Global finance as capital rule.

The "creative" role of the ECB[1]

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1. The prevailing heterodox approaches to neoliberalism and financialization

A crucial aspect of many heterodox approaches to modern capitalism, finacialization and crisis is the idea that the domination of neoliberalism and of the globalized financial sector of the economy produces a predatory version of capitalism, a capitalism that inherently tends towards crisis.

Recent heterodox literature is dominated by a single and persistent argument, according to which contemporary financial liberalization should be approached as a process in which the financial elites and financial intermediaries, i.e. contemporary *rentiers* in the Keynesian terminology, have a leading role in working out the details of the neoliberal form of capitalism.[2] Writing in the mid 1930s, Keynes (1973: 377) predicted the eventual extinction ("euthanasia") of the rentiers "within one or two generations". Many present-day Keynesians portray the developments of the last decades as the "revenge of the rentiers" (Smithin 1996: 84, coins this phrase), who are said to have shaped the contemporary political and economical agenda in accordance with their own vested interests.

In this quasi-Keynesian discourse the economic and political strengthening of rentiers entails: (i) an increase in the economic importance of the financial sector as opposed to the "real" industrial sector of the economy, (ii) the transfer of income from the latter to the former, thereby increasing economic inequalities and depressing effective demand, (iii) the exacerbation of financial instability, transforming it into a

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[2] According to Epstein (2001: 1), *financialization* denotes "the increasing importance of financial markets, financial motives, financial institutions, and financial elites in the operation of the economy and its governing institutions, both at the national and international level".

central aspect of modern capitalism.

According to these approaches, industrial corporations have ceased to be the "steam-engine of the economy" as Keynes and Schumpeter portrayed them in the past. Their priority is to serve the interests of rentiers (i.e. of major shareholders and the financial institutions representing them): to increase remuneration for major shareholders, enhancing their influence over company decision-making at the expense of the interests of other stakeholders (viz. workers, consumers and managers).

It appears that two relevant changes have taken place in enterprises. *Firstly*, joint-stock companies are now conceived of as portfolios of liquid subunits that home-office management must continually restructure to maximize their stock price at every point in time. *Secondly*, and as a consequence of the first change, there is a fundamental (forced) change in the incentives of top managers who now think rather in terms of maximization of short-term stock prices. The end-product of the whole process is anti-labour business policies on the one hand and on the other a focus on short-term (speculative) gains rather than on long-term economic development, stability, and employment.[3]

Hence, neoliberalism is conceived as an "unjust" (in terms of income distribution), unstable, anti-developmental variant of capitalism whose direct consequence is contraction of workers' incomes and the proliferation of speculation. To put matters schematically, the rentier owners of financial securities induce a fall in the "price" of labour so as to increase the value of their stocks (bonds and shares) at the same time engaging in speculation so as to obtain short-term advantages vis-à-vis rival *rentiers*.

This general conception seems to be prevalent in the realm of Marxist discussion also. For a number of theoreticians influenced by it, neoliberal capitalism has not succeeded (at least to date) in restoring the profitability of capital (the rate of profit) to high levels, that is to say to levels satisfactory for dynamic capitalist accumulation. It appears to be entrapped (since the mid-1970s) in a perennial crisis, the end of which is

[3] These analyses are all more or less variations on the same theme and within the same problematic. Shareholders and the managers they hire are conceptualized as *collective economic agents* with distinct economic behaviours and objectives. Managers are supposedly interested in promoting their personal power and status through an infinite expansion in the size of the firm, but not interested in increasing dividends to shareholders. The renewed dominance of rentiers that has come with the resurgence of neoliberalism has forced managers to comply with shareholder demands. They were obliged to abandon the long-term policy of "retain and reinvest" in favour of a short-sighted practice of "downsize and distribute".

not readily visible. The result of this is that large sums of capital are unable to find outlets for investment. This has two probable consequences. *Firstly*, this "surplus" capital stagnates in the money markets, creating "bubbles", or is used to underpin ineffective policies of forced accumulation that depend on lending and debt (Brenner 2001, 2008, Wolff 2008). *Secondly*, this capital circulates internationally in pursuit of *accumulation by dispossession* (Harvey, 2010), even profiting, that is to say, not from exploitation of labour but from direct appropriation of income chiefly from those who are not financially privileged or do not occupy an appropriate *position* in the market for credit (Lapavitsas 2008).

Their basic weakness – and it is at the same time the link that holds them together – is that *they represent the neoliberal formula for securing profitability of capital not as a question of producing surplus value but as a question of income redistribution pertaining essentially to the sphere of circulation*. It thus appears that the developmental "ineptitude" and the instability of present-day capitalism are the result of a certain "insatiability", or at any rate of bad regulation, in the relations governing income.

In other words, these approaches understand extreme austerity policies, which prevailed in many parts of the developed capitalist world and especially in the European Union (EU) and the Euro-area (EA), after the outbreak of the 2008 global economic crisis, as *irrational*. This supposed irrationality further deteriorates the economic crisis by creating a vicious cycle of falling effective demand, recession and over-indebtedness.

However, these criticisms can hardly explain why this "irrational" or "wrong" policy persists, despite its "failures".[4] In reality, economic crises express themselves not only in a lack of effective demand, but above all in a reduction of profitability of the capitalist class. Austerity constitutes a strategy for raising capital's profit rate.[5]

[4] For a critique of these approaches see: Sotiropoulos, Milios, Lapatsioras (2015).

[5] Karl Marx has clearly illustrated this point. Criticizing underconsumptioninst approaches, according to which the cause of crises is a lack of effective demand, he notes that it is exactly when the purchasing power of the working people reaches a relatively high level that crises erupt: "It is sheer tautology to say that crises are caused by the scarcity of effective consumption, or of effective consumers. The capitalist system does not know any other modes of consumption than effective ones, except that of sub forma pauperis or of the swindler. That commodities are unsaleable means only that no effective purchasers have been found for them, i.e., consumers (since commodities are bought in the final analysis for productive or individual consumption). But if one were to attempt to give this tautology the semblance of a profounder justification by saying that the working-class receives too small a portion of its own

2. A Marxian approach: Financialization, Crisis, Austerity

2.1. Austerity as a cost saving capitalist strategy

Austerity constitutes the cornerstone of neoliberal policies. On the surface, it works as a strategy of reducing entrepreneurial cost. Austerity reduces labour costs of the private sector, increases profit per (labour) unit cost and thus boosts the profit rate. It is complemented by economizing in the use of "material capital" (alas, another demand curtailing strategy!); and also by institutional changes that, on the one hand, enhance capital mobility and competition and, on the other, strengthen the power of managers in the enterprise and share- and bondholders in society. As regards fiscal consolidation, austerity gives priority to budget cuts over public revenue, reducing taxes on capital and high incomes, and downsizing the welfare state.

However, what is cost for the capitalist class is the living standard of the working majority of society. This applies also to the welfare state, whose services can be perceived as a form of "social wage".

It is clear, therefore, that austerity is primarily a class policy. It constantly promotes the interests of capital against those of the workers, professionals, pensioners, unemployed and economically vulnerable groups. In the long run, it aims at creating a model of labour with fewer rights and less social protection, with low and flexible wages and the absence of any substantial bargaining power for wage earners.

Austerity does lead, of course, to recession. However, recession puts pressure to every individual entrepreneur, both capitalists or middle bourgeoisie, to reduce all forms of costs, to more intensively follow the path of "absolute surplus-value", i.e. to try to consolidate her profit margins through wage cuts, intensification of the labour

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product and the evil would be remedied as soon as it receives a larger share of it and its wages increase in consequence, one could only remark that crises are always prepared by precisely a period in which wages rise generally and the working-class actually gets a larger share of that part of the annual product which is intended for consumption. From the point of view of these advocates of sound and "simple" (!) common sense, such a period should rather remove the crisis. It appears, then, that capitalist production comprises conditions independent of good or bad will, conditions which permit the working-class to enjoy that relative prosperity only momentarily, and at that always only as the harbinger of a coming crisis." Marx 1992, pp. 486-87. A crisis means rather a "lack of surplus value", not of demand.

process, infringement of labour regulations and workers' rights, massive redundancies, etc. From the perspective of big capitals' interests, recession gives thus birth to a "process of creative destruction". There is a redistribution of income and power to the benefit of capital, and concentration of wealth in fewer hands as small and medium enterprises, especially in retail trade, are being "cleared up" by big enterprises and shopping malls.

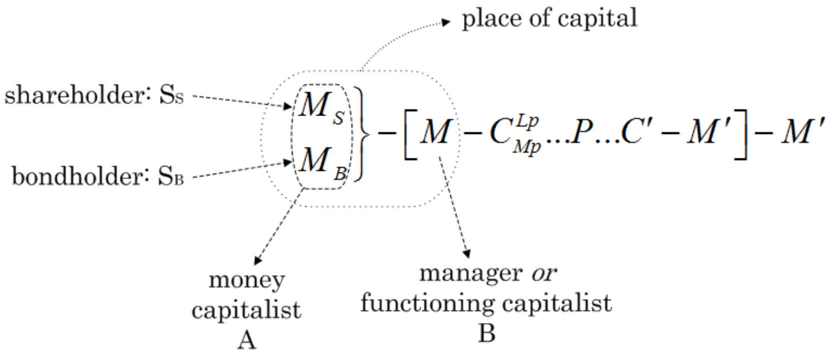
This strategy has its own rationality which is not completely obvious at a first glance. It perceives the crisis as an opportunity for a historic shift in the correlations of forces to the benefit of the capitalist power, subjecting societies to the conditions of the unfettered functioning of financial markets, attempting to place all consequences of the systemic capitalist crisis on the shoulders of the working people.

2.2. The regulatory role of finance

Starting from Marx's analysis in *Capital* we will put forward the view that neoliberalism is a form of capitalism *particularly favourable for valorization of capital*, that is to say particularly well-suited, for the bourgeoisie as a whole, for enforcing capital's aggressive exploitation strategies of labour.

One comprehensive introductory definition of capital could be the following: a historically specific social relation that expresses itself in the form of "money as an end in itself" or "money that creates more money". At this level of generality, the capitalist occupies a specific *position* and plays a specific *role*. He is, and behaves as, the embodiment of autonomous movement of value, *embodying the "self-movement" of capital M-C-M′*. The theory of capital is not an analysis of the actions of the capitalist. It is not a response to the actions of a *subject*. On the contrary, *it is the movement of capital that imparts "consciousness" to the capitalist.* The power of capital is impersonal. In reality it is the power of money as such (Marx 1990: 165-6, Balibar 1984).

Proceeding to a more concrete level of analysis, Marx acknowledges that *the place of capital* is in general occupied by more than one subject: a *money capitalist* and a *functioning capitalist*. This means that a detailed description of capitalism cannot ignore the *circulation of interest-bearing capital*, which depicts the structure of the financial system. Marx's argumentation might be represented in the following schema.



In the course of the lending process, the money capitalist A becomes the recipient and proprietor of a *security S*, that is to say a written *promise* of payment (contingent in character) from the functioning capitalist B. This promise certifies that A remains *owner* of the money capital *M*. He does not transfer his capital to B, but cedes to him the right to make use of it for a specified period. We will recognize two general types of securities: *bonds* S_B and *shares* S_S. In the case of the former the enterprise undertakes to return fixed and prearranged sums of money irrespective of the profitability of its own operations. In the latter case it secures loan capital by selling a part of its property, thereby committing itself to paying dividends proportional to its profits. If the company has entered the stock exchange and what is involved is share issue, then capitalist B corresponds to the managers and capitalist A to the legal owner.

In any case, in the hands of B the sum *M* functions as capital. Money taken as the independent expression of the value of commodities enables the active capitalist B to purchase the necessary *means of production Mp* and *labour power Lp* for organizing the productive process. The latter takes place under a regime of specific *relations of production* (comprising a specific historical form of relations of exploitation) and in this way is transformed into a process for producing surplus value. The money reserve that B now has at his disposal is the *material expression of his social power to set in motion* the productive process *and to control it*.

Four very basic consequences are implied by this analysis and are, briefly, as follows.

Firstly, the place of capital (the incarnation of the powers stemming from the structure of the relations of production) *is occupied* by agents that are both "internal" to the enterprise (managers) and "external" to it (share and bond holders). Marx's general conception abolishes the basic distinction drawn by Keynes between the productive classes "within" the enterprise and the parasitical class of "external" rentiers. In his own words: "in the production process, the functioning capitalist represents capital against the wage-labourers as the property of others, and the money capitalist participates in the exploitation of labour as represented by the functioning capitalist" (Marx 1991: 504). The *secondary* contradictions developed between the managers and the big investors certainly do exist but they evidently pertain to a more concrete level of analysis.

Secondly, the pure form of ownership over capital (whether it is a question of money or productive capital) is the *financial security*, corresponding, that is, to "imaginary money wealth" (ibid.: 609). The ownership title is a "paper duplicate", either of the money capital ceded in the case of the bond S_B, or of the "material" capital in the case of the share S_S. Nevertheless the *price* of security does not emerge either from the value of the money made available or from the value of the "real" capital. The ownership titles are priced on the basis of the (future) income they will yield for the person owning them (capitalization in accordance with the current interest rate that embodies the risk), which of course is part of the surplus value produced. In this sense they are *sui generis commodities* plotting a course that is their very own (ibid.: 607-9, 597-8).

Thirdly, every enterprise is Janus-faced comprising, on the one hand, the production apparatus per se and, on the other, its financial existence, its shares and bonds, which are being traded on the global financial markets. The financial "mode of existence" of capitalist property – as a *promise* and at the same time a *claim* for appropriation of the surplus value that will be produced in future – brings into existence a broader terrain within which each flow of income can be seen as revenue corresponding to a "fictitious capital" with the potential to find an outlet on secondary markets (ibid.: 597-9). Hence, *the potential for securitization is inherent in the movement of capital.*

Fourthly, one of the basic characteristics of the neoliberal model is the increase in non-bank funding of credit, both by states and by enterprises. Above and beyond the other consequences, this places at the centre of the financial markets *risk management*, that is to say the factoring in of the contingency of non-achievement of the expected yield (particularly in an international market where a number of diverging forces are affecting profitability). Because the very character of production of surplus value as well as the overall claims being placed on the latter is *contingent*, risk management is organically linked to capital movement as such.

The theoretical sketching that we tried to present above apprehends the phenomenon of capitalist globalization and financialization as a complex technology of power, the main aspect of which is the organization of capitalist power relations. It is a technology of power formed by different institutions, procedures, analyses and reflections, calculations, tactics and embedding patterns that allow for the exercise of this specific, albeit very complex, function that organizes the efficiency of capitalist power relations through the workings of financial markets.

3. Market discipline as capital discipline

The above general framework has a number of less visible but more crucial implications for the analysis of present-day capitalism.

(1) The capitalist firm is totally immersed in class struggle. The functioning capitalist (whether she is a small capitalist or one of the top managers of a large enterprise) is the *point of articulation* between the two distinct fields of capital movement. *On the one hand*, she is called upon to achieve efficient organization of surplus value production inside the factory. This process generally entails a persistent endeavour to modernize the means of production, economize on constant capital and reduce labour's share of the net product.[6] But none of these procedures are mere technical decisions to be taken. They are the mutable outcome of class struggle. Therefore, *on the other hand*, the capitalist enterprise is the location for the organized confrontation of social forces and in this sense comprises, on a continuing basis, a political field *par excellence*. It bears the inherent imprint of class struggle, a reality sharply in conflict with the orientation of neoclassical or most heterodox approaches.

(2) Organized financial markets favour movement of capital worldwide, intensifying capitalist competition. In this way they contribute to the trend towards establishment of a uniform rate of profit in the developed capitalist world, at the same time securing more favourable conditions for valorization (exploitation) of individual capitals.[7] Keynes believed that completely illiquid markets would be efficient in the mainstream sense, because "once investment was committed, the owners would have an incentive to use the existing facilities in the best possible way no matter what unforeseen circumstances might arise over the life of plant and equipment" (Davidson 2002: 188). But such a view is very far from the truth. Illiquid financial markets (or highly regulated markets) mean that capital, not being able easily to move to different employment, remains tied up in specific "plant and equipment" for reasons that are not

[6] Marx (1991: 170-240), Milios et al. (2002).

[7] See Marx (1990), Marx (1991, 295-300), Busch (1978), Hilferding (1981: 130-150).

necessarily connected with its effectiveness in producing surplus value (profitability). Or, to put it differently, capital's inability to move generates more favourable terms for the forces of labour, given that less productive investments are enabled to survive longer.

Capital does not *necessarily* have to be committed to a particular employment for a long period of time. Given the liquidity of financial markets, it is always in a position to reacquire its money form without difficulty and seek new more effective areas for its valorization. Capital is always on the lookout for opportunities to make a profit, which cannot come from maintaining effective demand but must come from intensifying class exploitation. What capital is "afraid of" is not dearth of demand but dearth of surplus value (Mattick 1980: 78-79). Capital is not obliged to provide for labour employment. On the contrary, a reserve army of unemployed labour is always welcomed by employers. It keeps real wages down and paves the way for compliance with the capitalist's strategies of exploitation (Marx 1990: 781-802). Moreover, flexibility of labour is not only a prerequisite for mobility of capital. It is also the method capital finds most suitable for adjusting to fluctuations in the capitalist economic cycle.

(3) Financial markets generate a structure for overseeing the effectiveness of individual capitals, that is to say a type of supervision of capital movement. Businesses that fail to create a set of conditions favourable for exploitation of labour will soon find "market confidence", i.e. *the confidence of capital*, evaporating. These businesses will either conform to the demands of capital or before long find themselves on a downhill path. *In this manner capital markets "endeavour" (not always reliably) to convert into quantitative signs "political" events within the enterprise*.

On the one hand, the manager assumes a critical *intermediary function*, becoming the point of articulation between the "*despotism of the factory*", which he himself must ceaselessly impose, and the *market discipline*, to which he himself is permanently subject (Balibar 1984). On the other hand, outside of the precincts of the firm, money capitalists come up against a "performance chart" that is shaped by the financial markets and to a significant extent "monitors" the conditions of accumulation and valorization that prevail at every moment in production (in relation to different parts of the world). In this way the *organized* financial markets exercise a critical function: *they reward profitable and competitive companies and at the same moment punish those that are insufficiently profitable*.

The decisive criterion is that the *value* of the company's securities (shares and bonds) as they are assessed by the international markets, should be *maximized*.[8] Thus, equity holders' and bondholders' interests are basically aligned with respect to enterprise profitability.[9] The demand for high financial value *puts pressure on individual capitals (enterprises) for more intensive and more effective exploitation of labour, for greater profitability*. This pressure is transmitted through a variety of different channels. To give one example, when a big company is dependent on financial markets for its funding, every suspicion of inadequate valorization increases the cost of funding, reduces the capability that funding will be available and depresses share and bond prices. Confronted with such a climate, the forces of labour within the politicized environment of the enterprise face the dilemma of deciding whether to accept the employers' unfavourable terms, implying loss of their own bargaining position, or whether to contribute through their "inflexible" stance to the likelihood of the enterprise being required to close (transfer of capital to other spheres of production and/or other countries). Evidently the dilemma is not only hypothetical but is formulated pre-emptively: *accept the "laws of capital" or live with insecurity and unemployment*.

This pressure affects the whole organization of the production process, the specific form of the *collective worker*, and the income correlation between capital and labour. It ultimately necessitates total reconstruction of capitalist production, more layoffs and weaker wage demands on part of the workers. Restructuring of enterprise, above all, means restructuring of a set of *social relations* with a view to increasing the rate of exploitation. It is thus a process that presupposes on the one hand an increasing power of the capitalist class over the production process itself, and on the other a devalorization of all inadequately valorized capital (downsizing and liquidating enterprises) and thus economizing on the utilization of constant capital (which is assured by takeovers). *It therefore presupposes not only increasing "despotism" of manager over workers but also flexibility in the labour market and high unemployment*.[10]

[8] For the shareholder value maximization strategy see Jensen (2001).

[9] It should be noted that the high profitability of a capitalist firm usually translates into high share prices, but at the same time the low risk that goes with being a healthy firm reduces the rate of discount and thus increases the value of the bonds being issued.

[10] Marx's analysis shows that the ability of the capitalist class to reorganize production, is not a technical aspect of the economy but an outcome of the social relation of forces, anchored in class struggle. "[W]ithin the capitalist system all methods for raising the social productivity of labour are put into effect at the cost of the individual worker; all means for the development of production transform

The above analysis shows that "*market discipline" must be conceived as synonymous with "capital discipline"*. In developed capitalism the key role of financial markets *does not have only to do with supplying credit to companies*. For example, most trades of shares in listed companies consist of movements from one shareholder to another, with no new capital being supplied.[11] *The complementary function of financial markets is to "monitor" the effectiveness of individual capitals, facilitating within enterprises exploitation strategies favourable for capital. Financial markets commodify the claims on future surplus value. The striking growth of financial derivatives since the early 1980s assists in the consummation of this monitoring process of scrutinizing corporate asset portfolios (i.e. scrutinizing firms' capacity for profit making) by commodifying the risk exposure*.[12]

In conclusion, *neoliberalism is an exceptionally effective strategy for capitalist (and not rentier) hegemony*. Apart from theoretical consequences, this finding has important political implications: *the community of interest of those "inside" the enterprise (labourers and managers) as against the "outsiders" of the financial markets is a construction of fantasy*. Such an outlook narrows the strategic horizon of the workers' movement to defence of a "better" capitalism, that is to say a "better" system of class domination and exploitation.

It is however worth noting that the "wisdom of the markets", an important element in constructing the core of the neoliberal model, prescribes market evaluation

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themselves into means of domination over, and exploitation of, the producers; they distort the worker into a fragment of a man, degrade him to the level of an appendage of a machine…. But all methods for the production of surplus-value are at the same time methods of accumulation; and every extension of accumulation becomes, conversely, a means for the development of those methods. It follows therefore that in proportion as capital accumulates, the lot of the worker, be his payment high or low, must grow worse." Marx (1990: 799).

[11] The stock market is not the main means for obtaining investment capital. Even in the extreme case of market-based systems (such as those of the U.S.A., UK and Australia), the main loan sources are retained earnings, bank loans, and bond issues (Bryan and Rafferty 2006; Dumenil and Levy 2004; Deakin 2005). At the same time, it is useful to note that in contrast to what is often asserted by heterodox authors, since the beginning of the 1980s joint-stock companies have become steadily less willing to distribute dividends (Fame and French 2001).

[12] "With derivatives, the ability to commensurate the value of capital assets within and between companies at any point in time has been added as a measure of capital's performance alongside and perhaps above the capacity to produce surplus over time. […] Derivatives separate the capital of firms into financial assets that can be priced and traded or "repackaged", without having either to move them physically, or even change their ownership" (Bryan and Rafferty 2006: 97).

of property (mark-to-market value). "Periodically" this appears to be the Achille's heel of the whole system. The fall in value of the securities spoils the balance-sheets of the institutions maintaining them and protracts lack of trust between the players spreading uncertainty. In other words *the conditions for increase in class domination of capital appear simultaneously as conditions undermining that domination*. The crisis designates the moment of convergence of all the abovementioned contradictions.

Besides, the subjection of all parts of social life to the unfettered function of markets and the dictate of profitability may function, beyond certain limits, as "political risk" for the neoliberal establishment, since it can easily trigger uncontrolled social outbreaks.[13]

4. Sovereign default risk as an austerity mechanism.
The institutional framework of the Euro-Area (EA)

In the usual nation state setting, a single national fiscal authority stands behind a single national central bank. As we know, this is not the case with the EA: there is no solid and uniform fiscal authority behind the European Central Bank (ECB). Member states issue debt in a currency which they do not control in terms of central banking (they are not able to "print" euros or any other type of currency, at least not for a considerably long period of time).

In this context, the institutional arrangement of the EA (the coordination of fiscal policies, banking union, rescue packages, etc.), with the ECB being deprived the power of a lender of last resort, deliberately reinforces neoliberal policies. Member states will not always have the necessary liquidity to pay off bondholders, as is nowadays the case with Greece. This makes the downsizing of the Welfare State a precondition for financial solvency.

The ruling European elites have thus voluntarily acquiesced themselves to a high degree of sovereign default risk in order to consolidate the neoliberal strategies. In other words, they have jointly decided to exploit the crisis as a means to further neo-liberalize state governance. Member states are faced with the dilemma: austerity-cuts-

[13] It is characteristic that Franklin D. Roosevelt in his speech at Madison Square Garden, New York City on October 31, 1936, presented his New Deal policies as the golden mean between "organized money" and "organized mob". "We know now that Government by organized money is just as dangerous as Government by organized mob." See: http://www.presidency.ucsb.edu/ws/?pid=15219.

privatizations or risk default. By and large, these are commensurate choices. Even in the latter scenario, member states would accept a “rescue package”, the content of which is again austerity-cuts-privatizations.

In this institutional framework, member states should not succumb to “moral hazard” i.e. any policy that supports the interests of the working class, expands the public space, supports the welfare state, especially with the support of social (and other) expenditures that rely on public borrowing. This strategy exploits sovereign debt as a means to reinforce neoliberal reforms throughout Europe.

However, the strategic question for neoliberalism is to define the level of austerity that targets an “optimal” balance between “moral hazard” and “political risk”, as austerity policies shall never trigger uncontrolled social upheavals.

Generally speaking, these two risks, the “moral” and the “political” one, move in opposite directions due to their consequences in the current political conjuncture. When moral hazard increases, political risk declines and vice versa. Therefore, the tension (when they encounter each other) results in an appropriate balance between them. Transnational “European institutions” and “independent authorities,” being immunized against any democratic control, especially on issues related to the economy (the main example here is the “independence” of the ECB), create a mechanism for detecting the balance between these two “risks”. Nevertheless, this mechanism remains incomplete.

A key role assigned to European “institutions” and “authorities” is the evaluation of treaties, rules and agreements reached on the Union level. It is these “authorities” and “institutions” that will assess, supervise and indicate which particular national policies and reforms do not create problems to public finances and do not jeopardize future economic growth and the stability and smooth functioning of the financial system.

In the wake of the 2008 global financial crisis, a key role in pursuing the stability of the European financial and economic edifice has been undertaken specifically by the ECB. The ECB has expanded its balance sheet by taking on long-term refinancing operations. Practically, these are liquidity ejections into the financial sector equivalent to the quantitative easing pursued by the Fed and the Bank of England. The only difference is that unlike the latter, the ECB has tight limits in its purchase of government bonds. Hence, unconventional monetary policies in the EA take the form of repos operations for short and medium term time windows.

This type of liquidity injection to the financial sector has been primarily absorbed by the banking systems in the so-called European "periphery". However, liquidity seeks for safe havens, eventually flowing to the core economies. Large portions of this liquidity thus return as overnight deposits to the ECB. Bank loans were contracting in the economies under recession while domestic banking sectors were increasing their exposure to sovereign debt that cannot be purchased by the ECB. It is quite obvious that the restricted bond purchase program of the ECB and the liquidity provision (co-opting banks into securing funds for fiscal distressed governments) is not enough to deal with the problem.

ECB monetary policy is thus not expansionary enough, not unconventional enough and is implemented in a heterogeneous context that undermines its effectiveness, having significant effects on demand, growth and employment. This framework is only suitable for the continuation of austerity policies that reorganize European societies according to the neoliberal agenda and the interests of capital.

It is clear, therefore, that the institutional framework of the EA and more specifically the workings of the ECB, function as an additional mechanism reinforcing neoliberal governance and austerity policies in Europe.

A concluding political remark

Neoliberalsm and austerity seem invincible in today's financialized economic environment. However, class struggle will always create contingent events. The continuation of neoliberal austerity policies will be a matter of the social relation of contending forces. What Karl Marx commented on the limits of the working-day, is also true for all forms of conflicting class interests in a capitalist society: "The capitalist maintains his rights as a purchaser when he tries to make the working-day as long as possible … On the other hand… the labourer maintains his right as seller when he wishes to reduce the working-day to one of definite normal duration. There is here therefore an antinomy, of right against right, both equally bearing the seal of the law of exchange. Between equal rights force decides" (Marx, 1990: 344).

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