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ASSESSING THE TRANSFORMATION OF GLOBAL FINANCE

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Old promises and new perils: an assessment of the new international financial architecture

1. Introduction

Global policymakers have been scrambling to respond swiftly to the 'First World debt crisis' of autumn 2008 (Wade 2008). The so-called ripple effects of the worst financial crisis since the 1930s have not only hit the advanced industrialized countries hard, but also have threatened to pummel developing countries, as the latter brace themselves for a major recessionary downturn. The IMF and some world leaders, such as French President and current EU President, Nicolas Sarkozy, have called for nothing less than "re-founding the capitalist system" (Rachman 2008). Little agreement exists, however, on how to move forward with the reforms. For instance, while Europe and Asia have insisted on 'even more' financial regulation to ensure financial safety, President G.W. Bush, conversely, has been championing the importance of free markets as the surest path to creating prosperity and hope (Freedman/Stearns 2008). The highly anticipated reforms that were tabled at the global financial summit in November 2008 were disappointingly ill-defined. Despite this shortcoming, it is possible to identify several dominant themes that have been occurring in the official discussions since the outset onset of the credit crisis. Firstly, the term 'regulation' has been vaguely defined in the debates thus far; indeed, it is difficult to ascertain whether the term 'more regulation,' used by policymakers, refers to state-led or market-led forms of regulation. It is important to note that recent experiences have revealed that the term 'regulation', even the rule-based, state-backed version, can often be deceiving. As I have argued elsewhere, the Sarbanes-Oxley Act, which was an attempt by the G.W. Bush administration to impose the "most far-sweeping regulatory reforms since the New Deal" in the wake of

Enron-style debacles in the US, has had the effect of naturalizing market-led governance in both the corporate and financial sectors (Soederberg 2009). Secondly, there appears to be a unanimous consensus among global policy-makers that the International Monetary Fund (IMF or Fund) – a stalwart of market-led reform – should play a central role in the re-founding of the capitalist system. The decision by the global leaders at the 2008 financial summit to pour more, albeit insufficient, amounts of money into the Fund is a case in point. Thirdly, and related, the debates about the 2008 financial crisis have taken place without mentioning the former, market-led solution to the spate of crises that swept across emerging market economies during the 1990s. Leaders of the world's most powerful countries, along with the global lending institutions – the IMF and World Bank – forged the 'New International Financial Architecture' (NIFA) in 1999. The NIFA aimed to ensure that governments and market participants of the global South adhere to 'prudent' (neoliberal) policies, so that they may reap the rewards of maintaining open market access to global financial flows.

There are two interlocking aims and overarching pillars of this article. Firstly, I strive to assess and make sense of the general changes and ongoing contradictions in global finance. Secondly, I contextualize the 2008 credit crisis. Both these objectives are examined against the backdrop of the NIFA. My central argument is that the NIFA, which has sought to ensure greater stability and prosperity in global finance via market-led regulations, has not delivered on its promises. Despite the claims by international policy-makers that financial globalization leads to economic growth and, in turn, general economic improvement, the majority of the world's population has seen greater levels of economic insecurity since the creation of the NIFA in 1999. My argument is developed in the following four sections. The second section explores the official premises underpinning the NIFA, and more generally, official versions of global development over the past decade. The third section exposes the neoliberal assumptions and paradoxes of the NIFA by exploring three key features that not only reveal its capitalist nature, but also, and relatedly, demonstrate how the NIFA has been a temporary response to the crisis-prone, contradictory and uneven nature of global capitalism. The final section concludes by drawing out some implications of the argument.

2. Basic premises and promises of the NIFA

According to official accounts, the main cause of the financial crises during the 1990s was due to imprudent policy choices of Third World governments, which extended to the lack of transparency and accountability of market actors in the developing world. Interestingly, key global players such as the IMF did not call into question either the short-term and highly speculative nature of global financial markets or the absence of regulatory mechanisms at the global level as potential sources of the crisis (Soederberg 2004). To correct these weaknesses in the global South, international policy-makers, led by the general directive of the United States, created the Group of 20 (or, G-20) and the Financial Stability Forum (FSF) to help strengthen, as opposed to radically alter, international financial markets. The G-20 was celebrated as an inclusive project that comprised the powerful Group of 7 industrialized countries, the IMF, and the World Bank, and which, for the first time, brought on board several 'systematically important' emerging market economies such as Brazil, India, and China. It should be noted that the countries and global institutions linked to the G-20 were involved in the 2008 global financial summit. Another key feature of the NIFA is that the FSF was seen as an important venue through which central banks and finance ministries of core countries could exchange information as well as engage in international co-operation in financial supervision and surveillance. The FSF was instrumental in establishing the Reports on the Observance of Standards and Codes (ROSCs). These voluntary international codes and standards, which are monitored by several key international organizations such as the IMF and the World Bank, are based on good governance practices ranging from accounting to corporate governance practices. It should be underlined that, although these standards and codes are said to reflect international norms and practices, they tend to replicate the Anglo-American version of neoliberalism (Cerny 2008), which accords a high value to minimal state intervention and high exposure to market forces (Soederberg 2004). Taken together, these components that comprise the NIFA were lauded by its supporters as an important policy corrective to the economistic focus on global development finance (Eichengreen 1999). It is useful to elaborate briefly on the underlying promises and premises of the NIFA, so that we may not only evaluate its performance over the past ten years, but also understand the neoliberal logic upon which it was constructed.

According to standard economic theory, private capital flows such as foreign direct investments (FDI) and, constituting the main focus of this article, foreign portfolio investments (FPI), e.g., stocks and bonds, have overshadowed official financial flows in the forms of bilateral and multilateral loans and aid over the past ten years (World Bank 2007). It is important to underline that the Fund views these changes in capital flows as a natural phenomenon of the market, as opposed to a situation that was actively encouraged by powerful capitalist interests and states, and, by extension, the NIFA. For the IMF, when left to their own devices (read: free capital mobility and low levels of regulation), private capital flows can make a major contribution to the extent that they flow from capital-abundant, usually developed countries, to capital-scarce developing countries (Ocampo et al. 2007). The basic assumption here is that capital flows will bring about efficiency gains and lead to growth, which in turn will, through rational, market mechanisms, trickle down to the rest of the population. To attract foreign capital flows, the onus is on governments and firms in developing countries to ensure that they adhere to the 'correct' (market-led) policy and institutional frameworks to attract and retain the capital flows. 'Correct' policies reflect, among other things, minimal state intervention in the market. The reason for this position is that the state is seen as representing not only a direct source of inefficiency (i.e., rent-seeking behavior), but also as encouraging "wasteful use of resources to gain essentially corrupt advantage" (Fine 2006: 5).

In the 1990s, and in direct response to growing legitimacy problems faced by the IMF and World Bank, and, more specifically, their policies, which, as many observers viewed, were too economistic and top-down in nature (Fine 2006), some, albeit minimal, features of state intervention were deemed to be positive in harnessing efficiency gains. Mirroring the field of institutional economics, which formed the backbone of the reformulated Washington consensus, or, what was inventively referred to as the 'the Post-Washington Consensus', the NIFA sought to strengthen, as opposed to question the standard economic assumption that free capital mobility leads to growth, mainly by suggesting that while the state should refrain from playing a major role in the market, governments should complement and protect the infrastructure in which markets operate by implementing good governance policies. Specifically, the latter should primarily be aimed at encouraging perfect exchange of information between contracting parties in the marketplace (Fine 2006: 5). Reflecting the underlying tenets of the Post-Washington Consensus, the architects of the NIFA sought to facilitate market transparency without imposing state-led regulations by opting instead for voluntary principles and market-based rules as opposed to legal reforms restricting capital flows.

Almost a decade after the construction of the NIFA, the Managing Director of the IMF, Dominique Strauss-Kahn, stated that the global financial architecture has failed to adapt to the needs of 21st century globalized markets (IMF 2008a). Given the central role accorded to the IMF to manage the effects of the first world debt crisis, it is useful to examine briefly its two-part diagnosis, as they mirror the neoliberal premises of the NIFA. Firstly, and in contrast to its position regarding the financial crises of the previous decade, the IMF has identified the underlying cause of crisis in the global financial system. Thus, official blame has neither been located in the so-called 'mature' financial systems of the developed world, or more specifically, the low level of regulation characterizing these systems, nor in the speculative and short-term nature of financial markets, nor in the institutions, codes and standards that comprise the NIFA. Secondly, and related, the principal reason for the crisis was the failure of existing governance structures to ensure that markets function in a highly transparent manner, that is in a fashion in which all actors have sufficient information on which to base their decisions to buy or sell. In the wake of the 2008 crisis, the Fund has been championing the tweaking of the FSF by including new disclosure guidelines and frequent asset valuations in order to reduce uncertainty (IMF 2008c). Another area in need of reform, according to the IMF, is the strengthening of risk management of the corporate sector by better aligning compensation packages of corporate executives to reward returns on a risk-adjusted basis using more robust risk management strategies, with greater weight placed on the long-term aspect of executive compensation – all of which is to take place within the market-based regulatory scheme of corporate governance (IMF 2008c: xiv; Soederberg 2009).

3. Changes and paradoxes of global capitalism

The NIFA is more than a policy and institutional response to imperfect information in markets, however. To understand how and why this policy and institutional response to the previous round of crises has failed to deliver on its promises, as well as the reasons for its possible repeat in the solution to the 2008 credit crisis, it is useful to grasp the underlying paradoxes and relations of power of the NIFA – all of which are rooted in global capitalism. Drawing on my earlier work, I identify in this section three interrelated components that characterize the paradoxes and social power of the NIFA (Soederberg 2004). The first feature of the NIFA is the neoliberal nature of global capitalism, which has taken the form of financialization. The second tension underpinning the NIFA is the complex and interdependent relationship between the US and free capital mobility. The third tension underpinning the NIFA is the growing political and social insecurity caused by free capital mobility in the global South (Soederberg 2004). In what follows, I elaborate briefly on each of the three characteristics underpinning the NIFA, as well as providing a short update on some aspects that have led to increased levels of economic insecurity since its inception in 1999.

3.1 Financialization and the ongoing contradictions of the credit system

According to Gerald Epstein, the global financial system has been marked by 'financialization', a term that refers to the growing influence of financial markets and institutions on economic growth and development since the late 1970s (Epstein 2005). However, this situation is not, as neoliberal ideologues would have us believe, created by autonomous and irresistible forces beyond political control. Instead, financialization has been socially constructed and reproduced through relations of power within the wider constraints posed by the crisis-prone, uneven and highly exploitative nature of global capitalism (Marx 1991). One chief contradiction of global capitalism is the underlying tendency of capitalism to overaccumulation. Put simply, the latter is a "condition where surpluses of capital lie idle with no profitable outlets in sight" (Harvey 2003: 149). When crises emerge, however, capitalists and states respond swiftly by increasing levels of economic exploitation over labour and the environment and by establishing new forms of political domination to legitimate, discipline, and naturalize their power. One of the key features of capitalism's resiliency, most notably its ability to continue to expand, even in times of crisis, is the credit system. The latter, which lies at the heart of financialization, has played a central role in facilitating the expanded reproduction of capitalism not only in everyday life, but also, and especially, in times of crises where it has historically been marked by strategies of speculation, fraud and predation (Luxemburg 2003). The debt-led forms of capital accumulation spanning government, consumers and the private sector, which have been the hallmark of many countries across the globe, including, and especially, the world's most powerful country, the United States, is a case in point (Soederberg 2009).

Unlike the discourse and policy surrounding the NIFA, the credit system is not merely a sum of economic transactions; instead, as Susan Strange notes, it is marked by relations of power, i.e., the "power to create credit implies the power to allow or to deny other people the possibility of spending today and paying back tomorrow" (Strange 1994: 90; Soederberg 2006). It is necessary to go beyond Strange's insight, however, to stress that the credit system and the power relations therein are integral features of capital accumulation. As such, the credit system has the potential to resolve all of the imbalances for which capitalism is prone, such as overaccumulation of capital. The problem is, as Marx noted, that the credit system also internalizes these contradictions and often acts to heighten rather than diminish the paradoxes of capitalism (Harvey 1999). Moreover, it should be underlined that this power in the credit system is not a natural feature of the market but is both constructed and guaranteed by the capitalist state and by international organizations such as the NIFA (Bourdieu 2005). For example, the $4 trillion government-sponsored bailout to support banks and restart money markets, primarily in the US and Europe, was not only simply an attempt to avert a global recession, but, more generally, to guarantee the conditions for expanded reproduction of capital. As I have argued elsewhere, the power relations within the credit system are, like capitalism itself, highly uneven (who gets credit and on what conditions) and disciplinary in nature (capital flight or strikes, high risks premiums for poor credit ratings, and so forth) (Soederberg 2004, 2009).

Against the backdrop of the highly precarious debt-led accumulation of neoliberal globalization, there have been many features of the predatory and speculative nature of the global credit system that have served to widen and deepen the levels of economic insecurity across the global North and global South over the past decade. Two features are worth noting here. Firstly, pension and mutual funds have played a central role in driving and expanding financialization. These funds are valued at some $24.6 trillion, with a ratio of OECD pension fund assets to OECD gross domestic product of nearly 73 percent in 2006, and above 100 percent in a few countries (OECD 2008). Due to the ongoing privatization strategies, we have seen a shift from more secure, defined-benefit pension plans to market-based, defined-contribution pension schemes, which has meant that an increasing number of people, in both rich and poor countries, have become dependent on the economic performance of financial markets for their old age security. This phenomenon reflects what Richard Minns refers to as 'social security capital'. The latter describes all deferred wages or salaries that enter the credit system in the form of company stocks and bonds (Minns 2001). Social security capital has become an important source of capital for corporations in both the core and periphery (World Bank 2007).

Seen from the above perspective, there exists a growing interdependency between social security capital and the global financial system, including publicly-traded corporations. This dependency is both asymmetrical and disciplinary in nature. That is to say, international financial markets and actors wield far more power over decision-making processes and gain more from deregulated markets than the middle and working classes, yet they also wield enormous discipline over societies, as workers (skilled and unskilled) are socialized into relying on the market to deliver economic security in their old age (Soederberg 2009). With each crisis and subsequent downturn, however, social security capital across the globe has taken a considerable hit, leading to widespread insecurity. For the United Nations, insecurity describes a situation where individuals and communities are not only exposed to adverse events, but are also unable to cope with and recover from the downside losses that emerge from these developments (United Nations 2008). According to the UN publication, *World Economic and Social Survey 2007: Development in an Ageing World* (United Nations 2007), "[e]ighty per cent of the world's population do not have sufficient protection in old age to enable them to face health, disability and income risks [...] In developing countries alone, about 342 million older persons currently lack adequate income security" (Blackburn 2007: 71). The asymmetrical interdependency between Wall Street and social security capital (Main Street) expresses itself in many ways, from the exorbitantly high fees charged by money managers, the $700 billion bailout of investment banks and insurance companies, who engaged in predatory and speculative activities with pension savings, and, at a more fundamental level, the ability of the powerful to define and select risk, whilst others do the risking (Zizek 2008).

The asymmetrical dependence between social security capital and financial markets is aggravated by a second characteristic of financialization, namely increasing leveraging and speculation, that has emerged through state design, i.e., the decision to adhere to the principle of minimal state intervention in capital markets, over the past decade. While the credit system normally operates with a certain level of fictitious capital – that is, a flow of money capital not backed by any commodity transaction, such as highly leveraged credit derivatives and strategies such as short-selling, which have little to do with the realities of the market (productive economy) and have played an increasingly large role in both the Enron-style debacles at the beginning of the new millennium and the sub-prime mortgage scandal of 2007 – the reliance on this form of capital has risen to high levels (Harvey 1999: 265ff; Soederberg 2009). One example of this is the market for credit-default swaps, which are described as "insurance contracts on bonds and other assets that are meant to pay off if those assets default" (Cox 2008). These swaps, which do not require public disclosure or any legal requirement to report to the Securities Exchange Commission (SEC), and which lie at the centre of the 2008 credit crisis, have mushroomed over the past several years. According to the Chair of the SEC, as of 2008, there is about $55 trillion in credit-default swaps outstanding, which amounts to more than the gross domestic product of all countries combined (ibid.) and more than twelve times the total amount of official reserves in the developing world (United Nations 2008). Interestingly, the SEC has not suggested doing away with these swaps or subjecting them to state-led regulation; instead, and mirroring the above neoliberal premises of the NIFA, it has recommended measures that promote greater transparency.

3.2 The ongoing perils of the modern Prometheus

The second feature of the NIFA relates to the privileged status of the United States in the global financial system due to the uncontested role of the dollar as the world's trading, and, more significantly, reserve currency (see Gowan's contribution in this volume). This position has allowed the American state, as well as global capitalist interests linked to it, to maintain structural power through what I have referred to as 'imposed leadership', not only over other countries, especially the global South and the institutions and policies of the NIFA, but also international lending institutions such as the IMF, where the US wields veto power over other countries by influencing international monetary and credit arrangements (Soederberg 2004, 2006; see Panitch and Gindin's contribution in this volume). Structural power allows the US to "exercise purchasing power and thus influence markets for production, and also the power to manage or mismanage the currency in which credit is denominated" (Strange 1994: 90). Since the demise of the Bretton Woods System in 1971, and the shift to freely floating exchange rates and the eradication of capital controls and low level of financial regulation, this structural power is underpinned by a deep-seated paradox, or what I have referred to as the Frankenstein Factor, as it captures the similar symbiotic yet mutually destructive relationship between Dr Frankenstein and his monster (Soederberg 2004).

On the one hand, the relationship between the structural power of the United States and free capital mobility is mutually beneficial, because as the international financial markets grow in size and power, so does the US economy, which has absorbed the majority of these flows to feed its debt-driven accumulation strategy since the 1980s. The structural power of the US and its ability to suck in massive amounts of global capital flows largely in the form of US Treasury bills and bonds and corporate securities, from the rest of the world, especially from Asian surplus countries, most notably China, has, as Robert Wade argues, allowed "US policy makers to run the economy for the past decade spending 5 to 7 percent more than it produces, importing twice as much as it exports. The US has reaped large benefits, including fast growth, low unemployment, and easy financing for US military activities in Iraq and elsewhere, even with tax cuts. The same mechanism has helped to generate fast growth in much of the rest of the world" (Wade 2008: 1). The developing world has also been contributing to debtfuelled growth in the US in another way. According to the United Nations, net transfers of financial resources from developing to developed countries from 1997 to 2005 reached over half a trillion dollars. While these transfers were initially the result of primarily debt-related, capital outflows from the global South, they have come to reflect increasingly large foreign-exchange reserve accumulation taking place in many developing countries, particularly Asia. Reserves, for example, have increased "from 2-3 percent of gross domestic product in the 1980s to about 5 per cent in the 1990s and about 12 per cent in the current decade" (United Nations 2008: 12).

There is also a dark side to the Frankenstein factor, or growing reliance of the US economy on the constant inflow of global capital: the viability of US structural power, and by extension its debt-led accumulation regime, is heavily reliant not only on, as Peter Gowan suggests, the US dollar as the chosen reserve currency, but also, relatedly and more fundamentally, on the health and stability of global financial markets, including its own. With each crisis, more and more people are dispossessed of their old age savings, homes, livelihoods, and so forth, which make it increasingly difficult for free market ideologues to justify the benefits of free capital mobility. In the wake of the 2008 global credit crisis, for instance, we may see a reversal in the use of US dollar as the preferred reserve currency in the developing world, and a subsequent change direction of net capital transfers. According to some observers, "reserve accumulation in several countries in Asia now appears to exceed the requirement for self-insurance, raising questions about the balance of costs and benefits of additional accumulation, especially if such reserves are invested in low-yielding assets and in the US dollar, which has been, and is expected to continue to depreciate" (United Nations 2008: 25). Mexico and Brazil, Latin America's biggest economies, have sought to stop the depreciation of their currencies by selling reserves, most of which were denominated in US dollars. The Mexican central bank, for instance, moved 'to auction off $2.5 billion of its reserves after the peso fell to a record low of 14 against the dollar' in October 2008 (BBC 2008). Another development closely related to the foreign reserve build-up has been the explosion of internal public debt levels, mainly in middle-income countries. According to one observer, "servicing of the internal public debt in 2007 amounted to $600 billion – in other words triple the cost of servicing the external debt. Total servicing of external and internal public debt exceeds the astronomical sum of $800 billion – the amount repaid each year by public authorities in developing countries" (Toussaint 2008: n.pag.). To put this figure into perspective, it would cost "only $80 billion a year over a period of 10 years – a total of $800 billion – for the entire population of these countries to have access to essential services, such as basic health care, drinking water and primary school education" (ibid.).

3.3 Growing political and social insecurity in global finance

The third and final component of the NIFA, which has been tempered by the previous two characteristics, and more fundamentally, by the underlying nature of global capitalism, is the growing political and social insecurity caused by capital account liberalization in the global South. While the effects of allowing financial flows to move freely in and out of countries has been highly uneven across the developing world, there have been two general tendencies – neither of which have brought about the promised efficiency gains and faster growth. Firstly, as governments of emerging markets embrace foreign portfolio investment as an important source of financing, their exposure to risk increases. As the 2008 global crisis has made abundantly clear, the global South continues to pay the higher price for risks associated with US-led strategies of expanded reproduction of capital, which primarily involve the credit system. Secondly and related, to attract international creditors, which include institutional investors, governments of emerging markets must continually signal creditworthiness, such as low levels of labor standards, balanced budgets, low taxation, environmental and financial regulation and trade deregulation – all of which have had harmful effects on the social fabric and environmental sustainability of the developing world. At a more fundamental level, this locks many countries into adherence to market discipline instead of forging policies that would benefit their productive and social structures. In what follows, we look more closely at these two points.

As I mentioned earlier, some emerging markets have used windfalls from high commodity, oil and gas prices to build up currency reserves to help buffer their economies from the devastating effects of capital flight. This strategy has come at relatively high opportunity costs, however (United Nations 2008: 76ff). Reserve accumulation is associated with a high carry cost of reserves, which, according to the United Nations, amounts to about

$100 billion, representing a net transfer to reserve-currency countries well above what they provide in terms of official development assistance (ODA). Reserve accumulation also results in foregone domestic consumption, social services, or investment in the productive sector (United Nations 2008: 12). In the an era of free capital mobility, many countries in Latin America and Sub-Saharan Africa, for example, with weak growth and balance of payments, are compelled to absorb net capital inflows into low-yielding reserve assets instead of using them for investment (United Nations 2008: 28). The fact that developing countries are seeking to amass huge foreign currency reserves – as opposed to strong current accounts, healthy and productive workers, and a sustainable environment – to shield them from global instability, should in itself give us pause to question the benefits derived from the unshackling of finance and its promises for a safer and more stable world economy – even without taking the 2008 credit crisis into account.

Despite the existence of the $4.5 trillion in official reserves in the developing world, financial capital flows have remained highly volatile and reversible in recent decades, generating high costs for developing countries, as well as developed countries, especially pension savers (Ocampo et al. 2007; United Nations 2008). This precariousness of the global financial system was made abundantly clear with the 2008 credit crisis, which forced several countries – most of which, such as Brazil, Turkey, and South Africa, were believed to possess strong economies in the developing world – to go cap in hand to the IMF (Tran 2008: n.pag.). The point here is that global capital flows have not led to growth in the productive sectors and thus the generation of secure jobs with living wages, but increased forms of economic insecurity, increased levels of socio-economic inequality, especially in terms of income levels, and growing (asymmetrical) dependency on unregulated financial flows (United Nations 2008). The asymmetrical dependence is also contingent on the factors beyond the control of recipient countries, including shifts in monetary and fiscal policies in the core countries, e.g. high interest rate policies pursued by the US, which is viewed as the international benchmark (United Nations 2008). For instance, as the three major waves of international financial flows to (some) developing countries – (1) the petro-dollar driven debts of the 1970s, (2) the portfolio and direct investment of the 1990s up to the Asian Crisis, and then again in (3) 2003–2005

– reveal, private capital inflows were dependent on 'favorable investment conditions', including the ability of foreign investors to engage in arbitrage, or taking advantage of a price differential in between two national markets (Ocampo et al. 2007: 2).

In sum, in the past decade, the steady expansion of capital flows linked to the predatory and speculative global credit system has not delivered on the promises made by the architects of the NIFA. Financial globalization has not only led to the growing volatility and reversibility of capital flows to emerging market economies, due to their increased integration and thus exposure to its swift and debilitating effects, but also to the continual marginalization of many of the poorer and smaller developing economies (Ocampo et al. 2007; United Nations 2008). The latter have been particularly affected by the growing role of private capital flows to the developing world, which has been compounded by the steady drop in Overseas Development Assistance (ODA) by wealthy countries over the past decades, which, aside from several Scandinavian countries, have refused to provide 0.7 of their gross national income in the form of aid flows to the poorest countries (World Bank 2008). The only assistance for these countries will more than likely come from the IMF, predicated on austerity and structural adjustment policies, which is standing by to lend to the 33 countries that have been given the status of 'Heavily Indebted Poor Countries' (HIPC) (IMF 2008b).

4. Conclusion

This article has sought to take stock of the global financial system over the past decade, whilst contextualizing the 2008 first world debt crisis against the backdrop of the neoliberal solution to the financial crises of the 1990s: the NIFA. In doing so, I have argued that the neoliberal promises made almost a decade ago as they relate to free capital flows have not been kept. It follows that there is a danger in reconstructing another building that rests on the same foundations as the NIFA. The reforms tabled at the 2008 international financial have signaled a basic tension in global capitalism. On the one hand, the Asian and European governments, which are arguing for regulations regarding finance, represent societies and capitalist interests that have benefited from debt-led forms of capital accumulation and an ever-expanding credit system. In other words, while international policy-makers agree that regulatory schemes need updating, especially with regard to a greater role for oversight, these new forms of regulation should take place through voluntary initiatives by market actors, as opposed to mandatory, rule-based economic regimes. If it dominates, this position will inevitably lead to the reinvention of the NIFA. On the other hand, given the enormous productive and social costs of each financial crisis on the global South, it will be interesting to see how and to what extent this free-market ideology of neoliberalism can be legitimated and reproduced. According to the "UN general-secretary, Ban Ki-moon, the crisis could strike a 'final blow' to some poor countries" (Tran 2008: n.pag.). The legitimacy of US imposed leadership, and the role of the IMF, as well as the central role accorded to the predatory and fraudulent credit system under its control, may be called into question as an increasing number of people across the globe become further disenfranchised. The outcome will be, as with all things, determined by the configuration of political forces and struggles as well as by the above-mentioned paradoxes of global capitalism.

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Abstracts

The article has two interlocking goals: (1) to assess the past 10 years of neoliberal-led forms of financial globalization, and (2) to provide a contextualization of the 2008 global credit crisis. Both objectives are discussed against the backdrop of the reforms implemented at the end of the Asian Crisis in 1999, that is, the so-called New International Financial Architecture (NIFA). I argue that the NIFA, which rested on the basic assumption of free capital mobility and low levels of state regulation, did not deliver on its promises that 'prudent' (market-based) policies would lead to prosperity, growth and stability. To the contrary, the post-NIFA world has been marked by increasing levels of economic insecurity.

Dieser Artikel verfolgt zwei miteinander verbundene Zielsetzungen. Erstens werden die vergangenen zehn Jahre neoliberal geprägter Formen finanzieller Globalisierung analysiert, zweitens wird eine Kontextualisierung der globalen Kreditkrise 2008 vorgenommen. Beide Analyseschritte werden vor dem Hintergrund der so genannten Neuen Internationalen Finanzarchitektur (NIFA) diskutiert, also jener Reformen, die nach dem Ende der Asienkrise 1999 umgesetzt wurden. Die Autorin ist der Meinung, dass NIFA, die auf uneingeschränkter Kapitalmobilität und geringer staatlicher Regulierung beruhte, nicht ihr Versprechen einlösen konnte, nämlich dass

„zurückhaltende" (marktkonforme) Politiken zu Wohlstand, Wachstum und Stabilität führen. Im Gegenteil, die auf NIFA folgende Ära ist durch eine steigende wirtschaftliche Instabilität geprägt.

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