Marxian and Post-Keynesian Approaches to Policy Dilemmas under Global Capitalism:

Roads to Post-Capitalism?

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The Karwowski quiz

Answers are: yes, no, unsure unless otherwise noted.

1. Climate change, if unchecked by mitigation, will lead sooner or later to the collapse of human civilization.
2. Climate mitigation and adaptation policies, if implemented, can help humanity survive climate change.
3. If and when climate change becomes a serious threat, privately owned corporations will implement the needed adaptation strategies, so humanity will survive.
4. The capitalist order, while unstable, is adaptive and resilient.
5. To survive climate change, nation-states must impose strong controls over financial and corporate behavior.
6. National controls will be inadequate. Global action - thus global governance, will be necessary to survive climate change.

Map

1. Theories of economic policy are theories of capitalism and state power
2. Post-war trajectories: from Keynesian capitalism to unstability and crises
3. Neo-Marxian policy responses to crisis
4. Keynesian policy responses to crisis
5. Are Marxian and Keynesian views consistent?
6. Four challenges for radical change
7. Trumpism and the Kaleckian inversion

1. Theories of economic policy are theories of capitalism and state power

- At root, the divide between orthodoxy and heterodoxy in economic thought is a nature/nurture debate: Does society create the human or does the human create society?
- This tension exists in the realm of policy debate
  - Heterodox view: social structures frame individual outcomes. So improving any pre-existing states of "society" means changing the frame – who provides, who owns, who receives.
  - Neoclassical view: economic preferences are individual, and arise outside of society. So market arrangements *should* permit these individual preferences to be satisfied: Economic policy should correct distortions.

1. Theories of economic policy are theories of capitalism and state power

- The challenge: owners exploit workers and expropriate the social surplus: capitalism's community-destroying, self-expanding logic. Resources are allocated via disconnected, unstable markets operated for profit, not human need.
- The counterforce(s): The state, or the community.

Polanyi: No stable resolution – the "double movement" (*The Great Transformation*, Ch. 12: The Birth of the Liberal Creed):

- 'the double movement .. Can be personified as the action of two organizing principles in society, each having the support of definite social forces and using its own distinctive methods. The one was the principle of economic liberalism .. aiming at a self-regulating market... The other was the principle of social protection aiming at the conservation of man and nature...'

1. Theories of economic policy are theories of capitalism and state power

- *Polanyi:* No stable resolution – the "double movement."
- *Popper/Friedman:* Force competition through markets.

- *Stalin:* Eliminate markets, centralize control over allocation.
- *Hitler:* Control markets, centralize control over allocation. Reward your friends with wealth, control. Demand allegiance. Ostracize & persecute the 'other' to bind your supporters to you.

- *Keynesian*: State capacity
conflict is distributional
-

Donald Trump?

Boris Johnson - Nigel Farage?
Marine Le Pen - Giuseppe Conte?
Viktor Orban - Andrzej Duda?
Heinz-Christian Strache - Frauke Petry?

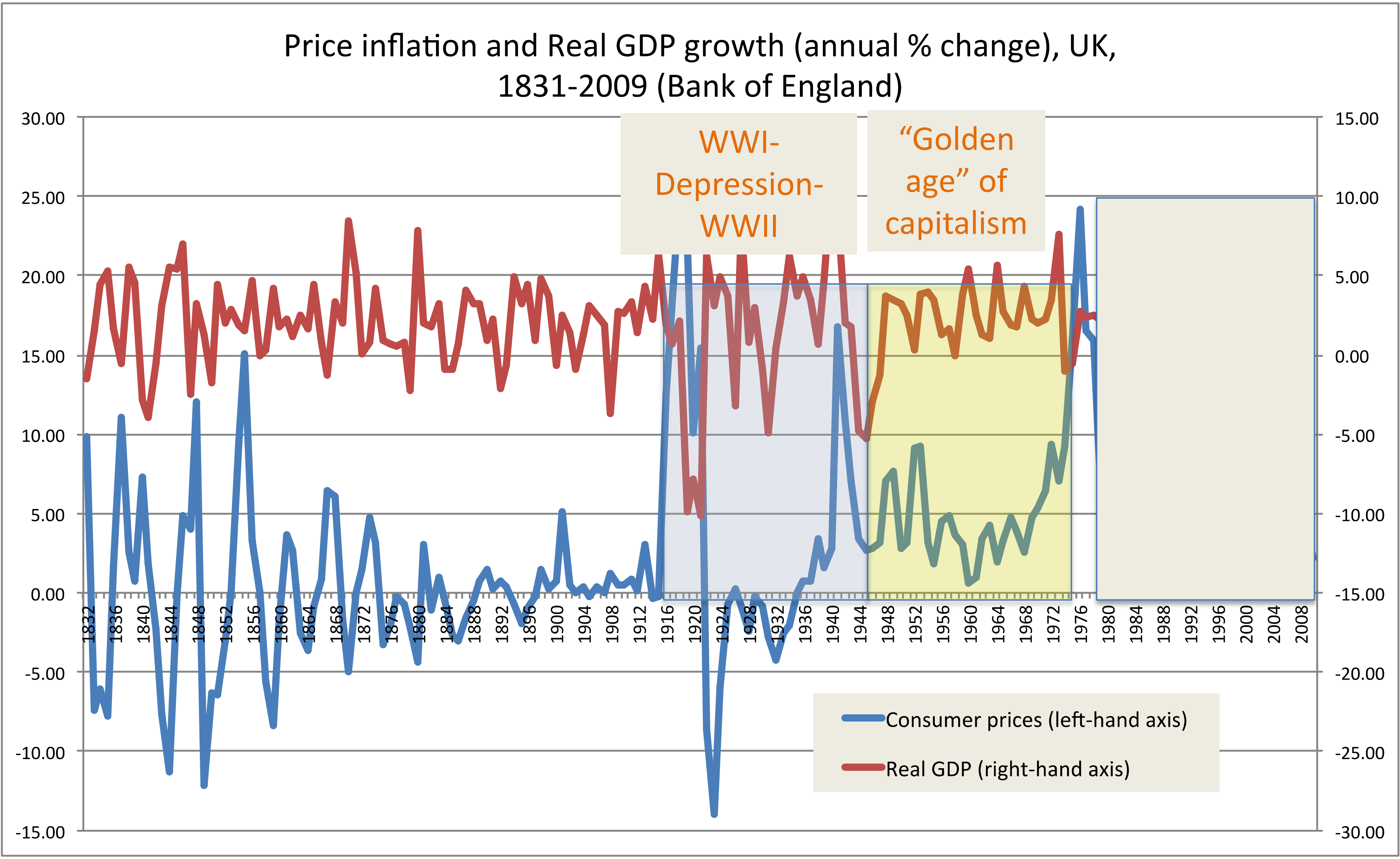
1. Theories of economic policy are theories of capitalism and state power

- *State power*: How much control does any national state need to create a world of "things as they should be"?
  1. Lender of last resort control over currency
  2. Discretionary fiscal policy: borrow now, repay later?
  3. Flows of capital and credit across its borders?
  4. Ability to set wages, working conditions at fair levels?
  5. Protection of infant industries?
  6. Environmental quality controls?
- What are the consequence if a state cedes macro control(s) (1-3) to a higher power? If it cedes micro controls (4-6)?

2. Post-war trajectories: from Keynesian capitalism to unstability and crises

OECD countries:

- After world war devastation, established "safety-net" policies - "social Europe," "capital/labor accords"
- US dollar & military hegemony established, UK's global empire dismantled, US/Soviet competition on the global chequerboard.
- "Keynesian macro policies" – demand management plus pattern bargaining; a "solved political problem"
- Slow destabilization of the Bretton Woods system May 1968 – Eurocommunism, demand for worker "voice"


Price inflation and Real GDP growth (annual % change), UK, 1831-2009 (Bank of England)
WWI-Depression-WWII
"Golden age" of capitalism
Consumer prices (left-hand axis)
Real GDP (right-hand axis)
30.00
25.00
20.00
15.00
10.00
5.00
0.00
-5.00
-10.00
-15.00
15.00
10.00
5.00
0.00
-5.00
-10.00
-15.00
-20.00
-25.00
-30.00
1832
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2004
2008

2. Historical trajectories: from stable Keynesian capitalism to unstability and crises

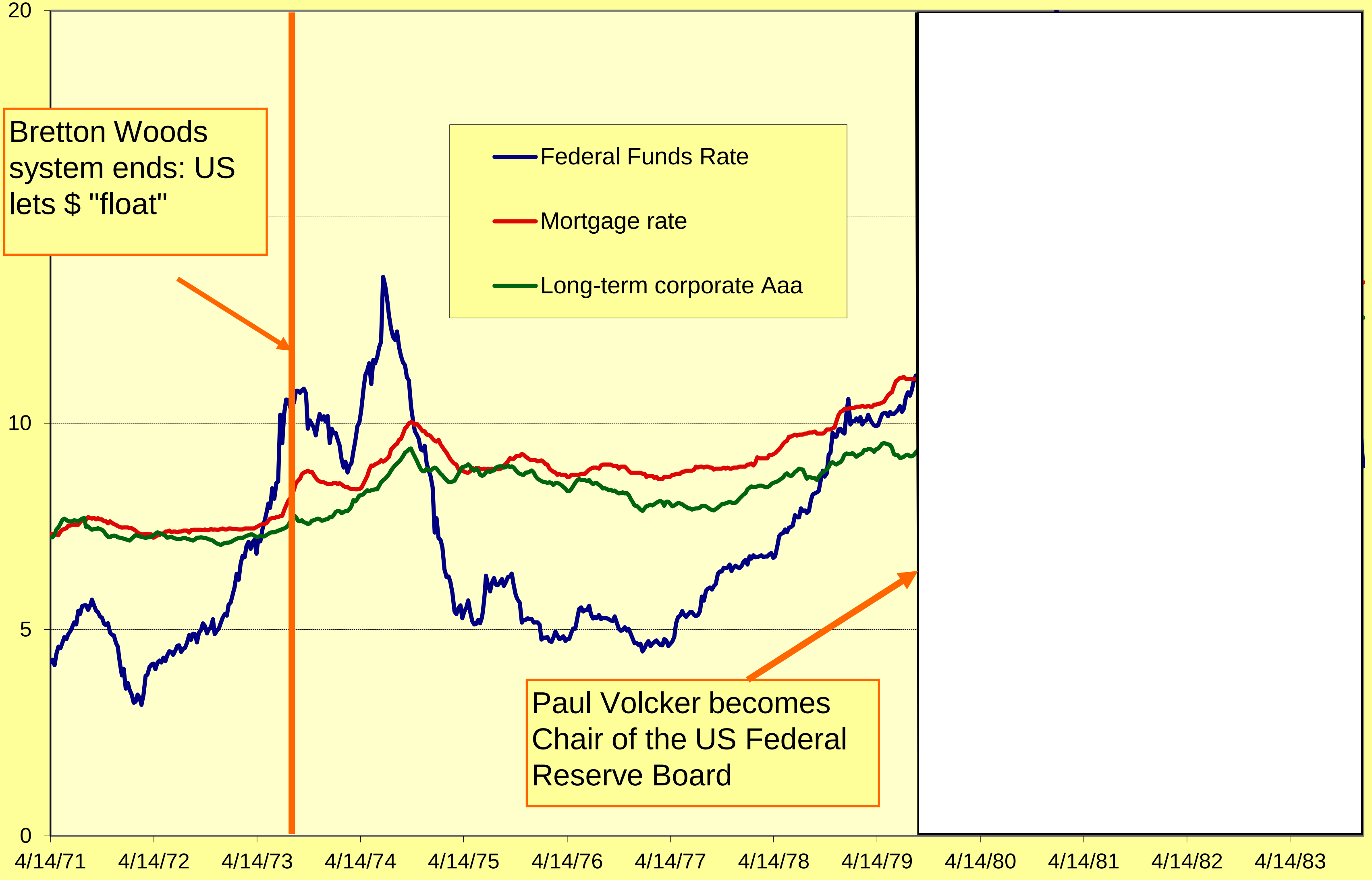
OECD countries: From Okun's *Equality and Efficiency: The Big Tradeoff* to oil shock, stagflation, unleashed macro rivalry

- 1971 & 1973: End of US$/gold convertibility, fixed exchange rates
- 1973-74, 1978: Oil embargos, oil-price surges
- "Stagflation" – 1977-1982 (price inflation+ recession)
- Suppression of workers after Thatcher, Reagan elections (1981-US air-traffic controllers strike; 1982-UK mineworkers' strike)

Developing countries:

- Commodities boom, overseas lending, debt crises, market opening, vulnerability to speculative cycles, discipline by global financial markets

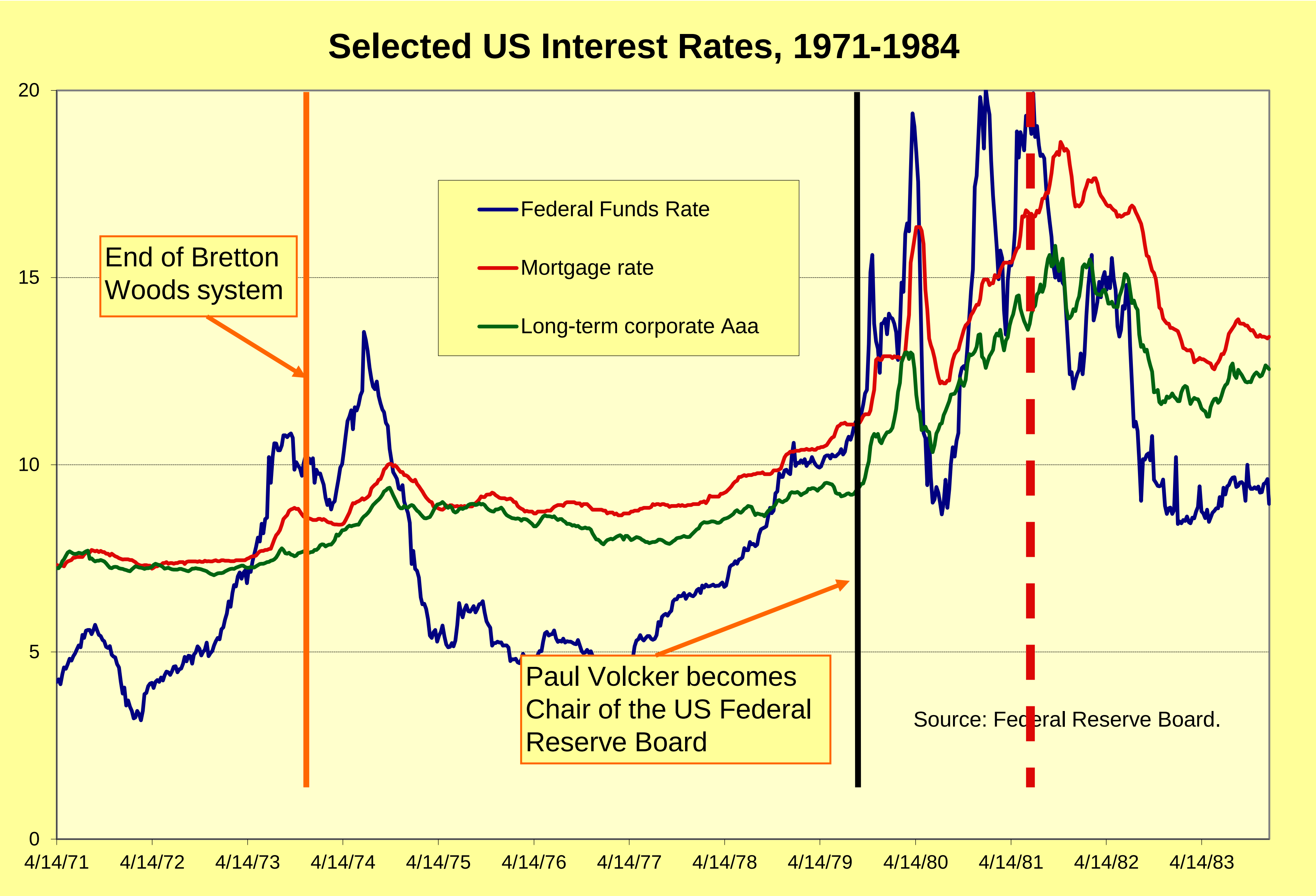
Selected US Interest Rates, 1971-1979



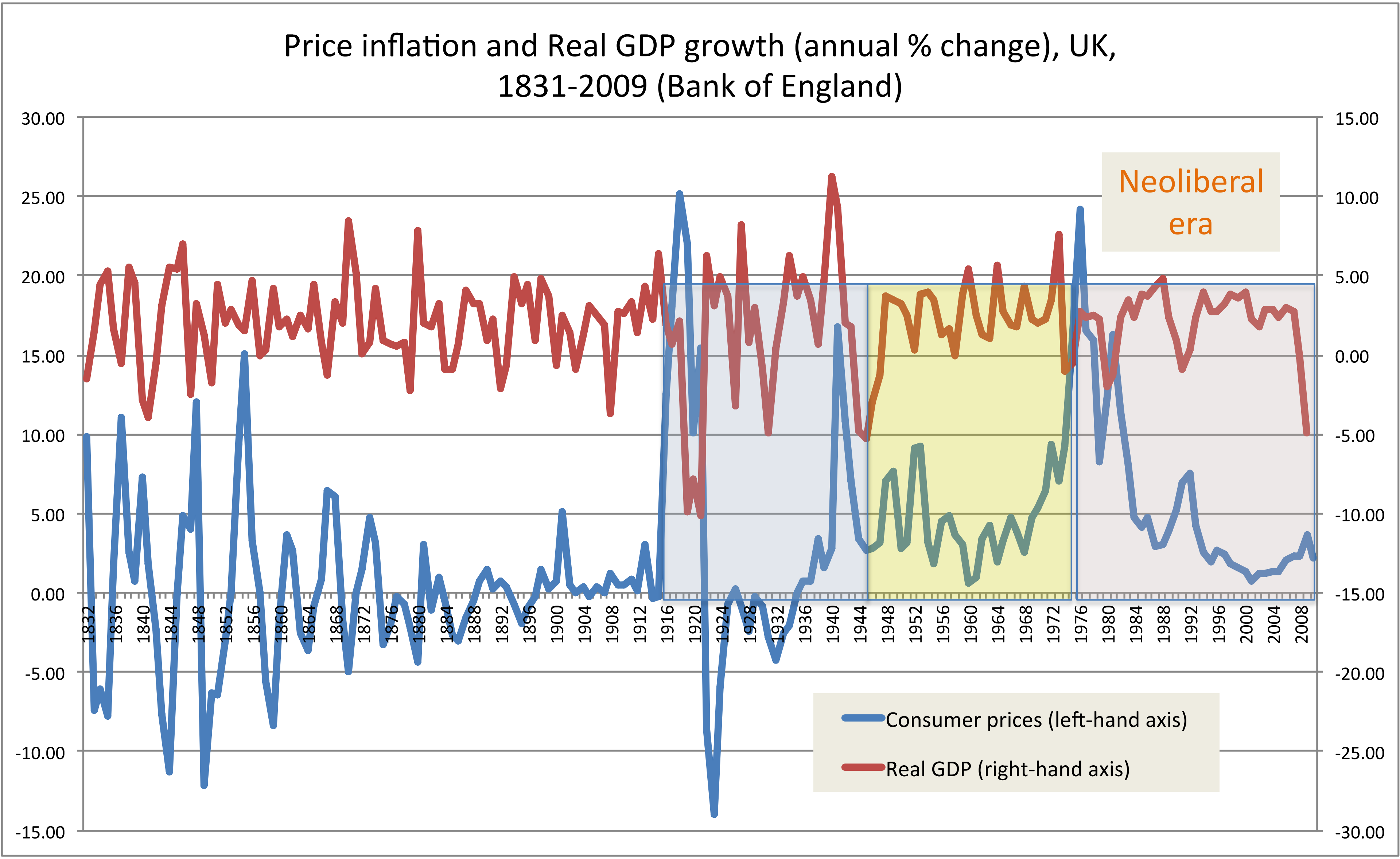
Volcker's Winter 1979 essay in the NY Federal Reserve *Economic Review, "The Political Economy of the Dollar,"* indicated his plans. He wrote:

"It is tempting to look at the market as an impartial arbiter .. But balancing the requirements of a stable international system against the desirability of retaining freedom of action for national policy, a number of countries, including the U.S., opted for the latter."

... "a controlled disintegration in the world economy is a legitimate objective for the 1980s."



Selected US Interest Rates, 1971-1984
20
15
10
5
0
4/14/71
4/14/72
4/14/73
4/14/74
4/14/75
4/14/76
4/14/77
4/14/78
4/14/79
4/14/80
4/14/81
4/14/82
4/14/83
Federal Funds Rate
Mortgage rate
Long-term corporate Aaa
End of Bretton Woods system
Paul Volcker becomes Chair of the US Federal Reserve Board
Source: Federal Reserve Board.


Price inflation and Real GDP growth (annual % change), UK, 1831-2009 (Bank of England)
Neoliberal era
Consumer prices (left-hand axis)
Real GDP (right-hand axis)
30.00
25.00
20.00
15.00
10.00
5.00
0.00
-5.00
-10.00
-15.00
15.00
10.00
5.00
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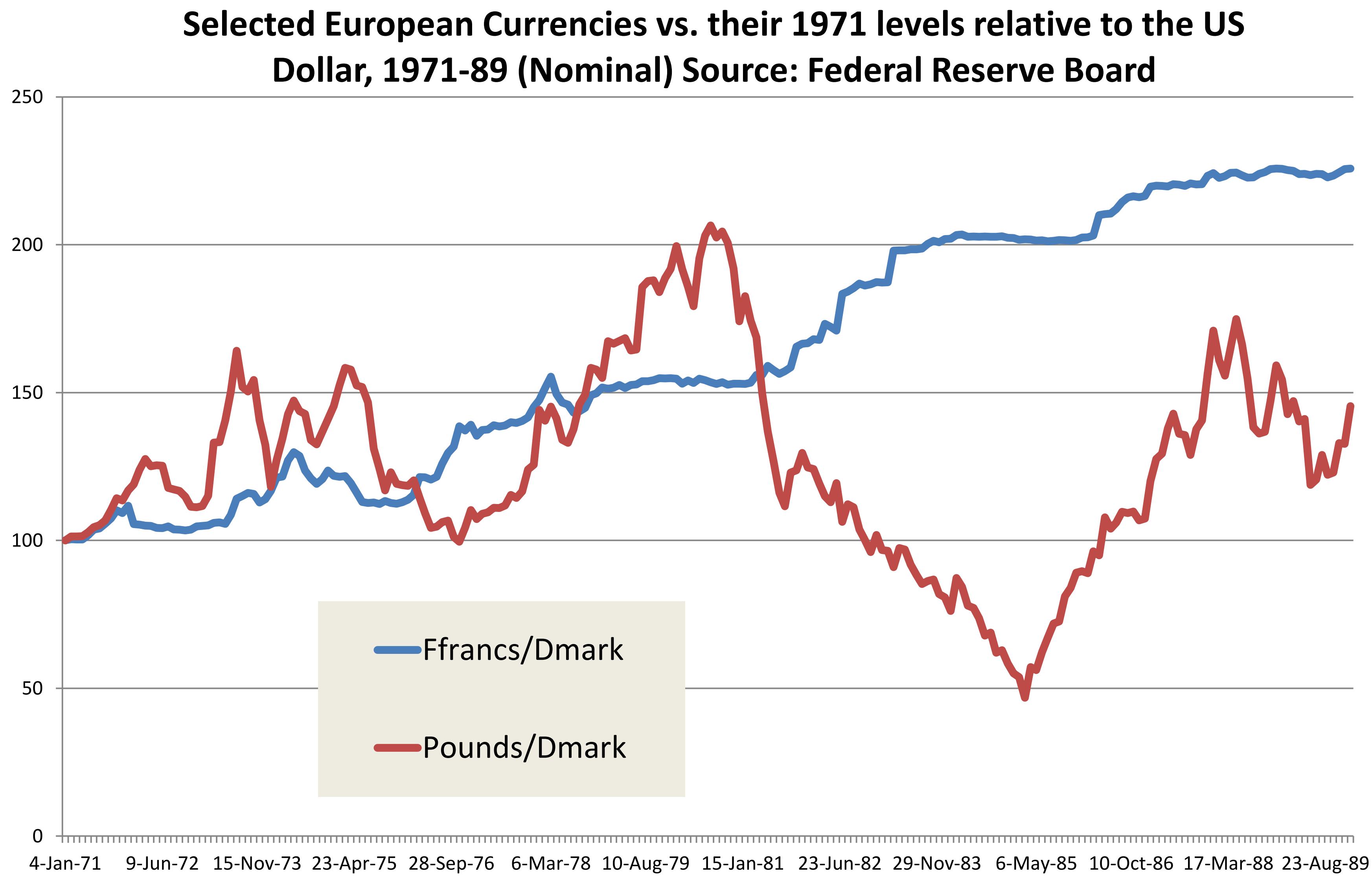
2. Historical trajectories: from Keynesian capitalism to instability and crises

Europe's dilemmas (1/2)

- Treaty of Paris, 1951: European Coal and Steel Community
- The Treaty of Rome, 1957, created the European Economic Community ("Common Market"), which established common price levels for agricultural products in 1962.
- After Bretton Woods, European nations faced a dilemma. The era of the overvalued dollar was ended; and amidst inflationary pressure, the door was opened to currency competition/economic-coordination problems amongst European nations.
- The problem of maintaining stable exchange rates amongst the European nations remained problematic. Germany always pulling ahead, Britain always protecting its financial centre.


Selected European Currencies vs. their 1971 levels relative to the US Dollar, 1971-89 (Nominal) Source: Federal Reserve Board
250
200
150
100
50
0
4-Jan-71
9-Jun-72
15-Nov-73
23-Apr-75
28-Sep-76
6-Mar-78
10-Aug-79
15-Jan-81
23-Jun-82
29-Nov-83
6-May-85
10-Oct-86
17-Mar-88
23-Aug-89
Ffrancs/Dmark
Pounds/Dmark

2. Historical trajectories: from Keynesian capitalism to unstability and crises

Europe's dilemmas (2/2)

- Europe face "eurosclerosis" (1980s). Delors Commission (1985) proposed Single European Market, established in 1993.
  - It proposed the Maastricht treaty, signed in 1992, which established the pillars of a European Union: cooperation in foreign policy, macroeconomic convergence [Price inflation: within 1.5 % of 3 best economies; public deficit ≤ 3% of GDP; 60% govt debt to GDP], common currency.
- EU solution: Empower the "State" to compete in the (global) "Market"; diminish the (national) state without an internal recycling mechanism.

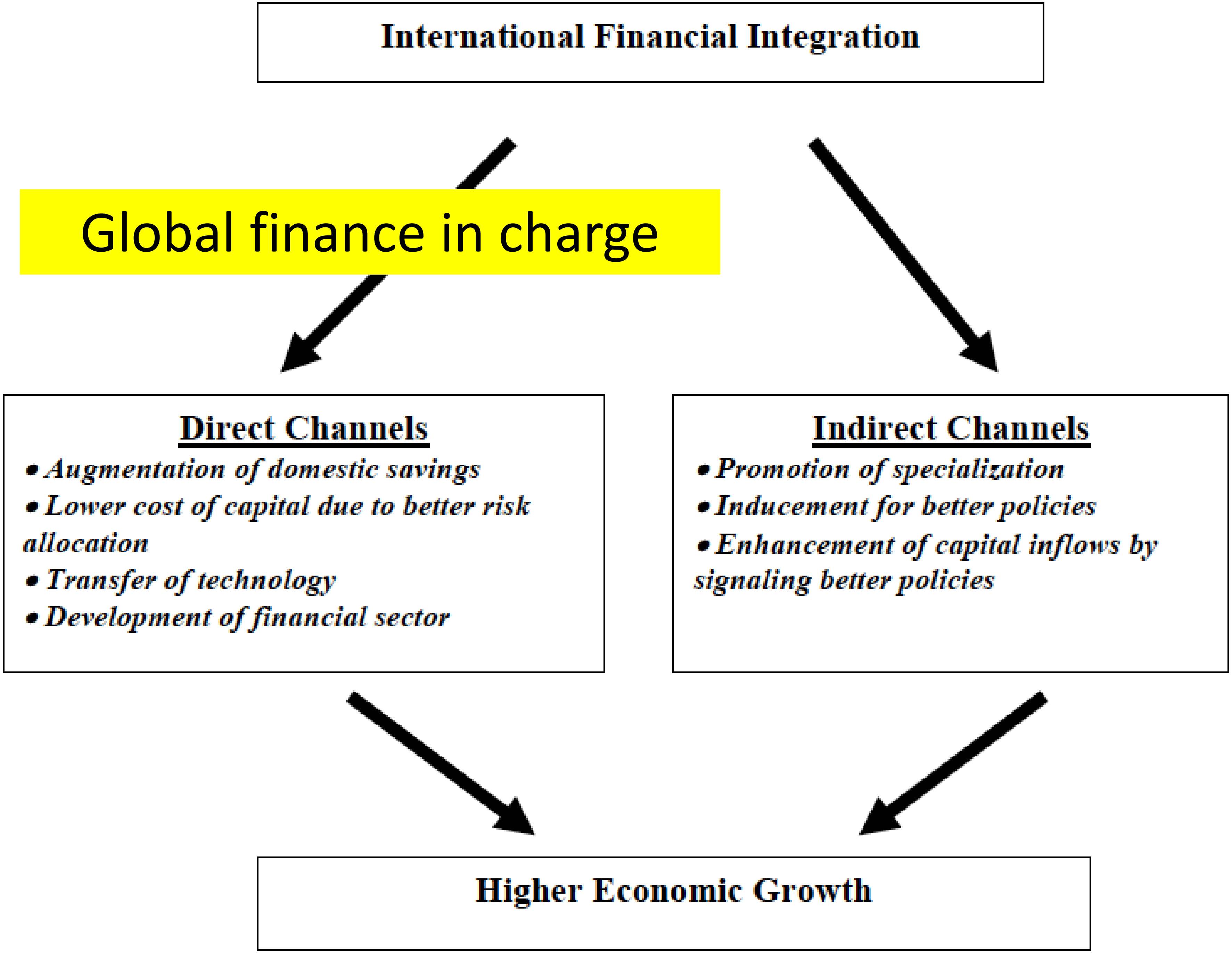
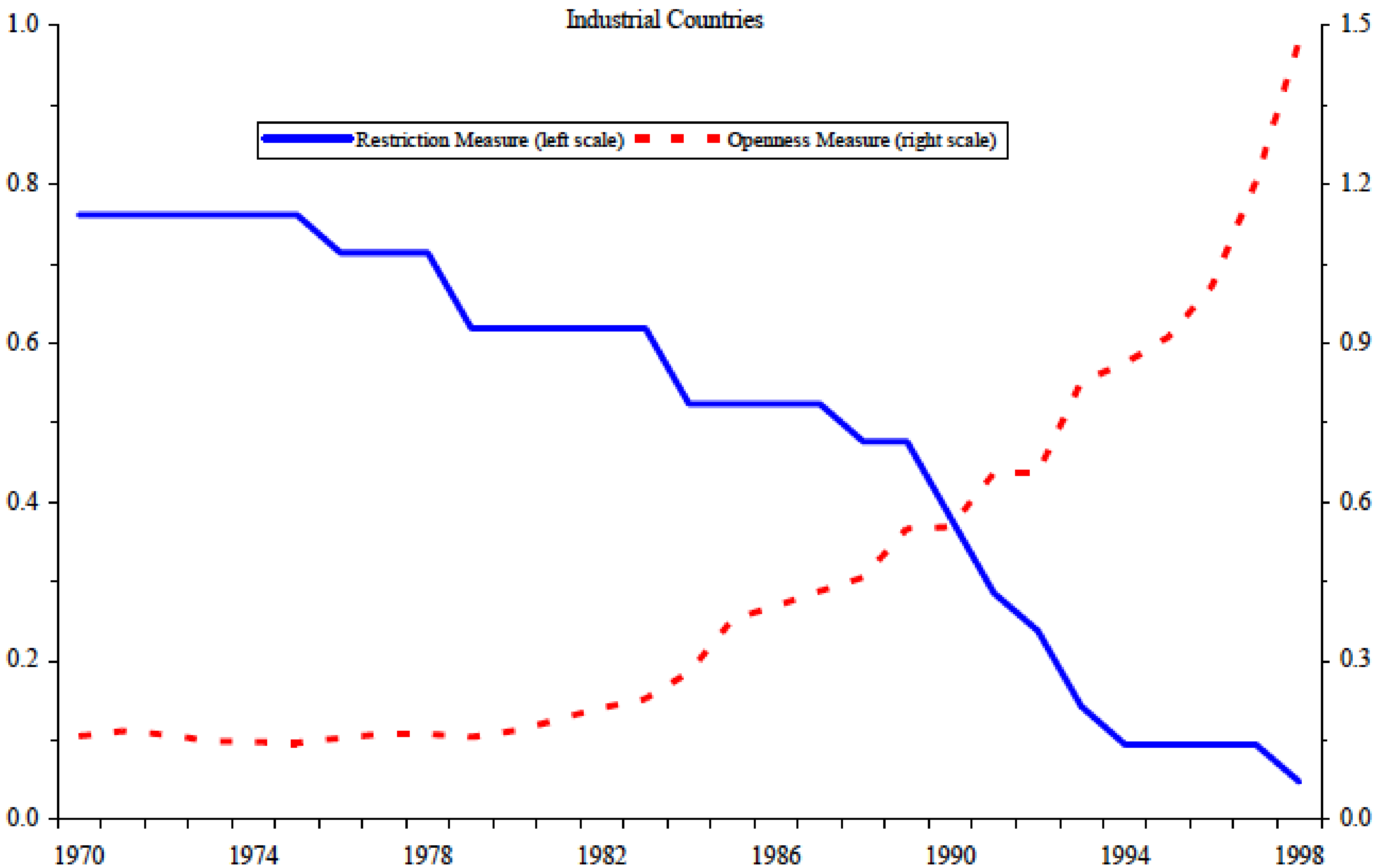

International Financial Integration
Global finance in charge
Direct Channels
• Augmentation of domestic savings
• Lower cost of capital due to better risk allocation
• Transfer of technology
• Development of financial sector
Indirect Channels
• Promotion of specialization
• Inducement for better policies
• Enhancement of capital inflows by signaling better policies
Higher Economic Growth

Figure 1. Measures of Financial Integration



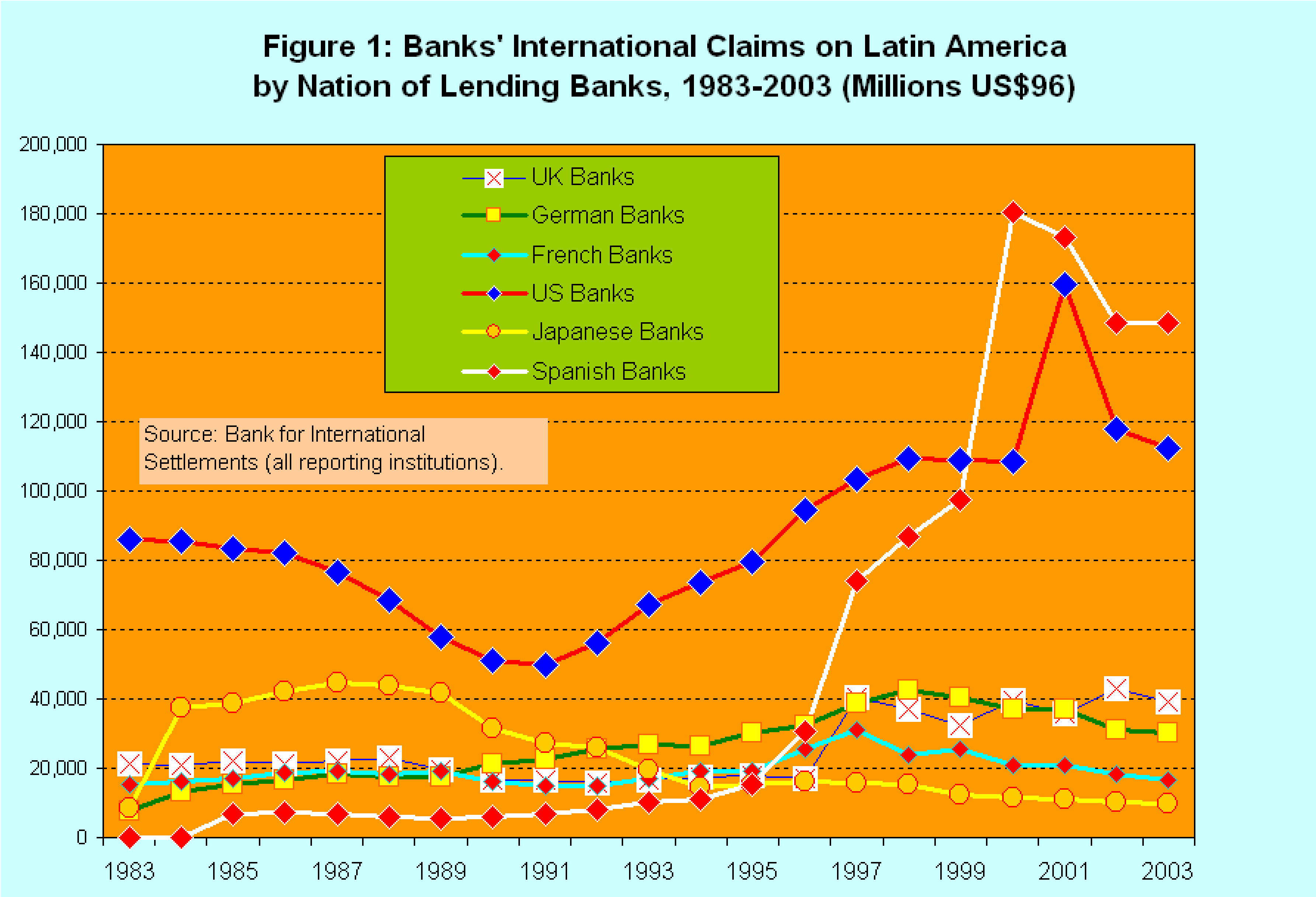


Figure 1: Banks' International Claims on Latin America
by Nation of Lending Banks, 1983-2003 (Millions US$96)
UK Banks
German Banks
French Banks
US Banks
Japanese Banks
Spanish Banks
Source: Bank for International
Settlements (all reporting institutions).
200,000
180,000
160,000
140,000
120,000
100,000
80,000
60,000
40,000
20,000
0
1983
1985
1987
1989
1991
1993
1995
1997
1999
2001
2003

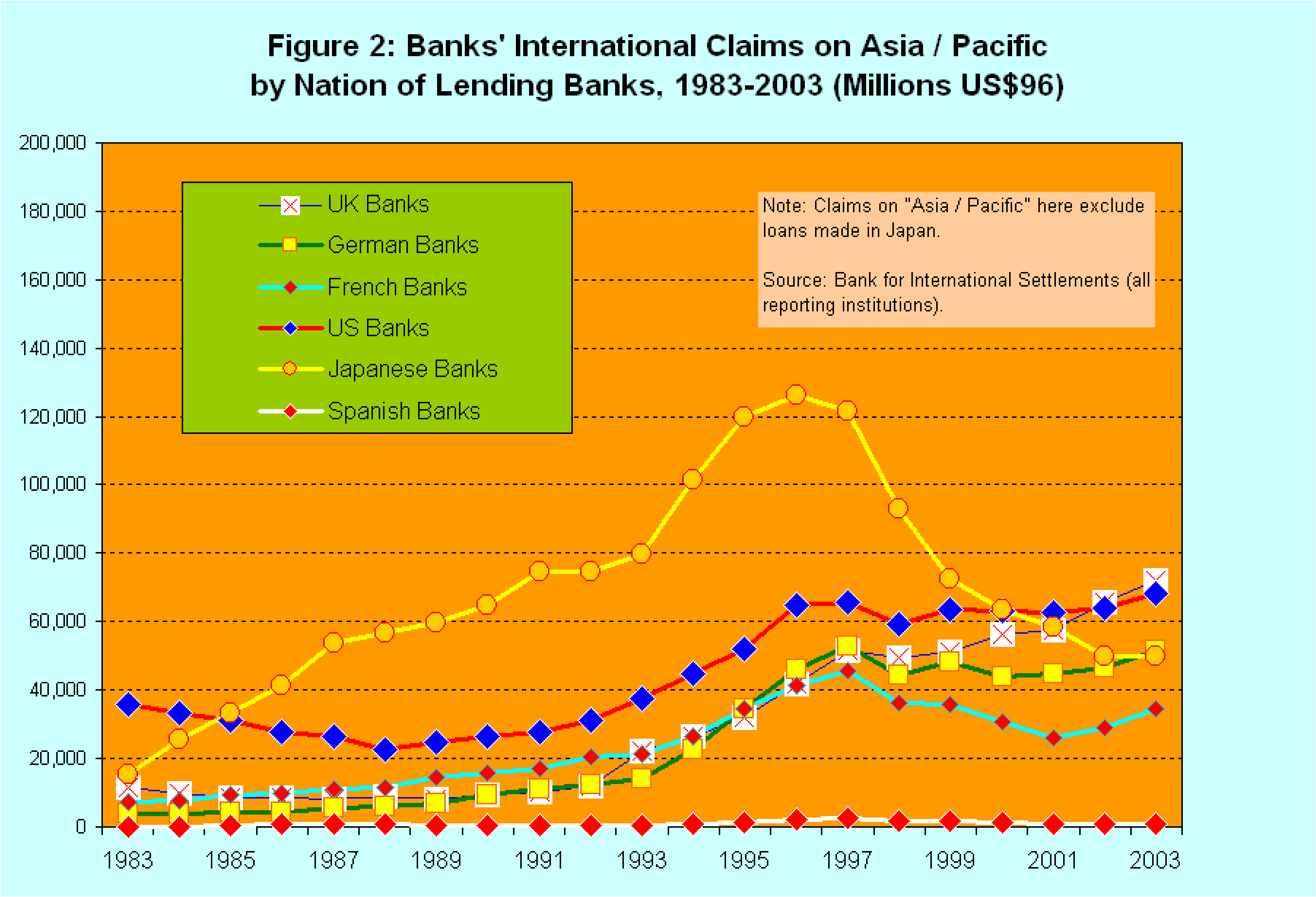


Figure 2: Banks' International Claims on Asia / Pacific
by Nation of Lending Banks, 1983-2003 (Millions US$96)
UK Banks
German Banks
French Banks
US Banks
Japanese Banks
Spanish Banks
Note: Claims on "Asia / Pacific" here exclude loans made in Japan.
Source: Bank for International Settlements (all reporting institutions).
200,000
180,000
160,000
140,000
120,000
100,000
80,000
60,000
40,000
20,000
0
1983
1985
1987
1989
1991
1993
1995
1997
1999
2001
2003

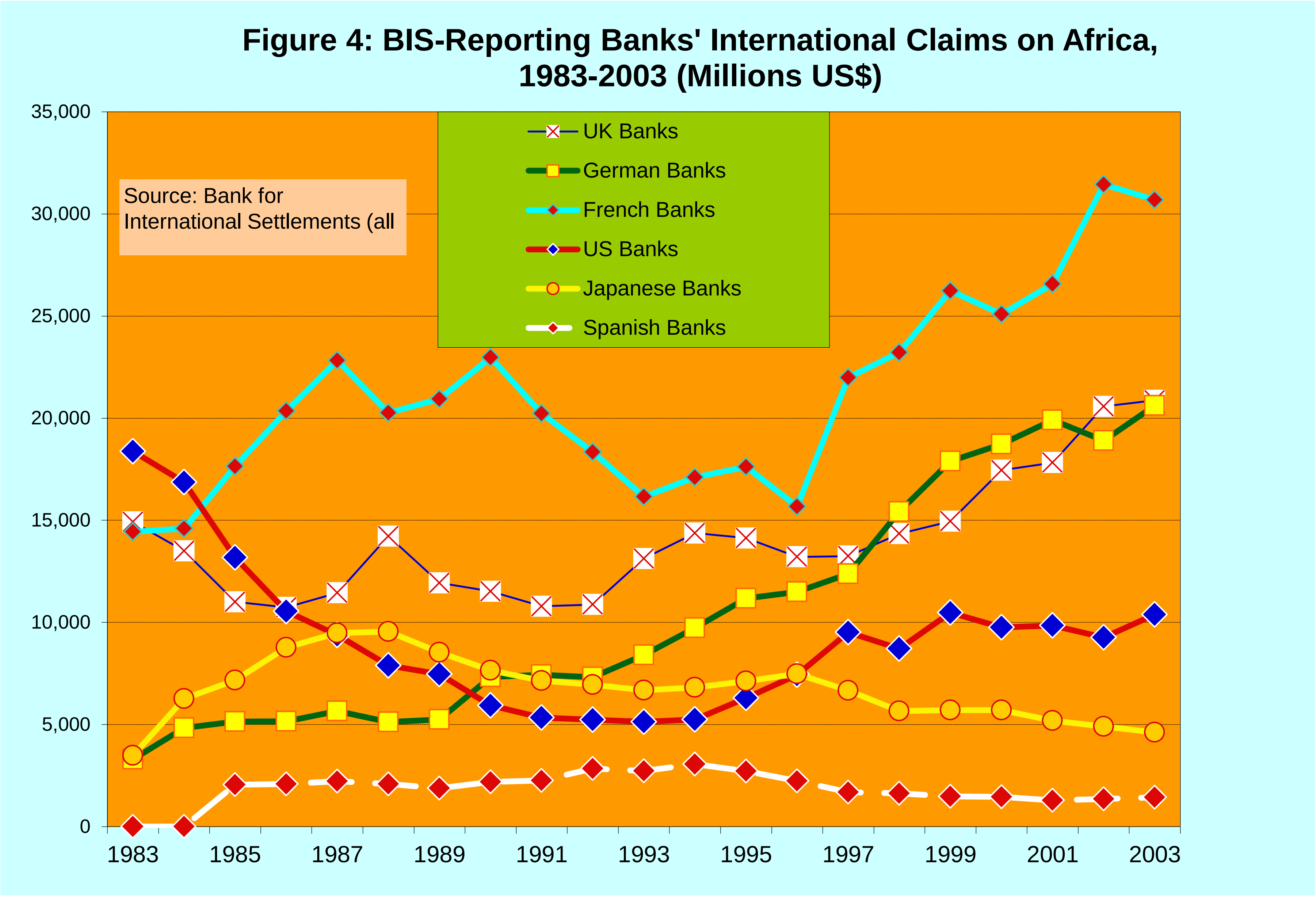


Figure 4: BIS-Reporting Banks' International Claims on Africa, 1983-2003 (Millions US$)
Source: Bank for International Settlements (all
UK Banks
German Banks
French Banks
US Banks
Japanese Banks
Spanish Banks
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
1983
1985
1987
1989
1991
1993
1995
1997
1999
2001
2003

3. Neo-Marxian policy responses to crisis

Marxian theories of crisis:

- stagnation (Luxembourg, Sweezy, Streeck)
- LRTRPF ('materialist' approach)
- profit-squeeze (Boddy and Crotty)
- the 'New Movements' and 'Empire' (Hardt and Negri)
- breakdown of social reproduction (Makoto Itoh – Japan, Nancy Folbre – US)

These different theoretical approaches have been prominent at different points in historical time.

- Profit-squeeze – 1970s; "new movements" – 1968;
- Social breakdown – 1990s Japan, now…

3. Marxian/Kaleckian policy responses to crisis

Wolfgang Streek – *Buying Time: the Delayed Crisis of Democratic Capitalism*

A threefold economic crisis:

- 1. A banking crisis – too many banks in the Western world have extended too much credit, public and private, an unexpectedly large part of which went bad.
- 2. A fiscal crisis – budget deficits and rising levels of government debt, which go back to the 1970s, and which was worsened in many cases by the need to spend more in the 2008 crisis.
- 3. A crisis of the real economy – high unemployment and stagnation – because firms and consumers have difficulty in obtaining loans, many of them already in debt and banks short of capital – while governments must curb their expenditure and/or raise taxes. This reinforces the other two crises.

3. Marxian/Kaleckian policy responses to crisis

Streeck (2): There were surprises for Marxian crisis theory …

- No one foresaw the "financialization" of modern capitalism.
- The idea had spread that capitalist economy had been turned into a "prosperity machine which, with the help of the Keynesian toolkit, could be kept stable and crisis-free through orderly cooperation between governments and large corporations." The pauperization of the working class was no longer visible.
- The crisis had turned into one of legitimation – whether "what it (capitalism) was able to supply would be enough to make its recipients continue playing the game", not one of production (per classical Marxian theory).

3. Marxian/Kaleckian policy responses to crisis

Wolfgang Streeck – *Buying Time: the Delayed Crisis of Democratic Capitalism" (p. 46)*

- "To continue along the road followed for the last forty years is to attempt to free the capitalist economy and its markets once and for all – not from governments on which they still depend in many ways, but from the kind of mass democracy that was part of the regime of postwar democratic capitalism." (46) … "the money magic of the past two decades, produced with the help of an unfettered finance industry, may have finally become too dangerous for governments to dare to buy more time with it." (46)

3. Marxian/Kaleckian policy responses to crisis

Approaches given the starting point of capitalist accumulation:

- Regulate it: reduce the required rate of profit and constrain the free movement of capital across borders; put sand in the wheels of commerce ("Tobin" taxes on financial transactions, wealth, etc.).
- Check out of the system (non-market exchanges, LETS and other alternative currency systems, cooperatives)?
- Elect and pressure governments to secure jobs and growth for the non-rich – the "working class"/the "social excluded" … and to limit predatory, exploitative behavior by the powerful

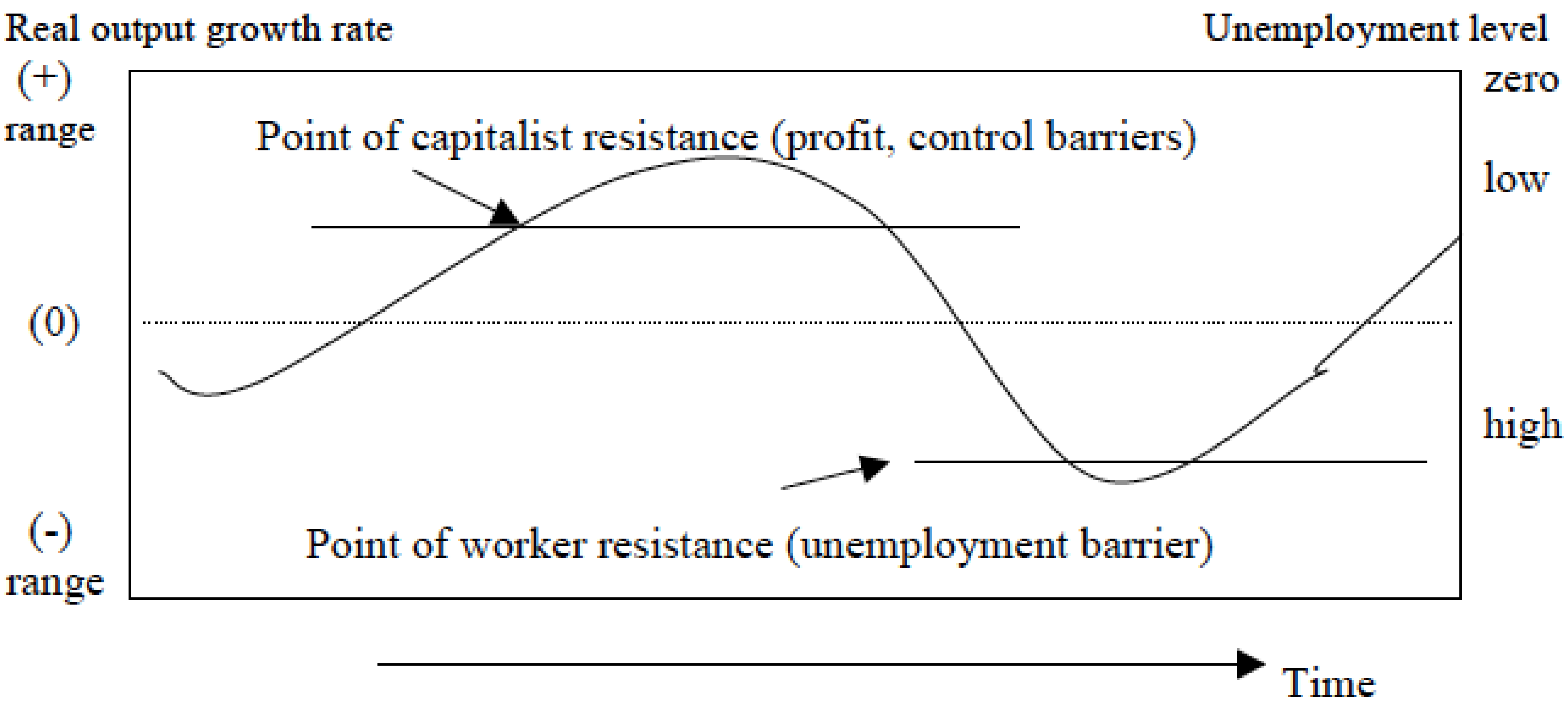
But:

- Can these strategies be coopted?
- At what point are the premises of capitalism threatened? Will capitalism simply wither on the vine (Mason, *Post-Capitalism*).

3: Marxian / Kaleckian policy responses: tension in intentions

- Premises:
  - if capitalism's character is inhuman (alienating people from their 'species-being'), and
  - if its self-expanding character leads to increasing inequality (the "1%") and the failure to adopt viable technologies due to imposing high hurdle rates of return ("20% or we don't invest") and
  - if private decisions based on profit-seeking always dictate "choices" about investments and thus shape social space non-democratically:
- Then confrontation - not compromise – is needed.
- If this defines a Marxian view - contradiction is progress – then a Neo-Marxian view can be defined: work to transform social relations, overturning capitalism by changing its nature. (eg, Streeck)

Figure 2B: The Kaleckian political business cycle



4. Keynesian policy responses to crisis

- Neoliberal stagnation trap 1: profit, when earned, is controlled by capitalists who will not spend it. So there is always a search for new markets into which to sell. (Luxembourg/Kalecki)
- Neoliberal stagnation trap 2: Profit cannot be earned because there is insufficient demand for the goods whose purchase will validate it. (Keynes)
- Stiglitz: Wages and profits cannot be earned because banks/financiers do not make productive credit available.
- Minsky: Wages/profits cannot be earned because debt or financial instability burdens are making stable accumulation impossible.

4. Keynesian policy responses to crisis

- Neoliberal stagnation trap 1 (*Profits*): Shift toward wage-led growth: raise minimum wages, tax profits and/or wealth more heavily, allow for an organized worker voice at the 'bargaining table' (Stockhammer, Onaran, Sawyer)
  - "Force" capitalists to invest: Kalecki – Capitalists earn what they spend (profits earned equal investment).
  - If capitalists will not or cannot invest, the state must do it, via public works, infrastructure investment, and so on.
- Neoliberal stagnation trap 2 (*Aggregate demand*) Increase demand by any means necessary (Keynes: bury currency, let people dig it up).
  - "Modern monetary theory" (Wray, Levy Institute): set employment targets and use a "functional finance" approach, freely print money and put people on public fisc to get there

5. Are Marxian and Keynesian views consistent?

1. **The problem of the surplus:**
   - Marxians see profit as evidence of the contradictory impulse at the heart of capitalism, proving its ultimate instability. Class conflict is there – the zero-sum game – is inherent in capitalist competition, evidence of its self-destructive tendencies.
   - Keynesians see the system as having a growth imperative, which is the only means of overcoming stagnation. You have to grow your demand, to keep suppliers interested. Growth buys out your class contradictions. As long as you grow, everyone can have more.

- But! Kalecki, "Political Aspects of Full Employment," suggests it cannot be so cozy – the capitalists will strike if their margins are too threatened.

5. Are Marxian and Keynesian views consistent?

2. The problem of asymmetric power

- Marxians are at odds over this. Is the economy a landscape of power or is it a realm of competition? The “global factory” and free capital mobility either create global asymmetries in “exit options” between employer(s) and workers.
- Keynesians mostly ignore power. Staying at the aggregate level of analysis, invisibilizes other “social relations of production” and makes them inconsequential.
- A key example here is power in finance. The asymmetric exit option creates an artificial shortage of capital, maintained by a threat to undercut the integrity of the financial system controlled by megabanks. This is policed by carry trade “arbitrage,” and the global regulatory game of *Three-Card Molly*.
- The distortion in the use of the public fisc – bailing out TBTF banks – is naturalized.

5. Are Marxian and Keynesian views consistent?

3. The problem of exploitation:

- Marxians ground exploitation in labor process. What do we do with a capitalism that has shifted the spatial basis of production so that many former workers are rendered surplus, unneeded? Do we have the super-exploitation of the few in the global South as the basis of capitalist profits?
- Keynesians argue for lower interest rates, to "kill the rentier", but do not generally address the problem of exploitative lending rates in many nations. Is the fact that much of the working class around the world is paying exorbitant rates of interest to cover its cash-flow gaps not relevant for Keynesian analysis?

- So…who are exploited, and who constitutes the class that can overcome its rage and/or its shame and can fight back?

5. Are Marxian and Keynesian views consistent?

4. The problem of crisis and instability:

- Marxians see crisis as clearing the way for new rounds of accumulation based on a renewal of the conditions necessary to exploit labor in production. The state as a hammer to use on the disobedient region (European Union – Greece).
- But if for Marxians, the crisis is a crisis of capitalism, for Keynesians, it is a crisis of policy. Policy mistakes can bring down economic systems.
- If we follow Minsky in seeing financial instability as a natural process, and if financial innovation is inevitable, the "big bank" and "big government" must continually evolve to stabilize the system: Perry Mehrling, INET, the central bank as "dealer of last resort."
- And a multi-level government like the Eurozone blocks the possibility of Minskyian "big government"/"big bank" rescues (no fiscal recycling/transfer mechanism, no central-bank stopgap)

6. Four challenges for radical change

- Once Keynesian consensus was eliminated in the global North – and once developmentalism was knocked aside in the global South, a wave of new alternatives emerged: New Keynesian economics, New classical economics, New Economic Geography, and so on.
- The problem of using state power to govern the market turned into the question of how to influence markets, how to attract capital.
  - Capital, once constrained, became 'scarce', attained power.
  - An irony in an age of 'globalized finance'
  - Markets now discipline states at the highest level. EG, Argentina

6. Four challenges for radical change

1. Economic / social sustainability vs ecological challenges of climate change
2. Macroeconomic austerity context (top-down) vs. microeconomic (bottom-up) community development strategies (Co-production, voice)
3. Neoclassical sink vs. heterodox spiral
   – A "debate" about macro policy: DSGE as the model used to communicate with the people that matter
4. Power in finance and financialization: the stripping of production from workers (Brexit vote) vs. the growth of the fragile and unstable megabanking complex

6. Four challenges for radical change

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Industrial competitiveness cycles: Verdoorn expansions to global factory to squeezed policy-space to post capitalism?

		Nature of industrial structure		
		Linear / regular/ no advantages to location	Localized spillovers available to be captured	Location-based Increasing returns to scale, agglomeration-driven
Cross-border balances (trade highlighted)	Trade surplus	Successful base-multiplier exchanges		Successful buildup of interconnected local industries
	Balanced trade or autarchy		The “circular economy” (New Economic Foundation)	
	Trade deficit		Deindustrialization, industrial-policy failure	

Efficient markets to Minskyian fragility and the wage-led alternatives

		Outcomes of distributional conflict (capital/labor)	
		Profit-led growth (includes rentier Income from financial activities)	Wage-led growth
Impact of financial system on economic outcomes	Passive / reflective (fair assessment of credit needs)	Capital/credit efficiently allocated to support accumulation	Free the system of artificial expenditure constraints" with sustainable finance, Financial citizenship
	Financial fragility-bound, instability-inducing	Financialization (lower wages → higher debt for hshds)	Veblenian imitation-based credit excess, out of control finance requiring post-crisis subsidies

6. Four challenges for radical change

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3. **Neoclassical sink vs. heterodox spiral**
   - **A "debate" about macro policy: DSGE as the model used to communicate with "the people that matter"**
4. Power in finance and financialization: the stripping of production from workers (Brexit vote) vs. the growth of the fragile and unstable megabanking complex

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1. From symbiotic finance to the escape of finance

- The finance/development approach, $Y = f(N, K, F)$, is a timeless equilibrium representation used in mainstream theory, with a vague or non-existent theoretical base, in which it is assumed that more finance, ΔF, will lead to more growth, ΔY.
- When finance is economically productive this should be the case, though for our purpose we want to place finance in real-time trajectories of capitalist accumulation. Such as:

M	–	C (MP,LP) …C’	–	M’
Equity, working-capital finance		Trade credit, Risk-management	Consumption credit	Expansion finance

- Here, arguably, finance has productive spillovers, as it augments the pace of the accumulation and circulation of capital. It is also bounded in size, as F – given any state of technology - is limited by the scale of accumulation, and its activities by the needs of accumulation.

1. From symbiotic finance to the escape of finance

- Here we have symbiotic finance – earning income based on real-time flows in commodities, goods markets. Minsky was here: investment (finance) restores growth after downturn.
- But what the finance/development approach ($Y = f(N, K, F)$) leaves off, is that $\Delta F \rightarrow \Delta Y$ (more efficient transactions and savings allocations) is not the only relationship at work.
  - What if ΔF also leads to $-\Delta K$, slower real capital growth, due to less loan-making to SMEs, that is, to innovators who cannot fully collateralize their loans?
  - And what if ΔF absorbs a part of public spending; and in crises, monopolizes liquidity, starving non-financial firms of bridge financing?
- Then $\Delta F \rightarrow -\Delta Y$, as ΔF has negative spillovers on the growth of the non-financial sector. If its activities are independent of those of the non-financial sector, then its size is limited only by its capacity to manage its leveraging, combined with the availability of liquidity.
- *Then finance serves itself, not the non-financial economy, and is partially parasitic.*

Figure 10A: Trough-to-Peak GDP and Loan Growth, U.S. Commercial Banks, Average annual % change, Five-year time-spans, 1961-1990

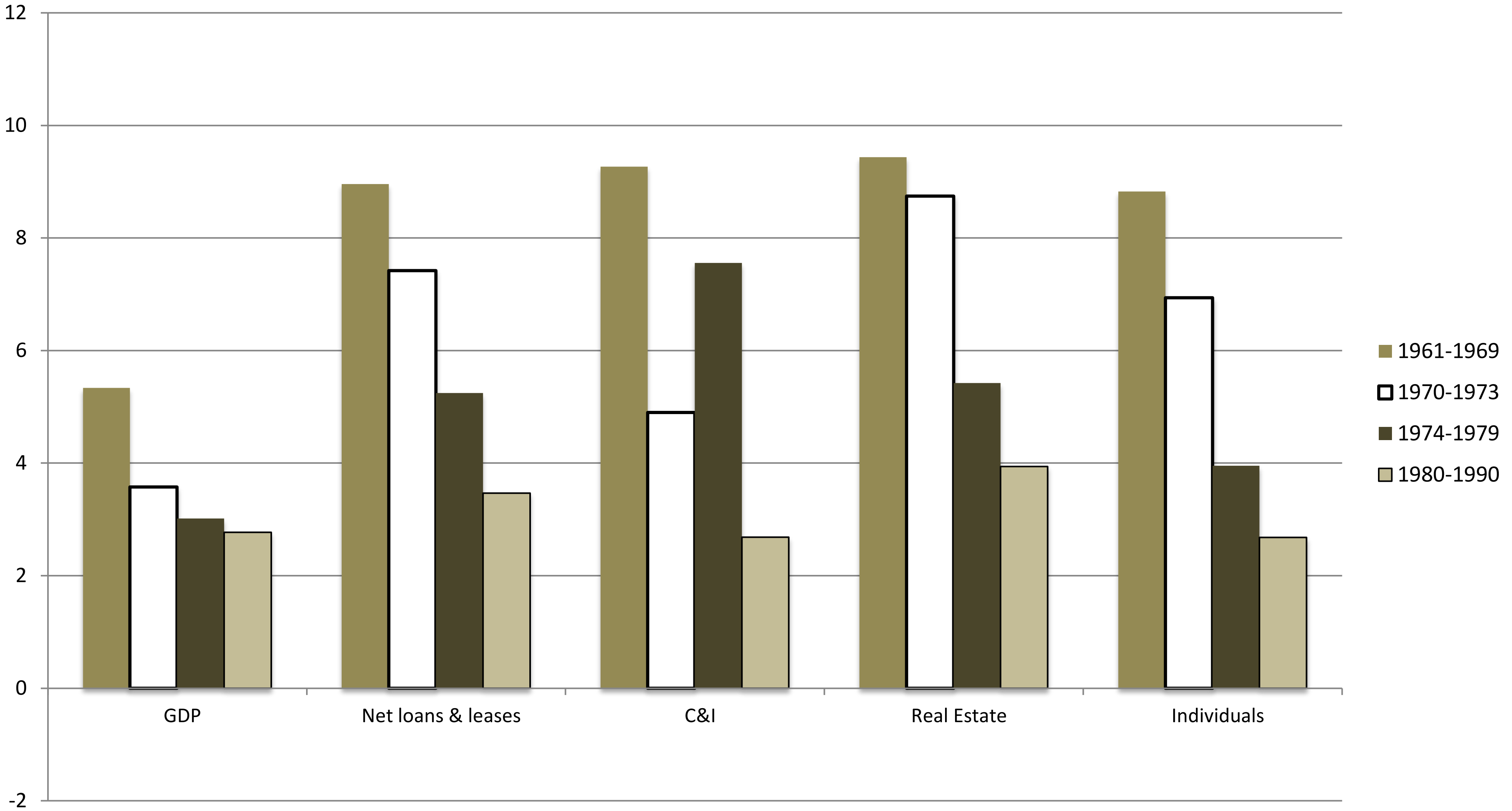
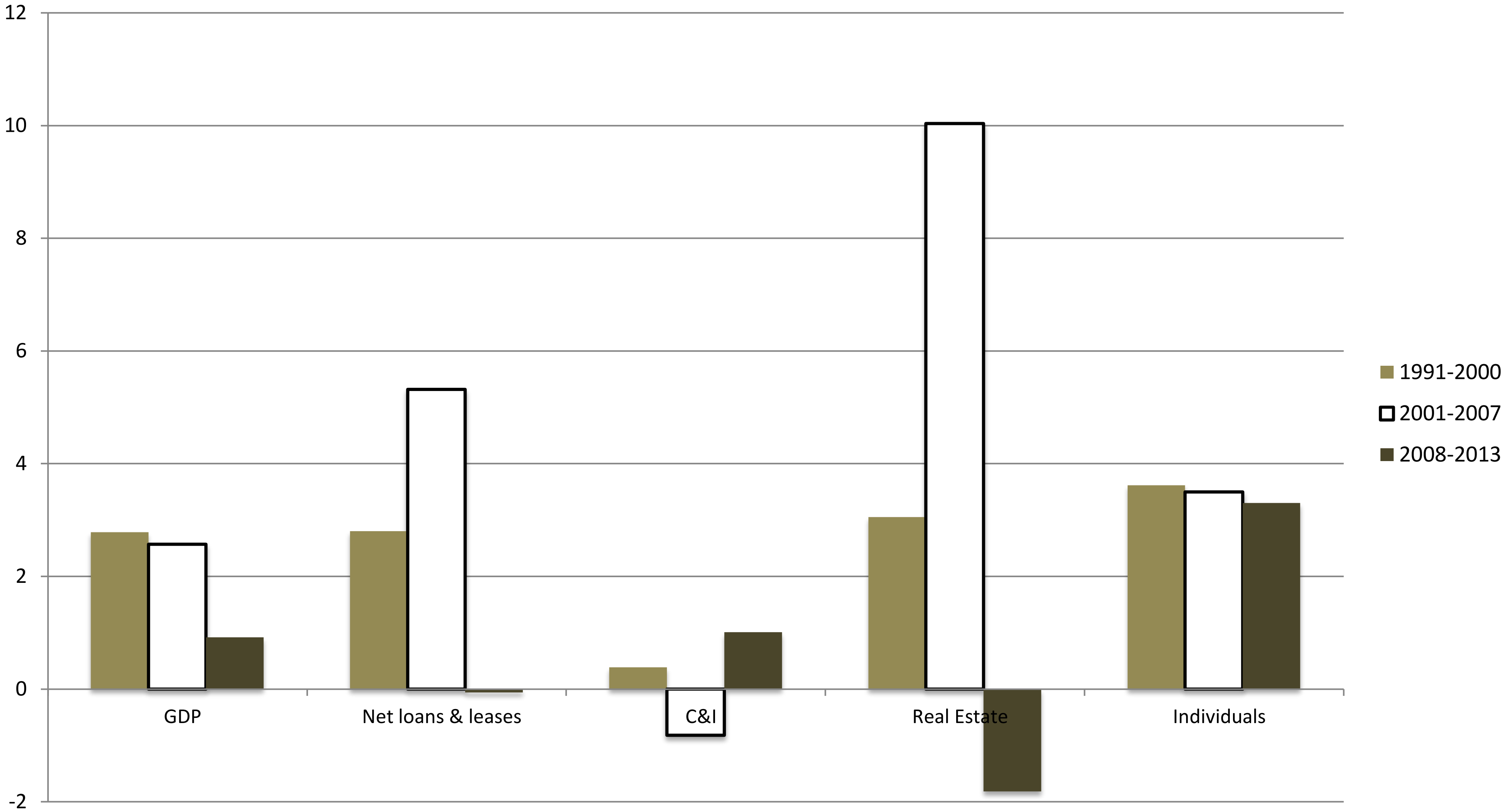
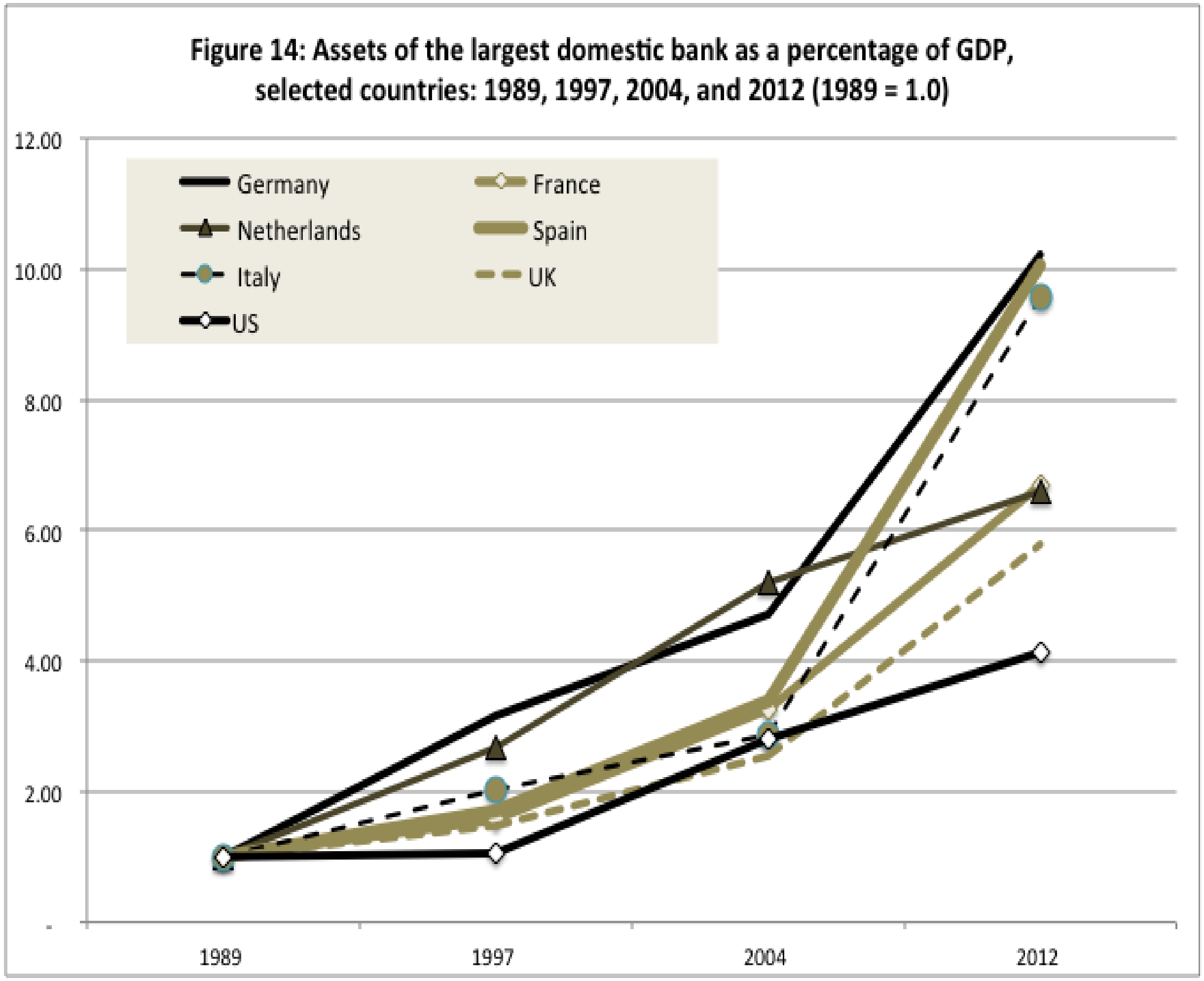


Figure 10B: Trough-to-Peak GDP and Loan Growth, U.S. Commercial Banks, Average annual % change, Five-year time-spans, 1991 to present





Accompanying this hyper-expansion of finance relative to income flows is the upward shift in the income of the upper 10% (Piketty) and the parallel growth of megabanks at the “micro” scale.

6. Four challenges for radical change

- Heterodox economists have (some) voice and we must make space.
- Gramsci: this is a war of position, and of strategy.
- *But:* You can put your body in the street, in the voting booth (in your country), you can migrate, you can flee.
- *Economic strategies relying on state counter-party depend on the continued relevance of the state as a boundary and organizer of community.*
- Minsky: "you beat a number with a number, and you beat a theory with a theory."
- *You can change your mind, can you change other peoples' minds? What then is your strategy?*

7. Trumpism and the Kaleckian Inversion

- The ‘real’ Trumpian macroeconomic dynamic
- The ‘real’ Trumpean financial dynamic
- Trump and the US Neoliberal macro-financial dynamic
- Responses to Trumpism
- The Kaleckian inversion?

The ‘real’ Trumpean macroeconomic dynamic

- Trump’s macro policies push on, but continue, the structure of the Neoliberal (post-1980s) order.
- Macro policy management from the 1980s forward has been based on active and passive components.
  - The active component, under “New Consensus” macro policy consists of using monetary policy to adjust to shocks to the economy’s equilibrium growth path. *Fiscal policy disappears from policy view*….
  - There has been a passive component as well: the US economy’s continual twin deficit, which has come to be a defining feature of the global macroeconomy.

Opinion **US budget**

How America learnt to love the budget deficit

A consensus has settled that the US can prosper despite its parlous public finances

JANAN GANESH + Add to myFT

Janan Ganesh JUNE 27, 2018

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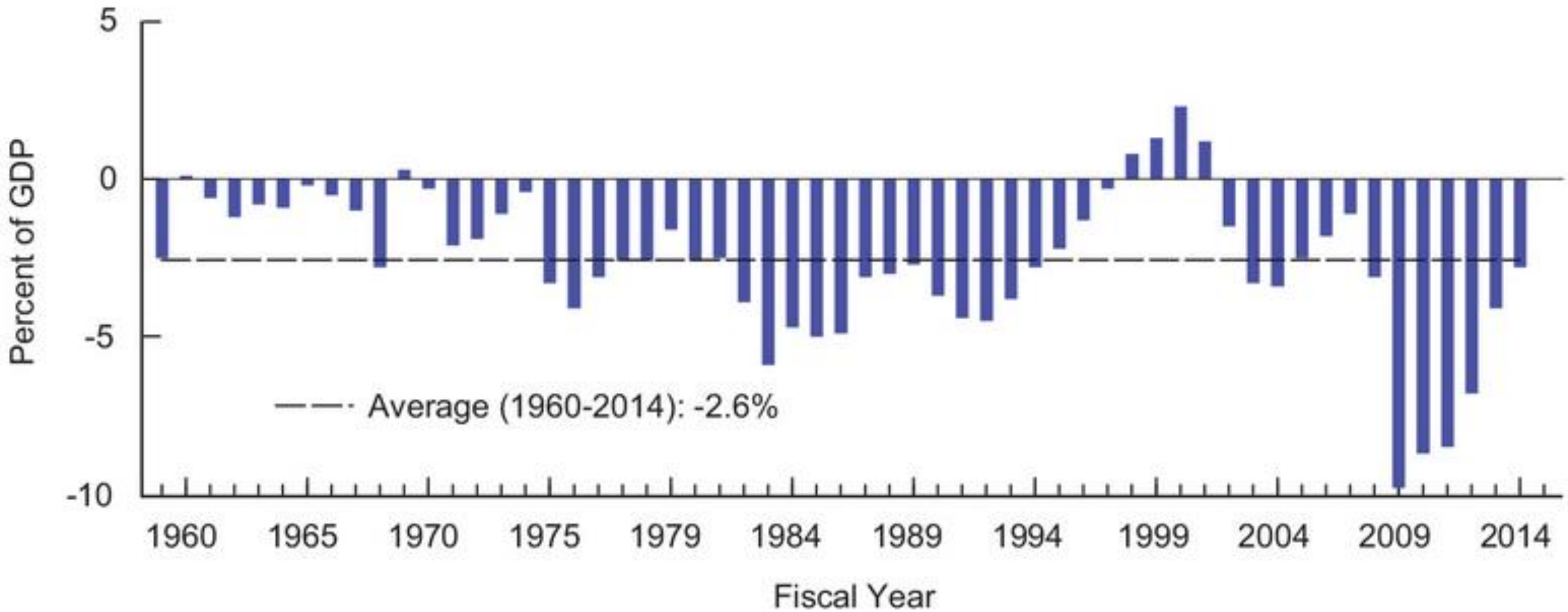
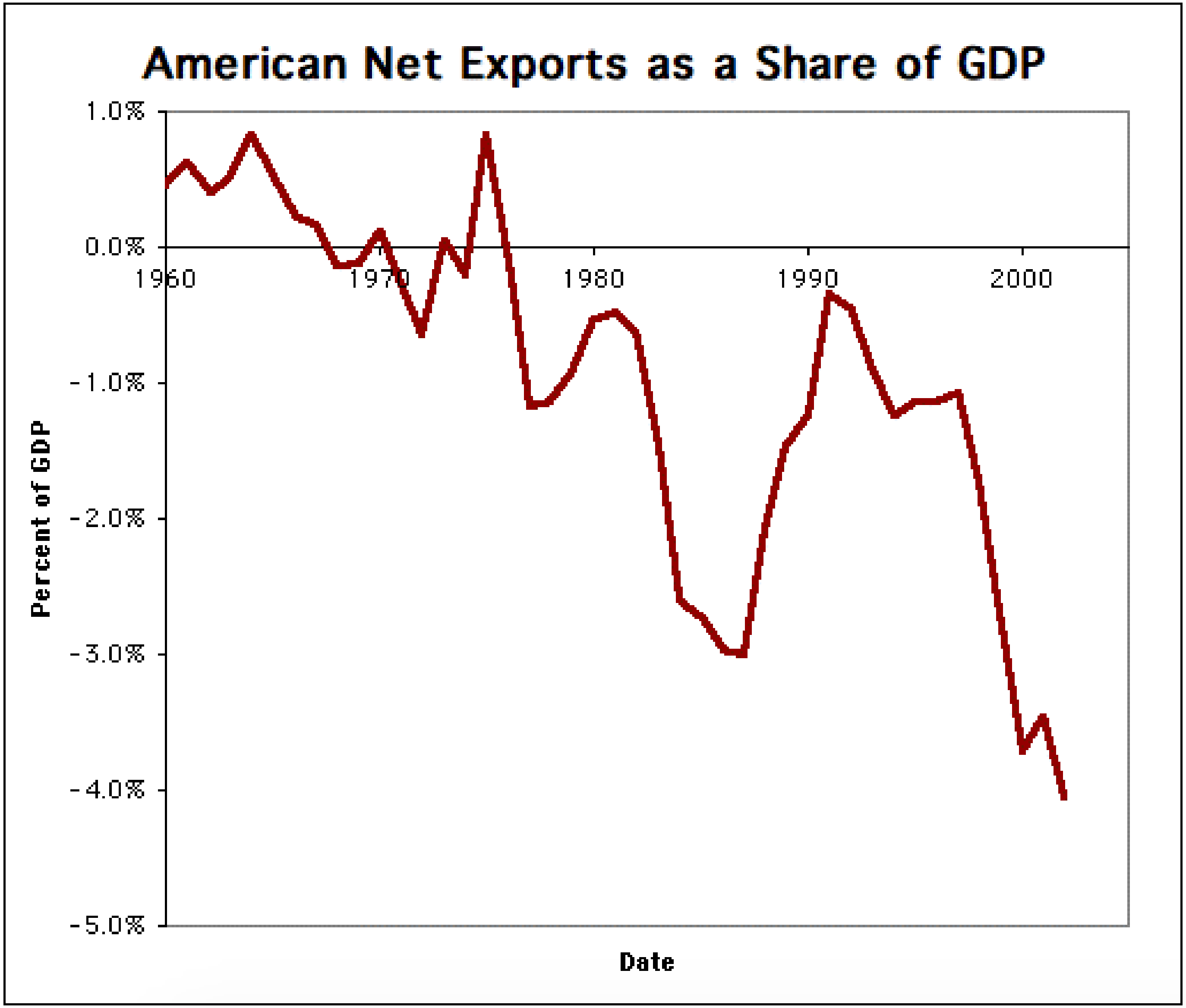
Chart 2. Federal budget deficits are returning to the historical norm.



Source: Office of Management and Budget.



American Net Exports as a Share of GDP
1.0%
0.0%
-1.0%
-2.0%
-3.0%
-4.0%
-5.0%
1960
1970
1980
1990
2000
Percent of GDP
Date

The ‘real’ Trumpean macroeconomic dynamic

- The US’s twin deficits - that is, fiscal policy - also come into play here.
- Maintaining a relatively stable US economic growth rate depends, in part, on sustaining the conditions of reproduction of the megabanking complex, among which are the continuing current-account deficit/capital-account surplus of the US economy, and the willingness of ’savers’ in the rest of the world to buy and hold US-dollar-based assets.
- This is also a precondition for the US playing the ‘global consumer of last resort’ role.

The ‘real’ Trumpean financial dynamic

- As President, Mr. Trump has consistently – through all the distractions - signalled his sympathy for Wall Street prerogatives and wishes …
  - NYT 3 February - **Trump** moves to Roll Back Obama-Era Financial Regulations
  - FT 12 February – FT editorial: Repeal the Volcker rule, it reduces banks’ provision of liquidity to the market.
  - FT 14 April – Citi profits up 17%, beating WS estimates, due to investment banking revenues.
  - NYT 8 June - Bill to Erase Some Dodd-Frank Banking Rules Passes in House
  - TheHill 9 June - **Trump** praises House vote to dismantle Dodd-Frank

3. The ‘real’ Trumpean financial dynamic

- FT 13 June – “Dodd-Frank is complex and overburdens the financial sector,” James Gorman, CEO of Morgan Stanley. In particular, the Volcker rule undermines banks’ ability to provide liquidity to the market, compromises returns of pension funds.
- WP 14 July – Jamie Dimon – President of Business Roundtable, member of WH business advisory council: “It’s almost embarrassing being an American citizen .. and listening to the stupid s--- we have to deal with in this country.” Not being able to pass critical legislation is “holding us back and it is hurting the average American. It isn’t a Republican issue, it isn’t a Democratic issue.”
- WP 14 July – Reporting on February, **Donald Trump** made an effort to roll back Dodd-Frank, said of Jamie Dimon, “There is nobody better to tell me about Dodd-Frank.”

Trump praises House vote to dismantle Dodd-Frank

BY SYLVAN LANE - 06/09/17 10:34 AM EDT

- FT 14 October – B of A reports earnings surge due to consumer banking and wealth management offsetting bond trading slump
- FT 17 October - Lloyd Blankfein criticizes Brexit, pressures PM May, endorses Frankfurt as new European financial hub
- NYT 24 October – The US Senate, on a 50-50 vote with VP Pence casting the deciding vote, voted down a new rule set out after a six-month set of deliberations by the Consumer Finance Protection Bureau, which would have forbidden the insertion of arbitration clauses into loan contracts.
  – The Dodd-Frank law mandated the CFPB undertake a study of the arbitration clause; the CFPB culminated in a 728-page report published in February 2015.
  – These prevent people from pooling resources in class-action lawsuits; the new CFPB law would have permitted class-action lawsuits against banks and financial institutions.
  – US Chamber of Commerce: "a prime example of an agency gone rogue."

Trump and the US Neoliberal macro-financial dynamic

- But Trump's "America first" diplomacy and policy stance has been undermining confidence in US global 'leadership', and in the US dollar as a safe haven in a crisis-prone world.
- This also undercuts the role of the Federal Reserve as international lender of last resort.
- But the Fed overcame the 2007-08 crisis by a global flood of dollar reserves and guarantees …
- So dollar-denominated assets linked to the US wholesale money markets are now the basis of the rehypothecation-fueled hyperleveraged balance sheets of today's megabanks.
- All this apparatus of financial production and reproduction depends on the US being a dependable through-port and destination for financial flows.

The ‘real’ Trumpean macro-financial dynamic

- Short- and long-run financial instability are both more likely.
- Shorter-run, another subprime-like ‘surprise’ crisis is more likely: the Trump Administration has been making regulatory bodies blinder, preventing the Consumer Finance Regulatory Agency from overseeing borrowing-lending relations, rolling back Dodd-Frank rules, and listening to the pleas of Wall Street potentates such as Jamie Dimon.
- Simultaneously, Brexit has brought about open competition for pieces of City of London business. The G20, FSB, BIS, and Federal Reserve all now regulate ‘systematically important financial institutions’ that didn’t exist pre-2007. But this makes the possibility of a crisis emanating from a set of now-underregulated instruments or practices all the more real.

The ‘real’ Trumpean macro-financial dynamic

- In the long-run, the global position of the Federal Reserve is under threat; and the willingness of the ‘rest of the world’ to permit the US to be ‘global consumer of last resort’ in exchange for its markets constituting a ‘safe haven’ and a dependable place to hold financial assets is being undermined by the aggressive rhetoric and actions of the Trump administration – and the unwillingness of his Congressional compatriots or the courts to rein it in.
- In the longer run, we are cascading into a post-hegemonic world in which the absence of global leadership is the outstanding feature of the international political economy, taken as a whole.

The ‘real’ Trumpean macro-financial dynamic

- In the post-Bretton Woods era, the US offered up a post-hegemonic hegemony in which it did not prevent crises from occurring elsewhere in the world, nor did it maintain the hegemon’s commitment to open and fair markets for all those s in the global order. Consider the Doha Round of the WTO.
- Now even the consolation of the post-hegemonic hegemony offered by the US is threatened. For all the contradictions of the neoliberal era until now, there is nothing in view to replace it.

4. The coming "trade war": burning "global order" to maintain "the base"

- President Trump has consistently played to his 'base' of supporters – the 38% of registered voters that believe he is the only righteous man in Washington – or who know he lies, and don't care. He must keep their trust that he is the Strong Man who protects them. And he will let the world burn rather than betray their trust or show weakness.

Ecclesiastes 10:16: Woe unto thee, O Israel, when thy king is a boy and thy princes feast in the morning.

National Security

First phase of Trump border wall gets $18 billion price tag, in new request to lawmakers

Prototypes for President Trump's promised border wall on the U.S.-Mexico border are on display as his administration still attempts to fund the project. (Reuters)

By Nick Miroff and Erica Werner January 5 at 7:27 PM

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National

Trump stands firm on trade, even as foreign tariffs begin kicking in

President Trump defended his tariffs on steel and aluminum on June 28, saying "Frankly, the smart people love it. Some people don't understand it." (The Washington Post)

By **Heather Long** July 1 Email the author

Trump's trade war with China is finally here — and it won't be pretty, analysts say

A Chinese official warned July 5 the United States is "opening fire" on the world with its tariff threats. He added China would respond to any U.S. measures. (Reuters)

By Danielle Paquette and Emily Rauhala July 5 at 8:56 AM Email the author

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Bank of England's Mark Carney warns of hit from global trade war

Central bank governor says world leaders should learn from effects of Brexit

The hit to global growth would be much larger if everyone put up tariffs against everyone else, Mark Carney told a business audience in Newcastle on Thursday © Bloomberg

Delphine Strauss in London 3 HOURS AGO

36

The UK's experience of Brexit should serve as a warning to global political leaders about the costs of putting up trade barriers, the Bank of England's

US and China must find ways to

But there is a more important question to be asked when thinking about the future success and stability of each nation: which country will be better able to control its moneyed elites?

In his 1982 work *The Rise and Decline of Nations*, the economist Mancur Olson argues that civilisations tend to decline when the moneyed interests take over politics. That has clearly happened in both countries, where the levels of wealth inequality are not dissimilar; the top 1 per cent in China own about 30 per cent of the economy; in the US, the figure is 42 per cent.

For better or worse, China is tackling this head on via President Xi Jinping's clampdown on the country's princelings. Thoughtful people can disagree about whether a party that jails hundreds of thousands of people and executes some in the name of a corruption purge can maintain any sense of moral superiority or legitimacy. But Communist party elites would argue that this is all in service of the higher goal of economic development.

strategic technologies and which country has the most to win or lose in a trade

Politics

In new video, Arnold Schwarzenegger asks Trump what's next after saving coal:

The three-minute video opens with Schwarzenegger, an actor well known for his time-traveling title role in "The Terminator" movie series, lecturing a Trump bobblehead.

"So President Trump, I know you really want to be an action hero, right?" Schwarzenegger says. "So take it from the Terminator, you're only supposed to go back in time to protect future generations. But your administration attempts to go back in time to rescue the coal industry, which is actually a threat to future generations."

"It is foolish to bring back laughable, outdated technology to suit your political agenda," Schwarzenegger continues. "I mean, what are you going to bring back next? Floppy disks? Fax machines? Beanie Babies? Beepers? Or Blockbuster? Think about it. What if you tried to save Blockbuster?"

Politics

Madeleine Albright brands Trump 'the most undemocratic president in modern American history'

Former U.S. secretary of state Madeleine Albright participates in a moderated conversation about her new book, "Fascism: A Warning," at Georgetown University in April. (Bill O'Leary/The Washington Post)

By John Wagner July 2 Email the author

Former secretary of state Madeleine Albright characterized President Trump on Sunday as "the most

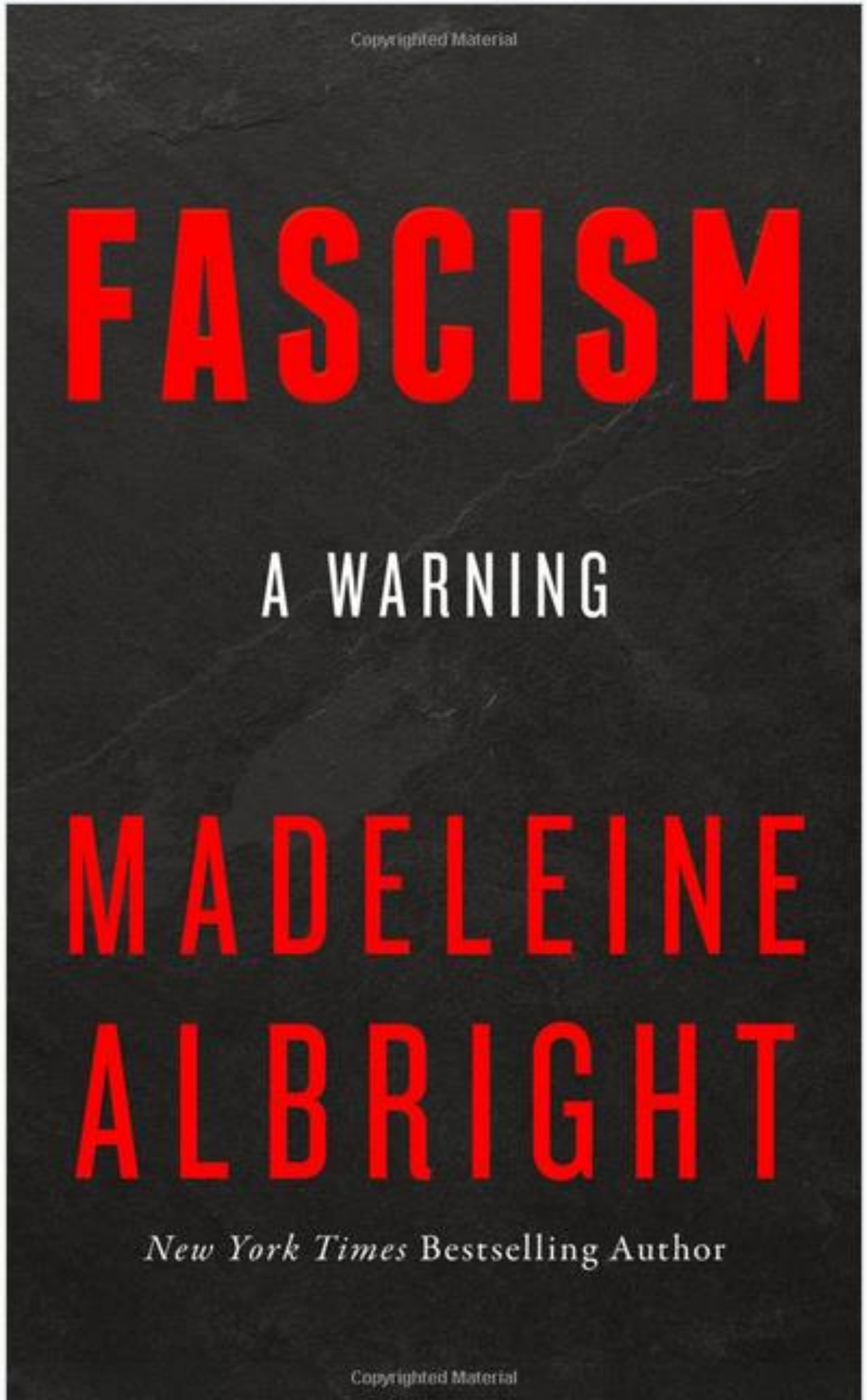
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Figure 2B: The Kaleckian political business cycle

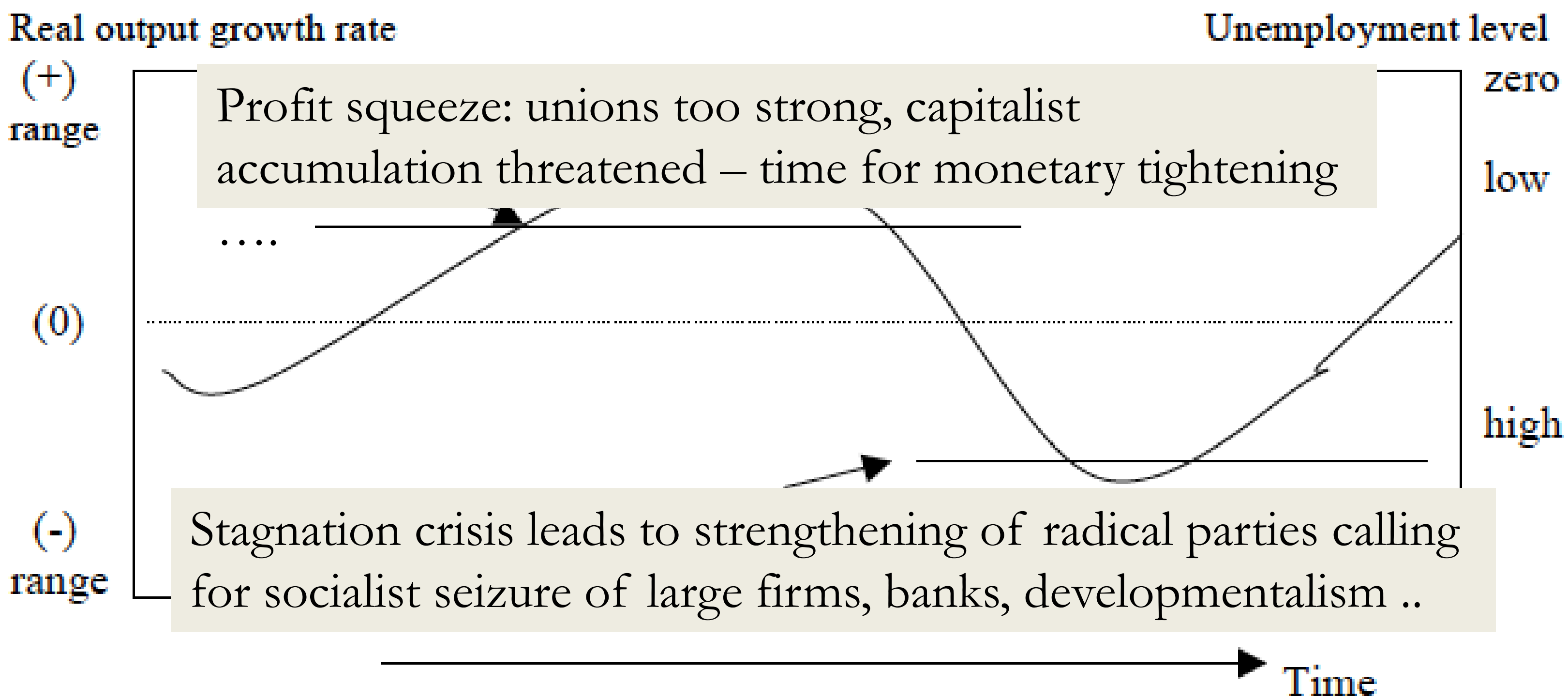
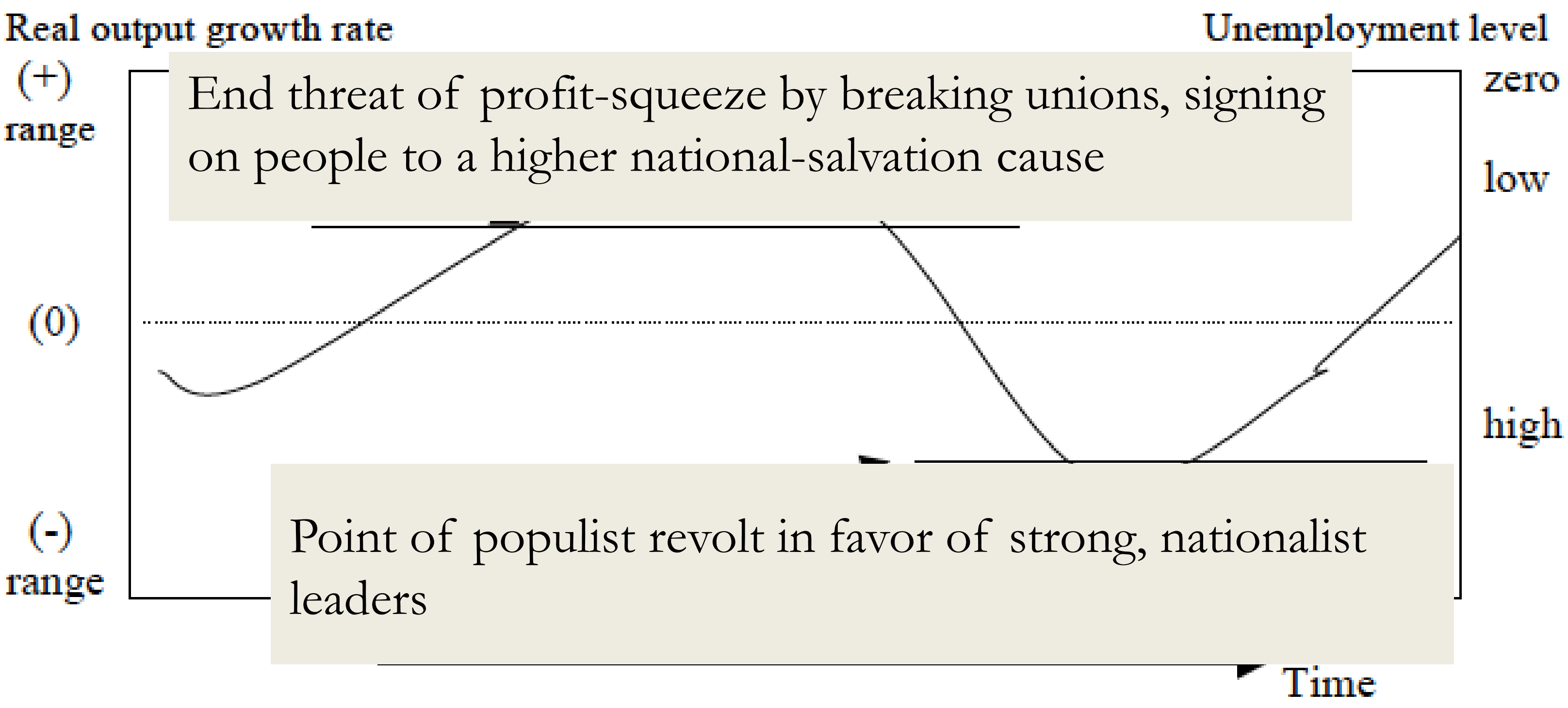


Figure 2B: The Kaleckian political business cycle



Jan 30, 1933 President Hindenburg appoints Hitler chancellor.

Feb 27, 1933 Reichstag Fire occurred, said by some to have been set by SA, at the time officially blamed on Communists

Feb 28, 1933 Law for the Protection of People and State ("Reichstag Fire Decree"): civil liberties suspended. Over the next five months, the Nazis systematically force all opposition political parties to shut down.

Mar 5, 1933 General Elections result in slim majority of Hitler's coalition.

Mar 22, 1933 Dachau concentration camp opens, begins receiving political prisoners

Mar 23, 1933 Enabling Act, passed with help of Catholic Center Party, … permits Chancellor and cabinet to issue laws without a vote of Parliament.

May 2, 1933 Trade unions banned from Germany.

Jul 6, 1933 At a gathering of high-ranking Nazi officials, Hitler declares the success of the National Socialist, or Nazi, revolution.

Jul 14, 1933 Hitler proclaims the Nazi party "the only political party in Germany." All others banned.

Special readings section: The European Monetary Union in crisis

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