

MPIFG Journal Article

Thomas Kalinowski: Regulating International Finance and the Diversity of Capitalism.

In: Social Economic Review 11(3), 471–496 (2013). Oxford University Press

The original publication is available at the publisher's web site: <http://dx.doi.org/doi:10.1093/ser/mws023>

The MPIFG Journal Articles series features articles by MPIFG researchers and visiting scholars published in peer-reviewed journals. Max Planck Institute for the Study of Societies (MPIFG) Cologne | www.mpifg.de

Regulating international finance and the diversity of capitalism

Thomas Kalinowski*

Graduate School of International Studies, Ewha Womans University, 11-1 Daehyun-dong, Seodaemun-gu, Seoul 120-750, Korea

*Correspondence: kalinowski.thomas@gmail.com

In this paper, I put the ongoing G20 process of improving the regulation of international finance into a historically and theoretically informed perspective. To understand the driving forces behind and obstacles to international cooperation in governing finance I combine concepts from international and comparative political economy. Different variants of capitalism have reacted in distinct ways to the collapse of the Bretton Woods System in the 1970s. Countries like the USA and the UK followed a path of financialization while Germany and countries in East Asia have pursued an export-oriented growth model. The interdependence between two variants of capitalism has contributed to the dynamics and crises of international finance for the past four decades. This 'imbalance of capitalisms' also became an obstacle to international cooperation in regulating finance, because both variants have different preferences for international cooperation in the fields of macroeconomic policies, currency policies, as well as the regulation of financial flows and financial firms.

Keywords: political economy, international relations, international economic order, financialization, varieties of capitalism

JEL classification: F59 International Relations and International Political Economy, P16 Political Economy, F55 International Institutional Arrangements

1. Introduction

The global financial and economic crisis since 2007 has brought the issue of a new global governance of finance into the political and academic mainstream. Four decades after the Bretton Woods system of fixed exchange rates was abandoned in 1971, there is an intensive and controversial discussion ongoing within the G20, the Financial Stability Board (FSB), the IMF and other international organizations on how to improve international cooperation in regulating finance and, thereby, preventing future financial crises. In this paper, I develop a conceptual

framework to put the discussion on the international regulation of finance into a historically and theoretically informed perspective. This conceptual framework helps us to uncover and to investigate the driving forces behind and obstacles to international cooperation in governing finance in a broad sense that includes the regulation of financial firms, financial flows and currencies as well as the coordination of monetary and fiscal policies.

To investigate global financial regulation and its problems, I propose an eclectic political economy approach combining concepts of international political economy (IPE) and comparative political economy (CPE) that have previously been only loosely connected. Such a 'global comparative political economic approach' helps to overcome weaknesses in IPE and CPE studies to understand international (financial) regulation and its problems. Building on the IPE literature that highlights the historical and political embeddedness of financial regulation and rejects functionalist approaches to analyze international institutions, I depart from the classic IPE focus on 'globalization' and the dissemination of US-style financial market capitalism. IPE studies lack a sophisticated understanding of the diversity of capitalism, which makes it necessary to introduce CPE studies that reject the hypothesis of a global convergence toward US-style financial capitalism. CPE studies on European coordinated market economies (CMEs) and East Asian developmental states have shown a remarkable path dependency of these 'non-liberal' variants of capitalism. Since the 1970s, different variants of capitalism have reacted in distinct ways to the collapse of the Bretton Woods system, lower growth rates and saturated domestic markets. Most notably, there has been a divergence of growth regimes between finance-led countries (such as the USA and the UK) and export-oriented countries (such as Germany and the East Asian nations). The connection between IPE and CPE also helps to overcome a major weakness of the diversity of capitalism literature that is focused on 'national political economies' and treats economic globalization and international institutions merely as externalities. CPE studies, thus, neglect international economic interdependence and international institutions as integral parts of national political economies. Informed by a more sophisticated understanding of national political economy, this paper returns to an approach to IPE in which the study of the diversity of capitalism contributes to the investigation of international institutions. In other words, if we want to understand the conflicts about international institutions regulating global capitalism, we have to deal with the question why distinct variants of capitalism react differently to challenges of economic globalization.

Since the 1970s, financialized and export-oriented countries have become the two poles of the world economy, contributing both to its dynamic and crises. This dynamic has created global economic imbalances that have contributed to the causes of the global financial and economic crisis. More importantly for this

paper, this ‘imbalance of capitalisms’ is an obstacle to international cooperation in regulating finance. Faced with the ‘trilemma of economic policies’ amid the collapse of the Bretton Woods system, different variations of capitalism chose different combinations of macroeconomic policies, currency policies and regulation of financial flows and financial firms. This divergence has led to conflicting preferences with regard to international cooperation on regulating finance. This is not to say that governments have no leeway to shape financial regulation on the national and international level, but my approach implies the need to look beyond ‘national egoisms’ and highlight the deeper, systemic causes of international conflicts in this field.

If my hypothesis is correct, there are important political implications. A comprehensive global governance of finance is more difficult than might be expected, not primarily because of the direct constraints of globalization, but due to the intensified competition between different variants of capitalism. Governments in the G20 are constrained not just by national interests, but also by the path dependency of different variations of capitalism that are interdependent on the global level. This imbalance of capitalisms is an obstacle to international cooperation to improve bank regulation, curb erratic financial flows, reduce exchange rate volatility or stimulate the global economy through fiscal stimulus packages and other reforms discussed in the G20. It is not just the financialized countries, but also the export-oriented countries that are responsible for four decades of failed international cooperation to regulate finance. International cooperation would require not just institutional reform and a readjusting of the ‘levers and buttons’ of the world economy, but also a new arrangement of the international division of labor and deep structural changes to domestic political economies. Such reforms would be needed not just in the financialized countries, but also in the export-oriented countries in Europe, East Asia and the emerging world.

In Section 2, I introduce my argument and the concepts of an ‘imbalance of capitalisms’ and the ‘trilemma of economic policies’ in more detail. In Sections 3 and 4, I analyze the conflicting preferences, positions and policies of finance-led and export-oriented countries, respectively, in the global governance of finance. Section 5 draws conclusions from the empirical analysis.

2. The imbalance of capitalisms and the trilemma of international financial regulation

2.1 The imbalance of capitalisms since the 1970s

Interpretations of financial and economic crisis and their management are dominated by economists and their economic models shaped by an (often implicit) functionalist-technocratic bias. In these models, the economy is viewed as a

more (by neoclassical economists) or less (by Keynesian economists) self-regulating machine that can be adjusted and optimized through the buttons and levers of economic policy. Crises are interpreted as regulatory failures in the adjustment of the economic machinery and crisis management is seen in terms of regulatory and institutional reform. For example, financial markets can be brought under control by pulling the lever on the regulation of capital requirements for banks or derivatives. Global economic imbalances between the USA and China are seen as a problem of ‘currency manipulation’ that can be solved by adjusting the exchange rate button. In this functionalist view, conflicts in international cooperation to regulate finance are the result of ‘national egoisms’ that prevent ‘best practice solutions.’

Scholars from the field of IPE challenge such a mechanical view by studying the complex driving forces of the ‘economic machinery’ and the embeddedness of international regulation in domestic and international power struggles. The study of financial globalization, (de-)regulation and crisis has a long tradition in the field of IPE. Particular attention has focused on the exponential growth of financial markets and international flows and the rise of ‘casino capitalism’ (Strange, 1986) since the collapse of the Bretton Woods system of fixed exchange rates in 1971 (Strange, 1998; Lütz, 2002). Financial globalization was accelerated by competitive deregulation in which countries competed to become the most attractive base for financial services (Helleiner, 1994). Within the field of IPE, there is a strong focus on the USA as the hegemonic or at least most powerful country in the global economy and its regulation. Financial globalization is often interpreted or criticized as a convergence toward Anglo-Saxon style financial market capitalism and the result of US hegemony or a form of American neo-imperialism (Panitch and Gindin, 2003). IPE scholars have devoted particular attention to the role of international organizations such as the IMF, the World Bank and the WTO to disseminate US-style institutions and spread the gospel of a market-oriented growth model (Bullard *et al.*, 1998; Veneroso and Wade, 1998; Woods, 2006; Kalinowski, 2008). From this IPE perspective, international cooperation on regulating finance in the G20 since 2008 would constitute an at least partial departure from financialization. The importance of the financial industry for Britain and the USA, as well as the opposition of the powerful financial lobby can thus be seen as an important obstacle to international cooperation (see Section 3).

Studies of CPE, on the other hand, cast serious doubt on the hypothesis of convergence toward a US-style finance-led capitalism. From the CPE perspective, finance-led capitalism is not the institutional gravity center toward that all national capitalisms converge, but itself an idiosyncratic form of capitalism. It was an important contribution of the French regulation school (Boyer and Sallard, 2002; Amable, 2003) and the varieties of capitalism (VoC) debate (Hall and

Soskice, 2001; Coates, 2005; Hancké *et al.*, 2007) to challenge the modernization-theory perspective of a convergence to one ‘best practice’ variation of capitalism and that different forms of capitalism merely represent different ‘stages of economic growth’ (Rostow, 1990). A process of ‘financialization’ (Epstein, 2005; Krippner, 2005) defined as an ‘increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies’ (Epstein, 2005, p. 3) can be observed in most countries. In the USA and the UK, however, financialization has reached the stage of a finance-led capitalism (Boyer, 2000, 2011) in which finance has a privileged position in shaping domestic and foreign economic policies.

The strength of CPE studies of the diversity of capitalism is their elaborate understanding of the stability and dynamic of national political economies. While liberal market economies (LMEs) of the UK and the USA transform from Fordist capitalism to finance-led capitalism, CMEs in Europe and state-led capitalism in East Asia follow a different trajectory (Yamamura and Streeck, 2003; Vogel, 2006). The strong path dependency of different variants of capitalism can be explained by an ‘institutional complementarity’ that constitutes their ‘comparative institutional advantage’ (Hall and Soskice, 2001, p. 52). National political economies do not follow a ‘best practice approach,’ but an endogenous dynamic. That is the reason why different variations of capitalism tend to react differently to the same global challenges (Gourevitch, 1986; Stallings, 1995).

Since the 1970s, the capitalist world has faced the challenges of lower growth rates, saturated domestic markets and economic globalization. Amid the collapse of the Bretton Woods system, Anglo-Saxon LMEs, European CMEs and East Asian developmental states reacted with different strategies. The USA revitalized growth through financialization and by providing financial services for the whole world (see Section 3). East Asian developmental states and European CMEs, on the other hand, have been trying to revitalize growth by improving national competitiveness and following an export-oriented growth model (see Section 4). In other words, LMEs became ‘bankers of the world’ while CMEs and developmental states became ‘workshops of the world.’ As we will see below, my simple analytical categorization is helpful for our purpose to understand preference for the international regulation of finance. Of course, both growth models are idealtypes that are overlapping in reality and there is a degree of divergence within both camps (see Sections 3 and 4).

While studies of the diversity of capitalism have developed helpful tools to analyze national political economies, they have the tendency of treating nation states as ‘hermetically sealed’ (Hancké *et al.*, 2007, p. 7). Economic globalization and international institutions are treated as an externality to which national political economies adopt (Panitch and Gindin, 2003, p. 10). Helleiner (1994) and

Crouch (2005, pp. 451–452), however, show that economic globalization and the (de-)regulation of finance are not externalities, but the outcome of state policies. More precisely, they are the result of the interaction between different variants of capitalism and their preferences for international financial (de-)regulation. National growth models only exist in their interdependence with other national growth models. Since the 1970s, financialized and export-oriented countries have been the two poles of the world economy, fuelling its dynamics and crises. The interdependence of the different variants of capitalism allows export-oriented countries to grow at a faster rate than domestic wages and consumption, while it allows financialized countries to borrow cheaply abroad and consume more than domestic production. The resulting global economic imbalances have contributed to the creation of asset bubbles in financialized countries. Starting with the subprime mortgage market, these bubbles started to collapse one by one since 2007, resulting in the worst global financial crisis since the 1930s.

Another shortcoming of CPE studies is their concentration on the Western world, with a few excursions into Japanese non-liberal capitalism (Streeck and Yamamura, 2001; Vogel, 2006). Given the importance particularly of the East Asian region—with G20 member countries China, Japan and Korea—for the global economy and the negotiations on regulating global finance in the G20, it is necessary to include at least the East Asian countries in our analysis. After being outsourced to development or regional studies for too long, it is time to systematically bring the non-Western world into CPE studies (Nölke, 2011). Case studies on East Asian developmental states have revealed many similarities with European CMEs (Johnson, 1995; Woo-Cumings, 1999).

In sum, national preferences with regard to international financial regulation and the conflicts between them have to be seen in light of this dynamic of an ‘imbalance of capitalisms.’ The failure to regulate international finance and the conflicting regulatory preferences are not just the result of national egoisms and disagreements on which levers and buttons to adjust. The problem is rather the engine of the machine itself.

2.2 *The trilemma of economic policy and international regulation*

Before we embark on an empirical investigation of how the imbalance of capitalisms leads to incompatible preferences in regulating global finance, we need to introduce a framework that helps to categorize growth models and countries according to their preferences. Conflicts in three policy areas have dominated the agenda of the G20 since the beginning of the global financial and economic crisis in 2007: macroeconomic coordination, regulation of finance and currency policy.

A good starting point for structuring the policy preferences with regard to external economic policy is to modify the ‘Mundell-Fleming trilemma’ (Mundell,

1963; Obstfeld *et al.*, 2005) that provides a simple concept of understanding constraints posed on economic policies by globalization. In the original version of the trilemma, Mundell and Fleming argue that, under capital mobility and fixed exchange rates, sovereign fiscal policies are effective and sovereign monetary policies ineffective, whereas the effectiveness is the other way round under flexible exchange rates (Mundell, 1963). Departing from the original treatment of the trilemma by Mundell and Fleming, I collapse sovereign fiscal and monetary policies into sovereign macroeconomic policies targeted to achieve domestic goals, such as reductions in unemployment. In most cases, under the conditions of open capital accounts and stable exchange rates, sovereign fiscal policies have become ineffective as well, because governments fear that high public debt levels will create inflation and undermine the confidence of financial investors. This obsession with anti-inflationary policies is particularly dominant in Germany and in the EU Maastricht Treaty (see Section 4), but is also part of the Washington consensus that is recommended for or even imposed on developing countries by the IMF and the World Bank. On the other hand, countries with flexible exchange rates, such as the USA and Britain, have been able to maintain sovereign fiscal policies (as seen in their obsession with tax cuts), partly because their role as ‘bankers of the world’ has allowed them hitherto to finance huge deficits (see Section 3).

According to this modified ‘economic policy trilemma,’ there are clear trade-offs between desirable economic policies, such as stable exchange rates, sovereign macroeconomic policies and open capital accounts. Only two of these goals can be achieved at any one time. Originally, the concept of the trilemma was used to explain only the constraints imposed on the macroeconomic policies of small and open economies, but it has explanatory power with regard to all countries. The level of constraint varies according to the size of the economy. For smaller economies, the trilemma is an impossible trinity, while large economies such as the EU, the USA, China and Japan are able to manipulate it, even though they, too, have to accept tradeoffs. This modified concept can help us to group countries according to the policy choices they made when faced with the trilemma. Under the Bretton Woods system up until 1971, countries combined fixed exchange rates with controls on private capital account flows, with the possibility of using the IMF to finance short-term current account deficits in order to maintain sovereign fiscal and monetary policies that would help to facilitate rapid economic growth and ameliorate economic crises. Under the conditions of freely flowing capital, which proliferated from the end of the Bretton Woods system in 1971 and became the orthodoxy from the 1980s, governments had to move away from the ‘Bretton Woods corner’ of the ‘trilemma triangle’ (Figure 1) and choose either to stabilize their currencies or to maintain sovereign fiscal and monetary policies. In the former case, their monetary and fiscal policies merely

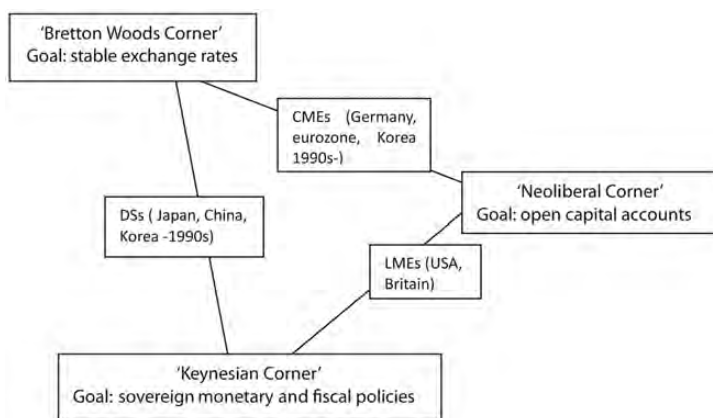


Figure 1 The imbalance of capitalisms and the 'trilemma triangle' of economic policies. Notes: LMEs, liberal market economies; CMEs, coordinated market economies; DSs, developmental states. The countries mentioned are examples.

react to the inflows and outflows of capital. In the latter case, they can use monetary and fiscal policies to govern the economy and allow the exchange rate to adjust to the inflows and outflows of capital. Different variants of capitalism have dealt with this challenge in different ways and in doing so have chosen different sides of the trilemma triangle.¹ Financialized countries such as the USA and the UK have been the most enthusiastic supporters of the free flow of capital while maintaining an autonomous monetary policy to stimulate the domestic economy in the case of an economic downturn. On the other hand, the USA and the UK have let their currencies float freely and have not intervened in the currency markets, although the USA has used its international political power to pressure other countries to revalue their currencies against the dollar. The USA and the UK are closest to what I call the 'neoliberal corner'² of the triangle; however, due to their ability to implement sovereign monetary and fiscal

¹The three different goals that make up the impossible trinity are idealtypes. No country is completely sovereign in its monetary policies, and few have been able to maintain inflexible fixed exchange rates for long. Most importantly, all countries have some form of explicit or hidden capital controls at least for the case of a capital account crisis. However, even though idealtypes cannot be found in reality, it is observable that some countries come closer to them than others.

²I use the term 'Bretton Woods corner', 'neoliberal corner', and 'Keynesian corner' to highlight the first priority of a certain set of policies, even though I am aware that, for example, the Keynesian solution is not limited to sovereign macroeconomic policies, but also includes the strict control of capital, while the neoliberal solution is not exclusively focused on the free flow of capital but cares about monetary sovereignty as well.

decisions, they also remain closer to what I call the ‘Keynesian corner’ of the triangle (see Figure 1).³

Export-oriented countries in the EU have also opened their capital accounts, but at a much slower pace (Bakker and Chapple, 2002). In contrast to the USA, countries of the European Union established a regional system of fixed exchange rates (European Exchange Rate Mechanism, ERM) in 1979, which led to the introduction of a single currency, the euro, in 1999. The EU countries—with the exception of the UK that negotiated an opt-out from the euro—thus remain close to the Bretton Woods corner of the triangle while moving in the direction of the neoliberal corner.⁴ In contrast, Japan maintains sovereign macroeconomic policy to revitalize the economy by running persistent fiscal deficits accumulating the highest government debt level in the world.⁵ At the same time, Japan limits the volatility of exchange rate fluctuation while private capital flows remain restricted through a combination of regulations and cultural factors, as we will see in Section 4. The accumulation of foreign currency reserves in Japan and East Asian emerging markets also helped to protect their policy choices from the volatility of international financial markets because currency reserves provide a buffer against erratic capital flows (Aizenman *et al.*, 2008).

Developing countries and emerging markets, unable to afford a completely free exchange rate, have copied either the European model (stable exchange rates plus open capital accounts) or the Japanese model (limited exchange rate volatility plus a higher degree of sovereignty in macroeconomic policies). Concerning general tendencies, we can say that small developing countries or emerging markets that are export-dependent and/or have a strong financial sector—for example, Malaysia, Singapore, Hong Kong and Korea since the 1990s—have preferred the ‘European model’. Developing countries and emerging markets with large domestic markets and/or active industrial policies (China, India, Brazil and Korea until the 1990s), have preferred the ‘Japanese model’.

³The ability of liberal market economies like that of the USA to implement more expansive macroeconomic policies than coordinated market economies such as Germany has also recently been described from a domestic political-economic perspective by Carlin and Soskice (Soskice, 2007; Carlin and Soskice, 2009).

⁴It could be argued that since the introduction of the euro as a common currency, the euro area seems to have moved away from the Bretton Woods corner because the external value of the euro is not among the goals of the European Central Bank (ECB). However, the Maastricht Treaty and the priority of internal stabilization of the euro area (plus the so-called ERM 2 countries) have left little room for more Keynesian sovereign macroeconomic policies. In effect, at least until now the euro area continues on the path of the ERM.

⁵In 2006, the Japanese central government debt was 161% of GDP, nearly three times higher than what is considered ‘excessive’ under the Maastricht Treaty (OECD, 2009).

including the tendency to use foreign currency reserves as a buffer for erratic private capital flows (see Figure 1).

In sum, the theoretical argument is that different variants of capitalism take different sides of the trilemma triangle, depending on their level of export orientation and financialization. Taking one side or another leads to distinct and partly conflicting preferences with regard to international economic cooperation. These conflicts shaped the discussion on the international regulation of finance over the past 40 years and constituted a formidable obstacle to international agreements in this field. We can observe such conflicts in, for example, the main discussions in the G20 since 2008 on improving the financial regulation of banks, the regulation of international financial flows, solutions with regard to erratic exchange rates and ways of stimulating global growth through coordinated fiscal stimulus packages.⁶

3. Finance-led capitalism in the USA and the UK

Since the 1970s, financial markets and private capital flows have grown at a rapid pace, much faster than the real-economy. This trend has gone hand in hand with and has been supported by financial and capital account liberalization (Helleiner, 1994). In this process of financialization, financial investors and the financial industry have increasingly come to dominate the whole economy, a trend that was particularly accentuated in the UK and the USA since the neoliberal turn in the 1980s. The financial industry—consisting of banks and non-bank financial firms—was transformed from a service industry facilitating real-economic activities to the economy's center of gravity. Not the production of capital but the global reallocation of capital through financial markets accounts for the economic dynamism of financialized countries. Financial firms offer an increasing number of 'financial innovations' that allow investors to hedge themselves against risks and increase their share of the profits distributed by the financial markets. This path of development offers a specific solution to the problem of weak domestic growth by providing financial services to countries around the world that have faster-growing real-economies. In short, the UK and the USA became 'bankers of the world'.

Despite its central role, the financial sector always depends on a functioning real-economy that creates savings and requires investment. Some financial centers provide their services primarily to the domestic economy (for example, Frankfurt for Germany and Tokyo for Japan). Finance-led countries, however, are characterized by the fact that their financial sectors provide these services

⁶These are the broad categories of issues related to financial regulation discussed in the G20 summits from 2008 to 2010 (G20, 2008, 2009a, b, 2010a, b).

globally (for example, Wall Street in New York and ‘the City’ in London) or at least regionally (for example, Hong Kong and Singapore for China and Southeast Asia). Their finance-led capitalism depends on an export-oriented growth model that generates international savings and needs investments to improve productivity and national competitiveness.

The current global financial crisis casts strong doubts on the viability of the finance-led growth model, but considering the global interdependence of finance-led with export-oriented capitalism the constellation might be more stable than expected. In history, we can observe several waves of financialization and de-financialization, but they were all associated with major changes in domestic and international balance of power (Chernow, 1997). The first wave of financialization analyzed by Rudolf Hilferding in his seminal work ‘*Das Finanzkapital*’ (Hilferding, 1910) was the product of the transformation to modern ‘organized capitalism’ and Europe’s imperialist expansion. World War I ended the first wave of finance-led economic growth. Financial capital enjoyed a revival during the stock market bubble and the profitable but ultimately disastrous management of war debts in the 1920s that led to the Great Crash of 1929 and the banking crisis of the early 1930s (Galbraith, 1997, pp. 191–232; Chancellor, 1999). Financialization was pushed back during the New Deal of the 1930s and remained subordinate to industrial capital during the Keynesian era of the ‘new industrial state’ (Galbraith, 1967) and the ‘embedded liberalism’ (Ruggie, 1982) until the 1970s. Since the collapse of the Bretton Woods system and the financial market liberalization of the following decades, the political influence of the financial industry has increased dramatically, although to differing degrees in different world regions. The trend toward financialization was stronger in the UK and the USA, where the ‘military industrial complex’ that US President Eisenhower had warned about in 1961 was supplemented, from the 1970s onwards, by a ‘Wall Street–Treasury–IMF Complex’ (Veneroso and Wade, 1998).

The interests of financial firms and financial investors began to dominate the agenda of economic and financial reform, as well as academic and ideological discussions. Financial markets and the sum of the decisions of financial investors became simply ‘the market’, and ‘gaining the confidence of “the market”’ became the primary goal of business and politics alike. Losing ‘market confidence’ and the outflow of capital became capital punishments for businesses and whole countries. Finance became the point of reference for the economy and even non-financial companies started to behave like financial firms (Krippner, 2005). In 2007, the financial industry accounted for 31.3% of corporate profits in the USA (my own calculation from US Department of Commerce, 2008) compared with 13% in 1980 (Lahart, 2008). The power of the ‘financial oligarchy’ (Johnson, 2009) was personalized by the revolving door between Wall

Street and government. Jobs in the financial industry were particularly attractive due to their high salaries and bonuses compared with other industries.⁷

While financialization is a trend in most developed countries, it was much slower in continental Europe and East Asia. This can be seen, for example, by looking at the share of rentier income as an estimate for the level of financialization (Figure 2).⁸ European banks maintained their close relationships with industrial capital, which continues to rely on long-term credits to finance investments (Vitols, 2005; Deeg, 2010). The East Asian model of capitalism, in which banks played a subordinate role in economic development, is an even stronger counterpoint to financialization. In East Asia, developmental states used domestic banks to channel credits into the sectors earmarked for development, regardless of the banks' profitability (Woo-Cumings, 1991, 1999). The financial sector has evolved as an independent, profit-oriented sector in East Asian developmental states only since the Asian financial crisis of 1997–1998 (Kalinowski and Cho 2009). Other indicators for financialization like the level of stock market capitalization show similar differences between the USA and the UK on the one hand and most European and East Asian countries on the other hand.⁹

One consequence of the specific structure of financialized countries is that they have a distinct interest in international negotiations concerning the global governance of finance. Financialized countries obviously put a high priority on the free flow of capital, and they are thus closest to the 'neoliberal corner' of the trilemma triangle (Figure 1). Massive profits can be realized in the financial sector only if capital can be allocated freely to the sectors and regions that promise the highest short-term returns. The bigger and more numerous the transactions, the more income financial firms can generate from the fees they charge for such transactions. In this context, financial deregulation or 'light touch regulation' constitutes a competitive advantage over relatively more strictly regulated systems. Indeed, threats by financial firms to move their operations abroad have been one of the major driving forces behind the 'competitive deregulation movement' (Helleiner, 1994, pp. 146–168). The USA, both directly and

⁷Jobs in the financial sector paid a premium of about 50% over non-financial jobs in 2005. In 1980, the premium was just 10% (Lahart, 2008).

⁸Rentier income is the income from financial activities plus interest incomes. For a discussion of rentier income and its development, see Epstein (2005, pp. 46–74). (Epstein and Power, 2003, pp. 11–12).

⁹In 2010, stock market capitalization was 118% of GDP in the USA 138% in the UK while it was 43% in Germany and 75% in Japan. At the height of the dot.com bubble, it was 179% in the USA, 195% in the UK, 67% in Germany and it was 148% at the peak of the asset bubble in Japan in 1989 (World Bank, World Development Indicators, <http://databank.worldbank.org>, accessed on February 14, 2012).

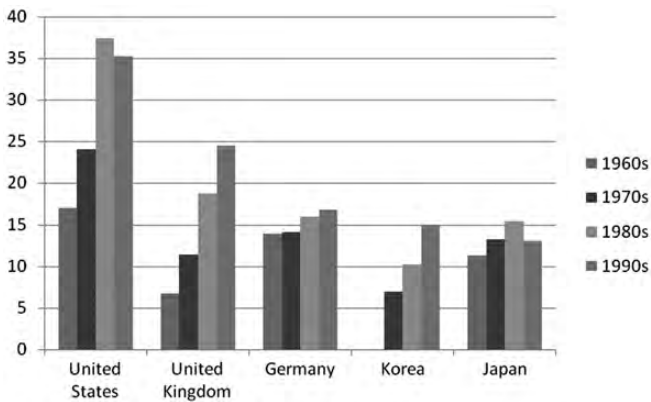


Figure 2 Rentier income share (% of GNP). *Source:* Epstein, Jayadev (2005, pp. 51–52).

indirectly, through its dominance of international financial institutions (IMF and World Bank), put pressure on countries around the world to open and liberalize their financial markets and thus allow US financial service companies to enter those markets (Bullard *et al.*, 1998; Veneroso and Wade, 1998; Stiglitz, 2003; Woods, 2006). Another important factor is the soft power of US universities that educate a large percentage of the international economic and political elites around the world, disseminating the notion that the US financialized market economy is the most advanced form of capitalism that other countries should emulate.

Within the group of financialized countries, we can distinguish between small and large economies. Small countries such as Hong Kong and Singapore tend to combine open capital accounts with fixed exchange rates in order to eliminate the exchange rate risk for financial investors. Hong Kong institutionalized this in a currency board system, while Singapore opted for an active exchange rate management system. As a trade-off, such economies lose their monetary and fiscal sovereignty because monetary and fiscal interventions have to react to the inflows and outflows of capital regardless of the needs of the domestic real-economy. On the other hand, large financialized countries, such as the UK and the USA, neglect exchange rate management and prefer to intervene actively in the domestic economy in order to stimulate growth and create jobs through monetary and fiscal policies. This preference has become particularly evident as a result of the global financial and economic crisis in which the USA and the UK spearheaded loose monetary policies and deficit spending. Within the G20, financialized countries pushed for larger and internationally coordinated fiscal stimulus packages. In this sense, the more financialized ‘neoliberal’ countries, ironically, are closer to the Keynesian corner of the trilemma triangle

than more social democratic countries such as Germany that rely on exports to revive their economies.

As already mentioned, the USA and the UK show little interest in the external value of their currencies and stable exchange rates in general. On the contrary, they use their international influence to pressure other countries—like Japan in the 1980s (Plaza and Louvre Accords) and China today—to stop ‘manipulating’ their currencies and let the markets determine exchange rates. For financialized countries, volatility of exchange rates and financial markets in general are of little concern and even constitute a major source of revenue because investors and export-oriented firms alike have to hedge against risks by purchasing financial products such as options or currency swaps from financial firms. The US also benefits from the ‘exorbitant privilege’ of having the most important international reserve currency, because countries with weak currencies have to accumulate foreign currency reserves to protect themselves against the volatility of global financial markets and exchange rates (Eichengreen, 2011). The UK and the USA, thus, are not interested in international or regional institutions that would coordinate exchange rates or regulate the flow of capital because this would limit business opportunities and diminish their competitive advantage. This explains why the current discussions in the G20 and the FSB largely neglect the very issues that were at the core of the Bretton Woods system: stable exchange rates and capital controls.

However, while the group of financialized countries opposes the regulation of financial flows, they are far less opposed to the regulation of market actors and financial *products*. Their experience with frequent market failures and financial crises has nurtured a pragmatic approach to financial regulation that acknowledges the need for a strong regulatory framework for financial actors and products. In fact, the current global financial and economic crisis has revealed that market actors and products were often even worse regulated in less financialized countries than in financialized countries. Financial firms in countries that have only recently started to liberalize their financial markets—such as the Eastern and Southern European countries (and, to a lesser extent, Germany)—were hit hard by defaulting financial products because their regulatory systems had not caught up with the ‘financial innovations’ available on globalized markets.¹⁰ In reaction to the crisis the Dodd-Frank Act illustrates that the USA is willing to go further in regulating financial institutes than the EU in its European Market

¹⁰In Germany, for example, 400 000 ‘Lehman certificates’ were sold for 140 billion euros. These ‘certificates’ were bets on the price development of various assets sold to small investors, a practice which is forbidden in the USA and many other countries (Wilhelm, 2009). Credits by text message (‘SMS-credits’), with high interest rates, were an innovation in Scandinavian countries and are a significant problem in the financial crisis in the Baltic states (Koesch *et al.*, 2009).

Infrastructure Regulation, for example, by limiting proprietary trading ('Volcker rule') and over the counter transaction of derivatives (Janda and Rausser, 2011).¹¹

4. Export-oriented capitalism in Europe and East Asia

CMEs in Europe and developmental states in East Asia financialized much slower and the financial industry did not reach a level where it was able to dominate their national political economies. As in financialized countries, economic growth rates declined and the bargaining power of labor unions weakened from the 1970s. However, it was not the financial sector but the export sector that became the new center of the economy and the engine of growth. The main debate in these countries is not about how to attract investment deals that enable financial firms to grow but about how to improve national competitiveness while ensuring the profitability and stability of international savings earned from exports. Growth was maintained by increasing competitiveness in manufacturing and incremental upgrades from capital- and technology-intensive production. The sophistication of this transformation to an export-oriented growth model varied, ranging from mass production of consumer goods in China to 'diversified quality production' (Streeck, 1995) in Germany and Japan. Boyer and Freyssenet (2002) distinguish European 'co-ordinated and specialised export-oriented' and East Asian 'co-ordinated and price export-oriented' growth models. While European countries export intermediate and capital goods or sell high-quality goods in niche markets, East Asian exporters compete against each other by producing final consumer goods at a lower price.

The gradual transformation in Europe and East Asia was facilitated by their 'organized capitalism' (Vogel, 2003) or 'coordinated market economies' (Hall and Soskice, 2001) favoring incremental changes and innovations over radical ones. Organized capitalism is characterized not by the power of financial markets, but by the close network between financial and industrial capital. The stronger corporatism in these countries in the form of tripartite cooperation between labor unions, employer organizations and government (*konzertierte Aktion* and *Bündnis für Arbeit* in Germany, *Sanrokon* in Japan) made possible wage moderation that ensured profitability and export competitiveness. This focus on national competitiveness had its price as repressed wages, underemployment and the growth of 'irregular employment' led to sluggish domestic demand for consumer products. Weak domestic demand further aggravated the structural dependency on exports due to the specialization on high-quality consumer products and machinery that, naturally, have more globalized markets. In Germany,

¹¹Of course, it is too early to say, if this trend will continue particularly after the 2012 US-presidential election.

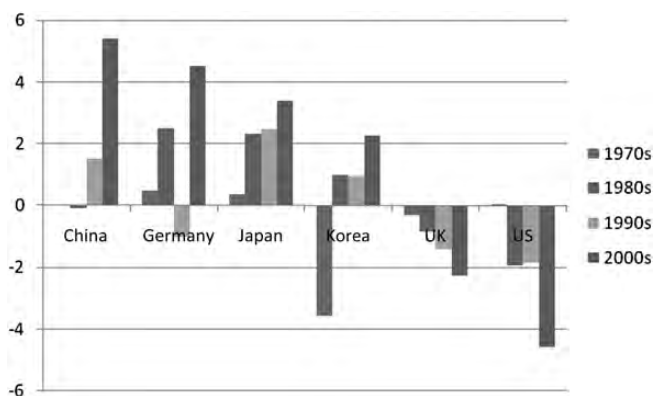


Figure 3 Current account balance averages (% of GDP). Source: IMF, <http://imfstext.imf.org>

for example, one-fifth of all employment directly or indirectly depends on exports. In the important manufacturing sectors it is much higher: about 65% in machinery, 68% in vehicles and 82% in chemical products (Schintke and Staeglin, 2003, p. 144). In Japan, domestic demand was additionally depressed by the collapse of the asset bubble in 1991. In these countries, the term ‘market’ is not synonymous with financial markets, but with the expansion into new export markets. The focus on national competitiveness and the dependence on exports create and are reinforced by a distinctive ideology of thrift, high savings rates, a reluctance to consume and stability of prices and exchange rates.

Current account surpluses are a good indicator for export-orientation, but export-orientation does not always imply surpluses. Export orientation is not an ‘economic fact’, but a political economic orientation in favor of the export-oriented industries and national competitiveness that has the tendency to create current account surpluses. In Germany and Japan since the 1980s as well as Korea and China since the 1990s surpluses have been substantial (Figure 3). On the other hand, export-oriented countries like China and Korea often ran current account deficits until the time of the Asian financial crisis of 1997–1998, because high investment rates required massive imports of capital goods and technology. Germany was running current account deficits in the 1990s due to the massive investments required by reunification. Even within Europe there are substantial variations concerning the level of export orientation. France and Italy, for example, have relatively balanced current accounts and depend far more on domestic consumption for growth although their dependency on exports did increase quite substantially since the 1960s. Even countries

of the euro periphery that are currently suffering from a massive debt crisis have been able to increase their export share of GDP quite substantially.¹²

Like financialization, export-oriented capitalism is not a new phenomenon; if anything, it can be traced back even further, to the mercantilism of early capitalist development. Already in the mid-nineteenth century, Friedrich List criticized David Ricardo's theory of comparative advantage, arguing that late developers needed to protect their infant industries and nurture national competitiveness (List, 1856). This strategy was successfully implemented by rising exporters such as Germany and, later, Japan in the nineteenth and early twentieth centuries. Like financialization, two world wars and the world economic crisis of the 1930s undermined the export-oriented development model. The attempted militaristic expansions of Germany and Japan that would have secured access to natural resources and export markets were defeated in 1945.

The Bretton Woods system from 1945 to 1971 saw a massive increase in global trade, but trade imbalances declined because reconstruction after the war and the transformation of Europe and Japan into 'Fordist' mass consumption societies created growing domestic demand. Only toward the end of the Bretton Woods system did the US start to run trade deficits and European countries and Japan transformed their growth models from inward-looking reconstruction to outward oriented expansion of global market share. Since the 1970s, newly industrializing East Asian countries (particularly Taiwan, South Korea, and, since the 1990s, China) have joined the export-oriented camp, specializing in the mass production of cheap consumer goods and transport equipment. Most of these developmental states have borrowed from Japanese and German development strategies (Woo-Cumings, 1999; Wade, 2004) or, in the case of China, have combined these experiences with state ownership of industry (Cho, 2005).

The distinct positions of export-oriented countries on the trilemma triangle have resulted in the emergence of certain sets of priorities concerning the global governance of finance. Export-oriented economies are interested in stable exchange rates in order to allow their exporters predictable prices. Most export-oriented countries thus opted to replace the Bretton Woods arrangement with regional or national mechanisms to stabilize currencies. They joined the euro area, adopted the dollar (dollarization), pegged their currencies to one (or several) of the major currencies or actively manage their exchange rate, thus, remaining close to the 'Bretton Woods corner' of the trilemma triangle (see Figure 1). While currency stability is a high priority for this group of

¹²The export (goods and services) share of GDP increased from 18.5% in the 1970s to 41.6% in the 2000s in Germany, from 19.3 to 26.5% in France and from 19.9 to 26.5% in Italy, from 13.6 to 26.4% in Spain, from 40.8 to 87.7% in Ireland and from 16.4 to 22.5% in Greece (World Bank, WDI Databank, <http://databank.worldbank.org/>, accessed on January 15, 2012).

countries, they have largely abandoned global solutions. With the ERM and the euro, the EU has found a regional solution for the problem of currency volatility, which diminishes the pressure at least on European countries to seek global solutions. On the other hand, countries in East Asia have been less successful in their attempt for regional currency cooperation like the Chiang Mai Initiative (Park and Wang, 2005). Consequently, they have little choice, but to implement costly self-help strategies and accumulate currency reserves to stabilize the exchange rates (Kalinowski, 2011).

The choice for currency stability means that, under the condition of an open capital account, these countries had to surrender their monetary and fiscal sovereignty. Either they delegated it to regional institutions, such as the European Central Bank (ECB) within the euro area, or they transferred it to another country, in the cases of dollarization, currency boards or unilateral currency pegs. The EU Europeanized German-style conservative monetary and fiscal policies and gave the ECB even more independence and a stronger anti-inflation bias than the Bundesbank.¹³ The ECB is not part of the political decision-making process but a seemingly technocratic institution that merely reacts to developments determined by markets. The sovereignty of fiscal policies has also been severely restricted in the euro area by the Maastricht Treaty that limits government deficits to 3% of GDP and public debt levels to 60% of GDP. Managed floating systems—as in China, Korea, Singapore and many developing countries—represent a compromise between exchange rate stability and fiscal and monetary sovereignty (Calvo and Reinhart, 2002).

In contrast to financialized countries, export-oriented countries are interested in curbing erratic short-term financial flows that lead to currency volatility, put pressure on their exchange rate regimes and undermine their competitive industrial structure (Zimmermann, 2010). Unlike financialized countries, export-oriented economies are less interested in channeling capital through their own economies because as capital exporters they have an abundance of capital and lack the global financial dealmakers based in London's 'City' and New York's Wall Street. While export-oriented countries have also followed the trend of capital account liberalization, they have done so later and more slowly. They are more cautious about opening up their own financial markets because they fear that financial liberalization would undermine their export competitiveness. This is because under the condition of floating exchange rates, capital inflow leads to currency appreciation. This 'financialization curse' can be observed, for

¹³Both principles are also part of the Lisbon Treaty (Art. 130). Some EU countries, such as Germany, have even changed their constitutions accordingly, so as to leave no doubt about their surrender of sovereign monetary policies (Art. 88 of the German Constitution [Grundgesetz] was changed on December 21, 1992).

example, in the deindustrialization of the USA since the 1980s and the exit of the British pound from the ERM in 1992.¹⁴ In the case of a fixed exchange rate system, an inflow of foreign capital leads to inflation and/or current account deficits. This was symptomatic in the East Asian countries before the Asian financial crisis and in Southern European countries before 2008, when massive capital inflows pushed current accounts into deficits.

Among export-oriented countries, we can distinguish two groups that react differently to the financialization curse and thus occupy different sides of the trilemma triangle (see Figure 1). Late developers, such as East Asian newly industrialized countries until the 1990s and China, have relied on formal capital controls to nurture national competitiveness. Japan has formally liberalized its capital accounts but remains somewhat insulated from global financial markets due to informal barriers to capital inflows (but not outflows), such as industrial policies favoring 'national champions' or structural and cultural barriers such as weak shareholder rights, a system of cross shareholdings, and a rejection of hostile takeovers. All these aspects of Japanese capitalism not only discourage foreign direct investments, but also reduce short-term capital flows. In contrast, European countries have fully liberalized their financial markets, although they, too, are to some degree protected by cultural barriers, such as strong majority shareholders in SMEs and cross shareholding in Germany or economic nationalism in France.

Even though export-oriented countries do not depend on financial liberalization for growth and have a stronger interest in curbing financial volatility, they are not generally more cooperative at the international level when it comes to the global governance of finance. They are themselves partly responsible for destabilizing financial flows because much of those flows originate in their export of capital to deficit countries either in the form of private foreign savings in the case of Europe or currency reserves in the case of East Asia and, in particular, China ('sino-dollars'). The main concern of capital exporters is not the free flow of short-term capital that creates vast numbers of deals for the global financial players but the ability to invest excess capital abroad and the security that these foreign investments create returns or at least do not lose their value. Unlike financialized economies that profit from financial transactions as such because they charge fees for making deals, capital exporters are stability-oriented and interested in preserving the long-term value of their foreign savings. International creditor countries are thus in favor of stable currencies and preventing erratic financial markets by curbing short-term financial flows. This is why initiatives for curbing volatile financial flows through a financial transaction tax were

¹⁴Financialized countries appear to have similarities with countries suffering from the 'resource curse' and in which dominant extraction industries crowd out other economic activities.

proposed by Germany and France in the G20 and French President Sarkozy became the most important proponent of a 'new Bretton Woods' (Hel-leiner, 2010).

On the other hand, international creditors are against regulations that would undermine the ability to manage their international assets like the internationally coordinated introduction of capital controls.¹⁵ Another concern of international creditors is that international debtors such as the USA will use inflationary policies to reduce their debt burdens, rendering their foreign savings worthless. Their focus on anti-inflation policies means that they will resist any comprehensive international cooperation in macroeconomic policies and a return to the 'Keynesian corner'.¹⁶ Export-oriented countries' obsession with national competitiveness is another factor that makes them opponents of stimulating global demand and an unlikely champion of a global governance of finance. A comprehensive global governance of finance would not just reduce profits from speculative and short-term financial deals but would also require a reduction of global imbalances and thus export surpluses in Europe and East Asia. Export-oriented countries will be very reluctant to give up their economic stimulus from abroad, for example, by appreciating their currencies or by stimulating domestic consumption through wage increases or public investment. The ideology of national competitiveness, wage restraint and thrift that have formed over decades will not disappear overnight. The reliance of export-oriented countries on foreign consumption is likely to provoke a protectionist backlash with the potential to further undermine global cooperation.

5. Conclusions

The four decades of failure to establish a new comprehensive global governance of finance after the collapse of the Bretton Woods system cannot be explained merely by national egoisms, the lack of political actors able to develop new visions or the failure of institutions to overcome collective action problems. By combining approaches from IPE with CPE studies of the diversity of capitalism, we found that the different interests and preference for an international regulating finance in the G20 have systemic origins. Countries with different variants of capitalism have reacted in different ways to the demise of the Bretton Woods

¹⁵For a brief summary of the German position on the financial transaction tax, capital controls and a global currency system see, for example, the press statement of German Chancellor Merkel after the G20 summit in Cannes on November 3, 2011 (<http://www.bundesregierung.de/Content/DE/Mitschrift/Pressekonferenzen/2011/11/2011-11-03-bkin-cannes.html?nn=393164>).

¹⁶This explains particularly well the constant warnings against inflationary policies from German Chancellor Merkel and her push to put fiscal consolidation on the agenda of the G20 summit in Toronto in June 2010.

system and the challenge of low real-growth rates and saturated domestic markets since the 1970s. Most importantly, we have presented finance-led countries (the USA, the UK) and export-oriented countries in Europe and East Asia as forming a relationship of mutual dependence. This partnership has been far from harmonious but has created gigantic global economic imbalances that have contributed to the global financial and economic crisis since 2008. These global economic imbalances are not just technical problems of current account surpluses and deficits, but the result of a much deeper-rooted imbalance of capitalisms. Both variations of capitalism include distinct economic structures, complementary institutions and ideologies that create a strong path dependency. Building on this conceptual framework subsequent empirical studies are needed to further investigate the link between different variants of capitalism and the international regulation of finance.

My research offers some important clues with regard to the prospects for a new system of global governance of finance or a 'new Bretton Woods' now being discussed within the G20. Due to their different positions on the trilemma triangle, countries have taken different positions within the G20. The resulting deadlock has shaped the last four decades since the 1970s and continues to influence the G20 process today. Financialized countries exert pressure for internationally coordinated fiscal stimulus packages; are open to improved regulation of market actors; are uninterested in international currency coordination and oppose the regulation of financial flows. Export-oriented countries, in contrast, push for tighter regulation of financial actors and markets and want to discuss an international currency regime but are reluctant to increase government spending or reduce their dependence on exports. This divergence of interests is deeply embedded in the distinct forms of capitalisms, including economic structure, institutions, consumption patterns and ideology.

Consequently, mere institutional reforms and a fine-tuning of the levers and buttons of financial regulation will not be enough. Any successful agreement on the comprehensive and internationally coordinated regulation of finance in order to prevent future potential crises will be realistic only if they are accompanied by more fundamental changes in the organization of the global economy. Financialized countries would have to reduce their dependence on their financial industries and give up their ideology of capital account liberalization. Export-oriented countries would have to reduce their dependence on current account surpluses and overcome their obsession with national competitiveness. Such reforms would be difficult and require major structural changes, but they are not impossible. While the structural changes have to go hand in hand with regulatory reforms, they are not a precondition for political action. We have seen in the past that the trilemma triangle is not static but dynamic. Countries have switched sides in the past as the result of changing domestic and

international balances of power. There is no reason to assume that a convergence of interests similar to the one under the Bretton Woods system cannot re-emerge if it is possible to curb the power of the financial oligarchy and the export lobby alike.

Acknowledgements

The author would like to thank Martin Hoepner, Christoph Deutschmann, Andreas Noelke and two anonymous reviewers for their valuable comments.

Funding

This work was supported by the Korea Research Foundation grant funded by the Korean Government (KRF - 2009 - 332-B00021).

References

- Aizenman, J., Chinn, M. D. and Ito, H. (2008) 'Assessing the Emerging Global Financial Architecture: Measuring the Trilemma's Configurations over Time', *NBER Working Paper*.
- Amable, B. (2003) *The Diversity of Modern Capitalism*, Oxford, New York, Oxford University Press.
- Bakker, A. and Chapple, B. (2002) *Advanced Country Experiences with Capital Account Liberalization (Epub)*, Washington DC, International Monetary Fund.
- Boyer, R. (2000) 'Is a Finance-Led Growth Regime a Viable Alternative to Fordism? A Preliminary Analysis', *Economy and Society*, **29**, 111–145.
- Boyer, R. (2011) 'Are There Laws of Motion of Capitalism?', *Socio-Economic Review*, **9**, 59–81.
- Boyer, R. and Freyssenet, M. (2002) 'Globalization but Still a Large Diversity of Productive Models and Corporate Governance Styles', *Seoul Journal of Economics*, **15**, 149–192.
- Boyer, R. and Saillard, Y. (2002) *Regulation Theory: The State of the Art*, London, New York, Routledge.
- Bullard, N., Bello, W. and Kamal, M. (1998) 'Taming the Tigers: The Imf and the Asian Crisis', *Third World Quarterly*, **19**, 505–556.
- Calvo, G. A. and Reinhart, C. M. (2002) 'Fear of Floating', *Quarterly Journal of Economics*, **117**, 379–408.
- Carlin, W. and Soskice, D. (2009) 'German Economic Performance: Disentangling the Role of Supply-Side Reforms, Macroeconomic Policy and Coordinated Economy Institutions', *Socio-Economic Review*, **7**, 67.

- Chancellor, E. (1999) *Devil Take the Hindmost: A History of Financial Speculation*, 1st edn, New York, Farrar, Straus, Giroux.
- Chernow, R. (1997) *The Death of the Banker: The Decline and Fall of the Great Financial Dynasties and the Triumph of the Small Investor*, 1st edn, New York, Vintage Books.
- Cho, H. (2005) *Chinas langer Marsch in den Kapitalismus*, 1. Aufl., Münster, Westfälisches Dampfboot.
- Coates, D. (2005) *Varieties of Capitalism, Varieties of Approaches*, New York, Palgrave Macmillan.
- Crouch, C. (2005) 'Models of Capitalism', *New Political Economy*, **10**, 439–456.
- Deeg, R. (2010) 'Industry and Finance in Germany since Unification', *German Politics and Society*, **28**, 116–129.
- Eichengreen, B. J. (2011) *Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International Monetary System*, Oxford, New York, NY, Oxford University Press.
- Epstein, G. A. (2005) *Financialization and the World Economy*, Cheltenham, UK; Northampton, MA, Edward Elgar.
- Epstein, G. and Power, D. (2003) 'Rentier Incomes and Financial Crises: An Empirical Examination of Trends and Cycles in Some Oecd Countries', *POLITICAL ECONOMY RESEARCH INSTITUTE Working Paper Series*.
- G20 (2008) *Declaration. Summit on Financial Markets and the World Economy*, Washington DC, November 16, 2008.
- G20 (2009a) *The Global Plan for Recovery and Reform*, London, April 2, 2009.
- G20 (2009b) *Leaders' Statement, the Pittsburgh Summit*, Pittsburgh, September 24–25, 2009.
- G20 (2010a) *The G20 Seoul Summit Leaders' Declaration*, Seoul, November 11–12, 2010.
- G20 (2010b) *The G-20 Toronto Summit Declaration*, Toronto, June 26–27, 2010.
- Galbraith, J. K. (1967) *The New Industrial State*, London, H. Hamilton.
- Galbraith, J. K. (1997) *The Great Crash, 1929*, Boston, Houghton Mifflin Co.
- Gourevitch, P. A. (1986) *Politics in Hard Times : Comparative Responses to International Economic Crises*, Ithaca, Cornell University Press.
- Hall, P. A. and Soskice, D. W. (2001) *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*, USA, Oxford University Press.
- Hancké, B., Rhodes, M. and Thatcher, M. (2007) *Beyond Varieties of Capitalism: Conflict, Contradiction, and Complementarities in the European Economy*, Oxford, New York, Oxford University Press.
- Helleiner, E. (1994) *States and the Reemergence of Global Finance: From Bretton Woods to the 1990s*, Ithaca, Cornell University.
- Helleiner, E. (2010) 'A Bretton Woods Moment? The 2007–2008 Crisis and the Future of Global Finance', *International Affairs*, **86**, 619–636.
- Hilferding, R. (1910) *Das Finanzkapital Eine Studie über die jüngste Entwicklung des Kapitalismus*, Wien, Brand.

- Janda, K. and Rausser, G. (2011) 'American and European Regulation of over-the-Counter Derivative Securities', *MPRA paper*.
- Johnson, C. A. (1995) *Japan, Who Governs?: The Rise of the Developmental State*, 1st edn, New York, Norton.
- Johnson, S. (2009) 'The Quiet Coup', *The Atlantic Online*.
- Koesch, S., Magdanz, F. and Stadler, R. (2009) *30 Prozent Zinsen für 30 Tage Darlehen*, *Der Spiegel*, February 1, 2009.
- Kalinowski, T. (2008) 'Korea's Recovery since the 1997/98 Financial Crisis: The Last Stage of the Developmental State', *New Political Economy*, **13**, 447–462.
- Kalinowski, T. (2011) 'East Asia in the Global Governance of Finance', In Metzger, M. (ed) *Global Financial Stability: A Dialogue on Regulation and Cooperation. Selected Expert Papers from the Dialogue Forums 2010*, Berlin, Deutsche Gesellschaft fuer Internationale Zusammenarbeit (GIZ).
- Kalinowski, T. and Cho, H. (2009) 'The Political Economy of Financial Market Liberalization in South Korea: State, Big Business, and Foreign Investors', *Asian Survey*, **49**, 221–242.
- Krippner, G. R. (2005) 'The Financialization of the American Economy', *Socio-Economic Review*, **3**, 173–208.
- Lahart, J. (2008, 28 April) 'Has the Financial Industry's Heyday Come and Gone?', *The Wall Street Journal*, New York.
- List, F. (1856) *National System of Political Economy*, Philadelphia, JB Lippincott & co.
- Lütz, S. (2002) *Der Staat und die Globalisierung von Finanzmärkten. Regulative Politik in Deutschland, Großbritannien und den USA*, Frankfurt [u.a.], Campus-Verl.
- Mundell, R. A. (1963) 'Capital Mobility and Stabilization Policy under Fixed and Flexible Exchange Rates', *Canadian Journal of Economics and Political Science*, **29**, 475–485.
- Nölke, A. (2011) 'Transnational Economic Order and National Economic Institutions Comparative Capitalism Meets International Political Economy', *MPIfG Working Paper* 11.
- Obstfeld, M., Shambaugh, J. C. and Taylor, A. M. (2005) 'The Trilemma in History: Trade-offs among Exchange Rates, Monetary Policies, and Capital Mobility', *Review of Economics and Statistics*, **87**, 423–438.
- OECD (2009) *Statextracts, Central Government Debt Statistics*, Paris, OECD.
- Panitch, L. and Gindin, S. (2003) 'American Imperialism and Eurocapitalism: The Making of Neoliberal Globalization', *Studies in Political Economy*, **71**, 7–38.
- Park, Y. C. and Wang, Y. (2005) 'The Chiang Mai Initiative and Beyond', *The World Economy*, **28**, 91. (11).
- Rostow, W. W. (1990) *The Stages of Economic Growth: A Non-Communist Manifesto*, Cambridge, Cambridge University Press.

- Ruggie, J. G. (1982) 'International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order', *International Organization*, **36**, 379–415.
- Schintke, J. and Staeglin, R. (2003) 'Export stuetzt Beschaeftigung: Jeder fuenfte Arbeitsplatz in Deutschland von der Ausfuhr abhaengig', *Wochenbericht des DIW Berlin*, **70**, 139–154.
- Soskice, D. (2007) 'Macroeconomics and Varieties of Capitalism', In Hancke, B., Rhodes, M. and Thatcher, M. (eds), *Beyond Varieties of Capitalism: Conflict, Contradiction, and Complementarities in the European Economy*, Oxford: Oxford University Press, pp. 89–121.
- Stallings, B. (1995) *Global Change, Regional Response: The New International Context of Development*, Cambridge, New York, Cambridge University Press.
- Stiglitz, J. E. (2003) *Globalization and Its Discontents*, New York, W.W. Norton.
- Strange, S. (1986) *Casino Capitalism*, Oxford, UK/New York, NY, USA, B. Blackwell.
- Strange, S. (1998) *Mad Money : When Markets Outgrow Governments*, Ann Arbor, University of Michigan Press.
- Streeck, W. (1995) 'German Capitalism: Does It Exist? Can It Survive?', *MPIFG Discussion Paper*, 95.
- Streeck, W. and Yamamura, K. (2001) *The Origins of Nonliberal Capitalism : Germany and Japan in Comparison*, Ithaca, Cornell University Press.
- US Department of Commerce (2008) *Corporate Profits: Fourth Quarter 2007*, Bureau of Economic Analysis, Washington DC.
- Veneroso, F. and Wade, R. (1998) 'The Asian Crisis: The High Debt Model Versus the Wall Street-Treasury-Imf Complex', *New Left Review*, 228, 3–23..
- Vitols, S. (2005) 'Changes in Germany's Bank-Based Financial System: Implications for Corporate Governance', *Corporate Governance: An International Review*, **13**, 386–396.
- Vogel, S. K. (2003) 'The Re-Organization of Organized Capitalism: How the German and Japanese Models Are Shaping Their Own Transformations'. In Yamamura, K. and Streeck, W. (eds) *The End of Diversity? Prospects for German and Japanese Capitalism*, Ithaca, Cornell University Press, pp. 306–333.
- Vogel, S. K. (2006) *Japan Remodeled: How Government and Industry Are Reforming Japanese Capitalism*, Ithaca, Cornell University Press.
- Wade, R. (2004) *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*, Princeton, NJ, Princeton University Press.
- Wilhelm, H. (2009) 'Dummes Deutsches Geld', *Sueddeutsche Zeitung*, April 8, 2009
- Woo-Cumings, M. (1991) *Race to the Swift : State and Finance in Korean Industrialization*, New York, Columbia University Press.
- Woo-Cumings, M. (1999) *The Developmental State*, Ithaca, NY, Cornell University Press.
- Woods, N. (2006) *The Globalizers : The Imf, the World Bank, and Their Borrowers*, Ithaca, NY, Cornell University Press.

Yamamura, K. and Streeck, W. (2003) *The End of Diversity? Prospects for German and Japanese Capitalism*, Ithaca, Cornell University Press.

Zimmermann, H. (2010) 'Varieties of Global Financial Governance ? British and German Approaches to Financial Market Regulation'. In Helleiner, E., Pagliari, S. and Zimmermann, H. (eds) *Global Finance in Crisis: The Politics of International Regulatory Change*, New York, Routledge, pp. 121–136.