from Friedrich List to a Chinese mode of governance? *International Affairs, 87* (6), 1323-1343.

Breslin, S. (2013). China and the South: objectives, actors and interactions. *Development and Change, 44* (6), 1273-1294.

Bresser-Pereira, L. C. (2002-2003). Brazil's quasi-stagnation and the growth *cum* foreign savings strategy. *International Journal of Political Economy, 32* (4), 76-102.

Bresser-Pereira, L. C. (2010). The global financial crisis and a new capitalism. *Journal of Post Keynesian Economics, 32* (4), 499-534.

Bresser-Pereira, L. C. (2011). Uma escolar de pensamento keynesiano-estruturalista no Brasil? *Revista de Economia Política, 31* (2), 305-314.

Bretton Woods Project (2011a). *Brazil, India spurn IMF capital controls framework*. Retrieved September 23, 2011, from http://www.brettonwoodsproject.org/art-568564.

Bretton Woods Project (2011b). *The long road to nowhere? Disputes on the global financial architecture*. Retrieved December 1, 2011, from http://www.brettonwoodsproject.org/art-567922.

Bretton Woods Project (2012). *IMF pushes for fully convertible yuan*. Retrieved August 24, 2012, from http://www.brettonwoodsproject.org/art-570817.

BRICS (2012). *Delhi Declaration*. Retrieved April 29, 2012, from http://mea.gov.in/mystart.php?id=190019162.

Brie, M. (2009). Ways out of the crisis of neoliberalism. *Development Dialogue*, no. 51, 15-31.

ten Brink, T. (2011). *Institutional change in market-liberal state capitalism: an integrative perspective on the development of private business sector in China*. MPIfG Discussion Paper, 11/2. Cologne: Max Planck Institute for the Study of Societies.

Brito, F. (2014). *Como o "mercado" planega a sabotage econômica à reeleição de Dilma*. Retrieved August 11, 2014, from http://tijolaco.com.br/blog/?p=18495.

Broner, F. A., Didier, T., Erce, A. & Schmukler, S. (2013). *International capital flows during crises: gross matters*. Retrieved April 13, 2013, from http://www.voxeu.org/article/international-capital-flows-during-crises-gross-matters.

Brooks, S. M. & Kurtz, M. J. (2012). Paths to financial policy diffusion: statist legacies in Latin America's globalization. *International Organization, 66* (1), 95-128.

Bruegel (2014). *REER database*. Retrieved August 4, 2014, from http://www.bruegel.org/fileadmin/bruegel_files/Datasets/REER_database_ver26June2014.xls.

Bruff, I. (2009). The totalisation of human social practice: Open Marxists and capitalist social relations, Foucauldians and power relations. *The British Journal of Politics and International Relations, 11* (2), 332-351.

Bruff, I. (2010). Germany's Agenda 2010 reforms: passive revolution at the crossroads. *Capital & Class, 34* (3), 409-428.

Bruff, I. (2011a). Overcoming the state/market dichotomy. In S. Shields, I. Bruff & H. Macartney (eds.). *Critical International Political Economy: Dialogue, Debate, Dissent* (pp. 80-99). Basingstoke: Palgrave Macmillan.

Bruff, I. (2011b). The case for a foundational materialism: going beyond historical materialist IPE in order to strengthen it. *Journal of International Relations and Development, 14* (3), 391-399.

Bruff, I. (2011c). What about the elephant in the room? Varieties of capitalism, varieties in capitalism. *New Political Economy, 16* (4), 481-500.

Bruno, M. (2008). Régulation et croissance économique au Brésil après la liberalization: un régime d'accumulation bloqué par la finance. *Revue de la Régulation, Capitalisme, Institutions, Pouvoirs,* no. 3/4, n.p.

Bruno, M., Diawara, H., Araújo, E., Reis, A. C. & Rubens, M. (2011). *Finance-led growth regime* no Brasil: estatuto teórico, evidências empíricas e consequências macroeconômicas. *Revista de Economia Política, 31* (5), 730-750.

Bruno, V. & Shin, H. S. (2013). *Global factors in capital flows and credit growth*. Retrieved June 7, 2013, from http://www.voxeu.org/article/global-factors-capital-flows-and-credit-growth.

Bryan, D., Martin, R. & Rafferty, M. (2009). Financialization and Marx: giving labor and capital a financial makeover. *Review of Radical Political Economics, 41* (4), 458-472.

Bryan, R. (1987). The state and the internationalisation of capital: an approach to analysis. *Journal of Contemporary Asia, 17* (3), 253-275.

Buch-Hansen, H. &, Wigger, A. (2010). Revisiting 50 years of market-making: the neoliberal transformation of European competition policy. *Review of International Political Economy, 17* (1), 20-44.

Buckley, C. (2008). *China paper urges new currency order after "financial tsunami".* Retrieved January 6, 2011, from http://www.reuters.com/article/idUSPEK4365020080917.

Cahill, D. (2011). Beyond neoliberalism? Crisis and the prospects for progressive alternatives. *New Political Science, 33* (4), 479-492.

Cahill, D. (2013). Ideas-centred explanations of the rise of neoliberalism: a critique. *Australian Journal of Political Science, 48* (1), 71-84.

Cai, J. (2013*). Interest rate liberalisation likely to dominate bankers' talk at NPC meeting*. Retrieved February 28, 2013, from http://www.scmp.com/news/china/article/1160443/interest-rate-liberalisation-likely-dominate-bankers-talk-npc-meeting.

Callinicos, A. (2010). The limits of passive revolution. *Capital & Class, 34* (3), 491-507.

Callinicos, A. (2012). Contradictions of austerity. *Cambridge Journal of Economics, 36* (1), 65-77.

Calvo G. (2010). *Capital controls cannot stabilise emerging economies.* Retrieved October 28, 2010, from http://blogs.ft.com/beyond-brics/2010/10/20/capital-controls-cannot-stabilise-emerging-economies.

Câmara Neto, A. F. & Vernengo, M. (2006). *Lula's social policies: new wine in old bottles?* Department of Economics Working Paper Series, working paper no. 2006-07. Salt Lake City: University of Utah.

Cammack, P. (1991). Brazil: the long march to the New Republic. *New Left Review*, I/190, 21-58.

Cammack, P. (2003). The governance of global capitalism: a new materialist perspective. *Historical Materialism, 11* (2), 37-59.

Cammack, P. (2012). The G20, the crisis, and the rise of global developmental liberalism. *Third World Quarterly, 33* (1), 1-16.

Canuto, O., Cavalleri, M. & Reis, J. G. (2013). *Brazilian exports: climbing down a competitiveness cliff*. Policy Research Working Paper, WPS6302. Washington D.C.: World Bank.

Caplen, B. (2011). *Long-term funding holds key to Brazil's future economic stability*. Retrieved October 7, 2011 from http://www.thebanker.com/World/Americas/Brazil/Long-term-funding-holds-key-to-Brazil-s-future-economic-stability.

Cardarelli, R., Elekdag, S. & Kose, M. A. (2009). *Capital inflows: macroeconomic implications and policy responses*. IMF working paper, no. 09/40. Washington D.C.: International Monetary Fund.

Cardoso, E. & Goldfajn, I. (1997). *Capital flows to Brazil: the endogeneity of capital controls*. IMF working paper, no. WP/97/115. Washington D.C.: International Monetary Fund.

Carlos, J. (2010). *CNI defende mais rigor no controle dos flucos de capital*. Retrieved August 13, 2014, from http://joaocarlos.net.br/2010/11/novo-presidente-da-cni-defende-mais-rigor-no-controle-dos-fluxos-de-capital.

Campbell, H. G. (2014). *The future of the BRICS Development Bank*. Retrieved September 9, 2014, from http://www.counterpunch.org/2014/07/29/the-future-of-the-brics-development-bank/.

Carroll, W. K. (2008). The corporate elite and the transformation of finance capital: a view from Canada. *The Sociological Review, 56* (S1), 44-63.

Carroll, W. K., Fennema, M. & Heemskerk, E. M. (2010). Constituting corporate Europe: a study of elite social organization. *Antipode, 42* (4), 811-843.

Carroll, W. K. & Sapinski, J. P. (2010). The global corporate elite and the transnational policy-planning network, 1996-2006: a structural analysis. *International Sociology, 25* (4), 501-538.

Carta Maior (2014). *Sindicalistas de 6 centrais confirmam apoio à reeleição de Dilma*. Retrieved August 12, 2014, from http://www.cartamaior.com.br/?/Editoria/Politica/Sindicalistas-de-6-centrais-confirmam-apoio-a-reeleicao-de-Dilma/4/31535.

Carvalho, B. S. M. & Garcia, M. G. P. (2005). Ineffective controls on capital inflows under sophisticated financial markets: Brazil in the nineties. In S. Edwards & M. G. M. Garcia (eds.). *Financial markets volatility and performance in emerging markets* (pp. 29-95). Chicago: University of Chicago Press.

Carvalho, F. J. C. (2002-2003). Strengthening the defenses of the Brazilian economy against external vulnerability. *International Journal of Political Economy, 32* (4), 35-48.

Carvalho, F. J. C. & Souza, F. E. P. (2011). *Brazil in the 2000s: financial regulation and macroeconomic stability*. Retrieved August 5, 2014, from http://www.itf.org.ar/pdf/documentos/75-2011.pdf.

Carvalho, F. J. C. & Kregel, J. A. (2009). *Quem controla o sistema financeiro?* Rio de Janeiro: Ibase.

Castro, A. B. (2008). From semi-stagnation to growth in a sino-centric market. *Brazilian Journal of Political Economy, 28* (1), 3-27.

Castro, M. F. & Carvalho, M. I. V. (2003). Globalization and recent political transitions in Brazil. *International Political Science Review, 24* (4), 465-490.

de Cecco, M. (1979). Origins of the post-war payments system. *Cambridge Journal of Economics, 3* (1), 49-61.

Ceceña, A. E. (2009). Postneoliberalism and its bifurcations. *Development Dialogue*, no. 51, 33-43.

Centeno, M. A. & Cohen, J. N. (2012). The arc of neoliberalism. *Annual Review of Sociology, 38* (1), 317-340.

Cerny, P. G. (1997). The paradoxes of the competition state: the dynamics of political globalization. *Government & Opposition, 32* (2), 251-274.

Cerny, P. G. (2008). Embedding neoliberalism: the evolution of a hegemonic paradigm. *The Journal of International Trade and Diplomacy, 2* (1), 1-46.

Chakrabarti, A. (2012). The Indian communist movement at a crossroads: a Marxian assessment. *Rethinking Marxism, 24* (3), 458-474.

Chakrabarti, A., Chaudhury, A. & Cullenberg, S. (2009). Global order and the new economic policy in India: the (post)colonial formation of the small-scale sector. *Cambridge Journal of Economics, 33* (6), 1169-1186.

Challenge (2004). The American economic empire: interview with Robert Hunter Wade. *Challenge, 47* (1), 64-77.

Challies, E. R. T. & Murray, W. E. (2008). Towards post-neoliberalism? The comparative politico-economic transition of New Zealand and Chile. *Asia Pacific Viewpoint, 49* (2), 228-243.

Chamon, M. & Garcia, M. (2013). *Capital controls in Brazil: effective?* Retrieved August 5, 2014, from http://www.economia.puc-rio.br/mgarcia/Artigos/130911%20Chamon%20Garcia%20v57c.pdf.

Chancellor, E. (2011). *China investors: beware of inequality*. Retrieved June 9, 2011, from http://www.ft.com/intl/cms/s/0/b254e632-8e10-11e0-bee5-00144feab49a.html.

Chancellor, E. (2012). *Corruption threatens China's future*. Retrieved March 21, 2012, from http://www.ft.com/intl/cms/s/0/17e67b8a-71c5-11e1-b853-00144feab49a.html.

Chancellor, E. (2013). *Too little Adam Smith for China, too late*. Retrieved November 24, 2013, from http://www.ft.com/intl/cms/s/0/0996e106-52b4-11e3-a73e-00144feabdc0.html.

Chandhoke, N. (2013). Realising justice. *Third World Quarterly, 34* (2), 305-320.

Chandrasekhar, C. P. (2008a). *Financial liberalization and the new dynamics of growth in India*. TWN Global Economy Series, 13. Penang: Third World Network.

Chandrasekhar, CP (2008b). *Global liquidity and financial flows to developing countries: new trends in emerging markets and their implications*. G-24 discussion paper, no. 52. New Delhi: Jawaharlal Nehru University.

Chandrasekhar, C. P. (2010). From dirgisme to neoliberalism: aspects of the political economy of the transition in India. *Development and Society, 39* (1), 29-59.

Chandrasekhar, CP (2012). *FDI in banking*. Retrieved August 26, 2014, from http://www.thehindu.com/business/Economy/fdi-in-banking/article4101872.ece.

Chang, H. (2002). Breaking the mould: an institutionalist political economy alternative to the neo-liberal theory of the market and the state. *Cambridge Journal of Economics, 26* (5), 539-559.

Charnock, G. (2008). Competitiveness and critique: the value of a New-Materialist Research Project. *Historical Materialism, 16* (2), 117-141.

Chase-Dunn, C. (2010). *Adam Smith in Beijing*: a world-systems perspective. *Historical Materialism, 18* (1), 39-51.

Chatterjee, P. (2008). Democracy and economic transformation in India. *Economic & Political Weekly,* 43 (16), 53-62.

Chen, C. (2011). The development of China's FDI laws and policies after WTO accession. In Golley, J. & Song, L. (eds.), *Rising China: global challenges and opportunities* (pp. 85-97). Canberra: ANU E Press.

Chen, D. (2014a). *3 reasons the BRICS' New Development Bank matters*. Retrieved September 9, 2014, from http://thediplomat.com/2014/07/3-reasons-the-brics-new-development-bank-matters/.

Chen, F. (2014b). *Charting China's financial stability*. Retrieved September 23, 2014, from http://www.bloombergbriefs.com/content/uploads/sites/2/2014/09/EN-China_Financial_Data.pdf.

Chen, J. & Thomas, S. (2002). WTO and China's financial services sector. *Journal of Contemporary China, 11* (33), 673-682.

Chen, J. & Thomas, S. (2005). China's bond market matures, slowly. *The China Business Review, 32* (1), 30-33.

Chen, L. (2013). *China's rebalancing, shadow banking and RMB internationalization in INET Hong Kong*. Retrieved May 15, 2013, from http://ineteconomics.org/blog/china-seminar/chinas-rebalancing-shadow-banking-and-rmb-internationalization-inet-hong-kong.

Chen, X. & Cheung, Y. (2011). Renminbi going global. *China & World Economy, 19* (2), 1-18.

Cheng, Y. (2010). The Chinese model of development: an international perspective. *Social Sciences in China, XXXI* (2), 44-59.

Cheung, Y., Ma, G. & McCauley, R. N. (2011). Why does China attempt to internationalise the renminbi? In Golley, J. & Song, L. (eds.), *Rising China: global challenges and opportunities* (pp. 45-68). Canberra: ANU E Press.

Chilkoti, A. (2013). *India remittances surge as rupee slump tempts non-residents*. Retrieved August 26, 2013, from http://www.ft.com/intl/cms/s/0/381fb9f4-0d85-11e3-9fbb-00144feabdc0.html.

Chilkoti, A. & Mallet, V. (2013). *India's rupee hits fresh record low after capital outflow curb*. Retrieved August 16, 2013, from http://www.ft.com/intl/cms/s/0/517ab308-0638-11e3-9bd9-00144feab7de.html.

Chin, G. T. & Thakur, R. (2010). Will China change the rules of global order? *The Washington Quarterly, 33* (4), 119-138.

Chin, G. T. & Wang, Y. (2010). Debating the international currency system: what's in a speech? *China Security, 6* (1), 3-20.

China-XBR (2014a). *QDII total quota: USD82.493bn*. Retrieved September 2, 2014, from http://china-xbr.com/xbr-quota-data/qdii.

China-XBR (2014b). *QFII total quota: USD59.674bn*. Retrieved September 2, 2014, from http://china-xbr.com/xbr-quota-data/qfii.

China-XBR (2014c). *RQFII total quota: RMB278.6bn*. Retrieved September 2, 2014, from http://china-xbr.com/xbr-quota-data/rqfii.

Chinn, M. & Ito, H. (2014). *The Chinn-Ito Index*. Retrieved September 8, 2014, from http://web.pdx.edu/~ito/kaopen_2012.xls.

Chovanec, P. (2013). *Will China's renminbi replace the dollar as the world's top currency?* Retrieved April 13, 2013, from http://www.chinafile.com/will-china-s-currency-replace-dollar-world-s-top-currency.

Chowla, P. (2011). *Time for a new consensus: regulating financial flows for stability and development*. London: Bretton Woods Project.

Choyleva, D. (2014). *Chinese moves trump Fed's effect on US bonds*. Retrieved September 15, 2014, from http://www.ft.com/intl/cms/s/0/cf99b3d0-029d-11e4-8c28-00144feab7de.html.

Christiansen, F. (2010). Arrighi's *Adam Smith in Beijing*: engaging China. *Historical Materialism, 18* (1), 110-129.

Chwieroth, J. M. (2007). Testing and measuring the role of ideas: the case of neoliberalism in the International Monetary Fund. *International Studies Quarterly, 51* (1), 5-30.

Chwieroth, J. M. (2008). Normative change from within: the International Monetary Fund's approach to capital account liberalization. *International Studies Quarterly, 52* (1), 129-158.

Chwieroth, J. M. (2010a). *Capital ideas: the IMF and the rise of financial liberalization*. Princeton: Princeton University Press.

Chwieroth, J. M. (2010b). How do crises lead to change? Liberalizing capital controls in the early years of New Order Indonesia. *World Politics, 62* (3), 496-527.

Chwieroth, J. M. (2014). Controlling capital: the International Monetary Fund and transformative incremental change from within international organisations. *New Political Economy, 19* (3), 445-469.

Chwieroth, J. M. & Sinclair, T. J. (2013). How you stand depends on how we see: international capital mobility as social fact. *Review of International Political Economy, 20* (3), 457-485.

CIGI/CASS (2009). *China and the financial crisis*. CIGI report. Waterloo: The Centre for International Governance Innovation.

Clarke, S. (1987). Capitalist crisis and the rise of monetarism. *Socialist Register*, vol. 23, 393-427.

CLB (2014). *Searching for the Union: the workers' movement in China 2011-13*. Retrieved April 28, 2014, from http://www.clb.org.hk/en/sites/default/files/File/research_reports/searching%20for%20the%20union%201.pdf.

Clemens, B. & Kamil, H. (2009). *Are capital controls effective in the 21st century? The recent experience of Colombia*. IMF working paper, no. 09/30. Washington D.C.: International Monetary Fund.

Coelho, B. & Gallagher, K. P. (2013). The effectiveness of capital controls: evidence from Colombia and Thailand. *International Review of Applied Economics, 27* (3), 386-403.

Cohen, B. J. (1996). Phoenix risen: the resurrection of global finance. *World Politics, 48* (2), 268-296.

Cohen, B. J. (2003). Capital controls: the neglected option. In G. R. D. Underhill & X. Zhang (eds.). *International financial governance under stress: global structures versus national imperatives* (60-76). Cambridge: Cambridge University Press.

Colitt, R. (2010). *Brazil's Rousseff starts market-friendly transition*. Retrieved July 3, 2012, from http://www.reuters.com/article/2010/11/01/us-brazil-election-idUSTRE69S29F20101101.

Comaroff, J. (2011). The end of neoliberalism? What is left of the left. *The Annals of the American Academy of Political and Social Science, 637* (1), 141-147.

Committee on International Economic Policy and Reform (2012). *Banks and cross-border capital flows: policy challenges and regulatory responses*. Washington D.C.: Brookings.

Committee on the Global Financial System (2009). *Capital flows and emerging market economies*. CGFS Papers, no. 33. Basle: Bank for International Settlements.

Cooke, F. L. (2010). Employment relations in China. In G. J. Bamber, R. D. Lansbury & N. Wailes, *International & comparative employment relations: globalisation and change* (pp. 307-329). London: Sage Publications.

Cookson, R. (2011a). *China steps up march of currency reforms*. Retrieved September 8, 2011, from http://www.ft.com/cms/s/0/d8bb441c-cc7f-11e0-b923-00144feabdc0.html.

Cookson, R. (2011b). *Shanghai cheap versus earnings*. Retrieved October 5, 2011, from http://www.ft.com/cms/s/0/ec1c7904-ea9d-11e0-b0f5-00144feab49a.html.

Cookson, R. (2012a). *China lowers barrier to foreign investors*. Retrieved June 21, 2012, from http://www.ft.com/intl/cms/s/9901269a-bb6a-11e1-90e4-00144feabdc0.html.

Cookson, R. (2012b). *Reserve currencies: renminbi not yet ready to challenge the dollar*. Retrieved April 4, 2012, from http://www.ft.com/intl/cms/s/0/602f4a0c-6da1-11e1-b98d-00144feab49a.html.

Cookson, R. & Leahy, J. (2011). *Call to ease Brazil's capital controls*. Retrieved October 27, 2011, from http://www.ft.com/intl/cms/s/0/5a9b6aca-ff20-11e0-9b2f-00144feabcd0.html.

Cooper, J. (2012). *Are China's banks heading for a crisis?* Retrieved April 3, 2012, from http://www.thebanker.com/World/Asia-Pacific/Are-China-s-banks-heading-for-a-crisis.

Cooper, R. N. (1998). Should capital-account convertibility be a world objective? In Kenen, P. B. (ed.). *Should the IMF pursue capital-account convertibility?* (pp. 11-19). Princeton: Princeton University Printing Services.

Corden, W. M. (2009). China's exchange rate policy, its current account surplus and the global imbalances. *The Economic Journal, 119* (541), 430-441.

Cowling, K. & Tomlinson, P. R. (2005). Globalisation and corporate power. *Contributions to Political Economy, 24* (1), 33-54.

Cox, R. W. (1981). Social forces, states and world orders: beyond International Relations theory. *Millennium: Journal of International Studies, 10* (2), 126-155.

CPI(M) (2013). *Against Yashwant Sinha's declaration at Davos*. Retrieved August 25, 2014, from http://www.cpim.org/content/against-yashwant-sinhas-declaration-davos.

CPI(M) (2014). *Manifesto for the 16th Lok Sabha Elections, 2014*. Retrieved August 25, 2014, from http://cpim.org/sites/default/files/updates/2014-manifesto-16LS.pdf.

Crabtree, J. (2012a). *Indian bank workers in two-day strike*. Retrieved August 24, 2012, from http://www.ft.com/intl/cms/s/0/3d12d1f0-ec5a-11e1-a91c-00144feab49a.html.

Crabtree, J. (2012b). *India's billionaires club*. Retrieved November 17, 2012, from http://www.ft.com/intl/cms/s/2/be255dd2-2eb6-11e2-9b98-00144feabdc0.html.

Crabtree, J. (2012c). *India steps up bank liberalisation*. Retrieved December 19, 2012, from http://www.ft.com/intl/cms/s/0/5b4f2cfc-49c2-11e2-a625-00144feab49a.html.

Crabtree, J. (2012d). *Tata raps India for driving off investment*. Retrieved December 7, 2012, from http://www.ft.com/intl/cms/s/0/0259c952-3f79-11e2-b0ce-00144feabdc0.html.

Crabtree, J. (2013a). *Beware India's moment of Modi mania*. Retrieved August 22, 2014, from http://www.ft.com/intl/cms/s/0/48423600-613f-11e3-916e-00144feabdc0.html.

Crabtree, J. (2013b). *'Hot money' stays sticky in India as rupee crisis looks over*. Retrieved August 22, 2014, from http://www.ft.com/intl/cms/s/0/7fc7bbf2-1f92-11e3-8861-00144feab7de.html.

Crabtree, J. (2013c). *India urged to allow greater foreign access to bond markets*. Retrieved August 19, 2014, from http://www.ft.com/intl/cms/s/0/ad2fa0f8-2674-11e3-9dc0-00144feab7de.html.

Crabtree, J. (2013d). *India rules out further capital controls*. Retrieved August 19, 2013, from http://www.ft.com/intl/cms/s/0/d9845706-07d5-11e3-badc-00144feabdc0.html.

Crabtree (2013e). *Reserve Bank of India shakes up rules on foreign bank ownership*. Retrieved August 26, 2014, from http://www.ft.com/intl/cms/s/0/d5ea823e-4702-11e3-9c1b-00144feabdc0.html.

Crabtree, J. (2014a). *India expects Narendra Modi-inspired equity spree*. Retrieved August 21, 2014, from http://www.ft.com/intl/cms/s/0/d073bf00-fac1-11e3-8993-00144feab7de.html.

Crabtree, J. (2014b). *India: sell-offs to fall far short of full privatisation*. Retrieved September 20, 2014, from http://www.ft.com/intl/cms/s/0/861fc9d0-2c21-11e4-a0b6-00144feabdc0.html.

Crabtree, J. (2014c). *India to double offshore rupee bond programme*. Retrieved August 24, 2014, from http://www.ft.com/intl/cms/s/0/0088e70c-c083-11e3-a74d-00144feabdc0.html.

Crabtree, J. (2014d). *More to rupee recovery than Modi Mania*. Retrieved April 7, 2014, from http://www.ft.com/intl/cms/s/0/a37ff6c6-be3a-11e3-961f-00144feabdc0.html.

Crooks, E. (2014). *US capex to grow at slowest rate in four years*. Retrieved May 19, 2014, from http://www.ft.com/intl/cms/s/0/8b3f5680-844a-11e3-b72e-00144feab7de.html.

Crotty, J. (2005). The neoliberal paradox: the impact of destructive product market competition and 'modern' financial markets on nonfinancial corporation performance in the neoliberal era. In G. A. Epstein (ed.). *Financialization and the world economy* (pp. 77-110). Cheltenham: Edward Elgar.

Crotty, J. (2012). The great austerity war: what caused the US deficit crisis and who should pay to fix it? *Cambridge Journal of Economics, 36* (1), 79-104.

Crotty, J. & Dymski, G. (1998). Can the global neoliberal regime survive victory in Asia? The political economy of the Asian crisis. *International Papers in Political Economy, 5* (2), 1-47.

Crotty, J. & Epstein, G. (1996). In defence of capital controls. *The Socialist Register*, vol. 32, 118-149.

Crouch, C. (2009). Privatised Keynesianism: an unacknowledged policy regime. *The British Journal of Politics and International Relations, 11* (3), 382-399.

Crowley, T. (2014). *The many faces of the Indian left*. Retrieved August 16, 2014, from https://www.jacobinmag.com/2014/05/the-many-faces-of-the-indian-left.

Cui, L. & Syed, M. (2007). *The shifting structure of China's trade and production*. IMF working paper, no. WP/07/214. Washington D.C.: International Monetary Fund.

Cumbers, A. (2012). *Reclaiming public ownership: making space for economic democracy*. London: Zed Books.

Cunningham, S. M. (1999). Made in Brazil: Cardoso's critical path from dependency via neoliberal options and the Third Way in the 1990s. *European Review of Latin American and Caribberan Studies*, no. 67, 75-86.

CUT (2009). *Lula confirma audiência solicitada pela CUT*. Retrieved August 12, 2014, from http://www.cut.org.br/destaques/19420/lula-confirma-audiencia-solicitada-pela-cut-sp.

Dale, G. (2012). Double movements and pendular forces: Polanyian perspectives on the neoliberal age. *Current Sociology, 60* (1), 3-27.

Das, R. J. (2001). The political economy of India. *New Political Economy, 6* (1), 103-117.

Davala, S. (1994). New Economic Policy and trade union response. *Economic and Political Weekly, 29* (8), 406-408.

Davidson, N. (2010). Many capitals, many states: contingency, logic or mediation? In A. Anievas (ed.). *Marxism and world politics: contesting global capitalism* (pp. 77-93). London: Routledge.

Davis, B. (2014a). *Academics get caught up in debate over China's interest rates*. Retrieved September 20, 2014, from http://blogs.wsj.com/chinarealtime/2014/09/16/academics-get-caught-up-in-debate-over-chinas-interest-rates.

Davis, B. (2014b). *China's property bubble has already popped, report says*. Retrieved September 16, 2014, from http://blogs.wsj.com/chinarealtime/2014/05/05/chinas-property-bubble-has-officially-popped-report-says.

Davis, B. (2014c). *Writing China: Nicholas Lardy, 'Markets over Mao'*. Retrieved September 20, 2014, from http://blogs.wsj.com/chinarealtime/2014/09/02/writing-china-nick-lardy-combats-conventional-wisdom-in-markets-over-mao.

Davis, B. & Wei, L. (2013). *A bureaucrat's tricky task: reignite Chinese growth*. Retrieved October 6, 2013, from http://online.wsj.com/news/articles/SB10001424052702304906704579111442566524958.

D'Costa, A. P. (2000). Capitalist maturity and corporate responses to economic liberalization in India: the steel, auto, and software sectors. *Contemporary South Asia, 9* (2), 141-163.

D'Costa, A. P. (2003). Uneven and combined development: understanding India's software exports. *World Development, 31* (1), 211-226.

De, R. & Vakulabharanam, V. (2013). *Growth and distribution regimes in India after independence*. Paper presented at the World Economics Association Conference no. 3 on the Inequalities in Asia, online conference, May 27-July 12, 2013. Hyderabad: University of Hyderabad.

Dean, J. (2000). Can China avert crisis? *Challenge, 43* (4), 62-76.

De Cock, C., Fitchett, J. & C. Volkmann (2009). Myths of a near past: envisioning finance capitalism *anno* 2007. *Ephemera, 9* (1), 8-25.

De Gregorio, J. (2011). *IMFC Statement by José De Gregorio*. Retrieved August 29, 2014, from https://www.imf.org/external/spring/2011/imfc/statement/eng/chl.pdf.

Dekker, W. (2014). *Rijkste 1 procent bezit bijna een kwart van alle vermogen*. Retrieved May 7, 2014, from http://www.volkskrant.nl/vk/nl/2680/Economie/article/detail/3633892/2014/04/12/Rijkste-1-procent-bezit-bijna-een-kwart-van-alle-vermogen.dhtml.

Dello Buono, R. A. (2010). Latin America and the collapsing ideological supports of neoliberalism. *Critical Sociology, 37* (1), 9-25.

Deloitte (2009). Measuring value: the RMB abroad. *Deloitte China Research and Insight Centre*, issue 2, n.p.

Deloitte (2014). *Brazil tax alert: IOF on short-term external loan transactions revised again*. Retrieved June 25, 2014, from http://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-alert-brazil-050614.pdf.

Deloitte & AmCham India (2014). *Addressing key challenges: U.S.-India economic engagement*. Retrieved August 25, 2014, from http://www.deloitte.com/assets/Dcom-India/Local%20Assets/Documents/Thoughtware/2014/US-India_Economic_Engagement.pdf.

De Lorenzo, F. (2010). *Indústria defende maior controle de capitais para segurar o câmbio*. Retrieved August 13, 2014, from http://g1.globo.com/economia-e-negocios/noticia/2010/11/industria-defende-maior-controle-de-capitais-para-segurar-o-cambio.html.

Del Roio, M. (2012). Translating passive revolution in Brazil. *Capital & Class, 36* (2), 215-234.

DeMartino, G. (1999). Global neoliberalism, policy autonomy, and international competitive dynamics. *Journal of Economic Issues*, 33 (2), 343-349.

DeMartino, G. (2002). A comment on “Globalization and neoliberalism”, by David Kotz. *Rethinking Marxism, 14* (2), 80-85.

Demirović, A. (2009). Postneoliberalism and post-Fordism – Is there a new period in the capitalist mode of production? *Development Dialogue*, no. 51, 45-57.

Demirović, A. (2011). Materialist state theory and the transnationalization of the capitalist state. *Antipode, 43* (1), 38-59.

Desai, M. (2013). *India: still solid as a BRIC?* Retrieved January 19, 2013, from http://www.thebanker.com/Comment/Viewpoint/India-still-solid-as-a-BRIC.

Deulgaonkar, P. (2014). *NRI alert: end of lucrative interest rates on India deposits*. Retrieved August 22, 2014, from http://www.emirates247.com/business/economy-finance/nri-alert-end-of-lucrative-interest-rates-on-india-deposits-2014-02-24-1.539243.

Dickson, B. J. (2004). Beijing's ambivalent reformers. *Current History, 103* (674), 249-255.

Dickson, B. J. (2007). Integrating wealth and power in China: the Communist Party's embrace of the private sector. *The China Quarterly,* vol. 192, 827-854.

Dierckx, S. (2011). *The IMF and capital controls: towards postneoliberalism?* Paper presented at the 6th ECPR General Conference, Reykjavik, August 24-27, 2011. Ghent: Ghent Institute for International Studies.

Dierckx, S. (2013). After the crisis and beyond the new constitutionalism? The case of the free movement of capital. *Globalizations, 10* (6), 803-818.

Dierckx, S. (2014a). *China's capital controls: between contender state and integration into the heartland* (unpublished paper, submitted for special issue). Ghent: Ghent Institute for International Studies.

Dierckx, S. (2014b). *Global capital, national labour? Re-politicizing the transnationalization of capital*. Paper presented at the International Workshop "Labour and transnational action in times of crisis: from case studies to theory", Oslo, February 27-28, 2014. Ghent: Ghent Institute for International Studies.

Dillow, C. (2014). *Market trade-offs*. Retrieved January 25, 2014, from http://stumblingandmumbling.typepad.com/stumbling_and_mumbling/2014/01/market-trade-offs.html.

Ding, X. L. (2000). Informal privatization through internationalization: the rise of nomenklatura capitalism in China's offshore business. *British Journal of Political Science, 30* (1), 121-146.

Diniz, E. (2011). Democracy, state, and industry: continuity and change between the Cardoso and Lula administrations. *Latin American Perspectives, 38* (3), 59-77.

Dobson, W. & Masson, P. R. (2009). Will the renminbi become a world currency? *China Economic Review, 20* (1), 124-135.

Doctor, M. (2012). Brazil's new government and trade: an evaluation of policy and performance. *Critical Sociology, 38* (6), 799-807.

Doctor, M. & de Paula, L. F. (2007). *Foreign interests and financial crises in Brazil*. Centre for Brazilian Studies, working paper number CBS-78-07. Oxford: University of Oxford.

Domanski, D. (2005). Foreign banks in emerging market economies: changing players, changing issues. *BIS Quarterly Review*, December 2005, 69-81.

Doraisami, A. (2005). The political economy of capital flows and capital controls in Malaysia. *Journal of Contemporary Asia, 35* (2), 249-263.

Dornbusch, R. (1998). Capital controls: an idea whose time is past. In Kenen, P. B. (ed.). *Should the IMF pursue capital-account convertibility?* (pp. 20-27). Princeton: Princeton University Printing Services.

D'Souza, E. (2008). Globalisation's underbelly: capital flows and Indian economy. *Economic and Political Weekly, 43* (35), 34-38.

Dufour, M. & Orhangazi, Ö. (2007). International financial crises: scourge or blessings in disguise? *Review of Radical Political Economics, 39* (3), 342-350.

Duménil, G. & Lévy, D. (2001). Costs and benefits of neoliberalism. A class analysis. *Review of International Political Economy, 8* (4), 578-607.

Duménil, G. & Lévy, D. (2002). The nature and contradictions of neoliberalism. *The Socialist Register*, vol. 38, 43-71.

Duménil, G. & Lévy, D. (2006). Une théorie marxiste du néoliberalisme. *Actuel Marx*, no. 40, 24-38.

Dunn, B. (2007). Accumulation by dispossession or accumulation of capital? The case of China. *Journal of Australian Political Economy*, no. 60, 5-27.

Dutt, A. K. (2006). Flawed logic of capital account liberalisation. *Economic and Political Weekly, 41* (19), 1850-1853.

Dyer, G. (2011). *China plays down levels of 'hot money'*. Retrieved June 10, 2012, from http://www.ft.com/intl/cms/s/0/08c9045c-3a84-11e0-9c65-00144feabdc0.html.

Eatwell, J. (1996). *International capital liberalization: the impact on world development*. CEPA Working Paper Series I, working paper no. 1. New York: Center for Economic Policy Analysis.

Eberhardt, P. & Olivet, C. (2012). *Profiting from injustice: how law firms, arbitrators and financiers are fuelling an investment arbitration boom*. Brussels/Amsterdam: Corporate Europe Observatory and the Transnational Institute.

Economic and Political Weekly (2012). Captive of hot money. *Economic and Political Weekly, 47* (15), 8.

Edison, H. J., Klein, M., Ricci, L. & Slok, T. (2002). *Capital account liberalization and economic performance: survey and synthesis.* IMF working paper, no. 02/120. Washington D.C.: International Monetary Fund.

Edwards, N. (2013). *Exclusive: China eyes market forces to drive forex reform agenda*. Retrieved March 4, 2013, from http://www.reuters.com/article/2013/03/03/us-china-currency-reform-idUSBRE9220FS20130303.

Egan, D. (2001). The limits of internationalization: a neo-Gramscian analysis of the Multilateral Agreement on Investment. *Critical Sociology, 27* (3), 74-97.

Eichengreen, B. (1991). Historical research on international lending and debt. *Journal of Economic Perspectives, 5* (2), 149-169.

Eichengreen, B. (2001). Capital account liberalization: what do cross-country studies tell us? *The World Bank Economic Review, 15* (3), 341-365.

Eichengreen, B. (2011a). *Exorbitant privilege: the rise and fall of the dollar and the future of the international monetary system*. Oxford: Oxford University Press.

Eichengreen, B. (2011b). *The yuan: featured guest*. Retrieved December 7, 2011, from http://economist.com/debate/days/view/756.

Eichengreen, B., Mussa, M., Dell'Ariccia, Detragiache, E., Milesi-Ferretti, G. M. & Tweedie, A. (1999). *Liberalizing capital movements: some analytical issues*. Economic Issues, no. 17. Washington D.C.: International Monetary Fund.

Eichengreen, B., Tobin, J. & Wyplosz, C. (1995). Two cases for sand in the wheels of international finance. *The Economic Journal, 105* (1), 162-172.

Eichengreen, B., Walsh, K. & Weir, K. (2014). *Internationalisation of the renminbi: pathways, implications and opportunities*. Research Report, March 2014. Sydney: Centre for International Finance and Regulation.

Eisenschitz, A. & Gough, J. (1996). The contradictions of neo-Keynesian local economic strategy. *Review of International Political Economy, 3* (3), 434-458.

Elfick, J. (2011). Class formation and consumption among middle-class professionals in Shenzhen. *Journal of Current Chinese Affairs, 40* (1), 187-211.

Elliott, L. (2012). *Washington Consensus: IMF deals another blow?* Retrieved December 7, 2012, from http://www.guardian.co.uk/global-development/poverty-matters/2012/dec/05/washington-consensus-imf.

Epaulard, A. & Pommeret, A. (2005). *Financial integration, growth, and volatility*. IMF working paper, no. 05/67. Washington D.C.: International Monetary Fund.

Epstein, G. (2009). *Should financial flows be regulated? Yes*. DESA working paper, no. 77. New York: United Nations Department of Economic and Social Affairs.

Epstein, G. (2012). Capital outflow regulation: economic management, development and transformation. In K. P. Gallagher, S., Griffith-Jones & J. A. Ocampo (eds.). *Regulating global capital flows for long-run development* (pp. 47-57). Boston: The Frederick S. Pardee Center for the Study of the Longer-Range Future.

Epstein, G., Grabel, I. & Jomo, K. S. (2004). *Capital management techniques in developing countries: an assessment of experiences from the 1990s and lessons for the future*. G-24 Discussion Paper, no. 27. New York and Geneva: UNCTAD.

Epstein, G. A. & Jayadev, A. (2005). The rise of rentier incomes in OECD countries: financialization, central bank policy and labor solidarity. In G. A. Epstein (ed.). *Financialization and the world economy* (pp. 46-74). Cheltenham: Edward Elgar.

EPW Research Foundation (1997). Mapping a risky path: capital account convertibility report. *Economic and Political Weekly, 32* (23), 1300-1303.

EPW Research Foundation (2008). Monetary measures lack developmental focus. *Economic and Political Weekly, 43* (47), 25-31.

Erber, F. S. (2011). As convençoes de desenvolvimento no governo Lula: um ensaio de economia política. *Revista de Economia Política, 31* (1), 31-55.

Erturk, I., Froud, J., Johal, S., Leaver, A. & Williams, K. (2007). The democratization of finance? Promises, outcomes and conditions. *Review of International Political Economy, 14* (4), 553-575.

EU Chamber of Commerce in China (2009). *Overcapacity in China: causes, impacts and recommendations*. Retrieved March 8, 2013, from http://www.rolandberger.com/media/pdf/Roland_Berger_Overcapacity_in_China_20091201.pdf.

European Union Chamber of Commerce in China (2014). *European business in China position paper 2014/2015*. Retrieved March 8, 2013, from http://www.europeanchamber.com.cn/documents/download/start/en/pdf/313.

European Union (1992). *Treaty on European Union, signed at Maastricht on 7 February 1992*. Retrieved September 2, 2014, from http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C:1992:191:FULL&from=EN.

Fang, L. (2013). *The scholars who shill for Wall Street*. Retrieved January 6, 2014, from http://www.thenation.com/article/176809/scholars-who-shill-wall-street.

Federal Reserve Bank of St. Louis (2014a). *FRED Economic Data. Series with tags: roa*. Retrieved September 20, 2014, from http://research.stlouisfed.org/fred2/tags/series/?t=roa.

Federal Reserve Bank of St. Louis (2014b). *Graph: compensation of employees: wages & salary accruals/gross domestic product*. Retrieved May 19, 2014, from http://research.stlouisfed.org/fred2/graph/?g=2Xa.

Fekter, M. (2013). *IMFC Statement by Maria Fekter*. Retrieved August 29, 2014, from http://www.imf.org/external/spring/2013/imfc/statement/eng/aut.pdf.

Ferchen, M. (2013). Whose China model is it anyway? The contentious search for consensus. *Review of International Political Economy, 20* (2), 390-420.

Ferguson, J. (2009). The uses of neoliberalism. *Antipode, 41* (S1), 166-184.

Fernandes, E. A. & Campos, A. C. (2008). Investimento direto estrangeiro e o desempenho das exportaçoes brasileiras. *Revista de Economia Política, 28* (3), 490-509.

Fernandes, S. (2014). *Brazil on strike: class struggle in the wake of the World Cup*. Retrieved August 10, 2014, from http://www.socialistproject.ca/bullet/997.php.

Fernando, V. (2009). *It's time to remove Russia from the BRICs*. Retrieved September 10, 2014, from http://www.businessinsider.com/its-time-to-remove-russia-from-the-brics-2009-8.

Ferri, G. & Liu, L. (2010). Honor thy creditors beforan thy shareholders: are the profits of Chinese state-owned enterprises real? *Asian Economic Papers, 9* (3), 50-71.

Fewsmith, J. (2011). *Debating "the China Model"*. China Leadership Monitor, no. 35. Stanford: Stanford University.

Filgueiras, L. (2006). O neoliberalismo no Brasil: estrutura, dinâmica e ajuste do modelo econômico. In E. M. Basualdo & E. Arceo (eds.). *Neoliberalismo y sectores dominantes: tendencias globales y experiencias nacionales* (pp. 179-206). Buenos Aires: Consejo Latinoamericano de Ciencias Sociales (CLACSO).

Financial Times (2012). *Reforming China's capital account*. Retrieved April 4, 2012, from http://www.ft.com/intl/cms/s/0/75c788c8-7e5b-11e1-b20a-00144feab49a.html.

Financial Times (2013). *India's capital crisis*. Retrieved August 15, 2013, from http://www.ft.com/intl/cms/s/0/d469362e-05af-11e3-8ed5-00144feab7de.html.

Fine, B. (2010). Neoliberalism as financialisation. In A. Saad-Filho & G. L. Yalman (eds.). *Economic transitions to neoliberalism in middle-income countries: policy dilemmas, economic crises, forms of resistance* (pp. 11-23). Abingdon: Routledge.

Fine, B. & Harris, L. (1987). Ideology and markets: economic theory and the 'new right'. *The Socialist Register*, vol. 23, 365-392.

Fine, B. & Milonakis, D. (2011). 'Useluss but true': economic crisis and the peculiarities of economic science. *Historical Materialism, 19* (2), 3-31.

Fischer, A. M. (2010). Is China turning Latin? China's balancing act between power and dependence in the lead up to global crisis. *Journal of International Development, 22* (6), 739-757.

Fischer, S. (1998a). Capital-account liberalization and the role of the IMF. In Kenen, P. B. (ed.). *Should the IMF pursue capital-account convertibility?* (pp. 1-10). Princeton: Princeton University Printing Services.

Fischer, S. (1998b). *Reforming the International Monetary System*. Retrieved June 28, 2014, from http://www.imf.org/external/np/speeches/1998/110998.htm.

Flynn, M. (2007). Between subimperialism and globalization: a case study in the internationalization of Brazilian capital. *Latin American Perspectives, 34* (6), 9-27.

Fontanella-Khan, J. (2011). *Indian rupee hits record low against dollar*. Retrieved November 24, 2011, from http://www.ft.com/intl/cms/s/0/29a33d98-1443-11e1-b07b-00144feabdc0.html.

Fontanella-Khan, J. (2012). *India: suspended animation*. Retrieved November 30, 2012, from http://www.ft.com/intl/cms/s/0/5e880566-6d08-11e1-a7c7-00144feab49a.html.

Fontanella-Khan, J. & Sender, H. (2011). *Rupee's fall sparks calls for action*. Retrieved November 22, 2011, from http://www.ft.com/intl/cms/s/0/06f69066-1500-11e1-a2a6-00144feabdc0.html.

Fortes, A. (2009). In search of a post-neoliberal paradigm: the Brazilian left and Lula's government. *International Labor and Working-Class History, 75* (1), 109-125.

Foster, J. B. & Holleman, H. (2010). The financial power elite. *Monthly Review, 62* (1), 1-19.

Foster, J. B. & McChesney, R. W. (2012). The global stagnation and China. *Monthly Review, 63* (9), 1-28.

Foster, J. B., McChesney, R. W. & Jonna, R. J. (2011). The internationalization of monopoly capital. *Monthly Review, 63* (2), 1-23.

Fougner, T. (2006). The state, international competitiveness and neoliberal globalisation: is there a future beyond 'the competition state'? *Review of International Studies, 32* (1), 165-185.

Fougner, T. (2008). Neoliberal governance of states: the role of competitiveness indexing and country benchmarking. *Millennium: Journal of International Studies, 37* (2), 303-326.

Fourcade-Gourinchas, M. & Babb, S. L. (2002). The rebirth of the liberal creed: paths to neoliberalism in four countries. *American Journal of Sociology, 108* (3), 533-579.

Francis, S. (2013). Capital account regulatory space under India's investment and trade agreements. In K.P. Gallagher & L. E. Stanley (eds.). *Capital account regulations and the trading system: a compatibility review* (pp. 109-120). Boston: The Frederick S. Pardee Center for the Study of the Longer-Range Future.

Frangos, A., Orlik, T. & Wei, L. (2012). *In reversal, cash leaks out of China*. Retrieved October 16, 2012, from http://online.wsj.com/article/SB10000872396390443507204578020272862374326.html.

Freitas, M. C. P. (2011). *A internacionalização do sistema bancário brasileiro*. Texto para Discussão, n° 1566. Brasília: Instituto de Pesquisa Econômica Aplicada.

Freitas, M. C. P. & Prates, D. M. (2000). Financial openness: the experience of Argentina, Brazil and Mexico. *CEPAL Review*, no. 70, 55-72.

French, S., Leyshon, A. & Wainwright, T. (2011). Financializing space, spacing financialization. *Progress in Human Geography, 35* (6), 798-819.

Frieden, J. A. (1988). Capital politics: creditors and the international political economy. *Journal of Public Policy, 8* (3/4), 265-286.

Frieden, J. A. (1991). Invested interests: the politics of national economic policies in a world of global finance. *International Organization, 45* (4), 425-451.

Friedman, E. (2014). *China's new labor insurgency*. Retrieved September 19, 2014, from https://www.jacobinmag.com/2014/08/china-labor-insurgency.

Friedman, T. (1999). *The Lexus and the olive tree: understanding globalization*. New York: Farrar, Straus and Giroux.

Fritz, B. & Prates, D. (2013). *The new IMF approach to capital account management and its blind spots: lessons from Brazil and South Korea*. DesiguALdades.net Working Paper Series, no. 35. Berlin: desiguALdades.net Research Network on Interdependent Inequalities in Latin America.

Froud, J., Johal, S., Montgomerie, J. & Williams, K. (2010). Escaping the tyranny of earned income? The failure of finance as social innovation. *New Political Economy, 15* (1), 147-164.

Fuentes-Nieva, R. & Galasso, N. (2014). Working for the few? Political capture and economic inequality. Oxfam briefing paper, 178. Oxford: Oxfam.

Fukuyama, F. (2014). *At the 'End of History' still stands democracy*. Retrieved June 28, 2014, from http://online.wsj.com/articles/at-the-end-of-history-still-stands-democracy-1402080661.

Fung, H. & Yau, J. (2012). Chinese offshore RMB currency and bond markets: the role of Hong Kong. *China & World Economy, 20* (3), 107-122.

Gabor, D. (2012). Managing capital accounts in emerging markets: lessons from the global financial crisis. *Journal of Development Studies, 48* (6), 714-731.

Galbraith, J. K. (2003). The Brazilian swindle and the larger international monetary problem. *Brazilian Journal of Political Economy, 23* (1), 85-95.

Gallagher, K. P. (2010). *Capital controls back in IMF toolkit*. Retrieved May 6, 2011, from http://www.guardian.co.uk/commentisfree/cifamerica/2010/mar/01/imf-capital-controls.

Gallagher, K. P. (2011a). Losing control: policy space to prevent and mitigate financial crises in trade and investment agreements. *Development Policy Review, 29* (4), 387-413.

Gallagher, K. P. (2011b). *Regaining control? Capital controls and the global financial crisis*. PERI Working Paper Series, number 250. Amherst: University of Massachussetts.

Gallagher, K. P. (2012a). *Brazil: emerging markets can regulate global finance*. Retrieved July 12, 2012, from http://blogs.ft.com/economistsforum/2012/07/brazil-emerging-markets-can-regulate-global-finance.

Gallagher, K. P. (2012b). Capital account regulations and the trading system. In K. P. Gallagher, S., Griffith-Jones & J. A. Ocampo (eds.). *Regulating global capital flows for long-run development* (pp. 119-132). Boston: The Frederick S. Pardee Center for the Study of the Longer-Range Future.

Gallagher, K. P. (2012c). *The myth of financial protectionism: the new (and old) economics of capital controls*. PERI Working Paper Series, number 278. Amherst: University of Massachusetts.

Gallagher, K. P. (2013). *Safeguarding United States' trade and investment treaties for financial stability*. GEGI Policy Brief, August 2013, issue 001. Boston: The Frederick S. Pardee Center for the Study of the Longer-Range Future.

Gallagher, K. P. (2014a). *BRICS: toward a Rio Consensus*. Retrieved September 9, 2014, from http://www.theglobalist.com/brics-toward-a-rio-consensus.

Gallagher, K. P. (2014b). Countervailing monetary power: reregulating capital flows in Brazil and South Korea. *Review of International Political economy*, DOI: 10.1080/09692290.2014.915577.

Gallagher, K. P., Griffith-Jones, S. & Ocampo, J. A. (2011). *Capital account regulations for stability and development: a new approach*. Issues in Brief, no. 022. Boston: The Frederick S. Pardee Center for the Study of the Longer-Range Future.

Gallagher, K. P., Ocampo, J. A. & Zhang, M. & Yu, Y. (2014). *Capital account liberalization in China: a cautionary tale*. GEGI Policy Brief, July 2014, issue 002. Boston: The Frederick S. Pardee Center for the Study of the Longer-Range Future.

Gallagher, K. P. & Stanley, L. E. (eds.) (2013). *Capital account regulations and the trading system: a compatibility review*. Boston: The Frederick S. Pardee Center for the Study of the Longer-Range Future.

Gallagher, K. P. & Tian, Y. (2014). *Regulating capital flows in emerging markets: the IMF and the global financial crisis*. GEGI Working Paper, May 2014, paper 5. Boston: The Frederick S. Pardee Center for the Study of the Longer-Range Future.

Gamble, A. (2001). Neo-liberalism. *Capital & Class,* no. 75, 127-134.

Gamble, A. (2009). The Western ideology. *Government and Opposition, 44* (1), 1-19.

Gamble, A. (2010). The political consequences of the crash. *Political Studies Review, 8* (1), 3-14.

Gao, C. (2013). *Listing reflects China's financial theft*. Retrieved November 19, 2013, from http://africa.chinadaily.com.cn/weekly/2013-11/15/content_17108331.htm.

Gao, H. & Yu, Y. (2009). Internationalisation of the renminbi. *BIS papers*, no. 61, 105-124.

Garcia, M. G. P. & Barcinski, A. (1996). *Capital flows to Brazil in the nineties: macroeconomic aspects and the effectiveness of capital controls*. Departamento de Economia PUC-Rio Texto para discussão, n.° 357. Rio de Janeiro: Pontifical Catholic University.

Gareau, F. H. (1996). International institutions and the Gramscian legacy: its modification, expansion, and reaffirmation. *The Social Science Journal, 33* (2), 223-235.

Garrett, B. (2001). China faces, debates, the contradictions of globalization. *Asian Survey, 41* (3), 409-427.

Gaulard, M. (2012). The "hot money" phenomenon in Brazil. *Brazilian Journal of Political Economy, 32* (3), 367-388.

Gaur, A. P. (2008). Trends in portfolio investment statistics – India. *IFC Bulletin*, no. 28, 268-272.

Geens, K. (2013). *IMFC Statement by Koen Geens*. Retrieved August 29, 2014, from http://www.imf.org/external/spring/2013/imfc/statement/eng/bel.pdf.

Geithner, T. F. (2011a). *IMFC Statement by Timothy F. Geithner*. Retrieved August 29, 2014, from http://www.imf.org/external/spring/2011/imfc/statement/eng/usa.pdf.

Geithner, T. (2011b). *Response by US Treasury Secretary Timothy Geithner*. Retrieved August 29, 2013, from http://www.ase.tufts.edu/gdae/policy_research/Geithner_response_to_capital_controls_letter.pdf.

Gelos, G. (2011). *International mutual funds, capital flow volatility, and contagion – a survey*. IMF working paper, no. 11/92. Washington D.C.: International Monetary Fund.

Gelos, G. & Wei, S. (2002). *Transparency and international investor behavior*. IMF working paper, no. 02/174. Washington D.C.: International Monetary Fund.

Geng, N. & N'Diaye, P. (2012). *Determinants of corporate investment in China: evidence from cross-country firm level data*. IMF working paper, no. WP/12/20. Washington D.C.: International Monetary Fund.

George, S. (1997). How to win the war of ideas: lessons from the Gramscian right. *Dissent, 44* (3), 47-53.

George, S. (2000). A short history of neoliberalism: twenty years of élite economics and emerging opportunities for structural change. In W. Bello, N. Bullard & K. Malhotra (eds.). *Global finance: new thinking of regulating speculative capital markets* (pp. 27-35). London: Zed Books.

Germain, R. D. (2007). 'Critical' political economy, historical materialism and Adam Morton. *Politics, 27* (2), 127-131.

Germain, R. D. (2009). Financial order and world politics: crisis, change and continuity. *International Affairs, 85* (4), 669-687.

Germain, R. D. (2011). New Marxism and the problem of subjectivity: towards a critical *and* historical International Political Economy. In S. Shields, I. Bruff & H. Macartney (eds.). *Critical International Political Economy: Dialogue, Debate, Dissent* (pp. 61-79). Basingstoke: Palgrave Macmillan.

Germain, R. D. & Kenny, M. (1998). Engaging Gramsci: international relations theory and the new Gramscians. *Review of International Studies, 24* (1), 3-21.

Gerstenberger, H. (2011). The historical constitution of the political forms of capitalism. *Antipode, 43* (1), 60-86.

Ghosh, A. R., Chamon, M., Crowe, C., Kim, J. I. & Ostry, J. D. (2009). *Coping with the crisis: policy options for emerging market countries*. IMF staff position note, no. 09/08. Washington D.C.: International Monetary Fund.

Ghosh, J. (2014). *Narendra Modi and the BJP bludgeoned their way to election victory*. Retrieved August 25, 2014, from http://www.theguardian.com/commentisfree/2014/may/16/narendra-modi-bjp-election-victory-aggression-campaign-india.

Ghosh, J. & Chandrasekhar, C. P. (2009). The costs of 'coupling': the global crisis and the Indian economy. *Cambridge Journal of Economics, 33* (4), 725-739.

Ghoshal, D. (2011). *FM for flexibility in IMF capital flow control*. Retrieved May 6, 2011, from http://www.business-standard.com/india/news/fm-for-flexibility-in-imf-capital-flow-control-framework/434531.

Giles, C. (2014). *China poised to pass US as world's leading economic power this year*. Retrieved May 14, 2014, from http://www.ft.com/cms/s/0/d79ffff8-cfb7-11e3-9b2b-00144feabdc0.html.

Gill, S. (1990). Intellectuals and transnational capital. *The Socialist Register,* vol. 26, 290-310.

Gill, S. (1992). *American Hegemony and the Trilateral Commission*. Cambridge: Cambridge University Press.

Gill, S. (1995). Globalization, market civilization, and disciplinary neoliberalism. *Millennium: Journal of International Studies, 24* (3), 399-423.

Gill, S. (1998). New constitutionalism, democratization and global political economy. *Pacifica Review, 10* (1), 23-38.

Gill, S. (2002). Constitutionalizing inequality and the clash of globalizations. *International Studies Review, 4* (2), 47-65.

Gill, S. (2008). *Power and resistance in the new world order*. Basingstoke: Palgrave Macmillan.

Gill, S. & Law, D. (1989). Global hegemony and the structural power of capital. *International Studies Quarterly, 33* (4), 475-499.

Gills, B. K. (2010). Going South: capitalist crisis, systemic crisis, civilisational crisis. *Third World Quarterly, 31* (2), 169-184.

Gindin, S. & Panitch, L. (2002). Rethinking crisis? *Monthly Review, 54* (6), 34-46.

Girvan, N. (1999). A perspective from the South. *New Political Economy,* 4 (3), 415-419.

Glassman, J. (1999). State power beyond the 'territorial trap': the internationalization of the state. *Political Geography, 18* (6), 669-696.

Glyn, A. (1986). Capital flight and exchange controls. *New Left Review*, I/155, 37-49.

Goebel, T. (1997). The political economy of American populism from Jackson to the New Deal. *Studies in American Political Development, 11* (1), 109-148.

Gokarn, S. & Singh, B. (2011). External factors and monetary policy: Indian evidence. *BIS Papers*, no. 57, 186-199.

Goldfajn, I. & Minella, A. (2007). Capital Flows and Controls in Brazil: What Have We Learned? In S. Edwards (ed.). *Capital controls and capital flows in emerging economies: policies, practices and consequences* (pp. 349-419). Chicago: The University of Chicago Press.

Golub, P. S. (2013). From the New International Economic Order to the G20: how the 'global South' is restructuring world capitalism from within. *Third World Quarterly, 34* (6), 1000-1015.

Gomes, E. A. (2013). *Capital account regulations and the trading system: Brazilian experience at GATS and IIAs with capital flow regulation*. Presentation presented at the UNCTAD Conference on "Capital Account Regulations and Global Economic Governance", Geneva, October 3-4, 2013. Brasília: Ministry of Finance Brazil.

Gómez-Mera, L. (2011). Markets, politics, and learning: explaining monetary policy innovations in Brazil. *Studies in Comparative International Development, 46* (1), 243-269.

Gonçalves, A. L. M. & Teixeira, J. R. (2006). Convertibility: Brazilian experience. *Economic and Political Weekly, 41* (19), 1867-1870.

Gonçalves, R. (2006). Desestabilização macroeconômica e dominação do capital financeiro no Brasil. In E. M. Basualdo & E. Arceo (eds.). *Neoliberalismo y sectores dominantes: tendencias globales y experiencias nacionales* (pp. 207-236). Buenos Aires: Consejo Latinoamericano de Ciencias Sociales (CLACSO).

Gonçalves, R. (2014). Balanço critico da economia brasileira nos governos do Partido dos Trabalhadores. *Revista da Sociedade Brasileira de Economia Política*, no. 37, 7-39.

Gonzalez-Vicente, R. (2011). The internationalization of the Chinese state. *Political Geography, 30* (7), 402-411.

Goodman, J. B. & Pauly, L. W. (1993). The obsolescence of capital controls? Economic management in an age of global markets. *World Politics, 46* (1), 50-82.

Gordon, C. (2014). *Growing apart: a political history of American inequality*. Retrieved May 19, 2014, from http://scalar.usc.edu/works/growing-apart-a-political-history-of-american-inequality/index.

Gourinchas, P. & Jeanne, O. (2004). *The elusive gains from international financial integration*. IMF working paper, no. 04/74. Washington D.C.: International Monetary Fund.

de Graaff, N. (2012). The hybridization of the state – capital nexus in the global energy order. *Globalizations, 9* (4), 531-545.

de Graaff, N. & van Apeldoorn, B. (2010). Varieties of US post-Cold War imperialism: anatomy of a failed hegemonic project and the future of US geopolitics. *Critical Sociology, 37* (4), 403-427.

Grabel, I. (1996). Marketing the Third World: the contradictions of portfolio investment in the global economy. *World Development, 24* (11), 1761-1776.

Grabel, I. (2002). Neoliberal finance and crisis in the developing world. *Monthly Review, 53* (11), 34-46.

Grabel, I. (2003). Averting crisis? Assessing measures to manage financial integration in emerging economies. *Cambridge Journal of Economics, 27* (3), 317-336.

Grabel, I. (2012). Dynamic capital regulations, IMF irrelevance and the crisis. In K. P. Gallagher, S., Griffith-Jones & J. A. Ocampo (eds.). *Regulating global capital flows for long-run development* (pp. 59-69). Boston: The Frederick S. Pardee Center for the Study of the Longer-Range Future.

Grabel, I. & Chang, H. (2010). *Why capital controls are not all bad.* Retrieved October 28, 2010, from http://www.ft.com/cms/s/0/4d0e3e34-e02f-11df-9482-00144feabdc0.html.

Grabois, A. P. (2014). *"Crescimento de 2% do PIB é padrão normal", diz Fernando Nogueira Costa*. Retrieved August 11, 2014, from http://brasileconomico.ig.com.br/brasil/economia/2014-07-07/crescimento-de-2-do-pib-e-padrao-normal-diz-fernando-nogueira-costa.html.

Grahl, J. (2001). Globalized finance: the challenge to the euro. *New Left Review*, 8, 23-47.

Grahl, J. (2011). The subordination of European finance. *Competition and Change, 15* (1), 31-47.

Gray, K. (2010). Labour and the state in China's passive revolution. *Capital & Class, 34* (3), 449-467.

Green, M. (2002). Gramsci cannot speak: presentations and interpretations of Gramsci's concept of the subaltern. *Rethinking Marxism, 14* (3), 1-24.

Green, B. & Huey, L. (2005). The politics of economic restructuring: class antagonism and the neo-liberal agenda. *Critical Sociology, 31* (4), 639-650.

Griffith-Jones, S. & Stallings, B. (1995). New global financial trends: implications for development. *Journal of Interamerican Studies and World Affairs, 37* (3), 59-98.

Griffiths, J. (2014). *Foreign investment – much smaller than you might believe*. Retrieved June 11, 2014, from http://eurodad.org/Entries/view/1546154/2014/02/13/Foreign-investment-much-smaller-than-you-might-believe.

Grilli, V. U. (2013). *IMFC Statement by Umberto Grilli*. Retrieved August 29, 2014, from http://www.imf.org/external/spring/2013/imfc/statement/eng/ita.pdf.

Grilli, V. U. & Milesi-Ferretti, G. M. (1995). *Economic effects and structural determinants of capital controls*. IMF working paper, no. WP/95/31. Washington D.C.: International Monetary Fund.

Grinberg, N. (2008). From the 'miracle' to the 'lost decade': intersectoral transfers and external credit in the Brazilian economy. *Brazilian Journal of Political Economy, 28* (2), 291-311.

Grinberg, N. (2013). The political economy of Brazilian (Latin American) and Korean (East Asian) comparative development: moving beyond nation-cen tred approaches. *New Political Economy, 18* (2), 171-197.

Group of Thirty (2013). *Long-term finance and economic growth*. Retrieved Marc h 8, 2013, from http://www.group30.org/images/PDF/Long-term_Finance_lo-res.pdf.

Grugel, J. & Riggirozzi, P. (2012). Post-neoliberalism in Latin America: rebuilding and reclaiming the state after crisis. *Development and Change, 43* (1), 1-21.

Guan, T. (2013). Moving towards full RMB capital account convertibility: retrospect and prospect. In M. Rodlauer & P. N'Diaye (eds.). *IMF and PBC Joint Conference on "Capital flows management: lessons from international experience"* (pp. 2-24). Washington D.C.: International Monetary Fund.

Guan, X. (2000). China's social policy: reform and development in the context of marketization and globalization. *Social Policy & Administration, 34* (1), 115-130.

Guha, K. (2009). *IMF refuses to rule out use of capital controls*. Retrieved May 26, 2011, from http://www.ft.com/intl/cms/s/0/80201cce-c7ef-11de-8ba8-00144feab49a.html.

Gunter, F. R. (2004). Capital flight from China: 1984-2001. *China Economic Review, 15* (1), 63-85.

Guo, F. & Huang, Y. (2010). Hot money and business cycle volatility: evidence from China. *China & World Economy, 18* (6), 73-89.

Gupta, P., Kochhar, K. & Panth, S. (2011). *Bank ownership and the effects of financial liberalization: evidence from India*. IMF working paper, no. WP/11/50. Washington D.C.: International Monetary Fund.

Gupta, P., Mishra, D. & Sahay, R. (2003). *Output response to currency crises*. IMF working paper, no. 03/230. Washington D.C.: International Monetary Fund.

Gurria, A. (2010). *IMFC Written Statement by Angel Gurría*. Retrieved August 29, 2014, from https://www.imf.org/External/AM/2010/imfc/statement/eng/oecd.pdf.

G20 (2011). *G20 Coherent Conclusions for the Management of Capital Flows Drawing on Country Experiences*. Retrieved April 29, 2012, from http://www.mofa.go.jp/policy/economy/g20_summit/2011/pdfs/annex05.pdf.

G-24 (2011a). *Communiqué April 24, 2011*. Retrieved April 29, 2012 from http://www.g24.org/Communiques/Com2011apr.html.

G-24 (2011b). *Communiqué September 22, 2011*. Retrieved April 29, 2012, from http://www.g24.org/Communiques/Com2011sept.html.

G-24 (2012). *Communiqué April 19, 2012*. Retrieved April 30, 2012, from http://www.g24.org/Communiques/Com2012_april.html.

de Haan, A. (2010a). A defining moment? China's social policy response to the financial crisis. *Journal of International Development, 22* (6), 758-771.

de Haan, A. (2010b). *Will China change international development as we know it?* IIS Working Paper, 475. The Hague: International Institute of Social Studies.

Haggard, S. & Maxfield, S. (1996). The political economy of financial internationalization in the developing world. *International Organization, 50* (1), 35-68.

Hall, A. & Branford, S. (2012). Development, dams and Dilma: the saga of Belo Monte. *Critical Sociology, 38* (6), 851-862.

Hall, S. (1982). The battle for socialist ideas in the 1980s. *The Socialist Register,* vol. 19, 1-19.

Hall, S. (1986). The problem of ideology – Marxism without guarantees. *Journal of Communication Inquiry, 10* (2), 28-44.

Hall, S. (2012). The neoliberal revolution. In J. Rutherford & S. Davison (eds.). *The Neoliberal Crisis* (pp. 8-26). London: Soundings.

Halperin, S. (2004). Dynamics of conflict and system change: *The Great Transformation* revisited. *European Journal of International Relations, 10* (2), 263-306.

Han, D. (2013). *China should play a key role in the global trade union movement*. Retrieved September 20, 2013, from http://www.ft.com/intl/cms/s/0/10dd5b20-2091-11e3-9a9a-00144feab7de.html.

Hancock, M. (2013). *China quickens pace of renminbi internationalisation*. Retrieved October 2, 2013, from http://www.thebanker.com/World/China-quickens-pace-of-renminbi-internationalisation.

Hansakul, S., Dyck, S. & Kern, S. (2009). *China's financial markets – a future global force?* Deutsche Bank Current Issues, March 16, 2009. Frankfurt: Deutsche Bank Research.

Harding, R. (2011a). *IMF gives ground on capital controls*. Retrieved April 6, 2011, from http://www.ft.com/cms/s/0/cb95f0dc-5f9e-11e0-a718-00144feab49a.html.

Harding, R. (2011b). *Pay gap a $740bn threat to US recovery*. Retrieved December 27, 2011, from http://www.ft.com/intl/cms/s/0/1bf8e7ba-2578-11e1-9cb0-00144feabdc0.html.

Harmes, A. (2001). Mass investment culture. *New Left Review,* 9, 103-124.

Harmes, A. (2006). Neoliberalism and multilevel governance. *Review of International Political Economy, 13* (5), 725-749.

Harmes, A. (2012). The rise of neoliberal nationalism. *Reviews of International Political Economy, 19* (1), 59-86.

Harris, J. (2009). Statist globalization in China, Russia and the Gulf States. *Science & Society, 73* (1), 6-33.

Harris, J. (2012). Outward bound: transnational capitalism in China. *Race & Class, 54* (1), 13-32.

van Harten, G. (2005). Private authority and transnational governance: the contours of the international system of investor protection. *Review of International Political Economy, 12* (4), 600-623.

Hart-Landsberg, M. (2006). Neoliberalism: myths and reality. *Monthly Review, 57* (11), 1-17.

Hart-Landsberg, M. (2010a). China, capitalist accumulation, and the world crisis. *Marxism 21, 7* (1), 271-298.

Hart-Landsberg, M. (2010b). The U.S. economy and China: capitalism, class, and crisis. *Monthly Review, 61* (9), 14-31.

Hart-Landsberg, M. (2011). The Chinese reform experience: a critical assessment. *Review of Radical Political Economics, 43* (1), 56-76.

Hart-Landsberg, M. (2014). *Profits without social benefit*. Retrieved May 19, 2014, from http://blogs.lclark.edu/hart-landsberg/2014/01/26/profits-without-social-benefit.

Hart-Landsberg, M. & Burkett, P. (2004). China & socialism: market reforms and class struggle. *Monthly Review, 56* (3), 8-123.

Hart-Landsberg, M. & Burkett, P. (2006). China and the dynamics of transnational accumulation: causes and consequences of global restructuring. *Historical Materialism, 41* (3), 3-43.

Hartmann, E. (2011). The difficult relation between international law and politics: the legal turn from a critical IPE perspective. *New Political Economy, 16* (5), 561-584.

Harvey, D. (2005). *A brief history of neoliberalism*. Oxford: Oxford University Press.

Harvey, D. (2006). *The limits to capital*. London: Verso.

Harvey, D. (2008). The right to the city. *New Left Review*, 53, 23-40.

Harvey, D. (2009). *Their crisis, our challenge.* Retrieved October 29, 2010, from http://www.redpepper.org.uk/Their-crisis-our-challenge.

Hasan, R. (2008). Reflections on the impact upon China's polity from the retreat of state capitalism. *Critical Sociology, 34* (4), 575-597.

Hay, C. (2000). Contemporary capitalism, globalization, regionalization and the persistence of national variation. *Review of International Studies, 26* (4), 509-531.

He, F. (2013). A larger room for RMB reform. In IMF and PBC (2013). *IMF and PBC Joint Conference on "Capital flows management: lessons from international experience"* (pp. 232-241). Washington D.C.: International Monetary Fund.

He, Q. (2000). China's listing social structure. *New Left Review*, 5, 69-99.

He, X. (2011). The RMB exchange rate: interest groups in China's economic policymaking. *China Security*, issue 19, 23-36.

Helleiner, E. (1994). *States and the reemergence of global finance: from Bretton Woods to the 1990s*. Ithaca: Cornell University Press.

Helleiner, E. (1995). Explaining the globalization of financial markets: bringing states back in. *Review of International Political Economy, 2* (2), 315-341.

Helleiner, E. (2009). Crisis and response. Five regulatory agendas in search of an outcome. *Internationale Politik und Gesellschaft,* I/2009, 11-26.

Helleiner, E. (2010). A Bretton Woods moment? The 2007-2008 crisis and the future of global governance. *International Affairs, 86* (3), 619-636.

Helleiner, E. & Malkin, A. (2012). Sectoral interests and global money: renminbi, dollars and the domestic foundations of international currency policy. *Open Economies Review, 23* (1), 33-55.

Helleiner, G. K. (1997). *Capital account regimes and the developing countries*. International Monetary and Financial Issues for the 1990s, vol. VIII. New York: UNCTAD.

Hendrikse, R. P., Sidaway, J. D. (2010). Neoliberalism 3.0. *Environment and Planning A, 42* (9), 2037-2042.

Hennings, K. & Mesquita, M. (2008). Capital flows to the Brazilian economy: 2003-07. *BIS Papers*, no. 44, 103-119.

Henry, J. F. (2008). The ideology of the laissez faire program. *Journal of Economic Issues, 42* (1), 209-224.

Henry, J. F. (2010). The historic roots of the neoliberal program. *Journal of Economic Issues, 44* (2), 543-550.

Henry, S. (2012). *Treasury: China not a currency manipulator*. Retrieved September 19, 2014, from http://www.uschina.org/washington-update/treasury-china-not-currency-manipulator.

Hermann, J. (2010). Development banks in the financial-liberalization era: the case of BNDES in Brazil. *CEPAL Review*, 100 (April 2010), 189-203.

Herring, R. J. & Agarwala, R. (2006). Restoring agency to class: puzzles from the subcontinent. *Critical Asian Studies, 38* (4), 323-356.

Heyes, J., Lewis, P. & Clark, I. (2012). Varieties of capitalism, neoliberalism and the economic crisis of 2008-? *Industrial Relations Journal, 43* (3), 222-241.

Higgott, R. & Phillips, N. (2000). Challenging triumphalism and convergence: the limits of global liberalization in Asia and Latin America. *Review of International Studies, 26* (3), 359-379.

Hindustan Times (2013). *No proposal to hike FDI limit in banks: Govt*. Retrieved August 21, 2014, from http://www.hindustantimes.com/business-news/businessbankinginsurance/no-proposal-to-hike-fdi-limit-in-banks-govt/article1-1111903.aspx.

Hirsch, J. & Kannankulam, J. (2011). The spaces of capital: the political form of capitalism and the internationalization of the state. *Antipode, 43* (1), 12-37.

HKMA (2014). *Renminbi deposits*. Retrieved September 7, 2014, from www.hkma.gov.hk/media/eng/doc/market-data-and-statistics/monthly-statistical-bulletin/T030302.xls.

Hobson, J. M. (2010). To be or not to be a non-reductionist Marxist: is that the question? In A. Anievas (ed.). *Marxism and world politics: contesting global capitalism* (pp. 110-124). London: Routledge.

Hochstetler, K. (2004). *Civil society in Lula's Brazil*. Centre for Brazilian Studies, working paper number CBS-57-04. Oxford: University of Oxford.

Holland, M. (2013). *Managing capital inflows in Brazil*. Paper presented at the "Rethinking Macro-Policy II: First Steps and Early Lessons" Conference, Washington D.C., April 16-17, 2013. Brasília: Ministry of Finance Brazil.

Holz, C. A. (2007). Have China scholars all been bought? *Far Eastern Economic Review, 170* (3), 36-40.

Hong, E. & Sun, L. (2006). Dynamics of internationalization and outward investment: Chinese corporations' strategies. *The China Quarterly*, vol. 187, 610-634.

Hong, P., Vos, R. & Yao, K. (2008). How China could contribute to a benign global rebalancing? *China & World Economy, 16* (5), 35-50.

Hope, N. & Hu, F. (2006). Reforming China's banking system: how much can foreign strategic investment help? In J. Aziz, S. Dunaway & E. S. Prasad (eds.). *China and India: learning from each other: reforms and policies for sustained growth* (pp. 33-83). Washington D.C.: International Monetary Fund.

Hopewell, K. (2013). New protagonists in global economic governance: Brazilian agribusiness at the WTO. *New Political Economy, 18* (4), 603-623.

Hopewell, K. (2014). Different paths to power: the rise of Brazil, India and China at the World Trade Organization. *Review of International Political Economy*, DOI: 10.1080/09692290.2014.927387.

Hossein-zadeh, I. (2010). *Holes in the Keynesian arguments against neoliberal austerity policy – not "bad" policy, but class policy*. Retrieved October 15, 2012, from http://www.counterpunch.org/2010/07/23/not-bad-policy-but-class-policy.

Howarth, D. & Sadeh, T. (2011). In the vanguard of globalization: the OECD and international capital liberalization. *Review of International Political Economy, 18* (5), 622-645.

Howell, J. (2006). Reflections on the Chinese state. *Development and Change, 37* (2), 273-297.

Howell, J. (2008). All-China Federation of Trade Unions beyond reform? The slow march of direct elections. *The China Quarterly,* vol. 196, 845-863.

HSBC (2011). *China onshore and offshore RMB bond market – a foreign bank perspective*. Retrieved April 24, 2013, from http://www.asifma.org/uploadedFiles/Resources/CSS-DavidLiao-HSBC-ChinaOnshoreandOffshoreRMBBondMarket-AForeignBankPerspective.pdf.

HSBC Global Research (2010). *Manning the barricades: the return of capital controls and the implications for global markets*. Retrieved October 23, 2012, from http://www.research.hsbc.com/midas/Res/RDV?p=pdf&key=RDxn3vvsGC&n=281962.PDF.

Hu, F. (2008). The role of the renminbi in the world economy. *Cato Journal, 28* (2), 219-224.

Huang, K. L. (2014). *How do rich Chinese elude foreign exchange laws to move their money abroad? Take your pick of ways*. Retrieved September 20, 2014, from http://www.scmp.com/business/banking-finance/article/1551510/how-elude-chinese-foreign-exchange-laws-take-your-pick-ways.

Huang, Y. (2011). Rethinking the Beijing Consensus. *Asia Policy, 11* (1), 1-26.

Huang, Y. (2013). *China's banks are too big to manage*. Retrieved January 29, 2013, from http://www.ft.com/intl/cms/s/0/4a155342-6a1c-11e2-a7d2-00144feab49a.html.

Huang, Y. & Lynch, C. (2013). Does internationalizing the RMB make sense for China? *Cato Journal, 33* (3), 571-585.

Huang, Y. (2002). Is meltdown of the Chinese banks inevitable? *China Economic Review, 13* (4), 382-387.

Huang, Y. (2010). *Renminbi policy and the global currency system*. China Center for Economic Research working paper series, no. E2010004. Beijing: China Center for Economic Research.

Huang, Y., Dang, W. & Wang, J. (2011). Reform of the international economic system: what does China want? In Golley, J. & Song, L. (eds.), *Rising China: global challenges and opportunities* (pp. 29-44). Canberra: ANU E Press.

Huang, Y. & Yang, Y. (1998). China's financial fragility and policy responses. *Asian-Pacific Economic Literature, 12* (2), 1-9.

Hung, H. (2008). Rise of China and the global overaccumulation crisis. *Review of International Political Economy, 15* (2), 149-179.

Hung, H. (2009). America's head servant? The PRC's dilemma in the global crisis. *New Left Review*, 60, 5-25.

Hunter, W. & Power, T. J. (2007). Rewarding Lula: executive power, social policy, and the Brazilian elections of 2006. *Latin American Politics and Society, 49* (1), 1-30.

Hurst, W. & Sorace, C. (2011). Recession and the politics of class and production in China. *New Political Science, 33* (4), 509-524.

Hutchens, W. (2002). China's securities markets open to foreign investment. *The China Business Review, 29* (5), 34-38.

Hyvonen, M. & Wang, H. (2012). *India's service exports*. Reserve Bank of Australia Bulletin, December Quarter 2012, 33-38.

IBRD/World Bank (2014). *Purchasing Power parities and real expenditures of world economies: summary of results and findings of the 2011 International Comparison Program*. Washington D.C.: World Bank.

IEDI (2010). *Análise IEDI – 20/01/2010 – Comércio exterior – Hora de agir*. Retrieved August 13, 2014, from http://www.iedi.org.br/artigos/top/analise/analise_iedi_20110120_comercio_exterior_hora_de_agir.html.

IEO (2005). *Report on the IMF's approach to capital account liberalization*. Washington D.C.: Independent Evaluation Office of the International Monetary Fund.

IFC (2013). *First-in-kind rupee-linked offshore bond program debuts in India*. Retrieved August 22, 2014, from http://www.ifc.org/wps/wcm/connect/region__ext_content/regions/south+asia/news/ifc+rupee+bond.

Ikenberry, G. J. (1992). A world economy restored: expert consensus and the Anglo-American postwar settlement. *International Organization, 46* (1), 289-321.

Ikenberry, G. J. (2008). The rise of China and the future of the West: can the liberal system survive? *Foreign Affairs, 87* (1), 23-37.

Ikenberry, G. J. (2010). The liberal international order and its discontents. *Millennium: Journal of International Studies, 38* (3), 509-521.

ILO (2013). *Global Wage Report 2012/13: wages and equitable growth*. Geneva: ILO.

ILO (2014). *Industrial relations indicators: trade union membership statistics*. Retrieved August 1, 2014, from http://www.ilo.org/ifpdial/information-resources/dialogue-data/lang--en/index.htm.

IMF (1945). *Articles of Agreement of the International Monetary Fund*. Retrieved May 30, 2011, from http://www.imf.org/external/pubs/ft/aa/aa.pdf.

IMF (2010a). *India and the global recovery: key policy challenges*. Retrieved August 21, 2014, from https://www.imf.org/external/np/speeches/2010/120210.htm.

IMF (2010b). *India: Article IV Consultation*. IMF Country Report, no. 10/73. Washington D.C.: International Monetary Fund.

IMF (2010c). *The Fund's role regarding cross-border capital flows*. Retrieved December 5, 2012, from http://www.imf.org/external/np/pp/eng/2010/111510.pdf.

IMF (2010d). *Transcript of a press conference by International Monetary Fund managing director Dominique Strauss-Kahn*. Retrieved June 11, 2011, from http://www.imf.org/external/np/tr/2010/tr100710.htm.

IMF (2010e). *World Economic Outlook (WEO). Rebalancing growth*. Washington D.C.: International Monetary Fund.

IMF (2010f). *World Economic Outlook (WEO). Recovery, risk, and rebalancing*. Washington D.C.: International Monetary Fund.

IMF (2011a). *India: Article IV Consultation*. IMF Country Report, no. 11/50. Washington D.C.: International Monetary Fund.

IMF (2011b). *Recent experiences in managing capital inflows – cross-cutting themes and possible policy framework*. Retrieved May 24, 2011, from http://www.imf.org/external/np/pp/eng/2011/021411a.pdf.

IMF (2011c). *Transcript of a press conference by the Western Hemisphere Department of the International Monetary Fund*. Retrieved June 11, 2011, from http://www.imf.org/external/np/tr/2011/tr041511a.htm.

IMF (2011d). *World Economic Outlook (WEO). Tensions from the two-speed recovery: unemployment, commodities, and capital flows*. Washington D.C.: International Monetary Fund.

IMF (2012a). *Brazil: 2012 Article IV Consultation*. IMF Country Report, no. 12/191. Washington D.C.: International Monetary Fund.

IMF (2012b). *India: 2012 Article IV Consultation*. IMF Country Report, no. 12/96. Washington D.C.: International Monetary Fund.

IMF (2012c). *Liberalizing capital flows and managing outflows*. Retrieved May 25, 2012, from http://www.imf.org/external/np/pp/eng/2012/031312.pdf.

IMF (2012e). *The liberalization and management of capital flows: an institutional view*. Retrieved December 4, 2012, from http://www.imf.org/external/np/pp/eng/2012/111412.pdf.

IMF (2013a). *Brazil: 2013 Article IV Consultation*. IMF Country Report, no. 13/312. Washington D.C.: International Monetary Fund.

IMF (2013b). *India: 2013 Article IV Consultation*. IMF Country Report, no. 13/37. Washington D.C.: International Monetary Fund.

IMF (2014a). *China: 2014 Article IV Consultation*. IMF Country Report, no. 14/235. Washington D.C.: International Monetary Fund.

IMF (2014b). *India: 2014 Article IV Consultation*. IMF Country Report, no. 14/57. Washington D.C.: International Monetary Fund.

IMF (2014c). *World Economic Outlook Database*. Retrieved June 24, 2014, from http://www.imf.org/external/pubs/ft/weo/2014/01/weodata/index.aspx.

Indian Liberal Group (2006). *Chapter 4: Structure of central government expenditure*. Retrieved August 16, 2014, from http://www.liberalsindia.com/LiberalBudget/Third%20Liberal%20Budget/08%20LB3%20Chapter%204.pdf.

Inman, P. (2014). *Britain's richest 1% own as much as poorest 55% of population*. Retrieved May 19, 2014, from http://www.theguardian.com/uk-news/2014/may/15/britains-richest-1-percent-own-same-as-bottom-55-population.

Interim Committee (1997). Capital liberalization statement. *IMF Survey, 26* (18), 302-303.

IPEA (2014a). *Dívida total líquida do setor público com Petrobras e Eletrobras*. Retrieved August 1, 2014, from http://www.ipeadata.gov.br.

IPEA (2014b). *Pobreza – numéro de pessoas extremamente pobres*. Retrieved June 24, 2014, from http://www.ipeadata.gov.br.

IPEA (2014c). *Pobreza – numéro de pessoas pobres*. Retrieved June 24, 2014, from http://www.ipeadata.gov.br.

IPEA (2014d). *Pobreza – taxa de extrema pobreza*. Retrieved June 24, 2014, from http://www.ipeadata.gov.br.

IPEA (2014e). *Pobreza – taxa de pobreza*. Retrieved June 24, 2014, from http://www.ipeadata.gov.br.

IPEA (2014f). *Produto interno bruto (PIB) – indústria: valor adicionado a preços básicos*. Retrieved August 13, 2014, from http://www.ipeadata.gov.br.

IPEA (2014g). *Programa Bolsa Família (PBF) – número de benefícios em dezembro*. Retrieved June 23, 2014, from http://www.ipeadata.gov.br.

IPEA (2014h). *Programa Bolsa Família (PBF) – valor total dos benefícios em dezembro*. Retrieved June 23, 2014, from http://www.ipeadata.gov.br.

IPEA (2014i). *Renda – desigualdade – coeficiente de Gini*. Retrieved June 20, 214, from http://www.ipeadata.gov.br.

IPEA (2014j). *Renda domiciliar – participação do 1% mais rico*. Retrieved August 11, 2014, from http://www.ipeadata.gov.br.

IPEA (2014k). *Renda media de todos os trabalhos*. Retrieved August 10, 2014, from http://www.ipeadata.gov.br.

IPEA (2014l). *Reservas internacionais: liquidez internacional*. Retrieved August 2, 2014, from http://www.ipeadata.gov.br.

IPEA (2014m). *Salário mínimo real*. Retrieved June 20, 2014, from http://www.ipeadata.gov.br.

IPEA (2014n). *Taxa de juros – Selic – fixada pelo Comitê de Política Monetária (Copom)*. Retrieved June 23, 2014, from http://www.ipeadata.gov.br.

Ivanova, M. N. (2011a). Consumerism and the crisis: whiter 'the American Dream'? *Critical Sociology, 37* (3), 329-350.

Ivanova, M. N. (2011b). Housing and hegemony: the US experience. *Capital & Class, 35* (3), 391-414.

Jackson, B. (2010). At the origins of neo-liberalism: the free economy and the strong state, 1930-1947. *The Historical Journal, 53* (1), 129-151.

Jacob, R. (2012). *Foreign investors still upbeat on India*. Retrieved June 30, 2012, from http://www.ft.com/intl/cms/s/6f29db16-c02c-11e1-982d-00144feabdc0.html.

Jadhav, N. (2006). Development of securities markets: the Indian experience. In J. Aziz, S. Dunaway & E. S. Prasad (eds.). *China and India: learning from each other: reforms and policies for sustained growth* (pp. 114-134). Washington D.C.: International Monetary Fund.

Jaeger, M. (2011). *Brazil's public sector finances: everything you always wanted to know about Brazil's public debt (but were afraid to ask)*. Retrieved August 4, 2014, from http://www.dbresearch.com/PROD/DBR_INTERNET_EN-PROD/PROD0000000000280417.PDF.

de Jager, J. K. (2011). *IMFC Statement by Jan Kees De Jager*. Retrieved August 29, 2014, from http://www.imf.org/External/AM/2011/imfc/statement/eng/nld.pdf.

Jain, S. (2013). *Goldman Sachs also bullish on Modi*. Retrieved August 22, 2014, from http://blogs.wsj.com/indiarealtime/2013/11/05/goldman-sachs-also-bullish-on-modi.

Jain, S. & Anand, S. (2013). *India releases rules for foreign banks*. Retrieved November 7, 2013, from http://online.wsj.com/news/articles/SB10001424052702303309504579181891039761628.

Jakobsen, K. & Barbosa, A. F. (2008). Neoliberal policies, labour market restructuring and social exclusion: Brazil's working-class response. In A. Bieler, I. Lindberg & D. Pillay (eds.). *Labour and the challenges of globalization: what prospects for transnational solidarity?* (pp. 115-138). London: Pluto Press.

Jarvis, D. S. L. (2011). Race for the money: international financial centres in Asia. *Journal of International Relations and Development, 14* (1), 60-95.

Jayadev, A. (2007). Capital account openness and the labour share of income. *Cambridge Journal of Economics, 31* (3), 423-443.

Jayadev, A. (2013). *Tracing some of the distributional consequences of financial reforms in India: 1991-2005*. Paper presented at the World Economics Association Conference no. 3 on the Inequalities in Asia, online conference, May 27-July 12, 2013. Boston: University of Massachussetts.

Jeffrey, C. & Lerche, J. (2000). Stating the difference: state, discourse and class reproduction in Uttar Pradesh, India. *Development and Change, 31* (4), 857-878.

Jenkins, R. & Barbosa, A. F. (2012). Fear for manufacturing? China and the future of industry in Brazil and Latin America. *The China Quarterly*, vol. 209, 59-81.

Jenkins, R. (2003). International development institutions and national economic contexts: neo-liberalism encounters India's indigenous political traditions. *Economy and Society, 32* (4), 584-610.

Jessop, B. (2002). *The future of the capitalist state*. Cambridge: Polity Press.

Jessop, B. (2010a). The continuing ecological dominance of neoliberalism in the crisis. In A. Saad-Filho & G. L. Yalman (eds.). *Economic transitions to neoliberalism in middle-income countries: policy dilemmas, economic crises, forms of resistance* (pp. 24-38). Abingdon: Routledge.

Jessop, B. (2010b). The 'return' of the national state in the current crisis of the world market. *Capital & Class, 34* (1), 38-43.

Jessop, B. & Oosterlynck, S. (2008). Cultural political economy: on making the cultural turn without falling into soft economic sociology. *Geoforum, 39* (3), 1155-1169.

Jha, P. (2008a). Globalization and labour in India: emerging challenges and responses. In A. Bieler, I. Lindberg & D. Pillay (eds.). *Labour and the challenges of globalization: what prospects for transnational solidarity?* (pp. 65-80). London: Pluto Press.

Jha, R. (2008b). Inflation targeting in India: issues and prospects. *International Review of Applied Economics, 22* (2), 259-270.

Ji, B. (2011). *SAFE denies increased cap on individual foreign exchange buys*. Retrieved May 13, 2013, from http://english.people.com.cn/90001/90776/7322208.html.

Jinjarak, Y., Noy, I. & Zheng, H. (2013). *What lessons can Asia draw from capital controls in Brazil during 2008-2012?* ABDI Working Paper Series, no. 423. Tokyo: Asian Development Bank Institute.

Johnsen, S. (2011). *IMFC Statement by Sigbjoern Johnsen*. Retrieved August 29, 2014, from https://www.imf.org/external/spring/2011/imfc/statement/eng/nor.pdf.

Johnston, R. B. & Tamirisa, N. T. (1998). *Why do countries use capital controls?* IMF working paper, no. 98/181. Washington D.C.: International Monetary Fund.

Jones, C. (2013). *Four key questions on the internationalisation of the renminbi*. Retrieved September 15, 2014, from http://www.ft.com/intl/cms/s/0/772e516c-35aa-11e3-b539-00144feab7de.html.

Joshi, V. (2003). Capital account convertibility and the national interest: has India got it right? In G. R. D. Underhill & X. Zhang (eds.). *International financial governance under stress: global structures versus national imperatives* (182-202). Cambridge: Cambridge University Press.

Joyce, J. P. & Noy, I. (2008). The IMF and the liberalization of capital flows. *Review of International Economics, 16* (3), 413-430.

Judis, J. B. (2014). *Marx is dead, long live Marx's ideas*. Retrieved January 18, 2014, from http://www.dissentmagazine.org/article/marx-is-dead-long-live-marxs-ideas.

Kahler, M. (2013). Rising powers and global governance: negotiating change in a resilient status quo. *International Affairs, 89* (3), 711-729.

Kaletsky, A. (2014). *Karl Marx was right – at least about one thing*. Retrieved September 19, 2014, from http://blogs.reuters.com/anatole-kaletsky/2014/07/11/karl-marx-was-right-at-least-about-one-thing.

Kaltenbrunner, A. (2010). International financialization and depreciation: the Brazilian real in the international financial crisis. *Competition & Change, 14* (3-4), 296-323.

Kamdar, M. (2008). India: richer, poorer, hotter, armed. *World Policy Journal, 25* (3), 95-107.

Kaminsky, G. L. & Schmukler, S. L. (2003). *Short-run pain, long-run gain: the effects of financial liberalization.* IMF working paper, no. 03/34. Washington D.C.: International Monetary Fund.

Kapur, D. & Subramanian, A. (2012). *India must look to the states for salvation*. Retrieved June 12, 2012, from http://www.ft.com/intl/cms/s/0/b8984346-b3e3-11e1-a3db-00144feabdc0.html.

Kapur, D. & Subramanian, A. (2013). *India's unique crisis - I*. Retrieved August 28, 2013, from http://www.business-standard.com/article/opinion/india-s-unique-crisis-i-113082301158_1.html.

Kar, D. & Freitas, S. (2011). *Illicit financial flows from developing countries over the decade ending 2009*. Global Financial Integrity report, December 2011. Washington D.C.: Global Financial Integrity.

Karabarbounis, L. & Neiman, B. (2013). *The global decline of the labor share*. NBER working paper series, working paper 19136. Cambridge: National Bureau of Economic Research.

Karcher, S. & Steinberg, D. A. (2013). Assessing the causes of capital account liberalization: how measurement matters. *International Studies Quarterly, 57* (1), 128-137.

Kastner, S. L. & Rector, C. (2003). International regimes, domestic veto-players, and capital controls policy stability. *International Studies Quarterly, 47* (1), 1-22.

Katz, I. (2014). *China faces Yuan on yuan as U.S. decries weak currency*. Retrieved July 7, 2014, from http://www.bloomberg.com/news/2014-07-06/china-faces-yuan-on-yuan-as-u-s-decries-weak-currency.html.

Kawai, M., Lamberte, M. B. & Takagi, S. (2012). Managing capital flows: lessons from the recent experiences of emerging Asian economies. In K. P. Gallagher, S., Griffith-Jones & J. A. Ocampo (eds.). *Regulating global capital flows for long-run development* (pp. 35-46). Boston: The Frederick S. Pardee Center for the Study of the Longer-Range Future.

Kazmin, A. (2013). *India current account gap at record high*. Retrieved March 28, 2013, from http://www.ft.com/intl/cms/s/0/6338d094-97a6-11e2-97e0-00144feabdc0.html.

Kazmin, A. (2013). *Singh tells Indian industry to drop gloom*. Retrieved April 3, 2013, from http://www.ft.com/intl/cms/s/0/8e613816-9c2d-11e2-9a4b-00144feabdc0.html.

Kazmin, A. & Crabtree, J. (2013). *India plans liberalisation measures to boost capital inflows*. Retrieved August 2, 2013, from http://www.ft.com/intl/cms/s/0/8610bf30-f9e1-11e2-b8ef-00144feabdc0.html.

Keidel, A. (2013). *Brazil's economic prospects: in the global (and Chinese context)*. Presentation presented at the Conference on "Financial Governance after the Crisis", Rio de Janeiro, September 26, 2013. Washington D.C.: Georgetown University.

Kelly, D. (1999). The strategic-relational view of the state. *Politics, 19* (2), 109-115.

Kenen, P. B. (1998). Preface. In Kenen, P. B. (ed.). *Should the IMF pursue capital-account convertibility?* (pp. v-vi). Princeton: Princeton University Printing Services.

Kennedy, P. (2006). Marxism and the relative autonomy of the capitalist state. *Critique, 34* (2), 179-196.

Kennedy, S. (2008). China's emerging credit rating industry: the official foundations of private authority. *The China Quarterly*, vol. 193, 65-83.

Kennedy, S. (2010). The myth of the Beijing Consensus. *Journal of Contemporary China, 19* (65), 461-477.

Keynes, J. M. (1933). *National self-sufficiency*. Retrieved September 11, 2014, from https://www.mtholyoke.edu/acad/intrel/interwar/keynes.htm.

Keynes, J. M. (1942). *Your Memorandum on forthcoming U.S. conversations*. Retrieved September 11, 2014, from http://www.lib.e.u-tokyo.ac.jp/_old/keynes_harrod/pdf/28.pdf.

Khan, H. R. (2014). *Regulating capital account – some thoughts*. Speech given at the 9th Annual Conference of the Foreign Exchange Dealers Association of India (FEDAI), Cape Town, April 12, 2014. New Delhi: RBI.

Khong, E. L. (2014). *After the party: an interview with Wang Hui*. Retrieved January 25, 2014, from http://www.opendemocracy.net/wang-hui-en-liang-khong/after-party-interview-with-wang-hui.

Kiely, R. (2008). "Poverty's fall"/China's rise: global convergence or new forms of uneven development? *Journal of Contemporary Asia, 38* (3), 353-372.

Kingstone, P. (2009). Sobering up and going global: Brazil's progress from populism and protectionism. *Law and Business Review of the Americas, 15* (1), 105-126.

Kingstone, P. (2012). *Brazil's reliance on commodity exports threatens its medium- and long-term growth prospects*. Retrieved August 2, 2014, from http://www.americasquarterly.org/kingstone.

Klein, M. W. (2012). *Capital controls: gates and walls*. Paper presented at the Fall 2012 Brookings panel on economic activity, Washington D.C., September 13-14, 2012. Medford: Tufts University.

Kletzer, K. M. (2004). *Liberalizing capital flows in India: financial repression, macroeconomic policy, and gradual reforms*. Santa Cruz Center for International Economics, paper 04/16. Santa Cruz: University of California.

Knafo, S. (2008). *Critical approaches and the problem of social construction: reassessing the legacy of the agent/structure debate in IR.* CGPE working paper, no. 3. Brighton: University of Sussex.

Kochanek, S. A. (1995-1996). The transformation of interest politics in India. *Pacific Affairs, 68* (4), 529-550.

Kohli, A. (1989). Politics of economic liberalization in India. *World Development, 17* (3), 305-328.

Kohli, A. (2006). Politics of economic growth in India, 1980-2005. Part I: the 1980s. *Economic and Political Weekly,41* (13), 1251-1259.

Kohli, A. (2006). Politics of economic growth in India, 1980-2005. Part II: the 1990s and beyond. *Economic and Political Weekly, 41* (14), 1361-1370.

Kohli, R. (2001). *Capital flows and their macroeconomic effects in India*. ICRIER Working Paper, no. 64. New Delhi: Indian Council for Research on International Economic Relations.

Kohli, R. & Belaisch, A. (2012). Do capital controls matter in India? In S. Shah, B. Bosworth & A. Panagariya (eds.). *India Policy Forum 2011/12* (225-265). New Delhi: Sage.

Kolo, A. & Wälde, T. (2008). Economic crises, capital transfer restrictions and investor protectionunder modern investment treaties. *Capital Markets Law Journal, 3* (2), 154-185.

Konings, M. (2009). Rethinking neoliberalism and the subprime crisis: beyond the re-regulation agenda. *Competition & Change, 13* (2), 108-127.

Konings, M. (2010a). Neoliberalism and the American state. *Critical Sociology, 36* (5), 741-765.

Konings, M. (2010b). Renewing state theory. *Politics, 30* (3), 174-182.

Konings, M. (2010c). The pragmatic sources of modern power. *European Journal of Sociology, 51* (1), 55-91.

Konings, M. (2012). Imagined double movements: progressive thought and the specter of neoliberal populism. *Globalizations, 9* (4), 609-622.

Konings, M. & Panitch, L. (2008). The politics of imperial finance. In L. Panitch & M. Konings (eds.). *American empire and the political economy of global finance* (pp. 225-252). Basingstoke: Palgrave Macmillan.

Kose, M. A. & Prasad, E. S. (2004). Liberalizing capital account restrictions. *Finance & Development, 41* (3), 50-51.

Kose, M. A., Prasad, E., Rogoff, K. & Wei, S. (2006). *Financial globalization: a reappraisal*. IMF working paper, no. 06/189. Washington D.C.: International Monetary Fund.

Kose, M. A., Prasad, E. & Terrones, M. E. (2008). *Does openness to international financial flows raise productivity growth?* IMF working paper, no. 08/242. Washington D.C.: International Monetary Fund.

Kose, M. A., Prasad, E. S., Rogoff, K. & Wei, S. (2009). Financial globalization: a reappraisal. *IMF Staff Papers, 56* (1), 8-62.

Kotz, D. M. (2002). Globalization and neoliberalism. *Rethinking Marxism, 14* (2), 64-79.

Kotz, D. (2007). The state of official Marxism in China today. *Monthly Review, 59* (4), 58-64.

KPMG (2013). *Mainland banking survey 2013*. Retrieved September 23, 2014, from http://www.kpmg.com/CN/en/IssuesAndInsights/ArticlesPublications/Documents/Mainland-China-Banking-Survey-201312-v1.pdf.

Kregel, J. A. (1999). Was there an alternative to the Brazilian crisis? *Brazilian Journal of Political Economy, 19* (3), 23-38.

Kregel, J. A. (2009). The global crisis and the implications for developing countries and the BRICs: is the "B" really justified? *Brazilian Journal of Political Economy, 29* (4), 341-356.

Krippner, G. R. (2005). The financialization of the American economy. *Socio-Economic Review, 3* (2), 173-208.

Krippner, G. R. (2007). The making of US monetary policy: central bank transparency and the neoliberal dilemma. *Theory and Society, 36* (6), 477-513.

Kröger, M. (2012). Neo-mercantilist capitalism and post-2008 cleavages in economic decision-making power in Brazil. *Third World Quarterly, 33* (5), 887-901.

Krugman, P. (2009). *China's dollar trap*. Retrieved September 15, 2014, from http://www.nytimes.com/2009/04/03/opinion/03krugman.html?_r=0.

Krugman, P. (2013). *Hot money blues*. Retrieved August 27, 2013, from http://www.nytimes.com/2013/03/25/opinion/krugman-hot-money-blues.html.

Krugman, P. (2014a). *Class, oligarchy, and the limits of cynicism*. Retrieved May 3, 2014, from http://krugman.blogs.nytimes.com/2014/04/21/class-oligarchy-and-the-limits-of-cynicism.

Krugman, P. (2014b). *Working for the owners*. Retrieved March 24, 2014, from http://krugman.blogs.nytimes.com/2014/03/22/working-for-the-owners/.

Kumar, M. & Singh, R. K. (2012). *India's industrial output barely grows, investment weighs*. Retrieved October 24, 2012, from http://in.reuters.com/article/2012/09/12/india-economy-output-idINL3E8KC23220120912.

Kwong, P. (2010). *The Chinese face of neoliberalism.* Retrieved January 5, 2011, from http://www.counterpunch.org/kwong10072006.html.

Kynge, J. (2014). *The paradox of China's push to build a global currency*. Retrieved June 28, 2014, from http://www.ft.com/intl/cms/s/0/e0146650-f542-11e3-91a8-00144feabdc0.html.

Lacher, H. (1999). Embedded liberalism, disembedded markets: reconceptualising the Pax Americana. *New Political Economy, 4* (3), 343-360.

Lacher, H. & Germann, J. (2012). Before hegemony: Britain, free trade, and nineteenth-century world order revisited. *International Studies Review, 14* (1), 99-124.

Lagarde, C. (2010). *IMFC Statement by Christine Lagarde*. Retrieved August 29, 2014, from http://www.imf.org/external/spring/2010/imfc/statement/eng/fra.pdf.

Lagarde, C. (2012). *Luncheon address by Christine Lagarde*. Speech given at the China Development Forum 2012, Beijing, March 18, 2012. Washington D.C.: International Monetary Fund.

Laksaci, M. (2011). *IMFC Statement by Mohammed Laksaci*. Retrieved August 29, 2014, from https://www.imf.org/External/spring/2011/imfc/statement/eng/dza.pdf.

Laksaci, M. (2012). *IMFC Statement by Mohammed Laksaci*. Retrieved August 29, 2014, from https://www.imf.org/External/spring/2012/imfc/statement/eng/dza.pdf.

Lamont, J. (2012). *India: direction uncertain*. Retrieved April 17, 2012, from http://www.ft.com/intl/cms/s/cf36f86e-87aa-11e1-ade2-00144feab49a.html.

Langley, P. (2006). The making of investor subjects in Anglo-American pensions. *Environment and Planning D: Society and Space, 24* (6), 919-934.

Langley, P. (2008). Financialization and the consumer credit boom. *Competition & Change, 12* (2), 133-147.

Lapavitsas, C. (2009). Financialised capitalism: crisis and financial expropriation. *Historical Materialism, 17* (2), 114-148.

Lapavitsas, C. (2011). Theorizing financialization. *Work, Employment and Society, 25* (4), 611-626.

Lapavitsas, C. et. al. (2010). *Eurozone crisis: beggar thyself and thy neighbour.* Research on Money and Finance occasional report 1, March 2010. London: School of Oriental and African Studies.

Lardy, N. (2008). *Financial repression in China*. Policy Brief, number PB08-8. Washington D.C.: Peterson Institute for International Economics.

Lardy, N. (2014). *China's rise is a credit to private enterprise not state control*. Retrieved September 20, 2014, from http://www.ft.com/intl/cms/s/0/b14e3d58-38f6-11e4-a53b-00144feabdc0.html.

Lardy, N. & Douglass, P. (2011). *Capital account liberalization and the role of the renminbi*. Working paper series, WP 11-6. Washington D.C.: Peterson Institute for International Economics.

Larner, W. (2000). Neo-liberalism: policy, ideology, governmentality. *Studies in Political Economy*, vol. 63, 5-25.

Laurenceson, J. & Chai, J. C. H. (2001). State banks and economic development in China. *Journal of International Development, 13* (), 211-225.

Laurenceson, J. & Tang, K. T. (2005). *Estimating China's de-facto capital account convertibility*. East Asia Economic Research Group, discussion paper no. 2. Brisbane: The University of Queensland.

Laurens, B. & Cardoso, J. (1998). *Managing capital flows: lessons from the experience of Chile*. IMF working paper, no. 98/168. Washington D.C.: International Monetary Fund.

Leahy, J. (2011). *Brazil resolute on rate rises to calm inflation*. Retrieved May 6, 2011, from http://www.ft.com/cms/s/0/98974e0a-7679-11e0-b05b-00144feabdc0.html.

Leahy, J. (2012a). *Brazil: after the carnival*. Retrieved July 10, 2012, from http://www.ft.com/intl/cms/s/9f56e1f4-c783-11e1-a850-00144feab49a.html.

Leahy, J. (2012b). *Brazil vows to protect manufacturing*. Retrieved March 17, 2012, from http://www.ft.com/intl/cms/s/0/b1d9f05a-6f8b-11e1-b368-00144feab49a.html.

Leahy, J. (2013a). *Brazil: humbled heavyweight*. Retrieved March 25, 2013, from http://www.ft.com/intl/cms/s/0/7c9af0e4-8fc2-11e2-9239-00144feabdc0.html.

Leahy, J. (2013b). *Foreign investment: Brazil is now 'ugly mirror image of Mexico' in beauty parade*. Retrieved April 17, 2013, from http://www.ft.com/intl/cms/s/0/3c88db34-9223-11e2-851f-00144feabdc0.html.

Leahy, J. & Pearson, S. (2013). *Brazil acts after real hits four-year low*. Retrieved August 5, 2014, from http://www.ft.com/cms/s/0/26e10e36-d3ba-11e2-95d4-00144feab7de.html.

Leblang, D. A. (1997). Domestic and systemic determinants of capital controls in the developed and developing world. *International Studies Quarterly, 41* (3), 435-454.

Lebowitz, M. A. (2004). Ideology and economic development. *Monthly Review, 56* (1), 14-24.

Lee, C. K. & Selden, M. (2008). Inequality and its enemies in revolutionary and reform China. *Economic & Political Weekly, 43* (52), 27-36.

Lee, J. (2010). *Will the renminbi emerge as an international reserve currency?* The Future Global Reserve System – An Asian Perspective, paper 15. Manila: Asian Development Bank.

Le Fort, G. (2005). *Capital account liberalization and the real exchange rate in Chile*. IMF working paper, no. 05/132. Washington D.C.: International Monetary Fund.

Leigh, L. & Podpiera, R. (2006). *The rise of foreign investment in China's banks – taking stock*. IMF working paper, no. 06/292. Washington D.C.: International Monetary Fund.

Leiteritz, R. J. (2005). Explaining organization outcomes: the International Monetary Fund and capital account liberalization. *Journal of International Relations and Development, 8* (1), 1-26.

Leiteritz, R. J. & Moschella, M. (2010). The IMF and capital account liberalization: a case of failed norm institutionalization. In S. Park & A. Vetterlein (eds.). *Owning development: creating policy norms in the IMF and the World Bank* (163-180). Cambridge: Cambridge University Press.

Lenzner, R. (2011). *The top 0.1 % of the nation earn half of all capital gains*. Retrieved December 7, 2011, from http://www.forbes.com/sites/robertlenzner/2011/11/20/the-top-0-1-of-the-nation-earn-half-of-all-capital-gains.

Leparmentier, A. & Thibault, H. (2011). *Nicolas Sarkozy veut faire évoluet les changes à petits pas*. Retrieved November 21, 2012, from http://www.lemonde.fr/economie/article/2011/03/31/nicolas-sarkozy-veut-faire-evoluer-les-changes-a-petits-pas_1501252_3234.html.

Lesage, D. & Vermeiren, M. (2011). Neo-liberalism at a time of crisis: the case of taxation. *European Review, 19* (1), 43-56.

Leung, M. & Mok, V. W. (2000). Commercialization of banks in China: institutional changes and effects on listed enterprises. *Journal of Contemporary China, 9* (23), 41-52.

Leung, P. N. & Pun, N. (2009). The radicalisation of the new Chinese working class: a case study of collective action in the gemstone industry. *Third World Quarterly, 30* (3), 551-565.

Lew, J. J. (2013). *IMFC Statement by Jacob J. Lew*. Retrieved August 29, 2014, from https://www.imf.org/External/spring/2013/imfc/statement/eng/usa.pdf.

Li, C. (2005). The new bipartisanship within the Chinese Communist Party. *Orbis, 49* (3), 387-400.

Li, C. (2009a). *China's new think tanks: where officials, entrepreneurs, and scholars interact*. China Leadership Monitor, no. 29. Stanford: Stanford University.

Li, C. (2009b). The Chinese Communist Party: recruiting and controlling the new elites. *Journal of Current Chinese Affairs, 38* (3), 13-33.

Li, F. & Zhou, X. (2013). *PBOC will 'basically' end normal yuan intervention: Zhou*. Retrieved November 20, 2013, from http://www.bloomberg.com/news/2013-11-19/pboc-will-basically-exit-normal-yuan-intervention-zhou-says.html.

Li, H., Huang, P. & Li, J. (2007). China's FDI net inflow and deterioration of terms of trade: paradox and explanation. *China & World Economy, 15* (1), 87-95.

Li, K. & Song, L. (2011). The technological content of China's exports and the need for quality upgrading. In Golley, J. & Song, L. (eds.), *Rising China: global challenges and opportunities* (pp. 69-83). Canberra: ANU E Press.

Li, M. (2005). The rise of China and the demise of the capitalist world-economy: exploring historical possibilities in the 21st century. *Science & Society, 69* (3), 420-448.

Li, M. (2008). Socialism, capitalism, and class struggle: the political economy of modern China. *Economic & Political Weekly, 43* (52), 77-85.

Li, M. (2010). The end of the "end of history": the structural crisis of capitalism and the fate humanity. *Science & Society, 74* (3), 290-305.

Li, M. (2011). The rise of the working class and the future of the Chinese revolution. *Monthly Review, 63* (2), 38-51.

Li, Q. & Smith, D. L. (2002a). Testing alternative explanations of capital control liberalization. *The Review of Policy Research, 19* (1), 28-52.

Li, Q. & Smith, D. L. (2002b). The dilemma of financial liberalization: state autonomy and societal demands. *The Journal of Politics, 64* (3), 764-790.

Liang, Y. (2007a). Does foreign direct investment provide desirable development finance? The case of China. *China & world economy, 15* (2), 104-120.

Liang, Y. (2007b). Why are China's exports special? The role of FDI, regional trade and government policies. *The Chinese Economy, 41* (6), 99-118.

Liang, Y. (2009). Financial reform, property income growth and the potential impacts on inequality in China. *Journal of Economic Issues, 43* (2), 389-401.

Liang, Y. (2010). China and the global financial crisis: assessing the impacts and policy responses. *China & World Economy, 18* (3), 56-72.

Libânio, G. (2010). A note on inflation targeting and economic growth in Brazil. *Brazilian Journal of Political Economy, 30* (1), 73-88.

Liew, L. H. (2004). Policy elites in the political economy of China's exchange rate policymaking. *Journal of Contemporary China, 13* (38), 21-51.

Liew, L. H. (2005). China' engagement with neo-liberalism: path dependency, geography and party self-reinvention. *The Journal of Development Studies, 41* (2), 331-352.

Lim, B. K. & Bi, V. (2013). *China c. bank chief set to keep job in reshuffle – sources*. Retrieved February 20, 2013, from http://www.reuters.com/article/2013/02/20/china-centralbank-idUSL4N0BK2AT20130220.

Lim, K. F. (2010). On China's growing geo-economic influence and the evolution of variegated capitalism. *Geoforum, 41* (5), 677-688.

Lin, J. Y. (2013). *Why I oppose opening capital account*. Retrieved September 7, 2014, from http://www.china.org.cn/opinion/2013-08/18/content_29738223_3.htm.

Lippit, V. D. (2005). The political economy of China's economic reform: observations on *China and Socialism*. *Critical Asian Studies, 37* (3), 441-462.

Lipson, C. (1985). *Standing guard: protecting foreign capital in the nineteenth and twentieth centuries*. Berkeley: University of California Press.

Liu, L. (2014). *Is China's property market heading toward collapse?* Policy Brief, number PB14-21. Washington D.C.: Peterson Institute for International Economics.

Lo, D. (2001). China after East Asian developmentalism. *Historical Materialism, 8* (1), 253-264.

Lo, D. (2007). China's quest for alternative to neo-liberalism: market reform, economic growth, and labor. *The Kyoto Economic Review, 76* (2), 193-210.

Lo, D. & Zhang, Y. (2010). China and the quest for alternatives to neoliberalism. In A. Saad-Filho & G. L. Yalman (eds.). *Economic transitions to neoliberalism in middle-income countries: policy dilemmas, economic crises, forms of resistance* (pp. 166-175). Abingdon: Routledge.

Lockwood, D. (2006). Historical materialism and the state. *Critique, 34* (2), 163-178.

Loman, H. (2009). *Rusland: van BRIC's naar BIC's*. Retrieved September 10, 2014, from https://economie.rabobank.com/PageFiles/3550/EKBmaart2009-Ruslandtcm64-83585.pdf.

Loman, H. (2014). *Brazil's economic model: in need of a revamp*. Retrieved August 4, 2014, from https://economics.rabobank.com/publications/2014/january/brazils-economic-model-in-need-of-a-revamp/.

López-Mejía, A. (1999). *Large capital flows: a survey of the causes, consequences, and policy responses*. IMF working paper, no. 99/17. Washington D.C.: International Monetary Fund.

Lourenço, I. (2014). *Candidata do PSOL, Luciana Genro quer ampliar investimentos em saúde e educação*. Retrieved August 12, 2014, from http://agenciabrasil.ebc.com.br/politica/noticia/2014-07/ex-deputada-luciana-genro-entra-na-disputa-presidencial-pelo-psol.

Lu, M. & Jiang, S. (2008). Labor market reform, income inequality and economic growth in China. *China & World Economy, 16* (6), 63-80.

Lucarelli, B. (2009). The demise of neoliberalism? *Real-world Economics Review,* no. 51, 48-54.

de Lucena, E. (2013). *Projeto estratégico de Dilma não está claro, diz economista*. Retrieved June 8, 2013, from http://www1.folha.uol.com.br/mercado/2013/06/1291714-projeto-estrategico-de-dilma-nao-esta-claro-diz-economista.shtml.

Lum, T. & Nanto, D. K. (2007). *CRS Report for Congress: China's trade with the US and the world*. Retrieved September 15, 2014, from http://fas.org/sgp/crs/row/RL31403.pdf.

Lund, S., Daruvala, T., Dobbs, R., Härle, P., Kwek, J. & Falcón, R. (2013). *Financial globalization: retreat or reset?* New York: McKinsey Global Institute.

Luo, C. & Jun, Z. (2010). Declining labor share: is China's case different. *China & World Economy, 18* (6), 1-18.

Luo, Y., Xue, Q. & Han, B. (2010). How emerging market governments promote outward FDI: experience from China. *Journal of World Business, 45* (1), 68-79.

Ma, G. & McCauley, R. N. (2007). *Do China's capital controls still bind? Implications for monetary autonomy and capital liberalisation*. BIS working papers, no. 233. Basle: Bank for International Settlements.

Macartney, H. (2008a). Articulating particularistic interests: the organic organizers of hegemony in Germany and France. *The British Journal of Politics & International Relations, 10* (3), 429-451.

Macartney, H. (2008b). *The 'inconvenient truth' about financialisation: 'policy networks' and the 'social content' of EU financial market integration.* Working paper series, WP003. Nottingham: University of Nottingham.

Macartney, H. (2009a). Disagreeing to agree: financial crisis management within the 'logic of no alternative'. *Politics, 29* (2), 111-120.

Macartney, H. (2009b). Variegated neo-liberalism: transnationally oriented fractions of capital in EU financial market integration. *Review of International Studies, 35* (2), 451-480.

Macartney, H. & Shields, S. (2011). Space, the latest frontier? A scalar-relational approach to critical IPE. In S. Shields, I. Bruff & H. Macartney (eds.). *Critical International Political Economy: Dialogue, Debate, Dissent* (pp. 27-42). Basingstoke: Palgrave Macmillan.

Matheson, T. (2011). *Taxing financial transactions: issues and evidence*. IMF working paper, no. 11/54. Washington D.C.: International Monetary Fund.

McCarthy, D. R. (2011). The meaning of materiality: reconsidering the materialism of Gramscian IR. *Review of International Studies, 37* (3), 1215-1234.

Machado, T. (2012). *Para Iedi, "quarantena" para IED ajudaria a frear capital especulativo*. Retrieved August 13, 2014, from www.valor.com.br/financas/2551340/para-iedi-quarentena-para-ied-ajudaria-frear-capital-especulativo.

Magnus, G. (2011). *Give Karl Marx a change to save the world economy*. Retrieved May 13, 2014, from http://www.bloombergview.com/articles/2011-08-29/give-marx-a-chance-to-save-the-world-economy-commentary-by-george-magnus.

Magud, N. E., Reinhart, C. M. & Rogoff, K. S. (2011). *Capital controls: myth and reality – a portfolio balance approach*. PIIE working paper series, WP 11-7. Washington D.C.: Peterson Institute for International Economics.

Magud, N. & Sosa, S. (2010). *When and why worry about real exchange rate appreciation? The missing link between Dutch Disease and growth*. IMF working paper, no. 10/271. Washington D.C.: International Monetary Fund.

Maisano, C. (2012). *Social democracy's incomplete legacy*. Retrieved December 3, 2013, from http://jacobinmag.com/2013/11/an-incomplete-legacy/.

Major, A. (2008). The fall and rise of financial capital. *Review of International Political Economy, 15* (5), 800-825.

Mallaby, S. (2011). *Conflict and confusion: China's currency policy*. Retrieved December 17, 2011, from http://www.ft.com/intl/cms/s/0/40463318-2670-11e1-91cd-00144feabdc0.html.

Mallaby, S. & Wethington, O. (2012). The future of the yuan: China's struggle to internationalize its currency. *Foreign Affairs, 91* (1), 135-146.

Mallet, V. & Crabtree, J. (2013). *Gloomy India tries to staunch the economic bleeding*. Retrieved August 16, 2013, from http://www.ft.com/intl/cms/s/0/6bcd340a-0675-11e3-9bd9-00144feab7de.html.

Manley, J. F. (2006). The unexceptional U.S. welfare state: class analysis or state autonomy? *Rethinking Marxism, 18* (1), 153-172.

Mantega, G. (2011). *IMFC Statement by Guido Mantega*. Retrieved August 29, 2014, from http://www.imf.org/external/spring/2011/imfc/statement/eng/bra.pdf.

Mantega, G. (2012a). *IMFC Statement by Mr. Guido Mantega*. Retrieved August 29, 2014, from http://www.imf.org/external/am/2012/imfc/statement/eng/bra.pdf.

Mantega, G. (2012b). *IMFC Statement by Mr. Guido Mantega*. Retrieved August 29, 2014, from https://www.imf.org/External/spring/2012/imfc/statement/eng/bra.pdf.

Mantega, G. (2013). *IMFC Statement by Guido Mantega*. Retrieved August 29, 2014, from http://www.imf.org/external/spring/2013/imfc/statement/eng/bra.pdf.

Market News International (2012). *WTO's Lamy: erratic FX movements 'irritant' to global trade sys*. Retrieved June 7, 2012, from http://news.morningstar.com/all/acquire-news/ff80808136534a06013655ddb9a615af/wtos-lamyerratic-fx-movements-irritant-to-global-trade-sys.aspx.

Marois, T. (2011). Emerging market bank rescues in an era of finance-led neoliberalism: a comparison of Mexico and Turkey. *Review of International Political Economy, 18* (2), 168-196.

Marois, T. (2013). *State-owned banks and development: dispelling mainstream myths*. Municipal Services Project, Occasional Paper no. 21. London: University of London.

Marques, J. C. (2010). *Business and diplomacy in the age of globalization: Brazilian multinational corporations*. University of Oxford Latin American Centre, Occasional Paper no. BSP-07-10. Geneva: Graduate Institute of International and Development Studies.

Marques, R. M. & Mendes, Á. (2006). O social no Governo Lula: a construção de um novo populismo em tempos de aplicação de uma agenda neoliberal. *Revista de Economia Política, 26* (1), 58-74.

Marques, R. M. & Mendes, Á. (2007). Lula and social policy: in the service of financial capital. *Monthly Review, 58* (9), 22-31.

Marques, R. M. & Nakatani, P. (2007). The state and economy in Brazil: an introduction. *Monthly Review, 58* (9), 17-21.

Marquetti, A., Maldonado Filho, E. & Lautert, V. (2010). The profit rate in Brazil, 1953-2003. *Review of Radical Political Economics, 24* (4), 485-504.

Martin, J. (1997). Hegemony and the crisis of legitimacy in Gramsci. *History of the Human Sciences, 10* (1), 37-56.

Massad, C. (1998). The liberalization of the capital account: Chile in the 1990s. In Kenen, P. B. (ed.). *Should the IMF pursue capital-account convertibility?* (pp. 34-46). Princeton: Princeton University Printing Services.

Massey, D. (2012a). Ideology and economics in the present moment. In J. Rutherford & S. Davison (eds.). *The Neoliberal Crisis* (pp. 97-107). London: Soundings.

Massey, D. (2012b). The political struggle ahead. In J. Rutherford & S. Davison (eds.). *The Neoliberal Crisis* (pp. 70-82). London: Soundings.

Mathew, E. T. (2006). *Employment and unemployment in India: emerging tendencies during the post-reform period*. New Delhi: Sage.

Matolcsy, G. (2011). *IMFC Statement by György Matolcsy*. Retrieved August 29, 2014, from http://www.imf.org/external/spring/2011/imfc/statement/eng/eu.pdf.

Maxfield, S. & Nolt, J. H. (1990). Protectionism and the internationalization of capital: U.S. sponsorship of import substitution industrialization in the Philippines, Turkey and Argentina. *International Studies Quarterly, 34* (1), 49-81.

Maziad, S., Farahmand, P., Wang, S., Segal, S. & Ahmed, F. (2011). *Internationalization of emerging market currencies: a balance between risks and rewards*. IMF Staff Discussion Note, SDN/11/17. Washington D.C.: International Monetary Fund.

McCauley, R. N. (2011). *The internationalisation of the renminbi.* Speech given at the 2nd Annual International Conference on the Chinese Economy, Hong Kong, 14 January, 2011. Basel: Bank for International Settlements.

McCauley, R. N. & Ma, G. (2008). *Resisting financial globalization in Asia*. Paper prepared for the Bank of Thailand International Symposium, Bangkok, November 7-8, 2008. Basle: Bank for International Settlements.

McElwee (2014). *Marx was right: give surprising ways Karl Marx predicted 2014*. Retrieved May 13, 2014, from http://www.rollingstone.com/music/news/marx-was-right-five-surprising-ways-karl-marx-predicted-2014-20140130.

McNally, C. A. (2012). Sino-capitalism: China's reemergence and the international political economy. *World Politics, 64* (4), 741-776.

McNally, C. A. & Wright, T. (2010). Sources of social support for China's current political order: the "thick embeddedness" of private capital holders. *Communist and Post-Communist Studies, 43* (2), 189-198.

Mecagni, M., Atoyan, R. & Hofman, D. (2009). *The persistence of capital account crises*. IMF working paper, no. 09/103. Washington D.C.: International Monetary Fund.

Mehon, R. (2010). *India keeps limits on foreign banks*. Retrieved December 27, 2011, from http://www.thebanker.com/World/Asia-Pacific/India/India-keeps-limits-on-foreign-banks.

Merler, S. & Pisani-Ferry, J. (2012). *Sudden stops in the euro area*. Bruegel Policy Contribution, issue 2012/06. Brussels: Bruegel.

Mezzadri, A. (2010). Neoliberalism, industrial restructuring and labour: lessons from the Delhi garment industry. In A. Saad-Filho & G. L. Yalman (eds.). *Economic transitions to neoliberalism in middle-income countries: policy dilemmas, economic crises, forms of resistance* (pp. 128-140). Abingdon: Routledge.

Michl, T. (2011). Finance as a class? *New Left Review*, 70, 117-125.

Milberg, W. (2008). Shifting sources and uses of profits: sustaining US financialization with global value chains. *Economy and Society, 37* (3), 420-451.

Milberg, W. & Winkler, D. (2010). Financialisation and the dynamics of offshoring in the USA. *Cambridge Journal of Economics, 34* (2), 275-293.

Miller, D. (2002). Media power and class power: overplaying ideology. *The Socialist Register*, vol. 38, 245-264.

Ministry of Finance India (2005). *1.5: Gross domestic savings and gross domestic capital formation*. Retrieved August 16, 2014, from http://indiabudget.nic.in/es2004-05/chapt2005/table.zip.

Ministry of Finance India (2007). *India's external debt: a status report*. Retrieved August 18, 2014, from http://finmin.nic.in/the_ministry/dept_eco_affairs/economic_div/Indian%20External%20Debt07E.pdf.

Ministry of Finance India (2010). *Report of the Working Group on Foreign Investment*. Retrieved August 13, 2014, from http://finmin.nic.in/reports/WGFI.pdf.

Ministry of Finance India (2012). *Chapter 1: State of the economy and prospects*. Retrieved August 16, 2014, from http://indiabudget.nic.in/budget2013-2014/es2012-13/echap-01.pdf.

Ministry of Finance India (2013a). *Chapter 1: State of the economy and prospects*. Retrieved August 16, 2014, from http://indiabudget.nic.in/budget2013-2014/es2012-13/echap-01.pdf.

Ministry of Finance India (2013b). *Indian public finance statistics, 2012-2013*. Retrieved August 16, 2014, from http://finmin.nic.in/reports/IPFStat201213.pdf.

Ministry of Finance India (2014). *Chapter 1: The state of the economy*. Retrieved August 16, 2014, from http://indiabudget.nic.in/es2013-14/echap-01.pdf.

Ministry of Overseas Indian Affairs (2001). *Shares and securities*. Retrieved August 14, 2014, from http://moia.gov.in/pdf/Shares_and_Securities.pdf.

Mishkin, F. S. (2009). Why we shouldn't turn our backs on financial globalization. *IMF Staff Papers, 56* (1), 139-170.

Mitra, P. (2011). *Capital flows to EU new member states: does sector destination matter?* IMF working paper, no. 11/67. Washington D.C.: International Monetary Fund.

Modé, L. (2013). *Crescem os sinais de discórdia entre o BC e a Fazenda*. Retrieved August 5, 2014, from http://economia.estadao.com.br/noticias/geral,crescem-os-sinais-de-discordia-entre-o-bc-e-a-fazenda-imp-,989008.

Modenesi, A. de M. & Modenesi, R. L. (2008). Capital controls and financial liberalization: removing the ideological basis. *Journal of Post Keynesian Economics, 30* (4), 561-582.

Modenesi, A. de M. (2014). *Política monetária e combate à inflação*. Retrieved August 10, 2014, from http://comovaiobrasil.pressbooks.com/chapter/cap4/.

Mody, A. & Murshid, A. P. (2011). *Growth from international capital flows: the role of volatility regimes*. IMF working paper, no. 11/90. Washington D.C.: International Monetary Fund.

Mody, G. (2012). *Letter to The Hon'ble Dr. Manmohan Singh M. P.* Retrieved August 25, 2014, from www.handelskampanjen.no/files/documents/NTUI.doc.

Mohan, R. (2008). Capital flows to India. *BIS papers*, no. 44, 235-263.

Mohan, R. (2012). Capital account management: the need for a new consensus. In K. P. Gallagher, S., Griffith-Jones & J. A. Ocampo (eds.). *Regulating global capital flows for long-run development* (pp. 23-33). Boston: The Frederick S. Pardee Center for the Study of the Longer-Range Future.

Mohanty, D. (2012). *Global capital flows and the Indian economy – opportunities and challenges*. Speech given at the Annual Technical and Entrepreneurship Festival of the Indian Institute of Technology Kanpur (IITK), Kanpur, January 28, 2012. New Delhi: RBI.

Mollo, M. L. R. & Saad-Filho, A. (2006). Neoliberal economic policies in Brazil (1994-2005): Cardoso, Lula and the need for a democratic alternative. *New Political Economy, 11* (1), 99-123.

Moneycontrol (2014). *USIBC for lifting FDI caps in insurance, defence*. Retrieved August 25, 2014, from http://www.in.com/news/business/usibc-for-lifting-fdi-caps-in-insurance-defence-52669717-in-1.html.

Montgomerie, J. (2009). The pursuit of (past) happiness? Middle-class indebtedness and American financialisation. *New Political Economy, 14* (1), 1-24.

Montgomerie, J. & Williams, K. (2009). Financialised capitalism: after the crisis and beyond neoliberalism. *Competition & Change, 13* (2), 99-107.

Mor, N., Chandrasekhar, R. & Wahi, D. (2006). Banking sector reform in India. In J. Aziz, S. Dunaway & E. S. Prasad (eds.). *China and India: learning from each other: reforms and policies for sustained growth* (pp. 3-32). Washington D.C.: International Monetary Fund.

Moraes, V. F. de & Felicio, J. A. (2013). *Growth is not enough*. Retrieved August 3, 2013, from http://www.oecd.org/forum/growth-is-not-enough.htm.

Morais, L. & Saad-Filho, A. (2003). Snatching defeat from the jaws of victory? Lula, the 'losers' alliance', and the prospects for change in Brazil. *Capital & Class, 27* (3), 17-23.

Morais, L. & Saad-Filho, A. (2005). Lula and the continuity of neoliberalism in Brazil: strategic choice, economic imperative or political schizophrenia? *Historical Materialism, 13* (1), 3-32.

Morais, L. & Saad-Filho, A. (2011a). Brazil beyond Lula: forging ahead or pausing for breath? *Latin American Perspectives, 38* (2), 31-44.

Morais, L. & Saad-Filho, A. (2011b). Da economia política à política econômica: o novo-desenvolvimentismo e o governo Lula. *Revista de Economia Política, 31* (4), 507-527.

Morais, L. & Saad-Filho, A. (2012). Neo-developmentalism and the challenges of economic policy-making under Dilma Rousseff. *Critical Sociology, 38* (6), 789-798.

Morais, L., Saad-Filho, A. & Coelho, W. (1999). Financial liberalisation, currency instability and crisis in Brazil: another plan bites the dust. *Capital & Class, 23* (2), 9-14.

Morck, R., Yeung, B. & Zhao, M. (2008). Perspectives on China's outward foreign direct investment. *Journal of International Business Studies, 39* (3), 337-350.

Morgan, J. (2004). Contemporary China, anachronistic Marxism? The continued explanatory power of Marxism. *Critical Asian Studies, 36* (1), 65-90.

Morgan, J. (2008). China's growing pains: towards the (global) political economy of domestic social instability. *International Politics, 45* (4), 413-438.

Morgan, J. & Olsen, W. (2011). Aspiration problems for the Indian rural poor: research on self-help groups and micro-finance. *Capital & Class, 35* (2), 189-212.

Morgan, M. (2013). *The paradoxical perpetuation of neoliberalism: how ideologies are formed and dissolved*. Retrieved September 11, 2013, from http://www.academia.edu/2409017/The_Paradoxical_Perpetuation_of_Neoliberalism_How_ideologies_are_formed_and_dissolved.

Morton, A. D. (1999). On Gramsci. *Politics, 19* (1), 1-8.

Morton, A. D. (2001). The sociology of theorizing and neo-Gramscian perspectives: the problems of 'school' formation in IPE. In A. Bieler & A. D. Morton. *Social Forces in the Making of the New Europe* (pp. 25-43). Basingstoke: Palgrave.

Morton, A. D. (2003a). Historicizing Gramsci: situating ideas in and beyond their context. *Review of International Political Economy, 10* (1), 118-146.

Morton, A. D. (2003b). Social forces in the struggle over hegemony: neo-Gramscian perspectives in International Political Economy. *Rethinking Marxism, 15* (2), 153-179.

Morton, A. D. (2003c). Structural change and neoliberalism in Mexico: 'passive revolution' in the global political economy. *Third World Quarterly, 24* (4), 631-653.

Morton, A. D. (2005). Change within continuity: the political economy of democratic transition in Mexico. *New Political Economy, 10* (2), 181-202.

Morton, A. D. (2006). The grimly comic riddle of hegemony in IPE: where is class struggle. *Politics, 26* (1), 62-72.

Morton, A. D. (2010). The continuum of passive revolution. *Capital & Class, 34* (3), 315-342.

Moschella, M. (2009). When ideas fail to influence policy outcomes: orderly liberalization and the International Monetary Fund. *Review of International Political Economy, 16* (5), 854-882.

Moschella, M. (2010). *Governing risk: the IMF and global financial crises*. London: Palgrave Macmillan.

Moschella, M. (2012). Seeing like the IMF on capital account liberalization. *New Political Economy, 17* (1), 59-76.

Moschella, M. (2014). The institutional roots of incremental ideational change: the IMF and capital controls after the global financial crisis. *British Journal of Politics and International Relations*, DOI: 10.1111/1467-856X.12049.

Motta, S. (2013). *Brazil: anatomy of a crisis*. Retrieved August 11, 2014, from http://ceasefiremagazine.co.uk/brazil-anatomy-crisis/.

Mudge, S. L. (2008). What is neo-liberalism? *Socio-Economic Review, 6* (4), 703-731.

Mudge, S. L. (2011). What's left of Leftism? Neoliberal politics in Western party systems, 1945-2004. *Social Science History, 35* (3), 337-380.

Mukherjee, P. (2012). *IMFC Statement by Pranab Mukherjee*. Retrieved August 29, 2014, from http://www.imf.org/external/spring/2012/imfc/statement/eng/ind.pdf.

Mukherji, R. (2013). Ideas, interests, and the tipping point: economic change in India. *Review of International Political Economy, 20* (2), 363-389.

Mullins, M. & Murphy, F. (2009). Financial globalisation, state autonomy and modern financial instruments: the case of Brazil. *Globalizations, 6* (4), 433-449.

Munhoz, V.C.V. (2013). Vulnerabilidade externa e controle de capitais no Brasil: uma análise das inter-relações entre câmbio, fluxos de capitais, IOF, juros e risco-país. *Nova Economia, 23* (2), 371-402.

Murphy, M. & Wen, J. Y. (2009). *Is China ready to challenge the dollar? Internationalization of the Renminbi and its implications for the United States*. A report of the CSIS Freeman Chair in China Studies, October 2009. Washington D.C.: Center for Strategic & International Studies.

Murphy, T. (2013). *Hot money inflows to bandage Brazil's bleeding current account?* Retrieved July 31, 2013, from http://blogs.wsj.com/economics/2013/04/24/hot-money-inflows-to-bandage-brazils-bleeding-current-account.

Nabar-Bhaduri, S. & Vernengo, M. (2012). *Service-led growth and the balance of payments constraint in India: an unsustainable strategy*. Department of Economics Working Paper Series, working paper no. 2012-06. Salt Lake City: University of Utah.

Nachane, D. M. (2008). Committee on Financial Sector Reforms: a critique. *Economic and Political Weekly, 43* (32), 14-18.

Nadal-De Simone, F. & Sorsa, P. (1999). *A review of capital account restrictions in Chile in the 1990s*. IMF working paper, no. 99/52. Washington D.C.: International Monetary Fund.

Nassif, A. & Feijó, C. (2013). Liberal versus neo-developmental convention to growth: why has Brazil shown a poor performance since the 1980s? *Brazilian Journal of Political Economy, 33* (4), 555-576.

National Bureau of Statistics of China (2014). *Statistical data: annual data*. Retrieved September 15, 2014, from http://www.stats.gov.cn/english/Statisticaldata/AnnualData.

Naughton, B. (2003). *Government reorganization: Liu Mingkang and financial restructuring*. China Leadership Monitor, no. 7. Stanford: Stanford University.

Naughton, B. (2006). *Waves of criticism: debates over bank sales to foreigners and neo-liberal economic policy*. China Leadership Monitor, no. 17. Stanford: Stanford University.

Naughton, B. (2008). *SASAC and rising corporate power in China*. China Leadership Monitor, no. 24. Stanford: Stanford University.

Naughton, B. (2010). China's distinctive system: can it be a model for others? *Journal of Contemporary China, 19* (65), 437-460.

Naughton, B. (2013). *Since the National People's C ongress: personnel and programs of economic reform begin to emerge*. China Leadership Monitor, no. 41. Stanford: Stanford University.

Navarro, V. (2006). The worldwide class struggle. *Monthly Review, 58* (4), 18-33.

Nayar, B. R. (2000). The limits of economic nationalism in India: economic reforms under the BJP-led government, 1998-1999. *Asian Survey, 40* (5), 792-815.

Nayyar, D. (1998). Economic development and political democracy: interaction of economics and politics in independent India. *Economic and Political Weekly, 33* (49), 3121-3131.

Neilson, D. (2012). Remaking the connections: Marxism and the French regulation school. *Review of Radical Political Economics, 44* (2), 160-177.

Nesvetailova, A. & Palan, R. (2010). The end of liberal finance? The changing paradigm of global financial governance. *Millennium: Journal of International Studies, 38* (3), 797-825.

Newstadt, E. (2008). Neoliberalism and the Federal Reserve. In L. Panitch & M. Konings (eds.). *American empire and the political economy of global finance* (pp. 90-118). Basingstoke: Palgrave Macmillan.

Nolan, P. (2011). Who are we? Who are they? The real facts of a globalized Chimerica. *New Perspectives Quarterly, 28* (3), 51-60.

Nolan, P., Sutherland, D. & Zhang, J. (2002). The challenge of the global business revolution. *Contributions of Political Economy, 21* (1), 91-110.

Nölke, A. (2010). A "BRIC"-variety of capitalism and social inequality: the case of Brazil. *Revista de Estudos e Pesquisas sobre as Américas, 4* (1), 1-14.

Nölke, A., ten Brink, T., Claar, S. & May, C. (2014). *Domestic structures, foreign economic policies and global economic order: implications from the rise of large emerging economies*. Paper presented at the Fourth Global International Studies Conference, Frankfurt-am-Main, August 6-9, 2014. Frankfurt: Goethe University.

Noonan, M. (2013). *IMFC Statement by Michael Noonan*. Retrieved August 29, 2014, from https://www.imf.org/External/spring/2013/imfc/statement/eng/ecofin.pdf.

Norton Rose (2010). *Establishing a foreign invested enterprise in China*. Retrieved March 1, 2013, from http://www.nortonrose.com/files/establishing-a-foreign-invested-enterprise-in-chinapdf-28964.pdf.

Novelli, J. M. N. & Galvão, A. (2001-2002). The political economy of neoliberalism in Brazil in the 1990s. *International Journal of Political Economy, 31* (4), 3-52.

NTUI (2009). *Resolution no. 2*. Retrieved August 25, 2014, from http://ntui.org.in/ntui/second-general-assembly/resolution-no-2.

NTUI (2013). *Resolution no. 1*. Retrieved August 25, 2014, from http://ntui.org.in/ntui/third-general-assembly-2013/resolution-no-1.

Obstfeld, M. (1998). The global capital market: benefactor or menace? *Journal of Economic Perspectives, 12* (4), 9-30.

Obstfeld, M. & Taylor, A. M. (1998). The great depression as a watershed: international capital mobility over the long run. In M. D. Bordo, C. Goldin & E. N. White (eds.). *The Great Depression and the American economy in the twentieth century* (pp. 353-402). Chicago: University of Chicago Press.

Ocampo, J. A. (2012). The case for and experience with capital account regulations. In K. P. Gallagher, S., Griffith-Jones & J. A. Ocampo (eds.). *Regulating global capital flows for long-run development* (pp. 13-21). Boston: The Frederick S. Pardee Center for the Study of the Longer-Range Future.

O'Connor, J. (2010). Marxism and the three movements of neoliberalism. *Critical Sociology, 36* (5), 691-715.

OECD (2002). *Forty years' experience with the OECD Code of Liberalisation of Capital Movements*. Retrieved November 7, 2012, from http://www.oecd.org/investment/investmentpolicy/44784048.pdf.

OECD (2011). Special focus: inequality in emerging economies (EEs). In OECD. *Divided we stand: why inequality keeps rising* (47-82). Paris: OECD.

OECD (2013). *OECD Economic Surveys: Brazil 2013*. Retrieved August 4, 2014, from http://www.keepeek.com/Digital-Asset-Management/oecd/economics/oecd-economic-surveys-brazil-2013_eco_surveys-bra-2013-en.

OECD (2014a). *Labour income share ratios*. Retrieved September 24, 2014, from http://stats.oecd.org/Index.aspx?queryname=345&querytype=view.

OECD (2014b). *Trade union density*. Retrieved August 18, 2014, from http://stats.oecd.org/Index.aspx?DataSetCode=UN_DEN.

O' Farrell, J. (2011). *Breaking the mould: how Latin America is coping with volatile capital flows*. London: Bretton Woods Project & Latindadd.

O'Farrell, J. & Villafañe, S. (2013). *Inclusive growth: what the experiences of Argentina and Brazil tell Europe*. Retrieved August 10, 2014, from http://triplecrisis.com/inclusive-growth-what-the-experiences-of-argentina-and-brazil-tell-europe/.

O'Grady, M. A. (2012). *What's behind Brazil's slow growth?* Retrieved April 17, 2012, from http://online.wsj.com/article/SB10001424052702304444604577342023940477062.html.

Oliveira, F. (2006). Lula in the labyrinth. *New Left Review*, 42, 5-22.

Oliveira, F. (2006b). A dominação globalizada: estrutura e dinâmica da dominação burguesa no Brasil. In E. M. Basualdo & E. Arceo (eds.). *Neoliberalismo y sectores dominantes: tendencias globales y experiencias nacionales* (pp. 265-291). Buenos Aires: Consejo Latinoamericano de Ciencias Sociales (CLACSO).

Oliveira, F. & Nakatani, P. (2007). The Brazilian economy under Lula. *Monthly Review, 58* (9), 39-50.

O'Neill, J. (2001). *Building better global economic BRICs*. Global Economics Paper, no. 66. London: Goldman Sachs.

Öniş, Z. & Güven, A. B. (2011). The global economic crisis and the future of neoliberal globalization: rupture versus continuity. *Global Governance, 17* (4), 469-488.

Öniş, Z. & Şenses, F. (2005). Rethinking the emerging post-Washington Consensus. *Development and Change, 36* (2), 263-290.

Oppenheimer, M. F. (2008). The end of liberal globalization. *World Policy Journal, 24* (4), 1-9.

Oreiro, J. L. & Feijó, C. A. (2010). Desindustrialização: conceituação, causas, efeitos e o caso brasileiro. *Revista de Economia Política, 30* (2), 219-232.

Oreiro, J. L. & de Paula, L. F. (2010). Macroeconomic determinants of bank spread in Latin America: a recent analysis with special focus on Brazil. *International Review of Applied Economics, 24* (5), 573-590.

Oreiro, J. L., Punzo, L. F. & Araújo, E. C. (2012). Macroeconomic constraints to growth of the Brazilian economy: diagnosis and some policy proposals. *Cambridge Journal of Economics, 36* (4), 919-939.

Osborne, G. (2011). *IMFC Statement by George Osborne*. Retrieved August 29, 2014, from https://www.imf.org/external/spring/2011/imfc/statement/eng/gbr.pdf.

Ostry, J. D., Ghosh, A. R., Habermeier, K., Chamon, M., Qureshi, M. S. & Reinhardt D. B. S. (2010). *Capital inflows: the role of controls*. IMF staff position note, no. 10/04. Washington D.C.: International Monetary Fund.

Ostry, J. D., Ghosh, A. R., Habermeier, K., Laeven L., Chamon, M., Qureshi, M. S. & Kokenyne, A. (2011). *Managing capital inflows: what tools to use?* IMF staff position note, no. 11/06. Washington D.C.: International Monetary Fund.

Ötker-Robe, İ., Polański, Z., Topf, B. & Vávra, D. (2007). *Coping with capital inflows: experiences of selected European countries*. IMF working paper, no. 07/190. Washington D.C.: International Monetary Fund.

Overbeek, H. (2004a). *Global governance, class, hegemony: a historical materialist perspective.* Working Papers Political Science, no. 2004/01. Amsterdam: Vrije Universiteit Amsterdam.

Overbeek, H. (2004b). Transnational class formation and concepts of control: towards a genealogy of the Amsterdam Project in international political economy. *Journal of International Relations and Development, 7* (2), 113-141.

Overholt, W. H. (2010). China in the global financial crisis: rising influence, rising challenges. *The Washington Quarterly, 33* (1), 21-34.

Padmanabhan, G. (2003). Operationalising capital account liberalisation: the Indian experience. *BIS papers*, no. 15, 123-140.

Pahwa, N. (2014). *Rajasthan scraps FDI in multi brand retail*. Retrieved July 15, 2014, from http://www.medianama.com/2014/02/223-fdi-in-retail-rajasthan.

Paiva, P. (2006). Lula's political economy: changes and challenges. *The Annals of the American Academy of Political and Social Science, 606* (1), 196-215.

Palan, R. (2006). Is the competition state the new, post-Fordist, mode of regulation? Regulation theory from an international political economic perspective. *Competition & Change, 10* (2), 246-262.

Palley, T. I. (2006a). External contradictions of the Chinese development model: export-led growth and the dangers of global economic contraction. *Journal of Contemporary China, 15* (46), 69-88.

Palley, T. I. (2006b). *Globalization tames the left in Brazil*. Retrieved March 24, 2012, from http://yaleglobal.yale.edu/content/globalization-tames-left-brazil.

Palley, T. I. (2007). *The economics of outsourcing: how should policy respond?* The Levy Economics Institute of Bard College Public Policy Brief, no. 89. Annandale-on-Hudson: The Levy Economics Institute of Bard College.

Palley, T. I. (2009). A labor perspective on globalization. *International Politics and Society*, 2/2009, 22-39.

Palma, G. (2000). *The three routes to financial crises: the need for capital controls*. CEPA Working Paper Series III, working paper no. 18. New York: Center for Economic Policy Analysis.

Palma, J. G. (2009). The revenge of the market on the rentiers. Why neo-liberal reports of the end of history turned out to be premature. *Cambridge Journal of Economics, 33* (4), 829-869.

Pan, C. (2009). What is Chinese about Chinese business? Locating the 'rise of China' in global production networks. *Journal of Contemporary China, 18* (58), 7-25.

Panitch, L. (1985-1986). The impasse of social democratic politics. *The Socialist Register*, vol. 22, 50-97.

Panitch, L. (1994). Globalisation and the state. *The Socialist Register*, vol. 30, 60-93.

Panitch, L. (2000). The new imperial state. *New Left Review*, 2, 5-20.

Panitch, L. (2010). Giovanni Arrighi in Beijing: an alternative to capitalism? *Historical Materialism, 18* (1), 74-87.

Panitch, L. (2014). *The US still decides the future of capitalism, not the G20, and not the Brics nations*. Retrieved September 9, 2014, from http://www.theguardian.com/commentisfree/2014/aug/27/the-us-still-decides-the-future-of-capitalism-not-the-g20-and-not-the-brics-nations.

Panitch, L. & Gindin, S. (2005). Superintending global capital. *New Left Review*, 35, 101-123.

Panitch, L. & Gindin, S. (2008). Finance and American empire. In L. Panitch & M. Konings (eds.). *American empire and the political economy of global finance* (pp. 17-47). Basingstoke: Palgrave Macmillan.

Panitch, L. & Gindin, S. (2009). Forum: The current crisis: a socialist perspective. *Studies in Political Economy*, vol. 83, 7-31.

Panitch, L. & Gindin, S. (2012). *The making of global capitalism: the political economy of American Empire*. London: Verso.

Panitch, L. & M. Konings (eds.) (2008). *American empire and the political economy of global finance*. Basingstoke: Palgrave Macmillan.

Panitch, L. & Konings, M. (2009). Myths of neoliberal deregulation. *New Left Review*, 57, 67-83.

Papadatos, D. (2009). *Central banking in contemporary capitalism: inflation targeting and financial crises*. Research on Money and Finance discussion paper, no. 5. London: School of Oriental and African Studies.

Parisot, J. (2013). American power, East Asian regionalism and emerging powers: *in* or *against* empire? *Third World Quarterly, 34* (7), 1159-1174.

Park, D. & Dole, D. (2008). *Managing the hot money inflows of the People's Republic of China*. ADB briefs, no. 2. Manila: Asian Development Bank.

Park, J. (2012). *Brazil's capital market: current status and issues for further development*. IMF Working Paper, no. 12/224. Washington D.C.: International Monetary Fund.

Parker, O. (2008). Challenging 'new constitutionalism' in the EU: French resistance, 'social Europe' and 'soft' governance. *New Political Economy, 13* (4), 397–417.

Patnaik, I. & Shah, A. (2009-10). Why India choked when Lehman broke. *India Policy Forum*, vol. 6, 39-72.

Patnaik, I. & Shah, A. (2011). *Did the Indian capital controls work as a tool of macroeconomic policy?* NIPFP working papers, working paper 2011-87. New Delhi: National Institute of Public Finance and Policy.

Patomäki, H. (2001). *Democratising globalization: the leverage of the Tobin Tax*. London: Zed Books.

Patomäki, H. (2009). Neoliberalism and the global financial crisis. *New Political Science, 31* (4), 431-442.

de Paula, L. F. (2002). Expansion strategies of European banks to Brazil and their impacts on the Brazilian banking sector. *Latin American Business Review, 3* (4), 59-91.

de Paula, L. F. (2011). *Financial liberalization and economic performance: Brazil at the crossroads*. London: Routledge.

de Paula, L. F., Oreiro, J. L. & da Silva, G. J. C. (2003). Fluxos e controle de capitais no Brasil: avaliação e proposição de política. In J. Sicsú, J. L. Oreiro & L. F. de Paula (eds.). *Agenda Brasil: políticias econômicas para o crescimento com estabilidade de preços* (pp. 65-116). Barueri: Manole

de Paula, L. F. & Prates, D. M. (2013). Capital account regulation, trade and investment treaties, and policy space in Brazil. In K.P. Gallagher & L. E. Stanley (eds.). *Capital account regulations and the trading system: a compatibility review* (pp. 55-66). Boston: The Frederick S. Pardee Center for the Study of the Longer-Range Future.

de Paula, L. F. & Sobreira, R. (2010). *The 2008 financial crisis and banking regulation in Brazil*. Paper presented at the III Encontro da Associação Keynesiana Brasileira, São Paulo, 11-13 August, 2010. Rio De Janeiro: Universidade do Estado do Rio de Janeiro.

Paulani, L. M. (2003). Brasil *delivery*: a política econômica do governo Lula. *Revista da Economia Política, 23* (4), 58-73.

Paulani, L. M. (2010). Brazil in the crisis of the finance-led regime of accumulation. *Review of Radical Political Economics, 42* (3), 363-372.

Paulani, L. M. (2012). *A inserção de economia brasileira no cenário mundial: uma reflexão sobre a situação atual á luz da história*. Boletim de Economia e Política Internacional, no. 10 (Abril/Junho 2012), pp. 89-102. Brasília: IPEA.

Pauly, L. W. (1995). Capital mobility, state autonomy and political legitimacy. *Journal of International Affairs, 48* (2), 369-388.

Pavoni, S. (2011a). *Brazil's banks maintain Latin American dominance*. Retrieved November 28, 2011, from http://www.thebanker.com/World/Americas/Top-150-Latin-American-banks.

Pavoni, S. (2011b). *No quick fix to Brazil's huge infrastructure needs*. Retrieved February 7, 2012, from http://www.thebanker.com/World/Americas/Brazil/No-quick-fix-to-Brazil-s-huge-infrastructure-needs.

Pavoni, S. (2012). *Latam banks gain as Europan giants retreat*. Retrieved April 3, 2012, from http://www.thebanker.com/World/Latam-banks-gain-as-European-giants-retreat.

PBOC (2008). China: the evolution of foreign exchange controls and the consequences of capital flows. *BIS Papers*, no. 44, 143-151.

PBOC (2014). *2013 Annual Report*. Retrieved September 19, 2014, from http://www.pbc.gov.cn:8080/image_public/UserFiles/english/upload/File/2013%E4%BA%BA%E6%B0%91%E9%93%B6%E8%A1%8C%E5%B9%B4%E6%8A%A5%EF%BC%88%E8%8B%B1%E6%96%87%E7%89%88%EF%BC%89%E5%86%85%E5%AE%B9.pdf.

Pearson, S. (2011). *Brazil's banks turn bearish on the real*. Retrieved October 25, 2011, from http://www.ft.com/intl/cms/s/0/b0869e08-f8dd-11e0-a5f7-00144feab49a.html.

Pearson, S. (2011). *Edemir Pinto: 'I am not interested in services to third parties'*. Retrieved November 17, 2011, from http://www.ft.com/cms/s/0/3734fa98-0a32-11e1-85ca-00144feabdc0.html.

Pearson, S. (2011). *Siemens warns on Brazil's strong real*. Retrieved May 6, 2011, from http://www.ft.com/cms/s/0/fe611cf4-7677-11e0-b05b-00144feabdc0.html.

Pearson, S. (2012). *Brasília calls shots on the real*. Retrieved November 29, 2012, from http://www.ft.com/intl/cms/s/0/fc85d45e-3a40-11e2-a32f-00144feabdc0.html.

Pearson, S. (2012). *Brazil declares new 'currency war'*. Retrieved March 1, 2012, from http://www.ft.com/intl/cms/s/0/76d1d4d0-63d0-11e1-8762-00144feabdc0.html.

Pearson, S. (2012). *Brazil extends tax on foreign loans*. Retrievede March 12, 2012, from http://www.ft.com/intl/cms/s/0/e00888be-6c67-11e1-bd0c-00144feab49a.html.

Pearson, S. (2012). *Brazil launches fresh 'currency war' offensive*. Retrieved March 15, 2012, from http://www.ft.com/intl/cms/s/0/9100a368-6ebb-11e1-b1b2-00144feab49a.html.

Pearson, S. (2012). *Has Brazil won the currency war?* Retrieved April 23, 2012, from http://blogs.ft.com/beyond-brics/2012/04/23/has-brazil-won-the-currency-war.

Pearson, S. (2014). *Brazil pledges $18.5bn cuts to woo investors*. Retrieved August 5, 2014, from http://www.ft.com/intl/cms/s/0/93a8a70c-9a54-11e3-8232-00144feab7de.html.

Peck, J. (2008). Remaking laissez-faire. *Progress in Human Geography, 32* (1), 3-43.

Peck, J. (2013). Austere reason, and the eschatology of neoliberalism's End Times. *Comparative European Politics, 11* (6), 713-721.

Peck, J., Theodore, N. & Brenner, N. (2009). Postneoliberalism and its malcontents. *Antipode, 41* (S1), 94-116.

Peck, J. & Theodore, N. (2007). Variegated capitalism. *Progress in Human Geography, 31* (6), 731-772.

Peck, J. & Tickell, A. (2002). Neoliberalizing space. *Antipode, 34* (3), 380-404.

Peel, Q. (2011). *Germany seeks deal on global imbalances.* Retrieved February 18, 2011, from http://www.ft.com/cms/s/0/cf4b3888-39fe-11e0-a441-00144feabdc0.html.

Pei, C. & Peng, L. (2007). Responsibilities of China after accession to the WTO. *China & World Economy, 15* (4), 89-101.

Pepinsky, T. B. (2012). Do currency crises cause capital account liberalization? *International Studies Quarterly, 56* (3), 544-559.

Pepinsky, T. B. (2013). The domestic politics of financial internationalization in the developing world. *Review of International Political Economy, 20* (4), 848-880.

Pereira da Silva, L. A. (2013). Global dimensions of unconventional monetary policy – an EME perspective. In Federal Reserve Bank of Kansas City (ed.). *Global Dimensions of Unconventional Monetary Policy: Proceedings of the Jackson Hole Economic Policy Symposium* (pp. 373-385). Jackson Hole: Federal Reserve Bank of Kansas City.

Petras, J. (2006). Past, present and future of China: from semi-colony to world power? *Journal of Contemporary Asia, 36* (4), 423-441.

Petras, J. (2008). Global ruling class: billionaires and how they “make it”. *Journal of Contemporary Asia, 38* (2), 319-329.

Pettis, M. (2013). *Party will pay the price for China’s rebalancing*. Retrieved September 25, 2013, from http://www.bloomberg.com/news/2013-09-24/party-will-pay-the-price-for-china-s-rebalancing.html.

Pi, X. (2014). *China’s jobless rate is 5.1%. Or maybe it’s 4.1%*. Retrieved September 19, 2014, from http://www.bloomberg.com/news/2014-07-25/china-s-jobless-rate-is-5-1-or-maybe-it-s-4-1-.html.

van der Pijl, K. (1997). The history of class struggle: from original accumulation to neoliberalism. *Monthly Review, 49* (1), 28-44.

van der Pijl, K. (1998). *Transnational classes and international relations*. London: Routledge.

van der Pijl (2001). What happened to the European option for Eastern Europe? In A. Bieler & A. D. Morton. *Social Forces in the Making of the New Europe* (pp. 185-204). Basingstoke: Palgrave.

van der Pijl, K. (2008). *China’s challenge to the West in the 21st century.* CGPE working paper, no. 1. Brighton: University of Sussex.

van der Pijl, K. (2010). Western hegemony and transnational capital: a dialectical perspective. In A. Anievas (ed.). *Marxism and world politics: contesting global capitalism* (pp. 42-60). London: Routledge.

van der Pijl, K. (2012). Is the East still red? The contender state and class struggles in China. *Globalizations, 9* (4), 503-516.

van der Pijl, K., Holman, O. & Raviv, O. (2011). The resurgence of German capital in Europe: EU integration and the restructuring of Atlantic networks of interlocking directorates after 1991. *Review of International Political Economy, 18* (3), 384-408.

Piketty, T. (2014a). *Capital in the twenty-first century*. Cambridge: Harvard University Press.

Piketty, T. (2014b). *Table S10.1. Concentration of wealth in Europe and in the USA, 1810-2010*. Retrieved September 24, 2014, from http://piketty.pse.ens.fr/files/capital21c/en/pdf/supp/TS10.1.pdf.

Piketty, T. (2014c). *Table S8.2. Top income and top wage shares in the USA, 1900-2010*. Retrieved September 24, 2014, from http://piketty.pse.ens.fr/files/capital21c/en/pdf/supp/TS8.2.pdf.

Pinheiro, A. C. (2000). *The Brazilian privatization experience: what's next?* BNDES Textos para Discussão, 87. Rio de Janeiro: o Banco Nacional do Desenvolvimento.

Pinheiro, A. C., Bonelli, R. & Schneider, B. R. (2004). *Pragmatic policy in Brazil: the political economy of incomplete market reform*. Texto para Discussão, n° 1035. Brasília: Instituto de Pesquisa Econômica Aplicada.

Pinto, L. (2013). *Indústria brasileira em baixa*. Retrieved August 5, 2014, from http://infosurhoy.com/pt/articles/saii/features/economy/2013/01/09/feature-02.

Piovani, C. & Li, M. (2011). One hundred million jobs for the Chinese workers! Why China's current model of development is unsustainable and how a progressive economic program can help the Chinese workers, the Chinese economy, and China's environment. *Review of Radical Political Economics, 43* (1), 77-94.

Pisani-Ferry, J. (2011). *The return of capital controls*. Retrieved October 17, 2012, from http://pisani-ferry.typepad.com/blog/2011/02/the-return-of-capital-controls.html.

Planning Commission India (2009). *A hundred small steps: Report of the Committee on Financial Sector Reforms*. New Delhi: Sage.

Planning Commission India (2012). *Report of the Expert Group to recommend the detailed methodology for identification of families living below poverty line in the urban areas*. Retrieved August 14, 2014, from http://planningcommission.gov.in/reports/genrep/rep_hasim1701.pdf.

Plender, J. (2014a). *A pot of fool's gold lies at the end of the rainbow*. Retrieved March 19, 2014, from http://www.ft.com/intl/cms/s/0/0d7836d6-98c7-11e3-8503-00144feab7de.html.

Plender, J. (2014b). *Recession has revived labour's struggle against capital*. Retrieved January 18, 2014, from http://www.ft.com/intl/cms/s/0/9e768532-7925-11e3-b381-00144feabdc0.html.

Pochmann, M. (2014). *Seu país, as eleições e os rumos da economia*. Retrieved August 10, 2014, from http://www.redebrasilatual.com.br/revistas/97/as-eleicoes-e-a-economia-1520.html.

Polak, J. J. (1991). *The changing nature of IMF conditionality*. Princeton: Princeton University Press.

Polak, J. J. (1998). The Articles of Agreement of the IMF and the liberalization of capital movements. In Kenen, P. B. (ed.). *Should the IMF pursue capital-account convertibility?* (pp. 47-54). Princeton: Princeton University Printing Services.

Pomfret, J. (2014). *Special report: how China's official bank card is used to smuggle money*. Retrieved September 7, 2014, from http://www.reuters.com/article/2014/03/12/us-china-unionpay-special-report-idUSBREA2B00820140312.

Poole, R. (2006). WTO is only the warm-up. *The China Business Review, 33* (3), 12-13.

Pradhan, J. P. (2005). *Outward Foreign Direct Investment from India: recent trends and patterns*. MPRA Paper, no. 12358. Munich: University Library of Munich.

Pradhan, M., Balakrishnan, R., Baqir, R., Heenan, G., Nowak, S., Oner, C. & Panth, S. (2011). *Policy responses to capital flows in emerging markets*. IMF staff position note, no. 11/10. Washington D.C.: International Monetary Fund.

Prasad, E. S. (2009a). *India's approach to capital account liberalization*. IZA Discussion Paper, no. 3927. Ithaca: Cornell University.

Prasad, E. S. (2009b). Is the Chinese growth miracle built to last? *China Economic Review, 20* (1), 103-123.

Prasad, E. S. (2012). *Right time for China to liberalise renminbi*. Retrieved March 25, 2012, from http://www.ft.com/intl/cms/s/411228ac-74fd-11e1-ab8b-00144feab49a.html.

Prasad, E. S. & Rajan, R. G. (2008). A pragmatic approach to capital account liberalization. *Journal of Economic Perspectives, 22* (3), 149-172.

Prasad, E. S., Rajan, R. G. & Subramanian, A. (2007). Foreign capital and economic growth. *Brooking Papers on Economic Activity, 2007* (1), 153-209.

Prasad, E. S., Rogoff, K., Wei, S. & Kose, M. A. (2003). *Effects of financial globalization on developing countries: some empirical evidence*. IMF Occasional Paper, no. 220. Washington D.C.: International Monetary Fund.

Prasad, E. S., Rumbaugh, T. & Wang, Q. (2005). *Putting the cart before the horse? Capital account liberalization and exchange rate flexibility in China*. IMF Policy Discussion Paper, no. PDP/05/1. Washington D.C.: International Monetary Fund.

Prasad, E. S. & Wei, S. (2007). The Chinese approach to capital inflows: patterns and possible explanations. In S. Edwards (ed.). *Capital controls and capital flows in emerging economies: policies, practices, and consequences* (pp. 421-480). Chicago: The University of Chicago Press.

Prasad, E. S. & Ye, L. (2012). *The renminbi's role in the global monetary system.* Brookings Report, February 2012. Washington D.C.: Brookings.

Prasad, M. (2005). Why is France so French? Culture, institutions, and neoliberalism, 1974-1981. *American Journal of Sociology, 111* (2), 357-407.

Prates, D. M. (2006). A inserção externa da economia brasileira no governo Lula. *Política Econômia em Foco*, no. 7, 119-151.

Prates, D. M. (2011). Exchange rate management techniques. *Brazilian Journal of Political Economy, 31* (5), 903-911.

Prates, D. M. & Paulani, L. M. (2007). The financial globalization of Brazil under Lula. *Monthly Review, 58* (9), 32-38.

Press Trust of India (2013). *FCNR, NRE interest rates: RBI deregulates rates on NRI deposit, exempts it from CRR, SLR*. Retrieved August 22, 2014, from http://archive.indianexpress.com/news/fcnr-nre-interest-rates-rbi-deregulates-rates-on-nri-deposit-exempts-it-from-crr-slr/1155503/.

Press Trust of India (2014). *International Monetary Fund for more public and private investment in India*. Retrieved August 26, 2014, from http://articles.economictimes.indiatimes.com/2014-04-03/news/48834705_1_advanced-economies-christine-lagarde-countries.

Prudhomme, C. (2011). A Paris, la belle unite des banquiers centraux s'émousse vite. *Le Monde*, February 20, 2011, n. p.

Pun, N. (2003). Subsumption or consumption? The phantom of consumer revolution in "globalizing" China. *Cultural Anthropology, 18* (4), 469-492.

PwC (2012a). *Foreign banks in China*. Retrieved September 19, 2012, from http://www.pwchk.com/webmedia/doc/634781336834535403_fs_foreign_banks_china_jul2012.pdf.

PwC (2012b). *Quest for growth: destination India 2012*. Retrieved August 26, 2014, from https://www.pwc.in/en_IN/in/assets/pdfs/publications-2012/Destination_India_2012.pdf.

PwC (2013a). *Foreign banks in India: at an inflection*. Retrieved August 21, 2014, from http://www.pwc.in/assets/pdfs/publications/2013/foreign-banks-in-india.pdf.

PwC (2013b). *News alert 22 August 2013: Changes in the Indian exchange control regulations – LRS and ODI*. Retrieved August 17, 2014, from http://www.pwc.in/services/tax/news_alert/2013/pwc_news_alert_22_august_2013_changes_in_the_indian_exchange_control_regulations_lrs_and_odi.pdf.

Qin, D. (2014). *Bank of China denies violations of capital rules*. Retrieved September 7, 2014, from http://www.ecns.cn/business/2014/07-10/123285.shtml.

Quiggin, J. (2013). *Wall Street isn't worth it*. Retrieved November 15, 2013, from https://www.jacobinmag.com/2013/11/wall-street-isnt-worth-it/.

Quinn, D. P. (2003). Capital account liberalization and financial globalization, 1890-1999: a synoptic view. *International Journal of Finance and Economics, 8* (3), 189-204.

Quinn, D. P. & Inclán, C. (1997). The origins of financial openness: a study of current and capital account liberalization. *American Journal of Political Science, 41* (3), 771-813.

Quinn, D. P. & Toyoda, A. M. (2007). Ideology and voter preferences as determinants of financial globalization. *American Journal of Political Science, 51* (2), 344-363.

Rabinovitch, S. (2011). *China opens door to foreign investors*. Retrieved December 18, 2011, from http://www.ft.com/intl/cms/s/0/2dd28108-2938-11e1-8b1a-00144feabdc0.html.

Rabinovitch, S. (2012a). *China opens door to foreign hedge funds*. Retrieved July 11, 2012, from http://www.ft.com/intl/cms/s/0/77acb744-ca91-11e1-89be-00144feabdc0.html.

Rabinovitch, S. (2012b). *China pushes capital control reforms*. Retrieved February 23, 2012, from http://www.ft.com/intl/cms/s/bd948148-5dfd-11e1-8c87-00144feabdc0.html.

Rabinovitch, S. (2012c). *StanChart banker detained in China*. Retrieved March 16, 2012, from http://www.ft.com/intl/cms/s/0/2a2d0f48-6e5f-11e1-a82d-00144feab49a.html.

Rabinovitch, S. (2012d). *Uncertain foundations*. Retrieved December 3, 2012, from http://www.ft.com/intl/cms/s/2/7070ccdc-3ade-11e2-bb32-00144feabdc0.html.

Rabinovitch, S. (2013a). *China pushes to make renminbi freely tradable*. Retrieved July 4, 2013, from http://www.ft.com/intl/cms/s/0/27342d70-e3d5-11e2-91a3-00144feabdc0.html.

Rabinovitch, S. (2013b). *China: technology companies take novel approach to banking*. Retrieved December 3, 2013, from http://www.ft.com/intl/cms/s/0/884cfbcc-4c7c-11e3-923d-00144feabdc0.html.

Radice, H. (1998). 'Globalization' and national differences. *Competition & Change, 3* (4), 263-291.

Radice, H. (2000). Responses to globalisation: a critique of progressive nationalism. *New Political Economy, 5* (1), 1-19.

Radice, H. (2009). Neoliberalism in crisis? Money and the state in contemporary capitalism. *Spectrum: Journal of Global Studies, 1* (2), 90-107.

Radice, H. (2010). Cutting government deficits: economic science or class war? *Capital & Class, 35* (1), 125-137.

Raman, K. R. (2009). Asian Development Bank, policy conditionalities and the social democratic governance: *Kerala Model* under pressure. *Review of International Political Economy, 16* (2), 284-308.

Rangarajan, C. (2011). *Dealing with capital flows*. Retrieved December 1, 2011, from http://www.thehindubusinessline.com/opinion/article2450410.ece.

Rangaswami, A. (2011). *India luxury market ready to explode with 8,200 UHNW individuals*. Retrieved December 12, 2012, from http://www.firstpost.com/india/india-luxury-market-ready-to-explode-with-8200-uhnw-individuals-131759.html.

Ranjan, P. (2012). *Renegotiating India's Investment Agreements: a policy perspective*. Madhyam Briefing Paper, #7. New Delhi: Madhyam.

Ranjan, R. & Prakash, A. (2010). *Internationalisation of currency: the case of the Indian rupee and Chinese renminbi*. RBI staff studies, 3/2010. Mumbai: Reserve Bank of India.

Rao, K. S. C & Dhar, B. (2012). Formulating India's FDI policy: Waiting for Godot. In Alternative Survey Group (eds.). *Alternative Economic Survey, India – 2011. Economic growth and development in India: deepening divergence* (pp. 101-114). New Delhi: Yuva Samvad Prakashan.

Rastello, S. (2011). *IMF's proposed guidelines on capital controls divide Board*. Retrieved September 23, 2011, from http://www.businessweek.com/news/2011-04-05/imf-s-proposed-guidelines-on-capital-controls-divide-board.html.

Rastello, S. (2012). *IMF officially endorses capital controls in reversal.* Retrieved December 4, 2012, from http://www.bloomberg.com/news/2012-12-03/imf-officially-endorses-capital-controls-in-reversal.html.

Rathbone, J. P. (2010). *Much still to do for the president-elect.* Retrieved November 14, 2010, from http://www.ft.com/cms/s/0/8d90d386-edfe-11df-8616-00144feab49a.html.

Ratnam, C. S. V. & Verma, A. (2010). Employment relations in India. In G. J. Bamber, R. D. Lansbury & N. Wailes, *International & comparative employment relations: globalisation and change* (pp. 330-352). London: Sage Publications.

RBI (2003a). *A.P. (DIR Series) Circular No.66*. Retrieved July 17, 2014, from http://rbidocs.rbi.org.in/rbiadmin/Scripts/NotificationUser.aspx?Id=1038&Mode=0.

RBI (2003b). *A.P. (DIR Series) Circular No.67*. Retrieved August 22, 2014, from http://rbi.org.in/Scripts/NotificationUser.aspx?Id=1033&Mode=0.

RBI (2004a). *External Commercial Borrowings (ECB)*. Retrieved August 18, 2014, from http://rbi.org.in/Scripts/NotificationUser.aspx?Id=1457&Mode=0.

RBI (2004b). *Liberalised Remittance Scheme of USD 25,000 for Resident Individuals - A.P (DIR Series) Circular No.64*. Retrieved July 17, 2014, from http://rbi.org.in/scripts/NotificationUser.aspx?Id=1466&Mode=0.

RBI (2006a). *Ceiling on Overseas Investments by Mutual Funds Enhanced*. Retrieved July 17, 2014, from http://rbidocs.rbi.org.in/rbiadmin/Scripts/NotificationUser.aspx?Id=3160&Mode=0.

RBI (2006b). *Investment by Mutual Funds in Overseas Securities - Liberalisation of*. Retrieved July 17, 2014, from http://rbidocs.rbi.org.in/rbiadmin/Scripts/NotificationUser.aspx?Id=3028&Mode=0.

RBI (2006c). *Liberalised Remittance Scheme of USD 50,000 for Resident Individuals*. Retrieved July 17, 2014, from http://rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=3220.

RBI (2006d). *Report of the Committee on Fuller Capital Account Convertibility*. Retrieved July 15, 2014, from http://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/72250.pdf.

RBI (2007a). *Notification No. FEMA.164/2007-RB dated October 9. 2007*. Retrieved August 17, 2014, from http://rbi.org.in/Scripts/BS_FemaNotifications.aspx?Id=4058.

RBI (2007b). *Notification No. FEMA.173/2007-RB*. Retrieved August 17, 2014, from http://rbi.org.in/Scripts/BS_FemaNotifications.aspx?Id=4652.

RBI (2007c). *RBI/2006-07/379. A. P. (DIR Series) Circular No. 51*. Retrieved July 17, 2014, from http://rbi.org.in/Scripts/NotificationUser.aspx?Id=3500&Mode=0.

RBI (2007d). *RBI/2006-07/381. A.P. (DIR Series) Circular No. 53*. Retrieved July 17, 2014, from http://rbidocs.rbi.org.in/rbiadmin/Scripts/NotificationUser.aspx?Id=3502&Mode=0.

RBI (2007e). *RBI/2007-08/146. A. P. (DIR Series) Circular No. 9*. Retrieved July 17, 2014, from http://rbi.org.in/Scripts/NotificationUser.aspx?Id=3831&Mode=0.

RBI (2007f). *RBI/2007-08/149. A. P. (DIR Series) Circular No. 12*. Retrieved July 17, 2014, from http://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=3834&Mode=0.

RBI (2008a). *RBI/2007-08/274. A.P. (DIR Series) Circular No. 34*. Retrieved July 17, 2014, from http://rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=4096.

RBI (2008a). *RBI/2008-09/245. A. P. (DIR Series) Circular No. 26*. Retrieved August 18, 2014, from http://rbi.org.in/Scripts/NotificationUser.aspx?Id=4573&Mode=0.

RBI (2009a). *RBI/2008-09/343. A. P. (DIR Series) Circular No. 46*. Retrieved August 18, 2014, from http://rbi.org.in/Scripts/NotificationUser.aspx?Mode=0&Id=4743.

RBI (2009b). *RBI/2009-10/252. A. P. (DIR Series) Circular No. 19*. Retrieved August 18, 2014, from http://rbi.org.in/Scripts/NotificationUser.aspx?Mode=0&Id=5410.

RBI (2011). *RBI/2011-12/273. A. P. (DIR Series) Circular No. 51*. Retrieved August 18, 2014, from http://rbi.org.in/Scripts/NotificationUser.aspx?Id=6836&Mode=0.

RBI (2013a). *RBI/2012-13/391. A. P. (DIR Series) Circular No.80*. Retrieved August 18, 2014, from http://rbi.org.in/scripts/NotificationUser.aspx?Id=7823&Mode=0.

RBI (2013b). *RBI/2013-14/181. A. P. (DIR Series) Circular No.24*. Retrieved August 17, 2014, from http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=8306&Mode=0.

RBI (2013c). *RBI/2013-14/220. A.P. (DIR Series) Circular No.30*. Retrieved August 20, 2014, from http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=8369&Mode=0.

RBI (2013d). *Statement by Dr. Raghuram Rajan on taking office on September 4, 2013*. Retrieved August 19, 2014, from http://rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=29479.

RBI (2014a). *Facilities for Non Resident Indians (NRIs) and Persons of Indian Origin (PIOs)*. Retrieved August 22, 2014, from http://www.rbi.org.in/scripts/FAQView.aspx?Id=52.

RBI (2014a). *Priority Sector Lending - Targets and Classification*. Retrieved August 13, 2014, from http://rbi.org.in/Scripts/FAQView.aspx?Id=87.

RBI (2014b). *RBI/2013-14/624. A.P. (DIR Series) Circular No. 138*. Retrieved August 17, 2014, from http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=8918&Mode=0.

RBI (2014c). *RBI/2014-15/153. A.P. (DIR Series) Circular No. 17*. Retrieved August 18, 2014, from http://rbi.org.in/Scripts/NotificationUser.aspx?Mode=0&Id=9139.

Reddy, Y. V. (2001). Operationalising capital account liberalization: the Indian experience. *Development Policy Review, 19* (1), 83-99.

Reddy, Y. V. (2007). Point of view: converting a tiger. *Finance & Development, 44* (1), 20-23.

Reddy, Y. V. (2010). Asia-counter-cyclical policies: Indian experience and some general observations. *Journal of Globalization and Development, 1* (1), Article 11.

Reinhardt, D. & Dell'Erba, S. (2013). *Not all capital waves are alike: a sector-level examination of surges in FDI inflows*. Retrieved July 8, 2013, from http://www.voxeu.org/article/fdi-surges-not-all-capital-waves-are-alike.

Reinhardt, D., Ricci, L. A. & Tressel, T. (2010). *International capital flows and development: financial openness matters*. IMF working paper, no. 10/235. Washington D.C.: International Monetary Fund.

Reinhart, C. M., Kirkegaard, J. F. & Sbrancia, M. B. (2011). Financial repression redux. *Finance & Development, 48* (1), 22-26.

Reuters (2011b). *France's Lagarde urges G20 currency group*. Retrieved June 10, 2012, from http://www.reuters.com/article/2011/01/30/france-lagarde-idUSLDE70T0JJ20110130.

Reuters (2013). *Bundesbank warms to capital controls in currency war debate*. Retrieved February 6, 2013, from http://www.reuters.com/article/2013/01/24/emerging-currencies-germany-idUSL6N0AT5VE20130124.

Reuters (2014). *China outstanding QFII quota at $59.7 bln as of end-August*. Retrieved September 2, 2014, from http://uk.reuters.com/article/2014/08/28/china-investment-qfii-idUKB9N0QQ00T20140828.

Rhee, C. (2012). *Inequality is the real threat to Asia's growth miracle*. Retrieved March 24, 2014, from http://www.adb.org/news/op-ed/inequality-real-threat-asias-growth-miracle.

Riggirozzi, P. (2010). Social policy in post-neo-liberal Latin America: the cases of Argentina, Venezuela and Bolivia. *Development, 53* (1), 70-76.

Roberts, M. (2014). *Sam Gindin and 'the cause of every crisis is different'*. Retrieved May 19, 2014, from http://thenextrecession.wordpress.com/2014/03/19/sam-gindin-and-the-cause-of-every-crisis-is-different/.

Robinson, W. I. (2005). Gramsci and globalisation: from nation-state to transnational hegemony. *Critical Review of International Social and Political Philosophy, 8* (4), 1-16.

Rocha, G. M. (1994). Redefining the role of the bourgeoisie in dependent capitalist development: privatization and liberalization in Brazil. *Latin American Perspectives, 21* (1), 72-98.

Rocha, G. M. (2002). Neo-dependency in Brazil. *New Left Review*, 16, 5-33.

Rodlauer, M. (2013). Concluding remarks. In M. Rodlauer & P. N'Diaye (2013). *IMF and PBC Joint Conference on "Capital flows management: lessons from international experience"* (pp. 281-282). Washington D.C.: International Monetary Fund.

Rodrigues, J. & Xie, Y. (2013). *India fighting worst crisis since '91 limits capital flows*. Retrieved December 11, 2013, from http://www.bloomberg.com/news/2013-08-14/india-restricts-foreign-exchange-outflows.html.

Rodrik, D. (1998). Who needs capital-account convertibility? In Kenen, P. B. (ed.). *Should the IMF pursue capital-account convertibility?* (pp. 55-65). Princeton: Princeton University Printing Services.

Rodrik, D. (2007). *The inescapable trilemma of the world economy*. Retrieved September 10, 2014, from http://rodrik.typepad.com/dani_rodriks_weblog/2007/06/the-inescapable.html.

Rodrik, D. (2010). *The end of an era in finance*. Retrieved June 11, 2011, from http://www.project-syndicate.org/commentary/rodrik41/English.

Rodrik, D. (2011). The globalization paradox: democracy and the future of the world economy. New York: W. W. Norton & Company.

Rodrik, D. & Subramanian, A. (2004). *From "Hindu growth" to productivity surge: the mystery of the Indian growth transition*. IMF working paper, no. WP/04/77. Washington D.C.: International Monetary Fund.

Rodrik, D. & Subramanian, A. (2009). Why did financial globalization disappoint? *IMF Staff Papers, 56* (1), 112-138.

Roett, R. (2010). *The new Brazil*. Washington D.C.: The Brookings Institution.

Rogoff, K. S. (2002). Rethinking capital controls: when should we keep an open mind? *Finance & Development, 39* (4), 2-4.

Rosen, D. H. & Hanemann, T. (2009). *China's changing outbound foreign direct investment profile: drivers and policy implications*. Policy Brief, PB09-14. Washington D.C.: Peterson Institute for International Economics.

Ross, J. (2014). *The dangers of exaggerating RMB internationalisation*. Retrieved September 16, 2014, from http://ablog.typepad.com/keytrendsinglobalisation/2014/07/the-dangers-of-exaggerating-rmb-internationalisation.html.

Rossi, M. (1999). *Financial fragility and economic performance in developing economies: do capital controls, prudential regulation and supervision matter?* IMF working paper, no. 99/66. Washington D.C.: International Monetary Fund.

Rostowski, J. (2011). *IMFC Statement by Mr. Rostowski*. Retrieved August 29, 2014, from http://www.imf.org/external/am/2011/imfc/statement/eng/eu.pdf.

Roubini, N. (2011). *Is capitalism doomed?* Retrieved May 13, 2014, from http://www.project-syndicate.org/commentary/is-capitalism-doomed.

Rucki, S. M. (2011). Global economic crisis and China's challenge to global hegemony: a neo-Gramscian approach. *New Political Science, 33* (3), 335-355.

Rude, C. (2008). The role of financial discipline in imperial strategy. In L. Panitch & M. Konings (eds.). *American empire and the political economy of global finance* (pp. 198-222). Basingstoke: Palgrave Macmillan.

Ruggie, J. G. (1982). International regimes, transactions, and change: embedded liberalism in the postwar economic order. *International Organization, 36* (2), 379-415.

Rumsey, J. (2011). *Latin American IFCs take advantage of global economic stagnation*. Retrieved December 27, 2011, from http://www.thebanker.com/Banker-Data/International-Financial-Centres/Latin-American-IFCs-take-advantage-of-global-economic-stagnation.

Rumsey, J. (2013). *How will Brazil's private banks see off multiple challenges?* Retrieved March 7, 2013, from http://www.thebanker.com/World/Americas/Brazil/How-will-Brazil-s-private-banks-see-off-multiple-challenges.

Rupert, M. (1998). (Re-)engaging Gramsci: a response to Germain and Kenny. *Review of International Studies, 24* (3), 427-434.

Rupert, M. (2010). Post-Fordist capitalism and imperial power: toward a neo-Gramscian view. In A. Anievas (ed.). *Marxism and world politics: contesting global capitalism* (pp. 94-109). London: Routledge.

Ryner, M. (2010). An obituary for the Third Way: the financial crisis and social democracy in Europe. *The Political Quarterly, 81* (4), 554-563.

Saad-Filho, A. (1998). Redefining the role of the bourgeoisie in dependent capitalist development: some critical comments. *Latin American Perspectives, 25* (1), 192-197.

Saad-Filho, A. (2003). New dawn or false start in Brazil? The political economy of Lula's election. *Historical Materialism, 11* (1), 3-21.

Saad-Filho, A. (2010). Neoliberalism in crisis: a Marxist analysis. *Marxism 21, 7* (1), 247-270.

Saad-Filho, A. (2013). *The mass protests in Brazil in June-July 2013*. Retrieved July 15, 2013, from http://www.socialistproject.ca/bullet/851.php.

Saad-Filho, A. & Mollo, M. L. R. (2002). Inflation and stabilization in Brazil: a political economy analysis. *Review of Radical Political Economics, 34* (2), 109-135.

Saad-Filho, A. & Yalman, G. L. (2010). Introduction. In A. Saad-Filho & G. L. Yalman (eds.). *Economic transitions to neoliberalism in middle-income countries: policy dilemmas, economic crises, forms of resistance* (pp. 1-7). Abingdon: Routledge.

Sablowski, T. (2008). Towards the Americanization of European finance? The case of finance-led accumulation in Germany. In L. Panitch & M. Konings (eds.). *American empire and the political economy of global finance* (pp. 135-158). Basingstoke: Palgrave Macmillan.

Sader, E. (2005). Taking Lula's measure. *New Left Review*, 33, 59-80.

Sader, E. (2009). Postneoliberalism in Latin America. *Development Dialogue*, no. 51, 171-179.

Sader, E. (2014). *Brics: a hegemonia alternative*. Retrieved September 9, 2014, from http://www.cartamaior.com.br/?/Blog/Blog-do-Emir/Brics-a-hegemonia-alternativa/2/31410.

SAFE (2012a). *Actively adapting to the new situation in opening up and orderly advancing convertibility under capital account*. Retrieved October 24, 2012, from http://www.safe.gov.cn/wps/portal/!ut/p/c4/04_SB8K8xLLM9MSSzPy8xBz9CP0os3gPZxdnX293QwN_f0tXA08zR9PgYGd3Yx8fE_2CbEdFAM9sw9Y!/?WCM_GLOBAL_CONTEXT=/wps/wcm/connect/safe_web_store/state+administration+of+foreign+exchange/safe+news/43bd85804b86c9a7be80fe3389f14227.

SAFE (2012b). *An interview with an official from the SAFE on issues concerning the QFII investment quota*. Retrieved October 24, 2012, from http://www.safe.gov.cn/wps/portal/!ut/p/c5/04_SB8K8xLLM9MSSzPy8xBz9CP0os3gPZxdnX293QwP30FAnA8_AEBc3C1NjI3dfQ6B8JG55MwMCusNB9uHXD5I3wAEcDfT9PPJzU_ULciMMskwcFQFUE0KJ/dl3/d3/L2dJQSEvUUt3QS9ZQnZ3LzZfSENEQ01LRzEwT085RTBJNkE1U1NDRzNMTDQ!/?WCM_GLOBAL_CONTEXT=/wps/wcm/connect/safe_web_store/state+administration+of+foreign+exchange/safe+news/227a85004bf59c7c91b09b4393d9cc2e.

SAFE (2012c). *An interview with a relevant official of the State Administration of Foreign Exchange on issues concerning cracking down on irregular capital flows in recent years.* Retrieved October 24, 2012, from http://www.safe.gov.cn/wps/portal/!ut/p/c5/04_SB8K8xLLM9MSSzPy8xBz9CP0os3gPZxdnX293QwP30FAnA8_AEBc3C1NjI3dfQ6B8JG55MwMCusNB9uHXD5I3wAEcDfT9PPJzU_ULciMMskwcFQFUE0KJ/dl3/d3/L2dJQSEvUUt3QS9ZQnZ3LzZfSENEQ01LRzEwT085RTBJNkE1U1NDRzNMTDQ!/?WCM_GLOBAL_CONTEXT=/wps/wcm/connect/safe_web_store/state+administration+of+foreign+exchange/safe+news/1c981d004b86c4aabe0afe3389f14227.

SAFE (2014a). *The time-series data of Balance of payments of China, Quarterly*. Retrieved September 23, 2014, from http://www.safe.gov.cn.

SAFE (2014b). *The time-series data of China's Foreign Exchange Reserves*. Retrieved September 5, 2014, from http://www.safe.gov.cn.

Sahay, R. (2013). Capital account management: lessons from international experience. In M. Rodlauer & P. N'Diaye (2013). *IMF and PBC Joint Conference on "Capital flows management: lessons from international experience"* (pp. 222-231). Washington D.C.: International Monetary Fund.

Sahoo, S. (2010). Political mobilization, the poor and democratization in neo-liberal India. *Journal of Contemporary Asia, 40* (3), 487-508.

Sakoui, A. (2014). *Huge cash pile puts recovery in hands of the few*. Retrieved January 22, 2014, from http://www.ft.com/intl/cms/s/0/dc46d300-7937-11e3-91ac-00144feabdc0.html.

Salmon, F. (2013). *When the 2-and-20 crowd drives economic research*. Retrieved December 8, 2013, from http://blogs.reuters.com/felix-salmon/2013/12/04/when-the-2-and-20-crowd-drives-economic-research/.

Salmon, F. (2014). *Stop adding up the wealth of the poor*. Retrieved May 7, 2014, from http://blogs.reuters.com/felix-salmon/2014/04/04/stop-adding-up-the-wealth-of-the-poor/.

Samuels, D. (2004). From socialism to social democracy: party organization and the transformation of the Workers' Party in Brazil. *Comparative Political Studies, 37* (9), 999-1024.

Sandbrook, R. (2000). Globalization and the limits of neoliberal development doctrine. *Third World Quarterly, 21* (6), 1071–1080.

Sanyal, S. (2014). *India's East Asian dream*. Retrieved August 21, 2014, from https://www.project-syndicate.org/commentary/sanjeev-sanyal-asks-how-prime-minister-narendra-modi-can-realize-his-comprehensive-economic-policy-vision.

Sarai, D. (2008). US structural power and the internationalization of the US treasury. In L. Panitch & M. Konings (eds.). *American empire and the political economy of global finance* (pp. 71-89). Basingstoke: Palgrave Macmillan.

Saraswati, J. (2008). The Indian IT industry and neoliberalism: the irony of a mythology. *Third World Quarterly, 29* (6), 1139-1152.

Sarkar, A. (2007). Derivatives. In K. Basu (ed.). *The Oxford Companion to Economics in India* (pp. 99-104). New Delhi: Oxford University Press.

Sarkozy, N. (2011). *Address by the President of the French Republic Nicolas Sarkozy: Opening of the G20 Seminar on Reform of the International Monetary System*. Retrieved April 29, 2012, from http://www.g20-g8.com/g8-g20/g20/english/for-the-press/speeches/opening-of-the-g20-seminar-on-reform-of-the-ims.1095.html.

Saull, R. (2012). Rethinking hegemony: uneven development, historical blocs, and the world economic crisis. *International Studies Quarterly, 56* (2), 323-338.

Schäuble, W. (2011a). *IMFC Statement by Wolfgang Schäuble*. Retrieved August 29, 2014, from https://www.imf.org/External/AM/2011/imfc/statement/eng/deu.pdf.

Schäuble, W. (2011b). *IMFC Statement by Wolfgang Schäuble*. Retrieved August 29, 2014, from https://www.imf.org/external/spring/2011/imfc/statement/eng/deu.pdf.

Schäuble, W. (2013). *IMFC Statement by Wolfgang Schäuble*. Retrieved August 29, 2014, from https://www.imf.org/External/spring/2013/imfc/statement/eng/deu.pdf.

Schmalz, S. & Ebenau, M. (2012). After neoliberalism? Brazil, India, and China in the global economic crisis. *Globalizations, 9* (4), 487-501.

Schneider, B. R. (2009). Hierarchical market economies and varieties of capitalism in Latin America. *Journal of Latin American Studies, 41* (3), 553-575.

Schneiderman, D. (2000). Investment rules and the new constitutionalism. *Law and Social Inquiry, 25* (3), 757-787.

Schucher, G. (2009). China's employment crisis – a stimulus for policy change? *Journal of Current Chinese Affairs, 38* (2), 121-144.

Schuman, M. (2013). *Marx's revenge: how class struggle is shaping the world*. Retrieved April 8, 2014, from http://business.time.com/2013/03/25/marxs-revenge-how-class-struggle-is-shaping-the-world.

Schwartz, H. (2008). Housing, global finance, and American hegemony: building conservative politics one brick at a time. *Comparative European Politics, 6* (3), 262-284.

Schwartzman, K. C. (2006). Globalization from a world-system perspective: a new phase in the core – a new destiny for Brazil and the semiperiphery? *Journal of World-Systems Research, XII* (2), 265-307.

Schwarzmantel, J. (2005). Challenging neoliberal hegemony. *Contemporary Politics, 11* (2-3), 85-98.

SEBI (2004a). *Circular No. IMD/CUST/14/2004*. Retrieved August 17, 2014, from http://www.sebi.gov.in/cms/sebi_data/pdffiles/16208_t.pdf.

SEBI (2004b). *Sub: FII Investment in Debt Securities*. Retrieved August 17, 2014, from http://www.sebi.gov.in/cms/sebi_data/pdffiles/10140_t.pdf.

SEBI (2006). *Circular No. IMD/FII/20/2006*. Retrieved August 17, 2014, from http://www.sebi.gov.in/cms/sebi_data/attachdocs/1292313184653.pdf.

SEBI (2008a). *Circular No. IMD/FII & C/27/2008*. Retrieved August 17, 2014, from http://www.sebi.gov.in/cms/sebi_data/attachdocs/1290498305577.pdf.

SEBI (2008b). *Circular No. IMD/FII & C/29/2007*. Retrieved August 17, 2014, from http://www.sebi.gov.in/circulars/2008/fiicir2908.pdf.

SEBI (2008c). *Circular No. IMD/FII & C/33/2007*. Retrieved August 18, 2014, from http://www.sebi.gov.in/cms/sebi_data/pdffiles/7212_t.pdf.

SEBI (2009). *Circular No. IMD/FII & C/38/2009*. Retrieved August 21, 2014, from http://www.sebi.gov.in/cms/sebi_data/pdffiles/5927_t.pdf.

SEBI (2014). *CIR/IMD/FIIC/8/2014*. Retrieved August 18, 2014, from http://www.sebi.gov.in/cms/sebi_data/attachdocs/1396874476837.pdf.

Seccareccia, M. (1995). Keynesianism and public investment: a left-Keynesian perspective on the role of government expenditures and debt. *Studies in Political Economy*, vol. 46, 43-78.

Sekine, E. (2010). The international operations and future governance of China Development Bank. *Nomura Journal of Capital Markets, 2* (2), 1-17.

Sekine, E. (2011). Renminbi trade settlement as a catalyst to Hong Kong's development as an offshore renminbi center. *Nomura Journal of Capital markets, 3* (1), 1-14.

Sekine, E. (2012a). Renminbi-denominated inward direct investment gets underway in China. *Nomura Journal of Capital Markets, 3* (4), 1-12.

Sekine, E. (2012b). Reaffirmation and reinforcement of Shanghai's future as an international financial center. *Nomura Journal of Capital Markets, 4* (1), 1-9.

Sekler, N. (2009). Postneoliberalism from and as a counter-hegemonic perspective. *Development Dialogue*, no. 51, 59-71.

Sen, P. (2006). Case against rushing into full capital account convertibility. *Economic and Political Weekly, 41* (19), 1853-1857.

Sender, H. (2012a). *China is outgrowing its financial system*. Retrieved July 21, 2012, from http://www.ft.com/intl/cms/s/0/66f2a4b4-d17f-11e1-bb82-00144feabdc0.html.

Sender, H. (2012b). *Renminbi to increase global trade role*. Retrieve d June 26, 2012, from http://www.ft.com/intl/cms/s/0/5a09a3be-bace-11e1-83e0-00144feabdc0.html.

Sender, H. (2013). *Chinese seek change as continuity rules*. Retrieved March 20, 2013, from http://www.ft.com/intl/cms/s/0/8107d8e6-90ac-11e2-a456-00144feabdc0.html.

Sengupta, M. (2009). Making the state change its mind – the IMF, the World Bank and the politics of India's market reforms. *New Political Economy, 14* (2), 181-210.

Seria, N. (2011). *BRICS 'wary' of IMF rules on capital controls, South Africa's Davies says*. Retrieved February 5, 2012, from http://www.bloomberg.com/news/2011-04-17/brics-wary-of-imf-rules-on-capital-controls-south-africa-s-davies-says.html.

Serrano, F. & Summa, R. (2011). *Macroeconomic policy, growth and income distribution in the Brazilian economy in the 2000s*. Retrieved August 10, 2014, from http://www.cepr.net/documents/publications/brazil-2011-06.pdf.

Shah, A. & Patnaik, I. (2007). India's experience with capital flows: the elusive quest for a sustainable current account deficit. In S. Edwards (ed.). *Capital controls and capital flows in emerging economies: policies, practices, and consequences* (pp. 609-643). Chicago: The University of Chicago Press.

Shah, A. & Patnaik, I. (2008). *Managing capital flows: the case of India*. NIPFP working papers, working paper 2008-52. New Delhi: National Institute of Public Finance and Policy.

Shah, A. & Patnaik, I. (2011). *Reforming the Indian financial system*. NIPFP working papers, working paper 2011-80. New Delhi: National Institute of Public Finance and Policy.

Shastri, V. (1997). The politics of economic liberalization in India. *Contemporary South Asia, 6* (1), 27-56.

Shaxson, N., Christensen, J. & Mathiason, N. (2012). *Inequality: you don't know the half of it (or why inequality is worse than we thought)*. Retrieved May 19, 2014, from http://www.taxjustice.net/cms/upload/pdf/Inequality_120722_You_dont_know_the_half_of_it.pdf.

Sheng, L. (2012). Dealing with financial risks of international capital flows: a theoretical framework. *Cambridge Review of International Affairs, 25* (3), 463-474.

Shields, S. (2008). How the East was won: transnational social forces and the neoliberalisation of Poland's post-communist transition. *Global Society, 22* (4), 445-468.

Shields, S. (2011). From the Washington Consensus to the Brussels Consensus: neoliberalisation by depoliticisation in post-communist Poland. *Socialism and Democracy, 25* (2), 81-103.

Shih, V. (2011). "Goldilocks" liberalization: the uneven path toward interest rate reform in China. *Journal of East Asian Studies, 11* (3), 437-465.

Shin, H. S. (2011). Capital flows and financial stability: lessons for Europe from emerging economies. *Global Asia, 6* (4), 28-32.

Shinn, J. (2014). *China's rate liberalization stakes: who wins, who loses?* Retrieved September 24, 2014, from http://www.institutionalinvestor.com/Article/3332609/Banking-and-Capital-Markets-Emerging-Markets/Chinas-Rate-Liberalization-Stakes-Who-Wins-Who-Loses.html?ArticleId=3332609&single=true.

Shotter, J. & Wildau, G. (2014). *China and Switzerland sign bilateral currency swap line*. Retrieved September 4, 2014, from http://www.ft.com/intl/cms/s/0/d79001d8-10b8-11e4-812b-00144feabdc0.html.

Siegel, D. E. (2013). Capital account restrictions, trade agreements, and the IMF. In K.P. Gallagher & L. E. Stanley (eds.). *Capital account regulations and the trading system: a compatibility review* (pp. 67-79). Boston: The Frederick S. Pardee Center for the Study of the Longer-Range Future.

Simon, R. (1990). *Gramsci's political thought: an introduction*. London: Lawrence & Wishart.

Sinclair, T. J. (1996). Beyond international relations theory: Robert W. Cox and approaches to world order. In R. W. Cox & T. J. Sinclair. *Approaches to World Order* (pp. 3-18). Cambridge: Cambridge University Press.

Singer, A. (2009). Raízes sociais e ideológicas do Lulismo. *Novos Estudos*, no. 85, 83-102.

Singh, A. (2005). Globalisation and the regulation of FDI: new proposals from the European Community and Japan. *Contributions to Political Economy, 24* (1), 99-121.

Singh, K. (2013). *Should India ease entry rules for foreign banks?* Madhyam Briefing Paper, #13. New Delhi: Madhyam.

Singh, M. (2007). *Use of participatory notes in India equity markets and recent regulatory changes*. IMF working paper, no. WP/07/291. Washington D.C.: International Monetary Fund.

Singh, S. (2009). *Foreign capital flows into India: compositions, regulations, issues and policy options*. Asia Research Centre Working Paper, no. 155. Perth: Murdoch University.

Skocpol, T. (1980). Political response to capitalist crisis: neo-Marxist theories of the state and the case of the New Deal. *Politics & Society, 10* (2), 155-201.

Snyder, Q. Z. (2013). Integrating rising powers: liberal systemic theory and the mechanism of competition. *Review of International Studies, 39* (1), 209-231.

So, A. Y. (2003). The changing pattern of classes and class conflict in China. *Journal of Contemporary Asia, 33* (3), 363-376.

Soederberg, S. (2002). A historical materialist account of the Chilean capital control: prototype policy for whom? *Review of International Political Economy, 9* (3), 490-512.

Soederberg, S. (2004). Unravelling Washington's judgement calls: the cases of the Malaysian and Chilean capital controls. *Antipode, 36* (1), 43-65.

Soederberg, S. (2010). Socially responsible investment and neoliberal discipline in emerging markets. In A. Saad-Filho & G. L. Yalman (eds.). *Economic transitions to neoliberalism in middle-income countries: policy dilemmas, economic crises, forms of resistance* (pp. 62-73). Abingdon: Routledge.

Song, L., Yang, J. & Zhang, Y. (2011). State-owned enterprises' outward investment and the structural reform in China. *China & World Economy, 19* (4), 38-53.

Song, S. (2007). *China's QDII quota hits 42.17 bln USD by end of Sept*. Retrieved April 26, 2013, from http://news.xinhuanet.com/english/2007-11/04/content_7009490.htm.

Souza, F. E. P. & Carvalho, F. J. C. (2011). Exchange rate regulation, the behavior of exchange rates, and macroeconomic stability in Brazil. *Brazilian Journal of Political Economy, 31* (4), 563-578.

Spagnoli, F. (2010).*Statistics on poverty in India*. Retrieved August 15, 2014, from http://filipspagnoli.wordpress.com/stats-on-human-rights/statistics-on-poverty/statistics-on-poverty-in-india.

Sparke, M. (2006). Political geography: political geographies of globalization (2) – governance. *Progress in Human Geography, 30* (3), 357-372.

Speller, W., Thwaites, G. & Wright, M. (2011). *The future of international capital flows*. Bank of England financial stability paper, no. 12. London: Bank of England.

Spiegel, S. (2012). How to evade capital controls… and why they can still be effective. In K. P. Gallagher, S., Griffith-Jones & J. A. Ocampo (eds.). *Regulating global capital flows for long-run development* (pp. 71-84). Boston: The Frederick S. Pardee Center for the Study of the Longer-Range Future.

Spiegel, S., Montes, M. F. & Vos, R. (2010). *Coordinating capital account regulation*. UN-DESA Policy Brief, no. 30. New York: United Nations Department of Economic and Social Affairs.

Springer, S. (2010). Neoliberalism and geography: expansions, variegations, formations. *Geography Compass, 4* (8), 1025-1038.

Springer, S. (2012). Neoliberalism as discourse: between Foucauldian political economy and Marxian poststructuralism. *Critical Discourse Studies, 9* (2), 133-147.

SSE (2012). *QFII Scheme Developments*. Retrieved September 24, 2014, from http://english.sse.com.cn/investors/introductiontoQFII/QFIIschemedevelop.

Standard Chartered (2013). *The super-cycle lives: EM growth is key*. Retrieved August 27, 2014, from https://www.sc.com/zm/press-releases/en/_pdf/Emerging-Markets-Report-The-super-cycle-lives-6-Nov-13.pdf.

Stedile, J. P. (2007). The neoliberal agrarian model in Brazil. *Monthly Review, 58* (9), 50-54.

Stein, B. (2006). *In class warfare, guess which class is winning*. Retrieved September 30, 2014, from http://www.nytimes.com/2006/11/26/business/yourmoney/26every.html?_r=0.

Stephen, M. (2014). Rising powers, global capitalism and liberal global governance: a historical materialist account of the BRICs challenge. *European Journal of International Relations*, DOI: 10.1177/1354066114523655.

Stephens, P. (2012). *Leaders who generate diminishing returns*. Retrieved January 19, 2012, from http://www.ft.com/intl/cms/s/0/36297676-413f-11e1-8c33-00144feab49a.html.

Stewart, J. B. (2013). *The myth of the rich who flee from taxes*. Retrieved August 27, 2013, from http://www.nytimes.com/2013/02/16/business/high-taxes-are-not-a-prime-reason-for-relocation-studies-say.html.

Stiglitz, J. E. (2002). Capital market liberalization and exchange rate regimes: risk without reward. *The Annals of the American Academy of Political and Social Science, 579* (1), 219-248.

Stiglitz, J. E. (2004). Capital-market liberalization, globalization, and the IMF. *Oxford Review of Economic Policy, 20* (1), 57-71.

Stiglitz, J. (2008). *The end of neo-liberalism?* Retrieved February 10, 2012, from http://www.project-syndicate.org/commentary/stiglitz101/English.

Stiglitz, J. (2011). *The IMF's switch in time*. Retrieved August 28, 2014, from https://www.project-syndicate.org/commentary/the-imf-s-switch-in-time.

Stockhammer, E. (2008). Some stylized facts on the finance-dominated accumulation regime. *Competition & Change, 12* (2), 184-202.

Stockhammer, E. (2010). *Neoliberalism, income distribution and the causes of the crisis*. Research on Money and Finance discussion paper, no. 19. London: Kingston University.

Strange, G. (2002). Globalisation, regionalism and labour interests in the new international political economy. *New Political Economy, 7* (3), 343-365.

Strange, G. (2006). The left against Europe? A critical engagement with new constitutionalism and structural dependence theory. *Government and Opposition, 41* (2), 197–229.

Strange, G. (2011). China's post-Listian rise: beyond radical globalization theory and the political economy of neoliberal hegemony. *New Political Economy, 16* (5), 539-559.

Straszheim, D. H. (2008). China rising. *World Policy Journal,* 25 (3), 157-170.

Strauss, D. (2014). *Real stabilises after swaps fightback*. Retrieved August 5, 2014, from http://www.ft.com/intl/cms/s/0/140b736c-ec07-11e3-ab1b-00144feabdc0.html.

Straw, W. & Glennie, A. (2012). *The Third Wave of globalisation*. Report of the IPPR review on the Future of Globalisation led by Lord Mandelson, January 2012. London: Institute for Public Policy Research.

Strongin, D. (2006). Tapping into China's securities industry. *The China Business Review, 33* (3), 38-44.

Subacchi, P. (2010). *'One currency, two systems': China's renminbi strategy*. Chatham House briefing paper, IE PB 2010/01. London: Chatham House.

Subbarao, D. (2010a). *India and the global financial crisis transcending from recovery to growth*. Speech given at the Peterson Institute for International Economics, Washington D.C., April 26, 2010. New Delhi: RBI.

Subbarao, D. (2010b). *Volatility in capital flows: some perspectives*. Speech given at the High-level Conference on 'The International Monetary System', Zurich, May 11, 2010. New Delhi: RBI.

Subbarao, D. (2013). *Capital account management*. Speech given at the "Rethinking macro policy II" conference, Washington D.C., April 17, 2013. New Delhi: RBI.

Subramanian, A. (2007). Capital account convertibility: a neglected consideration. *Economic and Political Weekly, 42* (25), 2413-2418.

Subramanian, A. (2008). *Self-insurance – the debate India must have*. Retrieved December 1, 2011, from http://www.voxeu.org/index.php?q=node/2620.

Subramanian, A. (2009). *Coordinated capital controls: a further elaboration*. Retrieved November 25, 2011, from http://baselinescenario.com/2009/11/29/coordinated-capital-controls-a-further-elaboration.

Subramanian, A. (2011). *The yuan: the proposer's opening remarks*. Retrieved December 7, 2011, from http://economist.com/debate/days/view/756.

Subramanian, A. (2012a). *China and India: right policy, wrong place*. Retrieved January 10, 2012, from http://www.ft.com/intl/cms/s/0/e041a3b4-3abd-11e1-a756-00144feabdc0.html.

Subramanian, A. (2012b). *China's next generation should look to Zhu*. Retrieved April 9, 2012, from http://www.ft.com/intl/cms/s/0/de483c9e-7cb2-11e1-9d8f-00144feab49a.html.

Subramanian, A. (2012c). International regulation of the capital account. In K. P. Gallagher, S., Griffith-Jones & J. A. Ocampo (eds.). *Regulating global capital flows for long-run development* (pp. 111-117). Boston: The Frederick S. Pardee Center for the Study of the Longer-Range Future.

Subramanian, A. (2013). *Thank you, Mr Bernanke?* Retrieved June 25, 2013, from http://www.business-standard.com/article/opinion/thank-you-mr-bernanke-113062500967_1.html.

Sud, N. (2009). The Indian state in a liberalizing landscape. *Development and Change, 40* (4), 645-665.

Suttle, P., Huefner, F., Koepke, R., Morkunaite, K. & Tiftik, E. (2012). *Capital flows to emerging market economies*. IIF research note, June 7, 2012. Washington D.C.: Institute of International Finance.

Swan, W. (2012). *IMFC Statement by Mr. Wayne Swan*. Retrieved August 29, 2014, from https://www.imf.org/External/spring/2012/imfc/statement/eng/aus.pdf.

SWIFT (2011). *RMB internationalisation: implications for the global financial industry*. Retrieved September 19, 2012, from http://www.swift.com/resources/documents/RMB_White_paper_internationalisation.pdf.

Swyngedouw, E. (2004). Globalisation or 'glocalisation'? Networks, territories and rescaling. *Cambridge Review of International Affairs, 17* (1), 25-48.

Swyngedouw, E. (2009). The communist hypothesis and revolutionary capitalisms: exploring the idea of communist geographies for the twenty-first century. *Antipode, 41* (S1), 298-319.

Tabb, W. K. (1999). Labor and the imperialism of finance. *Monthly Review, 51* (5), 1-13.

Tabb, W. K. (2006). The power of the rich. *Monthly Review, 58* (3), 6-17.

Talley, I. (2013). *World Bank issues first rupee-linked bonds*. Retrieved August 22, 2014, from http://blogs.wsj.com/indiarealtime/2013/11/20/world-bank-issues-first-rupee-linked-bonds.

Talley, I. & Reddy, S. (2011). *IMF reverses position on capital controls.* Retrieved June 8, 2011, from http://online.wsj.com/article/SB10001424052748703712504576245004198979930.html.

Talwar Thakore & Associates (2013). *The Banking Laws (Amendment) Act, 2012 notified*. Retrieved August 26, 2014, from http://www.linklaters.com/pdfs/mkt/london/India_Banking_Laws_Act.pdf.

Tamirisa, N. T. (2004). *Do macroeconomic effects of capital controls vary by their type? Evidence from Malaysia*. IMF working paper, no. 04/3. Washington D.C.: International Monetary Fund.

Tan, C. L. (2014). *The RQFII program – opportunities and challenges for international investors interested in direct access to PRC securities with offshore RMB*. Retrieved September 2, 2014, from http://www.klgates.com/files/Publication/10417b76-dfe9-44e6-96db-a1e060f65edc/Presentation/PublicationAttachment/370023e4-f27e-47ed-9d78-a482d3ff0245/IM_Alert_06042014.pdf.

Tannenwald, R. Shure, J. & Johnson, N. (2011). *Tax flight is a myth: higher state taxes bring more revenue, not more migration*. Retrieved August 29, 2013, from http://www.cbpp.org/files/8-4-11sfp.pdf.

Tarapore, S. S. (1998). An Indian approach to capital-account convertibility. In Kenen, P. B. (ed.). *Should the IMF pursue capital-account convertibility?* (pp. 66-75). Princeton: Princeton University Printing Services.

Tarapore, S. S. (2014). *How to manage portfolio capital flows*. Retrieved August 19, 2014, from http://www.thehindubusinessline.com/opinion/columns/s-s-tarapore/how-to-manage-portfolio-capital-flows/article5966563.ece.

Tavolaro, S. B. F. & Tavolaro, L. G. M. (2007). Accounting for Lula's second-term electoral victory: "leftism" without a leftist project? *Constellations, 14* (3), 426-444.

Taylor, S. (2011). *BICs instead of BRICs?* Retrieved September 10, 2014, from http://www.simontaylorsblog.com/2011/09/29/bics-instead-of-brics.

Teitelbaum, E. (2006). Was the Indian labor movement ever co-opted? Evaluating standard accounts. *Critical Asian Studies, 38* (4), 389-417.

Telesur (2014). *Brazilian labor union backs Rousseff*. Retrieved August 12, 2014, from http://telesurtv.net/english/news/Brazilian-Labor-Union-Backs-Rousseff---20140802-0039.html.

Teschke, B. (2005). Bourgeois revolution, state formation and the absence of the international. *Historical Materialism, 13* (2), 3-26.

Tett, G. (2011). *Crisis fears fuel debate on capital controls*. Retrieved December 16, 2011, from http://www.ft.com/cms/s/0/fec556f6-272a-11e1-b7ec-00144feabdc0.html.

The Canadian Press (2014). *Canada's super-rich increase their share of country's wealth*. Retrieved May 7, 2014, from http://www.cbc.ca/news/politics/canada-s-super-rich-increase-their-share-of-country-s-wealth-1.2596278.

The Conference Board (2014). *The Conference Board Total Economy Database*. Retrieved July 17, 2014, from http://www.conference-board.org/data/economydatabase.

The Economic Times (2007). *FM rules out ban on participatory notes*. Retrieved August 25, 2014, from http://articles.economictimes.indiatimes.com/2007-10-18/news/27690018_1_pn-route-participatory-notes-capital-inflows.

The Economist (2009a). *Capital controls: Raining on India's parade*. Retrieved February 5, 2012, from http://www.economist.com/node/14753808.

The Economist (2009b). *India and capital flows: a world apart*. Retrieved February 13, 2012, from http://www.economist.com/node/14745085.

The Economist (2009c). *Troubled tigers: Asia needs a new engine of growth*. Retrieved September 7, 2014, from http://www.economist.com/node/13022067.

The Economist (2010). *The rising power of the Chinese worker*. Retrieved September 7, 2014, from http://www.economist.com/node/16693333.

The Economist (2012). China's capital controls: set the money free. *The Economist*, March 3, 2012, pp. 14-18.

The Economist (2013). *Stoneless rivers: can China feel its way across the turbulent waters of financial reform?* Retrieved January 9, 2013, from http://www.economist.com/news/finance-and-economics/21569021-can-china-feel-its-way-across-turbulent-waters-financial-reform-stoneless.

The Economist (2014). *Fixing China Inc: reform of state companies is back on the agenda*. Retrieved September 20, 2014, from http://www.economist.com/news/china/21614240-reform-state-companies-back-agenda-fixing-china-inc.

The Hindu (2008). *Tighten capital controls, CPI(M) counsels Centre*. Retrieved August 25, 2014, from http://www.thehindu.com/todays-paper/tp-national/tighten-capital-controls-cpim-counsels-centre/article1357627.ece.

The Hindu Business Line (2012). *RBI leaves key rates unchanged disappointing industry, market*. Retrieved July 9, 2012, from http://www.thehindubusinessline.com/industry-and-economy/banking/article3542097.ece.

The New Indian Express (2011). *Managing large capital flows a concern: FM*. Retrieved August 19, 2014, from http://www.newindianexpress.com/business/news/article362155.ece.

The New York Times (2014). *Was Marx right?* Retrieved April 7, 2014, from http://www.nytimes.com/roomfordebate/2014/03/30/was-marx-right.

The Wall Street Journal (2012). *India's reform debate: the Congress Party's public support for Wal-Mart marks a milestone*. Retrieved December 12, 2012, from http://online.wsj.com/article/SB10001424127887324024004578172934199675650.html.

Therborn, G. (2012). Class in the 21st century. *New Left Review*, 78, 5-29.

Thomas, S. & Chen, J. (2006). Banking on reform. *The China Business Review, 33* (3), 20-26.

Thompson, H. (1997). The nation-state and international capital flows in historical perspective. *Government and Opposition, 32* (1), 84-113.

Timewell, S. (2012). *The state of play: China's banks in 2012*. Retrieved August 16, 2012, from http://www.thebanker.com/World/The-state-of-play-China-s-banks-in-2012.

Timewell, S. (2013). *China's banks go from strength to strength*. Retrieved July 31, 2014, from http://www.thebanker.com/World/China-s-banks-go-from-strength-to-strength.

Timewell, S. (2014). *The unstoppable march of the renminbi*. Retrieved July 31, 2014, from http://www.thebanker.com/World/The-unstoppable-march-of-the-renminbi.

Timmons, H., Kumar, H. & Raina, P. (2012). *India opens door to foreign investment*. Retrieved September 19, 2012, from http://india.blogs.nytimes.com/2012/09/14/india-opens-door-to-foreign-investment/.

Tobin, J. (1999). Financial globalization. *Proceedings of the American Philosophical Society, 143* (2), 161-167.

Tomba, L. (2004). Creating an urban middle class: social engineering in Beijing. *The China Journal*, no. 51, 1-26.

Topalova, P. (2008). *India: is the rising tide lifting all boats?* IMF working paper, no. 08/54. Washington D.C.: International Monetary Fund.

Toporowski, J. (2010). The wisdom of property and the politics of the middle classes. *Monthly Review, 62* (4), 10-16.

Tremonti, G. (2011). *IMFC Statement by Giulio Tremonti*. Retrieved August 29, 2014, from https://www.imf.org/external/spring/2011/imfc/statement/eng/ita.pdf.

Tsai, K. S. (2005). Capitalists without a class: political diversity among private entrepreneurs in China. *Comparative Political Studies, 38* (9), 1130-1158.

Tsolakis, A. (2010). Opening up Open Marxist theories of the state: a historical materialist critique. *The British Journal of Politics & International Relations, 12* (3), 387-407.

Tsoukalas, K. (1999). Globalisation and 'the executive committee': reflections on the contemporary capitalist state. *The Socialist Register*, vol. 35, 56-75.

Turner, P. (2008). Financial globalisation and emerging market capital flows. *BIS papers*, no. 44, 1-10.

UNCTAD (2012). *World Investment Report 2012: towards a new generation of investment policies*. Geneva: UNCTAD.

UNCTAD (2013a). *Investment country profiles: India (March 2013)*. Retrieved July 17, 2014, from http://unctad.org/en/PublicationsLibrary/webdiaeia2013d4_en.pdf.

UNCTAD (2013b). *Trade and Development Report ,2013: adjusting to the changing dynamics of the world economy*. New York and Geneva: UNCTAD.

UNCTAD (2014a). *Global Investment Trends Monitor*, no. 15, 28 January 2014. Retrieved April 11, 2014, from http://unctad.org/en/PublicationsLibrary/webdiaeia2014d1_en.pdf.

UNCTAD (2014b). *UNCTADstat*. Retrieved on August 1, 2014, from http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx.

Underhill, G. R. D. (2003). States, markets and governance for emerging market economies: private interests, the public good and the legitimacy of the development process. *International Affairs, 79* (4), 755-781.

United News of India (2006). *CITU concerned over Tarapore Committee report*. Retrieved August 25, 2014, from http://news.oneindia.in/2006/09/02/citu-concerned-over-tarapore-committee-report-1157351860.html.

US-China Business Council staff (2007). Financial services. *The China Business Review, 34* (6), 18-23.

USCIB (2011). *USCIB pushes back against efforts to permit capital controls under FTAs*. Retrieved August 29, 2013, from http://www.uscib.org/docs/2011_02_07_capital_controls.pdf.

Vanaik, A. (2004). Myths of the Permit Raj. *New Left Review*, 29, 153-160.

Vasudevan, A. (2006). Great Indian story of convertibility. *Economic and Political Weekly, 41* (19), 1881-1884.

Vasudevan, N. (2012). *Participatory notes' share in total FII investments slumps to 7.9% despite government's assurance on taxation*. Retrieved August 25, 2014, from http://articles.economictimes.indiatimes.com/2012-06-02/news/31984167_1_pn-holders-total-fii-investments-participatory-notes.

Veja (2009). *Real é terceira moeda mais volatile do mundo*. Retrieved August 13, 2014, from http://veja.abril.com.br/noticia/economia/real-terceira-moeda-mais-volatil-mundo.

Venkatesh, C. A. M. R. (2008). *Capital account convertibility – a discussion paper on its impact on the Indian economy*. Retrieved December 11, 2013, from http://mrv.net.in/images/stories/convertibility/Capital.pdf.

Verma, S. (2014). *Capital controls in China are broken; Beijing faces a new 'impossible trinity'*. Retrieved September 20, 2014, from http://www.euromoney.com/Article/3329671/Category/6/ChannelPage/8959/Capital-controls-in-China-are-broken-Beijing-faces-a-new-impossible-trinity.html.

Vermeiren, M. (2014). *Power and imbalances in the global monetary system: a comparative capitalism perspective*. Basingstoke: Palgrave Macmillan.

Vermeiren, M. & Dierckx, S. (2012). Challenging global neoliberalism? The global political economy of China's capital controls. *Third World Quarterly, 33* (9), 1647-1668.

Vernengo, M. (2003). What's next for Brazil after neoliberalism? *Challenge, 46* (5), 59-75.

Vernengo, M. (2004a). External liberalization, stabilization, and the labor market in Brazil. *Latin American Perspectives, 31* (4), 62-75.

Vernengo, M. (2004b). *Fear, hope, and wishful thinking in Brazil*. Retrieved March 24, 2011, from http://www.dissentmagazine.org/article/?article=392.

Vernengo, M. (2006). *The political economy of monetary institutions in Brazil: the limits of the inflation targeting strategy, 1999-2005*. Department of Economics Working Paper Series, working paper no. 2006-05. Salt Lake City: University of Utah.

Vernengo, M. (2007). Fiscal squeeze and social policy during the Cardoso Administration (1995-2002). *Latin American Perspectives, 34* (5), 81-91.

Vernengo, M. (2011). The Brazilian economy after Lula: what to expect? *CESifo Forum, 12* (1), 17-22.

Vernengo, M. & Rochon, L.-P. (2000). Exchange rate regimes and capital controls. *Challenge, 43* (6), 76-92.

Vikaraman, S. (2012). *India needs more growth, more public investment: Vijay Kelkar*. Retrieved August 26, 2014, from http://articles.economictimes.indiatimes.com/2012-10-01/news/34198252_1_fiscal-deficit-current-account-deficit-vijay-kelkar.

Wade, R. (2008). The first-world debt crisis of 2007-2010 in global perspective. *Challenge, 51* (4), 23-54.

Wade, R. (2009). From global imbalances to global reorganisations. *Cambridge Journal of Economics, 33* (4), 539-562.

Wade, R. (2010). The great slump: what comes next? *Economic & Political Weekly, 45* (47), 54-62.

Wade, R. & Veneroso, F. (1998). The gathering world slump and the battle over capital controls. *New Left Review*, I/231, 13-42.

Waldmeir, P. (2014). *De facto head of Shanghai free-trade zone departs*. Retrieved September 19, 2014, from http://www.ft.com/intl/cms/s/0/d05cc574-3c8f-11e4-96b8-00144feabdc0.html.

Walker, K. (2008). Neoliberalism on the ground in rural India: predatory growth, agrarian crisis, internal colonization, and the intensification of class struggle. *The Journal of Peasant Studies, 35* (4), 557-620.

Walker, R. (2010). Karl Marx between two words: the antinomies of Giovanni Arrighi's *Adam Smith in Beijing*. *Historical Materialism, 18* (1), 52-73.

Walker, R. & Buck, D. (2007). The Chinese road: cities in the transition to capitalism. *New Left Review,* 46, 39-66.

Wallace, P. (2012). *Maturity brings diversification to the renminbi bond market*. Retrieved April 13, 2012, from http://www.thebanker.com/World/Asia-Pacific/China/Maturity-brings-diversification-to-the-renminbi-bond-market.

Wallerstein, I. (2011). Structural crisis in the world-system: where do we go from here? *Monthly Review, 62* (10), 31-39.

Wang, B. & Wang, H. (2011). Chinese manufacturing firms' overseas direct investment. In Golley, J. & Song, L. (eds.), *Rising China: global challenges and opportunities* (pp. 99-118). Canberra: ANU E Press.

Wang, H., Appelbaum, R. P., Degiuli, F. & Lichtenstein, N. (2009). China's New Labour Contract Law: is China moving towards increased power for workers? *Third World Quarterly, 30* (3), 485-501.

Wang, H. (2006). Depoliticized politics, from East to West. *New Left Review*, 41, 29-45.

Wang, H. (2011). The dialectics of autonomy and opening. *Critical Asian Studies, 43* (2), 237-260.

Wang, Q. K. (2011). The rise of neoclassical economics and China's WTO agreement with the United States in 1999. *Journal of Contemporary China, 20* (70), 449-465.

Wang, X. (2012). *Full convertibility of the yuan ruled out*. Retrieved January 21, 2013, from http://www.chinadaily.com.cn/china/2012-12/18/content_16027242.htm.

Wang, X. (2013). *SAFE remains alert to capital inflow dangers*. Retrieved April 10, 2013, from http://www.chinadaily.com.cn/cndy/2013-03/01/content_16265679.htm.

Wang, Y. (2000). China's domestic WTO debate. *The China Business Review, 27* (1), 54-62.

Wang, Y. (2006). China in the WTO: a Chinese view. *The China Business Review, 33* (5), 42-48.

Wang, Y. (2008). Domestic demand and continued reform: China's search for a new model. *Global Asia, 3* (4), 24-28.

Wang, Y. (2013). *US can take a page from China's banking playbook*. Retrieved August 5, 2013, from http://www.shanghaidaily.com/Opinion/shanghai-daily-columnists/US-can-take-a-page-from-Chinas-banking-playbook/shdaily.shtml.

WantChinaTimes.com (2012). *Chinese entrepreneurs too weak to push reforms: Lenovo founder*. Retrieved October 17, 2012, from http://www.wantchinatimes.com/news-subclass-cnt.aspx?id=20121017000079&cid=1102.

Warner, M., Hong, N S. & Xu, X. (2004). 'Late development' experience and the evolution of transnational firms in the People's Republic of China. *Asia Pacific Business Review, 10* (3/4), 324-345.

Waterman, P. (2008). A trade union internationalism for the 21st century: meeting the challenges from above, below and beyond. In A. Bieler, I. Lindberg & D. Pillay (eds.). *Labour and the challenges of globalization: what prospects for transnational solidarity?* (pp. 248-263). London: Pluto Press.

Watkins, S. (2010). Shifting sands. *New Left Review*, 61, 5-27.

Watson, M. (2001). International capital mobility in an era of globalisation: adding a political dimension to the 'Feldstein-Horioka puzzle'. *Politics, 21* (2), 81-92.

Watson, M. (2009). 'Habitation vs. improvement' and a Polanyian perspective on bank bail-outs. *Politics, 29* (3), 183-192.

Wei, G. (2013). *China equities turn inside out*. Retrieved January 21, 2013, from http://online.wsj.com/article/SB10001424127887324624404578253480029481100.html.

Wei, G. (2014). *China cracks down on money leaking out of its borders*. Retrieved September 19, 2014, from http://online.wsj.com/articles/china-cracks-down-on-money-leaking-out-of-its-borders-1408031457.

Wei, L. & Davis, B. (2014a). *China's Central Bank prevails in policy battles over economic future*. Retrieved July 11, 2014, from http://online.wsj.com/articles/chinas-central-bank-prevails-in-policy-battles-over-economic-future-1402270855.

Wei, L. & Davis, B. (2014b). *PBOC Vice Governor's star rises*. Retrieved July 11, 2014, from http://blogs.wsj.com/chinarealtime/2014/06/09/pboc-vice-governors-star-rises.

Wei, S. & Zhang, Z. (2007). *Collateral damage: exchange controls and international trade*. IMF working paper, no. 07/8. Washington D.C.: International Monetary Fund.

Weil, R. (2006). Conditions of the working classes in China. *Monthly Review, 58* (2), 25-48.

Weisbrot, M., Cordero, J. & Sandoval, L. (2009). *Empowering the IMF: should reform be a requirement for increasing the Fund's resources?* CEPR Report, April 2009. Washington D.C.: Center for Economic and Policy Research.

Wen, T. (2008). How China's migrant labourers are becoming the new proletariat. In A. Bieler, I. Lindberg & D. Pillay (eds.). *Labour and the challenges of globalization: what prospects for transnational solidarity?* (pp. 81-97). London: Pluto Press.

Went, R. (2002-2003). Globalization in the perspective of imperialism. *Science & Society, 66* (4), 473-497.

Westhuizen, J. van der (2012). Falling on fertile ground? The story of emerging powers' claims for redistribution and the global poverty debate. *Global Society, 26* (3), 331-350.

van der Westhuizen, J. (2013). Class compromise as middle power activism? Comparing Brazil and South Africa. *Government and Opposition, 48* (1), 80-100.

Weston, T. B. (2002). 'Learning from Daqing': more dark clouds for workers in state-owned enterprises. *Journal of Contemporary China, 11* (33), 721-734.

Wharton (2010). *Taking the 'R' out of BRIC: how the economic downturn exposed Russia's weaknesses*. Retrieved September 10, 2014, from http://knowledge.wharton.upenn.edu/article/taking-the-r-out-of-bric-how-the-economic-downturn-exposed-russias-weaknesses.

Wheatley, J. (2010). *Rousseff names senior economics team*. Retrieved January 4, 2011, from http://www.ft.com/cms/s/0/c5d7f79a-f7ec-11df-8d91-00144feab49a.html.

Wheatley, J. & Garnham, P. (2010). *Brazil in 'currency war' alert*. Retrieved August 12, 2014, from http://www.ft.com/intl/cms/s/0/33ff9624-ca48-11df-a860-00144feab49a.html.

White, G. & Bowles, P. (1994). The political economy of financial reform in China. *The Journal of Communist Studies and Transition Politics, 10* (1), 80-103.

Widmer-Schlumpf, E. (2011). *IMFC Statement by Eveline Widmer-Schlumpf*. Retrieved August 29, 2014, from https://www.imf.org/External/AM/2011/imfc/statement/eng/che.pdf.

Widmer-Schlumpf, E. (2012). *IMFC Statement by Eveline Widmer-Schlumpf*. Retrieved August 29, 2014, from http://www.imf.org/external/spring/2012/imfc/statement/eng/che.pdf.

Widmer-Schlumpf, E. (2013). *IMFC Statement by Eveline Widmer-Schlumpf*. Retrieved August 29, 2014, from https://www.imf.org/External/spring/2013/imfc/statement/eng/che.pdf.

Wiesmann, G. (2011). *IMF urged to easy way for renminbi*. Retrieved May 29, 2012, from http://www.ft.com/intl/cms/s/0/a8f3f40c-d4a6-11e0-a42b-00144feab49a.html.

Wigan, D. (2011). *Indian bond markets take slow road to maturity*. Retrieved November 28, 2011, from http://www.thebanker.com/World/Asia-Pacific/India/Indian-bond-markets-take-slow-road-to-maturity.

Wildau, G. (2014a). *China banks strike back against threat from Internet finance*. Retrieved May 19, 2014, from http://www.reuters.com/article/2014/02/23/us-china-banks-online-idUSBREA1M12M20140223.

Wildau, G. (2014b). *China hot money crackdown reveals $10bn in trade fake*. Retrieved September 24, 2014, from http://www.ft.com/intl/cms/s/0/6cdc8596-4498-11e4-ab0c-00144feabdc0.html.

Wildau, G. (2014c). *China: reform hobbled by politics*. Retrieved September 20, 2014, from http://www.ft.com/intl/cms/s/0/861fc9d0-2c21-11e4-a0b6-00144feabdc0.html.

Wildau, G. (2014d). *Shanghai free-trade zone struggles to live up to its hype*. Retrieved September 19, 2014, from http://www.ft.com/intl/cms/s/0/b6985580-324f-11e4-b929-00144feabdc0.html.

Williamson, J. (1999). *Whether and when to liberalize capital account and financial services*. Staff working paper, ERAD-99-03. Genève: World Trade Organization.

Williamson, J. (2006). Why capital account convertibility in India is premature. *Economic and Political Weekly, 41* (19), 13-19.

Winters, J. A. (1994). Power and the control of capital. *World Politics, 46* (3), 419-452.

Wolf, M. (2012). *China is right to open up slowly*. Retrieved February 29, 2012, from http://www.ft.com/intl/cms/s/0/a44d9cec-6163-11e1-94fa-00144feabdc0.html.

Wolfson, M. H. (2000). Neoliberalism and international financial instability. *Review of Radical Political Economics, 32* (3), 369-378.

Wolfson, M. H. (2003). Neoliberalism and the social structure of accumulation. *Review of Radical Political Economics, 35* (3), 255-262.

Woods, N. & Gertz, G. (2014). *Globalizing the Fed*. Retrieved June 11, 2014, from http://www.project-syndicate.org/commentary/ngaire-woods-and-geoffrey-gertz-argue-that-us-long-term-interests-compel-a-monetary-policy-that-acknowledge-today-s-interdependence.

Wooldridge, A. (2012). *State capitalism: the moderator's opening remarks*. Retrieved August 7, 2013, from http://www.economist.com/debate/days/view/802.

World Bank (2013a). *Capital for the future: saving and investment in an interdependent world*. Washington D.C.: World Bank.

World Bank (2013b). *World Development Report 2013: jobs*. Washington D.C.: World Bank.

World Bank (2014a). *Global Financial Development*. Retrieved July 15, 2014, from http://databank.worldbank.org/data/views/reports/tableview.aspx.

World Bank (2014b). *World Development Indicators*. Retrieved June 24, 2014, from http://databank.worldbank.org/data/views/variableSelection/selectvariables.aspx?source=world-development-indicators.

Worth, O. (2008). The poverty and potential of Gramscian thought in International Relations. *International Politics, 45* (6), 633-649.

Worth, O. (2011). Where did the critical go? *Journal of International Relations and Development, 14* (3), 358-365.

Wu, F. (2008). China's great transformation: neoliberalization as establishing a market society. *Geoforum, 39* (3), 1093-1096.

Wu, F., Pan, R. & Wang, D. (2010). Renminbi's potential to become a global currency. *China & World Economy, 18* (1), 63-81.

Wu, F. (2010). How neoliberal is China's reform? The origins of change during transition. *Eurasian Geography and Economics, 51* (5), 619-631.

Wu, Y. (2012). *RQFII quota expands to 270b yuan*. Retrieved September 2, 2014, from http://www.chinadaily.com.cn/bizchina/2012-11/14/content_15928511.htm.

Xavier, L. (2013). *"Aquela senhora está tornando impossível investir no Brasil"*. Retrieved August 5, 2014, from http://economia.estadao.com.br/noticias/geral,aquela-senhora-esta-tornando-impossivel-investir-no-brasil-imp-,1014516.

Xiao, G. (2012). *Chinese banks must go global*. Retrieved July 9, 2012, from http://www.boc.cn/en/bocinfo/bi1/201206/t20120625_1869884.html.

Xie, Y. & Zhou, X. (2014). Income inequality in today's China. *Proceedings of the National Academy of Sciences, 111* (19), 6928-6933.

Xinhua (2013). *China raises QFII investment quota*. Retrieved September 2, 2014, from http://www.china.org.cn/business/2013-07/13/content_29411337.htm.

Xinhua (2014). *1% of Chinese own one-third of national wealth*. Retrieved September 19, 2014, from http://www.china.org.cn/business/2014-07/26/content_33065409.htm.

Yam, J. (2011). *A safe approach to convertibility for the renminbi*. Institute of Global Economics and Finance, working paper no. 5. Hong Kong: The Chinese University of Hong Kong.

Yan, X. (2012). "To get rich is not only glorious": economic reform and the new entrepreneurial party secretaries. *The China Quarterly*, vol. 210, 335-354.

Yao, K. (2013). *Analysis: China central bank takes lead in economic reform push*. Retrieved February 25, 2013, from http://www.reuters.com/article/2013/02/24/us-china-economy-reform-idUSBRE91N0FR20130224.

Yao, K. (2014). *Risk-averse China seen pushing back plans to free yuan*. Retrieved September 19, 2014, from http://uk.reuters.com/article/2014/08/06/uk-china-economy-reform-idUKKBN0G62F520140806.

Yeung, G. (2009a). How banks in China make lending decisions. *Journal of Contemporary China, 18* (59), 285-302.

Yeung, G. (2009b). Hybrid property, path dependence, market segmentation and financial exclusion: the case of the banking industry in China. *Transactions of the Institute of British Geographers, 34* (2), 177-194.

Yi, G. (2011). *IMFC Statement by Yi Gang*. Retrieved August 29, 2014, from https://www.imf.org/external/spring/2011/imfc/statement/eng/chn.pdf.

Yildizoğlu, E. (2010). Globalisation as a crisis form. In A. Saad-Filho & G. L. Yalman (eds.). *Economic transitions to neoliberalism in middle-income countries: policy dilemmas, economic crises, forms of resistance* (pp. 39-46). Abingdon: Routledge.

Yu, Y. (2000). China: the case for capital controls. In W. Bello, N. Bullard & K. Malhotra (eds.). *Global finance: new thinking of regulating speculative capital markets* (pp. 177-187). London: Zed Books.

Yu, Y. (2009a). *China's policy responses to the global financial crisis*. Richard Snape Lecture, Melbourne, November 25, 2009. Beijing: Chinese Academy of Social Sciences.

Yu, Y. (2009b). *The management of cross-border capital flows and macroeconomic stability in China*. TWN Global Economy Series, 14. Penang: Third World Network.

Yu, Y. (2010). Asia: China's policy responses to the global financial crisis. *Journal of Globalization and Development, 1* (1), Article 12.

Yu, Y. (2012). *Revisiting the internationalization of the yuan*. ADBI working paper series, no. 366. Tokyo: Asian Development Bank Institute.

Yu, Y. (2013). *The temptation of China's capital account*. Retrieved July, 5, 2013, from http://www.project-syndicate.org/commentary/the-risks-of-easing-china-s-capital-controls-by-yu-yongding.

Yu, Y. (2014). *China's fire next time*. Retrieved September 20, 2014, from https://www.project-syndicate.org/commentary/yu-yongding-warns-that-unless-officials-stem-the-rise-in-corporate-leverage--economic-crisis-is-inevitable.

Yue, J. (2008). Peaceful rise of China: myth or reality? *International Politics, 45* (4), 439-456.

Zakharova, D. (2008). *One-size-fits-one: tailor-made fiscal responses to capital flows*. IMF working paper, no. 08/269. Washington D.C.: International Monetary Fund.

Zhang, D. (1998). Negotiating for a liberal economic regime: the case of Japanese FDI in China. *The Pacific Review, 11* (1), 51-78.

Zhang, M. (2009). China's new international financial strategy amid the global financial crisis. *China & World Economy, 17* (5), 22-35.

Zhang, M. (2012a). China's capital controls: stylized facts and referential lessons. In K. P. Gallagher, S., Griffith-Jones & J. A. Ocampo (eds.). *Regulating global capital flows for long-run development* (pp. 85-91). Boston: The Frederick S. Pardee Center for the Study of the Longer-Range Future.

Zhang, M. (2012b). Chinese stylized sterilization: the cost-sharing mechanism and financial repression. *China & World Economy, 20* (2), 41-58.

Zhang, M. (2013a). *China's cold eye on hot money*. Retrieved June 11, 2013, from http://www.project-syndicate.org/commentary/china-s-new-rules-for-managing-cross-border-capital-flows-by-zhang-monan.

Zhang, W. (2013b). *China must seize rare chance for reform*. Retrieved March 14, 2013, from http://www.ft.com/intl/cms/s/0/f0c375d0-8596-11e2-bed4-00144feabdc0.html.

Zhang, X. & Sun, T. (2006). China's current real estate cycle and potential financial risks. *China & World Economy, 14* (4), 57-74.

Zhang, X. (2003a). Capital account management and its outlook in China. *BIS papers*, no. 15, 19-24.

Zhang, X. & Daly, K. (2011). The determinants of China's outward foreign direct investment. *Emerging Markets Review, 12* (4), 389-398.

Zhang, Y. (2003b). Reconsidering the economic internationalization of China: implications of the WTO membership. *Journal of Contemporary China, 12* (37), 699-714.

Zhao, Y. (2012). The struggle for socialism in China: the Bo Xilai sage and beyond. *Monthly Review, 64* (5), 1-17.

Zhong, R. (2014). *How financial repression protects India from capital flight*. Retrieved August 19, 2014, from http://blogs.wsj.com/economics/2014/01/09/how-financial-repression-protects-india-from-capital-flight.

Zhou, X. (2005). China's corporate bond market development: lessons learned. *BIS papers*, no. 26, 7-10.

Zhou, X. (2009). *Reform the international monetary system.* Retrieved October 18, 2010, from http://www.pbc.gov.cn/publish/english/956/2009/20091229104425550619706/20091229104425550619706_.html.

Zhou, X. (2010). *IMFC Statement by Zhou Xiaochuan*. Retrieved August 29, 2014, from http://www.imf.org/external/spring/2010/imfc/statement/eng/chn.pdf.

Zhou, X. (2013a). Foreword. In M. Rodlauer & P. N'Diaye (2013). *IMF and PBC Joint Conference on "Capital flows management: lessons from international experience"* (pp. i-ii). Washington D.C.: International Monetary Fund.

Zhou, X. (2013b). *IMFC Statement by Zhou Xiaochuan*. Retrieved September 29, 2014, from http://www.imf.org/external/spring/2013/imfc/statement/eng/chn.pdf.

Zhou, Y. (2008). Synchronizing export orientation with import substitution: creating competitive indigenous high-tech companies in China. *World Development, 36* (11), 2353-2370.

Zhu, A. & Kotz, D. M. (2011). The dependence of China's economic growth on exports and investment. *Review of Radical Political Economics, 43* (1), 9-32.

Zhu, D. (2005). Prospects of economic transformation: reflections on *China and Socialism*. *Critical Asian Studies, 37* (3), 495-500.

Zhu, G. (2014). *Chinese investors flock to wealth-management products*. Retrieved September 19, 2014, from http://online.wsj.com/articles/chinese-investors-flock-to-wealth-management-products-1408077949.

Zhu, X. (2012). Understanding China's growth: past, present, and future. *Journal of Economic Perspectives, 26* (4), 103-124.

Zhu, Y. (2004). Workers, unions and the state: migrant workers in China's labour-intensive foreign enterprises. *Development and Change, 35* (5), 1011-1036.

Zinn, H. (1990). *Declarations of Independence: cross-examining American ideology*. New York: Harper Perennial.

Zoellick, R. (2011). *A monetary regime for a multipolar world order*. Retrieved June 10, 2012, from http://www.ft.com/intl/cms/s/a5ce4900-3ad0-11e0-9c1a-00144feabdc0.html.

Zubak-Skees, C. (2014). *China: Who uses offshore tax havens*. Retrieved September 22, 2014, from http://www.icij.org/offshore/china-who-uses-offshore-tax-havens.

Interviews

Interview 1	Interview with Chinese academic
Interview 2	Interview with Chinese academic
Interview 3	Interview with researcher at a Chinese financial institution
Interview 4	interview with Chinese think tank researcher
Interview 5	interview with Chinese think tank researcher
Interview 6	Interview with researcher at a foreign consultancy firm in China
Interview 7	interview with Chinese think tank researcher
Interview 8	Interview with Chinese academic
Interview 9	Interview with researcher at a Brazilian state-owned bank
Interview 10	Interview with official at the Federação das Indústrias do Estado de São Paulo (FIESP)
Interview 11	Interview with Brazilian economist
Interview 12	Interview with official at the Brazilian Ministry of Finance
Interview 13	Interview with researcher at a Brazilian private bank
Interview 14	Interview with researcher at a Brazilian private bank
Interview 15	Interview with official at the Brazilian Ministry of Finance
Interview 16	Interview with official at the Banco Central do Brasil (BCB)
Interview 17	Interview with official at the Brazilian Ministry of Development
Interview 18	Interview with a Brazilian consultant
Interview 19	Interview with Workers' Party (PT) economist
Interview 20	Interview with Brazilian economist
Interview 21	Interview with researcher at a Brazilian trade union
Interview 22	Interview with former official at the Indian Ministry of Finance
Interview 23	Interview with official at the Federation of Indian Chambers of Commerce and Industry (FICCI)
Interview 24	Interview with Indian economist
Interview 25	Interview with Indian economist
Interview 26	Interview with Indian trade union official
Interview 27	Interview with Indian NGO official
Interview 28	Interview with official at the Indian Planning Commission
Interview 29	Interview with Indian economist
Interview 30	Interview with Indian financial market practitioner
Interview 31	Interview with Indian trade union official
Interview 32	Interview with official at the Indian Ministry of Finance
Interview 33	Interview with former official at the Reserve Bank of India (RBI)