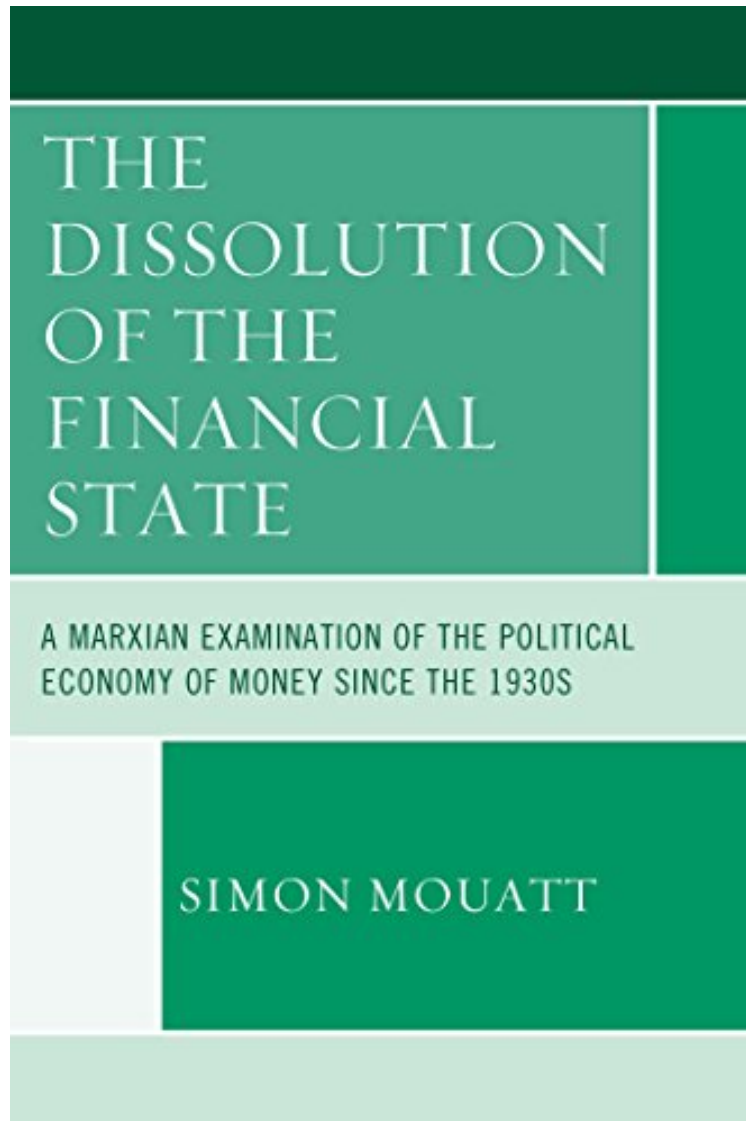


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The Dissolution of the Financial State: A Marxian Examination of the Political Economy of Money Since the 1930s (Heterodox Studies in the Critique of Political Economy)

Simon Mouatt

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Simon Mouatt : The Dissolution of the Financial State: A Marxian Examination of the Political Economy of Money Since the 1930s (Heterodox Studies in the Critique of Political Economy) before purchasing it in order to gauge whether or not it would be worth my time, and all praised The Dissolution of the Financial State: A Marxian Examination of the Political Economy of Money Since the 1930s (Heterodox Studies in the Critique of Political

Economy):

This book argues that post-Keynesian theories of endogenous money can be combined with Marxian analysis in order to give insight into the changing power relations between the state, finance sector and real economy since WW2. A key theme is that financial power, derived from the control of money-issue and its purchasing power, is determined by the state and market in varying proportions (depending on context) but that state sovereignty has been lost in recent decades. In addition, the growth of financial markets in recent decades, so-called financialization, has led many to assume that private finance is an important proximate driver of economic affairs in general. In contrast, the book argues that this provides insufficient explanation of events. To discuss financial factors as causes of financial crisis risks describing the phenomena without illustrating the root causes. Instead, the book argues that systemic drivers of capitalism (rooted in production), probably best understood by Marx, actually do provide a more plausible explanation of the causes of the financialization and erosion of state sovereignty. In addition, the Post-Keynesian descriptions of monetary processes are considered to best reflect the actual reality of the monetary system. This represents an interesting synthesis of the classical Marx with modern money theory. The interpretation of Marx used to explain this financial transformation has been named the Temporal Single System Interpretation, which illustrates Marx's value theory across periods and identifies a tendency towards falling profit rates. It is claimed that falling profits, in turn, are an underlying driver of the systemic propensity towards financialisation, crisis and stagnation. The empirical findings presented, taken from case studies of the UK and Germany, appear to support this view. The central argument is that the response of agents (including the state) to the profit tendency has been a significant driver of the observed financial transformation. The book then concludes that this synthesis provides a more appropriate explanation of the historical transformation of the financial system since the Great Depression, than much of the financialization literature, and illustrates the source (and operation) of financial power in the modern capitalist state and market.

This is an important book. Mouatt shows that the post-Keynesian theory of endogenous money can be incorporated within Marxian economic theory, and that the combination of the two offers powerful insights into the changing relations between the state, finance and the non-financial real economy. The book's arguments and findings challenge prevalent conceptions within the financialisation literature and help concretize Marxian economic theory for the post-Bretton Woods era of credit money untethered from gold. (Andrew Kliman, Pace University) This book focuses on the events that led to the financial crisis by explaining the mechanics of the capitalist system in general, rather than reporting the step-by-step evolution of financial phenomena as if they were entirely independent of the productive economy. It should be of interest to all who are concerned to understand the behavior of the economy and the financial system. It adds to a growing heterodox literature that challenges conventional notions of any in-built efficiency or stability in the economy or finance, and its style should make it accessible to both academics and non-academics alike. (Nick Potts, Southampton Solent University) Who controls the issuing and value of money and, consequently, is able to exert true power over economies? This book addresses that very important question by providing a well reasoned discussion, drawing upon theory and an examination of data from the German and UK economies, it suggests that the UK financial sovereignty has been lost. The arguments presented are quite compelling. The book provides a detailed historical analysis of the main events affecting control and issuing of money since the 1930s. The book also provides an interesting analysis of monetary theory (incorporating mainstream and heterodox perspectives), captures the changing relationship and power between State and the financial sector and, provides a novel approach - using the analogy of a steam engine - to describe the capitalist credit-money system. The book complements other works such as those by John Stopford, Susan Strange, Peter Dicken and others that chart seismic changes in global power structures. (Carl Adams, University of Portsmouth) About the Author Simon Mouatt is associate professor at Southampton Solent University.