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International Financial Subordination: A Critical Research Agenda

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Abstract

The rise of the so-called Developing and Emerging Economies (DEEs) has been one of the most fundamental changes to the global economy in recent years. However, despite their rising economic power, DEEs remain in a subordinate position in global financial markets and the international monetary system, which shapes and constrains domestic economic actors' opportunities and exposes them to recurrent crises and vulnerabilities. This paper argues that International Financial Subordination (IFS) is a persistent and structural phenomenon related to DEEs' integration into a hierarchical world economy. To develop this argument we identify the main conceptual and methodological tools offered by Dependency Theory, Post-Keynesian economics, and Marxist scholarship which have contributed most to this new agenda. All three schools of thought provide important insights into the structural features of IFS, but also suffer from important limitations. Speaking to these limitations we offer six analytical axes around which to organize the future study of IFS: History; social relations of production; money; the state; non-state actors; and finally the importance of geography and spatial relations for understanding IFS.

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1. Introduction

The rise of so-called Developing and Emerging Economies (DEEs) has been one of the most fundamental shifts in the global economy in recent years. In 2010, for example, China became the world's largest exporter and in 2018 Foreign Direct Investment (FDI) to DEEs surpassed the amount directed to developed economies (UNCTAD, 2019). However, their rising economic power and weight in the global economy has not changed the subordinate position of DEEs in global financial markets. The clearest manifestation of this are the recurrent bouts of sharp exchange rate depreciations and financial instability, driven by conditions in international financial markets (Dafe 2020; Naqvi 2018). A stark recent example has been the COVID-19 sudden-stop in capital flows, as investors were flocking to 'safe', developed country assets (IMF, 2020). DEEs' financial subordination stretches far beyond periodic crises though. It shapes day-to-day economic relations in ways that have far-reaching implications for development prospects, from state policymaking to macro-financial and monetary dynamics, industrial development and productive structural change, patterns of urban growth and spatial restructuring, class relations and distributional conflicts, as well as value transfers within and across borders.

Many macroeconomists, policy makers, and researchers at international institutions acknowledge that DEEs face more serious economic challenges than advanced capitalist economies, notably in the realm of macroeconomic policy and financial stability (e.g. Stiglitz, 2010; Eichengreen, 2011; Rey, 2015). However, these negative implications are generally attributed to an alleged underdevelopment of domestic financial systems, a lower quality of institutions, and (a history of) macroeconomic mismanagement and regulatory and market failure. This means that the solution to these financial challenges largely lies in the implementation of appropriate domestic economic policies, including targeted and temporary capital controls (e.g. Rodrik, 2009). Our main contention instead is that international financial subordination (IFS) is a persistent and structural phenomenon related to DEEs' integration into an uneven and hierarchical world capitalist economy; a phenomenon which we argue has so far eschewed systematic theoretical investigation but has fundamental implications for DEEs' decision to integrate into global financial markets.

A variety of 'heterodox' schools, including neo-structuralism, post-Keynesianism, statist-developmentalism and Marxism, have long been concerned with the volatile and pro-cyclical nature of unregulated capital flows and the impacts these have for development trajectories in

DEEs (Diaz-Alejandro, 1985; Griffith-Jones, 1998; Arestis and Glickman, 2002; for a review see Alami 2019a). This literature, though, has largely focused on the recurrent empirical features of boom-bust cycles in DEEs, rather than striving to develop a systematic characterization of DEEs' subordinate position in international financial and monetary relations. Moreover, it pays little attention to the underlying structural processes and mechanisms which reproduce such subordination over time. In international political economy (IPE), the rich literature on the global monetary order has pointed to the skewed structure of the international economic system (Strange, 1987; Kirshner, 2014; Helleiner, 2008; Grabel, 2018; Braun et al. 2020). Here though focus has been largely on the hegemonic power of the United States more than its implications for DEEs (with some exceptions such as Gallagher, 2015; Antoniades, 2017; Armijo and Katada, 2014; Gabor, 2018; Ogle, 2020; Hardie and Rethel 2018).

Recently, an interdisciplinary literature – drawing on structuralist, Marxist, dependency theories, institutionalist, and critical IPE traditions – has started to examine various aspects of DEEs' structural subordination in the international monetary and financial system and the implications of such subordination for macroeconomic policymaking, financialisation, and industrial transformation (e.g. Prates and Andrade, 2013; Dafe 2019; Naqvi 2019; Alami, 2019a; Bonizzi et al., 2019; Bruno et al. 2011; de Paula et al. 2017; Kaltenbrunner and Painceira, 2018; Koddenbrock, 2020; Powell, 2013; Tilley 2020). This emerging literature extends the traditional focus of these approaches on international economic relations in *production*, that is trade and foreign direct investment, to the persistent and structural forms of subordination in global monetary and financial relations and has called for a sustained focus on the role of the colonial longue durée of these transformations (Bhambra 2021; de Goede 2021; Tilley 2020; Koddenbrock et al. 2020). However, so far such insights have been fragmented and eschewed a more systematised theoretical understanding of IFS as a general phenomenon affecting DEEs.

Our objective in this article is to lay the groundwork for such work of systematic, conceptual reconstruction. We ask: How can we rigorously theorize IFS, outline its main features, identify its underlying structural determinants and historical roots, and think politically about its implications for development? We propose to start from the following working definition: IFS suggests a relation that is both spatial and saturated with power, a relation of domination, inferiority and subjugation between different spaces across the world market, expressed in and through money and finance, which penalises actors in DEEs disproportionally. It expresses itself as constraints on the agency of a multiplicity of social actors, it is directly implicated in the geographical transfer of value across the world market, and it significantly contributes to broader patterns of uneven spatial development. At the core of our efforts is an attempt at generating an interdisciplinary and pluralist encounter involving various critical political economy traditions around a research agenda on IFS. A research agenda that is sensitive to the need to reinvigorate systemic explanations in the political economy of money and finance in development.

To achieve this aim, the paper is divided into two main sections following this introduction. In section two, we review the main arguments and identify the main conceptual tools and methodological outlooks which could be used to build a systematic research agenda around IFS in three key strands of literature: Dependency theory, Post-Keynesian economics, and Marxist scholarship. All three schools of thought provide important insights into the structural features of IFS, but also suffer from important limitations, in particular with regards to the various forms of agency, which are both shaped by and underpin structural relations of IFS. In section three, we offer a critical synthesis of the most promising theoretical elaborations and methodological predispositions in these three bodies of scholarship to inform our proposition of a theoretically informed conceptualisation and research agenda on IFS. We complement these with insights from other disciplines, which have paid attention to the concrete everyday practices of agents in DEEs in the context of IFS, but which fall short of conceptualising the broader, general tendencies of IFS. We organize our reflections around six analytical axes: (1) history and the mutations of financial subordination; (2) social relations of production and IFS; (3) money in IFS; (4) the relationship between IFS and the state; (5) the role of non-state actors in IFS; and (6) the importance of geography and spatial relations for understanding IFS. We conclude with some critical reflections and potential avenues of future research.

2. Theoretical Foundations for a Research Agenda on IFS

In this section, we examine what scholarship based on Dependency, Post-Keynesian and Marxist theory can contribute to our conceptualization of IFS. To the best of our knowledge, this is the first attempt at systematically mapping out, comparing, and contrasting the key arguments made in these distinct literatures concerning IFS. For each body of literature we ask: How is IFS understood? What are the units of analysis? What are the empirical manifestations of IFS? What are the factors driving it?

2.1. Dependentistas and theories of financial dependency

Dependency theory as a body of research, whose conceptual frameworks range from Marxism, to Structuralism to Neo-Marxism, is highly relevant for understanding IFS. What these strands have in common is that they take a historical approach to underdevelopment, theorize centrally about the polarizing tendencies of capitalism, focus on the structures of production and specifically on the constraints faced by peripheral economies (Kvangraven, 2021). Dependency theory is therefore particularly relevant for understanding how IFS relates to structures of production.

The factors driving IFS in dependency theorizing are traced back to the development of colonial systems of production and extraction, that also impact the financial systems in the periphery. While financial subordination has been less theorized in the dependency literature than 'real' subordination (e.g. the seminal work of Frank, 1966; Baran, 1957; dos Santos, 1970; Furtado, 1970; Amin, 1974; Cardoso and Faletto, 1979), important interventions have been made in the literature regarding the financial implications of dependency, taking two different starting points.

The first connects financial dependency to the real economy, with weaknesses in the latter driving the former. Nkrumah (1965) argued that dependency in West Africa persisted despite formal decolonization because of foreign dominance in the highly concentrated banking sectors, which were structured in that way to the benefit of colonial production and extraction. This was because the colonial banks' roles were to finance (export) products needed for the colonizers as well as to facilitate repatriation of income by the metropolitan enterprises (Amin, 1976; Uche, 2012). Similarly, Amin (1974, 1976) observed that the monetary problem of underdeveloped countries could be found in their banking systems' orientation towards short-term financing rather than transforming savings to long-term investments. This extractivist pattern has continued in large parts of the periphery (see more recent interventions on the African banking sectors by Amin 2011, Taylor 2016, and Koddenbrock et al. 2020). Furthermore, Prebisch argued that dependent development led to peripheral economies' financial sector dependence on global liquidity and global business cycles (see also Prebisch, 1939; Lampa 2021). Prebisch emphasized that peripheral economies' subordination is also reflected in their inability to fine-tune monetary policies according to domestic needs, given that they are on the receiving end of monetary and financial cycles generated by core countries. In both the analyses of the subordinate banking sector and restricted monetary policy, the cause of subordination is the structure of the productive economy. However, subordinate banking and monetary systems exacerbate the situation of dependence in the real sector as well.

The second important intervention in the dependency literature has come from theorists who see IFS as the primary *driver* of dependency. Tavares (1985) pioneered this line of reasoning, arguing that the fundamental obstacle to development was financial dependency, reflected in the inability of peripheral economies to borrow in their own currencies. For her, this was more decisive than constraints in the real economy. Within this view it is intermittent access to finance (and especially the nefarious role of foreign finance) that drives balance-of-payments constraints, ultimately leading to low growth (Vernengo 2006).

In a dependency framework, one can identify several subordinate units. Many dependency theorists analyze how the nation state is subordinate in a global hierarchy, and the impact this has on balance-of-payment constraints, the trade imbalance, lack of competitiveness, and backward technological capabilities. While dependency theorists may engage with the lack of capabilities also at the firm level, the analysis tends to consider the reasons for this to be due to peripherality in the global system, colonial legacies; and consequences tend to be outlined at the national level (e.g. trade deficits, foreign corporations extracting profits). Some authors brought in more actors to explain the possibilities of dependent development. Cardoso and Faletto (1979) famously highlighted the possibilities of domestic political actors forming coalitions with foreign governments and multinational corporations. Meanwhile, many of the Marxist dependency theorists foreground class analysis. For example, Marini (1973) considered the working class in dependent countries as politically dominated and economically exploited, as in all capitalist countries, but that these class relations take specific forms due to international subordination. For Marini, in order to generate an average rate of profit, firms in dependent economies subject their workers to particularly acute forms of exploitation ("super-exploitation").

If, according to dependency theory, subordination affects peripheral nations, peripheral firms, peripheral financial sectors, and the working classes, what are the factors that shape it, and who benefits from it? The way in which domination is described differs, but emphasis tends to be placed on political and economic actors in the center, as well as, in some cases, the domestic ruling classes of the periphery (e.g. Baran, Cardoso). However, much of dependency theory also explains the domination of the center in terms of structures and tendencies of capitalism (e.g. monopoly in the North, competitive pressures in the South), rather than pointing to concrete *agents* of domination. Instead, the causes are traced back to key historical moments of extraction and domination that have persisted across centuries and reproduced under the form of structural core-periphery relations (see also Fischer 2015; Kvangraven 2021). While dependency has for many years been put to the sidelines in mainstream development debates, the tradition has continued to innovate and produce important insights on IFS (e.g. Musthaq, 2021, Sylla, 2021)

2.2. Post-Keynesian studies of the international currency hierarchy

The Post-Keynesian literature theorizes the subordinate integration of DEEs into the global capitalist system through the concept of international currency hierarchy. Here, IFS is mainly understood as monetary subordination, in that DEE currencies occupy lower ranks in a structured and hierarchical international monetary system. This monetary subordination, in turn, has important implications for macroeconomic dynamics, financial stability, and policy autonomy.

Theoretically, this literature owes much to the original Keynesian formulation of liquidity preference theory, in particular Keynes' discussion of asset's 'own rate of return' (Keynes 1936). The common assumption is that national money can be considered an international asset class which stands 'in competition' with other nations' money. The relative ability to perform (international) money functions, that is to act as a means of payment, store of value, and unit of account creates a hierarchy between those monies with one currency sitting on top of the hierarchy and acting as *the* money of the system (in Keynes' time the Pound Sterling, nowadays the US Dollar). This global money has the highest liquidity premium and the "return" of all other currencies are assessed vis-a-vis this top currency. At the bottom of the hierarchy sit the currencies of DEEs which hardly fulfill any international monetary functions and often see domestic currency functions substituted by foreign currencies.

The key units of analysis in a large part of the currency hierarchy literature are the money-issuing and governing authorities of nation states. IFS manifests itself primarily in financial and exchange rate instability and macroeconomic constraints on the autonomy of policymaking. These macroeconomic constraints include a need to offer higher interest rates as compensation for their currencies' lower liquidity premium, being subject to large and sudden changes in investor demand unrelated to domestic economic conditions when international liquidity preference or monetary conditions in core economies change, the inability to issue debt in domestic currency ("original sin), and the need to accumulate foreign exchange reserves. The lower a currency's international liquidity premium, the more severe these negative monetary implications.

The literature varies in their analytical and theoretical emphasis, including what is seen to ultimately determine a currency's liquidity premium and hence position in the currency hierarchy. One strand of seminal literature, pioneered by authors like Paul Davidson (1992) and Sheila Dow (1999), focuses on the speculative demand for money and the role of international liquidity preference for causing large movements in currencies outside the core. Overall, this literature is less concerned with the specific conditions in DEEs and developing a more general theory of monetary subordination in those countries. The seminal work by the German Monetary Keynesian school on currencies' international currency premium (Riese, 2001; Herr and Hübner, 2005) puts particular emphasis on the conditions within DEEs and provides a rich theoretical foundation for the hierarchical nature of the international monetary system, largely based on currencies' differential ability to store value. With regards to the underlying determinants of a currency's position in the international currency hierarchy, these are mainly located in governments' ability and commitment to maintain the value stability of their currency (e.g. the capacity to create revaluation expectations through current account surpluses, the commitment to maintain stable inflation, and the exchange rate regime).

The focus on DEEs is also central to a third strand of literature, largely developed in Brazil and rooted in the tradition of Latin American structuralism and dependency theory. Emphasis in this literature is on the negative macroeconomic implications of DEEs' monetary subordination, in particular with regards to the exchange rate and monetary and fiscal sovereignty (Prates and Andrade, 2013; de Paula et al., 2017). Though less analytical emphasis is placed on the structural determinants of currencies' international liquidity premia, these tend to be located in currencies' ability to store value through current account surpluses and the central bank as market-maker of last resort.

A slightly different approach is taken by a fourth, Minskyan strand of literature (e.g. Kaltenbrunner, 2015; Bonizzi, 2017; Ramos, 2019), which rather than emphasizing the store of value function puts the emphasis on money's role as means to settle outstanding (international) financial obligations and the ability to meet these obligations through cash-flow generation. This applies to domestic economic agents, that is the ability to issue debt in domestic currency and move away from the so-called 'original sin', but also to non-nationals' willingness to denominate their liabilities in the domestic currency. This Minskyan interpretation of the hierarchical international monetary system shifts the analytical focus from broad macroeconomic aggregates and the operations of monetary authorities alone, to the specific balance sheet characteristics of private economic agents to understand monetary subordination. Analytical emphasis is not only on the asset side of balance sheets, but how these interact with specific spatially, institutionally, and financially variegated liability configurations. As a consequence, rather than a country's macroeconomic situation and monetary governance, its position in international debtor-credit relations, the spatially unevenly distributed structure of the international financial system, and the power relations underpinning them, become essential to explain DEEs' monetary subordination.

In sum, the currency hierarchy literature shows that a key determinant of IFS works through the monetary system's unevenness at the global level, which constrains agency, in particular states' ability to conduct autonomous monetary and financial governance. However, as we will discuss in more detail below, this exclusive focus on monetary and financial relations and constraints creates some important limitations, including a lack of attention to the role and interests of private economic actors and the productive structures underpinning these monetary dynamics.

2.3. Marxist accounts of money and finance in DEEs

To the best of our knowledge, little work formulated within the Marxist tradition explicitly aims at theorising the set of relations, mechanisms, and processes which we refer to as IFS. Nonetheless, Marxist scholars have long been concerned with the particular forms of money and finance that emerge out of the expanded reproduction of capitalist social relations, and many of the Marxian-inspired arguments articulated within the remit of broader discussions of finance, financialisation, and imperialism, are of interest here.

Marx in his times already showed a keen interest in monetary and financial phenomena such as the gradual emergence of a highly developed credit system and modern financial instruments, but also the formation of speculative bubbles and financial crises (*Capital* Vol. 1 and 3). For Marx, if more and more sophisticated forms of money and finance play a fundamental role in expressing the disciplinary power of capital, in lubricating capital accumulation, and in displacing capital's crisis tendencies in both space and time, money and finance themselves constitute sites of antagonism and contradiction, which find temporary resolution in crisis. In a nutshell, financial and monetary dynamics are inseparable from (but irreducible to) the conditions of labour exploitation and of appropriation of nature, i.e. the prevailing social relations of production.

This has a number of important implications for theorizing IFS. While IFS may appear as a relation of domination, inferiority and subservience between different spaces across the world market, it is nonetheless underpinned by class-based processes and productive relations. There is a dialectic at play which presents the class antagonism between capital and labour (the fundamental divide of capitalist society) as an unequal relation between spaces, which may be regions, nations or other collectivities, via finance and monetary relations. This means that the challenge for an analysis of IFS from a Marxist perspective is to unpack how and why a phenomenon rooted in production/class takes the appearance of a relation of inequality between spaces/states. Furthermore, IFS may take different forms inasmuch as it is conditioned by the historically and geographically specific pattern of capital accumulation prevailing in a particular space. For Marxists, while theorizing IFS must foreground relations of production, it must also account for the partial autonomization of finance and the relations of subordination which might emanate from spatially structured financial processes.

Seeing capitalism as a global, class-based process, necessitates recognizing the centrality of imperialism for the development of capitalism, as dependency theorists also highlighted. At least since the classical theories of imperialism of Luxemburg, Lenin, Bukharin, and Hilferding, Marxist scholars have developed analyses of finance and imperialism into two lines of analyses, both of which are of particular interest with respect to theorising IFS.

First, Marxist scholars emphasise that monetary and financial phenomena may take specific forms in the spaces which have been *coercively* integrated into the world market. Coercive integration here refers to a broad set of both historical and more contemporary processes of imperialism, such as colonization, structural adjustment programmes, free trade agreements and various other forms of extra-economic pressure. Coercive integration results in monetary and financial phenomena in DEEs taking a subordinate character, with implications for the formation of crises, the enforcement of class discipline, and value transfers across the world capitalist economy. For instance, recent work on financialisation argues that due to their position in the world market, DEEs experience patterns of 'peripheral' or 'subordinate financialisation' (Becker et al, 2010; Painceira, 2012; Bonizzi et al., 2020), which involve the extraction of a share of locally generated surplus which is then channelled to advanced capitalist states via the global financial system (see also Norfield, 2016; Suwandi, 2019; Ricci, 2018; Patnaik and Patnaik 2021). This value transfer takes place through processes closely linked to production, e.g. dividends and profit remittances, or through financial and speculative channels, such as high interest rates on domestic debt. The important implication here is that IFS is not only a phenomenal expression of the crisis-ridden dynamics of accumulation, it is also a function of *relations of empire and imperialism* (Narsey, 2016; Alami 2019b; Koddenbrock et al., 2020).

Second, these relations of empire and imperialism (and the processes of subordination they give rise to) are considered to be internalised within the various forms of state apparatus in DEEs, including the policies, institutions, and instruments involved in the regulation and management of financial and monetary affairs (Soederberg, 2005; Marois 2012). Indeed, the frequency and violence of financial crises have forced states in DEEs to develop specific policy and institutional forms in order to strengthen financial systems and to 'self-insure' against future crises and episodes of capital flight, while maintaining a long-term commitment to liberalise financial flows (commonly cited examples of policies include foreign exchange reserve accumulation, macroprudential regulations, and various forms of capital controls). IFS, then, is also expressed and reproduced in and through the power of the capitalist state, with far-reaching social consequences. Self-insurance policies tend to be costly, and these costs are often socialised by shifting them onto the working class, peasants, and the poor.

In sum, above discussion has identified the key analytical arguments in three structural approaches - Dependency, Post-Keynesian, and Marxist Theory - which can inform a research agenda on IFS. Table 1 summarises them according to their main conceptual lenses, key agents, empirical manifestations, driving factors, and limitations.

Table 1: A Summary of IFS Analytical Approaches. Source: Authors.

	Dependency Theory	**Post-Keynesian Theory**	**Marxist Theory**
Conceptual Lenses	Core/periphery relations Colonial legacies, uneven development	Monetary hierarchies (Liquidity Premium)	Social relations of production Imperialism
Key agents	Nation states Domestic elites, domestic capital, domestic labour International capital, labour in the centre	Nation States (particularly macroeconomic policymakers) Foreign financial investors	Capital and labour as antagonistic classes Segments of capital (finance, industrial capital) The capitalist state
Empirical Manifestations	The 'development of underdevelopment' Weak production structures in the periphery, associated with balance of payment constraints, trade imbalance, lack of competitiveness and technological capabilities Actors in periphery pay higher prices for finance	Macro-financial dynamics: financial and exchange rate instability, external vulnerability, high interest rates, and constraints on policymaking	Enhanced capitalist discipline Recurring financial crises and austerity with costs shifted on to workers, peasants and the poor Value transfer in the form of profit remittances and financial channels such as interest rates on foreign-owned domestic debt

Driving Factors	Colonial legacies lay the foundations for uneven development Continued polarizing tendencies of capitalism Unequal exchange, unequal terms of trade	Foreign exchange constraint Financial Account (Structure of Global Financial System)	Coerced integration into the world market Weakness of industrial capital accumulation Institutionalization of the interests of financial capital in the state
Limitations	At times prioritises core-periphery relations at the expense of other relations Insufficient focus on the concrete practices which are both shaped by and underpin IFS	Little engagement with question of what underpins currency hierarchy Insufficient focus on underlying productive relations Insufficient focus on the concrete practices which are both shaped by and underpin IFS	Little engagement with international monetary hierarchies that shape IFS Insufficient focus on the concrete practices which are both shaped by and underpin IFS Insufficient focus on geographical processes and spatial relations that underpin IFS

3. A critical research agenda on international financial subordination

Having conducted a mapping of the literature related to IFS, in this section we lay the groundwork for a critical synthesis of what we consider to be the most promising theoretical elaborations and methodological predispositions for the analysis of IFS along six analytical axes: history; social relations of production; money; the state; non-state actors; and questions of space and geography. We complement above structural approaches with insights from a range of different disciplines (e.g. anthropology, sociology, and economic geography), which have provided crucial insights into the day-to-day practices and relations which are both shaped by and underpin IFS.

3.1 History and the mutations of financial subordination

History matters because the determinants and manifestations of the contemporary nature of IFS have themselves emerged from particular concrete historical conjunctures. In the spirit of catalysing a historical research agenda, we suggest a historical lens should shed light upon: first, the relationship between continuity and change in our understanding of IFS over time and, second, the immanent inter-relationship between the appearances and essences of IFS across the global economy over time, that is, how the appearances of IFS in one place in the world may be linked to a deeper form of exploitation that has taken place or is taking place somewhere else in the global economy.

A central debate in the analysis of global capitalism is over the question of continuity versus rupture, from Lenin's imperialism as the highest stage of capitalism (1916), through Baran & Sweezy's monopoly capitalism (1966), to contemporary frameworks of the Regulation School (Aglietta, 1976). What these attempts to periodise capitalism share is an effort to highlight particular transformations in capitalist dynamics which can help sharpen our analysis of accumulation, distribution and crisis. Applying this kind of perspective to financial subordination could allow for the development of historically sensitive accounts which take into consideration patterns of continuity *and* transformation in its modalities of expression over time.

The relevant literature examined in previous sections has often been better at highlighting continuity and path-dependency in IFS, rather than dynamism and mutations. Consider for instance the dependency theory argument (Nkrumah, 1965; Amin, 1974) that banking and financial systems in dependent, resource-rich economies tend to be highly concentrated, dominated by foreign banks, and geared towards short-term financing and shifting financial profits abroad (See also Bernards, 2020; Koddenbrock et al., 2020). This is a legacy of the colonial insertion of peripheral economies as extractive platforms into the world market, and may endure under contemporary core/periphery relations (Bhambra 2021; Tilley 2020). This is a useful argument to underline the long historical patterns of financial subordination, but less so to specify how IFS has mutated over time or might yet change in the future.

While our usage in this paper of the concept of *international* financial subordination denotes the importance given to the role of the nation-state in mediating financial subordination in the contemporary period, historical study would allow analysis of both more ancient forms of financial subordination, which pre-date the emergence of either the nation-state or the capitalist mode of production, as well as insight into the relationship between these same forms and the emergence and transformation of the nation-state itself. In a similar manner, historical study would allow an examination of the relationship between particular appearances of financial subordination and potential frameworks for periodisation: for example, the inter-relationship of different modes of production (Brenner, 2003; Wood, 2002; Banaji, 2020), the stage of development of the world market (Palloix, 1975), or the changing identity of world money and shifting dominance of money forms. Analysis of the latter offer to provide both a deeper historical background and broader theoretical framework in which to embed the international currency hierarchy literature discussed in section 2.2.

In previous work (Bonizzi et al., 2019; Powell, 2019) we have argued that the contemporary phenomenon of financialisation can be linked to such shifts in the dynamics of accumulation on a planetary scale, and epochal changes in the roles that the various circuits of capital play in general capital circulation. These changes include the internationalisation/disaggregation of production and the unfolding of a 'new' international division of labour (Charnock and Starosta, 2016) manifest in the development of regional and global value/commodity chains, and the relentless spread of market-based financial systems providing security to global capital through institutional transformations, reserve accumulation, and continued financial liberalisation.

Immanent in this framework of analysis is an understanding of financial subordination as a truly global phenomenon, implicating different regions of the world in the overall process of global capital accumulation. Historical investigation of the co-produced and intertwined nature of financial subordination can allow us to avoid characterising financial world history as merely a *reaction* to European or US expansion. The slave trade, for example, was not only co-constitutive of the rise of capitalism (Williams, 1944; Inikori, 2002), but lay hidden beneath the appearance of novel financial relations from bonds to insurance (Sissoko and Ishizu, 2021; McNally, 2020). At the same time, when DEE governments today decide to incur debt with US or European commercial banks, they and the class constellations they represent, are active agents in the reproduction of financial subordination not simply 'victims'.

3.2. Social relations of production and international financial subordination

IFS is not a purely monetary and financial phenomenon, but is deeply entangled with broader dynamics of capitalist development, including those that pertain to the so-called 'real' economy. The literature contains powerful insights as to some of the ways in which the two relate to each other, but is also limited inasmuch as it fails to sufficiently problematize this interrelation. Dependency theory, Latin American structuralists, and some Marxists, locate the source of IFS in the dialectic relation between domestic productive structures of peripheral extractive economies and IFS (call this the *productivist bias*).[1] Post-Keynesian work, on the other hand, tends to exhibit a *financial/monetary bias*, in that IFS is primarily understood and examined as a monetary phenomenon, which then affects the real economy and productive structures via domestic asset prices and the exchange rate.

Both the *productivist* and *financial/monetary* biases are really two sides of the same methodological outlook, which consists in either seeking to establish a direct causal relation between IFS and the 'real' economy, or (in its most nuanced variants) to give analytical primacy to one of the poles in this relation. We would argue that such methodological outlook, while insightful in some analytical respects, is ultimately unsatisfying, insofar as it is poorly suited to capture the multiple reciprocal feedback loops between IFS and the 'real economy'. The challenge is to develop a dialectical understanding of this complex and multifaceted relation, one that eschews giving primacy to any of its poles (IFS or real economy), and at the same time acknowledges the temporary autonomization of these processes.

Here we see potential in drawing upon the Marxist understanding of the dialectical relation between the various *circuits of capital* (money capital, productive capital, and commodity capital) and the contradictory unity of value production and realisation (within the totality of capital as value in motion). These circuits are mutually constituted, albeit in a necessarily crisis-ridden manner. The argument is that IFS must not only be conceived as a phenomenon with multifaceted manifestations, but also a phenomenon characterised by multiple determinations, with sources in the mutually constitutive circuits of capital, with these determinations shaping each other. In other words, unpacking the rich concrete reality of IFS and its multiple social

[1] With the exception of some writers like Tavares, who, as we saw, argues that IFS drives dependency.

determinations requires adopting a holistic view of the various circuits that constitute the process of the expanded reproduction of capital.

A focus on how IFS is shaped by the mutual constitution of the circuits of capital and by geographically uneven patterns of production, circulation and value realisation may help further IFS research in two ways. On the one hand, it would allow incorporating the historical dimensions of IFS discussed in the previous section. On the other hand, it enables scrutinizing and comparing different configurations of IFS in social formations which are integrated into the various circuits of capital according to distinct modalities. For instance, a relevant research question may be what are the commonalities and differences between configurations of IFS in South Korea and South Africa? And how are they linked, in an interdependent and mutually constitutive way, to these countries' productive structure and role in global capital accumulation? This opens up the possibility of conceiving IFS as a structural, but variegated process.

3.3. Money and/in international financial subordination

An important insight from the macro-structural literature is that of the necessity to put money front and centre in studies of IFS. This is not simply because the fraught relations between the financial system and its monetary basis are a major driver of financial developments and crises, but also because it is crucial to pay keen attention to how IFS is underpinned by monetary mechanisms. The Post-Keynesian literature in particular has emphasised the need to examine the institutional configuration of the global monetary system, as well as the economic-financial reasons and balance sheet structures underpinning it, to locate the self perpetuating position of DEE currencies at the bottom of the currency hierarchy.

Yet, this focus on monetary functions and currency hierarchy is not unproblematic, for a number of theoretical and political reasons. First, one could argue that there is a tendency in some Post-Keynesian and Latin American neo-structuralist writings to portray IFS as a largely technical question, thereby fetishizing the currency hierarchy.[2] The implications are far-reaching: the hierarchical structure of the global monetary system ends up being treated in ahistorical terms (instead of seeing it as a product of history and power relations). Politically,

[2] Similarly, one could also argue that some of the dependentista writings tend to fetishize specific types of North-South financial flows or specific forms of external vulnerability, by seeing them as root causes of dependency relations (as per Tavares), instead of historically specific manifestations of the social relations that underpin them (Dussel, 1990).

the question becomes one of improving the location of DEEs' currencies in this pyramidal structure in order to achieve a certain degree of financial and exchange rate stability and autonomy. However, this begs the question whether the international monetary system can ever be 'flat', or whether by definition only a few currencies can assume international money functions (Murau and van't Klooster 2020). Similarly, an exclusive focus on monetary functions may be problematic, inasmuch as it seems to suggest that enhancing the technical ability of poorer countries' currencies to perform certain monetary functions would allow 'fixing' IFS. Power relations, while of course not entirely absent from such accounts, slip into the background. Finally, the focus on the dichotomy between domestic and foreign runs the risk of obfuscating the transnational class dynamics underpinning the international demand for currencies (Feygin and Leusder, 2020).

By contrast, we argue that what is required in order to defetishize money in studies of IFS is precisely to foreground relations of power. Here too a good starting point may be the Marxist theoretical elaboration of money, which is distinctive insofar as it does not only consider money in terms of its institutional and functional arrangements, but foregrounds money's central role in organising capitalist social relations. The essence of money in capitalism is that it is a fundamentally unequal social relation that expresses class power i.e. it expresses the command of capital over living labour and non-human natures for the purpose of self-expansion (Clarke, 2003; Alami, 2018; Koddenbrock, 2019). This means that the contemporary movement of money and private financial capital across the world market neither simply expresses the investment decisions of individual financial investors, nor the power of a specific fraction of capital such as a financial oligarchy or moneyed capitalists. While it is indeed the financial system that creates credit money, centralises large volumes of idle capital, transforms it in various forms of loanable financial capital, and largely controls its allocation across activities, sectors, and regions, the movement of money and finance expresses the disciplinary power of capital *as a whole.* This process can usefully be conceptualised as 'the money-power of capital' (Alami 2019a; Harvey 2020; Clarke 1991)

This allows framing the question of IFS in political, rather than technical or regulatory terms, as IFS is seen as part and parcel of wider relations and processes which result in a particularly violent form of expression of the money-power of capital in DEEs. This political framing links the question of IFS to a much broader problematic of how capitalist competitive pressures are transmitted via financial and monetary relations, thereby subjecting workers, populations, firms, states and regions alike to the power of capital, albeit in uneven ways. A notable challenge, though, is linking this characteristically abstract theorisation of money-power with the more concrete analysis of the plumbing of the financial system, its institutional and functional monetary arrangements, and the agency of the various actors who personify abstract economic relations. Such a task may be arduous, but we would argue that it is necessary, if we are to develop a politically attuned understanding of IFS.

3.4. The state and international financial subordination

A major theme of the literature relevant to IFS, perhaps due to its grounding in variants of statist political economy, is the impact of (international) financial relations on the state in DEEs. This impact is largely conceived as an external constraint (e.g. in the form of a balance of payments constraint and reduction in monetary policy autonomy for Post-Keynesians or a constraint on national development for some dependency theorists). This view of IFS as largely manifested in an external constraint on government policymaking, and by extension national development trajectories is useful inasmuch as it presents us with a clear research puzzle to unpack: IFS seems to be contributing to a sort of general asymmetry between how states in advanced capitalist economies and those in DEEs face the competitive pressures of the world market.

However, the analytical emphasis of IFS as an external constraint is also limiting, because it tends to underplay the agency of DEE actors, themselves reflecting national class dynamics. States across the global South have actively developed a variety of policy measures and institutional forms to mediate IFS. Even liberalising measures, depending on their forms and pace, are different ways of navigating IFS. This shows that DEE states are not only passive victims of IFS, but react differently, depending on political struggles and various class configurations. Furthermore, the important notion that both IFS – and the various forms of state policies and institutions that mediate it – have class-based determinants and distributive consequences is lost in framings of IFS as an external constraint on national development or as an unequal relation between nation-states. To put it bluntly, under capitalism, the profit-motive is the key driver for capital accumulation. It is this logic which compels, via relations of competition, capitalist firms to exploit labour and appropriate non-human natures. So, while DEEs are often subordinated in global capitalism, this is not because such subordination is a goal inherent to capital accumulation.

To avoid these theoretical and political pitfalls, while retaining the important notion that IFS does constitute an additional source of pressure on state policymaking, we suggest to frame the issue in a different way. Specifically, we propose foregrounding the class character of the state and firmly anchoring our inquiry of IFS and its relationship with the state in a broader theoretical understanding of the role of the state in capitalist society. We find it again useful to start from Marxian state theory, which conceives of the state as playing a key role in processing global capitalist class relations, in politically containing the class antagonism between capital and labour, and in securing the general conditions for accumulation within national territories (Clarke, 1991). Indeed, the state is a political form of mediation of global class relations of domination and exploitation, and its actions are restricted by the conditions imposed by expanded capitalist reproduction and class struggle on a global scale (Burnham, 1995). These conditions and the competitive pressures of capitalist relations are transmitted to states via the global movement of money and financial capital, which we referred to earlier as the money-power of capital. This opens up space for reflecting on state power in a non-binary way. The development of policies, regulations, and institutions in the realms of money and finance can be assessed not only to the extent that they seem to signal the state resisting or giving in to IFS (as per the 'IFS as external constraint' view). Rather, they can be studied in light of states' attempt to negotiate IFS in ways that are more or less consistent with their accumulation strategies and attempts to engineer particular social contracts between classes.

Equipped with this theoretical grounding, we can now reframe the issue of the relation between IFS and the state as follows: by virtue of their very existence as states in capitalist society, all nation-states are disciplined by the money-power of capital, but how does IFS influence this relation in the specific case of DEEs? How does it shape the ways in which these states process class relations and foster capital accumulation within their national territories? To pick up again the theme of violence which was broached earlier, how does IFS enhance the money-power of capital to discipline states, and how does this periodically translate into acute violence against labour (through repeated and severe crises, brutal bouts of austerity, and so on)?

3.5. International financial subordination practices and non-state actors

The arguments and research programme presented so far have been mainly concerned with macro-structural and deep-seated historical processes. However, a richer understanding of IFS requires increased cross-disciplinary engagement with the question of how IFS both shapes and is perpetuated by various kinds of agency in DEEs. Recent work in the Post-Keynesian and

Minskyan tradition has taken important steps in this direction, by analysing the interdependencies between currency hierarchy and the balance sheet structures of private economic agents. Here we also foresee potentially productive engagements with other academic disciplines such as economic sociology, economic anthropology, economic geography, and social studies and cultural economy of finance (e.g. Gilbert, 2019; Tilley, 2020; Radhakrishnan, 2018; Rethel, 2018; Pryke and Gay, 2007; Pitluck et al., 2018).

For example, recent literature at the intersection of economic anthropology and political economy demonstrates how the material and discursive practices of finance often reinscribe oppressive social relations such as class, race, and gender (Radhakrishnan, 2018; Gilbert, 2019). A key theme here is how the narratives, imaginaries, representations, knowledges and technologies necessary to construct DEEs as investment destinations are far from value-neutral, and are embedded in long histories of race, colonialism, and empire (Bourne et al., 2018; Tilley, 2020). In geography and critical accounting, authors have shown how the imposition of core governance norms and standards reduces the risk for global investors and contributes to converting developing and emerging economies assets into 'investables' and embeds DEE states and societies further in the system of 'market rule' (Hebb and Wojcik, 2005; Bassens, 2012; Soederberg, 2007; Faulconbridge, 2019). As Soederberg notes, the imposition of global standards, however, not only has the effect of naturalising and therefore reproducing the coercive power of transnational capitalists, but also amplifies their ability to influence decision-making processes of firms and governments.

These authors have produced crucial work on the spatially and socially variegated and subordinate financial practices, but may be insufficiently focused on the macroeconomic, monetary, and political structures underpinning them. We argue that a holistic research agenda on IFS requires a keen engagement with both. We see two interrelated but distinct lines of inquiry. One consists in scrutinizing how IFS is reproduced via the micro-institutional and concrete, everyday practices of a multiplicity of actors beyond the state, including financial institutions, non-financial corporations and even individuals in DEEs. The second line of inquiry concerns how IFS structures the behavior of these actors, that is, not only circumscribes their agency but also provides a number of opportunities to engage in profit-making and rent-generating activities, advance their interests, or consolidate their power.

Such a focus on specific actors and their situated practices would allow emphasizing the processual and dynamic nature of IFS, which the literature has tended to portray as a historical condition (as per Dependency theory and Marxism, for instance). A processual understanding of IFS importantly complements such accounts inasmuch as it opens up space for more fine-grained studies of how different social actors develop strategies and practices to navigate IFS, and of the various forms of tension, conflict, and contradiction that may arise from this (e.g. lobbying activities or hedging practices to protect against IFS). Changes in these practices transform macroeconomic patterns of cross-border capital flows over time, which in turn lead to crisis-ridden transformations in the forms and modalities of IFS and consequently new state policies and regulations. This not only draws attention to the role of IFS in shaping patterns of inequality over the longue durée, but also underscores the profound difficulties and obstacles which DEEs would face should they aim at extracting themselves from it.

3.6. Towards a scalar-relational understanding of international financial subordination (750)

Our provisional definition of IFS in the introduction explicitly framed IFS as a *spatial* relationship. Besides, many of the theories reviewed so far point to deeply geographical processes, not least in terms of how the contemporary operations of capitalist finance unevenly distribute financial gains, risks, and fragility across the world market, at the expense of DEEs and their populations. Space and geography evidently seem to matter for understanding IFS, yet, with some important exceptions considered below, the literature often falls short of thoroughly unpacking the geographical processes and spatial relations that underpin IFS. Our argument here is that more explicit engagements with these questions may be highly generative for the study of IFS. We proceed in two steps in order to substantiate this argument. We start by examining recent work which has paved the way in terms of building interdisciplinary bridges between heterodox economics, political economy and economic geography, yielding insights of particular relevance for theorising IFS. We then reflect on the notion of scale and how it might be productively put to use in the study of IFS.

A limited number of recent contributions have made initial strides in conceiving of IFS as an eminently spatial phenomenon, in the sense that it is both underpinned by relational spatialities and an expression of uneven geographical development at various scales. Bonizzi and Kaltenbrunner (2019) shed light on the uneven spatial relations created by the portfolio decisions and the balance sheet structures of institutional investors such as pension funds and insurance companies. IFS here is a geographical process inasmuch as the investment and funding strategies of powerful actors disproportionately located in the North result in a highly uneven distribution of risks and rewards at the expense of DEEs. Heinemann (2016) identifies another key geographical feature of IFS: patterns of financial capital flows to DEEs are highly dependent on shifting perceptions of the world economy produced by experts and professionals located in world financial centres which are the leading sites of financial knowledge production. For Alami (2019a), the sources of IFS lie in the 'subordinate positionality' that developing economies occupy in the geographical organisation of financial and monetary relations on a planetary scale, or what he calls the 'relational geographies of money-power.' These include the geographical organization of the financial system, the concentration of money-power in a limited number of world financial centres and institutions, and the gendered and racialised imaginaries involved in the construction of emerging markets as an asset class. Finally, recent geographical research has also examined the spatial manifestations of IFS at other scales, such as the urban. Scholars have shown that housing finance and 'chaotic' patterns of urban growth have been fuelled by excess liquidity and associated capital flows from advanced capitalist economies situated at the top of the global monetary hierarchy (Fernandez and Aalbers, 2020; Socoloff, 2020; Büdenbender and Aalbers, 2019).

IFS may therefore well be constituted by a multiplicity of political economic geographies. We have discussed at length those of the monetary and financial system and of international debtor-creditor relations, as well as those of the global production networks, but further research may also consider other geographies such as those of the 'world city system' (and its highly uneven distribution of wealth and money-power), as well as the geographies of offshore jurisdictions and tax havens through which massive capital flight from DEEs is systematically organised. Focusing on the tensions and intersections between these mutually constitutive geographies may be useful in uncovering how IFS contributes to the geographical transfer of value across the world market and to broader patterns of uneven spatial development. Importantly, these geographies may cut across the classical core/periphery relations, and may extend across and beyond the national/global scalar levels of analysis.

Accordingly, we should be wary of fetishizing specific scales (i.e the global), spatial dichotomies (global versus national) or types of spatial relations (i.e. core/periphery) when studying IFS. We would suggest that future research into IFS may adopt a slightly different approach, one that takes seriously space, scale, and their internal relations, as constitutive elements of IFS, or what Macartney and Shields (2011) call a 'scalar-relational' approach (also Alami, 2018). Such an approach would explore how IFS as a process is reproduced through a nested hierarchy of socially produced and interrelated scales, from the investment practices of individual economic actors to the global financial system and interstate relations, and at a multitude of scalar levels in between.[3]

4. Conclusion

This paper has put forward the case for a critical research agenda around the concept of international financial subordination This is an argument that DEE's systematic structural subordination needs to be located in the unevenly structured global monetary, financial, and indeed productive system, rather than in purported domestic policy failures as argued in mainstream economic theory. We defined IFS as a spatial relation of domination, inferiority and subjugation between different spaces across the world market, expressed in and through money and finance, which penalises actors in DEEs disproportionally. This relation expresses itself through constraints on the agency of these actors, the geographical transfer of value across the world market, and broader patterns of uneven spatial development.

To develop our conceptual understanding of the phenomenon, we turned to traditions that have delved into the financial and monetary sources of subordination in the global economy. From the diverse strands of Dependency Theory, financial subordination was traced back to colonial systems of production and extraction, with causal emphasis mainly placed on weaknesses in DEEs' 'real' sectors. Domination is variously ascribed to the ruling classes of the core and even periphery, while certain authors focused more on the structural tendencies of capitalism itself. The Post-Keynesian literature focuses on monetary subordination, with the assertion that the currencies of DEEs occupy lower ranks in a hierarchical international monetary system. This results in macroeconomic constraints on the autonomy of policymaking of the authorities of nation states, with the onus of responsibility for managing this state of affairs placed on these same authorities' ability and commitment to maintain the stability of their currency. From Marxist theory comes the argument that the spatial relations of financial subordination are underpinned by class-based processes and productive relations. Imperialism is central to this

[3] We paraphrase Peck (2004: 397).

understanding, leading to the coercive integration of spaces into the world market, the transfer of value, and the internalisation of these relations of empire in the state apparatus of DEEs.

To advance this research agenda, we argue that what is needed is an approach that does not give primacy to one single aspect of IFS. As international financial subordination is a complex phenomenon involving multiple determinations and manifestations, our research agenda must be multiangular and cross-disciplinary. In this spirit, we have proposed six analytical axes around which to cohere this research: the historical analysis of financial relations, the relations between financial and productive subordinations, the constitutive role of money and monetary relations as expressions of power, the role of the state, the actions and practices of non-state actors, and the geography and spatial relations of financial subordination.

Based on the identification and discussion of these six axes, we argue that IFS is a *historically enduring phenomenon*, whose form and nature have changed according to prevailing monetary and productive relations. In the contemporary era, the appearances of IFS have emerged out of a period of financialised capitalism, itself shaped by and instrumental to the internationalisation of the circuits of capital and dramatic progress towards the completion of a 'world market'. Empirically, this has manifested itself as the near global spread of international production networks, both spurring and in itself shaped by the rise of market-based finance. This focus on the world market highlights another key aspect of our characterisation of IFS, which we argue needs to be necessarily understood as a *global and systemic phenomenon* constitutive of the working of the global capitalist system. Finance is integral to the extraction, transfer, and realisation of value across time and space and thus the perpetuation of uneven geographical development. The Americanization and market-based nature of global finance, a key theme in the Critical Macro-Finance (CMF) literature (Panitch and Konings, 2009; Gabor, 2020), can be seen in this light: As production has spread globally, led by lead firms in core economies, finance had to become international, flexible, and organised according to the institutional structures familiar to those lead firms. In line with Gabor's (2020, 2021) argument, similar institutional and legal structures are crucial to "de-risk" global investments and ensure the safe transfer of revenues and profits. This systemic view of IFS also implies that purely national policy measures to address IFS will always be - at best - only partially effective and/or subject to unintended consequences. For example, the attempt to tackle DEEs' 'original sin' through the development of domestic bond markets, has reduced currency mismatches in the balance sheets of domestic actors, but has shifted them to non-resident investors thus increasing DEEs' vulnerability to international market conditions.

However, we have also warned against a tendency to characterise international monetary and financial relations as all-encompassing external constraints on state agency. Such a view fails to sufficiently consider the domestic class interests which underpin, and indeed may profit from, the specific ways IFS is mediated in each country. To take another example from the current IPE literature, whilst the emphasis on non-resident investors in the Wall-Street consensus is merited (Gabor, 2021), their role needs to be analyzed in full awareness of the domestic interests enabling it. This is important because it forces us to think beyond specific 'technical fixes' to a particular manifestation of IFS, but rather consider the underlying domestic political economy forces which might work against reshaping DEEs' international integration in a more progressive way.

Finally, a crucial question, in particular for applied research, is how and where can we locate empirically the factors that perpetuate IFS in the current context? Here, our multi-theoretical and multi-disciplinary discussion has pointed to the need to pay attention to the interaction between both the global structures and relations of money/finance and production, and between those same structures and the daily practices of specific economic agents. For example, whilst we might argue that the dominance of the US Dollar is a key lever to discipline and exploit DEEs, this dominance is underpinned by the current organisation of particular international product and financial markets, and the daily operations of economic agents engaged with them. The empirical investigation of these institutions, their spatial organisation and differentiation, is an important part of this research agenda which can now be rooted in a clearer theoretical framework.

Each axis is not intended to be understood as mutually exclusive, nor would we expect that every piece of work on IFS should consider all of them. Equally, the axes taken together are not meant to be exhaustive; there may be other productive avenues for advancing our understanding of IFS. Nonetheless, we hope that our elaboration of the concept of IFS and indicative discussion of its constitutive features can provide a critical framework for those working on related topics and by so doing bring them together in an interdisciplinary, critical, and politically-attuned dialogue with the ultimate aim of devising strategies to subvert and perhaps even begin to dismantle the structures of international financial subordination.

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