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Between the Streets and the Trading Floors

Popular Resistance and the Structural Power of Financial Capital in the European Debt Crisis

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On June 28, 2011, as Greek lawmakers prepared to vote on an austerity memorandum demanded by the European Union and IMF, hundreds of thousands of outraged Greeks descended upon Syntagma Square to defend their livelihoods and contest the vote. With the country grinding to a halt in the first 48-hour strike since the fall of the military junta, and with the activists at Syntagma – who had already held Athens' central square occupied for over a month – announcing their intention to encircle parliament and prevent the vote from taking place, international creditors and national authorities braced themselves for the worst. For two days, as police battled mostly unarmed protesters with inordinate amounts of asphyxiating gas, both the Greek people and global financial markets held their breath. A no-vote risked plunging Greece into a disorderly state of default, potentially unleashing a negative spiral of market panic that could culminate into a catastrophic collapse of the Eurozone. A yes-vote, by contrast, would condemn the Greek people to years, if not decades, of devastating austerity measures. As lawmakers voted and the square in front of parliament descended into chaos, sending echoes of Argentina's traumatizing 2001 default through the financial community, the fate of both Greece and global capital markets now seemed to hang in the balance. One of the two would have to give. As BBC Newsnight editor Paul Mason summarized, "Syntagma Square had become the front-line of the global financial system," (2013:99).

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Eventually, the creditors won. The austerity memorandum was passed. EU leaders and global financial markets let out a sigh of relief. Unlike Argentina, Greece would continue to service its debts to foreign bondholders. But for those who experienced the state crackdown from up close, the dramatic events of June 28-29 in Athens raised a number of profound questions. How could the democratically elected representatives of a center-left party (PASOK) that claimed to represent working people turn so resolutely against their own constituency? How could a supposedly democratic state ever become so unresponsive to the needs of its own people, so violent towards peacefully protesting citizens, and so submissive to the demands of foreign creditors? And, perhaps the most puzzling question of all, how could a group of unarmed citizens peaceably assembled in a leafy square in a small peripheral country whose GDP constitutes a mere 2 percent of the Eurozone total ever come to be considered an existential threat to the monetary union, let alone the global financial system? Clearly, these questions force analysts of the crisis to confront the fundamentally contested concept of *power*. In fact, it seems that in June 2011, Syntagma briefly became the principal battleground in a global power struggle that has come to define the neoliberal era; a struggle that has already been playing out across much of the developing world for the past three decades but that has only recently penetrated into what was once the First World. It is the struggle of the people against the banks; of debtors against creditors – of the streets against the trading floors.

This paper concerns itself with this power struggle as it continues to unfold in the ongoing European debt crisis. Rather than pursuing an in-depth empirical investigation of the crisis itself, however, the paper instead aims to revive the contributions of a number of critical theorists in political economy in an attempt to provide an alternative conceptual framework for understanding the growing power of global finance over nation states, and the way in which these changing power relations at the transnational level are transforming predominant forms of political activism and social struggle *within* nation states. Most importantly, it argues that the ability to withhold much-needed credit endows private investors with a form of structural power over elected officials, allowing them to discipline government behavior without having to resort to direct political pressure. To expand on the ideas developed by Charles Lindblom, today's globalized financial markets have come to resemble a prison – an automatic disciplinary mechanism that "is not dependent on conspiracy or intention to punish" (Lindblom 1982:237). With the capitalist state trapped in this global debtors' prison, and with a generation of neoliberal technocrats now seeking to internalize the dictates of market discipline into the state apparatus, European citizens have become ever more aware of the limits to state-oriented forms of political activism (Holloway 2013). In other words, the

way in which the ongoing European debt crisis is being managed has given rise to a widespread crisis of representation and a concerted move towards more autonomous forms of popular resistance that reject the political system altogether and seek to maintain living standards and bring about social change through direct action, mutual aid and prefigurative politics instead (Hardt and Negri 2011; Graeber 2011a).

After briefly outlining the deepening crisis of representation in Europe, the article moves on to present a theoretical discussion on the structural power of business, the nature of the capitalist state, and the changing dynamic of the debtor-creditor relationship in the contemporary global financial structure. By elucidating the inherent limitations to transformative state action within global capitalism, this theoretical discussion not only seeks to provide an alternative framework for understanding the ongoing European debt crisis, but also tries to provide a theoretical political-economic underpinning to some of the main claims resonating among activists in the emerging Real Democracy Movement.

The Crisis of Representation in the European Union

In recent years, a wide array of social movements has emerged in Europe contesting the power of financial markets and the subversion of traditional democratic processes. Far from demanding a return to the representative politics of old, however, many participants in these movements have come to decry the very nature of representation as such, considering it as inherently corrupt, ineffectual and unresponsive to popular needs. In Spain, a mass movement was born on May 15, 2011, when 130.000 people took to the streets exclaiming that "we are not goods in the hands of bankers and politicians" and demanding "real democracy now!" United under the slogan that "they do not represent us", the *indignados* occupied central squares throughout the country, eventually mobilizing between 6 and 8.5 million people who continue to organize themselves autonomously through popular assemblies, working groups and mutual aid networks, deliberately counterposing a prefigurative form of direct democracy to the subverted institutions of representative democracy[2]. The Greeks quickly followed suit with the occupation of Syntagma Square on May 25, and by the fall of 2011 the budding Real Democracy Movement had reached the heartland of the global financial empire in Lower Manhattan, where like-minded Occupy Wall Street activists declared to be

[2] Data from Ipsus Public Affairs survey, reported by RTVE on August 6, 2011: 'Más de seis millones de españoles han participado en el Movimiento 15M': http://www.rtve.es/noticias/20110806/mas-seis-millones-espanoles-han-participado-movimiento-15m/452598.shtml.

"fighting back against the corrosive power of major banks and multinational corporations over the democratic process," (Oikonomakis and Roos 2013). The call to occupy Wall Street subsequently resonated around the world, inspiring protests and occupations in over 1,000 cities and 82 countries[3].

This transnational cycle of protest seems to indicate that the political salience of the EU's longstanding democratic deficit has risen dramatically in the wake of the global financial crisis. When in November 2011 the democratically elected – although widely unpopular – leaders of Greece and Italy were finally forced out of office following a month of public confrontation with their foreign creditors, even the *New York Times* felt impelled to conclude that "the power of financial markets has upended traditional democratic processes in Europe,"[4] while *The Guardian* noted that the Eurozone periphery has been forced "into political receivership by [the] international financial establishment."[5] Addressing an audience at the European University Institute in Florence following Berlusconi's ouster, the president of the European Council, Herman van Rompuy, even went so far as to argue that "Italy needs reforms, not elections," prompting dozens of students to cry out in indignation and confront the president with a simple question: "what about democracy?"[6] These young activists are by no means alone. Even the Pope recently weighed in on the matter, lambasting the "dictatorship" of financial markets and the "new, invisible and at times virtual tyranny" of unrestrained global capitalism, blaming a "cult of money" for immiserizing millions[7].

There is little doubt that the sudden upsurge in popular indignation is symptomatic of a wider crisis of representation generated by the technocratic, market-friendly and profoundly anti-social policy response to the financial collapse of 2008 and the subsequent debt crisis (Graeber 2013; Hardt and Negri 2012). Especially in the heavily indebted Southern periphery of the Eurozone, a pervasive sense of betrayal and despondence has made itself master of the public mood, alienating citizens from their elected representatives and from political institutions more generally. Indeed, recent opinion polls show a dramatic decline in public trust both in the European Union and in national politics. According to the European Commission, 68 percent of Europeans does not believe that their voice counts in Europe[8], while a recent Eurobarometer survey revealed that public confidence in the EU has fallen to historic lows[9]. The collapse

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[3] Data from 15october.net, reproduced in numerous press reports and academic studies, including Oikonomakis and Roos (2013).
[4] Rachel Donadio and Elisabetta Povoledo, 'Berlusconi Steps Down, and Italy Pulses with Change', *New York Times*, November 13, 2011.
[5] Roberto Saviano, 'Silvio Berlusconi has always acted in his own – not Italy's – interests', *The Guardian*, November 11, 2011.
[6] Eadaoin O'Sullivan, 'What about democracy?' *Politico.ie*, November 15, 2011.
[7] 'Pope Francis hits out at global 'cult of money'', *BBC News*, May 16, 2013
[8] Speech by vice-president Reding during 'Future of Europe' debate, available at: http://europa.eu/rapid/press-release_IP-13-129_en.htm.
[9] Ian Traynor, 'Crisis for Europe as trust hits record low', *The Guardian*, April 24, 2013.

in public confidence in EU institutions was by far the most pronounced in Spain, where trust fell from 65 percent in 2007 to only 20 percent in 2013, with mistrust soaring from 23 percent to 72 percent. Meanwhile, a major study by the Pew Research Global Attitudes Project released in May finds that the mistrust is far from limited to EU institutions: "compounding their doubts about the Brussels-based European Union, Europeans are losing faith in the capacity of their own national leaders to cope with the economy's woes."[10] Another study by the European Social Survey published in April concludes that rising unemployment, work-related anxiety and a growing sense of social insecurity have gravely undermined public faith in representative politics: "overall levels of political trust and satisfaction with democracy [declined] across much of Europe [and] reached truly alarming proportions in the case of Greece."[11]

José Ignacio Torreblanca, who analyzed the findings of the latter study for the European Council of Foreign Relations, remarks that "both debtor and creditor countries basically feel that they lost control of what they are doing," and concludes that most European citizens "now think that their national democracy is being subverted by the way the euro crisis is conducted."[12] Indeed, around the continent there is a growing sense that democratically elected leaders have simply ceased to represent the public interest. This perception appears to be at least partly a result of the fact that – leaving aside political rhetoric – the economic choices of the mainstream center-left and center-right parties have practically converged into the same neoliberal policy current. This orthodox approach to crisis management revolves principally around the perceived sanctity of debt contracts and hence requires far-reaching fiscal adjustments in order to guarantee continued debt servicing. As Armingeon and Baccaro have noted, this has led to a situation in which "governments of different political orientations, of different political strength, and with different capabilities for concertation with the social partners found themselves implementing essentially the same structural adjustment program centered on public sector cuts, pension reform, easing of unemployment protection legislation, weakening of unemployment insurance, and flexibilization of collective bargaining rules," (2011:26). These similar policy responses by different states and parties seem to imply that there are structural factors at work inhibiting the proper functioning of national democratic institutions. Indeed, Armingeon and Baccaro argue that "domestic politics, either

[10] Pew Research, 'The New Sick Man of Europe: the European Union', *Pew Global Attitudes Project*, released on May 13, 2013. Available at: http://www.pewglobal.org/2013/05/13/the-new-sick-man-of-europe-the-european-union.

[11] Economic and Social Research Council, 'Europe survey shows work and wellbeing impact of recession', *European Social Survey*, released on April 22, 2013. Available at: http://www.esrc.ac.uk/impacts-and-findings/features-casestudies/features/25778/european-survey-shows-work-and-wellbeing-impact-from-recession.aspx.

[12] Quotes from: Nils Naumann, 'Trust in European Union hits record low', *Deutsche Welle*, April 26, 2013, and: Ian Traynor, 'Crisis for Europe as trust hits record low', *The Guardian*, April 24, 2013.

party- or interest group-based, has no effect on the selection of the policy response. None of this country-level variation makes any difference for the type of policy response: there is only one option – internal devaluation – and it is imposed from outside." The only choice left to supposedly democratic leaders is how to "mobilize popular consensus for, or at least blunt hostility against, austerity policies," (2011:31-32).

These recent developments pose a serious challenge to mainstream theories of political economy – and the dominant varieties of capitalism literature in particular – which have hitherto tended to assume the accountability of the democratic state to electoral pressures, or at least its responsiveness to domestic interest groups, while largely sidestepping questions about the influence of transnational private actors on the national democratic process (Bruff and Horn 2012). Indeed, as Culpepper recently noted, "the study of business power is currently more neglected than it has been for the last half century," (2011:185). It may therefore be fruitful to take a step back and return to a seemingly forgotten debate about business power and the capitalist state, in the hope of finding some useful conceptual tools to help us understand Europe's current predicament. The main questions we will seek to answer are those that troubled the minds of the activists in Syntagma Square, Puerta del Sol, and elsewhere: how could the democratically elected representatives of center-left parties that claim to represent working people turn so resolutely against their own constituencies? How could a democratic nation state ever become so unresponsive to the needs of its own people and so submissive to the demands of foreign creditors? And, finally, what do the answers to the previous questions tell us about the feasibility and future prospects of state-oriented political activism?

Business Power and the Nature of the Capitalist State

The question of business power once constituted a major bone of contention in the study of political economy and the public debate alike. When Charles Lindblom first published his controversial *Politics and Markets* in 1977, arguing that business occupies a privileged position in capitalist democracy, not only did his conclusions unleash a barrage of criticism from the academic community, but the Mobil Corporation even took out a full page in the *New York Times* to denounce the book, thereby inadvertently propelling it onto the *Times'* bestseller list[13]. In fact, the 1960s and 1970s witnessed an all-time high in scholarly concern with the influence of business on the supposedly democratic process. Following the

13 Mobil Corporation, 'Business and Pluralism,' *New York Times*, February 9, 1978, A21.

publication of *The Power Elite* (1956) by C. Wright Mills, who claimed that US politics was dominated by a small inner circle of bankers, businessmen, military officials and party leaders, a number of conservative scholars mobilized in defense of US democracy. Pluralists like Robert Dahl (1958) strongly criticized Mills' ruling elite model and instead conceived of democratic capitalism as *polyarchy*, or the rule of the many; a political system in which conflicting demands upon the state effectively balance out between plural elites, with no interest group ever capable of gaining a dominant position over the others (Dahl 1961). To the extent that business exerts any influence over the political process, it does so through *instrumental* power, like attempts to change government behavior through lobbying, personal contacts or campaign finance.

This conception of democratic capitalism as polyarchy was vigorously contested by a variety of Marxist critics, for whom the pluralist emphasis on interest groups downplayed the pervasive influence of business as a class and therefore the fundamental role of class conflict in the political process. The Marxists themselves, however, were divided as ever. First of all, the so-called instrumental Marxists, drawing on the work of the young Marx, conceived of the state as an instrument in the hands of the capitalist class, an approach neatly summarized by the polemic claim in the *Communist Manifesto* that "the executive of the modern state is nothing but a committee for managing the common affairs of the whole bourgeoisie," (Marx and Engels 1848). In his book, *The State in Capitalist Society* (1969), Ralph Miliband contested Dahl's notion of plural elites and tried to show empirically how businessmen and their allies actually control a disproportionate amount of key positions in government, allowing these elites to direct policy in such a way as to favor the narrow interests of the capitalist class. While the idea of a state controlled by capitalist elites could itself be considered disheartening, the underlying claim made by Miliband was actually quite hopeful: if capital derived its power from its control over the state apparatus, this power could simply be broken through a democratic seizure of state institutions by those representing the interests of labor.

Miliband's instrumentalist view of the capitalist state, however, was strongly contested by Nicos Poulantzas (1969), who, drawing on the structural Marxism of Althusser, criticized Miliband's approach for ceding way too much methodological ground to the pluralists. By emphasizing the instrumental power of elites, Poulantzas complained, Miliband risked reproducing the pluralist notion of the state apparatus as a fully autonomous set of institutions that merely responds to the conflicting policy preferences of different groups of elites. In Poulantzas' view, Miliband confused cause and effect: the over-representation of business elites in government is not a cause of business power, but its logical *outcome* (1969:73). Prioritizing

the economic over the political, Poulantzas proposed that the notion of class struggle should take a central place in the study of the capitalist state. Defining power in strict class terms as "the capacity of a social class to realize its specific objective interests," he somewhat vaguely stated that "power is not located in the level of structures, but is an effect of the ensemble of these levels," (1973:99). This structuralist view led Poulantzas to the conclusion that the democratic capitalist state can at best be seen to have a "relative" degree of autonomy, leading him to embrace a more radical approach to labor activism than Miliband had.

In a way, however, rather than moving the study of the capitalist state forward, the Miliband-Poulantzas debate seemed to paralyze it by bogging the conversation down in a stand-off between two apparent polar opposites: on the one hand, the instrumentalist view stressing the political basis of state control, and on the other the structuralist position stressing the economic basis of class struggle. As Holloway and Picciotto showed, however, the polarity thus construed was actually a false one (1979:81). For all their differences, Miliband and Poulantzas had more in common than either seemed to realize. Both fundamentally assumed a sharp delineation between the 'political' and the 'economic', leading them to unwittingly reproduce the neoclassical fallacy of studying politics and the economy in isolation from the underlying social relations upon which both ultimately rest. This, in turn, rendered both Poulantzas and Miliband incapable of "analys[ing] systematically the limitations imposed on state action by the relation of the state to the process of accumulation," (1979:82). Holloway and Picciotto correctly pointed out that the nature of capitalist social relations, which is marked by the continuous exploitation of the fruits of labor by the owners of capital, produces economic pressures – in the form of a systemic imperative for continued capital accumulation – that structurally constrain the amount of things *any* state can do, whether this state is controlled by capitalists, social democratic reformists or socialist revolutionaries. To put it differently, the modern state is a set of institutions that evolved in tandem with capitalist markets and whose DNA is therefore thoroughly imprinted with the internal contradictions of capital accumulation (Holloway 2010).

To understand these limitations on state action we need to recognize that the capitalist state is itself structurally dependent on the uninterrupted process of capital accumulation in order to guarantee its own survival. Without the continued circulation of capital, the entire capitalist system, including the state, risks collapse. Not only is the state structurally dependent on capital to fund its own expenditures, but it also relies on the capitalist process of accumulation to keep key socio-economic indicators – like growth, employment and prices – stable and trending upwards (Przeworski and Wallerstein 1988). Should the

process of accumulation be interrupted and growth suddenly grind to a halt, unemployment levels would soar. The social displacement and political pressures resulting from such an economic crisis would risk destabilizing the state itself, or at the very least undermine the privileged position of those managing it, providing democratically accountable politicians with a constant incentive – indeed, a permanent systemic imperative – to keep capital circulating around the economy by maintaining adequate levels of private investment (Harvey 2010). This structural dependence on capital pushes the state, willy-nilly, into the linchpin position of a *de facto* guarantor of the process of capital accumulation. Therefore, Przeworski was right to point out that, "as long as the process of accumulation is private, the entire society is dependent upon maintaining private profits and upon the actions of capitalists allocating these profits," (1980:55-56).

This, in turn, means that traditional forms of instrumental power – like lobbying, personal contacts, campaign finance, and the staffing of key government positions – may be interesting surface indicators of business' influence over the political process, but the importance of these power resources can only be so pervasive precisely because they are backed up by an automatic disciplinary mechanism that greatly limits the full scope of state action to begin with. As Lindblom put it, the systemic need to maintain a 'healthy business climate' basically turns the market into a prison: a system of automated punishment in which "simply minding one's own business is the formula for an extraordinary system for repressing change," (1982:237). Stuck in this prison, even the most democratic state will eventually find itself reproducing the fundamental capitalist dynamic. As Fred Block observed in his dual critique of both Poulantzas and Miliband, "it appears that even when the business community is not able to influence the state in the traditional ways, policy outcomes tend to be favorable to business concerns." This, Block rightly concluded, suggests that "there are 'structural' factors that operate at a different level from the exercise of personal influence," (1987:8). This ensemble of structural factors, which we can refer to as the *structural power* of capital, ensures that, "even with a change in government personnel, the power of business would continue to have a large influence over governmental policies," (Block 1987:9).

The Structural Power of Financial Capital

By the 1990s, the theory of the structural power of business had largely fallen out of fashion in the study of domestic politics, even as scholars of international affairs began to note the increasing influence of

private actors over nation states (e.g., Gill and Law 1989; Gill 1992; Cerny 1993; Ohmae 1995; Korten 1995; Gill 1995; Strange 1996; Pauly 1997; Cohen 1998). One author whose writings turned out to be particularly visionary in this respect was Susan Strange, the British scholar who has been credited as one of the original founders of the academic discipline of International Political Economy (IPE), as well as a flag-bearer of critical theory in international studies and one of the key proponents of the structural power hypothesis (Keohane 2000; Lawton and Verdun 2000; Helleiner 2005). Starting in the 1980s, at a time when most economists were increasingly being swayed towards a newfound fondness with neoliberal orthodoxy, Strange went against the grain by identifying a series of structural changes that she feared had the power to dramatically change the world – for the worse. Indeed, where others dutifully sang the praise of free markets and hailed the End of History, Strange emphasized the grave dangers arising from the globalization of finance, the growing influence of transnational firms, and the emergence of a highly volatile and potentially destructive form of speculative "casino capitalism" (Strange 1986; 1996).

While most Marxist scholars of her time remained narrowly concerned with a critique of the capitalist production structure at the domestic level (e.g., Block 1987), Strange noted very early on that it was the profound changes occurring in the global financial structure that would leave an indelible mark on the global political economy in the decades to come. In fact, in her last book, *Mad Money*, she rightly noted that the financial structure – and most importantly the private control over credit – had become "*the* prime issue of international politics and economics" (Strange 1998:18). Criticizing international economists for their complete lack of attention to this form of market-based power, Strange set out to create a new analytical framework with which to explain the changing relationship between states and markets in this new financial structure (Strange 1970). To do so, however, she had to move beyond mainstream IR scholarship, which had so far treated the question of power in strictly relational and state-centric terms (Helleiner 2005a). "What has been much less obvious to IPE scholars," Strange noted in the wake of the Latin American debt crisis, "was the structural power exercised by whoever or whatever determined the financial structure, especially the relations between creditors and debtors," (Strange 1991:35).

By liberating the concept of structural power from the narrow boundaries of the domestic political economy to which scholars like Lindblom had hitherto kept it confined, Strange's early contributions paved the way for a dramatic rethinking of the state-market relationship, long before arguments about the "retreat of the state" became fashionable in the globalization literature (Strange 1988; see also 1998).

Strange conceived of structural power in broad terms as "the power to shape and determine the structures of the global political economy within which other states, their political institutions, their economic enterprises and (not least) their scientists and other professional people have to operate." In a word, structural power "confers the power to decide how things shall be done, the power to shape frameworks within which states relate to each other, relate to people, or relate to corporate enterprises," (1998:25). Like Lindblom, Strange emphasized how structural power is increasingly wielded by private firms, and like Lindblom, she proclaimed that its exercise need not necessarily reflect malignant intent on the part of its bearer (Lawton, Rosenau and Verdun 2000:5). Indeed, just like Lindblom, Strange conceived of structural power as an automatic disciplinary mechanism that is active even in the absence of a deliberate intention to punish. For Strange, however, the constraints on state action are principally a product of global financial flows and the private control over the allocation of credit, not just of domestic investment decisions.

Structural power, then, is very different from the relational or instrumental power emphasized by realist and neoliberal institutionalist scholars in IPE, who tend to focus narrowly on the intentional and demonstrable attempt by actor A to change the choices of actor B. In contrast, structural power is operative even when A cannot be observed to exercise direct influence over B, and rather functions by conditioning the scope of options available to actor B in the first place. As a result, the conceptual emphasis shifts from the resources of actors and their behavior vis-à-vis one another toward the broader systems in which these actors are embedded. The crucial observation here lies in the recognition that different positions do not endow equal privileges. Rather, they distribute *asymmetric* privileges, as a result of which some actors gain a systematic advantage over others. The classic examples of such asymmetric privileges include the "co-constitutive internal relations of structural positions" between master and slave, or between capital and labor – the existence of both of which is generated through a structural relationship of domination or exploitation of one by the other (Barnett and Duvall 2005:53). The same type of co-constitutive internal relations can be said to sustain the structural positions of sovereign debtors and private creditors in the global political economy; after all, it makes no sense to speak of a debtor without a creditor, for the two are mutually constituted (Lazzarato 2012). Even if both enter into the capital market as formal equals, only the creditor has the power to create or withhold much-needed credit – a structural position that endows the creditor with an asymmetric privilege over his debtor (Graeber 2011b). In reviewing Strange's work, Leander therefore rightly noted that "the skewed impact of the international financial structure is nowhere more visible than in the impact of international debt," (2000:350).

For this reason, Strange accorded private creditors a special place in her critique of the global political economy. Noting that credit "is literally the lifeblood of a developed economy," she argued that the systemic imperative to keep credit-money circulating around the world economy has led to a situation in which the private control over credit and the direction of capital flows has become the principal source of structural power (Strange 1988:91; Winters 1994). As a result, the real economy is forced to "dance to the fast or slow rhythms of financial markets" and ultimately all states "run up against the limits set by international finance," (Strange 1998:180). Because their structural power allows private creditors "to change the range of choices open to others, without apparently putting pressure directly on them to take one decision or to make one choice rather than others," the policy options of an indebted state may be significantly circumscribed and limited to those policies that narrowly serve creditor interests (Strange 1988:31). Thus, by raising the costs or risks associated with one course of action (e.g., default) while structurally rewarding another (e.g., austerity), the collective investment decisions of private investors may leave a debtor state with little other choice but to obey the dictates of its creditors. This transnational disciplinary mechanism of structural power, driven purely by the rational and seemingly neutral investment decisions of an "electronic herd" of private financiers, can thus be said to impose "a bias on the freedom of choice," fostering a relationship of dependence between sovereign debtors and their private creditors; between nation states and global financial markets (Strange 1994:31).

This changing debtor-creditor dynamic first revealed itself in the Mexican crisis of 1982, which marked the beginning of the Latin American debt crisis and a "lost decade" of austerity and depression for the entire continent. If there was one thing that set the crisis of the 1980s apart from any other international debt crisis that had preceded it, it must have been the somewhat puzzling absence of major debtor-led defaults (Griffith-Jones 1988:7-8). Until the 1930s, the imposition of unilateral debt moratoriums or even wholesale debt repudiations had been considered "normal and part of the rules of the game," (Ocampo 2013). Whereas during the Great Depression virtually every Latin American country – with the notable exception of Argentina – had deliberately defaulted on its debts, by 1982 a new norm seemed to have emerged: the debt *must* be repaid, whatever the social, political or economic costs for the debtor country (Eichengreen and Portes 1989). This norm, of course, was not purely ideational: it was backed up by the structural power of private creditors, which had greatly increased with the transition from the dispersed bond finance of the late 19th and early 20th centuries to the syndicated lending of the 1970s. As a result, even revolutionary states like Fidel Castro's Cuba dutifully continued to service their

obligations to foreign banks, while the Sandinistas of Nicaragua – frightful of the costs of repudiation – even went so far as to voluntarily assume the debts of the bloody Somoza dictatorship they had just overthrown (Aggarwal 1996:116; Miller 1986:123). As David Harvey later wrote, the Mexican crisis revealed "one key difference between liberalism and neoliberalism: under the former lenders take the losses that arise from bad investment decisions while under the latter the borrowers are forced by state and international powers to take on board the cost of debt repayment no matter what the consequences for the livelihood and well-being of the local population," (2005:29). In this respect, official IMF historian James Boughton was correct to point out that the 1980s debt crisis "marked the coming of age of the international financial system" as we know it today (1997:16).

Big Banks: The Ultimate in Concentrated Economic Power?

As it turns out, however, these financial markets are far from the neutral, decentralized and democratic "electronic herds" their adherents, including both Milton Friedman and Thomas Friedman, have made them out to be (*cf.* Friedman 1962; Friedman 1999). Indeed, rather than being made up of a dispersed panoply of individual investors, financial markets have over the past three decades coalesced into an ever more concentrated oligopoly of big banks. In 1980, there were 14,434 banks in the United States, roughly the same amount as in 1934; by 2009, this number had dropped to 7,100. At the same time, the concentration of deposits and lending increased spectacularly: in 1984, the top five US banks held 9 percent of total deposits in the banking sector; by 2008, this share had jumped to 40 percent[14]. This has in turn fed into an increasing dependence of elected officials on these same banks to maintain overall growth levels. In 1984, US banks contributed 8.8 percent to total corporate output and 11.8 percent to corporate profits; by 2011, their contribution to corporate output had nearly doubled to 16.3 percent while their share of total corporate profits skyrocketed to 32.3 percent. In Europe, a similar pattern has been underway. In terms of financial concentration within nation states, the average percentage of creditor sector assets controlled by the five largest banks rose from 37.9 percent in 1980 to 57.1 percent in 1999 (Santillán Salgado 2011), while between 1997 and 2005 alone, the total amount of monetary and financial institutions in the EU-25 declined from 4,228 to 2,683 (Uhde and Heimeshoff 2009). Structural power,

[14] Luigi Zingales, 'How Political Clout Made Banks Too Big to Fail,' *Bloomberg*, May 30, 2012.

then, does not reside in financial markets as such, but rather in their increasing concentration into what basically amounts to a global "bankers' cartel" (Roddick 1988:38). Given the increasingly important role of global finance in maintaining capital accumulation, it is no surprise that governments around the world have become more and more submissive to the dictates of these seemingly neutral financial markets.

Indeed, in today's global financial system dominated by high-leverage fractional reserve banking and complex financial derivatives, the control over credit has increasingly become the domain of commercial banks (Strange 1986). The shadowy US derivatives market, for instance, estimated to be worth in excess of $700 trillion – well over eight times annual global economic output – is dominated entirely by five of the six largest Wall Street banks, which collectively hold over 90 percent of all derivatives contracts[15]. Together with a handful of others, these banks are now the main creators of credit-money and therefore the principal financiers of government and the main investors in the "real" economy. It is this "royal warrant of appointment" that gives the banks their privileged position in the democratic process, leaving political leaders – both of the left and of the right – ever less willing and ever more incapable of pursuing the policies their constituents expect them to carry out. As the failed bank nationalizations in France and Mexico in the early 1980s demonstrated, even those leaders who are determined to aggressively confront the structural power of finance will eventually run into the limitations imposed upon them by the state's structural dependence on capital (Maxfield 1992). Thus, when former IMF chief economist Simon Johnson laments that "big banks represent the ultimate in concentrated economic power in today's economies," we have to firmly keep in mind the structural foundations of this power and its roots in the nature of the capitalist state (*cf.* Johnson 2011; Johnson and Kwak 2010).

The Enforcement Mechanisms of Debtor Discipline

All of this still leaves us with a couple of pressing questions, however. If it is true that the structural power of global finance helps to enforce debtor discipline, then how are the two connected? We have so far discussed the structural dependence of the state on capital and the ability of the banks to withhold and withdraw such capital – but how can we conceive of the precise mechanisms through which structural

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[15] These banks are JP Morgan Chase, Citigroup, Bank of America, Morgan Stanley and Goldman Sachs. See: Ben Protess, 'Big Banks Get Break in Rules to Limit Risk', *New York Times Dealbook*, May 15, 2013.

power affects policy outcomes in practice? And how can this structural power in turn be contested? On most of these questions, Strange herself remained either ambiguous or silent. As Benjamin Cohen argued in a critical review of her work, Strange's idea of structural power ultimately lacked a clearly defined theoretical and methodological framework. "The task of theory," he concluded, "would then be twofold: to identify the key conditions that determine, first, when power at either level [relational or structural] is or is not likely to be used…; and second, when the use of power is or is not likely to be successful," (Cohen 2000:99). Although the word "use" implies an overly instrumentalist conception of structural power – after all, the core idea of structural power is that it need not be "used" intentionally to have an important impact on political and economic outcomes – Cohen's challenge to identify the conditions under which structural power is operative and effective cannot be ignored. At this stage, we can identify at least three basic enforcement mechanisms of debtor discipline, and a number of ways in which these enforcement mechanisms could potentially be contested by debtor countries.

The Systemic Strengthening of the Bankers' Alliance

The first such enforcement mechanism is the systematic strengthening of what Sylvia Maxfield has called a "bankers' alliance" inside the debtor country (Maxfield 1991). In her classic study of Mexico's failed bank nationalization at the start of the 1980s debt crisis, Maxfield laid out the importance of contending class coalitions in determining broad "policy currents" (Maxfield 1990). Where a bankers' alliance – consisting of the largest, most mobile and most deeply integrated corporations, including private banks, big traders and large-scale industrialists – is relatively strong politically, Maxfield theorizes, the dominant policy current will tend to reflect neoliberal orthodoxy. In contrast, where a strong national-popular coalition of farmer and labor groups combined with import-competing domestic capitalists is relatively strong politically, a more heterodox policy current is likely to predominate. In this sense, there exists a constant tension between the structural power base of the bankers' alliance, which exerts its influence through its ability to fulfill a "bridging function" to foreign creditors, and the popular power base of the national-popular coalition, which depends on large-scale voter and protester mobilization to exert its influence, and which therefore remains mostly defensive in nature (Winters 1994:428). Maxfield concludes that, "the greater the need for good relations with international creditors, the more weight the creditors and

those bankers with close ties to them have in the policy process," (1990:93).

The structural dependence of the debtor state on foreign credit thus tends to systemically strengthen the hand of the domestic bankers' alliance, whose members share with foreign creditors a clearly defined interest in debt repayment. Simply by defending their own narrow self-interest, domestic bankers and their allies – including 'disinterested' technocrats who share with the bankers an ideological vision on the desirability of free markets and the sanctity of debt contracts – therefore effectively end up catering to foreign creditor interests, without these foreign creditors even having to exercise direct influence on the debtor in order to obtain their desired policy outcome of repayment. In a word, debtor discipline effectively becomes *internalized* into the debtors' state apparatus. Of course, the notion of such transnational class coalitions is not new: critical scholars in IPE have long focused on the role of peripheral elites and technocrats in safeguarding the interests of core capital in peripheral states (e.g., Overbeek 2004; Sklair 2002; Gill 2003; Robinson and Harris 2000; Van Der Pijl 1998; Cox 1987), while scholars working in the sociological tradition have identified the importance of shared ideas in forming and fostering transnational networks of neoliberal reformers (e.g., Teichman 1988). What is different in Maxfield's formulation, however, is the emphasis on the *bridging role* played by the bankers' alliance in catering to the state's structural dependence on capital, which endows both domestic elites and foreign creditors with a privileged position in the debtor's political process.

At its heart, the first enforcement mechanism of the systemically strengthened bankers' alliance therefore recognizes that different policy responses affect different social groups differently. Those who benefit from austerity, neoliberal reforms and full debt repayment tend to be the wealthy, mobile and internationally integrated upper classes, while those who are poorer and more dependent on the state to protect their living standards will tend to favor default and heterodox policies aimed at raising wages and fighting unemployment (Guembel and Sussman 2008:3; Tomz 2002:2). It follows from this analysis that the only way for the debtor country to shift its policy preference away from neoliberal orthodoxy is for the structural power of the bankers' alliance to be broken, which in turn requires mass mobilization inside the popular power base of a counter-hegemonic coalition to destabilize and even overthrow the bankers' alliance in government. In other words, *willingness to pay* depends crucially on what coalition controls the debtor state apparatus; an outcome that in turn hinges first and foremost on a protracted process of class struggle inside the debtor nation. But even if popular forces are victorious in such a class struggle,

capturing the state apparatus and seeking to crack down on the private accumulation of capital, they will still run into the aforementioned structural limitations on state action.

It therefore bears emphasizing that the bankers' alliance and foreign creditors are powerful not because they control the debtor's state apparatus; but they control the debtor's state apparatus because they are powerful. It is precisely the structural dependence of peripheral states on foreign capital that aligns the interests of domestic elites with those of their foreign creditors, thereby helping to strengthen the bankers' alliance favoring close ties with international financial capital. There thus need not be some transnational 'conspiracy' of Bilderberg bankers, Goldman Sachs advisors and peripheral capitalists in order for the first enforcement mechanism to be operative or effective: the process of financial globalization itself generates international economic pressures and domestic political struggles that systematically strengthen the class that can cater to the structural dependence of the state on foreign capital. By implication, even a successful conspiracy of Marxist-Leninist revolutionaries or an electoral victory of radical leftists cannot fundamentally undo the structural power upon which the privileged position of the bankers' alliance ultimately rests. The capitalist elites are ultimately secondary to the structural role they fulfill in sustaining the flow of credit from core banks to the periphery. To build on Block's observations, even with a change in government, the structural power of financial capital will continue to constrain the ability of debtor states to pursue alternative economic strategies (1987:9). The replacement of state managers may alter the debtor's policy preferences, but by itself it cannot overcome the structural dependence of the state on capital. As Robinson somewhat gloomily concludes, "it is not clear how effective national alternatives can be in transforming social structures, given the ability of transnational capital to utilize its structural power to impose its project even over states that are captured by forces averse to that project," (2004:149).

Market Discipline and the Global Debtors' Prison

The second line of defense for the big banks is therefore the market mechanism itself, or rather Lindblom's idea of the market as a prison, which was discussed above. As Underhill notes, in the absence of direct control over the state apparatus, "private non-state actors, such as bankers, exercise their authority through … their control over the creation and allocation of credit … by shaping the constraints on others," (Underhill 2000:124). This control over credit is crucial, Soederberg writes, because it endows

private investors with "the power to allow or deny debtors the possibility of spending today and paying back tomorrow, the power to let debtor states exercise purchasing power and thus influence markets for production," (2005:929). It is important to reiterate here that the increased capital mobility associated with financial globalization has significantly strengthened this disciplinary power of private investors. As Maxfield herself foresaw, the "disciplining force of international financial flows" increasingly constrains policy options (Maxfield 1990, cited in Winters 1994:426). Walter Wriston, former president of Citibank, confirmed this observation: "not only are governments losing control over money, but this newly free money … is asserting its control over them, disciplining irresponsible policies," (Wriston 1992:66).

It follows from this analysis that the only possible strategy for debtors to resist the disciplinary power of foreign private creditors is to obtain some degree of autonomy from global capital markets. If a country is self-sufficient in key tradable commodities, and if its government runs a sufficient and sustainable primary budget surplus, the debtor country can greatly reduce its dependence on foreign capital for the financing of crucial state functions and key imports. By liberating the state from its dependence on foreign capital, the debtor can afford to repudiate (part of) its external debts without necessarily being harmed by short-term exclusion from capital markets. The problem, of course, is that this is much easier said than done. Sovereign debt crises tend to be accompanied by dramatic declines in economic output and a profound worsening in the debtor's fiscal position. Caught in a downward spiral of austerity and recession, it is precisely this inability to generate a sizable primary surplus that keeps the government trapped in its debt prison. In times of crisis, there is often little hope of fully restoring fiscal policy autonomy. The only option available to debtor governments, then, is to try to secure alternative sources of credit, either domestic or foreign. By forcing domestic banks into concerted lending, for instance, or by turning to the sovereign wealth funds of strategically aligned foreign powers, debtors may temporarily bypass global capital markets and thereby subvert the market mechanism – that is, until these temporary fixes reveal their own internal contradictions, as in the case of Argentina's high inflation rate today.

In any case, what this theoretical discussion reveals is that the market mechanism exposes a major contradiction in the financial structure: on the one hand, market discipline provides debtors with an incentive to pursue fiscal orthodoxy, while on the other the imposition of harsh austerity measures tends to aggravate an already precarious fiscal balancing act. By spending scarce public funds on debt repayment rather than domestic stimulus, the orthodox policy response to sovereign debt crises tends to deepen the

domestic recession. As a result, while it allows for continued repayment in the short-term, in the medium-term a strict emphasis on full repayment may undermine the debtor's recovery and thereby aggravate the debt overhang, thus increasing the risk of default and consequent exclusion from capital markets. Yet beyond the mere threat thereof, the punitive *act* of capital market exclusion itself is by no means in the long-term interest of the collective of creditors. As Soederberg points out, "to recreate the power relations within the international credit system it is necessary to ensure that debtors are kept within the lending game," (2005:935). The market mechanism therefore requires some counterbalance.

Policy Conditionality and the Lender of Last Resort

The third enforcement mechanism – the provision of bailout loans to distressed sovereigns under the strict policy conditionality of deep budget cuts, steep tax hikes, drastic market liberalization, rapid privatizations of state assets, and continued debt repayment – seeks to provide just that. While no formal mechanism exists at the international level, different actors have taken on the role of lender-of-last-resort on an *ad hoc* basis throughout history. At times, private creditors themselves have orchestrated bailouts, while in more recent times their host governments and international financial institutions (IFIs) have taken the initiative. Ever since the Mexican debt crisis of 1982, the International Monetary Fund (IMF) has become the principal provider of emergency loans to sovereigns experiencing balance-of-payments or currency crises, thereby allowing both for the continued repayment of external debt and for gradual reintegration into international capital markets (Cooper and Momani 2005:307). Because it is often literally the last institution a distressed debtors can turn to, the lender-of-last-resort is able to impose and enforce – through the credible threat of withholding future loan installments – strict policy conditionality in return for its loans. Ever since the 1980s, IMF conditionality has included an emphasis on fiscal orthodoxy and continued debt servicing, leading former IMF managing director Johannes Witteveen to describe the Fund as a "disciplinary mechanism" for distressed debtors (cited in Delamaide 1984:221). As in the case of market discipline, Citibank chairman Walter Wriston confirmed this view of the IMF as a global capitalist disciplinarian: "the fundamental contribution of the Fund," the leading banker noted, "is the discipline imposed on debtor countries, not the amount it lends," (Wriston 1981:21).

Again, as with the first enforcement mechanism, private creditors do not derive their structural

power from their influence over the lender-of-last-resort, but rather derive their influence over the lender-of-last-resort from their immense structural power. Where the Fed and ECB are responsible for financial stability within the US and Eurozone, respectively, the key responsibility of the IMF is to secure the overall stability of the global financial system. With financial globalization having fed into the increasing concentration of financial assets into a shrinking oligopoly of private banks, the biggest and systemically most important of these institutions are now all considered "too big to fail". Since it is the responsibility of the Fed, ECB and IMF – as well as the finance ministries of leading creditor nations – to secure overall financial stability, it "inadvertently" also becomes their responsibility to defend the systemically most important banks from toppling over, lest they drag down the entire global financial system with them. The international lender-of-last-resort therefore need not operate with demonstrable intent to serve Goldman Sachs or Deutsche Bank; the sheer act of stabilizing the financial system in times of crisis – by disbursing bailouts to distressed debtors under strict policy conditionality – serves to protect the interests of the big international banks at its apex, thereby helping to reproduce the same structural power relations that lie at the heart of the global financial order. Over time, "too big to fail", whether based on adequate risk assessment or on irrational fears, threatens to become a financial doctrine that systematically subordinates the interests of debtor nations and their poorest citizens to those of the world's most powerful banks.

There are, however, a number of ways in which the enforcement mechanism of emergency loan conditionality can be disarmed. First of all, as a more preventative strategy, peripheral countries can try to build up sizeable foreign exchange reserves in order to shield themselves against speculative attacks and external shocks in the balance-of-payments with a view to decreasing their dependence on an international lender-of-last-resort in times of crisis. Similarly, a debtor may decide to repay its official debts early in order to overcome the official lender's influence on domestic policymaking. During hard times, however, with capital flight accelerating and the fiscal position worsening, these two strategies are often not an option. Alternatively, a debtor may follow the opposite strategy of blackmailing the lender-of-last-resort by threatening to default on all official debts. If a country's official debt is large enough and the capital reserves of the lender-of-last-resort are at vulnerable levels, such a strategy may force the lender-of-last-resort into a more tolerant position regarding the possibility of a voluntary private sector writedown. Finally, debtors may pursue alternative international solutions, like setting up *ad hoc* lending facilities with important trade partners or regional allies in order to bypass the hegemonic lender-of-last-resort; or, finally, a group of debtor countries may join hands to form a so-called debtors' cartel, pooling together the total

debt to exert greater bargaining power over official creditor. Again, however, recent historical experience reveals that such opportunities for debtor resistance are much more difficult to achieve in practice than they are to theorize on paper. The bottom line remains that of the more than one-hundred financial crises to have rocked the world in the past thirty years, only two countries – Argentina in 2001 and Ecuador in 2008 – opted for an outright sovereign debt repudiation.

Conclusion: A Revolt Against the Dictatorship of the Markets?

This theoretical discussion therefore seems to bring us right back to the puzzling question that we started out with: if the structural power of financial capital is truly so all-pervasive and debtor resistance so difficult and so rare, then how could the largely peaceful civil disobedience of the protesters at Syntagma Square ever come to threaten the very stability of the global financial system? The fairly straightforward answer is that the capitalist state rests not just upon one but on *two* bases. The first is the aforementioned structural base of capital accumulation and credit circulation without which neither the state nor the "real" economy can survive. The other is the *popular* base of the people's continued submission to state authority and the capitalist mode of production. After all, capital can only be accumulated and the authority of the state reproduced through the continued consent of citizens to keep voting, to keep obeying state orders, and to keep showing up at their jobs. When this popular base of submission turns into mass insubordination, as it did in Argentina in 2001, both the state and capital suddenly face an existential crisis. In this respect, there was a good reason for Greek protesters to hoist an Argentine flag on a hot air balloon above Syntagma and to hang up banners around parliament depicting a helicopter and the slogan *¡que se vayan todos!* – away with them all! On those heady days in June 2011, it was not just the Greeks who were making allusions to Argentina: it seemed that the main fear of Greece's creditors was the very seriously considered possibility that the protesters might succeed in turning their historical references into reality.

Ten years earlier, on December 19-20, 2001, Buenos Aires had witnessed a spontaneous popular uprising not very different from the one that rocked Athens in June 2011. The Argentine uprising, however, had a dramatically different outcome. After years of violent confrontations between the *piqueteros* and the state; after six months of growing labor militancy, with hundreds of factories occupied by their workers and trade unions tripling the average number of strikes; after a midterm election in which over 26

percent of the electorate failed to show up at the polls and 20 percent cast spoiled or blank ballots; after months of growing popular discontent and increasingly numerous and violent street demonstrations; after the rise of an unprecedented broad-based mass movement bringing together workers, the unemployed and the middle class; after the countrywide emergence of alternative economies based on barter, mutual aid and neighborhood assemblies; after unemployment rose to 25 percent, poverty skyrocketed to over 40 percent, and consumption levels fell 60 percent; after a crippling bank run and the imposition of the *corralito* left depositors incapable of accessing their savings; after tens of thousands stormed the banks and showed up at the doorsteps of politicians' homes to denounce those responsible for the crisis; after the highly publicized case of a diabetic walking into a bank with a grenade in his hands demanding access to his savings so he could buy insulin; and, finally, after 48 hours of dramatic looting and rioting during which tens of thousands of protesters amassed in the Plaza de Mayo, attacked government buildings and broke into congress, setting furniture on fire and sending images of a "burning democracy" around the world; during which the once invisible economy minister Domingo Cavallo was ignominiously dumped and forced to hole himself up in his downtown penthouse in fear of being lynched by the angry mob outside; during which over thirty protesters were killed by police, with hundreds wounded and over 2,000 arrested; during which president De la Rúa was forced out of office and fled the Casa Rosada by helicopter; and after which the upper-class *porteños* of Buenos Aires' once-glamorous city center woke up to burnt-out cars smoldering on major intersections, banks and shops lying in ruins, and rocks, garbage and glass strewn across the streets – the Argentine political establishment finally went into self-preservation mode and, in a desperate plea to calm the outraged multitude and save the last remaining remnants of state legitimacy, appointed Rodriguez Saá as Argentina's third president in just four days (Blustein 2005).

Upon his appointment, Rodriguez Sáa, himself a multimillionaire businessman, immediately declared the biggest sovereign default in world history, suspending all debt repayments to foreign private bondholders and telling a jubilant congress that "we cannot conceive that in this country, with all its possibilities of production of food, its people are submitted to hunger, marginalization and poverty." But Rodriguez Saá only lasted in power for a few days, as protests and internal bickering in the Peronist party continued. Observers on both sides of the political spectrum now spoke of a "pre-revolutionary situation" and of society hanging in a suspended state of "dual-power", with the state still formally in control but with the streets practically in the hands of the people (Petras 2004). Indeed, just after confirming the default and breaking the currency peg of the Argentine peso with the US dollar, Eduardo Duhalde, the country's fifth

president in ten days, declared that "Argentina is on the brink of anarchy," a statement repeated by his finance minister when he sought to explain his country's default to a gathering of international bankers a few weeks later: "either we have continuity or we have anarchy." As today, even the Pope felt compelled to comment, warning that Argentina had entered a "pre-anarchic" situation (Jordan and Whitney 2003:28). In this gaping political vacuum and this social climate of revolutionary rage, some participant observers even referred to Buenos Aires as the "Paris Commune of our generation" (Hardt 2002; *Colectivo Situaciones* 2002). At the time, it seemed like the entire state apparatus was about to collapse – only a military intervention (ruled out by the military leadership itself) or an extreme populist *volte-face* now seemed capable of saving it.

When Nestor López, an editor of the Argentine journal *Herramienta* and a participant in the protests of 2001-'02, was recently asked what had triggered Argentina's default and its sudden switch to economic heterodoxy, his answer was simple: *la insumisión* – the insubordination of the people[16]. This, then, appears to be the main crack in the structural facade of global finance: by successfully imposing widely unpopular austerity measures and enforcing years of misery onto the people, the dictatorship of financial markets risks undermining the popular base of submission upon which the authority of the capitalist state rests. With European leaders increasingly incapable of responding to the urgent needs of their people, some voters have fled into the arms of radical political parties, but millions of others have actually been driven *away* from the state towards autonomous forms of activism, including the establishment of mutual aid networks, the engagement in direct action repertoires, and a generalized movement towards self-organization in the neighborhoods and working places. On one level, these initiatives are just attempts by ordinary people to cope with the fact that neither global markets nor the nation state seem capable of catering to their needs; in and of themselves such coping strategies can hardly be considered revolutionary. And yet these grassroots initiatives may point us in the direction of what a different society and alternative economic strategies *could* look like if given a chance to flourish on a grander scale in the future. These acts of rupture with the capitalist way of doing things – these "everyday revolutions", as Marina Sitrin (2012) calls them in her study of Argentina – are what John Holloway (2010) identifies as the "cracks" in capitalism. These cracks by no means aim to propose a resolution to the crisis of capital – indeed, they seek to *deepen* it by providing ordinary people with a renewed sense of empowerment and a radical vision of transformative social change that reaches far beyond the realm of possibility implied by state-oriented forms of activism.

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[16] Interview with the author in Buenos Aires, April 2013.

As Robert Wade of the LSE pointed out in the *Financial Times* following the collapse of Lehman Brothers and the failure of the US administration to bring about meaningful financial reform, the basic problem of our time "is that finance has moved from servant to master, from tail to dog. It has acquired so much structural power as to shape the conditions of existence of everyone else," (Wade 2008). So can the people still rely on the state's tail to wag the rabid dog of global finance? While many genuinely concerned citizens, activists and observers continue to believe so, millions of people in Europe and elsewhere have already given up their illusions. Sensing this, Jean-Pierre Jouyet, President of the Financial Markets Authority in France, has warned politicians and investors that "the citizens will revolt against the dictatorship of the markets."[17] As the social crisis deepens and the political system continues to bleed legitimacy, the wave of contestation that began in 2011 is inevitably bound to return and intensify. As City economist Graham Turner observed in the wake of yet another round of violent anti-austerity riots in Athens, Europe's ability to keep a lid on popular resistance to this dictatorship of financial markets is ultimately "a question of the size of the demonstrations on the streets."[18] It thus seems that the battle for Europe's future will be decided not in the ministries and parliaments of its member states, but between the trading floors of its financial institutions and the streets and squares of its austerity-stricken periphery.

[17] 'Jean-Pierre Jouyet: les citoyens se révolteront contre la 'dictature' des marchés', *Le Monde*, November 13, 2011

[18] Heather Stewart and Katie Allen, 'The week that Europe stumbled to the brink of disaster… and stopped', *The Observer*, November 13, 2011.

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