Preface

This book offers a different perspective on the subprime crisis by examining the intimate relationship between mortgage-backed securities and the international bond market's base on US Treasury bonds. This entails rethinking how debt markets operate and developing concepts that have so far only been touched upon. It also involves investigating the deep institutional roots of key markets and their connection to the imperial dynamics of modern finance. The analysis rests on a particular understanding of financial demand, one no doubt strongly shaped by my (brief) career in the world of high finance. This conceptualization cannot be demonstrated in any straightforward way, though the ensuing historical analysis brings into light certain foundational trends. It is rather a 'conviction animated by attachment, scholarly contemplation of history and the present, and argument, nothing more' (Brown 2015: 11).

This book suggests that financial markets – investment patterns, the strategic orientation of firms, the process of buying securities – rest on common sense constructions of risk, and that the special credibility of US bonds since the beginning of the postwar period has been sustained by a semiotic ensemble simplifying the complexity of financial exchange. It examines how this belief has been rooted in the material basis of US imperialism in this era from the time it was initially given expression by the Bretton Woods Accord at the end of the War. After the breakdown of the fixed exchange rate system in the 1970s, it was reinforced by the Volcker shock and a new monetary system. Moreover, the book argues that this conception of risk has been cradled by US regulators in the Federal Reserve and Treasury Department, who have actively managed the international bond market.

Apart from its general importance, this view challenges conventional interpretations of the subprime crisis by drawing attention to its deep historical roots. In some cases, these historical connections are more or less out in the open, as with European demand for dollar denominated mortgage bonds. Others are obfuscated and more complex: the development of a transatlantic hub-and-spoke financial network based around Wall Street. Others still are distant and probably less meaningful: financial innovation and engineering. Yet, in one way or another, these mechanisms and processes were influenced by US risk power, as the credibility of dollar denominated debt spiralled outwards through the post-Second World War era.

In many ways, this is an unpleasant conclusion, for it shows how different core aspects of the financial apparatus pivot around embranded constructions densely linking risk to capitalist exploitation and domination. This indicates the difficulty of utilizing the financial system to mobilize investment for non-capitalistic projects, or non-reformist reforms, and is a huge obstacle to emancipatory change. Such political issues, however, are not covered by this book, only hinted at. Likewise, little time is spent assessing ‘deep’ material economic relations – things like the realization of surplus value, the accumulation of productive capacity, investment trends, patterns of class struggle, the growing primacy of the financial sector, and so on. These are important analytically and have bearing on the argument, but are outside the scope of this study, all the more so since they have been taken up effectively elsewhere. Instead, the key aim is to trace the historical interconnectivities discussed above, linking the 2008 crisis to hidden patterns of financial power and imperial domination, and showing how key financial relations and contradictions were themselves triggered by the pervasive demand for US Treasury debt. This alone is a tall task and involves digging into the bowels of the financial system and international bond market.

The idea for this book was originally formulated in the mid-2000s. Even before the crisis, it seemed clear that the bond market’s base on US Treasury debt was mixing unfavourably with neoliberal class domination, and creating important contradictions. Yet these at the same time did not appear to threaten the Treasury bond market, as many were predicting. In fact, Treasury markets seemed to be creating new stable conditions for international investment. The subprime crisis magnified these tensions and spurred new questions.

From these beginnings, the book developed through my doctoral and post-doctoral studies at York University and the University of Toronto, and took shape as the subprime crisis ravaged global markets and eventually reinforced US financial power. It benefited immensely from countless conversations with Leo Panitch and Sam Gindin, whom I have long considered close friends and mentors. Consciously or not, my most creative ideas reflect theirs. I also owe a debt to Stephen Maher, Greg Albo, Martijn Konings, Lou Pauly, Dick Bryan, Alfredo Saad-Filho, David Wolfe, Ann Porter, Gus Van Harten and Randell Germain: their spirit of inquiry, feedback on earlier drafts of this manuscript or related works, and vast knowledge, greatly improved the ideas in this book. At Ontario Tech University, I have benefited from the constant support and strong interest of many colleagues and students, only a few of whom I can mention here. Particular thanks go to Shanti Fernando and Alyson King in the Political Science Program for their encouragement and cheerful help, and to Tanner Mirrlees for his always stimulating observations. Barb Perry, Peter Stoett, Shahid Alvi, Thomas McMorrow, Olga Marques, Carla Cesaroni, and Tyler Frederick also deserve special mention. In the closing

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