

Financialisation, Central Banks and the New State Capitalism

Martin Sokol

Department of Geography,
Trinity College Dublin,
Ireland



Trinity College Dublin
Coláiste na Tríonóide, Baile Átha Cliath
The University of Dublin

Main point



In the era of **financialised capitalism**, analysing **central banks** and **monetary policy** should be central to our efforts to understand:

- mutations of **(new) state capitalism** in the West
- **‘uneven and combined state capitalism’** globally

- Sokol (2022a) under review in EPA

- Sokol (2022b) GEOFIN Working Paper No 13

<https://geofinresearch.eu/outputs/working-papers/>

Plan



1. (New) State Capitalism debate
2. Central banks: 'creators' / 'generators' of capital
(in the Western financialised capitalism)
3. Central banks & 'uneven and combined state capitalism'
(globally)

1. (New) State Capitalism debate

- Growing debate ...

Alami and Dixon, 2020a, 2020b; Alami et al., 2022; Kurlantzick, 2016; Nölke et al., 2021; Musacchio and Lazzarini, 2014; Sperber, 2019; Wright et al., 2021; etc.

... implications for **economic geography**

- Special issue in *Environment and Planning A: Economy and Space*
- Special sessions at GCEG Dublin

SS11_04: Making Space for the “New” State Capitalism

1. (New) State Capitalism debate / **Issues**

- Focus on emerging economies in the 'East' (e.g. China)
 - vs. **advanced market economies in the 'West'** (e.g. US) ?
- Focus on state-owned enterprises (SOE); state-owned banks; sovereign wealth funds (SWF); industrial & trade policies etc.
 - **BUT central banks/monetary policy** rarely mentioned ?
(exceptions: Alami and Dixon, 2021: 19-20; Alami et al., 2022: 3)
- Lacks firm **conceptualisation** or unified **definition**
- **'Metageographical unconscious[ness]'** (Alami and Dixon, 2021)

1. (New) State Capitalism debate

- **Definition** (object of inquiry):

***State capitalism** = ‘configurations of capitalism where **the state** plays a particularly strong role as **promoter, supervisor and owner of capital**’ (Alami and Dixon, 2021: 5; emphasis added)*

- **Geography:**

***‘uneven and combined state capitalist development’** (ibid)*

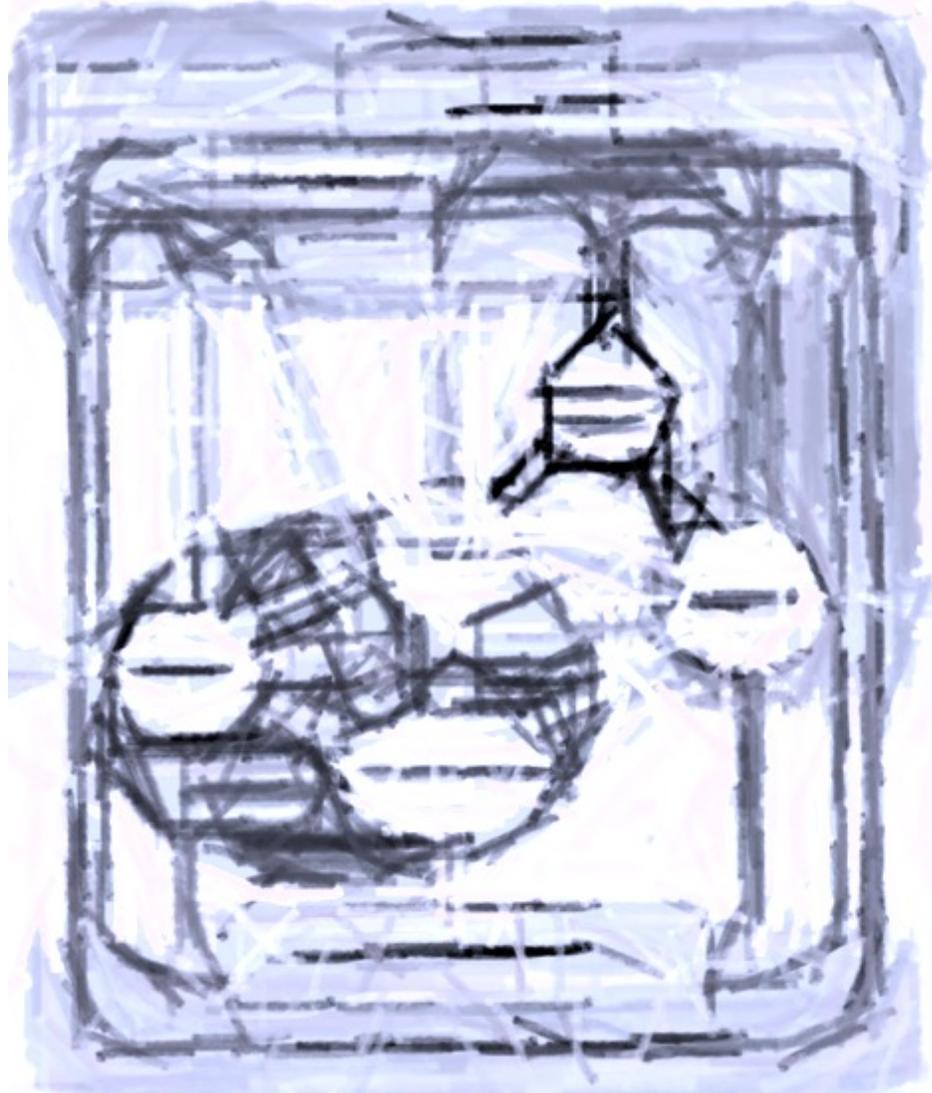
My suggestion:

- The state (via its Central Bank): ***creator/generator of capital*** → 2.
- CB role in **‘uneven & combined state capitalist development’** → 3.

2. Central bank: creator/generator of capital

Financialised capitalism:

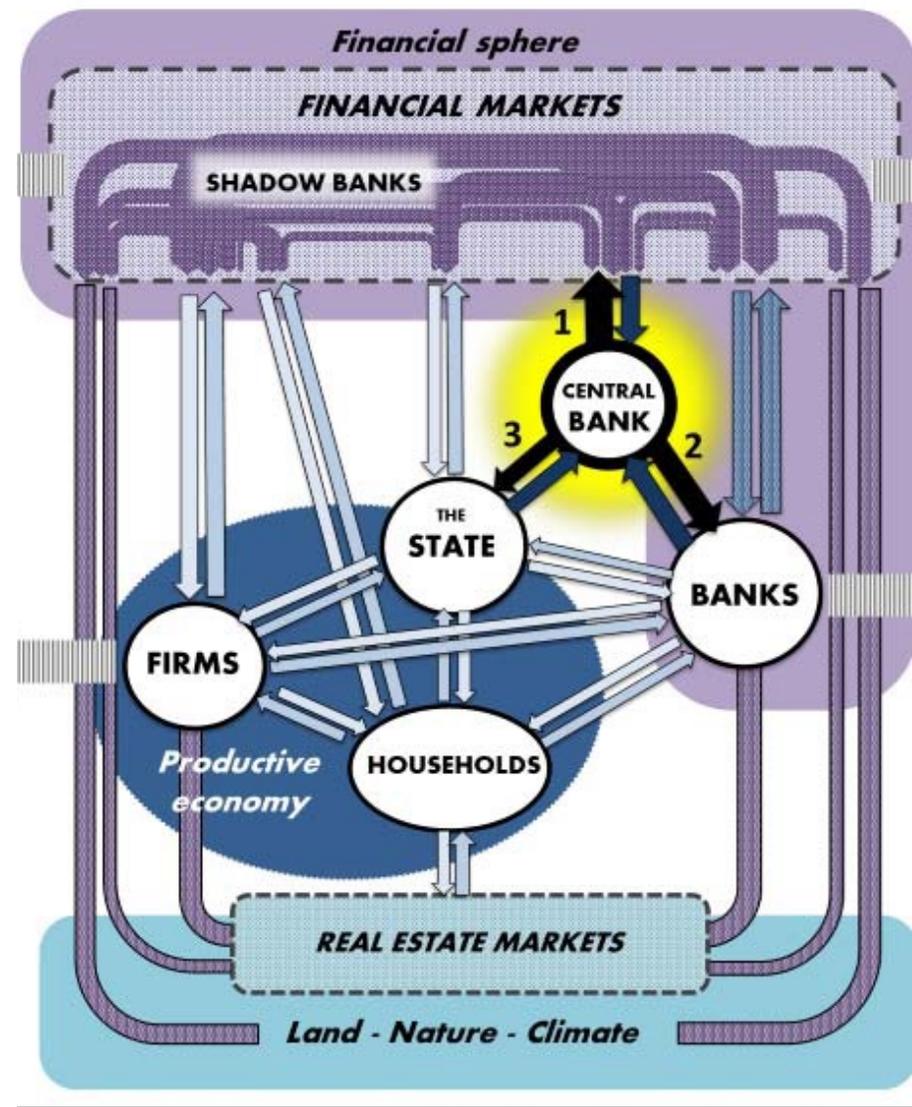
- **Finance / financial capital**
= driving force
 - **'Financial chains'**
(Sokol, 2017; Sokol & Pataccini, 2020;
Sokol & Pataccini, 2021)
 - **Central banks = key nodes**
-



2. Central bank: creator/generator of capital

Financialised capitalism:

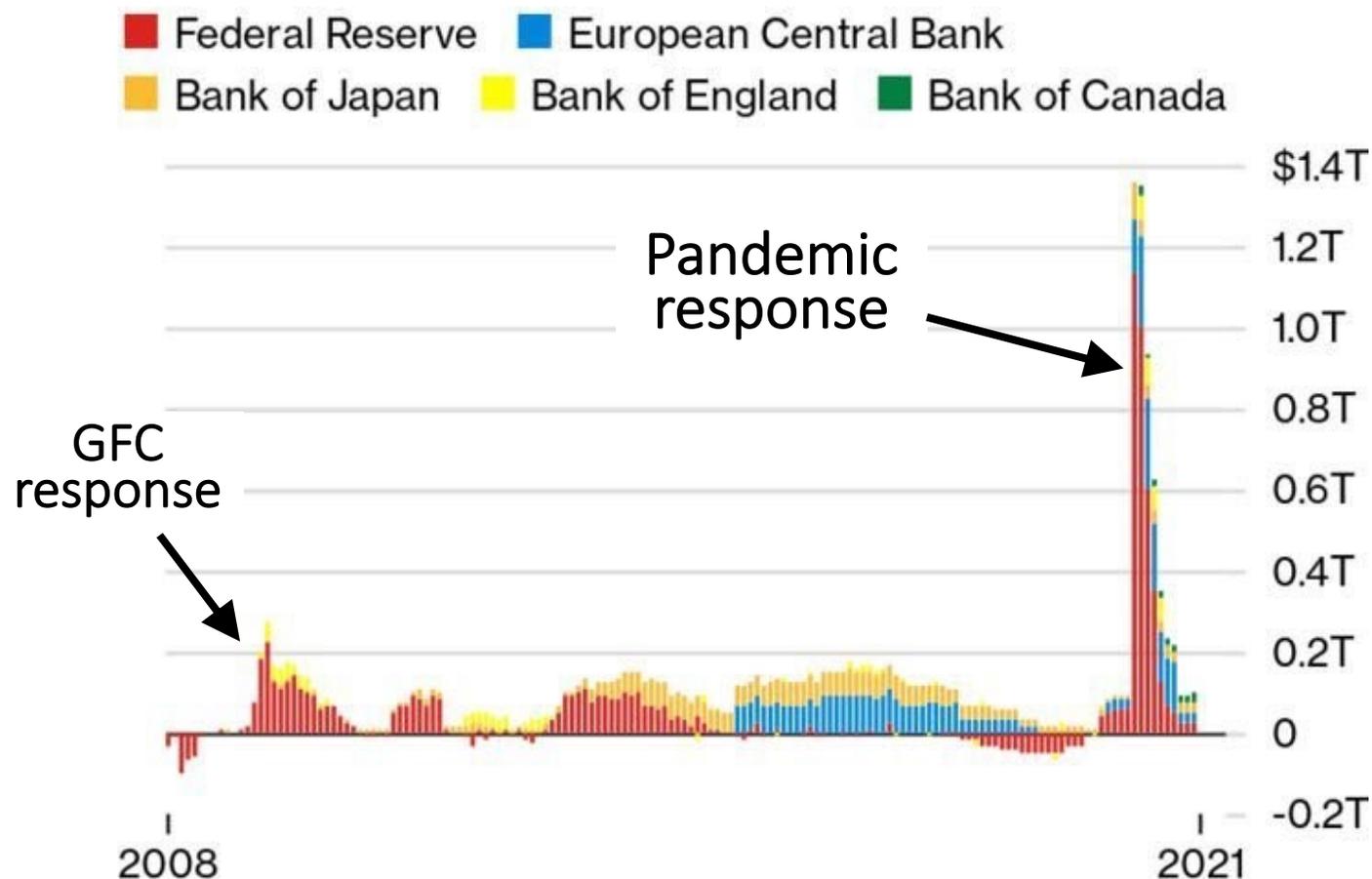
- Finance / financial capital = driving force
 - ‘Financial chains’
(Sokol, 2017; Sokol & Pataccini, 2020; Sokol & Pataccini, 2021)
 - Central banks = key nodes
-
- GFC + Covid-19 pandemic:
“Capitalism on ICU support”?



Source:
Adapted from
Sokol (2022)
under review

2. Central bank: creator/generator of capital

Financial chain No 1: Quantitative Easing



Source:
Bloomberg Economics in
Boesler and Takeo, 2020

3. Central banks: uneven & combined dev.

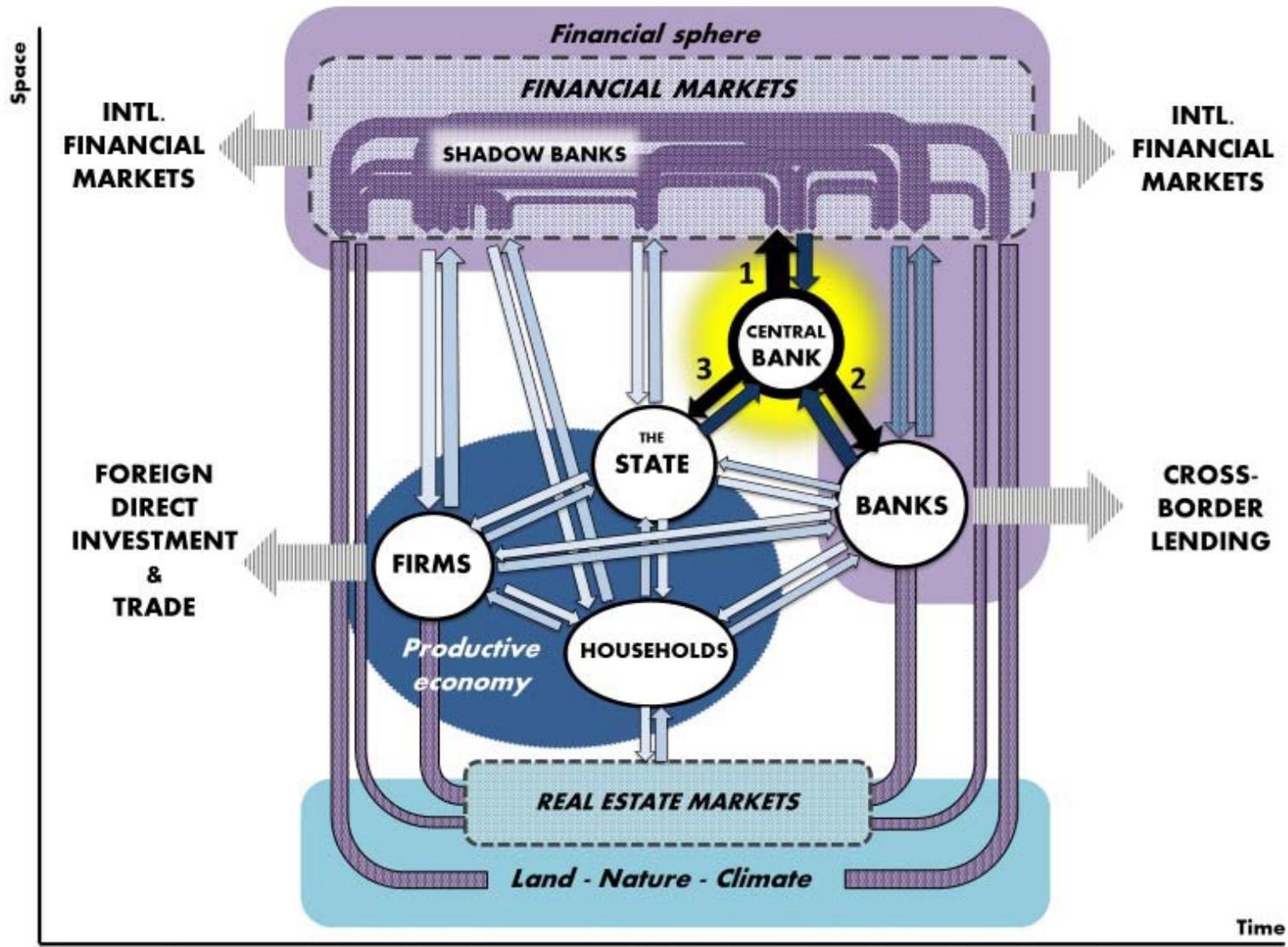
Shaping economic geographies...

within their jurisdictions (e.g. August et al., 2021; Sokol & Pataccini, 2021)

and

beyond their territorial boundaries (e.g. Fernandez & Aalbers, 2020)

→ **global uneven & combined (state capitalist) development**



Source:
Adapted from
Sokol (2022)
under review

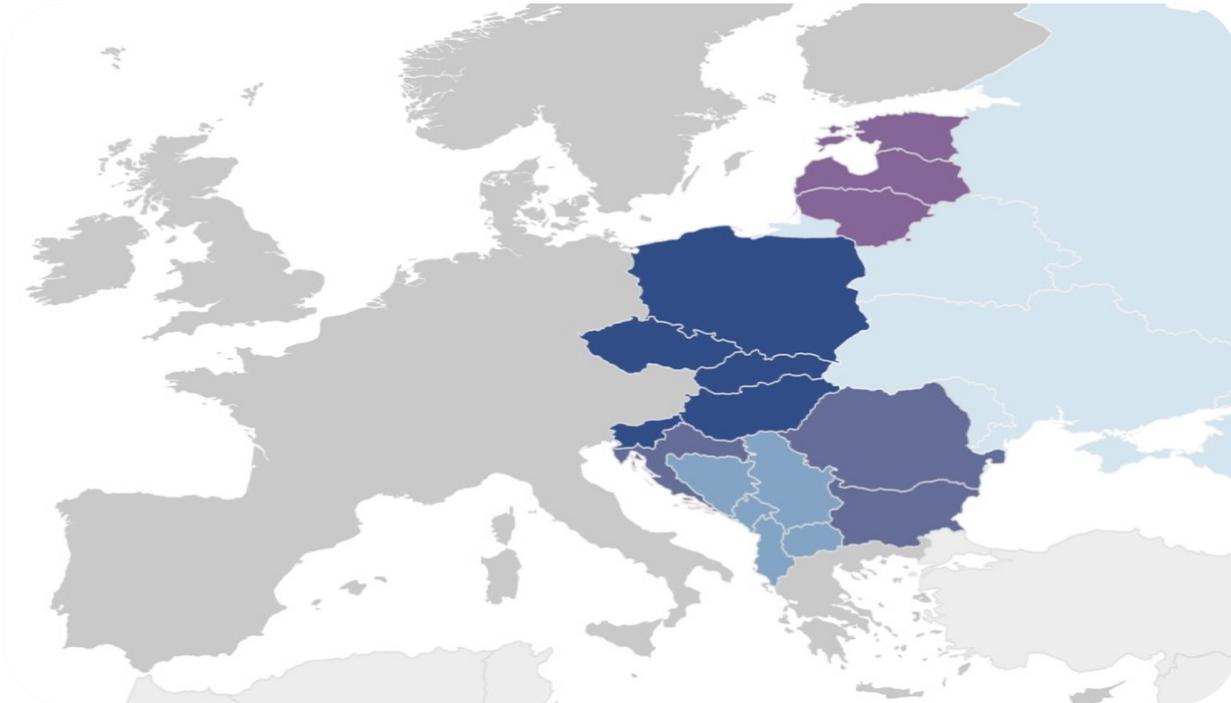
Conclusion



Under **financialised capitalism...**

- **Central banks** (state institutions) play a central role !
(see also Bowman et al. 2013; Braun & Gabor, 2020; Gabor, 2021; Lapavitsas and Mendieta-Muñoz, 2016; Walter and Wansleen, 2020; Wullweber, 2020; Tooze, 2020a, 2020b...)
- Their ability to act as **creators/generators of capital**
= saving the economic system from collapsing!
- In so doing, they are reshaping **uneven & combined (state capitalist) development** at a global scale

**Q: Can the power of central banks be used for progressive ends
i.e. socially, spatially & environmentally just transformation?**



Thank you!



**Western Banks in Eastern Europe:
New Geographies of Financialisation**



European Research Council
Established by the European Commission

GEOFIN research - <https://geofinresearch.eu>

Email:

SOKOLM@TCD.IE

Twitter:

@martinsokol @GEOFINresearch

Abstract

This paper supports the view that the growing debate on new 'state capitalism' should pay greater attention to extraordinary state interventions taking place in the most advanced market economies in the West. The 'visible hand' of the state in the capitalist core became even more obvious during the Global Financial Crisis of 2008 and has become blindingly visible during the pandemic-induced crisis, chiefly in the form of massive fiscal and monetary interventions. The paper focuses on the monetary policy side by interrogating the problematic role of central banks in contemporary Western economies and the implications of monetary interventions for uneven development. The paper suggests that analysing central banks (and their actions) need to be put at the very centre of our efforts to understand mutations of state capitalism in the West as well as 'uneven and combined state capitalism' globally.

Applying the concept of 'financial chains', the paper highlights the key role central banks now play in financialised capitalist economies and their attendant economic geographies. It appears that without increasingly unconventional interventions by major central banks, such as the US Federal Reserve or the European Central Bank, financial chains that underpin advanced market economies may have already collapsed. The paper suggests that, going forward, the attention should focus on the question of whether the enormous power central banks currently enjoy could be used to support more socially just, more environmentally sustainable, and more territorially balanced economic futures.

Keywords:

financialisation, monetary policy, central banks, economic geography, state capitalism