A Transnational Class Analysis of the Current Crisis

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The crisis that became manifest in 2007-08 and from which so far, no exit has been found, is a systemic crisis of the capitalist mode of production. It has opened up an epoch of political decay fraught with grave dangers because of the simultaneous disruption of the biosphere by overpopulation, pollution, and climate change, and the risks of the proliferating 'War on Terror' sliding into a major inter-state war. The crisis is being perpetuated by the class fraction that caused it, i.e. *money-dealing capital* (speculative finance), which remains the directive force within the transnational capitalist system.

In contrast to a pluralistic understanding of rival class fractions competing for political influence in specific policy fields to advance their particular interests (criticized by Clarke 1978, referencing Poulantzas 1971 among other authors), the Amsterdam School proceeds from the assumption that one fraction guides the entire class structure for an extended period *through the propagation of its particular perspective as a concept of control*. During that period, the main classes and indeed society as a whole, voluntarily or for lack of an alternative, assimilate the underlying principles on which the dominance of a directive fraction rests, its preferred *modus operandi* and outlook, its 'logic', and regard them as normal.

What Marx wrote about classes in a political revolution, viz., that a particular class 'emancipates the whole of society *but only provided the whole of society is in the same situation as this class*'—1975: 184, emphasis added), may also be claimed for fractions of the capitalist class. As capital is forced, time and again, to free itself from constraints that have accumulated to the point where its operation as a particular social configuration (a closed economy centred on production, or a 'financialised' one with production outsourced across the globe, etc.) becomes seriously compromised,

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an ascendant fraction may capitalise on a frustration felt well beyond its own ranks. However, since in a crisis, the fraction that has led the previous constellation into the quagmire usually continues to occupy the commanding heights (both in terms of material power and in an ideological sense), the necessary restructuring requires a ‘disruptive contingency’, an outside force or condition to break the mould and really dislodge it by rendering its directive principles unworkable or otherwise inappropriate. War and revolution, or the threat of either, have been such contingencies; since at least the 1970s the various forms of disruption of the Earth’s biosphere should be added to the list (Houweling 1999; Newell 2012).

Class Formation in the Geopolitical Economy

The disruptive contingencies impact on a specific ‘geopolitical economy’ (Desai 2013), centrally configured around a liberal, Lockean heartland of capital and successive contender formations. The epoch of a capitalist West occupying the commanding heights of the global political economy was inaugurated by the Anglo-Dutch alliance that helped the liberal Whigs to power in the British Isles and New England, the ‘Glorious Revolution’ of 1688 (Israel 2003). This event also accelerated the formation of a proletariat driven off by the enclosures (privatisation) of common lands (Thompson 1968: 237-43). The Dutch intervention was motivated by fear of the power of the strongest European power at the time, absolutist France, which under Louis XIV may be labelled the prototype of a contender to Anglophone supremacy. In contrast to the Lockean state/society complex of the heartland, French development was typically initiated *and sustained* as a state-guided process, condensing the ruling bloc into a state class (Tocqueville 1988). Its power derives from its control of the actual state, whereas the capitalist ruling class, because its power is social before it is political, not the other way round, usually leaves state management to an auxiliary governing class.

In the ensuing century, the Anglo-French contest was fought out on a global scale, notably in the Seven Years’ War (1756-1763). This momentous struggle forced major changes on both sides in the conflict—weakening Britain to the point where it had to relinquish the North American colonies (which then restored the Lockean principles) and throwing France into the convulsions of revolution (Kaufmann 1999; Godechot

1971). This then worked as a ‘disruptive contingency’, obviously closely connected to the heartland-contender structure. Henceforth, we may observe a degree of repetition of this pattern. The West evolves as a slowly expanding heartland of capital under successive concepts of control originating with changing fraction perspectives; facing it are contender states, all eventually defeated by the (laissez-faire, corporate, neo-) liberal West (definitions in Mirowski 2013: 38-41 and below). Paradoxically, their challenge to the Lockean heartland has worked to *stabilise* the prevailing configuration of forces in the West: the most recent example being that as long as the Soviet contender bloc held out, it worked to rein in the destabilising primacy of money-dealing capital and the predatory neoliberalism it has spawned.

Table 1. Successive Class Constellations in the West, ‘Disruptive Contingencies’ and Contender Formations

Concepts of control/ leading fraction / state(s) of the Lockean heartland	*Disruptive contingency*	*Main contender(s)*
	French Revolution Napoleonic Wars	Absolutist France
Liberal internationalism (commercialising landowners, factory owners; Britain)		Napoleonic France
	American Civil War Franco-Prussian war	
State-monopoly tendency (investment banks, cartel heavy industry; British Empire/ United States)		Imperial Germany
	First World War Russian Revolution Second World War	Nazi Germany, Japan
Corporate liberalism (mass production industry, Anglo-America)		USSR
	Chinese, Korean, Vietnamese, Cuban revolutions/ wars; 1968-69 workers’ revolts; *Limits to Growth*	Soviet bloc NIEO coalition
Systemic neoliberalism (money capital/ global Product chains, Anglo-America)		
	Defeat of NIEO bloc & wars Collapse of Soviet bloc; Overpopulation, crisis of the biosphere	
Predatory neoliberalism (capital markets, Anglo-America)		BRICS/Shanghai bloc
	War on Terror, War with BRICS?	

The broken line between the contemporary West and the BRICS/Shanghai bloc is meant to indicate that its role as a contender is half-hearted because the state classes in the bloc do not oppose the capitalist West from an ideological vantage point. This adds to the instability already generated by post-1991 neoliberalism.

Fraction Perspectives and Politics

As Ries Bode argues in his foundational piece (reproduced in Jessop and Overbeek, see note 1), fractions of the capitalist class strive to develop their particular ideas on the political economy into concepts of control and make them *comprehensive*. This is made possible because under certain conditions such as the trend in profit distribution rewarding particular activities within the overall process of capital accumulation, the ideological dispositions of a given fraction acquire a rationality transcending its particular interests and are propagated as the objectively rational way forward. Via media, the political process and lobbying, the semblance of an identity between its particular interest and the general interest is created, 'the impression that it [is] the interests of this group that need to be courted in order for wider national economic success to be granted' (Atkinson, Parker and Burrows 2017: 190). This rationality is obviously most compelling for the ascendant fraction and its organic intellectuals (politicians, journalists, academics …). However, in an epochal crisis to which a response must be found and which, as indicated, will usually involve external events and forces, its appeal spreads. Material and symbolic concessions to other fractions, strata and social groups will be made to broaden the initial bloc of forces, to the point where a critical mass is mobilized and the remaining forces are too weak to develop a sufficiently relevant alternative.

Now, compared to the situation in the 1920s and 30s that informed Bode's argument, or to Marx's original theses in *Capital*, fractions of capital are no longer neatly separated from each other institutionally nor are they primarily national. In 1977 André Granou highlighted that the fraction of finance capital, comprising different forms of capital, was beginning to transcend the functionally distinct fractions; Henk Overbeek makes the same point in his *Capital & Class* piece (reproduced in Jessop and Overbeek, see note 1). Transnational 'finance capitalists' preside over integrated, densely interlocked networks of banks and industry, which remain centred in the North Atlantic heartland (Carroll 2010). These networks are marked by *constitutive internal contradictions* that the finance capitalists must arbitrate and seek to reconcile (Soref and Zeitlin 1987: 60-61). Yet they inevitably do so from a particular fractional perspective. To relate a concept of control to a particular fraction perspective it is not necessary that fractions operate as institutionally separate entities. If in the 1990s it was still found that non-financial companies used derivatives mainly for hedging against foreign currency risk, by the time of the 2008 crash they turned out to have been as deeply involved in the shadowy financial practices of actual shadow banks, and they still are (Allayannis and Ofek 2017, 1, 25; Rasmus 2016a: 218; Mirowski 2013: 318-9).

The class compromises that follow from a directive fraction or fraction orientation combine material and symbolic aspects in various ways, ultimately *condensed* at the level of states (Poulantzas 2008). In the process, class formation and fraction (re-) alignment become expressly political in Gramsci's sense of 'bringing into play emotions and aspirations in whose incandescent atmosphere even calculations involving the individual human life itself obey different laws from those of individual profit, etc.' (Gramsci 1971: 140). Nonetheless, material rewards are necessary to lend stability to the set of compromises underpinning a concept of control. Without stable employment and productivity-linked wages, the intense animosity towards the Soviet bloc and/or communism that characterized the 1950s would not have continued. Indeed, that antagonism waned once inflation began to eat into wages and benefits. For when a concept of control loses its comprehensiveness and unravels, it will soon be recognised as the *particular* project of *special* interests and lose its common-sense quality. This helps to understand the rise of anti-capitalist militancy in the late 1960s, early 1970s, in combination with détente. The continued existence of the Soviet bloc nevertheless steadied the capitalist order, just as it would keep in place a particular, systemic variety of neoliberalism until it finally collapsed in 1991. For the West, state socialism was what Guy Debord calls, 'an adversary that has objectively supported it by the illusory unification of all opposition to the existing order' (1994: thesis 111, translation adapted). For other contenders this was not different.

From Corporate Liberalism to Neoliberalism

Wolfgang Streeck (2014) has analysed the current crisis as the exhaustion of the successive attempts to buy time and thereby postpone the full impact of the crisis of corporate liberalism that began in the late 1960s. Until the financial crash of 2007-08 ruling and governing classes in the West succeeded in salvaging a measure of class compromise at home by throwing money into the breaches—using inflation, state debt, and private debt. However, as I will argue, the class compromises through which this was achieved have become increasingly symbolic, with fewer and fewer material rewards for other fractions besides the speculators, let alone the majority of the population. Hence the fundamental political instability of the current configuration, aggravating its 'systemic fragility' (Rasmus 2016a).

Corporate liberalism is the liberalism governing relations between bodies internally organised along their own principles, so 'sovereign' in their own domains. It was based on the class compromise forced on capital by organised labour, with the presence of a strengthened Soviet bloc adding its weight to the new balance of forces. Decolonization further undermined the West's pre-eminence in the global political economy. Capital had to operate within a narrow bandwidth, counteracting the appeal of the planned economy whilst simultaneously accommodating democratic demands that required *emulating* the Soviet model in terms of social security, employment, and other alluring aspects of state socialism. The anti-communist campaign of the first Cold War, besides disciplining the workforce, served this purpose.

In the terms introduced above, the fraction of capital positioned centrally in this set of intersecting influences, lending substance to the original New Deal and post-war Marshall Plan projections of a corporate liberal social contract, was *productive capital*. The class compromise at the heart of the corporate liberal concept of control was that between capital and organised labour in production, sharing productivity gains through collective bargaining. In this sense, we can speak of an epoch of democratic capitalism, at least for the North Atlantic political economy—not for Vietnam, or Indonesia, and other areas for which no parallel division into spheres-of-interest had been agreed. This period corroborates the thesis that, in capitalism, democracy depends not on the bourgeoisie but on organised labour (Rueschemeyer, Stephens and Stephens 1992).

The strike wave across all developed capitalist economies in 1968 and ’69, signalled to the capitalist class that social protection and countercyclical crisis management had lasted too long and that the manoeuvring space for further concessions had closed. Capitalists now began to prepare to void the post-war social contract, abandoning their erstwhile passivity and restoring their capacity to actively shape social relations (Streeck 2013: 53-4). In hindsight, this prepared the ground for replacing corporate liberalism by neoliberalism but, initially, the West passed through a first episode of ‘buying time’. The collapse of the Bretton Woods system in 1971-73 greatly increased liquidity in the world economy — a process continuing today and ultimately spawning a financial elite powerful enough to take over from productive capital altogether (Rasmus 2016a: 182-3).

The inflationary 1970s initially allowed the class compromises of the corporate liberalism to be prolonged. In the United States the productive perspective echoed in the 1975 proposal for a national planning body (Panitch and Gindin 2012: 143). Britain’s entry into the European Community in 1973 was likewise motivated by the Tory government’s expectation that it would stimulate Britain’s *industrial* modernization (Overbeek 1990: 157). Yet signs were that the consolidation of capitalist property relations would require a downscaling of democracy. A seminal report to the Trilateral Commission, formed in the early 1970s to explore a coordinated way out of the crisis, proposed to reduce ‘the demand load on states’ as a result of the post-war class compromises, dubbed an excess of democracy (Crozier, Huntington and Watanuki 1975; cf. Gill 1990). On the edges of the liberal heartland a series of overtly counterrevolutionary interventions restored order the hard way: coups in Greece and Turkey, military dictatorships in Chile, Uruguay and Argentina, the strategy of tension in Italy and other instances of terrorism by the NATO secret army, ‘Gladio’, and transatlantic neo-Nazi networks linked to it (Ganser 2005; Teacher 1983).

The Mont Pèlerin Society (MPS), the anti-Keynesian pressure group of Friedrich Hayek, Milton Friedman, and Karl Popper, was directly involved in the neoliberal experiments by the new Latin American dictatorships, whose shock treatment of society allowed a radical make-over (Klein 2007; Walpen 2004; an overview of MPS branches in Mirowski 2013: 44-6). In the United States, the MPS broadened its monetarist perspective into a comprehensive stance by linking up with the Heritage Foundation, a US think tank and pressure group seeking to roll back the 'excess of democracy'. It too was founded in the early 1970s by direct mail experts with backing from Far Right multimillionaires; it was credited with writing the script for the Reagan Administration. Its president, Ed Feulner, Jr., in 1978, became treasurer of MPS; Feulner was vocal in attacking the connection between inflation and Third World industrialization and Soviet bloc modernisation strategies under the New International Economic Order and détente (Feulner 1976: 66; Mayer 2016: 77-91). In the same period a reconstituted Committee on the Present Danger clamoured for ending détente and resuming the arms race, heralding the constitutive union between money capital and coercion that was to crystallize later (Scheer 1982).

These different initiatives culminated in 1979 when NATO took the decision to introduce new attack missiles in Western Europe and Paul Volcker, appointed by president Carter as head of the Federal Reserve, used a series of interest rate hikes to undermine the anti-Western positions financed by inflationary credit (Panitch and Gindin 2012: 142, table 6.2). Thus, a protracted process of rolling back socialist or quasi-socialist states and social forces was set in motion. Alexander Haig, Ronald Reagan's first secretary of state, questioned the legitimacy of a 'Third World' in between East and West and denounced 'national liberation' as 'terrorism'; his successor, George Shultz, in January 1984 even claimed that the partition of Europe after the war had 'never been recognised by the United States' (cited, respectively, in Van der Pijl 2006: 231, 203). Thus, they signalled that the international compromises on which the post-war world order had also been based, no longer applied.

From Systemic to Predatory Neoliberalism and Crisis

The 'Volcker Shock' threw the world into a debt crisis, in some cases, a terminal crisis; forcing all states to reorient to exports to service the hard-currency debt which they found themselves saddled with (cf. Greider 1989: 75, 101 & passim). The United States again occupied centre-stage, this time as what Yanis Varoufakis calls the

‘Global Minotaur’, devouring the world’s financial and material surpluses. The attack on organised labour, prominent on the Mont Pèlerin agenda right from its first meeting in 1947, was now put into practice (Cockett 1995). Already by the mid-1980s, the US had reduced wage growth to less than 2 per cent per annum, when the great battles with the unions in Britain and elsewhere were just beginning (Varoufakis 2013: 104-5). Parallel to raising the rate of exploitation, the replacement of social protection by ‘workfare’ policies was meant to keep the growing surplus population tied to the discipline of the labour market (Soederberg 2014: 58). Paradoxically, new groups entering the work force, such as women or the young, often accepted part-time and flexible jobs from a desire to balance work with other concerns (Streeck 2013: 60). ‘May 68’ also added the pleasure-seeking hedonism and individualism to intensive consumption, soon to be made cheaper by overseas production.

With the sovereignty of organised labour suspended, a narrower, substitute compromise with asset-owning middle classes emerged in the course of a parallel assault on the sovereignty of the large corporation. As Gérard Duménil and Dominique Lévy highlight, it took the form of ‘a strict alliance with top management… achieved by paying out astounding remunerations, as “wages” and stock options’. Asset owners were given the chance to profit from capital incomes and asset price rises, either directly or through mutual and other investment funds (Duménil and Lévy 2004: 30). Thus the outlines of a new concept of control radically different from the post-war social contract were becoming evident. As Volcker would put it himself in 1985, the new hegemonic formula was perhaps ‘not implemented as smoothly as it could have been… [but] there is…more emphasis on market orientation…, more concern and effort to reduce the proportion of government in GNP, more emphasis on private initiative’. Neither was this shift confined to the United States; it extended, in Volcker’s words, ‘to France and the developing world’ (cited in Gill 1990: 114).

However, if the repression of finance was to be relaxed, *all aspects of that regime had to be loosened*. So not just investment funds to start up new production, but also free-floating, money-dealing capital, targeted by the Glass-Steagall Act of 1933, the centre-piece of the New Deal in the United States. Its particular perspective survived Keynesianism as ‘micro-economics’; materially, money-dealing capital effectively hibernated, notably in the ‘Eurodollar’ market in the City of London (Burn 2006). Hence, the *rentiers*, whose income derives from this form of financial activity and whom Keynes had recommended for euthanasia in the *General Theory*, were making a comeback along with the ending of financial repression (Keynes 1970: 376; Morris 1982). Already in 1974, new legislation allowed US retirement benefits to be securitised. This cleared the way for the 1980 Banking Act that removed the control of money creation by the Federal Reserve. Banks were henceforth permitted to tap into financial markets, borrow from pension funds and mutual funds and turn their debt into securities. Out of this arose the phenomenon of the ‘shadow bank’, exempt from deposit rules, but offering a broad range of financial services (Chesnais 2011: 37-8).

By the time Thatcher and Reagan won their elections, financial incomes were rising sharply. In the United States, ‘The big acceleration … began around 1979 or 1980. During the period of the Volcker monetary policy of high real interest rates and the Reagan policy of large budget deficits, the *rentier* share leaped’ (Epstein and Power 2002). With it came ‘the search for short-term havens in highly liquid assets, instead of seeking opportunities for long-term productive investment’ (Naylor 1987: 13). Pioneered in the US, shadow banks, whether ‘basic’, ‘hybrid’, or other (see the list in Rasmus 2016a: 224), collected funds from investors, broke them up into $100,000 lots to qualify for federal deposit insurance and then sold them on to whoever offered the highest interest rate. As financial radio-show host James Jorgensen commented at the time, ‘In many respects, we’ve come full circle to the bargain-hunting 1920s… except for one big difference: The risk-takers today are playing with money that’s federally insured’ (Jorgensen 1986: 20). Tax revolts against the universal welfare state meanwhile led to relaxing the fiscal burden on upper income groups and business; governments in due course reduced taxation and then borrowed from those it no longer taxed (Chesnais 2011: 113; Rasmus 2016a: 303). Yet it took until the USSR collapsed and the main contender that had kept the *systemic* variety of neoliberalism in place was removed, before financial asset investment rose to become the main directive force in the capitalist West.

The Epochal Shift Within Neoliberalism After 1991

The implosion of the Soviet bloc was not just a world-historic event for the societies affected and for Third World states and social forces enjoying its protection. It also transformed capitalism by replacing systemic neoliberalism by a crisis-prone, predatory variety obeying the logic of money-dealing capital. Coming on top of the opening of China and the doubling of the global labour supply from 1.5 to more than 3 billion people, the lowering of the red flag on the Kremlin triggered an epochal rise in foreign direct investment now that the threat of nationalisation was removed (Dzarasov 2014: 26-7; Delgado Wise and Martin 2015: 70).

As the socially protective state withered away around the globe, undermined by debt and ideological corruption, populations came to face transnational capital directly, no longer in a relation mediated by states (Vieille 1988: 247). Workers in the West were placed under draconian work obligations enacted under Clinton and other exponents of the 'radical centre' in the 1990s. Production was restructured along 'global commodity chains' serving the West (Merk 2011). Cheap goods from production outsourced to Latin America, east Asia and eastern Europe to some extent compensated for falling wages; the remaining shortfall was covered by debt (Soederberg 2014: 58-61, 88; Rasmus 2016a: 236-7). Large corporations operating circuits of productive capital in the process came to adopt the perspective of 'commercial enterprises or consultancies, which select the most competitive components from the programmes of the international manufacturers' (Junne 1979: 74). However, the narrowing of the global consumer market led to an over-accumulation of capital fuelling financial asset investment handled by banks and shadow banks. As Ruslan Dzarasov documents, 'in the 2000s net dividends reached sums twice those for investment in fixed assets' (Dzarasov 2014: 31).

In the course of the 1990s the vantage point of ascendant money-dealing capital, or in contemporary lingo, 'trade in financial services' (characterised by Jack Rasmus as a 'chasing yield psychology', Rasmus 2016a: 233) became the lodestar for the reconfiguration of capital by crowding out other considerations of maintaining capitalist class rule. It resonated in the popular mind-set as an immersion in 'risk society' (Beck 1986). Such risks included major environmental disasters such as the

2010 Deepwater Horizon oil spill as a consequence of BP's singular focus on yield (Dzarasov 2014: 33-4). Operating at arms' length from material production, the commercial perspective of money-dealing capital is preoccupied by buying cheap and selling dear, with an eye to 'rent extraction through financial arbitrage and innovation'(Jessop 2018: 264). Peter Gowan captures the shift when he writes that 'trading activity here does not mean long-term investment…in this or that security, but buying and selling financial and real assets *to exploit—not least by generating—price differences and price shifts'* ('speculative arbitrage') (Gowan 2009: 9, emphasis added). 'Proprietary trading' (speculating not just on commission but also with a bank's own or leveraged money and deposit base), Gowan relates, was pioneered by John Meriwether at Salomon Brothers; in 1994, he set up his own hedge fund, Long Term Capital Management (LTCM), with two 'Nobel' laureates in economics.

However, as the speculative financial sphere ballooned, the insurance risks increased as well (Nesvetailova 2010: 9-13). So when LTCM crashed in 1998, it had to be bailed out with the help of Alan Greenspan's Federal Reserve—taking moral hazard to new heights. The bailout 'allowed the financial turmoil to transmute into yet another stock market/housing bubble' (Rude 2008: 211). Financial crises that had hitherto been contained, like the savings and junk bond crises in the US, now turned global, with the Asian meltdown and multiple sovereign debt crises in Mexico, Russia, Argentina and elsewhere. The combined assets of shadow banks, 'strip-mining' entire economies, to use Jack Rasmus' phrase, by 2005 exceeded regular banks assets. Certainly the amounts are estimates and the boundary line between the two categories is not strict, since commercial banks also extend credit to shadow banks. Yet if we take the shadow banks as representing the fraction of money-dealing capital, and the central bank-regulated bank sector as money capital representing capital-in-general, the fact that, in 2007, according to the Fed's own *Flow Of Funds* figures, the latter controlled approximately $10 trillion in assets in the United States, against $13 trillion for basic shadow banks (hedge funds, investment banks, pension funds, etc., amounting to one-fifth of global shadow bank assets at the time), gives a sense of the paramountcy of the money-dealing fraction on the eve of the financial crash (Rasmus 2016a: 217-222).

The other fractions aligned on this particular perspective by various routes, such as the adoption of a commercial perspective by transnational corporations, referred to above. With the working class weakened and organizing along class lines suspect as a road to serfdom (the title of Hayek's neoliberal manifesto of 1943), middle class social movements for a time continued the progressive thrust of the previous decade. The campaign against new NATO nuclear missiles in Europe in the early 1980s would be a case in point. It was followed by a benevolent, albeit passive response to Gorbachev's turn to open-ended democratisation of the Soviet bloc and an end to the Cold War, before dissipating into various gender identity movements no longer connected to a desire for overall social change. From a postmodern perspective, there is no meaning in the historical process; there is only an endlessly revolving present, mirroring the new volatility of finance and the time-horizon of money-dealing capital (Harvey 1995).

In the global, *geo*-political economy, shocks of the magnitude of the Asian Crisis and subsequent melt-downs will not remain confined to the sphere of fiscal or monetary policy. In June 1991, US presidential hopeful Bill Clinton submitted to what the *New York Times* later called a 'job interview' with Wall Street bankers, the politically most prestigious segment of the shadow bank sector ('Wall Street Democrats', Ferguson and Rogers 1986). They included Clinton's eventual Treasury Secretary, Robert Rubin of Goldman, Sachs, and set the agenda for the new administration's fiscal and monetary policies. However, Wall Street at that point also became closely involved with the US aerospace industry, which was embarking on a series of mega-mergers (Lockheed and Martin, Boeing-Rockwell-McDonnell Douglas, Raytheon and Hughes) in response to the Soviet demise. Along with oil companies eyeing the energy riches of the former Soviet republics in the Caucasus and Central Asia, this welded together a bloc of forces that, by Clinton's second term, was geared to an offensive posture in Europe. At the State Department, Richard Holbrooke, an investment banker himself, was entrusted with the Yugoslavia portfolio, which eventually led to NATO interventions in Bosnia and in Serbia over Kosovo and parallel NATO expansion, violating agreements with Gorbachev in 1991 (van der Pijl 2006: 261-79; Sarotte 2014). The continuing receptiveness among the Western middle class to 'humanistic' interpretations of foreign policy meanwhile had moved from resistance to nuclear rearmament to support for 'humanitarian intervention', for which the Carnegie Endowment had produced the justification in a 1992 report co-authored by Holbrooke (Johnstone 2016: 43-4).

Bu now the contours of the concept of control that would guide the West to the crisis of 2008 and hold the globe to ransom afterwards, were clearly evident. Risk-taking, originating with money-dealing capital, came to include political-strategic forward pressure into the defunct Soviet bloc, not least to prevent an autonomous German-led move into the vacuum. NATO strategy, reflecting the social reality of ‘rampant globalization’ and a ‘new kind of capitalism’ – ‘a reality that reinforces the *Zeitgeist* of the risk society’ (Williams 2009: 5, 11, 25), fuelled economic and political brinkmanship reinforcing each other (Nederveen Pieterse 2007).

Perpetuating the Crisis under the Auspices of Money-Dealing Capital

When the mortgage-backed securities business began to falter in the course of 2007 and US house prices actually started to fall in January 2008, the speculative bubble burst. A series of bankruptcies or near-bankruptcies led the UK and US governments to respond by bailing out the affected institutions. Table 2 lists its main moments.

Table 2. Key Moments in the UK/US Financial Crisis, State Intervention and Corruption, 2007-2008

Date	Event	State Intervention	Specifics; instances of collusion
Feb 2007	HSBC $10.5bn loss on mortgage subsidiary.		Largest investor in US sub-prime.
April 2007	New Century Financial files for bankruptcy.		Specialised in sub-prime.
July 2007	Bear Stearns closes 2 hedge funds.		First to securitise sub-prime mortgages.
Sept 2007		Fed rate from 5 to 4.75%	
Sept 2007[1]-Feb 2008[2]	Northern Rock close to bankruptcy.[1]	£50bn aid package, nationalised.[2]	5th largest UK mortgage lender.
March 2008	Bear Stearns taken over by JPMorganChase.	Purchase backed by $30bn of Fed loans.	JPMorgan CEO on NY Fed Board; takeover managed by BlackRock.
April 2008		Fed rate down to 2%.	
July 2008	Wachovia 8.9 bn loss.	FDIC forces sale to avoid failure.	
July[1]-Sept[2] 2008	Fannie Mae/Freddie Mac solvency warning.[1]	Nationalised.[2]	Holding 5 out of $12 trillion mortgage market; nationalised under pressure from Chinese investors in FM/FM

Sept 2008	1) collapse of IndyMac, taken over by OneWest. 2) Lehman Bros bankrupt; 3) Merrill Lynch taken over by Bank of America. 4) AIG near bankruptcy. 5) HBOS taken over by Lloyds TSB. 6) Wachovia taken over by Wells Fargo. 7) Washington Mutual taken over by JPMorganChase. 8) Bradford & Bingley part-taken over by Santander.	IndyMac Federal Bank for bad assets. Fed decides to sacrifice Lehman. $85bn rescue package in exchange for 80% Fed share. FDIC OK with Wells Fargo. Part-nationalised. US Treasury package of $700bn to buy up toxic debts (TARP).	7th largest mortgage lender. NY Fed president major AIG investor; rescue funds paid out to Goldman Sachs, Merrill Lynch/Bank of America, SocGen, Deutsche, Barclays. HBOS largest UK mortgage lender. Citigroup claims damages after Wachovia takeover denied; Tim Geithner, head of NY Fed, supports Citi. Largest UK buy-to-let mortgage lender. Secr. Paulson fmr head of Goldman Sachs; Fed emergency lending outsourced to JPMorgan, Morgan S, Well Fargo.
October[1]-December[2] 2008	Stock market collapse.[1]	 Rescue packages Ford, GM, Chrysler.[2]	Barack Obama elected with support Goldman Sachs, JPMorgan, Citigroup. Geithner nominated Treasury Secretary.

Source: Nesvetailova 2010: 27-37; Mirowski 2013: 185-6, 192, 231; Gamble 2009: 21-34; *Wikipedia*

Already in the primaries, Obama won the support of billionaire money-dealer George Soros and hedge fund tycoon Paul Tudor Jones, who feared the crisis might spin out of control. Following their lead the top Wall Street investment banks (alongside Google, Microsoft and TimeWarner and a handful of Ivy League universities) gave large sums to Obama's campaign against the hapless John McCain. Goldman Sachs, which played a key role through former head Hank Paulson at the Treasury already, was the second largest donor to the Obama candidacy; JP Morgan Chase was fifth and Citigroup seventh, with Swiss UBS and Morgan, Stanley also in the top-20 (Navidi 2017: 173-4; *OpenSecrets.org* 2017).

However, the relationship between the new president and the financial world soon deteriorated. When Obama, enjoying the support of a Democratic congress for the first two years, closed a tax loophole specifically benefiting private equity and hedge fund operators, Stephen Schwarzman of the Blackstone private equity firm (he compared the measure to Hitler's invasion of Poland) crossed over to the ultra-conservative camp of the fossil fuel billionaires, Charles and David Koch (Mayer 2016: 253-4). The Dodd-Frank Wall Street Reform and Consumer Protection Act, with its transparency rules and provisions for regulating the commodity futures derivatives trade (eventually enacted in mid 2010) and the even more threatening Volcker rule, only further alienated the investment bankers. Volcker, the one-time architect of systemic neoliberalism, wanted to limit proprietary trading to 3 percent of core assets. The rule was projected to come into force in 2015 (Clapp and Helleiner 2012: 191-2; Rivlin and Hudson 2017). In 2009 Volcker and his one-time boss, David Rockefeller, also joined the Institute for New Economic Thinking (INET), set up by Soros and managed by a former manager of one of the latter's hedge funds (Navidi 2017: 17, 212; Mirowski 2013: 2-6; 240).

Other components of what might have been a bloc of forces seeking a return to a less rapacious political economy included the New America foundation, originally established in 1999. It was sponsored by the Ford Foundation, Google and its former CEO, Eric Schmidt, and the Gates Foundation of Microsoft founder Bill Gates, all prominent supporters of Obama's 2008 campaign as well (*New America* 2017). Similarly long-term-oriented forces were behind the Center for American Progress, also initially funded by Soros and by aerospace giant Northrop Grumman (Van Apeldoorn and De Graafff 2016: 200-201). The Princeton Project for National Security (PPNS), sponsored by the Ford Foundation, Carnegie Endowment, the German Marshall Fund and David Rubinstein of the Carlyle Group, envisaged a return to the central notion of a Lockean heartland, the core concept running through Anglo-American international thinking from the beginning (Parmar 2012: 249; Van der Pijl 2014). Slaughter became Hillary Clinton's Director of Policy Planning and eventually went on to head New America from 2013 (on her corporate connections, cf. Gill 2012: 514). Other foreign policy think tanks were the Center for a New American Security (funded and led by prominent aerospace and defence companies) and the Phoenix Initiative linked to it, again with Anne-Marie Slaughter in a key role (Van Apeldoorn and De Graaff 2016: 201, 206-7). However, the disastrous regime change in Libya bankrupted the idea, championed from these quarters, of using IT and social media ('smart power') to stop China in Africa (Campbell 2013; Johnstone 2016).

In the absence of a 'disruptive contingency' derailing the forces behind predatory neoliberalism, the sustained bail-out worked to actually reinforce them. Volcker's influence was confined to the initial period, and Wall Street money-dealers soon gained the upper hand again. Obama's chief of staff, Rahm Emmanuel, had spent the Bush years as managing director of Wasserstein Perella; Treasury Secretary Tim Geithner as head of the New York Fed had been the spokesman for the finance community all along, notably for Citigroup. Institutions with personal connections to him saw their fortunes vary with the prospects of his nomination (Navidi 2017: 45; Van Apeldoorn and De Graaff 2016: 215, cf. 194). Once in office, Geithner instructed one of his Wall Street acquaintances, Larry Fink of BlackRock, a 'passive index fund' (another form of shadow bank), to analyse and sell $30 billion worth of risky mortgage securities. He then asked Fink to do the same for AIG's mortgage securities (Rügemer 2016: 75; Navidi 2017: 30-31). These commissions helped BlackRock grow spectacularly. On the eve of the financial crisis, the most centrally located controlling firms in the world economy (with Barclays at no. 1) already included two passive index funds, State Street (no.5) and Vanguard (no. 8) (Vitali, Glattfelder, and Battiston 2011: 33), but BlackRock soon overtook them. By mid-2016, it had $4.5 trillion in assets under management (Vanguard, $3.6 trillion and State Street, $2.6 trillion) and had risen to the no. 1 controlling firm in the United States (Fichtner, Heemskerk and Garcia-Bernardo 2016: 8-9, 16). By comparison, PIMCO, the world's largest bond fund, has $2 trillion under management; the largest hedge fund, Bridgewater, $150 billion (Navidi 2017: 66-7, 70).

The BlackRock saga is just one spectacular example of how the money-dealing fraction (shadow banks, regulated banks dealing with them, and their billionaire and multimillionaire clients) came out stronger by being saved and/or enlisted in rehabilitating the sector that had precipitated the descent into the crisis. 'The success of the rescue operations', François Chesnais writes, 'has allowed them to preserve their domination' (Chesnais 2011: 66). In fact, *after* the banks had been saved, the provision of free liquidity through Quantitative Easing and near zero interest rates continued. Peddled under the manifestly false pretence that easy money would get the banks to resume lending to the real economy (an argument at best valid under the systemic variety of neoliberalism left well behind), the estimated $25 trillion extra liquidity thrown in across the globe after the crisis, only fuelled the ongoing bonanza for the super-rich. Since 2010 they have seen 'more than $5 trillion … distributed in stock dividend payouts and stock buybacks alone in the US… in the past two years at a rate of more than $1 trillion a year' (Rasmus 2016b). Austerity is the price paid by society to keep the enrichment process at the top going. From the perspective of predatory neoliberalism, this is entirely rational, since the operation is aimed at

> bailing out investors and restoring capital incomes for the entire class of financial investors. By funnelling money and liquidity through the private banks, into the hands of investors and speculators, the objective was to boost stock, bond, derivatives and other speculative investment markets… It was about restoring the [financial elite's] wealth and assets not just rescuing their banks (Rasmus 2016a: 264).

In 2010 the shadow banking system was again 20 percent larger than the regulated banking sector (Chesnais 2011: 72-3). Three years later shadow banks globally controlled $75.2 trillion, up from $26 trillion in 2002. One-third of the total is domiciled in the US ($25 trillion), against the largest 38 US regular banks commanding $10.5 trillion at most (Rasmus 2016a: 221-2, table 12.1). The Western heartland remains at the centre because here the shadow bank sector, money-dealing capital, relies on a 'network of equity ties linking the world's largest financial players, i.e. financial intermediaries and sovereign investors "of last resort"' (Pistor 2009: 553).

As a result, there has occurred what Thomas Piketty calls, 'an oligarchic type of divergence, that is, a process in which the rich countries would come to be *owned by their own billionaires*' (Piketty 2014: 463, emphasis added; cf. Freeland 2012). This process received a huge boost in January 2010, when the US Supreme Court in the *Citizens United* case ruled that corporations are entitled to free speech as much as individual citizens. This removed the spending limits on politicians and political issues for US billionaires and multimillionaires, as long as they took the trouble of passing their money through dedicated 'super PACs' ('Political Action Committees', Mayer 2016: 227-9). On this new legal basis, the Koch brothers, who in the previous years had built up a Far Right billionaire network, threw their weight behind Mitt

Romney in the presidential election of 2012 (after the candidate reversed his viewpoint on global warming). Since Dodd-Frank and the envisaged Volcker rule already led Wall Street to abandon the Obama ticket (Romney's first five donors were Goldman Sachs, Bank of America, Morgan Stanley, J.P. Morgan Chase, and Wells Fargo, *OpenSecrets.org* 2017), this stacked the odds against the incumbent. Yet Obama won, because he recruited Bill Gates and others for his own super PAC, whilst superrich on the Far Right each supported different candidates. Thus the casino mogul and Israel hard-liner, Sheldon Adelson, backed Newt Gingrich, and mutual fund multimillionaire Foster Friess, Christian conservative Rick Santorum (Mayer 2016: 317-8, 320).

The net result, however, is that the American political system has become the playground of individual billionaires and the investment banks and funds serving them. Cut off from any domestic productive base as much as from the broader middle class, the predatory neoliberalism espoused by money-dealing capital tends to concentrate political struggle at the top, subject to the ideological whims of individual money magnates. They can even mobilise apparent grassroots discontent, as the Tea Party phenomenon demonstrates (Mayer 2016: 165*ff*). Both at the top and the bottom, 'growing disparities in wealth have reawakened class tensions; and political pragmatism has been losing ground to ideological extremism' (Kupchan and Trubowitz 2007: 9).

In the Eurozone, the money-dealing fraction is also outpacing the regulated bank sector again (cf. Lautenschläger 2017: 9, graph). Here too, the most conspicuous shadow bank in handling the crisis was Goldman Sachs. Its executives and board members popped up wherever critical measures were in order: apart from 'technocratic' prime ministers in Greece and Italy appointed under EU pressure (Lukas Papademos and Mario Monti, respectively), Antonio Borges, responsible for Europe at the IMF, Karel van Miert, Otmar Issing, and Petros Christodoulou in various roles, and of course, Mario Draghi at the European Central Bank (*The Independent* 2011; Rivlin and Hudson 2017). Outgoing EU Commission president Barroso did not have to think long where to move to either and succeeded Peter Sutherland as president of Goldman Sachs International in 2016. As special representative of the UN Secretary-General for international migration, Sutherland exhorted the EU to open its borders; Draghi's predecessor at the ECB, Jean-Claude Trichet, in 2011 sketched the ideal society awaiting new arrivals: 'the elimination of automatic wage indexation clauses, …firm-level [wage] agreements, …the liberalisation of closed professions..., the privatisation of services currently provided by the public sector', and so on and so forth (cited in Dumini and Ruffin 2011).

The election of the maverick billionaire, Donald Trump, to the US presidency in November 2016, fits the trend. Stacked with other billionaires and intent on continuing the bonanza for the super-rich, possibly to the point of a US sovereign default, Goldman Sachs is again prominently represented, notably with Stephen Mnuchin as Treasury Secretary and Gary Cohn as chief Economic Advisor. 'Prior administrations often had one or two people from Goldman serving in top positions. George W. Bush at one point had three. At its peak, the Trump administration effectively had six' (Rivlin and Hudson 2017). In June 2017, the same authors relate, Mnuchin's department issued a statement of principles concerning financial regulation that was focused on promoting 'liquid and vibrant markets' and included a call 'to ease capital requirements and substantially amend the Volcker Rule'.

Authoritarian Oligarchic Rivalry

As money-dealing capital can no longer offer any compromises to the population at large, it replaces material rewards and side-payments with a political aesthetics, arousing fear over terrorism, fostering xenophobia, and demonising selected foreign leaders—turning oligarchic rule into straightforward authoritarianism (Deppe 2013). The 'politics of fear' goes hand in hand with the contamination of the public sphere by distortion and misrepresentation of fact by the governing classes and media. Gramsci characterizes this as the intermediate phase of 'corruption/fraud', in between consent and coercion, when hegemony is out of reach but overt force still risky (Gramsci 1971: 80 n.; *Dizionario* 2009: 167). It generates a favourable environment for the rise of right wing populist and neo-Nazi parties and war propaganda. Politics itself has become suspect in the neoliberal mind-set as the idea gains ground that the 'markets' arbitrate claims to wealth and power through general rules, whereas 'politics' distorts this rationality by introducing power and connections (Streeck 2013: 97).

In response to the Trump victory in the 2016 presidential election, Wall Street Democrats and the media they dominate launched a campaign to blame Russia for the unexpected failure of Hillary Clinton's presidential bid. The accommodation with Moscow promised by Trump hence remained out of reach. The hardening of the Democratic stance has also transpired in the formation of the Alliance for Securing Democracy in which the Trilateral/New America tendency has merged with the NeoCon forces of the Project for the New American Century. The Alliance is a transatlantic initiative under the umbrella of the German Marshall Fund and is led by a former foreign policy advisor to Hillary Clinton, Laura Rosenberger, and a NeoCon stalwart, Jamie Fly (Greenwald 2017; *ASD* 2017). In hindsight one might consider the 2016 contest as a choice between a high-risk confrontation with Russia or new wars in the Middle East and possibly, East Asia.

Trump's America First policy and the prompt withdrawal from the TTIP and TPP projects meanwhile should not be read as isolationism. These treaties are not merely about 'free trade', but project a comprehensive sovereignty of capital *enforceable against states*. CETA and JETA, committing the EU and Canada and the EU and Japan, respectively, secure such enforcement also for US companies, but without TTIP or TPP foreign capital will not enjoy the same privilege in the US. Likewise in the International Criminal Court the US has itself obtained immunity and the withdrawal from the largely symbolic Paris Climate Agreement can also be viewed from that angle. In the domain of global surveillance, as revealed by Edward Snowden, the United States and its heartland allies (the 'Five Eyes') already occupy such a sovereign position (Greenwald 2014).

The extent to which the primacy of money-dealing capital will continue no longer depends on the West alone. It is also turning into a struggle between capital fractions in China. Contender states always prioritised production, but under corporate liberalism and the systemic variety of neoliberalism until 1991, the Western heartland retained a strong productive base too. In the current configuration of forces, finance reigns supreme in the West, with IT and defence (often privatised) as auxiliary forces. They have left the quest for meaningful social compromise behind, and waging the 'War on Terror' unlike past contests for industrial primacy does not require a material capacity to galvanize society. ‘The threat posed by international terrorism is sporadic and elusive,’ Charles Kupchan and Peter Trubowitz write. ‘The most effective countermeasures include law enforcement, intelligence gathering, and covert operations—activities that entail bureaucratic coordination, but not national mobilization’ (Kupchan and Trubowitz 2007: 29).

Beijing responded to the 2008 crisis by a massive infrastructure investment programme to the tune of 45 percent of GDP (Rasmus 2016a: 145). In 2013, when the export-led boom and the related commodities boom that benefited key suppliers to China (the BRICS and other ‘emerging economies’) subsided, president Xi Jinping announced two pillars of an alternative, production-centred international order: The *One Belt*, *One Road*, ‘New Silk Road’ project (OBOR) and the Asian Infrastructure Investment Bank (AIIB). ‘By the construction of new infrastructure corridors spanning across the Eurasian landmass in the form of highways, railways, industrial parks, and oil and gas pipelines, OBOR is connecting for the first time in the modern era landlocked regions of hinterland China and Russia and Central Asia republics with the sea ports’, writes William Engdahl. For the novelty of the OBOR project is the combination of land corridors with sea lanes, thus checkmating the century-old strategy of disrupting Eurasia’s economic ascent by stoking conflict between Western Europe and Russia, backed up by Anglo-American naval supremacy (Engdahl 2016).

However, a series of reforms after 2010 opened the Chinese financial system to shadow banks, too. Chinese shadow banks in 2013 held around $6.5 trillion in assets, accounting for 30 percent of accumulated Chinese debt; against $26 trillion for regular banks (Rasmus 2016a: 223). Much will depend on the struggle between this project and the financial elite associated with it, the latter in alliance with its American counterpart. ‘The United States,’ write Sit Tsui and his associates,

> would counter the OBOR effort by strengthening its alliance with capital interest blocs within China—both inside and outside the ruling clique—to reassert its influence over China’s future development policy. Indeed, in this respect the United States has already had much success: the Chinese financial bureaucracy accedes to the unwavering primacy of the United States as the world’s central

> bank, making it unlikely to question, much less undermine, U.S. leadership in the global order (Sit et al. 2017: 37).

At the Chinese Communist Party congress in November 2017 it would seem the two fractions of the state class have struck a deal, although time will tell what the further liberalisation of the Chinese financial sector and its opening to foreign investment will amount to.

Today, choice, risk, and the subordination of any collective concern to the pursuit of individual or narrow group interest pervade every aspect of social life. That is why there is no basis to expect ‘solutions’ to the crisis to be found within capitalism, only beyond it, by ditching the logic of private appropriation entirely. This should not be construed as an adventurous leap into the dark but conceived in steps allowing the orderly transition towards an equitable, socially and ecologically responsible society. Given the authoritarian and bellicose drift of the contemporary capitalist order the obstacles to achieving such a transition are obviously momentous.

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