

# **The political economy of the capital account Dutch Exportism and its consequences**

**Ron Stoop**

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**Supervisor: dr. A. Wigger**

**Nijmegen School of Management**

**Radboud University, Nijmegen, The Netherlands**

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## List of abbreviations and acronyms

<b>BIS</b>	<b>Bank for International Settlements</b>
<b>DNB</b>	<b>De Nederlandsche Bank</b>
<b>EEC</b>	<b>European Economic Community</b>
<b>GDP</b>	<b>Gross Domestic Product</b>
<b>IMF</b>	<b>International Monetary Fund</b>
<b>OECD</b>	<b>Organisation for Economic Cooperation and Development</b>
<b>OEEC</b>	<b>Organisation for European Economic Co-operation</b>
<b>REA</b> <b>Council)</b>	<b>Raad voor Economische Aangelegenheden (Economic Affairs</b>

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## **Abstract**

This thesis tries to explain the 1977 policy shift of the capital account policy of the Dutch central bank from a more restrictive stance on international capital flows to a more permissive attitude towards international capital flows. Mainstream economic theories have thus far not been able to provide a credible explanation of the liberalization of international capital flows. I will use the approach of the regulation school of critical political economy to explain the policy shift on the capital account. Combining the regulation approach with other theories within critical political economy, an explanation is outlined. Before 1977, the capital account supported a specific Dutch political-economic regime that combined stricter financial regulation with export-oriented policies. This included a restrictive stance on certain forms of international capital flows. After the breakdown of the regulated global economy in the 1970s, financial and economic developments gradually undermined effective regulation of the capital account. These developments were the result of a structural crisis that resulted from the contradictions within the capitalist mode of production combined with the concerted efforts of transnational organisations, state apparatuses and individuals that formulated new ideas and policies to further the interest of money-based and financial capital. The Dutch government adapted to the new economic situation by liberalizing the capital account in order to maintain the viability of their export-oriented policy.

## Introduction

The last four decades have seen a broad move towards capital account liberalization (Fourceri & Loungani, 2018). The capital account is an accounting entity that states use to track the capital flows going in and out of a country. It is part of the balance-of-payments, and the main counterpart of the current account, that tracks the cross-border flows of goods and services that enter and leave a country. The current account and the capital account are used to estimate the economic health of a country and to understand the trade and financial flows that take place. States can choose to tightly regulate the capital account to control financial flows, or to let capital flow freely in and out of the country. From a global perspective, capital account liberalization gained traction from the late 1970s (Quinn, 2003; Oyejide, 2006). The last large liberalization wave took place in the 1990s (Gruben & Mcleod, 2001). The Netherlands was quite early in the process, and was the fourth OECD country to fully liberalize the capital account (Bakker, 1996a). After the Asian Financial Crisis of 1997, the policy of capital account liberalization has come under increased academic scrutiny, with some arguing that the costs of a liberalized capital account outweigh the benefits (Rodrik 1998; Prasad & Rajan, 2008). The evidence for the economic success of capital account liberalization is quite ambiguous. Despite the substantial amount of research on the economic effects of capital flows (Borensztein et al., 1998; Mody & Murshid, 2002; Edison et al., 2002), there is no conclusive evidence of a net positive effect. Some partial positive effects seem to have been identified. Both Quinn and Toyoda (2008) and Klein and Olivei (2008) found some evidence for higher economic growth as a result of capital account liberalization, but this is mostly limited to developed countries with a welfare state. Tobin (1978) and Dornbusch (1986) argue that excessive financial volatility can in fact have a negative impact on real economic activity. Klein (2005) found that only capital account liberalization and 'institutional quality' together had a positive association with economic growth. Other research also suggests that effects of capital account liberalization differ between developed and developing nations (Edwards, 2001; Garrett, 2000). Other studies do not find strong evidence of a positive relation between capital account liberalization and economic growth (Arteta et al., 2001). Kraay (1998) notes that a clearly measurable effect of capital account regulation on economic growth is mostly absent. Eichengreen & Leblang (2003) have suggested that the positive allocation effect and the disruptive effects of crisis tendencies might effectively cancel each other out. The idea that opening capital accounts unequivocally increases social welfare has also received criticism (Wyplosz, 1999). As a consequence of capital account liberalization, financial instability has been on the rise (ibid.) Removal of capital controls can lead to capital flight, as evidenced by Argentina's decision to remove capital controls and the subsequent increase in capital flight in the 1970s and early 1980s (Cuddington, 1986). Kaminsky & Reinhart (1999) found that occurrences of banking crises and

exchange rate crises increased sharply since 1980, and that banking crises were often preceded by financial liberalization.

Furthermore, despite more 'effective' liberalized capital accounts, GDP growth in the 1980s and 1990s was much lower than the regulated 'golden age' of capitalism during the 1950s and 1960s. Productivity growth and employment levels were also lower during the 1980s and 1990s (Singh, 2007). This is somewhat surprising, since the 1980s and 1990s witnessed the communication technology revolution and did not have massive economic shocks like the two oil crises in the 1970s (ibid.). Next to lower levels of economic growth and productivity, capital account liberalization seems to have distinct socioeconomic effects. Fixed exchange regimes (which often were combined with regulated capital accounts) have been associated with higher economic growth rates than floating exchange rate regimes (Alesina et al., 1993). Within this analysis, the impact of capital controls on growth does not seem to be statistically significant within the regression (ibid.). Furceri and Loungai (2015) find that capital account liberalization on average increases inequality and reduces the labour share of income in the short and medium term.

### **Determinants of liberalization**

Since the record of capital account liberalization from an economic, welfare-enhancing perspective is spotty at best, it is unclear why so many states still have pursued this policy line. Research on determinants of capital account liberalization gives us some pointers on possible explanations. Firstly, countries with fixed exchange rates have less open capital accounts (Berger et al., 2001). Consequently, countries with floating exchange rates therefore are more likely to have liberalized capital accounts (ibid.). Left wing governments have been slightly more likely to impose capital controls, although the differences are not huge (Alesina et al., 1993).

Several studies note the possible economic justifications for not fully liberalizing the capital account. Governments could have good reasons for wanting to maintain some control of capital flows in and out of the country. For example, governments who favour taxing capital over labour could decide to introduce capital controls to prevent capital exports and maintain a larger tax base (Alesina & Tabellini, 1989). Capital controls could also be necessary to reduce the cost of domestic debt (Sussman, 1991) or to allow taxation of foreign source income (Giovannini, 1988; Razin & Sadka, 1991). Capital controls also affect the possibilities of raising revenues from different sources, with political and distributional consequences as a result (Alesina & Tabellini, 1989). Furthermore, restricting capital outflows can lead to an increase in domestic savings (Jappeli & Pagano, 1992).

Capital account liberalization is not a purely economic phenomenon. Several authors have explored the political dimensions of liberalizing capital flows. Political institutions act as mediators in the process of preference formation of interest groups and influence policy outcomes (Garrett & Lange, 1995). Frieden (1991) argues that capital account liberalization will be primarily supported by groups that are the primary beneficiaries of such liberalization, such as actors engaged in internationally oriented business. The decision to liberalize capital accounts is not clearly supported by domestic preferences. Polling data from several countries (including the US, a capital abundant country with liberal financial policies) shows no clear support for the unhindered free flow of capital across borders (Brune et al., 2001; Slaughter & Scheve, 2000).

Capital controls are also more likely to be imposed in countries where governments (and not central banks only) have a stronger hand in the monetary policy (Alesina et al., 1993). Capital controls are more likely to be in place where central banks are less 'independent' of political pressures (ibid.). Central banks that have managed to isolate themselves from political influence are more likely to have a liberalized capital account (ibid.). The political impact of capital account liberalization is also considerable. Rodrik (1997; 1998) argues that capital mobility undermines the welfare state 'compromise' of the post-war era by eroding the tax base on which the redistributive state policies are based, and is not beneficial to society as a whole. Interest groups and power coalitions within a state can influence decisions at the expense of aggregate social welfare. (Robinson, 1998; Frieden & Rogowski, 1996; Garrett & Lange, 1995).

The spatial dimension is also significant. Countries in close proximity have often adopted broadly similar capital account policies (Quinn, 2003). This hints at international aspects being important as well when determining capital account policy. In Europe, these aspects have been especially salient. The Single European Act of 1987 mandated the removal of capital controls, dictated by the desire to achieve further European policy convergence (Eichengreen & Frieden, 1993). The influential 1989 Delors Report outlined a transition to monetary union in three stages. The first stage involved the abolition of all remaining capital controls (ibid). However, the political and economic forces behind the European Integration project are seldomly addressed. Generally, supranationalist ideas like federalism and functionalism have been used as moral and intellectual justifications for increasing European regional organization (Cocks, 1980). The international dimension of capital account regulation also casts doubt on domestic policy autonomy in general. Some have argued that capital mobility in the 1990s was already so high as to have eliminated all possibility of real domestic monetary policy independence with regards to the capital account (Lane et al., 1991). Studies by Wyplosz (1986), Park & Sachs (1987) and Bacchetta (1990) have pointed out that capital controls can

prevent short-term currency runs and balance of payments crises, but in the long run imbalances in the capital account cannot be prevented. Edwards (1999) analyzed the impact of quantitative controls on capital outflows in the 1990s and found these policy tools to be largely ineffective. This indicates that in the current globalized capital market, governments have become structurally dependent on international capital flows (Przeworski & Wallerstein, 1988).

Nonetheless, liberalized capital accounts were not always the norm. There have been periods in time that capital movements were curtailed. During the time of so-called 'embedded liberalism' (Ruggie, 1982) – which was another name for the period of roughly thirty years following the Second World War – governments had more policy autonomy, especially on the economic front. The foundation of the system was the fixed parity between different currencies. (Ruggie, 1991). Consequently, most Western (and non-Western) countries developed their own capital control management systems. These systems were more extensive than most people nowadays could fathom. It even had personal consequences. To give an example: from 1945 until 1959, a United Kingdom citizen travelling abroad was allowed to take only £100 per person per year. All these rules were set in place to manage the national balance of payments in the post-war era (Cromer, 1967).

In the Netherlands, this was not much different. In the post-war era, the Dutch government chose to strictly regulate the capital account. In 1945 the Foreign Exchange Decision led to regulation of both the current and the capital account (Hilbers, 1998). The Netherlands had a unique set of capital account policies, that gave the government far-reaching powers to intervene in the control of capital flows (De Greef et al., 1998). The Dutch policy was Monetarist, which focuses on managing the money supply as the main policy goal (Holtrop, 1963). What set Dutch 'Moderate Monetarism' apart from other inceptions of monetarism is that it did not presume that the market economy was stable in the short term (Barendregt, 1991). Additionally, it acknowledged a key role for fiscal policy and wage developments in price stability and finally it was imbued with a strong preference for a fixed exchange rate regime (Hilbers, 1998). This system was gradually changed to a more liberalized policy of capital account regulation, until the capital account was fully liberalized in 1986 (Bakker, 1996a). Particularly important is the change in 1977 from a 'negative system', which restricted capital flows unless explicitly allowed, to a 'positive system' which allowed all capital flows unless explicitly restricted (Gruijters, 1993). This change was important for two reasons. First of all, it put Dutch capital account policy much closer to the German monetary policy model, which focused on price stability and little government intervention in capital flows (Bakker, 1996a). Up until that time Dutch government policy had been closer to a French policy model, which was decidedly more interventionist and regulated (ibid). Secondly, the 'positive system' presumed free capital flows

unless a strong rationale was present for restriction of the capital account. This new 'status quo bias' clearly led to free capital flows being considered as the 'normal' policy, instead of a negative system, which implies control over the capital account unless specifically allowed.

The main question is, why did the Netherlands switch from a 'negative' to a 'positive' capital account policy 1977, even though the literature shows little real benefits in term of economic growth or enhanced stability? And why has the Dutch government ceded real domestic policy autonomy by abolishing capital controls?

### **Mainstream theories fall short**

The neoclassical explanation for capital account liberalization is that international financial markets allow residents from different countries to pool risks, and that developing countries can attract investment more easily in liberalized global financial markets, increasing the total efficiency of the global economy (Obstfeld, 1998). The neoclassical view of capital account policy also labours under that assumption that governments on the whole are benevolent social planners who will decide on capital account liberalization based on maximizing aggregate social welfare (Brune et al., 2001). From this perspective, capital account liberalization seems like a straightforward, efficiency-enhancing choice. The neoclassical explanation cannot satisfactorily explain capital account liberalization, since they would argue that rational, welfare maximizing policies would be enacted, while there is no clear evidence that capital account liberalization is beneficial for society as a whole.

Other, more political theories for regional (economic) policy integration have tried to explain the reasons for countries to harmonize (capital account) policies and integrate politically and economically. In the European case, the most common explanations are neofunctionalism (Haas, 1958), that sees integration as a logical succession collaborative 'spillovers' from one policy area into the other, and Liberal Intergovernmentalism (Moravcsik, 1993) that looks at domestic policy preferences that are projected onto international bargaining processes where states commit to voluntary cooperation. Neofunctionalism argues that further regional integration pressures are inevitable 'laws of nature' and that national policy autonomy is no more than a series of obstacles that can be overcome by ever-closer cooperation. The problem with this approach is that it sees integration as 'natural' and denies any agency to actors involved in the process (Colomy, 1998). Liberal intergovernmentalism also does not hold up particularly well, since there are no signs of mass public support (or even awareness for that matter) for capital account liberalization (Brune et al., 2001; Slaughter & Scheve, 2000).

## The regulation approach

I would propose an alternate framework that can explain the change of regulated capital accounts in the 1950s-1960s to a liberalized system from the late 1970s onwards. The framework in which I will be conducting the analysis is the approach of Critical Political Economy. More specifically, the *Regulation approach* will be used to explain the shift from a more regulated nationally determined capital account to the global emergence of capital account liberalization. The Regulation approach tries to explain political economic phenomena through a variety of structural Marxist theory that looks at the structure of capitalist system (Jessop & Sum, 2006). I will apply this approach to the liberalization of the Dutch capital account to see if it can deliver an adequate explanation for the shift. The Regulation approach is based on the critical realist perspective of science. Critical realism seeks to uncover the mechanisms that lie beneath observable mechanisms. The objective world exists, but cannot be observed directly, since all actors are themselves also constituents of this reality (Archer et al. 2013). Critical realism does not seek to formulate generally applicable and clearly observable laws, which is the common approach in mainstream economics. Instead, critical realism observes the world and uses 'retroduction' to formulate causal mechanisms that can sufficiently explain political economic outcomes (Sayer, 1992). Since the causal mechanisms can manifest themselves on different levels of abstraction (eg. individual, group, nation, system), different dynamics can be present in the subset of social relations and structures that make up the whole. Several theories with different abstraction levels can be combined in one analysis, in order to explain a set of causal mechanisms that mutually influence each other. This allows for more complex theorizing when compared to the 'cookie cutter' approach of mainstream economic methods.

Because the Regulation approach mainly operates on the structural level, I will also look at other theoretical contributions that allow us to look at agency-informed explanations within transnational organisations, the Dutch state apparatuses and the individual level. These theoretical contributions are the state theory of Poulantzas (1978), the theory of the organic intellectual of Gramsci and the additions of the Amsterdam Project to the regulation approach (Gramsci, 1971; Bode, 1979; Overbeek, 1980; Van der Pijl, 2014). All these perspectives will be outlined in more detail in the theory chapter. Since the regulation approach and the critical realist ontology and epistemology are outside of the academic economic mainstream, I will take more time to outline the theories and research methods that are being used in the theory and method chapters. After that we will apply the theories to the change of the Dutch capital account policy in 1977 from a 'negative' to a 'positive' system. Finally, I will discuss the fit of theory on the Dutch case, the scientific relevance and the possible future research agenda.

## Theory

The regulation school originated from a fundamental critique of the neoclassical economic theory, which presupposed the self-regulating character of market economies (Aglietta, 1976). Regulation theory draws from its Marxist heritage (Nadel, 2002). The regulation school does not aim to provide a generally applicable, transhistorical account of economic behavior or performance (Jessop & Sum, 2006). It also does not consider capitalism as a 'natural', rational expression of economic behavior (ibid). It instead tries to develop concepts and models that can explain the historical emergence of capitalist forms of economic development, and its ability to maintain some level of coherence over reasonably long periods of time without continuously breaking down into crisis (ibid.). The dominant economic theory uses microeconomic foundations and tries to formulate an 'Extended Standard Theory', regardless of political, cultural and economic circumstances (Favereau, 1989). Regulation theory was founded on the critique of the notion of homo economicus, but also on the structuralist approach (Jessop & Sum, 2006, p. 215). Economics is not a collection of rational market subjects interacting in a series of complete markets. Individuals take in positions across several social relations that vary across time and place. The rationality of individuals is 'situated', contrary to the 'classical economics programme' that views individuals as representative agents operating in an institutional void (Orlean, 1994; Boyer & Saillard, 2005, p.36). Regulation theory recognizes the limits of rationality for agents, since the relations in which they are nested can lead to radical uncertainty and strategic behavioral patterns amongst groups of people, destabilizing fully predictable and rational expectations (Boyer & Saillard, 2005). Economic actors interact on the basis of a complex set of institutions, rules of the game and conventions that imply a manifold situated rationales (Orlean, 1994). This means it would be illusory to try to explain politico-economic developments based on a set of unchanging principles valid for all times (Boyer & Saillard, 2005). From this follows that it is important to study the nature of institutions that exist in economies, and it does not suffice to see them as 'natural' or 'logical' results of economic processes (Bruno, et al., 1995).

Regulation school rose to prominence during the 1970s, when the stagflation crisis left numerous scholars puzzled as to the capacity of capitalism to survive the crises as well as it did (Jessop & Sum, 2006, pp. 37-38). Within the regulationist perspective, the Parisian school was concerned with the analysis of what they called 'accumulation regimes' (ibid. p.19). These accumulation regimes would succeed each other and would each have their own mode of accumulation and mode of regulation, in order to temporarily accommodate the crisis nature within the capitalist mode of production (ibid.). The process of capital accumulation is regulated by a hierarchical set of institutions that crystallize the balance of power between classes and fractions of capital (Aglietta, 1979).

Regulation theory has developed a set of conceptual tools that allow us to analyze modes of production, accumulation regimes and modes of regulation (Boyer & Saillard, 2005). With the regulationist perspective, three levels of analysis can be distinguished, with different degrees of abstraction (Boyer, 1986).

- The mode of production. In this case the capitalist mode of production, that 'imposes the primacy of exchange values over use value' and makes accumulation an imperative of the economic system (Boyer & Saillard, 2005, p.38).
- The accumulation regime. These are the socio-economic patterns that allow accumulation to occur in the long-term perspective (at least in between two structural crises) (ibid, p.38).
- The mode of regulation. These are the specific configurations of social relations for a given accumulation regime. These institutional forms socialise the behavior of economic agents, thereby forming a passage from micro to macroeconomics (ibid, p.39).

Accumulation regimes can be studied by mapping the social and economic patterns that enable accumulation to occur for reasonably long amounts of time. Descriptions of accumulation regimes include their reproduction and the potential crises that result from them (ibid.). At this level of abstraction, the focus is mainly on observing regular patterns.

Modes of regulations consist of the specific configuration of social relations that reproduce social and economic patterns. Regulation theory aims to describe these institutions and the interactions that take place within and between them by actors who act from a structurally inscribed form of situated rationality (Orlean, 1994; Boyer & Saillard, 2005). The institutional forms of a mode of regulation structure the heterogenous behavior of actors, thereby linking the micro level (agents) to the macro level (institutions, regimes, and modes of production) (ibid.).

In regulation theory, the overlap of institutional forms implies the rejection of simple, monocausal explanations of economic phenomena (Jessop, 2006). Money cannot be neutral, and the origin of inflation cannot be monetary alone (Boyer & Saillard, 2005). The decisions (and their adjustments) made by decentralized economic agents with limited rationality, take place through the interaction between the procedural and the behavioral aspects of the mode of regulation (ibid). In contrast to the static equilibrium presupposed in neoclassical economic theory, a mode of regulation implies an analysis of dynamic processes that constantly try to mitigate the disequilibria that emerge from the logic of accumulation (ibid.). These processes can continue until the institutions (and the interactions that take place there) no longer suffice to preserve the accumulation dynamic of that particular mode of regulation. This can lead to a structural crisis of either the mode of regulation, the

accumulation regime or (theoretically) the mode of production itself (ibid.). Depending on the type of crisis, institutions, social forms, norms, values and political discourse will have to be recalibrated or subverted in order to return to a new regime that will return a more or less coherent form of medium-term stable accumulation (ibid.).

Regulation theory mainly looks at five institutional forms of the social relation that influence both the accumulation regime and the mode of regulation. These five institutional forms are:

- Monetary regime
- Wage-labour nexus
- Form of competition
- Nature of the state
- Insertion in the international regime

The importance of these institutional forms for the accumulation regime and the mode of regulation can differ in each variety (Boyer & Saillard, 2005). For example, in a nationally-oriented accumulation regime, the insertion in the international regime might play a smaller role than in a transnationally-oriented liberal market economy. The combination of these five institutional forms constitutes the ensemble of social relations that contingently reproduces the mode of production, the regime of accumulation and the mode of regulation. For the purpose of this research, I will focus mostly on the money form of the accumulation regime.

### **Money and Central banks in Regulation theory**

The contribution of the regulation theory to monetary theory is its understanding of money as a social institution. It is one of the five institutional forms defining an accumulation regime (Boyer & Saillard, 2005). Money is important since the modalities of its creation and its circuits of circulation codetermine the growth and accumulation pattern of an economy (ibid.). Money is the most liquid form of capital, used by investors to spend money now to earn more later, and by the wage earner to socially validate the exchange value of a produced commodity (Guttman, 2016).

Regulation theory argues that changes in the modalities of any monetary standard play an important role in the transition between accumulation regimes (Boyer & Coriat, 1984; Boyer, 1993). Monetary standards within accumulation regimes are subject to specific modes of regulations, such as central bank management of money creation, government regulation of the banking sector, lender-of-last-resorts policies and rules of international capital flows (Boyer & Saillard, 2005). Each type of accumulation regime has its own type of monetary regime (Guttman, 1994). According to

regulation theory, the money form of any mode of regulation exceeds national limits, involving relations and overlap between national and international institutional forms. Monocausal or mono-actor based explanations are rejected (Boyer & Baillard, 2005). Money is by definition not 'neutral', but based on institutionalized social relations (ibid).

The central bank has played a unique role within the capitalist mode of production and its accumulation regimes. Michel Aglietta (1979) wrote extensively on the money form in the capitalist mode of production, the role of the central bank and its specific, historically contingent forms that supported the current mode of production. This includes the inception and role of the central bank as a key agent in the monetary social relations. Below I will outline his theory of credit and monetary systems (Aglietta, 1979. p.327-378). Within a capitalist economy, credit tends to continually enlarge the limits of commodity production by anticipating the indefinite expansion of commodity purchases by wage-earners. The expectation of ever-increasing realization of the exchange value of commodities mediated by the money form contradicts the general principle of the uneven distribution of value creation that is inherent in the capitalist mode of production (ibid). In a non-central bank money system this contradiction expresses itself by continual money crises, where extended credits cannot be repaid due to overaccumulation and the resulting demand shortfall that fails to realize the total sum of exchange value that was anticipated. This 'unstable' mode of the money form was dominant in the United States of the 19th centuries. Frequent banking crises were endemic in this system (Stein, 2012).

This is where the central bank comes in. The central bank acts as the enforcer of the acceptance of money as the general equivalent of commodities. Instead of the uneven development of the production relations leading to insolvency, the central bank confirms the private profits made by the banking sector by regulating the role and value of money, and by backstopping any bank failures by acting as the lender of last resort (Aglietta, 1979). This willingness of the central to transactionally legitimize (excessive) private credit creation leads to an inherent inflationary bias in the economy, since the deflationary shocks that are the logical result of the imbalance of productive forces in the capitalist system are postponed by providing liquidity to insolvent and illiquid banks (ibid.). The banking system in a mode of production based on capitalist accumulation is inherently unstable, and any form of coherence is in fact a 'metastable equilibrium' and can only be truly solved by way of social class transformation (ibid, p. 355).

The central bank indirectly controls the money creation process, but the creation itself is still done by the private banking system. Central bank policy is constrained by structural factors, such as the structure of capital and labour markets, an economy's position in the world and the dynamics and

contradictions of the logic of capital accumulation (Epstein and Schor 1986, 1988, 1989). The private credit creation process is also subject to continuous innovation, mostly centered around evading or bypassing central bank regulation (Boyer, Saillard, 2005). The ability of private banks to escape effective regulation in practice prevents pure monetarist rules (such as the quantity of money rule) (Friedman, 1995) from achieving control over credit creation (Boyer & Saillard, 2005).

The process of inflation is an expression of the overaccumulation of capital. Due to uneven development of the production relations the realization of the total product will increasingly be made possible on credit (Minsky, 1964; Minsky, 1982), not on social consumption of the wage alone. This expansion of credit will in the end always be validated by the central bank due to its responsibility as enforcer of the monetary system. By supporting the private credit creating banks with lender of last resort policies, the central bank severely weakens the 'monetary constraint', that is, the requirement of realizing the value of the produced commodity by selling it before being able to spend (De Brunhoff, 1971), thus leading to extra demand for credit, higher indebtedness and a general shift towards speculative capital (Aglietta, 1979). Concludingly, the central bank is not just a 'normal' state apparatus but is an institutionalized answer on the primordial crisis tendencies of the money form in the capitalist mode of production.

Criticism has been levelled towards the Regulation school for its lack of agency within its research program (Jessop & Sum, 2006). Regimes and institutions are described but lack clear causal mechanisms in which actors can reproduce but also transform the capitalist social relations. Fortunately, additional theoretical concepts can supplement the analysis of the regulation school.

### **Bringing in the state**

In order to move from the more general aspects of the regulation school to the political class conflict within the state, I will employ Poulantzas' theory of the modern state. Nicos Poulantzas theorized on the role of the state within capitalism, and saw the state as a social relation within the capitalist system, much the same as the regulation school. Poulantzas theory differs mostly in the level of abstraction. Poulantzas' theory describes the workings of the state and its constituent elements within capitalism. The twentieth century saw the emergence of the large, bureaucratized state. This led to a new social constellation that reshaped the way in which capitalism operated. These developments prompted new Marxist philosophers to theorize the role of the state in capitalism. Especially Antonio Gramsci (1971), and later Poulantzas (1978) wrote important contributions on the role and impact of the modern nation states on the reproduction of the capitalist system.

The debate on the role of the state in capitalism was renewed in the late 1960s by the apparent success of the 'Keynesian welfare state' to manufacture some level of stability in society (Jessop, 2008, p. 4). This sparked discussion about how the state in capitalism should be understood. Important are the contributions of Nicos Poulantzas, whose concepts are later expanded by Bob Jessop. Poulantzas argued that the Keynesian welfare state could not solve the crisis tendencies inherent to capitalism (Poulantzas, 1975; Poulantzas, 1978). The state was capitalist in itself, and recreated the capitalist productive and social relations. States did not serve as neutral actors or platforms for the class struggle, but rather had an inscribed bias towards the capitalist mode of production.

Poulantzas described the capitalist state as a 'hierarchically organized, centrally-coordinated, sovereign territorial state, based on the rule of law and typically combined with a bourgeois democratic form of government' (Jessop, 2008). Poulantzas' approach was unique since he positioned himself in between an agency-based and structure-based theory of the capitalist state. He described the state as a 'relationship of forces, or more precisely the material condensation of such a relationship among classes and class fractions, such as this is expressed within the State in a necessarily specific form' (Poulantzas, 1978). This points to the inherent bias in state institutions towards the reproduction of capitalism. However, the state is not simply a superstructure that only serves the needs of the capitalists. Poulantzas stressed the 'relative autonomy' of the state, in which powers are 'relational' and 'conditional' upon the social forces that materialize within the state (ibid.). The argument Poulantzas makes is that the structure alone does not suffice in explaining the endurance of the capitalist type of state. The state reproduced the capitalist mode of production 'on the one hand, by changes in the relations of production and social division of labour and, on the other hand, by changes in class struggles, especially political struggles' (Poulantzas, 1978, p. 158). In short, agency of actors, apparatuses and institutions could also influence the process itself by way of class struggles.

The Poulantzian concept of 'structural selectivity', later reformulated to 'strategic selectivity' by Bob Jessop (1999) describes the behavior of the state. Strategic selectivity refers to how the structure of the state may privilege some actors, identities, strategies, spatial and temporal horizons, or actions over others in which actors are aware of this institutional privileging process and therefore use a strategic approach when choosing a course of action (ibid.). Jessop expanded upon this notion, and described the state as 'an ensemble of power centres that offers unequal chances to different forces within and outside the state to act for different political purposes' (Jessop, 1999, p.55). The products of the economic and political class struggles will be materialized in the state institutions themselves

in the form of rules, procedures and structures, which leads to a certain class bias in these institutions (Bratsis, 1999). Within the state, institutions are also immersed in a structurally inscribed class struggle. Poulantzas (1978) considers state apparatuses as being more than simple 'appendages of power'. They play an integral role in the distribution and execution of power within the state. The apparatus can have an outsized influence on the decision-making process. State institutional bodies do not take neutral decisions but strategically select and privilege the interests of some actors above others, advancing or obstructing particular fractional class interests (Jessop, 1999). This means that the state apparatus has a form of autonomy, but it should not be viewed as a neutral platform.

Poulantzas also describes the process of the state apparatus becoming more and more divorced from representative democracy, arguing that 'the state bureaucracy has shut itself up in a watertight container' (Poulantzas, 1978; p. 272), sealing itself off from any outside influence. The administration then starts to assume the role as organizer of monopoly capital. Specific ministries, such as the ministry of Industry or Finance take the form of 'structurally organized networks involving the specific presence of hegemonic interests within the State' (Poulantzas, 1978; p. 274-5). The state bureaucracy is becoming not only the principal site, but the 'principal actor in the elaboration of state policy'. This renders it unnecessary to strike political compromises in the political arena (Poulantzas, 1978; p. 274). This does not mean that the state is simply becoming 'stronger'. Poulantzas calls this the 'strengthening-weakening' of the state (Poulantzas, 1978; p. 294). This combines the increasing distance and lack of democratic control between the administration and the electorate (strengthening) and the increasing lack of capacity and legitimacy of the state to counterbalance the crisis tendencies of the capitalist state (weakening) (Poulantzas, 1978; Wissen, 2011). Besides a theory of the state, we also need a theory of the role that transnational organisations and individuals can play within the capitalist mode of production. For this we turn to Gramsci and the contributions of the Amsterdam project.

### **The Amsterdam project and the organic intellectual**

Gramsci is most famous for his theory of 'Cultural Hegemony' (Gramsci, 1971, p. 258), which he described as a mode of class domination obscured by cultural-ideological notions of the 'national interest' and by the propagation of values, ideologies, norms and knowledge systems that are meant to gain compliance of the exploited workers (ibid., p. 181-182). This hegemony functions as a 'superstructure' that is superimposed over the 'base' of the productive social relations in capitalism (ibid. p. 366). Gramsci modelled the image of power after the concept of half man, half beast, inspired by the writings of Machiavelli (ibid., p.170). This concept stood for the combination of

consent (man) and coercion (beast) that together constituted political hegemony (Cox, 1983). The building of hegemony requires the building of what Gramsci (1971) called a historic bloc. A historic bloc is a specific arrangement of social forces whose dominance is supported by an organic fit between material conditions, ideational concepts, and institutionalized practices (van Apeldoorn, 2003). Historic blocs tend to be furthered by a particular class fraction or a synthesis between two or more class fractions. Class fractions are groups of capitalists unified around a common social and economic function in the process of capital accumulation and share a set of ideological assumptions connected to their role in the system (van der Pijl, 1989).

An important contribution of the Amsterdam Project to the regulation school and the Gramscian concept of hegemony was the analysis of the specific constellation of class fractions and their influence on the forming of transnational historical blocs, either European or global (Bode, 1979; Van der Pijl, 1978; Overbeek, 1980).

Money capital is considered the most abstract and general form of capital but can take different concrete forms, such as high finance (Overbeek & van der Pijl, 1993). The orientation of money capital tends to be geared towards the principle of economic liberalism (Polanyi, 1944; Van Apeldoorn, 2003). The money capital concept of control was dominant during the era of 'liberal internationalism' in the first decades of the twentieth century (van der Pijl, 2014). More recently, neoliberalism represents the interests of money capital in its most mobile form coupled with transnational profit-producing capital, with an interest in expanding into ever larger markets, overcoming national regulatory barriers, and even shaping new legal and institutional frameworks to protect its interests (Gill, 1998; van der Pijl, 1998; Overbeek & van Apeldoorn, 2012).

The general ideological perspective of the productive capitalist tends towards the principle of social protection and uses instruments of intervention as its method (Polanyi, 1944; Van Apeldoorn, 2003). This perspective follows from the direct dependency of the producer on land, law and labour in order to create surplus value (Van Apeldoorn, 2003). Furthermore, the productive capitalist might actually depend on the state to ensure the conditions for sustained accumulation through subsidies, protective measures and sufficient domestic demand (ibid.). Corporate liberalism was a compromise between an internationally oriented money view of capital, founded on the principle of international liberalism, and a national view of productive capital, founded on the principle of social protection (van der Pijl, 2014).

Although bankers have generally tended to adopt a money capital perspective, in some cases they have also adopted a productive capital perspective due to specific institutional links connecting them

to industry (van Apeldoorn, 2003, p.27). Conversely, industry managers have been seen to increasingly adopt a money capital perspective, due to the way their interests can be tied towards financial capital (ibid.). The perspective of any group within the capitalist system is heavily influenced by the institutionalized balance of power that is present at any given time. The fractions of capital do not necessarily display animosity towards each other. In fact, they can even cooperate, merge, or divide themselves into new subfractions under the various modalities of the capitalist mode of production (Nicholls, 1988). To give an example, the British landed aristocracy cooperated with the industrial bourgeoisie in the early- to mid-19th century, but allied itself with the commercial and financial elites based in London in the late 19th century and created a new social bloc that subordinated the needs of industry to the requirement of an internationally oriented commercial capitalism (ibid.).

The process of class formation also structured by the scale on which capital operates, or what has been called the 'spatial coordinates of capital accumulation' (Overbeek & Van der Pijl, 1993, p. 5). Capital that operates on a national scale tends to have different interests than capital operating on a transnational scale (van Apeldoorn, 2003). These types of interests can intersect with the money and industry capital view, shaping new capital fractions and transforming existing ones. The transnational class formation is a process of both structural transformation as well as a result of agency-based interactions within that structure (Overbeek, 2004). The rise of a transnational bloc and the structural and relational implications of these changes are key for the research program of AP. The formation of this new global historical block reshapes the global political economy, with an ever more important role for a global political and managerial class led by elites from hegemonic states, residing in what Van der Pijl (2001) calls the 'Lockean Heartland' (Overbeek, 2004), initially consisting of mainly England and its English speaking (former) settlements. This resulted in a new accumulation regime, also called the neo-liberal accumulation regime, based on global governance structures, the dominance of global financial capital, the commodification of society and the 'pervasive penetration of the private profit motive in all spheres of human existence' (Overbeek, 2005).

This transition to a neoliberal accumulation regime also took place within Europe and its institutions. The Amsterdam Project has formulated theories that criticize the prevailing explanations of European economic integration. In mainstream literature the debate over European integration was dominated by the neofunctionalist school (Haas, 1958; Haas, 1964) and the Liberal Intergovernmentalist school (Moravcsik, 1993). The neofunctionalist school considers European integration the result of functional pressures and spillovers that generate new rationales for further

European integration. It has a strong teleological component since integration is seen as a 'natural' process and not as a contingent outcome of political struggles. Liberal Intergovernmentalism understands European integration as a result of rational decisions made by national politicians, informed by domestic policy preferences and limited by constraints and interstate power asymmetries, resulting in interstate commitments that have been subject to negotiation and bargaining (Moravcsik, 1991). The Amsterdam Project articulates another explanation. European integration is not a rational outcome of inevitable political and economic processes but is a fundamentally open-ended and contested process that takes place within a global, structural context that shapes and conditions both the form and the content of the integration process (Van Apeldoorn, 2003; Van Apeldoorn & Horn, 2018).

The capital fractions discussed before can have structural conflicts of interest and vie for political and economic hegemony via the formulation of 'Comprehensive Concepts of Control' (CCCs). CCC's are the generalized discursive condensations of fractional class interests, and when successful will be broadly adopted as 'common sense' for managing society (Bode, 1979; Van Der Pijl & Yurchenko, 2015). A concept of control is a project in which economic, political and social conceptions of society are formulated that both approximately serve the needs of a particular fraction of capital while also containing the notion that the general interest is being served (van der Pijl, 2014). Concepts of control can be formulated around different moments of the capitalist system, such as labour relations, competition or international politics (ibid.). CCCs are expressions of a specific configuration of social classes at the ideational level (Horn & Wigger, 2018). Comprehensive concepts of control are integrated politico-economic programmes, including complementary strategies around labour relations, socio-economic policy and foreign policy (Overbeek, 1990). Although concepts of control manifest themselves through ideas, they remain rooted in the structural conditions of capitalism (van Apeldoorn, 2003).

Concepts of control can be held due to the agent's function in the system, such as a banker itself, or because the agent was socialized by a capital concept that was dominant at that moment in time (Overbeek, 1980). This would be true for parts of the public who did not have a direct interest in a money capital view but would nevertheless reason within the bounds of the concept of the money view due to historical contingency and the situated rationality of being embedded in a hegemonic view of capital (van der Pijl, 2014). A successful application of a hegemonic concept of control will generally include the disorganization and disarticulation of other classes or class-fractions (ibid.).

A criticism of the Amsterdam School is that they project too much 'class coherence' to the formation of transnational capital and the neoliberal project (Bieler & Morton, 2018). Amsterdam School

scholars have insisted that the class fraction perspective should not 'overdetermine' the historical analysis (Knafo, 2018). Nevertheless, the classification of two ideal-type capital concepts, the money capital concept and the productive capital concept allows us to contextualize the concepts of control that are used by social classes to obtain hegemony (Overbeek, 2018).

The fractionation between the dimensions of productive and money capital as well as national and transnational capital allow us to study the formation of hegemonic projects that combine different fractional elements to create their own concepts of control, that become effective when translated into state policy (van Apeldoorn, 2003; Horn & Wigger, 2018).

A key agent in the formulations of concepts of control is the 'organic intellectual' (Gramsci, 1971). According to Gramsci, intellectuals play an essential role in building a historic bloc. Intellectuals are 'organically' connected to a social class, and function as conveyors of mental images, technologies and organisations that bind together members of a class and shape a common identity (Cox, 1983). Every social class organically creates within itself one or more strata of intellectuals which provide the class with homogeneity and awareness of its own function within the economic, social and political spheres (Gramsci, 2005). The relationships between the intellectual and the productive forces and their social class are not necessarily direct, but can be mediated by the whole fabric of society and the complex of superstructures that extend from the production relations (ibid.). Intellectuals are, as it were, 'functionaries' of a social class, furthering social harmony and political government by effecting consent and legitimizing the apparatus of state coercive power (ibid.). Organic intellectuals of the dominant social groups formulated and disseminated these intellectual and moral ideas transforming them into 'universal' ones which would bind subordinate groups into the existing social order (Gramsci, 1971). Organic intellectuals are in a unique position to shape and intervene in hegemonic conceptions of the world and can be vital in class formation and the formulation of comprehensive concepts of control that may help propel class factions towards politico-economic hegemony (Strine, 1991). A common error in applying the framework of the intellectual is the supposition that an intellectual is defined merely by the activities he performs. While understandable, this is incorrect. The intellectual derives his role from the position that he takes within the ensemble of the system of relations that supports the mode of production (Gramsci, 2005).

## **Ontology and Epistemology**

The regulationist school typically works with a critical realist scientific ontology and epistemology (Jessop & Sum, 2006). Its theoretical underpinnings derive from the general Marxist tradition of historical materialism, which mainly focuses on studying the modes of production and their transformation through class struggle (*ibid.*). A critical realist ontology presupposes those historical and social phenomena are 'open-ended and contingent outcomes of dynamic interplays between material structures, discourses and agents' (Buch-Hansen & Wigger, 2011, p. xii)

The critical realist ontology falls somewhere in between the idealist ontology, that is characterized by entities constituted entirely by discourse, and the empirical realist ontology, that focuses on observed (atomistic) events and the possibility of generalizing these observations into universal laws (Fleetwood, 2014). The regulationist (and thus critical realist) approach implies the inadequacy of formulating general, empirically observable rules, and instead focuses on articulating the mechanisms underneath that contingently reproduce the observable phenomena (Jessop, 2003). Critical realism is a perspective that offers a new alternative to the established research paradigms of positivism and interpretivism (Houston, 2001; McEvoy & Richards, 2006). Critical realism posits that our knowledge of the world is necessarily mediated by the discourses that are available to use, but we are able to get empirical feedback from the accessible (empirical) aspects of the world around us (Sayer, 2004). Within critical realism there are three ontological domains (or modes) or reality (Bhaskar, 1978; Delorme, 1999). Firstly, there is the 'real', which constitutes the structures and mechanisms that generate phenomena, but are 'intransitive', or unobservable. The second mode is the 'actual' which are the aspects of reality that occur as a result of the real but are not necessarily experienced. Finally, we have the empirical mode, which consists of the aspects of reality that can be experienced and observed (*ibid.*). Reality in critical realism exist independently of our knowledge or perception of it, but cannot be observed directly, and thus belongs to the 'intransitive' domain (Archer et al., 2013; Bhaskar, 1975). Research and the generation of knowledge is a human activity and represents socially produced knowledge of an intransitive reality (Archer et al., 2013). The aim of critical realist research is to use the observable empirical events to identify the mechanisms that underlie these events (Volkoff et al., 2007). In short, the essence of science for the critical realist perspective is the 'continuing, spiral movement from knowledge of manifest (empirical) phenomena to knowledge of the underlying structures and causal mechanisms that generate them' (Jessop, 2003, p.12). Knowledge generation occurs from the movement between 'hypothetico-deductive' and experimental phases in order to obtain a continual, dialectical transformation of concepts (Aglietta, 2000, p.15). In order to understand the objective relations

underlying the world as we perceive we should still study the outward representations that are believed to represent 'reality' by others, since their beliefs and understandings of the world play an important part of the reproduction of the social relations (Lipietz, 1986). This effectively means that the way that agents interact with this outward representation of reality are the foundations of the underlying tendencies that are being reproduced and therefore continue existing (ibid). Social structures within critical realism are not merely imperceptible causal mechanisms underlying observable effects, they are constantly reproduced as the outcome of human agency and as a result cannot be identified independently of their effects (Bhaskar, 2013). Ideas and material conditions are not separate, instead they mutually influence each other (Cox, 1983) To quote an important scholar in the critical realist tradition: 'all activity presupposes the prior existence of social forms' (Bhaskar, 2013, p. 43). The implication of this is that the capitalist mode of production is not an 'iron law' as such, but depends on the continuing struggle to prevent the disarticulation of the capital relation and its socially constituted unity (Jessop, 2006). The regulationist approach occupies the middle ground between a determinist structuralist mode of reproduction and a voluntarist, agency-based explanation, with neither of them being sufficient to explain the emergence the modes of production, accumulation and regulation (Jessop, 2005). This method of inferring knowledge has been called 'retroduction' in critical realist methodology literature (Jessop, 2003; Jessop, 2005; Jessop & Sum, 2006; Overbeek, 2009; Wigger & Horn, 2016). In short, retroduction is about explaining why things appear the way they do, and which mechanisms lie underneath it (Olsen, 2007). The critical realist perspective allows us to study both structure and agency, since both are vital to uncovering the causal mechanisms that lie beneath the world as we perceive it. Since historical and social phenomena are 'open-ended and contingent outcomes of dynamic interplays between material structures, discourses and agents' (Buch-Hansen & Wigger, 2011, p. xii), our analysis can combine and move between different levels of abstraction in order to connect concepts, social-material structures and the manifold reproductions of moments within the capitalist social relation.

### **Method of analysis**

Retroduction is a mode of inference in which events are explained by identifying and articulating causal mechanisms that could be capable of producing these events (Sayer, 1992). In order to achieve this, Downward and Mearman (2007) argue that triangulation of research methods is essential. Methodological triangulation is different from data triangulation in that it combines different research methods, such as an array of quantitative and qualitative approaches, and not only uses different data sources, as would be the case in data triangulation (ibid.). Downward and Mearman

(2007) also argue that the mixed-methods triangulation approach can be understood as the (methodological) manifestation of retroduction, the epistemology used in critical realism. This approach can provide a basis upon which different kinds of insights can be combined and which can potentially united different traditions of economic and social research (ibid.). The retroductive approach often combines both quantitative and qualitative methods.

Quantitative measurements can often be helpful to uncover so-called 'demi-regularities' (Bache, 2003). Demi-regularities can be explained as partial regularities that can actualize certain tendencies within a certain region of time and space (Lawson, 1997). The concept of a demi-regularity is helpful in the sense that it can help incorporate quantitative data into explanations of causal mechanisms, thus strengthening the case for the theory proposed (Zachariadis et al., 2013). Additionally, it can give clear pointers towards aspects of the causal mechanisms that are still undertheorized and can lead to a revision of parameters, scope or observation method (ibid.). Within the quantitative research sphere, data triangulation is the practice of using several sources of data to gather a more complete picture of the situation, as well as addressing any data gaps that can occur when using a single data source (Downward & Mearman, 2007).

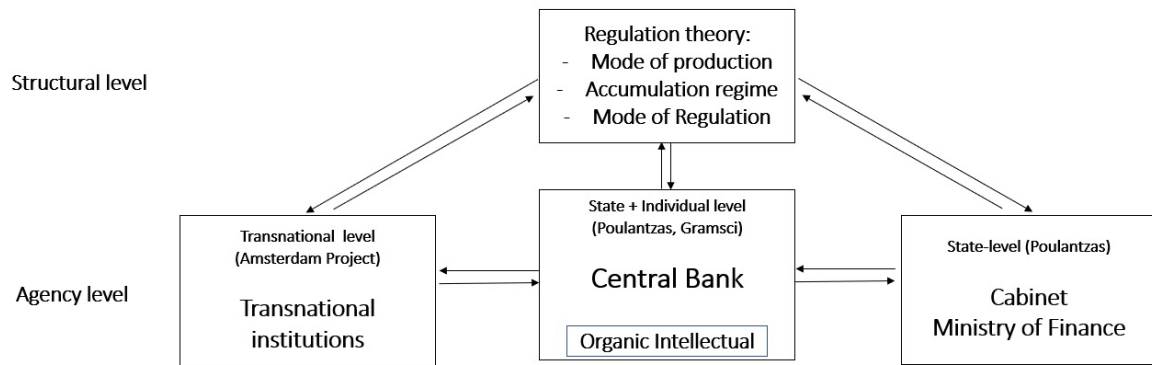
Qualitative methods play a more profound role within critical realism (Zachariadis et al, 2013). Qualitative methods such as interviews, case studies, archival research and historical narratives are 'epistemologically valid' and more capable of building propositions, hypotheses, structures and (interactions between) mechanisms that can explain an event (Tsoukas, 1989, p. 556; Layder, 1990; Sayer, 2000; Volkoff et al., 2007; Zachariadis et al., 2013). The most widely recognized approach to use mixed methods to perform a retroductive analysis is to identify certain demi-regularities based on data patterns, which serve as a guide to more intensive qualitative research methods that aim to uncover the mechanisms, structures and forms of agency that together produce the observed event (Zachariadis et al., 2013). Using the critical realist view changes the role of quantitative approaches. In the conventional 'realist' approach quantitative measures are used to theorize general laws based on the correlation between variables (Lawson, 1994). In critical realism, quantitative measures can help to quantify characteristics or properties of certain objects (Sayer, 1992), but are generally embedded in qualitative analyses of causal mechanisms that explain the observed events (Zachariadis, 2013).

### **Process tracing**

Within the (critical realist) case study design, process tracing can be used to explain empirical outcomes in the social sciences (Beach, 2017). One variant of process tracing, called explaining-

outcome studies, can be used when existing theories or approaches fail to provide a sufficient explanation of the observed event (Beach & Pedersen, 2012). An outcome-explaining case study can be thought of as seeking the causes of one specific outcome in a single case (Gerring, 2006). The idea is to create a minimally sufficient explanation of an observed outcome that still accounts for all the important aspects of the observed event (Mackie, 1965). In an outcome-explaining study the causal mechanism proposed is geared towards explaining the actual event, and does not directly aim to generate generally applicable mechanisms (Beach & Pedersen, 2012). While the theory-building process-tracing method has some overlap with the explaining-outcome process-tracing method, the theory-building variant generally aims to create a theory that can serve as a more generalized causal mechanism that can be used outside the specific case it which it is built (ibid.). The explaining-outcome process-tracing method aims to uncover the complex ensemble of systemic and case-specific mechanisms that produced the observed outcome, and can therefore not be detached from the particular case (ibid.). Theorized mechanisms serve as heuristic instruments to support the best possible explanation of the observed outcome (Humphreys, 2010). Explaining-outcomes process-tracing is exceptionally suitable for applying regulation theory, since each country possesses a unique accumulation regime supported by modes of regulation and should be studied in its own right (Lipietz, 1985). Within regulation theory (and also within critical realism) causal mechanisms that are uncovered and theorized are specific and in principle only valid to the explanandum of the research (Jessop & Sum, 2006, p. 302). Throughout the development of regulation theory, it was recognized there was no one-size-fits-all accumulation regime (Jessop & Sum, 2006, p. 226). A broad set of theories has been developed that go beyond the general Fordist/Post-Fordist accumulation regimes.

In the figure below a stylized representation of the research model is presented. Since the main actor in the decision-making process is the central bank, it is located in the middle. However, the Central Bank is not a neutral actor, but is embedded in a complex ensemble of social relations, historical contingency and international politico-economic context. The different actors all have their own theoretical underpinnings, which is congruent with the critical realist ontology. Fortunately, all theories fall within the critical realist field and are compatible in terms of method and operationalization. All actors can display a fractional orientation and are able to formulate comprehensive concepts of control.



**Figure 1: Simplified model of the research method**

For the dimension of regulation theory, we will look at ‘balance of payment’ data from the central bank combined with secondary literature that describes the emergence and breakdown of accumulation regimes and modes of regulation, and the role of the capital account in the reproduction and/or disarticulation of such regimes. For transnational institutions data will be gathered from annual reports, memoires, biographies and other relevant secondary literature. To study the cabinet, the ministry of finance and the central bank, archival research will be conducted to study the concepts of control that are used by different state apparatuses and organic intellectuals and the fractional view that underlies them. The commercial banks play a subordinate role in the theoretical framework, but will still be analysed by way of studying secondary literature on lobbying efforts and fractional interest representation regarding the policies of the capital account.

## **Operationalisation**

In order to apply regulation theory to the capital account we employ a variation on the accumulation regime of 'Fordism' and the crisis it went through. The effect of the accumulation regime on the capital account will be studied by looking at the modalities of the accumulation regime and the role of the capital account in the modes of regulation that support the accumulation regime of the Dutch variety of Fordism.

The crisis tendencies of the accumulation regime will be analyzed by looking at the profitability of the accumulation regime and the impact of crises on the policies in the capital account. Regulation theory would predict that the capital account policy tends to be calibrated towards the accumulation regime it supports, and when a new form of an accumulation regime will emerge, the money form of this new regime will be constituted by and reflected in the capital account as well.

The role of the state as a social relation in which agents struggle within structurally inscribed institutions will be assessed by mapping the relations between the relevant state apparatuses. Changing power dynamics within the state could also alter the strategical selectivity and the changing position of the central bank vis-à-vis democratically elected representatives, the cabinet and internationally operating agents. The central actor in the agency analysis will be the central bank. Since the Dutch Central Bank has generally been centrally led (Den Butter & Maas, 2011) and central banks have historically been relatively free from democratic pressures (Berman & McNamara, 1999), studying the behavior of the central bank president can also give us a clear insight in the considerations that shaped the policy decisions on the capital account. The organic intellectual in this case is not an atomic unit of analysis that stands apart from the rest, but is nested within the other relevant institutions. In the case of the central bank president, this person is nested within the national state apparatus as well as several international institutions. I will apply the framework of the organic intellectual on the central bank presidents, to see if they indeed show a certain natural affiliation with a certain fraction of capital.

The behavior of agents within a capitalist system will be analyzed through their fractional views and the concepts of control they formulate. The two ideal types of capital fractions that will be used are the productive capital view and the money view.

The ideas of Keynes will be classified as a discursive condensation of the productive capital view. Keynes argued that the 'financial conservatism' dictated by the money capital view should be replaced by a focus on capacity utilization and the socialization of productive forces (Van der Pijl, 2014). Deficit financing could be one of the ways in which this would be achieved, which alongside

increasing productivity would also lead to the ultimate 'euthanasia of the rentier' (Keynes, 1937). Additionally, policies that aim for social protection, protective measures and government intervention in the capital account will be considered representations of the productive capital view (Polanyi, 1944; Van Apeldoorn, 2003).

The money capital view will be measured by the degree of support for economic liberalism and liberal internationalism when establishing policies for the capital account (Polanyi, 1944; van Apeldoorn, 2003; van der Pijl, 2014). Furthermore, expansion of the circuits of capital, overcoming of national regulatory barriers and building new legal and regulatory frameworks with regards to capital account policies are representations of the money view (Gill, 1998; van der Pijl, 2014; Overbeek & van Apeldoorn, 2012).

Comprehensive concepts of control will be operationalized as discursive practices that:

1. Express one of the two ideal-type fractional views (money capital or productive capital) including possible extrapolation across spatial dimensions to create new variations of the ideal types mentioned.
2. Are calibrated towards the reproduction of an existing accumulation regime or towards the establishment of an emerging hegemonic bloc with its own accumulation regime.

## **Outlining the explanandum: The Capital Account**

The capital account is an accounting entity that is used to track the financial flows in and out of a country. Together with the current account and the financial account it makes up the balance of payments. The balance of payments tracks all the payments that take place between countries. The capital account is being monitored because it shows if capital enters or leaves the country, something which can have large economic implications. (Santos-Paulino & Thirlwall, 2004) Massive capital outflows can lead to lack of capital availability for businesses or households. Massive capital inflows can lead to currency appreciation, which can be unwanted in some cases. (Stiglitz, 2000; Cardarelli et al., 2010). The capital account is thus vital in regulating accumulation regimes. Capital inflows and outflows are politically salient since they impact industrial development, the local banking sector and funding opportunities for businesses and individuals (Henry, 2007). Accumulation regimes that depend on autocentric capital circuits could choose to restrict the capital account in order to force savings to be reinvested domestically (Jessop & Sum, 2006, p. 337). The capital account could also be restricted to stop unwanted capital inflows, especially in a fixed exchange rate regime (Bakker, 1996a). Conversely, the capital account might be liberalized if a country would like its banking sector to smoothly operate on the international financial market (Quinn, 2003). Therefore, changes in the capital account are politically salient and play an important part in the institutional money form within an accumulation regime. A restrictive capital account could be considered a reflection of the productive capital view, since it allows for national intervention and social protection. A liberalized capital account is representative of the money capital view, with its focus on international economic liberalism and the freedom of capital to flow across national regulatory spaces.

Broadly speaking, two regimes of managing the capital account have been used in the Netherlands. A 'positive' and 'negative' system (Gruijters, 1993). The 'positive' system in principle allows any type of capital flow, unless stipulated otherwise (ibid). This is the regime that has been dominant since the 1980s (Bakker, 1996a). Overall, this leads to greater freedom of capital movements across markets. Restrictions are only in place when deemed necessary and generally need to be justified. The 'negative' system takes a different approach. In this regime all capital flows are restricted, and exceptions are given for capital flows that are seen as essential and/or beneficial to the economy or the financial system (Gruijters, 1993). The negative system was dominant from the 1930s until the 1970s, (ibid.), and is associated with a more interventionist, Fordist mode of accumulation. The capital account regulation in the Netherlands changed gradually in the 1970s and 1980s towards a fully liberalized system (Bakker, 1996a). The largest change that took place was the switch in 1978 from the aforementioned 'negative' system of capital account regulation towards the 'positive'

system (ibid.). Please note that the words 'positive' and 'negative' do not denote any sort of normative judgement. They merely represent the general orientation towards capital flows, with the 'negative' system being generally restrictive, and the 'positive' system being generally tolerant of cross-border capital flows.

## **Fordism**

The capital account is embedded in an ensemble of practices and institutions that make up an accumulation regime. In the Netherlands a unique accumulation regime existed in the direct post-war period, that took elements from the 'Fordist' accumulation regime but also contained country-specific characteristics. A detailed explanation of Fordism and the Dutch variant will be important to understand the context within the capital account was managed. The Fordist mode of accumulation is defined by its labour process (mass production and mass consumption) its macroeconomic modes of regulation (national circuits of capital in an autocentric, national economy) its socio-economic modes of regulation (institutionalized collective bargaining and the welfare state) and its socio-cultural relations (an urban, industrial, middle-class, wage-earning society) (Jessop & Sum, 2006). Fordism is based upon intensive, autocentric accumulation, mainly based upon productive capital employed by firms along with a pool of semi-skilled unionized workers. Intensive accumulation refers to the mode in which surplus is generated by the intensified exploitation of the worker (Jessop & Sum, 2006, p. 24). The autocentric nature of the Fordist regime of accumulation is defined by national circuits of mass production and consumption (ibid., p. 59).

At the end of the Second World War, economic relations within states had altered dramatically. This was the result of a rapid change that took place between the two world wars. Before the First World War, the global economy was a liberalized capitalist economy with little capital controls. British, French and Dutch capitalists freely invested their accumulated capital abroad (Jessop, 2005). Just before the end of the Second World War a new international monetary system was established in 1944 in the town of Bretton Woods, New Hampshire (Steil, 2013). It was a response to thirty years of economic and financial turmoil, resulting from two world wars and a deep economic depression in the 1930s. It was a substantially different monetary system from the laissez-faire, on-and-off gold standard agreements of the 19th century (Stein, 2012). Since the capital account tracks cross-border flows, the international monetary regime plays a large role in setting up the modalities for regimes of accumulation in all countries embedded in the global economy (Boyer & Saillard, 2005). The monetary system during most of the Fordist accumulation regime was the Bretton Woods system (Cox, 1983).

In essence, the Bretton Woods system was set up to prevent the excesses of overly dominant and unregulated capital (Kirshner, 1999). The two main negotiators of the post-war economic order, John Maynard Keynes, representing the UK, and Harry Dexter White, representing the USA, were both economists who understood the risks of totally unregulated capital flows (White, 1933; Kirshner, 1999). During the negotiations of Bretton Woods, both White and Keynes were in favour of at least some control of capital movements (Steil, 2013). White was clear in his PhD dissertation that “some measure of the intelligent control of the volume and direction of foreign investments is desirable” (White, 1933). They also agreed that flows of capital should facilitate trade and not develop into an independent disruptive force within the global economy (Boughton, 1998). Keynes was a well-known critic of unregulated capitalism (Kirshner, 1999). They both believed that international cooperation was key for a stable and serviceable global financial sector. Keynes was critical of the dollar-led gold parity system of Bretton Woods (Hudson, 1969). He proposed his own system, the International Clearing Union, with the Bancor as the main unit of account (Ghizoni, 2013). Trade and capital flows would be cleared in a multilateral setting, and imbalances would be discouraged by imbalance reduction responsibility for both current account surplus and deficit countries. The motivations of Keynes were quite clear, he wanted to prevent massive capital imbalances that would hamper economic growth and destabilize the world economy (Cedrini & Fantacci, 2018). Moreover, Great Britain was not the financial hegemon it once was, and thus a multilateral system would be preferable over a dollar-led system dominated by the US (Helleiner, 2019). The British wanted the international monetary order to allow domestic inflationary growth, by also making the countries with chronic trade surpluses responsible for the burden of adjustment in the balance of payments (van der Pijl, 2014). This was a form of regulated capitalism that could be seen as more closely aligned with the productive capital view. The American currency plan was more sensitive to the needs of the money capital view and the possibility of maintaining the US trade surplus and the possibilities for international expansion of American capital (ibid.). The US, being the largest global economy and manufacturing powerhouse, would establish its institutional dominance by way of a gold-backed dollar standard (Steil, 2013). The Bretton Woods system supported the Fordist regime of accumulation by allowing some level of national autocentric capital circuits to be maintained, on which the wage-labour nexus was built (Jessop & Sum, 2006. p. 334. Keynesian demand management would also be possible in a system where capital flows and credit creation were regulated (ibid.). The international monetary regime of Bretton Woods also served to curb the freedom of financial capital (Helleiner, 1993). Liberal internationalism was temporarily synthesized with a certain form of domestic economic embeddedness via the international trade regimes of the post-war period (Van Apeldoorn, 2003). At the same time, the Bretton Woods arrangements

contained new institutions that would drastically alter the insertion of the state in international regimes. Alongside the gold-dollar standard, two transnational organisations were established to support the monetary framework: the International Monetary Fund and the World Bank (World Bank, 2014). The IMF was established to harmonize financial policy regimes. During the first years of the International Monetary Fund, liberalization of capital flows was only one of the policy goals. In the Annual Report of 1947, the IMF stated that “control of capital movements is permitted to Fund members at all times” (IMF, 1947). The IMF initially posited itself within the Fordist regime by allowing national controls of capital flows, but the Fund ultimately strived to transform the modalities of capital flows by way of capital account liberalization. From its inception Fund was already holding consultation sessions with member countries to explore elimination of exchange restrictions “whose maintenance is no longer warranted by balance of payments considerations or which have a harmful effect on the balance of payments of other countries” (ibid.). The IMF represented the money view of the economy, in which national regulatory barriers had to be overcome, and in time would be supplanted by new, internationalized regulatory regimes that accommodated the maximum mobility of capital. The contradictions inherent in the combination of a fixed exchange rate regime and the goal of the IMF to support currency convertibility (and by extension capital account liberalization) and the establishment of an integrated international capital circuit would in time lead to the crisis of Atlantic Fordism (Van der Pijl, 2014).

The wage-labour nexus in Fordism was built upon national circuits of capital, starting from mass production, productivity indexed wages, mass consumption and domestic capital reinvestment in order to increase productivity and profits (Aglietta, 1979). Labour had gained a foothold in the decision-making process by way of the tripartite process in many Western European states (Western, 1993). The Netherlands also had a tripartite-like structure, with main negotiations between unions and employers taking place under supervision of the government-led ‘Board of Labor Stabilization’ (Windmuller, 1957). The organized labour movement, with the tripartite negotiation system also centered the industry-labour competition within national boundaries (Overbeek & van der Pijl, 1993). This meant that the demands of organized labour were incorporated (to a more or lesser extent) into the power equation within the state apparatus.

In the Fordist accumulation regime, money is national, credit is supplied by a banking system overseen by the central bank that manages credit and capital relations within the economy (Jessop & Sum, 2006, p. 62). During the Fordist mode of accumulation, national governments have generally been interventionist in financial policy (Aglietta, 1979). Monetary policy was also tasked with managing the tensions in the income distribution (Boyer, 2000). During the majority of Fordist

regime of accumulation, states were inserted in the Bretton Woods fixed exchange rate system. The national money was fixed to gold (and pegged to the dollar) and central banks adjusted the exchange rate through reserve operations (Jessop & Sum, 2006, p. 173).

### **Flexi-Fordism and Dutch Fordist Exportism**

However, the Dutch money form of the accumulation regime cannot simply be called Fordist. Its characteristics are closer to the German 'Flexi-Fordism' (Jessop & Sum, 2006). The German regime of Flexi-Fordism was characterized by:

- Highly institutionalized wage bargaining (within the context of export viability)
- Government guided bank credit creation
- Industry-specific subsidies and support geared towards exports
- Productivity-indexed wage growth
- Consumption restraint
- Export-based full employment
- Legally entrenched autonomy of the central bank

(Jessop & Sum, 2006, p. 130-133)

The main differences between Flexi-Fordism and 'traditional' Fordism are the mode of growth, the degree of state intervention in the market and the wage-labour nexus. The Flexi-Fordist mode of growth was extraverted because it depended on foreign demand for export-based goods, instead of the domestically encouraged mass consumption (ibid.). Furthermore, the wage-labour nexus was different, with discouragement of consumption by wage earners and a union system that was more geared towards international competitiveness (ibid.). Finally, the central bank was legally completely independent from the government (ibid), something which sets the system apart from most other European countries. The Bundesbank was also less likely to intervene in the financial sector and in the exchange rate regime via administrative measures, but preferred to use market mechanisms early on (Jessop & Sum, 2006, p. 141), where other central banks were much more interventionist.

### **Dutch Exportism**

It is precisely on this point that the Dutch regime of accumulation during the Fordist era differs substantially. The Dutch central bank was less 'independent' (at least legally) than the German Bundesbank (Bakker, 1996a). Furthermore, the Dutch central bank was more interventionist in terms of managing capital flows, regulating credit creation and blocking speculative inflows (ibid.). The characteristics of the money form in the Dutch accumulation regimes are outlined below.

The Dutch current account showed a deficit in the years after the Second World War (van Zanden, 1997). This was quite uncommon for the Dutch economy, since it had a long history of being a substantial capital exporter (Van Riel, 2016). However, there was a considerable scarcity of available capital in the years after the Second World War (Passenier, 1994). These low levels of capital availability made the government decide to restrict credit outflows, since all available capital should be used for the reconstruction (van Zanden, 1997). State-led banks were started to aid economic reconstruction and finance exports via the *Herstelbank* (1946) and the *Export Financieringsmaatschappij* (1951) (van Riel, 2016). The Marshall aid received by the US started a new industrialization offensive. Dutch competitiveness improved further by a 30% devaluation of the guilder (Barendregt, 1992). The Dutch steel industry was decisively supported by the government. Marshall aid was used to invest in the state-owned *Hoogovens* in IJmuiden (van der Pijl, 1978). Steel production maintained itself within the Netherlands up until this day. This was typical for the state centered industrial policy of the direct post-war era (Overbeek & van der Pijl, 1993). The Netherlands was considered a 'Cheapness Island', due to its low labour costs and the high profits that businesses could make as a result (Stegeman, 1960; DNB, 1963). It would later lose this name, primarily due to increasing wages, especially in the 1960s (Sociaal-Economische Raad, 1970). Wage and price policies were centralized, and wage moderation was still practiced in the Netherlands with the consent of the trade unions. The shared understanding was that the cost advantage that the Dutch producers had due to this wage moderation would be gradually eliminated over time by wage increases (Den Dunnen, 1979). The Dutch post-war wage-labour nexus thus differed from the Fordist model of mass production and mass consumption, instead focusing on an extraverted mode of growth, in which the demand for produced goods was met by foreign markets through exports.

Dutch industrial exporters needed capital to invest (Windmuller, 1957; Van Riel, 2016). Therefore, they would benefit from the retention of capital within the country. This would mean they would not have to compete with foreign destinations of capital, which could lead to higher interest rates and thus higher borrowing costs (Holtrop, 1963). Money capital as a factor in and of itself had become a marginal aspect of the economy and was rather seen in relation to its function as a supporter of industrial expansion. The Dutch banking sector was strictly regulated, and several branches of the financial sector were geared towards mundane services such as savings or mortgage lending (Visser, 1992). As a result, the fraction of money capital was not able to expand as freely as it might have done in the period the before the world wars. The Dutch monetary policy was informed by a specific export-oriented interest of the industrial capital fraction. The wage-labour nexus and the money form were institutionalized to maintain optimal conditions for the extraverted orientation of productive capital. DNB was explicitly aiming at a current account surplus of about 2%

of the national income. This was deemed necessary for private sector investment opportunities, foreign aid requirements and central bank gold reserve accumulation (DNB, 1961). A decrease of the current account surplus in 1961 was deemed insufficient to meet the needs of the Dutch Exportist accumulation regime (ibid.). This orientation towards promoting the formation of productive capital and full employment gave the Dutch Exportist regime its Fordist bent. The modalities of the capital account were one of the (many) modes of regulation that granted temporary coherence to the accumulation regime of Dutch Exportism. To embed the capital account policies in their institutional and social context, a stylized representation of the money form of Dutch Exportism can help illuminate the specific constellation of forces, institutions and social relations that shape its reproduction (or subversion).

	<b>Money Form in the Dutch Exportist accumulation regime</b>
	<b>Fordist Exportism</b>
<b>Fractional view of capital</b>	Domestic Productive capital
<b>Currency stabilization</b>	Fixed exchange rate Capital Controls – Credit Ceilings
<b>Stabilization orientation</b>	Introvert, intervention-based currency stabilization
<b>Circuits of capital</b>	Autocentric capital circuits
<b>Growth orientation</b>	Extraverted
<b>Funding source</b>	Specialized state banks + Savings-based domestic banks
<b>Capital availability</b>	Relatively scarce (‘scramble for savings’)
<b>Comprehensive Concepts of Control</b>	Currency stability ‘Cheapness Island’ Full Employment
<b>Exportist production-wage regulation</b>	Wage moderation + Collective bargaining + full employment
<b>Monetary Constraint</b>	National Balance of Payments
<b>International Monetary Regimes</b>	Bretton Woods (1944-71) European Payments Union (1950-58) Smithsonian Agreement (1971-73) Snake in the tunnel (1972-77)
<b>Central Bank – Cabinet Monetary policy authority</b>	Marked by general cooperation – but possibilities for conflict of policy priorities

**Table 1: The Fordist Exportist accumulation regime**

## **Within the state**

The nature of the state also transformed in the Dutch post-war era. The political and economic modalities of the monetary regime became enshrined in the banking law of 1948. This gave the Minister of Finance the right to give DNB a 'direction' if the decision of the central bank clashed with interests of the cabinet (Bankwet, 1948). This right was more theoretical than practical, since utilizing it would risk an open rift between the Ministry of Finance and DNB. In fact, it was never used. This could be interpreted as a form of strategic selectivity, where the central bank would obstruct any initiative from the Ministry of Finance that would threaten its privileged position within the constellation of all state apparatuses. Especially Zijlstra was very defensive about ceding any decision-making authority to the ministry of Finance, much to the chagrin of former Minister of Finance Johan Witteveen (Harmsma, 2018). It was under Witteveen that the Ministry of Finance started to question some of the DNB policies in the late 1960s (Meijerink, 1974). However, Zijlstra ferociously defended the autonomy of the central bank. If the cabinet would use its right of 'direction', Zijlstra declared he would step down (Zijlstra, 1992). In Germany, there was no such right of 'direction' for the Ministry of Finance, and central bank independence was thus much stronger (Bakker, 1996a).

Before we move on to discuss the fractional orientation of the central bank presidents and their roles as organic intellectuals, a short discussion of Dutch Finance ministers is warranted. Pieter Lieftinck, the Dutch Minister of Finance from 1945 until 1952, was influenced by Keynesian ideas of the economy. In the years after the Second World War the government controlled wages, prices, dividends, housing and land rents and used a system of rationing for the distribution of goods (Barendregt, 1992). The most important goals were the recovery of consumption and production (so-called 'material recovery'), a high level of employment and a more equal distribution of income. To this end a strict financial program was enacted. Far-reaching currency reform and state intervention were part of this strategy (Van Griensven & Merriënboer, 1997). Johan van de Kieft became the Minister of Finance between 1952 and 1956. Van de Kieft was considered a more moderate minister, an 'accountant' that lacked a clear policy signature, despite coming from the Labour Party (Van der Heiden, 1998). Henk Hofstra, Finance Minister from 1956 until 1958, proposed to depress domestic demand in the boom years of 1959 and 1960 through increased tax rates in order to balance cyclical movements in the economy. However, a right-wing majority in parliament blocked this proposal (Barendregt, 1992). Zijlstra, during his tenure as Minister between 1958 and 1963, introduced the 'structural budget policy', which would model government expenditures on future economic growth prospects. This both limited the scope of intervention of the Ministry of

Finance and paradoxically led to expanded leeway for stimulus spending since higher future growth expectations could be used as a justification for increased government spending (Barendregt, 1992; Gradus, 2020). Later Johan Witteveen would become Minister of Finance from 1963 to 1965 and later from 1967 to 1971. Witteveen, together with prominent economist Jan Tinbergen, proposed a 'reserve fund', financed by private investment money that could smooth out any cyclical imbalances (Barendregt, 1992). Witteveen would later implement a countercyclical 'swing tax' ('wiebeltax' in Dutch) in 1970 that aimed to balance out cyclical economic imbalances. This Keynesian-inspired idea was used in 1971 and 1972 until the Den Uyl Cabinet (1973-1977) abandoned the idea as they felt it could have negative impact on income stability in times of recession (Barendregt, 1992). Overall, the finance ministers in this period generally showed a Keynesian productive capital view. Important concepts of control were stimulation of the economy and counteracting short-term economic fluctuations. Nevertheless, the compromise between the Ministry and Finance and DNB was that monetary policy would be the domain of the central bank (Nentjes, 1979). Despite the formal right of the Ministry of Finance to give a 'direction' to the DNB on monetary matters, the central bank avoided any real competition from democratically elected officials (Zijlstra, 1992).

### **The organic intellectual during Fordist exportism**

The monetary policy conducted by the Dutch Central Bank during the Exportist Fordist accumulation regime was led by two central bank presidents: Marius Holtrop and Jelle Zijlstra. The Dutch Central Bank (DNB) has a president that presides over the organisation. This president is appointed by the Minister of Finance. This gave the Ministry of Finance some influence over the behavior of the central bank. This should not be overstated since central bank presidents generally have significantly longer tenures than cabinet members. Both central bank presidents during the period of analysis (Holtrop and Zijlstra) obtained their PhD on monetary theory, placing them firmly in the camp of the monetarists (Visser, 2002). Worth mentioning is the fact that Zijlstra's dissertation was built upon the work of Holtrop (*ibid.*). Both works deal with the 'omloopsnelheid van het geld' (velocity of money), which presupposes at least some overlap in school of thought (Fase, 2012; Den Butter, 2014). Both thought monetarism was the right lens through which to view financial regulation. Although this was not the 'monetarism' that would come to dominate the political-economic discourse of the neoliberal monetary regime from the 1980s onwards (De Long, 2000). It was a type of monetarism much more in tune with the demands of the fixed exchange regime of Fordism and the demands of the Keynesian welfare state. The combination of monetarist ideas with relatively strict capital account policies was a historically contingent outcome of the specific ideological development of the 'Dutch school' of monetarism (Barendregt, 1990; Fase, 1994). Holtrop, having

been involved in the Dutch steel industry himself, stressed the importance of the maintenance of full (industrial) employment and the availability of domestic credit for local companies (Holtrop, 1963). He conceded that monetary policy alone could not achieve all these goals, but they were clear pointers for establishing if monetary policy was moving in the right direction (ibid.).

During the period before the Second World War, credit creation was mainly regulated by central bank interest rate setting (Goodhart, 2011). In this system commercial banks had considerable leeway in expanding or shrinking their balance sheet. The mass collapse of the financial sector during the Great Depression had made governments acutely aware of the risks of runaway credit creation, and thus further regulation was introduced (Davis, 1966). In 1946 Liefstinck appointed Marius Holtrop as the president of DNB. One year prior, the Netherlands had gone through a 'geldzuivering', a sweeping monetary reform aimed at restoring the integrity of the Gulden in the aftermath of German money printing and the resulting inflation (Clerx, 1989). Holtrop was one of the initiators of this policy (ibid.). This is particularly relevant since it showed the societal tolerance for far-reaching regulatory action as well as the willingness of Holtrop to drastically intervene in the monetary system in order to achieve financial stability in the post-war era. Holtrop's idiosyncratic view of the monetary system was markedly different from the German central bank (called the Bundesbank), which already achieved more or less full independence from political influence, despite early attempts by German Chancellor Konrad Adenauer to influence the Bundesbank to some degree (Goodman, 1991). The Bundesbank preferred a market-based management of the capital account. The Bundesbank in fact encouraged capital outflows of surpluses that were built up, and abolished controls on all capital outflows already in 1957, which was in line with its policy to give free rein to market forces (Bakker, 1996a).

The monetary theory of Holtrop was the product of a lively monetarist discussion that took place in the interwar period between, among others, the Austrian economists Schumpeter and Hayek and a host of Dutch economists such as Johan Koopmans and Holtrop (Fase, 1994). They were primarily concerned with the role of money in an economy. In short, Holtrop believed that money should be 'neutral', which meant that money should simply serve as an intermediary form to support trade and barter (ibid.). Money should not in itself influence the economy, which could happen in form of shocks of the money supply due to unbalanced credit creation or large-scale demand generation by 'dishoarding' of savings (Holtrop, 1957). Holtrop's policy aimed to locate the place where the money shock came from and neutralize the shock by way of intervention (Goedhart, 1955). Excess money creation would be stopped by quantitative credit ceilings. Excess domestic demand (and the resulting import pressures) would be stopped by wage moderation. Capital 'leakage' would be

stopped by restrictions on capital outflows (de Greef et al., 1998; Bakker, 1996a). Holtrop's theory was not supported by all monetarists and differed from the Keynesian monetary policies that were not overly preoccupied with the notion of an identifiable 'money supply' (Fase, 1994). Nevertheless, Holtrop persisted and shaped Dutch monetary policy in a unique way (ibid.). A later debate regarding monetary analysis took place in the 1950s. Keynesian, neoclassical views and combinations of these approaches were discussed between Holtrop, Johan Witteveen and Jan Tinbergen, two influential Dutch economics professors (Nentjes, 1979). The discussion between Holtrop and Witteveen ended in a sort of compromise. Keynesian considerations, mainly put forward by Witteveen, would be important for fiscal policy while monetary policy would benefit more from insights in monetary theory (ibid). The monetary theory of Holtrop was interventionist in nature: changes in the money supply were analyzed and grouped on sectoral level. The sector (such as banking) responsible for the 'imbalance' in the money supply would have to balance the disequilibria that resulted from it (Power, 1957; De Greef et al.,1998). Sudden contractions and expansions would undermine the stability of economic growth and unemployment. The task of the DNB would be to control the creation of money, mostly domestically. Holtrop posited that 'the essential instrument of monetary policy has been the control of domestic liquidity creation', placing the central bank squarely in command over the money supply (Holtrop, 1972). However, the money supply could also be affected by cross-border capital flows resulting from trade imbalances (Holtrop, 1963). Hence the necessity for at least some degree of capital controls. Holtrop's conception of a tightly controlled money supply would not be able to function if international capital flows undermined the monetary targets set by the DNB (De Greef et al., 1998). Holtrop believed that the central bank could not guarantee economic success by itself alone. He mentioned the importance of full employment and industrial development (Holtrop, 1963). To that end he was willing to restrict capital movements if it was deemed in the broader interest of society. This 'Dutch' monetarism (sometimes called 'moderate monetarism') distinguished itself from German monetarism, which already (for the most part) liberalized the capital account in the 1950s (Bakker, 1996a). The money capital view was temporarily subdued by considerations of the productive capital view that put real constraints on their balance sheet expansion and cross-border activities. Under Holtrop DNB wanted to protect its domestic capital market from capital outflows. These outflows would lead to higher interest rates, making capital more expensive for domestic borrowers (Bakker, 1996a). Since the Netherlands had a relatively low interest rate, allowing free capital movements would negatively affect the national credit market (De Greef et al., 1998). This points towards relatively autocentric circuits of investment capital. Holtrop worried about the risks of free capital movements. He mentioned that no economist of reputation believed anymore in the 19th century liberal economic

doctrine that free capital flows would lead to an optimal allocation of welfare (DNB, 1959). Holtrop therefore represented the productive capital view, since free capital movements were seen as risky and intervention in the financial system was justified if it would lead to 'social protection' of employment and economic growth. Since Dutch Exportism relied on wage moderation and production cost advantages, Short term capital inflows were regarded as unwanted sources of liquidity, and therefore strictly controlled (Bakker, 1996a). Holtrop held the view that DNB should be able to control the money supply at all times. This was a distinct feature of the Dutch post-war system (Harnay & Scialom, 2016). Nevertheless, over time transnational forces would exert increasing pressure on the Dutch capital account regime.

### **Money capital strikes back – transnational bloc formation and economic internationalization**

Historically, capital has exhibited a drive to internationalize, to search new markets for exports and to find new sources for production inputs (Van Apeldoorn, 2003). This process has deepened with the rise of transnational capitalism (ibid.). This transnationalisation process also impacted industrial capital, which became less dependent on national sources of capital (ibid.) The corporate-liberal synthesis, of which Bretton Woods was an integral part, combined the logic of national productive capital development with the internationalization of (predominantly American) money capital (van der Pijl, 2014, p.135-36). In tandem with the establishment of the post-war monetary order, several transnational organisations were established or repurposed to influence national policy development. Most of these transnational financial-economic organisations supported the money capital view and were committed towards liberalization of capital flows. Transnational institutions played a key role in developing the neoliberal strand of transnational capitalism (Drainville, 1994). International organisations were key mechanisms for the spreading of the neoliberal global hegemony (Bieler & Morton, 2004). They embodied the rules which facilitated the expansion of global order, were themselves products of said order and ideologically legitimated the norms of the world order (Cox, 1983).

Firstly, the IMF developed over time as a dominant force of capital account liberalization. As mentioned before, in 1947 the IMF considered capital controls as a fundamental right of member countries (IMF, 1947). Nonetheless, in that same year, the task of 'restoring convertibility' was already mentioned (ibid.) In the annual report of 1950 it was written that the goal of convertibility (meaning free international exchange between currencies) can be attained only when 'the rigidities which are characteristic of many economies today are substantially modified,' referring to capital- and exchange restrictions of individual countries (IMF, 1950). The support for free international currency exchange supported a money capital view of the global economy. The goals of the IMF

were therefore not compatible with the Fordist accumulation regimes, that stressed the possibility of state intervention and autocentric capital circuits. The IMF from the start advocated for the abolishment of any impediments to free trade. Quite telling is the first speech of the 1951-1956 IMF president Ivar Rooth, in which he states: 'The Fund ... believes that the very general improvement in balance of payments positions and prospects of its members justifies a relaxation or removal of restrictions and, particularly, of discrimination.' (IMF, 1951) Also in subsequent years the removal of trade and capital restrictions is a main theme of the annual reports of the IMF. To support these efforts, the IMF started consultation sessions from 1952 onwards for member states that still maintained exchange rate restrictions (and thus capital restrictions) (IMF, 1955). The 'social protection' aspect of the protective capital view was seen as an impediment rather than an important feature of the international monetary system.

The Bank of International Settlements (BIS) also played an important role in effecting liberalization. The BIS hosts meetings between central bankers, and thus facilitates the process of policy convergence. In the period of Bretton Woods, the BIS was mostly used for coordination of national monetary policymaking (Toniolo & Clement, 2005). The BIS was an agent in the European Payments Union (EPU), an initiative started to effect full currency convertibility between European states (Tew, 1990). The BIS was also closely involved in achieving European monetary integration. It was a party to the European Payments Union (EPU). The goal of the EPU was to liberalize and multilateralize monetary relations between European states (Tew, 1990). The OEEC (and later the OECD) was the main driving force behind the EPU arrangement (Fратиanni & Pattison, 1999). Despite officially being only an executive agent in the EPU, the BIS did exert significant influence on its operations (Schloss, 1958). The BIS also acted as a host for committees on financial regulation, in which international standards and best practices were formulated (Fратиanni & Pattison, 1999). It should be noted that during the Bretton Woods era the meetings at the BIS still were conducted from the perspective of a national monetary authority space. Countries would on occasion disagree with the outcomes of BIS meetings, and were free to impose national capital restrictions (Hirsch, 1967). In later times the BIS would be the platform where the 'Basel Accords' would be formulated. These accords played an important role in effecting financial (notably bank) liberalization in the 1980s, 90s and 00s (Baud & Chiapello, 2017). But even before that they brought central bankers together in an informal setting and gave them total secrecy from the prying eyes of the general public.

The European Economic Community (EEC) played a similar role in liberalizing trade relations. These liberalizations mainly took place through the logic of establishing a common market. The 'four freedoms' of the EEC would include the freedom of capital (EEC, 1957), implying a firm commitment

to full currency convertibility and capital account liberalization. Member states did not give up their monetary policy tools immediately. However, a 'Monetary Committee' was established in 1964, holding consultation sessions (guided by the European Commission) to effect policy harmonization (Bakker, 1996a). Possibilities for national industrial policy were becoming more limited due to international economic integration. The productive capital view was thus generally eroded by focusing on harmonization of markets instead of intervention and social protection. The logic of the common market stood in opposition to protection of national industries. Article 3c of the Treaty of Rome mentioned the goal of removing any 'hindrance' to the free movement of people, services and capital (European Community, 1957).

Finally, the Organisation for Economic Cooperation and Development (OECD) played an important role in furthering the money view of the capital account by launching 'The Code of Liberalisation of Capital Movements' in 1961, the year of its founding (OECD, 2021). Initially the OECD Code of Liberalization included inward FDI, long-term portfolio flows and business and trade transactions. Member states decided not to liberalize short-term capital flows, in order to avoid balance of payment problems and maintain autonomy over the regulation of the exchange rate (Poret, 1998). The OECD was the successor of the OEEC, which itself was a continuation of the Marshall Plan policies (Leimgruber & Schmelzer, 2017). The Marshall plan already contained conditions for participating countries, such as the dismantling of any barriers to trade (DeLong & Eichengreen, 2001). The Marshall plan exported the intensive Fordist mode of production, and at the same time injected US capital into Europe (van der Pijl, 2014). The Marshall plan was part of a larger US effort to combine the somewhat contradicting notions of national 'New Deal' style economic management, whilst at the same time opening the door for the injection of American capital into Europe (ibid.). Furthermore, the OEEC was later involved in the setting up of the European Payments Union, an initiative to increase convertibility and currency harmonization among EEC member states (Bainbridge, 2000).

The historic bloc formation that took place went beyond the nation-state. The monetary policies of the state became more strongly inserted into the international regime. An important element in the formation of the transnational historical bloc was the formation of interlinked directorates (Fennema, 2011), that extrapolated the national money capital fraction to the transnational level (van der Pijl, 2014). This was no different for the politics surrounding capital account liberalization. It was fairly common that leadership positions within the IMF were preceded or followed by positions within the BIS or the OECD. Dutch central bankers and economists were exceptionally popular in the international banking circuit. Leonardus Trip, Marius Holtrop, Johan Witteveen, Jelle Zijlstra, Emile

van Lennep and Wim Duisenberg all held at least one position within the Dutch Ministry of Finance or DNB and the BIS, the IMF or OECD (Bakker, 1996a; Fliers & Colvin, 2022; Den Butter, 2011; Harmon, 1997; Kohoutikova, 2004; Zijlstra, 1992). Especially the BIS was firmly under Dutch rule, with Holtrop and Zijlstra occupying the position of president from 1958 until 1981 (Den Butter, 2011; Zijlstra, 1992). In 1973 the monetary institutions were filled to the brim with Dutch economists. Zijlstra was heading the BIS, Witteveen presided over the IMF and Van Lennep was secretary-general of the OECD. Some even spoke of the 'Dutch Mafia' (Witteveen, 2012). Emile van Lennep, the Treasurer general of the Ministry of Finance and later the Secretary General of the OECD, was also a member of the monetary committee of the EEC (Bakker, 1996a). Zijlstra was considered by his central bank counterparts to be an excellent choice for leading the mission to form the post Bretton Woods monetary system. His position as president of the BIS made him a key actor in the European central banking community. (Solomon, 1977) Zijlstra later admitted that 'More than just one important decision on international monetary policy was prepared at that dinner,' referring to the informal BIS dinners in Basel, where monetary matters were discussed (Zijlstra, 1992). Emile van Lennep, who was a delegate for the EEC Monetary Committee celebrated the fact that a 'small group of people who know each other well can easily break through the barriers of rigid national positions,' referring to the success of the Monetary Committee to further capital account liberalization within Europe (Bakker, 1996b). To sum up, a myriad of transnational organisations actively promoted capital account liberalizations, mostly through the logic of integration and/or harmonisation of policies. They generally generated such pressures through 'soft' tools such as meetings, consultation sessions, reports, lobbying efforts and transnational initiatives (IMF, 1955; DeLong & Eichengreen, 2001; Toniolo & Clement, 2005; OECD, 2021). These processes would move surely but steadily in the direction of capital account liberalization. Through the internationalization of monetary decision-making, the fractionation of different types of capital fractions was expanded to the international level. This naturally skewed the balances of forces to the money capital view, since money capital is inherently more mobile (Harvey, 2018) and will be able to more successfully evade the national restrictions that are used to enforce the 'social protection' that support the productive capital view.

#### Transnationalization of Dutch banking

In the Bretton Woods system the international economic system consisted of cooperation subordinated to national economic-regulatory spaces (Leyson, 1992). This meant decision-making primacy was still in the hands of national governments. Nevertheless, the Dutch banking sector saw marked changes in the post-war era. In the direct post-war years, the banking market was local and

segmented, with separate banks for savings, mortgages, business loans and investment products (Visser, 1992). Bank capital generally had been a firm defender of the classical liberal doctrine of how a capitalist economy should function (Sutton et al., 2013), and was also functionally predisposed towards the money capital view. A salient example of resistance against the curbing of the power of the money capital view was the 1951 a proposal to regulate the banking sector ('Wetsontwerp kredietcontrole'). The proposal encountered stiff resistance from the Anti Revolutionary Party (ARP), of which Zijlstra was a member. Additionally, the banks managed to mobilise employers and several political parties to oppose state intervention, branding it 'state socialism' (Van Griensven & Van Merriënboer, 1997). Due to increasing competition between banks for deposits, which were needed to serve as the capital base for extending new credit, banks started to grow in size by way of mergers, acquisitions and broadening of client services (Visser, 1992; Van der Zwan, 2012). The Netherlands already had a few internationally operating banks. The Nederlandse Handelsmaatschappij (NHM) and the Hollandsche Banken Unie (HBU) were active on the international market. Both banks would later be acquired by ABN (which would eventually merge in ABN AMRO) (Jagersma, 1994). However, from the 1960s onwards, international competition intensified, with cross-border cooperation becoming more common over time (Visser, 1992). The liberalization of banks and their role in the interlocking directorates on the international level supported the extrapolation of the national financial capital fraction onto the international level (Fennema, 1984; van der Pijl, 2014). The principles of economic liberalism that were part of the money capital view included the free flow of goods and capital supported by conditions of free trade, unhampered competition and a cosmopolitan outlook (Van der Pijl, 2014). The internationalization of trade and investment eroded the basis of national regulatory authority (Dicken, 1992). Multinational companies could engage in regulatory arbitrage, avoiding and eventually undermining the economic authority of national governments (ibid.). This made it harder for regulations to effectively constrain movements in the capital account. These developments had two important implications for the power relations between the capital fractions and the process of historic bloc formation. Firstly, the possibility of effective social protection and national intervention (and thus the productive capital view) in the economy became increasingly harder to maintain in an internationalizing economy. Secondly, the combination of the proliferation of the transnational institutions, the interlocking directorates and the money capital view that was often legally enshrined in the transnational organisations themselves led to the emergence of a new historical bloc that not only supported the money capital view but developed an international legal-regulatory framework to support its bid for hegemony.

## **Breakdown of Fordism**

The Fordist accumulation regime would not last indefinitely. This was a result of contradictions in the regime that eventually sparked a structural crisis. The crisis and gradual breakdown of the Fordist accumulation regime had several elements. I will shortly discuss the problems that started to appear in the wage-labour nexus and the general deterioration in the rate of profit, before moving on to the crises of the money form that unfolded more or less simultaneously. As the rate of productivity growth fell from the late 1960s onward (Mazier, 1982), downward pressure was exerted on the rate of exploitation in some countries (Lipietz, 1986). The productivity of capital declined as well, meaning that every extra unit of investment started to yield less productivity improvement (ibid.). The productivity slowdown paired with the increasing cost of labour due to unionization and tight labour markets (Boltho, 1982), and later the increasing cost of input materials led to a profit squeeze (Lipietz, 1987; Glyn et al., 1988). Higher prices started to be passed on to consumers, leading to higher levels of inflation, but these were not enough to prevent the profit squeeze altogether (ibid.). Despite the productivity slowdown, businesses reacted by increasing capital investments in order to generate new productivity increases (de Vroey, 1984; Clarke, 1988). Meanwhile, as inflation increased, savings were diverted to speculative, short-term investments that could yield faster returns, making capital for industry scarcer (Clarke, 1988). The only option that businesses saw was to increase their indebtedness (De Vroey, 1984; Clarke, 1988). Initially, demand for production goods stayed high, resulting in supply chain bottlenecks followed by credit-financed hoarding behavior, finally resulting in overcapacity and unsold stocks when demand eventually fell (ibid.). The Fordist mode of production eventually led to accelerated money creation as a result of increased borrowing needs of businesses in order to sustain production beyond the monetary constraint, but did so at the expense of devaluing money (Aglietta & Orléan 1982; Lipietz 1979). The regulationist view on the stagflation crisis of the 1970s was that inflation was an expression of the deterioration of conditions for the Fordist mode of accumulation, that was temporarily mitigated by providing debt finance via deficit financing, alongside unregulated private money creation, leading to nominal economic growth but actual erosion of profits and/or real wages (Boyer & Mistral, 1979; Lipietz, 1979; Lipietz, 1983; Guttmann, 1994).

In the Netherlands, Dutch wage levels caught up with international levels in the 1960s, and this was perceived as undermining productivity of the Dutch economy (Barendregt, 1992). After the initial Dutch post-war growth of manufacturing industries, the percentage of total national employment in productive industries declined from the late 1960s. The total production of goods kept increasing until the mid-1970s, after which the absolute production of goods in the Netherlands declined and

import of goods started to increase (WRR, 1980). After 1965, the Dutch export sector showed retrenchment, with ever larger penetration of imported products and small current account deficits in 1964 and 1966 (Wagteveld, 2019). The cause for this decline in the current account was sought in the 'wage explosion' of 1964, when real wages of workers rose substantially (Brander et al., 1994). This negatively impacted local industries (WRR, 1980). It was also a direct threat to the Exportist accumulation regime. Since Dutch Fordist Exportism relied on both effective foreign demand and the Fordist monetary regime, the crisis tendencies within the Fordist system itself also spilled over to the Exportist regime that was nested within the Atlantic Fordist regime. There were certain limits to how long the Fordist model could sustain itself, due to the tendency of diminishing productivity gains, overproduction and a profit squeeze during supply shocks or recessions (Clarke, 1988; Clarke, 1990; Andrews, 2020). In tandem with the banking sector, the private business sector consolidated quickly, with mergers, acquisitions and leverage ratios increasing from the 1960s (Eijgenhuijse, 1987). From the mid-1970s onwards capital exports were on the rise again (REA, 1976). Dutch banks and insurance were on the forefront of internationalization and foreign investment was seen as a commonplace feature of the Dutch business climate (Van Nieuwkerk, 1988). And so domestic capital circuits became less common. Business operated across borders, and loans could always be secured at foreign banks, further increasing regulatory liberalization pressures for their Dutch counterparts (Eekelen, 1986). The position of the factor of labour eroded from the end of the 1970s. The economic downturns and the outsourcing of production to low-wage countries undermined some of the structural power the labour unions had (Milton, 1986; Visser, 2022). After the 1982 Wassenaar agreement, wage constraint, less government involvement and a gradual shift of the balance of powers to employers ensued (De Beert & Keune, 2017). Industry growth in the late 1970s mostly centered around transport, metal production, banking and insurance (WRR, 1980). Despite automation, the employment in banking and insurance kept growing, even when 'productive' industrial sectors witnessed a relative decline (ibid.). The main crisis of accumulation for the Dutch Fordist exportist accumulation regime took place in the 1960s, in which higher wages for workers upended the exportist orientation of the Dutch economy. Figure 2 shows the diminishing of the current account surplus during that time.

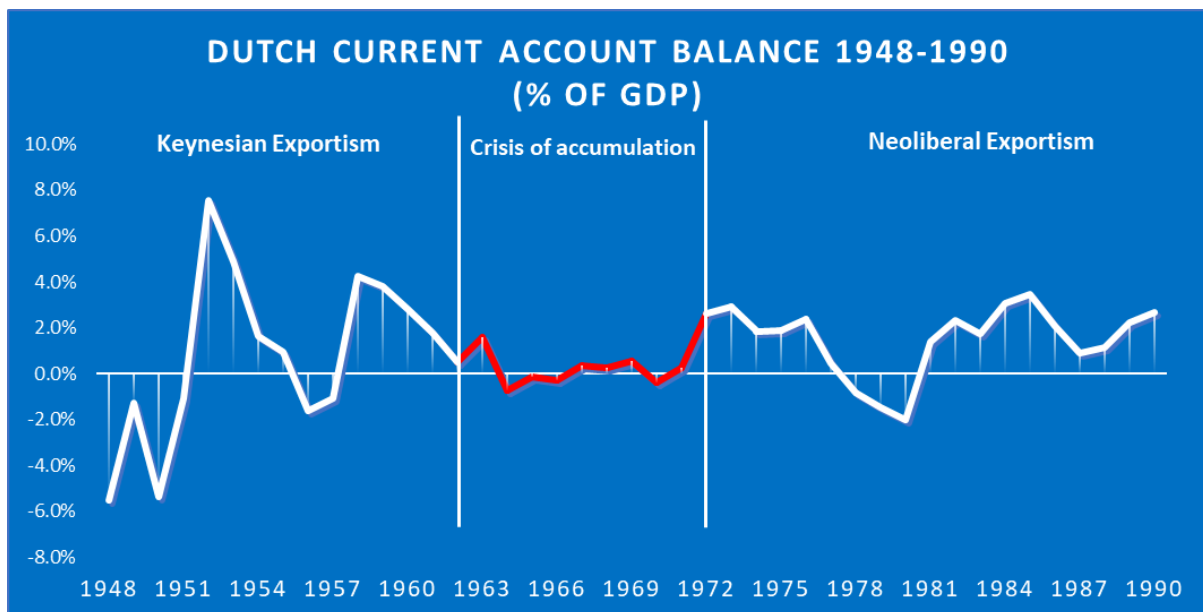


Figure 2: Crisis of the Exportist accumulation regime

The corporate-liberal synthesis on which the Fordist accumulation regime was based combined the international money capital view with the nationally oriented productive capital view (Van der Pijl, 2014). The crisis of the Fordist mode of accumulation also became apparent in the money form. The relatively stable system of Bretton Woods was built on a few assumptions that were progressively undermined. Until the end of the 1960s, the US ran a surplus on the current account. This meant that the US exported more than it imported, and that demand for dollars was high (de Vroey, 1984). When the US started to run a current account deficit, the amount of dollars in the system became greater than the underlying gold reserves (De Groot, 2019). However, since the US dollar was the reserve currency, it had a double function. It had to satisfy both the internal macroeconomic demands (such as price stability), as well as satisfy the higher international demand for dollar reserves (Meier, 1970). This meant that despite running a current account deficit, the US was not 'punished' for its additional money creation (de Vroey, 1984). In the words of regulationist Aglietta, the 'international money constraint' disappeared for the US (ibid). While other countries could not just import more than export without drawing from their dollar reserves or else suffer from devaluation and inflation of imports, the US was not in such a predicament due to its status as country with the reserve currency (ibid). Distinct, but related problems with the Bretton Woods system became more evident during the 1950s. The role of the dollar as a reserve currency and the high foreign demand for dollar holdings led to a current account deficit that resulted in a substantial 'dollar overhang' (Magdoff & Sweezy, 1977). This led to huge amounts of dollars in the international market that had to be stored somewhere. The bankers in the City of London were all too keen to

meet this demand by setting up offshore dollar deposit options, colloquially called 'Eurodollars' (Junne, 1973). This Eurodollar market started in the late 1950s, but became more important from the Vietnam war onwards, where massive stimulus spending added to the already increased money supply that was a result of the 'money creation' of Eurodollar deposits (Dickens, 2005). This undermined the autocentric circuits of capital that were dominant in the money form of the Fordist accumulation regime. Management of capital circuits became harder due to opportunities to evade national regulations (ibid.). When the foundations under Bretton Woods began to erode, due to the financial internationalization that resulted from the Eurodollar market and the instability surrounding the dollar-gold parity, the financial ecosystem in which capital controls would be effective deteriorated sharply (Hawley, 1979). As a consequence, states started to lose control over capital flows, witnessed by the fact that financial regulations (most notably 'Regulation Q' in the US, which sought to specify maximum interest rates on domestic bank deposits) became ever easier to circumvent by investing in offshore dollar markets (Aliber, 1980). International capital was on the loose, and the banking sector in the US was already growing as a share of GDP in the 1960s (Phillippon, 2007). The United Kingdom compensated its lack of industrial competitiveness by a marked expansion of international financial services in the City of London (Hart, 1967; Ray, 1970). The growth of the money stock outpaced official reserves and IMF quotas that were designed to regulate the money supply (Clarke, 1988). This led to a temporary suspension of the international monetary constraint, but increased trade imbalances and exacerbated international currency speculation (ibid.).

After the Bretton Woods system ceased to exist in 1971 by way of closing the gold window by Richard Nixon, the Smithsonian Agreement was introduced, in which countries agreed to peg their currencies to the dollar (Morse, 1973). However, the agreement was short-lived: after the decision of the US to devalue the dollar by 10%, most countries decided to let their currencies float (ibid.). After the failure of the Smithsonian agreement, the 'snake-in-the-tunnel' was introduced. This was an intra-European system of exchange rate management (Wittich & Shiratori, 1973). Countries within the 'snake' would commit to certain exchange rates vis-à-vis each other. This would allow for national monetary management to stabilize capital flows and thus the exchange rate. The snake system did not survive long either. Several countries exited the agreement and the 'fixed' rates were adjusted several times (Cairns, 1977). Speculative capital on the Eurodollar market evaded the national controls and undermined the efficacy of exchange rate management and capital controls (Swoboda, 1976; Hewson & Sakakibara, 1977).

The speculative capital flows as a result of the breakdown of Bretton Woods were initially not welcomed by some Western European countries (Bakker, 1996a). Germany and Switzerland reimposed some capital inflow restrictions in 1970-1973 (ibid.). In 1971, the Netherlands imposed the 'O circuit', a closed bond circuit that aimed to minimize foreign bond purchases (Gruijters, 1993). This effectively added new capital controls to the Dutch policy mix. Moreover, a prohibition on interest payments on deposits for non-residents followed in 1972 (ibid.). All these measures were geared at preventing currency appreciation, something that could seriously hurt the Dutch Exportist accumulation regime. The banks quickly mooted the interest payment restrictions by creating a loophole that would allow foreign investors to receive interest in foreign currency (Swoboda, 1976; Claasen & Wyplosz, 1982). National economies were becoming ever more vulnerable to global capital flows (Magdoff & Sweezy, 1977), and this undermined the social protection possibilities that were part of the productive capital view. Additionally, the ever-larger sums of dollars that were used to pay for oil imports ended up in the offshore dollar market, which led to considerable growth of the international banking sector (Beck, 2021). Cross-border operations of ever more internationally operating banks became more common, further undermining the national management of capital flows (ibid.).

The end of Bretton Woods sped up the erosion of the Fordist and the Fordist Exportist accumulation regime, which in the Netherlands was predicated upon blocking speculative inflows and restricting long term outflows that guaranteed capital reinvestments, stable exchange rates and wage growth (Bakker, 1996a). Initially the DNB saw the risks of the ascendant Eurodollar market. The free movement of money and capital would have 'far-reaching consequences', DNB President Zijlstra wrote in his 1971 annual report (DNB, 1972). Zijlstra concluded that 'any form of influence, perhaps regulation should be considered' (Goedhart, & Tvrdy, 2012, p.10). In the end no decisive action was taken. The interests of DNB were also somewhat ambivalent. DNB could benefit from an expanding Dutch banking sector. Since Exportism does not rely on domestic demand, financial liberalization could in principle be harmonized with export-oriented policies, as had been the case in Germany from the 1950s (Bakker, 1996a). There were also chances for the Dutch banking and industrial sector to retake their historical role as capital exporters. In this new mode of Exportism, the money view would be dominant within the banking and international business sector. Zijlstra saw opportunities for the reinstatement of the Netherlands as a 'financial centre' (Harmsma, 2018. p.323). DNB should be 'flexible' and regulation of capital flows should have no negative effects on the competitive position of our 'own' banks, Zijlstra argued (ibid.). Zijlstra chose to let the interest of the Dutch banking sector in the international capital market prevail over the Fordist Exportist mode of regulation. This uncovers the support that Zijlstra (at least tacitly) gave to the money capital fraction

and shows that Zijlstra was in favour of the internationalization of financial capital by suggesting that the Netherlands could regain its positions as financial centre.

### **Struggle in the council**

It was during this unstable period that central bankers were searching for the right approach to the management of the money system. Zijlstra conceded that 'uncontrolled credit creation could be an independent motor of inflation'. However, he did believe that liberalisation of the financial market was in principle correct (Zijlstra, 1992). The clash of interests between the regulatory interventionist productive capital view of the economy and the economically liberal money capital view became apparent in this dilemma. The ambiguity resulting from these opposing views initially led to no substantial action on regulation of the Eurodollar market or other restrictions on commercial banking activity. Zijlstra believed that the Netherlands should follow Germany in its quest for currency stability (Zijlstra, 1992, p.241). A strong guilder would be important for the Netherlands. Significant resistance to this plan came from Cabinet Den Uyl and Cabinet Van Agt (*ibid.*). However, Zijlstra persisted in his policy to follow the value of the Deutschmark. Zijlstra and Prime Minister Den Uyl would represent two ideological currents of the 1970s. Zijlstra stood for battling inflation and moderating wages, while Den Uyl wanted to battle unemployment and stimulate the economy.

This was a clash between Neoliberal and Fordist variations on the Exportist accumulation regime. In between them stood Minister of Finance Wim Duisenberg, who was member of the Labour party but also had a history in the IMF (Kohoutikova, 2004). Duisenberg was a monetarist as well, and was not a vocal supporter of Den Uyl's approach, despite belonging to the same party and cabinet (REA, 1975). Duisenberg was also part of the transatlantic historic bloc, becoming president of the BIS and of the European Central Bank in his later life (Kohoutikova, 2004). Transnational organisations were in fact very influential on Dutch (and German) crisis management. The economic policy decisions in response to the oil crisis were also influenced by OECD director-general Emile van Lennep and IMF managing director Johan Witteveen, both Dutchmen, and both formerly active in the Dutch Ministry of Finance (Harmsma, 2020). Zijlstra's personal beliefs were rooted in a 'classical' view on the economy, which he expounded during a 1951 meeting of the so-called 'Liga', which was a European association of banking, business and academic representatives (Dumoulin, 1993). Zijlstra did not categorically dismiss centralized state intervention, but would always start from notions of free markets and liberalization (Harmsma, 2019).

The Den Uyl cabinet decided that an increase in the government deficit could be used to stave off a global recession in the wake of the Oil crisis of 1973 (Barendregt, 1992). This was one of the last major economic decisions that was made from the productive capital view. In the aftermath of the

first oil crisis, a lively debate developed between the Den Uyl Cabinet, and DNB. These debates took place in the 'Raad voor Economische Aangelegenheden' (Economic Affairs Council), a recurring meeting between cabinet members, the DNB and director of different economic government institutes. In the early-to-mid 1970s, there were fundamental disagreements on economic and financial policy. Whilst Den Uyl wanted to continue Keynesian policies to manage the Dutch economy, and as such adopted a Fordist-productivist capital view of the economy, Zijlstra took it upon himself to further concepts associated with the money capital view of the economy. The Council for Economic Affairs (REA) meetings, held with the relevant ministers of the cabinet and a DNB delegate, were illustrative of the new Comprehensive Concepts of Control that were formulated as the proper goals that had to be reached to successfully manage the economy overall. After the oil shock, inflation fighting became the focal point of most economic policy. During the Council of Economic Affairs meeting of 24 April 1974 Zijlstra proposed to reserve some time in the next meeting to discuss policies to fight inflation. Everyone, including Den Uyl agreed (REA, 1974). The fight for inflation introduced a few important comprehensive concepts of control.

#### Wage moderation

During the tenure of the van Agt Cabinet, DNB strongly opposed any substantial wage growth. Zijlstra felt that a 3% wage increase in 1978 was too high for these economically hard times. He saw higher labour costs as a 'threat', and even openly wondered whether the perspective of high oil prices and the production cutbacks would make a wage freeze 'politically-psychologically' possible. (REA, 1979). Dolph Kessler, Director of the DNB during that time, also stressed that the lowering of the 'arbeidsinkomensquote' was necessary, with the aim of improving the competitive position of the Dutch economy. (REA, 1978). Zijlstra mentioned the high level of the 'arbeidsinkomensquote' a year later, in the REA meeting of 23 April 1980 (REA, 1980). When talking about the government housing policy, Zijlstra would warn for a 'too ambitious' building program, worrying that the additional demand for labour this could lead to a 'wage explosion' (REA, 1979). Andriessen also believed that 'understanding needs to be cultivated' that a clear moderation of the wage rates would be necessary (REA, 1978). These perspectives were fully aligned with the main convictions of Zijlstra. Even though the successive Dutch post-war governments never adopted a full-on mass consumption policy, full employment and economic growth were considered important in the Fordist Exportist regime (Holtrop, 1963). This ended when employment and growth were made subservient to restoring business profits.

#### Restoring profitability

Particularly important was the emphasis on restoring business profits. Zijlstra repeatedly mentioned through the years that the low levels of profitability were the main cause of the Dutch economic problems and the 'improvement of profit rates' would be of the utmost importance (REA, 1975; REA, 1976; REA;1978). Zijlstra was adamant that wages should not rise too fast, because this could hurt profits. He was therefore satisfied with the low levels of wage growth in the Netherlands in that year. During the Council of Economic Affairs meeting of 14 November 1974 Zijlstra conceded that the relationship between profits and new investments is not completely straightforward. However, it continued to be an important factor, even if not the only one (REA, 1974). Prioritizing profits could be interpreted as the quest for a new accumulation regime, since the Fordist regime was unable to provide any sustained accumulation anymore. These policies would also signal the end of the Fordist mode of regulation. Businesses would now have to compete internationally; wages would not grow as much and profits should be prioritized over inflation compensation for employees. Slowly but surely, Den Uyl was on the back foot. The focus of profits and inflation fighting were inimical to another aspect of Fordism: demand policy.

#### The end of demand management

Demand management had been associated with the Keynesian (and thus the productive capital) view (Minsky, 1983). In the Council of Economic Affairs, Prime minister Den Uyl was the only real hard-line supporter for demand management policies. He highlighted that steady growth of demand also was an important factor for business health, and a focus on profits only was not sufficient. Zijlstra, however, believed that using public funds to generate disposable income would be a missed chance to fight inflation (REA, 1974). Clearly, stimulating demand would not be among the policy tools to battle inflation. Zijlstra advised against increasing consumption to get out the oil-crisis slump, because this would merely transfer the cost to businesses, thereby hurting profits. The clash of visions also manifested itself when the Director of the Central Planning Bureau, Cees van der Beld, and Den Uyl disagreed on the cause of underconsumption. Van den Beld believed that it was due to low levels of profits, while Den Uyl believed that lack of demand was the cause (REA, 1975).

#### Monetary policy and the capital account

The capital account was not on the frontline of the hegemonic debate within the REA, but was nevertheless an essential part of the new hegemonic structure that was emerging. Capital account restrictions that were introduced in 1971 and 1972 (the 'O' circuit and the prohibition of interest payments on non-resident deposits) were abandoned in 1974 and 1976 (Bakker, 1996a). The direct effects of the oil crisis and the speculative inflows subsided and thus there was less need for

intervention. Besides that, the restrictions were often evaded by banks, and were consequently seen as ineffective (REA, 1979). With the change of global monetary system, the attitude towards long term capital outflows changed as well. Already in 1975, Minister Duisenberg believed that capital export was a net positive for the Netherlands, since it relieved pressure on the appreciation of the guilder and at the same time could be considered a long-term investment for the Netherlands itself (REA, 1975). This focus on capital exports would prove to be a key feature of the newly formulated accumulation regime. In 1975, 4 billion guilders would be exported abroad. Den Uyl disagreed with the positive assessment of the capital exports. He believed money could also have been used to finance domestic investment and thereby could have increased the future tax base (ibid.). This points to a productive capital view on the economy, with national capital circuits as the norm, and domestic investment and stimulus spending as a policy worth pursuing. The fact that the Netherlands could attract foreign capital to finance deficits was however evaluated positively by DNB. Zijlstra mentioned that in 1979 foreigners bought almost 5 billion worth of Dutch bonds, and these capital imports reflected the trust in the Guilder and the Dutch government. (REA, 1980). Capital export was seen as necessary in the Dutch Exportist regime, which could not allow the guilder to appreciate too much, since this could undermine the export position of the Netherlands. Moreover, the gas revenues naturally led to more capital exports, according to Zijlstra. Den Uyl warned against the too positive assessment of the capital exports, since the growth of the natural gas sector led to job displacement, and the extra income could stimulate new job creation. In the current situation it would leak abroad (REA, 1976). The 'strengthening-weakening' of the state with regards to capital account also became apparent. Regulating capital flows was considered unnecessary, but besides that also almost impossible. The position of the Netherlands as capital exporter exacerbated the problems with attracting sufficient financing for domestic government loans, but Zijlstra was of the impression that it would be 'exceptionally hard to obstruct' the capital outflows (REA, 1979). Better would be to attract capital from abroad if needed. Fear of outflows also prevented effective capital regulation. Even when the suspicion of possible tax fraud with unregulated savings products (so-called 'spaarbiljetten') in the Netherlands was discussed, Kessler believed that effective restriction was not possible. Regulating these savings products would risk the capital export of domestic savings, leading to upwards pressure on the Dutch interest rate (REA, 1980). Therefore, the best that could be done is register these 'spaarbiljetten', in a feeble attempt to gain a control over the situation (ibid).

When the cabinet van Agt I was installed in late 1977, any resistance towards the newly formulated comprehensive concepts of control virtually disappeared. The Minister of Finance, Frans Andriessen, believed that the Dutch guilder would have to keep following the Deutschmark in case of any

appreciation, following the ‘hard money’ policy of the Bundesbank, which could not be reconciled with Keynesian demand policy and the goal of social protection that was dominant in the productive capital view (REA, 1978). Zijlstra actually expressed some worries over the loss of control of the money supply. Too much expansion of the money supply would lead to ‘overliquidisation’ and a more frequent use of monetary financing (REA, 1975). Zijlstra also worried about the increasing credit expansion, especially in the mortgage industry. Nevertheless, he was convinced that any action taken to curb this must be gradual since hard credit ceilings could disrupt the recovery of the economy (REA, 1977).

### Ministry – Central Bank relations

The developments in the REA highlighted the money capital view of the economy that was taken by the President of DNB. The Labour-led government stood in opposition to this policy, but Zijlstra fiercely defended the territory the DNB had gained in the policy process. The strategic selectivity of the state historically already skewed monetary policy authority in favour of DNB, but over time the dominance of the central bank became more outspoken. Zijlstra had the habit of threatening to step down when the Prime Minister or the Minister of Finance were insisting on more influence on monetary policies (Zijlstra, 1992). Zijlstra complained that Den Uyl ‘didn’t sufficiently see the meaning of an independent central bank’, (REA, 1974). It was during this period that ‘central bank independence’ became an important concept of control. Finally, in 1998 even the formal right of ‘direction’ was abolished (Bankwet, 1998). The Ministry of Finance never really stood in opposition to the DNB during the 1970s, with Duisenberg taking a mezzanine position, and Andriessen fully embracing Zijlstra’s policy priorities. The only person who vocally opposed Zijlstra’s proposals was Den Uyl, who was an economist himself (Bleich, 2015). Even so, the systemic changes and the transnational hegemonic project combined with the ‘force majeure’ from both DNB and the Ministry of Finance left him practically powerless to mount any counteroffensive. Table 2 shows a fractional representation of the participants in the Council of Economic Affairs. During this period only Den Uyl was a clear representative of the productive capital view, with most finance and economic affairs ministers showing a preference for the neoliberal money capital perspective.

<b>Organic intellectuals and their fractional orientation in the REA 1974-1980</b>			
	<b>Neoliberal money capital view</b>	<b>Fordist productive capital view</b>	<b>Not discernible from REA minutes</b>
<b>Prime Minister</b>		Joop Den Uyl	Dries van Agt
<b>Finance/ Economic Affairs Minister</b>	Wim Duisenberg Hans Andriessen		Ruud Lubbers Gijs Van Aardenne
<b>DNB President / Director</b>	Jelle Zijlstra Dolph Kessler		
<b>Central Planning Bureau</b>	Cees van den Beld		

**Table 2: Fractional orientation within the REA**

## **Post-Fordism and Neoliberalism – Building a new regime**

The system that followed up Fordism in most developed countries has been conceptualized as 'Post-Fordism'. An exact, unequivocal explanation of post-Fordism has not been formulated yet. Within the regulation school several forms of post-Fordist accumulation regimes and modes of regulation have been identified (Boyer & Saillard, 2005). Some countries have evaded a straightforward label of 'Fordism' and thus a transition to post-Fordism is harder to conceptualize (Jessop & Sum, 2006). Nevertheless, there have been some general trends that have been associated with a post-Fordist accumulation regime. In the labour process, post-Fordism is characterized by a flexible production process with flexible machines and an appropriately flexible workforce (Jessop & Sum, 2006, p. 77). In contrast to the Fordist wage-labour nexus, there is less focus on growing the home market, and are more oriented to outside demand. Global competition will limit the scope of general prosperity and lead to skills-based wage polarization (ibid.). Some have called this new accumulation regime 'systemic' neoliberalism, which restored accumulation through attacks on organized labour and welfare (Yurchenko & van der Pijl, 2015) combined with a 'spatial fix', which included the movement of investment and production practices towards unregulated low-wage environments (Jaffee, 2020). The organized labour structure of the Fordist wage-labour nexus is fractured into labour as an individual commodity, shifting bargaining power from labour to capital (Boyer, 2018). In the mode of regulation, post-Fordism tends to favour supply side-innovation and flexibility in the main areas of regulation (Jessop & Sum, 2006, p.79). State intervention tends to shift away from the Keynesian national welfare state and is instead focused on promoting international competitiveness of businesses (Kundig 1984; Boyer, 1997). The welfare state is consequently adjusted according to the needs of maintaining competitiveness (Jessop & Sum, 2006, p.79.). Post-Fordism is also associated with a shift in the hierarchy of institutional forms of the accumulation regime. The financial regime plays a central role the accumulation regime and mode of regulation, in contrast to the labour-wage nexus dominance in the Fordist regime (Boyer & Saillard, 2005). Furthermore, the role of the Central Bank has been expanded, as it is a key institution in stabilizing the financialized and potentially unstable economy in post-Fordism (Boyer, 2000). Central banks shift away from a policy mix between growth and inflation and myopically focus on stabilization and price stability only (ibid.).

In the neoliberal (or Post-Fordist) accumulation regime, the money form is dominated by private, rootless bank credit that moves around internationally. New forms of credit will be created that are often motivated by the desire to avoid effective central bank regulation of credit and capital movements (Jessop & Sum, 2006, p. 80). The high degree of capital mobility skews taxes towards the immobile factors (labour, possibly real estate), and prevents the tax base to grow as fast as during Fordism (ibid.). Monetary policy is not so much concerned with finding the best policy mix between

price stability and economic growth, but try to maintain on price stability amid the destabilizing effects of large capital movements (Boyer, 2000b). In contrast to the possibility of discretionary monetary policies during the 1960s, the neoliberal monetary regime is directly subject to the 'discipline' of the international financial markets, and exchange rates are mainly determined by international market forces, not by political considerations (ibid). Central bank 'independence' is the term employed to describe this isolation of the central bank from political pressures, in order to more adequately satisfy the demands of the international financial market-based logic (Boyer, 2000b). Despite the label of apparent 'independence', central banks have become the hostage of internationalized finance as they try to contain systemic, financial crises (Boyer, 2000a). Monetary policy has become the task of guiding the development of financial markets in the best possible way (Boyer, ibid). Despite the crisis of the Fordist accumulation regime, the US-led monetary order was able to continue due to the increased possibility of the US to finance its current account deficits via ample foreign financing opportunities. Cross-border flows of deficit financing capital replaced the central banks currency stabilization policies, such as intervening in foreign money markets or resorting to capital controls (Parboni, 1981; Hankel, 1982). The financing rather than the balancing of current account deficits opened up large markets for (international) bank capital (van der Pijl, 2014). Bank capital was encouraged to involve itself in the growing Atlantic circuit of finance capital, both in the US and in Europe (ibid). Industrial firms turned towards the financial market as well, not only to protect their cash flow from currency volatility but also to invest in financial ventures themselves (Hankel, 1984). The implementation of the new neoliberal accumulation regime relied on the transnational hegemony formed around the conception of the money form that was called 'monetarism', which was skewed towards open markets, free enterprise and capital domination (Burnham, 1991). Contrary to Fordism, demand springs from worldwide markets, competition is globalized and the wage is transformed from a demand input to a more general production cost (Jessop, 1996). Neoliberal modes of regulation are thus substantially different, and lead to different outcomes, new contradictions, new disequilibria and new crises.

## **The Dutch path towards Neoliberal Exportism**

The new accumulation regime that was established in the Netherlands could be called 'Neoliberal Exportism', which differed from Fordist Exportism in a few critical areas. Until 1973 capital flows in and out of the Netherlands were mostly balanced (WRR, 1980). After 1974 capital exports start to exceed capital imports. Furthermore, Dutch companies start to increase investment abroad, whilst limiting their domestic investment (ibid.). These were the first signs of the Neoliberal Exportist accumulation regime that started to emerge in the Netherlands. Exports as a percentage of GDP were increasing, and the future of welfare would be tied to maintaining competitiveness of Dutch industries (ibid.). Because of the responsibility of the DNB to keep the banking sector running smoothly in the new internationalized economic context, it increasingly adopted a money capital view. For example, DNB lowered capital requirements for banks when their growth prospects vis-à-vis foreign banks were lagging behind (Eekelen, 1986). This led to substantially higher levels of credit creation, as well as precipitous decline of capital adequacy ratios (from 55,4% in 1952 to a mere 6.4% in 1980) (ibid.). This was not too surprising. In the Netherlands, decisions regarding monetary policy were often made in consultation with the commercial banks. Relations between the central banks and the commercial banks were cordial, with some calling the resulting policies 'gentlemen's agreements' (Eijffinger & Schaling, 1993). Research by Adolph (2013) and Gohlman & Vaubel (2007) have also confirmed close links between central banks and commercial banks in other countries, be it by way of direct linkages or intersecting career trajectories that lead to socialization of policy preferences. The monetarist policy that was embarked upon in the late 1970s was meant to stabilize the malfunctioning monetary and financial policy and the end of the Fordist accumulation regime (Aglietta, 1979). The crisis of the Keynesian aspect of the Fordist regime led to the abandonment of full employment in favour of price stability as the main target of macroeconomic policy (Clarke, 1988). Gradually, trust in the use of capital controls as an effective policy tool was lost (Bakker, 1996). And so, in 1977 it was decided that the Dutch capital account would shift from a 'negative' system, at that time requiring ever more labour resources to regulate capital flows, into a 'positive' system (Bakker, 1996a; *Wet financiële betrekkingen buitenland*, 1980). Capital flows would be allowed in principle, although a few restrictions remained. This new law, pending approval, practically came into force in the beginning of 1978 (Bakker, 1996a). This decision was not subject to any substantial policy debate within the REA. Heated discussions revolved around wages, government deficits and interest rates, but capital flows were mostly mentioned tangentially in relation to deficit financing, foreign investments and interest rate levels. The capital account was not a major factor in the comprehensive concepts of control, but was deduced from the other concepts such as deregulation, international competitiveness and profitability. The differences in capital

account management between the Keynesian and Neoliberal Exportist regimes are also reflected in the capital account data of the annual reports of the DNB, that include annual records of the balance of payments and the international capital flows that are part of it. This can help illustrate the continuity (export surpluses) as well as the differences (FDI outflows, international banking practices, international deficit financing) between the two accumulation regimes in the Netherlands.

Figure 3 outlines the switch between the system of Fordist Exportism and Neoliberal Exportism. The current account shows us the structural conditions for accumulation. In the period of Fordist Exportism the current account starts out negative. This is mainly due to the economic dislocation as a result of the Second World war, along with the capital inflows from the Marshall plan (DNB, 1948). The accumulation regime only started to really take off from 1952, when substantial surpluses were recorded. With the exception of 1956 and 1957 there is a general trend towards accumulation. A crisis of accumulation starts to occur from 1962 to 1971 until accumulation resumes starting from 1972. The current account temporarily turns negative between 1978 and 1980, but this is mainly a reflection of the 'Dutch Disease', that made the guilder uncompetitive as a result of the exploitation of the large gas reserves and their export (Corden, 1984).

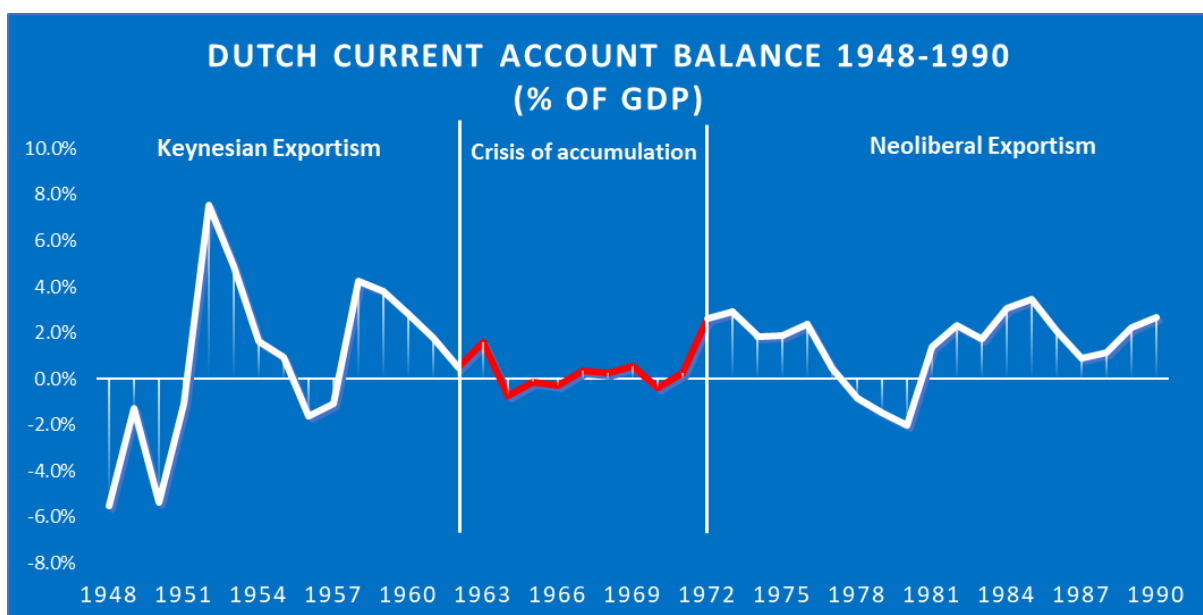
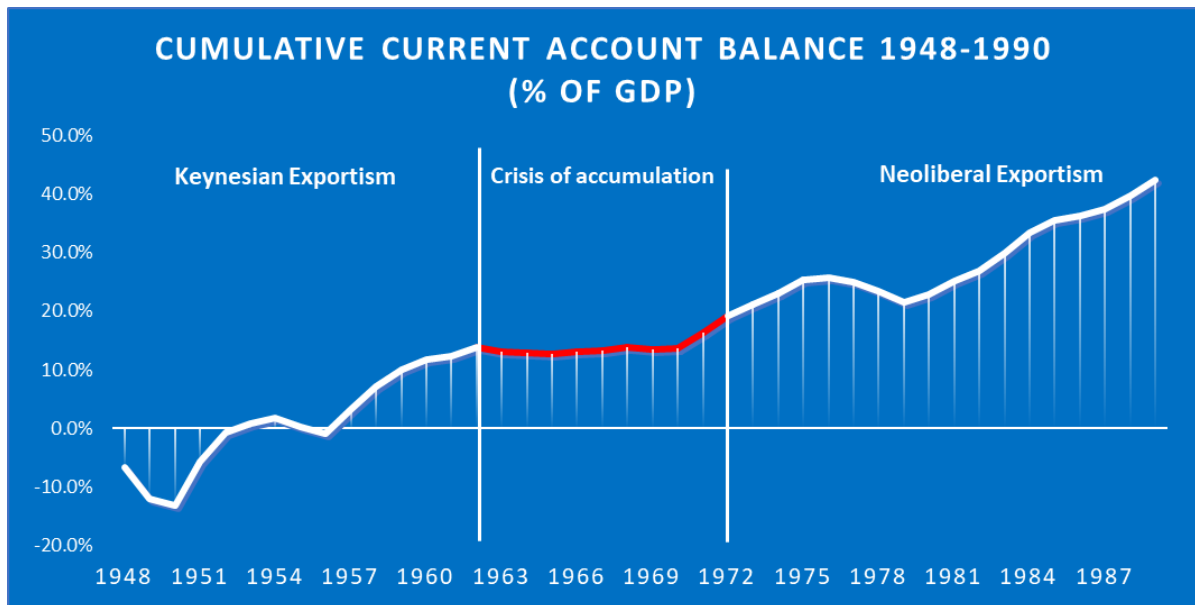


Figure 3: Dutch Current Account Balance: 1948-1990. Source: DNB Annual Reports (1948-1990)

Figure 4 helps to show the cumulative effect of persistent current account surpluses. Over time an accumulation of surpluses starts to appear. Figure 4 also shows that accumulation in the current account dramatically slows down between 1962-1972. This is the ‘crisis of accumulation’ that takes place and points at the inability of the accumulation regime to provide a stable form of accumulation. After the mid-1970s accumulation is restored and the era of neoliberal accumulation starts.



**Figure 4: Cumulative Dutch Current Account Balance: 1948-1990. Source: DNB Annual Reports (1948-1990)**

Looking at the current account can be informative but is not sufficient to understand the nature of accumulation. Current account surpluses can be balanced out in different ways. And this is where the Keynesian and Neoliberal accumulation regimes differ substantially. Looking at FDI outflows can help to understand the capital accumulation that is taking place. FDI outflows are reflecting the net direct investments that the Dutch private sector is making abroad. Figure 5 shows net FDI flows of the Dutch private sector. The difference between the Keynesian and Neoliberal accumulation regime lies in the intensity of international capital investment flows. In the Keynesian accumulation regime, especially during the early post-war years, FDI outflows are muted. This would point at autocentric capital circuits, where investment takes place domestically instead of moving capital abroad. The autocentric capital circuits already start to erode from the late 1950s. This takes place during the same time that the transnational institutions that are proponents of the money view of capital start to influence capital account policy by way of the European Payments Union, the OECD code of liberalization and the IMF consultation sessions. The crisis of accumulation is also reflected in figure 6, and shows the slowdown and temporary reversals of net FDI outflows between 1962 and 1973.

The crisis of FDI accumulation ends in the mid-1970s after which the structural intensity of accumulation increases.

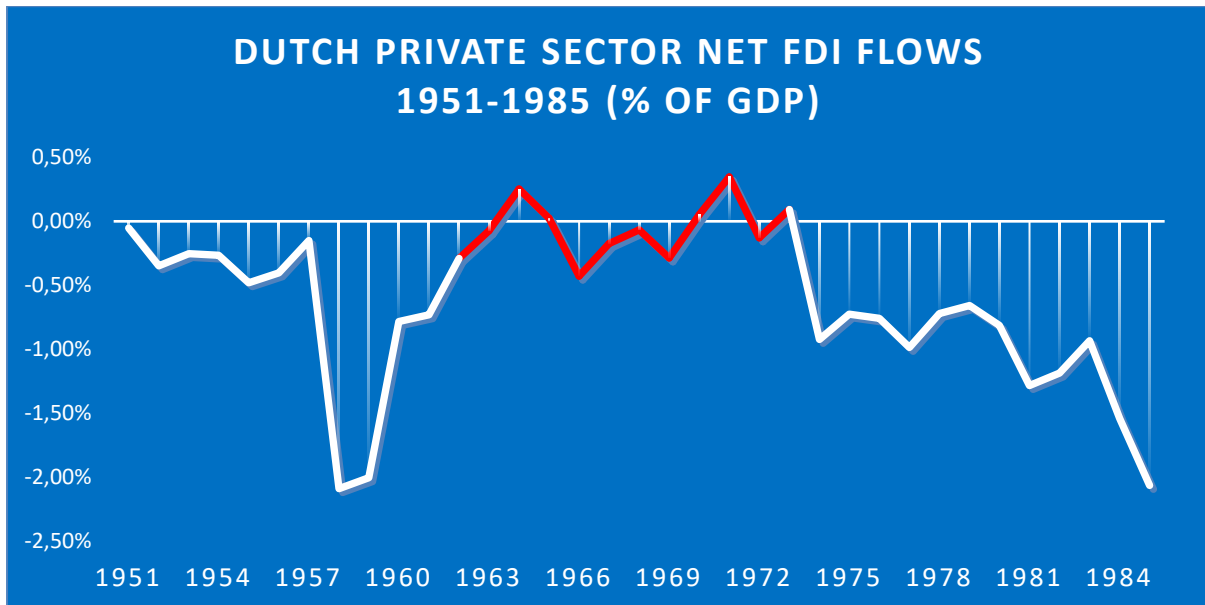


Figure 5: Dutch private sector net FDI flows. Source: DNB annual reports (1951-1985)

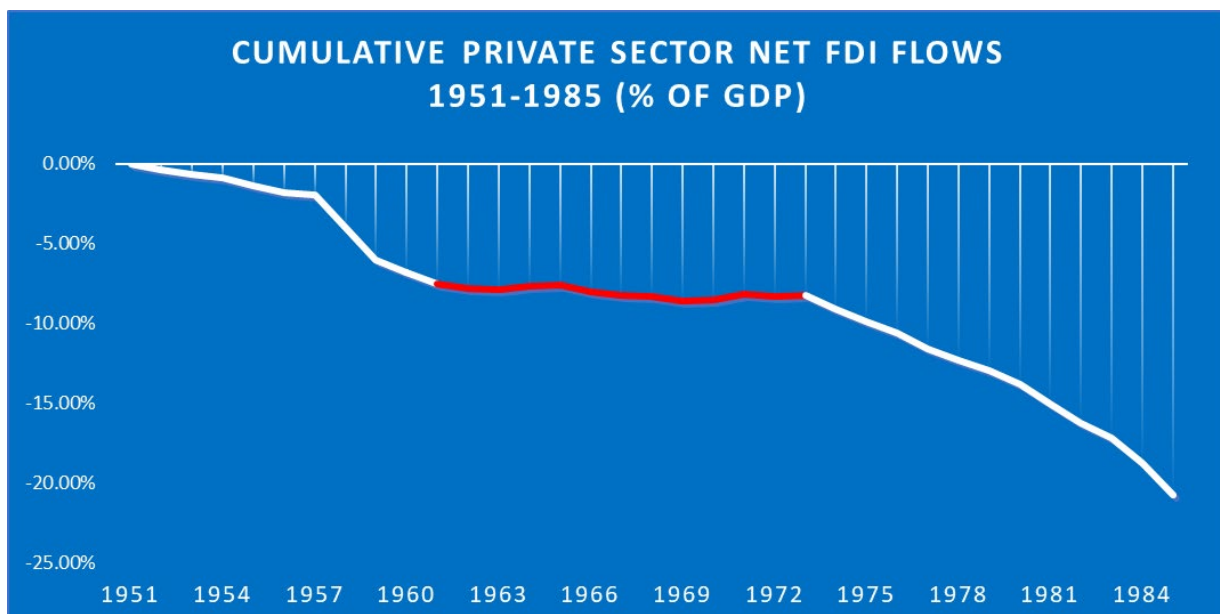


Figure 6: Cumulative Dutch private sector net FDI flows. Source: DNB annual reports (1951-1985)

Not only in direct investment did the Dutch business sector expend internationally. After 1972 the financing of business activity by foreign banks increased sharply. The difference between Fordist Exportism and Neoliberal Exportism is also reflected in the banking activity in each respective accumulation regime. During the Keynesian period, foreign bank lending is less common, which shows that financing circuits are predominantly domestic. Figure 7 shows that foreign bank lending

increases substantially during the Neoliberal Exportist accumulation regime. This shows the increased cross border activity of banks. In 1984, half of the current account surplus was balanced by capital exports. In 1985 over three quarters of the current account surplus was balanced by capital exports (DNB, 1985). Capital exports consisted of FDI and foreign security purchases. Not only the net capital exports increased, Both the gross incoming and outgoing flows increased, indicating larger international capital flows in general (ibid).

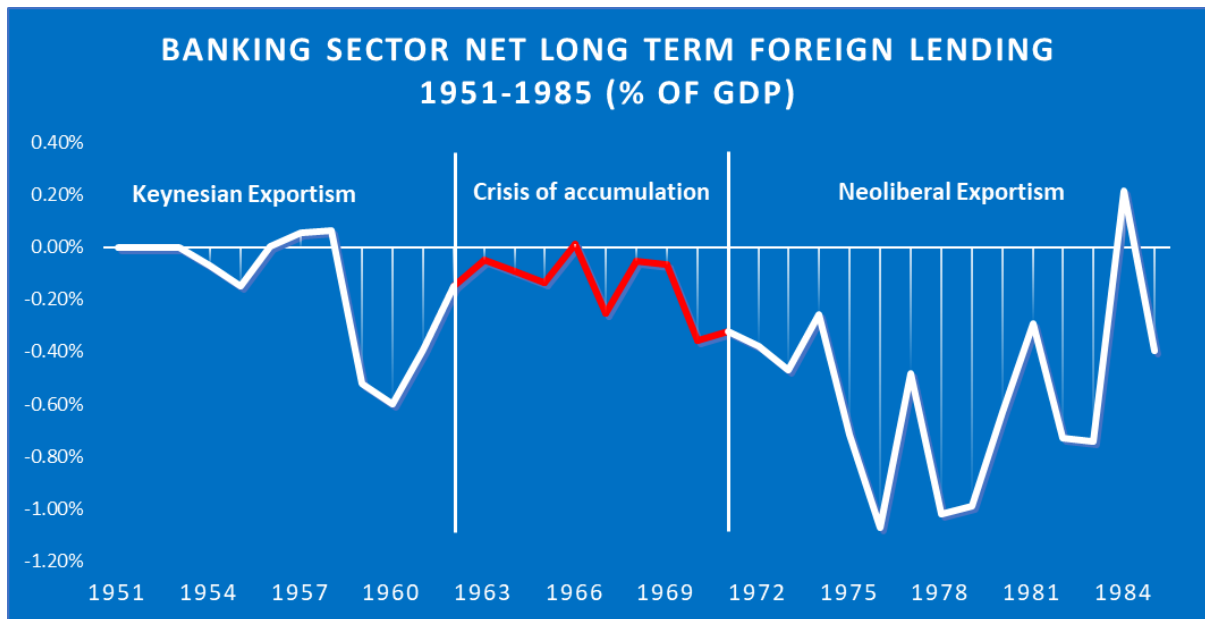


Figure 7: Dutch Banking sector net long term foreign lending. Source: DNB annual reports (1951-1985)

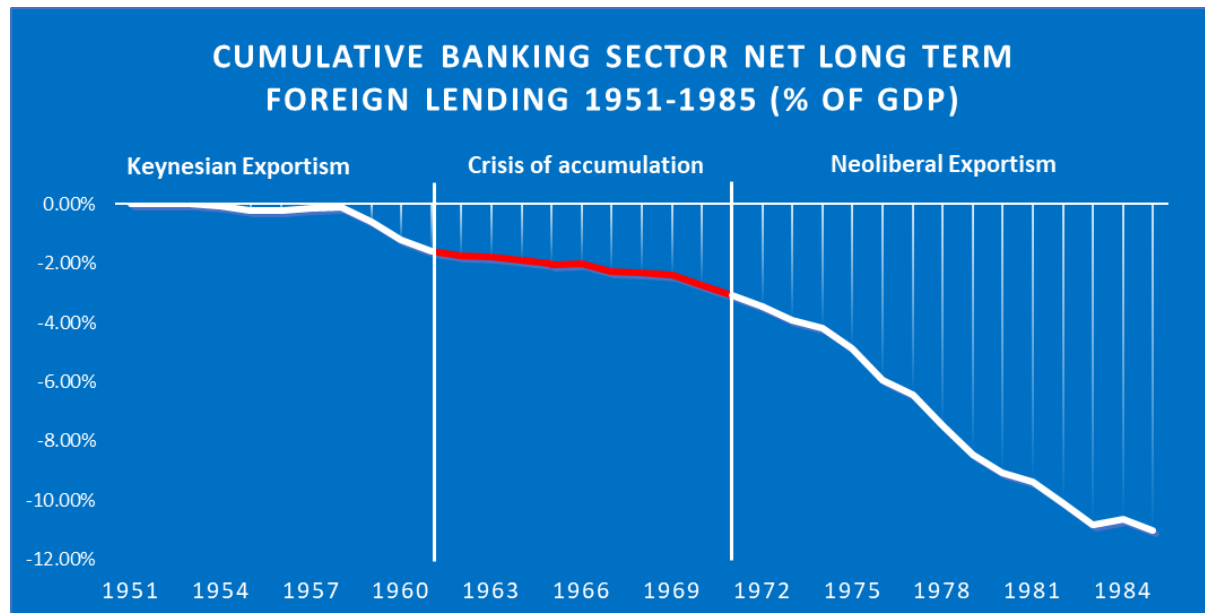
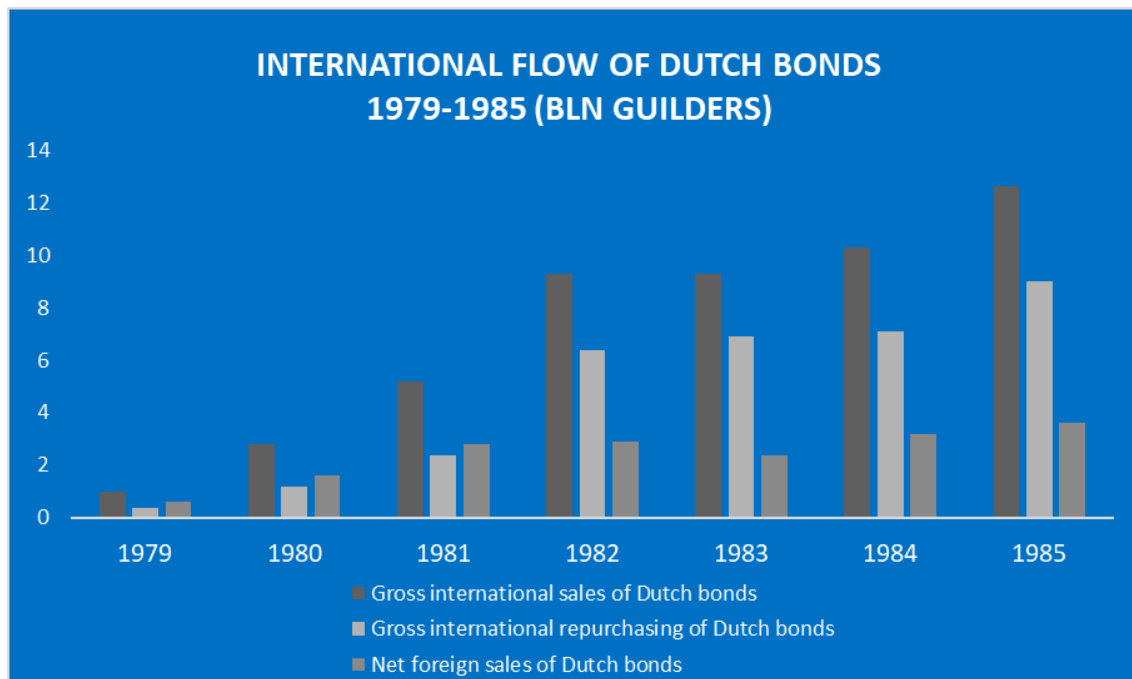


Figure 8: Cumulative Dutch banking sector net long term foreign lending. Source: DNB annual reports (1951-1985)

Next to the net creditor position that Dutch banks are building up in the Neoliberal Exportist regime, we can also see a marked increase in cross-border flows in the capital account. Looking at the financing flows of Dutch bonds, foreign financing as well as repurchasing transactions increase dramatically. The time period of this figure is limited due to lack of data in the annual reports of DNB, but it clearly shows the increasing intensity of internationalized capital circuits during the Neoliberal Exportist regime.



**Figure 9: International flow of Dutch Bonds. Source: DNB annual reports (1979-1985)**

The Neoliberal Exportist accumulation regime thus retained some elements of the Fordist Exportist regime, but differed in other aspects. Based on our previous analysis, the following representation of the Neoliberal Exportist can be made.

	<b>Money Form in the Dutch Exportist accumulation regime</b>	
	<b>Fordist Exportism</b>	<b>Neoliberal Exportism</b>
<b>Fractional view of capital</b>	Domestic productive capital	International money capital
<b>Currency stabilization</b>	Fixed exchange rate Capital Controls – Credit Ceilings	Floating exchange rate Capital Exports in Liberalized account
<b>Stabilization orientation</b>	Introvert, intervention-based currency stabilization	Extravert, market-based currency stabilization
<b>Circuits of capital</b>	Autocentric capital circuits	Internationalized capital circuits
<b>Growth orientation</b>	Extraverted	Extraverted
<b>Funding source</b>	Specialized state banks + Savings-based domestic banks	Domestic/foreign ‘universal’ banks Internationalized bond/equity financing
<b>Credit availability</b>	Relatively scarce (‘scramble for savings’)	Abundant
<b>Comprehensive Concepts of Control</b>	Currency stability ‘Cheapness Island’ Full Employment	Restoring profitability Wage moderation Competitiveness Central bank independence
<b>Exportist production-wage regulation</b>	Wage moderation + full employment	Wage moderation + Flexibilization
<b>Monetary Constraint</b>	National Balance of Payments	Global availability of credit
<b>International Monetary Regimes</b>	Bretton Woods (1944-71) European Payments Union (1950-58) Smithsonian Agreement (1971-73) Snake in the tunnel (1972-77)	European Monetary System (1979-99) Floating exchange rates
<b>Central Bank – Cabinet Monetary policy authority</b>	Marked by general cooperation – but possibilities for conflict of policy priorities	Mostly deferred to central banks.

**Table 3: Comparison between the Fordist and Neoliberal Exportist accumulation regime**

In 1986 the last restrictions on any capital inflows and outflows were abolished. The Netherlands was the fourth OECD country to fully liberalize its capital account (Bakker, 1996a). The principles of the newly emerged Neoliberal Exportist accumulation regime were fully implemented in the capital account. The requirements of the fixed exchange rates the Fordist accumulation regime on the capital account were replaced by liberalized, floating exchange rates, and without adequate government regulation money capital started to increase in importance globally once again. (Helleiner, 1995).

## Conclusion & Discussion

Contrary to neoclassical economic theory, the regulation school and its concepts can provide a convincing explanation for the liberalization of the Dutch capital account. The Dutch capital account policies follow the requirements of the dominant accumulation regime. The Dutch accumulation regime of Fordist Exportism was a variant of the Fordist accumulation regime and combined elements of the productive and money capital view. The extraverted growth orientation of the Dutch accumulation regime was maintained by regulating the capital account in order to stabilize the exchange rate. The money capital view was therefore (partially) subordinated to the intervention and social protection of the productive capital view to maintain a current account surplus and sustain the Fordist Exportist regime. The specific modalities of the Dutch capital account during Fordist Exportism were a result of the idiosyncratic ideological view of an organic intellectual in the form of central bank President Marius Holtrop. Holtrop combined elements of Monetarism and Keynesianism that were able to support the accumulation regime in the context of the international accumulation regime of Fordism, that allowed for national intervention and protection of the economy. This also lends credence to the Poulantzian concept of the 'relative autonomy' of the state, in which countries with a similar mode of production and accumulation regime still can spawn different variations based upon the social forces that materialize in the state.

During the Fordist accumulation regime, transnational organisations in the form of the IMF, the BIS, the EEC and the OECD were Influential supporters of the money capital view. They were key in the formation of a new transnational class that could influence national policymaking and furthered the international money capital view by formulating policy goals favourable to the international money capital view such as currency convertibility, free trade and policy harmonization. These pressures exerted influence on the capital account policies of the DNB by way of proposals for crisis management, interlocking directorates, and the subsequent financial policy harmonization. The Fordist Exportist accumulation regime entered a structural crisis after the struggles between labour and capital and the breakdown of the fixed exchange rate regime undermined both the structural requirements for accumulation and ended the regime of the Bretton Woods era. As a result, a new accumulation regime had to be constructed that could overcome the crisis of profitability in Fordism and at the same time provide some level of monetary coherence in an internationalized floating exchange rate regime. To implement the new accumulation regime, a new set of Comprehensive Concepts of Control had to be created in order to provide ideational support for the new mode of regulation and accumulation. The concepts of restoring profitability, moderating wages and stimulating international competitiveness were the discursive condensations of the international

money capital fraction, that had an interest in an international economic system without the obstacles of high labour costs or stringent national regulatory barriers. These concepts were primarily and most strongly espoused by several transnational organisations as well as the organic intellectual in the form of central bank president Jelle Zijlstra. Zijlstra, along with some other members of the Dutch Council of Economic Affairs (REA) managed to achieve politico-economic hegemony over the capital account because of structural changes in the international economy, but also because of the successful dominance of the Comprehensive Concepts of Control that were used. This resulted in a Post-Fordist/Neoliberal accumulation regime, of which the Dutch variant could be called Neoliberal Exportism. Within this system, a liberalized capital account supported the accumulation conditions of the Neoliberal Exportist regime, in which the internationalized business and banking sectors increased their cross-border investment, lending and financing. A liberalized capital account would provide maximum opportunities for Dutch banks to borrow and lend beyond national borders and allowed Dutch businesses to export their profits abroad.

Throughout both accumulation regimes, the central bank has been relatively isolated from political pressures that came either from the Ministry of Finance or the Prime Minister. Even though the Ministry of Finance was supporting interventionist Keynesian policy ideas, DNB never went as far as fully supporting a Keynesian line but retained its 'moderate monetarist' view on the capital account. During the crisis of the Fordist regime, the Prime Minister did not have sufficient influence to decisively steer monetary policy towards the productive capital view. This shows the strategic selectivity of the state with regards to the central bank, which through time cultivated the concept of 'central bank independence' to disarticulate any form of productive capital oriented policy with regards to the capital account.

The development of the Dutch Exportism concept expands upon earlier work by Sum (1998) about Exportism in the East Asian Newly Industrializing Countries (EANICs) and the contribution by Jessop and Sum (2006, p. 130) on 'Flexi-Fordism' in Germany by exploring a new variety of the Exportist accumulation regime. The research also shows the real influence an organic intellectual can have on the policy-making process in supporting or changing the hegemonic concepts that support an accumulation regime. The research also increases the knowledge about the impact of the money form of any accumulation regime within Exportist accumulation regimes, and the specific modes of regulation that can be created to support the reproduction of capitalist trade relations. Finally, the analysis shows that the central bank is geared towards supporting accumulation regimes within the capitalist mode of production, and cannot be seen as a 'neutral' or 'natural' institution, but rather as a historically contingent arrangement to mitigate the crisis tendencies that inevitably spring up.

Due to the focus on a specific country in a relatively short timeframe, the scope of this research is limited. It cannot be used to generate transhistorical, universally valid laws. However, within the (critical realist) framework of the Regulation School there is no requirement to do so (Jessop, 2003; Jessop & Sum, 2006). Additionally, the combination of all theoretical frameworks and their analysis within one thesis makes some parts of the analysis slightly cursory. Nevertheless, the combination between the structural and agency-based explanations across different agents and institutions does provide a comprehensive view of the forces at play that shaped the policy of the capital account.

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