THE ILLUSIONISM OF FINANCE

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Karl Marx in *Capital* had talked of the phenomenon of "commodity fetishism" whereby not only was the world of social relationships obscured by the world of commodities as things, but it appeared in an inverted form as relationships between commodities as things. The outcomes of social relationships appeared as if they emanated from some fantastic properties of commodities themselves. In particular what Marx had in mind was the situation where the social phenomenon of appropriation of surplus value appeared in an inverted form as a process of augmentation of the value of inputs through the contribution of "capital" seen as a set of things. Marx's writing preceded the Marginalist Revolution which carried this "fetishised" view of commodities much further and indeed enthroned it at the centre of economics, by introducing the concept of "factors of production" and emphasising symmetry between "labour" and "capital". While this "commodity fetishism" continues to hold sway in "Mainstream" economics, a further phenomenon superimposes itself upon it in the era of international finance capital, namely that the world of commodities itself is obscured by the world of finance. The real material world of things appears to be an illusion while the world of finance appears as the real world. This entails a double obscuring of the world of social relationships.

The present paper is concerned with this second illusion. Sections I and II explain this illusionism and outline the theoretical universe of this illusionism; the next three sections give illustrations of such illusionism, while the last section shows how such illusionism permeates not just economics discussions but the entire social and political discourse.

I

"Mainstream" economics, even while asserting that all markets clear, including the labour market, through price flexibility, and hence denying the possibility of involuntary unemployment, nonetheless had room for a positive role of State intervention. This was because the equilibrium reached in the market was recognized as diverging from a social optimum in several ways. State intervention was seen as the means of achieving a social optimum (or at least nudging the market equilibrium in that direction).

There were at least three cases where this divergence of the market equilibrium from a social optimum was recognized. The first was the well-known case of "externalities", whose prevalence necessitated, as Pigou's *Economics of Welfare* argued, the intervention by the State through taxes and subsidies.

But even in the absence of "externalities", where the market equilibrium was shown to achieve a Pareto optimum, relative to some given distribution of endowments, this Pareto optimum itself would not coincide with a social optimum in so far as the initial distribution of endowments need not be the most desirable one from the social point of view (however that is defined). The second instance of a positive role of State intervention was in bringing about a change in the initial distribution of endowments, either through a redistribution among individuals, or through the State itself owning certain endowments and using the weight of its preferences for a socially better outcome. True, the State was supposed to give effect to this redistributive role in ways that were non-price-"distorting", which meant that only lump-sum transfers could pass the test. Even income taxes were taboo since they affected the choice between work and leisure. But if one was not too finicky about this , or did not need to be finicky (when for instance labour supply was unaffected by income taxation), then the

theoretical sanction for State intervention on redistributive grounds was quite substantial.

The third argument was advanced by Frank Ramsay. Even assuming that there are no "externalities" and that endowments are equally distributed across individuals in a society that, say, values equality, the choice between consumption and savings (and hence investment) that arises as the aggregate of individual choices may not be socially optimal, in which case the State has to intervene to ensure that the savings rate in society moves to the optimal level. The role of the State in other words was to achieve a social optimum defined not just with respect to the existing set of individuals, but with respect to the future generations as well.

What was striking about all this, which was an acceptable part of "Mainstream" economics, was the underlying perception of the State as an embodiment of "social rationality" as distinct from individuals who were restricted by "private rationality". More recent "Mainstream" economics, while denying equally emphatically the possibility of involuntary unemployment, has been less charitable towards these arguments for State intervention. The revival of Coase's work has meant that "externalities" are seen more as a case of absent markets than as a case for State intervention. And the literature on inter-temporal Rational Expectations equilibrium has put forward the idea that each individual represents a microcosmic reflection of society (or that society is no more than a mere summation of these individuals), so that a Ramsay-type optimal path is achieved even on the basis of atomistic decision-making by individuals, without necessitating any State intervention or planning[1]. Now, if all markets clear through price flexibility and State intervention is not necessary either to take care of "externalities" or to meet Ramsay-type considerations, then (leaving aside redistributive considerations on which more later) having such intervention can only be counter-productive. We thus have an inversion of the position of the Cambridge School (of Pigou, Ramsay, and Keynes)[2]: the State, far from being an embodiment of a higher rationality than what is revealed on the market[3], becomes an unnecessary and counter-productive meddler.

Of course, the concept of an "inter-temporal Rational Expectations equilibrium" does not have many takers. The more "practical" position within current "Mainstream" economics has been to argue that the level of investment can be improved (which is the pertinent direction of change, since "inoptimality" generally means not too much investment but too little) if the "confidence of investors" can be improved, and the barometer of this "confidence" is the state of the financial markets. The "confidence" of the investors therefore is synonymous with the attitude of finance capital to the country in question. Any State interested in improving the investment rate must therefore ensure that this "attitude" becomes more favourable. And since a higher investment rate means, via a higher growth rate, that the totality of endowments grows faster, the problem of *inter se* distribution of endowments across individuals becomes of secondary importance, compared to the need to ensure a high growth rate. It follows that since "externalities", though a factor to be reckoned with no doubt, require only a limited degree of State intervention at best, since the problem of endowment distribution is secondary to the need for endowment augmentation, and since such augmentation is best brought about through an improvement in the attitude of finance capital towards the country in question, the essential role of State intervention is to improve

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[1]This view has been extensively discussed and critiqued in my forthcoming book *The value of Money: A Critique of Economic Theory*.

[2]The concept of the "Cambridge School" to refer to a whole group of writers which included both Pigou and Keynes was put forward by Maurice Dobb in an article in the *Encyclopaedia of Social Sciences.*

[3]Such a view was explicitly put forward by Keynes (1951, p.312))

this "attitude". Anything that the State does which damages the "confidence" of finance capital is *ipso facto* counter-productive. From being an entity standing apart from and above society, embodying a higher rationality than the participants in the economic life of society, and using that for pervasive intervention in economic life, the State is now seen as an agency that should exclusively promote the interests of finance capital. Indeed the highest level of rationality dictates its becoming an exclusive instrument for promoting the interests of finance capital.

What is of interest is that this change has come about within "Mainstream" economics itself, that is within the tradition that rejects the possibility of involuntary unemployment arising either because of the deficiency of aggregate demand or because of fixed coefficients. To recapitulate, what the currently dominant view about the role of the State in "Mainstream" economics (whose dominance has been assiduously promoted through control over research, control over the state of the "discipline", and control over the media), holds is that free and flexible markets, including trade openness, and the "confidence" of finance capital, are all that is needed for the optimal functioning (using the term loosely) of an economy; the role of the State is not to interfere in the functioning of the economy in any way other than ensuring that these conditions are satisfied. (If perchance it has to intervene on distributional considerations on behalf of the "poor", then its intervention must be strictly targeted for the "really poor" and the mode of intervention must be non-price "distorting", conditions that virtually rule out any meaningful intervention). It follows that if despite the efforts of the State to introduce free and flexible markets and act at the behest of finance capital, the actual functioning of the economy still remains manifestly unsound, then there can be only three possible explanations for this; one, that the markets are not flexible enough, and more has to be done to make them flexible; two, that finance capital is not confident enough about this economy, and more has to be done to earn its confidence; and three, the actual functioning of the economy is much better than what appears to be the case. The apparently unsound functioning of the real economy is an illusion. This is the basis of the "illusionism" of finance.

II

A classic case of such illusionism was the so-called "Treasury View" of 1929, against which Kahn (1931) had written his famous article on the "multiplier". In 1929 when the unemployment rate in Britain had reached 10 percent (it was to double later), Lloyd George on the advice of Keynes had suggested a scheme of public works financed by government borrowing to provide employment. The British Treasury brought out a White Paper attacking Lloyd George's proposal on the grounds that in any economy at any time there was a fixed pool of savings and if the government took a part of it through its borrowings then less would be left for financing private investment or net capital exports through a current account surplus. Thus whatever employment would be created by the public works would be exactly offset through the reduced private investment or current account surplus; there would be no net increase in employment at all.

The mechanism invoked by this view, which came to be known as the Treasury View and which has made a strong reappearance today in the guise of the "Crowding Out" effect, was the following: the interest rate which equilibrates the supply of and the demand for savings will rise if the government borrows from the market; it will eventually reach a higher equilibrium level when a sufficient fall has taken place in private investment plus net capital exports. ("Crowding out" on this argument need not be exactly equal to the increase in government borrowing if savings are a function of the interest rate, for then the higher interest rate in the new equilibrium would also yield higher savings, so that only a part of the

increased government borrowing would come out of reduced private investment/ net capital exports, the rest coming from the increased savings. But "crowding out" whether total or partial was supposed to be inevitable).

Against the view that an increase in government borrowing raises the interest rate and therefore crowds out private investment, with no (or little) net impact on employment, Kahn advanced his well-known proposition that an increase in government borrowing generates, at any given interest rate and for any given private investment/ net capital exports, an exactly equal amount of additional savings in private hands, through an increase in output and employment in a situation of demand constraint. The fallacy of the Treasury View was quite simple: savings depend not only on the interest rate (if at all) but also on the level of output. By assuming a fixed pool of savings the Treasury View was *ipso facto* assuming a given level of output which could only be the full employment level. It was thus implicitly assuming full employment. It was arguing against a government programme for employment expansion by making the implicit assumption that unemployment did not exist at all!

The view that government borrowing "crowds out" private investment, and hence the most prudent policy for the government under all circumstances is to balance its budget, was called by Joan Robinson the "humbug of finance". The Treasury View was a classic example of the "humbug of finance" which was the dominant ideology of the period and was mainly responsible for the complete inaction by governments in the face of the Great Depression.

This "humbug" however is only a particular instance of what I call the "illusionism of finance", the fact that the rampant unemployment existing all around at the time remained invisible to the British Treasury whose eyes were focussed exclusively upon the interests of British finance capital and whose outlook was shaped by the perceived need to promote the "confidence of the investors". Little wonder then that Keynes later asked for the "euthanasia of the rentier".

This "humbug of finance" has been carried to even more ludicrous and absurd lengths in India during the era of neo-liberal policies[4]. *Apropos* Kahn's argument that a fiscal deficit generates, with given net capital exports, an excess of private savings over private investment that is exactly equal to itself, and thereby "finances itself", and that too in a benign fashion (through an increase in output and employment) in a situation of demand constraint, it could at least be said that the net interest payment obligations of the State increase as a result, as do wealth inequalities in society. But in India where a large public sector specializing in the production of capital goods exists and carries substantial unutilized capacity owing to the prevalence of a demand constraint, and where, in addition, a public corporation, the Food Corporation of India holds substantial unsold foodstocks for the same reason, an increase in government investment financed by a fiscal deficit, would scarcely increase even the net indebtedness of the State. Hence neither would there be any increase in the net interest payment obligation of the State, taken as a whole, nor would there be any increase in wealth inequalities among the households in society. Such financing in other words *has absolutely none of the possible limitations that a fiscal deficit-financed increase in government investment might have in a Kahn-Keynes world*. And yet, even in the midst of acute demand constraint afflicting the public sector itself, the obsession of the government, dictated by the Bretton Woods institutions, has been with reducing the fiscal deficit! And when the consequent accentuation of the demand constraint for the public sector units has made some of them loss-making, the "advice" invariably has been for selling them off "for a song"! *Any talk of a shortage of "rupee resources"* in a situation of demand constraint is "humbug". Any such talk in a situation of unutilized capacity and unsold stocks within the public sector itself is "humbug" *par excellence*. And yet this particular instance of "illusionism" has not only

[4]For a more detailed presentation of the argument of this section see Patnaik (2003).

characterized economic policy-making in the country but has even passed into theoretical discourse not just in the past but even at this very moment.

III

The Congress Party which leads the UPA government at the Centre had promised in its election manifesto that it would introduce an Employment Guarantee Act which would ensure a minimum of 100 days of employment per year to every household in the country. When the UPA government was formed a National Common Minimum Programme was drawn up which promised 100 days of employment to every *rural household.* The government however is now back-tracking from this commitment, and one of the arguments given is the difficulty of raising the requisite resources.

The total estimated expenditure for providing employment of this order comes to only about 1 percent of the GDP which itself is by no means a forbidding amount. But whether raising 1 percent of the GDP as additional tax revenue is a daunting task or not is not the point at issue. To proceed on the assumption that the requisite resources must be raised through taxation is to believe implicitly that the economy is not demand-constrained, but is supply-constrained. To believe this when the economy has been saddled with substantial unutilized capacity, including in particular within the public sector, and with huge unsold foodgrain stocks with the Food Corporation of India, which now have been run down *inter alia* by dumping foodgrains on the international market at prices below those charged to the poor within the country (but which are again in the process of building up and will build up after the *tsunami* interruption is over), is nothing else but "illusionism", induced by the perspective of finance capital which propagates the "humbug" that any fiscal deficit must be taboo.

There is a further point to be noted here. In a situation of demand constraint not only would an increase in the fiscal deficit be a perfectly adequate way of financing an employment-generation scheme, but would even be preferable for a particular reason: since the value of the balanced-budget multiplier is lower than the value of the Keynesian multiplier (in an extreme case when all taxes are paid out of savings the two would be equal), for meeting a given employment target a larger amount of expenditure has to be undertaken if this expenditure is tax-financed than if it is borrowing-financed. This consideration becomes quite decisive when the possible adverse effects of a fiscal deficit in a situation of demand-constraint, namely increase in wealth inequalities and the introduction of an interest payment obligation on the government through the increase in its net indebtedness are of no great consequence, owing to the fact of the unutilized capacity and unsold stocks being largely within the public sector itself. The fact that notwithstanding this the question of a "resource constraint" is being dragged into the discussion on employment generation underscores the insidious intrusion of the "illusionism" of finance into the discourse.

This intrusion is not confined to the discourse among policy makers. It has even made its way into the academic discourse. Even the best-known economist of the country, Nobel Laureate Professor Amartya Sen becomes a victim of this "illusionism" when he puts forward the argument, based on the "humbug of finance", that implementing an Employment Guarantee Scheme would come in the way of much needed expenditure on education and health. Even assuming that the government is loath to raise tax revenue, there is still no resource constraint on the government, since the economy has habitually maintained plentiful unutilized capacity and unsold foodgrain stocks of late, which could be used for financing *both* an Employment Guarantee Scheme *and* larger expenditure on education and health. To be sure, once a state of supply-constraint is reached, the government would have to weigh alternative claims upon the resources available to it (if tax revenue cannot be raised). But

until that has happened, to do such weighing and express apprehension that one Scheme would preclude another, is to fall prey to "illusionism"[5].

IV

My second illustration of illusionism is the proposition, implicitly subscribed to in India today, that if the government is to borrow at all, then where it borrows from, whether from the domestic financial market or from abroad, *per se* makes no difference whatsoever[6]. But if there is domestic unutilized capacity in the production of those commodities whose demand increases as a result of government expenditure, then using foreign borrowings, which are in foreign exchange, for importing those very commodities is against the *country's* interests, since it effectively means borrowing from abroad to finance the persistence of domestic recession and unemployment. On the other hand, if the proceeds from foreign borrowings are not used for imports, but are held only as additional reserves with the Central Bank, against which local currency is made available to the government for increasing demand from domestic producers, then the *country* has in effect borrowed from abroad merely for the purpose of lending abroad (which is what holding reserves means). But since borrowing from abroad is at interest rates much higher than those earned by reserves, the country is effectively pursuing the singularly unwise policy of borrowing dear to lend cheap. In either case therefore borrowing from abroad is a distinctly inferior option as long as domestic unutilized capacity exists.

To be sure, from the point of the government, narrowly conceived as a hedonistic economic agent no different from any individual, as long as the interest rate it has to pay is no different between foreign and domestic borrowing and the price it has to pay is no different at the going exchange rate between domestic and foreign producers, where it borrows from and where it spends the proceeds makes no difference. But that precisely is the illusionism of finance: all that matters is the soundness of the financial calculation, not the state of the real economy or the possible future travails of the real economy.

V

My third illustration of such "illusionism" comes from the persistent demand that the foreign exchange market in India should be made completely free, that is, the rupee should be made completely convertible, and that the level of the exchange rate should not be pegged through Reserve Bank action. The argument once again invokes the proposition that the removal of controls in the foreign exchange market would boost the "confidence of the investors" and hence give rise to substantial inflows of foreign investment that would stimulate growth and overcome infrastructure constraints. Prime Minister Manmohan Singh's pleading for larger foreign investments before a group of assorted New York financiers is symptomatic of the context of this argument.

The view that an enhancement of the so-called "confidence of financiers" results in larger investment and growth in an economy is "illusionist": it obliterates all distinction

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[5]Of course it may be thought that Professor Sen is not himself falling prey to such "illusionism" but is merely reacting to a situation where the government has fallen prey to it; that is, he is taking the government's self-imposed constraint, no matter how logically untenable, as a *fait accompli*. But if this was the case, then a critique of the government's fallacious thinking should have been in order.

[6]It is on this basis that several state governments have been allowed to borrow from the ADB even though they could have borrowed from domestic banks.

between "capital-in-production" and "capital-as-finance". The inflow of finance that may result from an increase in financiers' "confidence" in an economy is not the same as productive investment, as is clear from the current experience of the Indian economy: while massive financial inflows over the last couple of years, which the Reserve Bank has soaked up as accretions to reserves in order to prevent an appreciation of the rupee, have boosted the level of foreign exchange reserves to $130 billion, the investment ratio in the economy has stubbornly refused to go beyond what prevailed at the beginning of the "reform" period in 1990-1. Direct foreign investment inflows depend upon a host of factors and do not necessarily get stimulated simply by the existence of free foreign exchange markets (it is instructive that huge inflows came to East and South east Asia earlier, and are coming to China today, despite the existence of foreign exchange controls). It follows that freeing foreign exchange markets and stimulating "investors' confidence" may succeed in bringing in financial inflows which do not boost growth but not DFI inflows which might possibly do so (the conditions under which they might do so need not detain us here).

One can in fact go further. In so far as financial inflows, in the absence Central Bank intervention for stabilizing the exchange rate, cause an appreciation in this rate, and hence in the real effective exchange rate, they cause a *shrinking* in the level of domestic activity (which can even deter DFI inflows). Hence boosting the "confidence of financiers", far from promoting growth, is more likely to have the very opposite effect of lowering it. The real economy would in such a case stagnate or retrogress, even as the financial sector flourishes, an outcome of "illusionism".

The following simple model will illustrate the point. Even though the issue relates to growth, I shall discuss it in the context of a stationary economy for convenience; the extension of the argument to the growth context is obvious. The following equations describe the universe.

The real income identity is given by;

$$Y(t) = c.Y(t) + I'(t) + G(t) + N(t)/p'' \quad ... \qquad (i)$$

where the proportional consumption function is for convenience, I' represents (some) replacement level of investment (because of the stationary state assumption), and G the level of given government expenditure; N the net exports is in foreign currency terms and p" the weighted average of the relevant world prices. All we assume is that $N/p'' = f(N)$ with $f' > 0$.

The level of net exports in foreign currency terms depends on the level of output and the real effective exchange rate, which is the product of the nominal exchange rate and the price level:

$$N(t) = N(Y(t), e(t).p(t)), \quad .. \quad N' < 0 \text{ with respect to both arguments.}$$

where e is the nominal exchange rate.

Our argument requires only that the nominal and the effective exchange rates should move in the same direction, but an obvious justification for this can be given as follows. We assume a Kalecki-type mark-up pricing where

$$p(t) = (w.l + k.p'/e(t))(1+\pi)$$

where w is the (given) money wage rate, l the (given) labour coefficient per unit output, k the (given) amount of imported input per unit output, p' its world price and π the (constant) mark-up factor. The effective exchange rate e.p then becomes a linear function of e. We can then write the current surplus as

$N(t) = n(Y(t), e(t))...$ (ii)

Balance of Payments equilibrium entails:

$F(t) = -N(t)....$ (iii)

where F is the net capital inflow. In a regime of flexible exchange rates with no addition to reserves by the Central Bank and negligible additions by individuals (this is just for convenience and does not affect the argument), net capital inflows equal the net amount coming in. A part of it is long-term inflows, denoted by A, while the other part consisting of purely financial inflows, depends on the expected exchange rate relative to the actual (which is an indicator of possible currency appreciation), and the "state of confidence" in the economy.
Hence,

$F(t) = A + M(S) + F(e^\wedge(t) - e(t)).....$ $F(0) = 0$, and $F'>0..$ (iv)

where M(S) is the part depending on the "state of confidence", and e^ denotes the expected exchange rate. We are implicitly assuming that the "representative" rate of return in the economy relative to what prevails internationally is such as to ensure neither inflow nor outflow on that particular score. Of course when the exchange rate changes, then so does the price level of produced goods, and hence of various assets, and by implication of financial assets. equation (iv) therefore should be interpreted as already having taken this into account, that is, the effect of the expected asset price movement, consequent on the expected exchange rate movement, is supposed not to nullify the effect of the expected exchange rate movement itself. Finally, on the formation of expectations we have

$(e^\wedge(t) - e(t)) = g(e(t) - e(t-1))...$ $g(0) = 0$ and $g'>0..$ (v)

Given e(t-1), these five equations determine e^(t), e(t), Y(t), N(t) and F(t). From (i) and (ii) we get $Y(t) = Y(e(t))$, $Y'<0$, and $N(t) = h(e(t))$, $h'<0$. It must be the case that

$-h(e(t)) = A + M(S) + H[(e(t)-e(t-1))]$, where $H(.) = F(g(.))$, $H(0) = 0$ and $H'>0$.

There exists an equilibrium e* which is nothing else but h^{-1} (-A-M(S)) at which the exchange rate can stabilize and the expected and actual rates can coincide. If the "state of confidence" in the economy improves so that M(S) increases then e* will rise and hence Y(e*) will fall. An improvement in the "state of confidence" in the economy therefore reduces the level of activity under very general assumptions.

There are two separate issues here which one should distinguish between, one is the question of instability of the system, where even when e* exists the slightest disturbance in it may push the economy further and further away from it. The other relates to parametric change. Our argument is that even when the system is stable, a parametric change in the form of an improved "level of confidence" in the economy establishes a new equilibrium with a lower level of activity, contrary to assertions based on the illusionism of finance.

VI

The illusionism of finance which initially makes its appearance in the realm of

economics, progressively invades other realms as well. Thus "democracy" comes to signify not the sovereign right of the people to elect a government of their choice, but the exercise of this right "responsibly" to elect a government acceptable to finance capital. Lest the people act "irresponsibly", there are even suggestions, such as the one made by the *Washington Post* after the unexpected results of the recent Indian elections, that investors too, since they have so much at stake, should have a say in the election of the government *qua* investors. Likewise, "freedom" is defined not in terms of the degree to which the people become masters of their destiny but in terms of the degree to which finance capital enjoys freedom of operation: in a number of recent elections in former Soviet Republics, Ukraine being the latest example, the candidate projected by the "Western democracies" as the guardian of "freedom" was one whose *differentia specifica* consisted in the willingness to boost the "investment climate".

To be sure, one can hold the position that such boosting is essential for "development" and hence for improving the material conditions of the people which is a precondition for their acquiring greater control over their destiny. Without going into the merits of this claim, which the argument of the preceding section challenges, it at best establishes the pursuit of policies to the liking of finance capital as an *instrument* for "development". To see the adoption of this instrument itself as the achievement of freedom, to confuse the mere use of the instrument with the claimed outcome of using it, is precisely what constitutes the "illusionism of finance". A classic case of such confusion, or "inversion" if you like, is the so-called "India shining" claim made by the prvious NDA government. The fact that stock markets were booming, the fact that massive inflows of finance were taking place which the Reserve Bank was holding as additional reserves, was itself provided as proof that "India was shining", without looking closely at what the actual conditions of life of the people were. This was not just the election stunt of a particular political formation; the currency it acquired in the country's intellectual discourse was indicative of the spread of the illusionism of finance.

A whole range of propositions are advanced to sustain this illusionism. It is not enough that a government elected by the people should be in office; that government's freedom to act must be circumscribed so as to ensure proper "governance", since politicians are notoriously "corrupt, irresponsible and self-seeking". And this has to be done not through further direct intervention by the people, not by making the government even more accountable to the people, but through a whole host of measures such as putting a statutory ceiling on the ratio of fiscal deficit to the GDP; making the Central Bank, which is responsible for policies having a direct bearing on the peoples' lives, autonomous of the political process (and solicitous of the caprices of finance capital); and having "stakeholders", that is, the multilateral lending institutions which are not themselves accountable to the people, represented on all official committees. All these are different from, and in addition to, the pressures exerted by lending agencies "behind the scenes"; these amount to a redefinition of the very concepts of "democracy" and "representative government" in a manner that conform to the illusionism of finance.

What we have today is not just a situation where the global financial interests are putting pressure for the adoption of this or that set of policies or policy-regimes. It is an entire ideological structure that is sought to be erected, on a par with the structure erected by finance capital in the pre-first world war years but vastly different from it. That was finance capital based on particular advanced capitalist nations which sought to pass off its own interests as "national interests", and sought to glorify the "national idea" in order to ensure their acceptability. Now we have *globalized* finance which wishes to open the entire world for its free movement, and hence debunks the "national idea" in the name of an internationalism presided over by itself. The "illusionism of finance" in the contemporary world is a *sui generis* phenomenon. But it also represents, as did the pre-first war ideology, a

rejection of the liberal bourgeois ideology: "governance" with the help of "stakeholders" from the world of finance is very different from the traditional notion of a liberal democracy.

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