Book Reviews

Governing Financialization. The Tangled Politics of Financial Liberalization
By Jack Copley
Oxford University Press: Oxford, 2022. 208 pages, £65.00.

Jack Copley joins earlier literature (Krippner, 2011; Streeck, 2013) in arguing that rather than a premediated strategy, financialisation is the unintended consequence of governments' pragmatic responses to economic and social pressure. In addition to an analysis of the British case, based on in-depth archival research, he extends the theoretical framework of this literature. This book is essential reading for scholars interested in financialisation and the role of the state in propelling it. But it will also be of interest to those seeking to understand state action under capitalism more generally.

Governments opening new avenues for profitmaking through financial liberalisation are often argued to be captured by financial elites. Copley, on the other hand, holds that states are dominated by the impersonal pressures emanating from global capitalism. He combines Marx and Mehrling to argue that capitalism's monetised social relations impose discipline on governments to continuously pursue international competitiveness. Otherwise, they would be faced with – impersonal – sanctions such as 'balance of payments crises, speculation against the national currency, capital flight, and prohibitive global borrowing costs' (Copley, 2022, p. 152).

In seeking to align their national economies with the pressures of global capitalism, states run up against civil society, who demand to be shielded against these very pressures. Confronted with competing and contradictory claims on state action, government responses fall on a spectrum between 'depoliticised discipline' and 'palliation'. In a Hayekian fashion, depoliticised discipline acts on pressures for competitive restructuring of national economies, while aiming to blur governments' role and shield it from political backlash. Palliation, on the other hand, seeks to delay the harshest effects of such restructuring and maintain social peace to safeguard competitive conditions.

Copley applies this theoretical framework to the case of Britain, analysing subsequent governments' responses to the twin dilemma of falling global competitiveness and growing social demands on the state. He examines four key financial liberalisation policies as the British government oscillates between palliation and depoliticised discipline – Competition and Credit Control (CCC) in 1971, the abolition of exchange controls between 1977–9, and the Big Bang and introduction of the Financial Services Act (FSA) in 1986.

Take the path to the CCC reforms. Faced with a deteriorating balance of trade, the British government enacted selective lending ceilings to shift credit from persons to exporting companies. However, this proved unworkable with the tools the state had at its disposal and given the rise of unregulated, secondary banking institutions. It also generated considerable political backlash against the uneven credit squeeze. In response, CCC replaced quantitative limits on credit with an indirect governing strategy via interest rates. While this meant less control over the extension of palliative credit to exporting industries, the disciplining element would be retained and the relationship between government action and economic outcomes blurred.

More than a quick fix for a state caught between competitive pressure and legitimacy concerns, financial liberalisation policies unintentionally fuelled financialisation. As anticipated, lending to the private sector rose exponentially following the implementation of CCC. But rather than productive activity, much of this credit was channelled into a rapidly inflating property sector. The associated increase in house prices set the path for the housing crisis Britain experiences today.

The argument of financialisation being an 'unintended and uncontrollable' consequence of strategies by private and public actors who use finance to achieve specific objectives has attracted increasing interest recently (Schelkle and Bohle, 2020, p. 8). But is it uncontrollable? The capitalist domination theory advanced by Copley certainly makes it seem that way, whereby states faced with impersonal pressures are scrambling for economic survival. Even more so as he demonstrates the convergence of policies across subsequent Labour and Conservative administrations. But by drawing attention to pressure for political legitimacy, the book strikes a hopeful tone. Ultimately, 'the framework of action within which state actors strategize is thus not a structural given, but is rather determined by social struggle' (Copley, 2022, p. 40).

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