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Politics of Financialisation and Inequality: Transforming Global Relations for Inclusive Development

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Abstract

Inequality remains one of the most fundamental challenges of the contemporary world. It has become a global phenomenon which affects the underclass, the deprived and the poor both in the global north and south. Despite the advancement in technology which has fueled economic growth and fostered cross-national mobility of factors of production, inequality and its twin, poverty, remain major issues of inquiry among scholars, consideration for policy makers and concern for the poor. Most studies on inequality have been preoccupied with the economic forces. This article locates the growing degrees of inequality in the world within the global politics of financialisation in which the transnational capitalist class (TCC) adopts a reactionary ideology of neoliberalism to further their interest through the creation of massive fictitious wealth, maintenance of stranglehold on domestic and international policy institutions and spreading of the illogic of the sanctity of the market. I argue that capitalism in its current form is unsustainable for the human society. Consequently, the structure of power that informs and maintains the current order must be transformed to foster inclusive development. Despite the resistance to such transformations by the members of the TCC at the core, the process is inevitable due to the internal contradictions within the system itself, the emergence of new loci of power from different regions of the world and increased revolutionary pressures from below. Overall, the article concludes that there is an inextricable link between financialisation and global inequality.

Résumé

L'inégalité reste l'un des défis majeurs du monde contemporain. Elle est devenue un phénomène mondial qui affecte les classes inférieures, les démunis

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et les pauvres tant dans les pays du Nord que dans ceux du Sud. Malgré les progrès de la technologie qui ont alimenté la croissance économique et favorisé la mobilité transnationale des facteurs de production, l'inégalité et sa jumelle, la pauvreté, restent des questions d'intérêt majeur parmi les chercheurs, les décideurs politiques et une préoccupation pour les pauvres. La plupart des études sur les inégalités se sont préoccupées des forces économiques. Cet article situe les degrés croissants d'inégalité dans le monde dans la politique mondiale de financiarisation dans laquelle la classe capitaliste transnationale (CCT) adopte l'idéologie réactionnaire du néolibéralisme pour poursuivre leurs intérêts à travers la création d'une fictive richesse immense, le maintien de la mainmise sur les institutions politiques nationales et internationales et la propagation de l'illogisme du caractère sacré du marché. Je soutiens donc que le capitalisme dans sa forme actuelle est insoutenable pour la société humaine. En conséquence, la structure du pouvoir qui informe et qui maintient l'ordre actuel doit être transformée pour favoriser un développement inclusif. Malgré la résistance à ces transformations par les principaux membres de la CCT, le processus est inévitable en raison des contradictions internes au sein du système lui-même, l'émergence de nouvelles instances de pouvoir dans les différentes régions du monde et les pressions révolutionnaires croissantes, à partir de la base. Dans l'ensemble, l'article conclut qu'il existe un lien inextricable entre la financiarisation et l'inégalité dans le monde.

Introduction

The global capitalist system has witnessed massive transformations and changes over the past four decades. The changes have been informed by the shift in both theoretical nuances and policy at the core and periphery of global capitalism. Although there has been some improvement in the global economy in terms of the reduction in the numbers of people living in absolute poverty, inequality has increased in-country and between countries (Stiglitz 2012). These problems have in turn been exacerbated by high rates of unemployment; dwindling fortune of workers in terms of wages as share of corporate profits; intensification of regime of 'accumulation by dispossession'; shift from production and manufacturing to financialisation; excessive profits and bonuses for corporate executives; technicisation of production processes and change from community values to individualism (Guillen 2014; Nolke Heires and Bieling 2013).

The change in the nature of global capitalism from production to financialisation is not a natural evolutionary process. Rather, it was a deliberate art of political coalition among the group of pseudo-capitalists called '*capitalist rentiers and financists* who have derived massive benefits from the current neoliberal hegemony and financialisation' (Bresser-Pereira

2010:500). Bresser-Pereira describes capitalist rentiers as non-active capitalists such as stockholders who own no business enterprises in which they work, or contributes to their profits or expansion. On the other hand, he describes financists as the executives and traders who manage financial organisations or trade on their behalf, earning salaries and performance bonuses (p.500). Harvey (2007) provides a detailed historical account of how conservative intellectuals, business and political elites at the core of global capital such as the United States of America, Britain, Germany and Canada framed and institutionalised the global hegemony of neoliberalism as a political economic force which controls how global capitalism operates today. In what Wade (2013) calls the 'art of power maintenance', the US, despite the global financial crisis of 2007-2009, seeks to maintain the dominance of the neoliberal economic paradigm both at home and abroad.

Despite this resistance, I argue that capitalism in its current form is unsustainable for the human society. Consequently, the structure of power that informs and maintains the current order must be transformed to foster inclusive development. Notwithstanding the resistance to such transformations by the members of the TCC at the core, the process is inevitable due to the internal contradictions within the system itself, the emergence of new loci of power from different regions of the world and increased revolutionary pressures from below.

This article engages with the following questions, through the theoretical lenses of International Political Economy (IPE) and the theory of global capitalism (Robinson 2004): What is financialization and its link with the hegemony of neoliberal economic order? How have the financialisation processes contributed to inequality? What are the emergent alterations in the structure of global power that provides hope for transformation of global relations? What are the imperatives and the mechanisms for fostering such transformations? In the main, the article shows that there is an inextricable link between financialisation and global inequality.

Financialisation and the Hegemony of Neoliberalism

The theoretical foundation of the contemporary global capitalist order with its penchant for market orthodoxy took root in the 1960s when development economics was replaced by neoclassical economics (Gilpin 2001). Proponents of this variant of economics such as Alfed Marshall, Leon Walras and Vilfredo Pareto focused their theoretical explanation regarding the functioning of the economy on the attainment of equilibrium points. They consider the value of labour and the wages that the workers earn in terms of its marginal productivity. Contrary to the concerns of classical economists such as David Ricardo and Jeremy Bentham for income equality and utilitarianism, neoclassical economics gives credence to capital and profit (see Marshall 1961; Pareto 1971).

In what Fine (2009) has aptly described as 'Zombie Economics', neoclassical economics became intertwined with mathematical abstraction and modelling under the steady guide of economists such as Paul Samuelson. As Bresser-Pereira (2010:500) notes, 'neoclassical economics became a form of meta-ideology which legitimises mathematically and '"scientifically" neoliberal ideology and deregulation'. By this devotion to mathematical abstraction, it delegitimises other social sciences disciplines such as sociology, anthropology and political science thus denying itself the needed multidisciplinary perspective and approach to understanding the challenges of the society. As Montgomerie (2008:233) argues,

> attempts to draw 'scientific' conclusions require the adoption of many assumptions about individual and state behavior (mainly that both are rational acting utility maximizers) and an evaluation of change by molding social relationships discrete categories of dependent and independent variables… critical approaches reject these orthodox assumptions and methods by analyzing markets as constellations of social relationships.

The failure of the post-Keynesian principles of full employment to sustain economic growth, the collapse of state-owned enterprises and the economic crisis of the 1970s laid the basis for the enthronement of neoliberal economics in its most virulent form, which continues till today (Fine 2009). Both at the micro and macro levels, concern for profitability and cost efficiency became the dominant consideration in the formulation of economic policy. With the possible exception of Germany, most developed countries ensured that their industrial production sectors relocated to regions of low costs of labour in Asia, particularly China. In the place of industrial production was the emergence of new financial sheriffs and smart innovators of short-term financial products such as swap options, derivatives, bonds and securities with a promise of high return on investment within a short period of time.

The massive reforms in the public sector in United States of America and Britain under Ronald Reagan and Margaret Thatcher were based on neoclassical economic principles of efficiency, equilibrium and profitability. The 1980s witnessed a gale of privatisation of state-owned enterprises, deregulation, deunionisation and a drive towards the financialisation of the economies of developed countries. A replica of these reforms was the Washington Consensus that James Williamson saw as the panacea to the debt crisis of Latin American countries (Williamson 1990). The structural adjustment programmes which African countries were made to adopt from the 1980s also fall in this category. For detailed account of the structural adjustment programmes on African economies, see Soludo and Mkandawire (1999) and Olukoshi (1998), among others.

Riding on the historic wave of neoliberalism and globalisation, financialisation has become an important feature of the regime of accumulation that has defined the global capitalist system over the past three decades. Scholars have interrogated this episodic phenomenon from various perspectives which range from the development of new financial products; change in the core mandate of commercial banks from lending to arbitrage functions; substitution of manufacturing with financial markets; and, general redirection of economic activities from the real sector to intangible products as well as the primacy of the interests of shareholders and company executives at the expense of other stakeholders, especially labour (Zwan 2014; Nolke, Heires and Bieling 2013; Guillen 2010; Palley 2007). Palley (2007:2) sees financialisation as 'a process whereby financial markets, financial institutions, and financial elites gain greater influence over economic policy and outcomes'. He also notes that 'the principles of financialisation are to elevate the significance of the financial sector relative to the real sector; transfer income from the real sector to the financial sector and increase income inequality and contribute to wage stagnation' (p.2 cited in Zalewski and Whalen 2010). Epstein (2005, cited in Dore 2008: 1097-1098) sees financialisation as 'the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies'. Dore (2008) identifies four changes that have taken place in the global economy on account of financialisation over the past thirty years. These changes include:

> an increase in the proportion of the income generated by the industrial/post-industrialized economies, which accrues to those engaged in the finance industry; the growth in and the increasing complexity of intermediating activities, very largely of a speculative kind, between savers and the users of capital in the real economy; the increasingly strident assertion of the property rights of owners as transcending all other forms of social accountability for business corporations, the increasing efforts on the part of government to promote an 'equity culture' in the belief that it will enhance the ability of its own nationals to compete internationally (Dore 2008: 1098).

The pursuit of geopolitical interests through financialisation has informed the use of international institutions (IFIs) such as the International Monetary Fund (IMF) and the World Bank as well as private rating agencies to maintain the current dominance of global finance. Stiglitz (2002) narrates how the US Treasury, the IMF and the World Bank work in tandem with one another to design and project economic policies which suit the interests of the country as global policies. Even though the latest global economic crisis has generated so much debate about the limitations of a financialised global economy, the US has continued to keep the current structure of power, preferring to use taxpayers money to bail out the so-called too big to fail banks and corporations.

Wade (2013) has demonstrated how the US government objected to the efforts of the General Assembly of United Nations to seek for reform the global financial system through the Stiglitz Commission on financial reforms of the international monetary and financial system in the aftermath of the 2008 crisis. According to Wade, in objecting to the mandate of this Commission (where developing countries could have a say), the US insisted that it is only the IMF and the World Bank that have the capacity and responsibility to deliberate and take actions on global financial matters. The failure of these two institutions to prevent the crisis means nothing to the US as long as its interest remains covered and protected. Such reluctance on the part of the US further demonstrate the overbearing influence of conservative financial oligarchy and their lobby groups on the financial policy-making apparatus in the country. Given the dominant position of the US in global economy, this has implications for policy direction and possible solution to the problems of poverty and inequality (Stiglitz 2010)

Financialisation and Global Inequality

There is an inextricable link between financialisation and global inequality. This link is reinforced by the changes in the structure of finance capital, technological innovations, ideological orientations and values as well as the dynamics of global capitalism. While the above are the general conditioning factors, it must be emphasised that there are varieties of capitalism across countries and regional contexts. Thus, the experiences of Nordic countries are remarkably different from those of the Anglo-America world in the way financialisation has affected inequality. These differences are also noticeable in the periphery of global capitalism like Africa, where weak capacity for capital accumulation ensures greater degree of vulnerability to financialisation-induced crises.

Minsky (1990a, cited in Zalewski and Whalen 2010) uses the binary concept of managerial capitalism and managed-money capitalism to explain the changes in the structure of finance, the process of accumulation and the overall macro-economic performance and how these connect with inequality. Zalewski and Whalen (2010) elaborate thus:

> During the period of managed capitalism, the financial structure was conservative with low debt levels and attenuated speculative impulses. Many leading corporations exercised considerable market power; and because the enabled them to generate sufficient cash flows to self-finance capital accumulation, they were generally insulated from shareholder demands. Moreover, macroeconomic conditions were largely stable and, aside from an occasional mild recession, the United States avoided serious economic disruption. Collectively, these forces led to a substantial accumulation of wealth that was more equitably distributed throughout society than in earlier decades (Zalewski and Whalen 2010:760).

Zalewski and Whalen further note that the aforementioned changes created the conditions from which managed-money capitalism emerged as 'the confluence of greater wealth, accelerating inflation, deregulation, and financial and technological innovation in the 1970s led to disintermediation as funds flowed from bank deposit accounts to mutual funds and securities' (p.760). As these processes evolved, the traditional roles of banks changed from bank-based to market-based systems, with the latter creating incentives for excessive risk-taking. Because the market-based system responds to and is fueled by innovation, company executives receive high pay and bonuses including compensation with stock options. In a bid to satisfy shareholders and boost equity values, wages of workers as well as their welfare become the first casualty. These lead to 'greater inequality and financial instability in the economy' (Zalewski and Whalen 2010:762). Guillen (2014) establishes the link between financialisation and financial profit. He sees financial profit as a kind of 'extra-ordinary surplus-value' which is appropriated by monopoly-financial capital by means of the monopolistic control it exerts on the issue and circulation of fictitious capital' (p.451).

The hegemony of the finance-dominated accumulation regime fosters inequality through emphasis on development of financial aspects at the expense of real products. As industry becomes dominated by banks and decline sets in industrial profits, finance capital seeks new ways of expression through the creation of new short-term products that can lead to high rate of returns. The internal contradictions that characterise this process inevitably lead to circles of booms and bursts, crisis and recovery, growth and decline and the attendant crisis of global capitalism. These contradictions are manifestations of the power of monopoly finance capital to see regulation as a disincentive to accumulation at the firm level as well national prosperity. The failure of regulation inevitably leads to crisis, (see Stiglitz 2010) which normally necessitates the imposition of austerity measures, the withdrawal of social services and the weakening of the capacity of the welfare state to support the poor and the vulnerable members of the society.

The change in the structure of the global economy from production to financialisation also has implications for low-skilled workers as well as small-scale industrial owners who now lack access to loans and credit. Using the Gini-coefficient that has been estimated by the Organization for Economic Cooperation and Development (OECD) for some sets of countries to measure disposable household incomes, Zalewski and Whalen (2010:764) find that 'overall, the movement toward a greater reliance on financial markets has been accompanied by an increase in inequality'. Due to ideological orientations of political leaders, long-term tradition on the composition of the society and the differences in shared value of responsibility for decision-making, the varieties of capitalism among the Anglo-American world, the Nordic countries and Eastern European countries become obvious. In the study by Zalewski and Whalen, the rate of inequality in the Anglo-American world such as Britain and the United States of America is far higher than the Nordic countries. Correspondingly, the power that the United States exerts on the IFIs has ensured that type of capitalism that the country operates is transported to many developing countries of Africa, Latin America and Asia.

The weak base for capital accumulation in many developing countries makes their situations dire as it significantly increases their levels of inequality. Apart from the wide gap in within-country inequalities, the differences in the degree of capital accumulation and the depth of financial inclusion between developed and developing countries also foster between-country inequality in which case the developed countries have more per-capita income than developing or least developed countries. To summarise this section, it is argued that the increased financialisation of the global economy has created and accentuated conditions that foster between and within country inequalities.

Shifting Boundaries of Power and Alternatives to Financialisation

The decline in the industrial capacity of the United States of America and many of the member countries of the European Union represents the particularistic feature of capitalism. The search for higher degree of accumulation through reduction in the costs of operations, coupled with low rate of return on investment at the core of global capitalism has led to shifting boundaries of centres of industrial powers. The rise of China and the emergence of other industrial powers like India, Brazil and, to a large extent, South Korea present distinct possibilities for varying alternatives to the hegemony of finance-led global capitalism. Unlike the United States where the economy remains unduly financialised, the emerging countries combine industrial production, technological innovation and agricultural revolution to boost economic growth. Countries such as Brazil, which did not follow the Anglo-American orthodoxy of full liberalisation, have succeeded in reducing poverty and inequality (Oloruntoba 2015).

The latest global economic crisis has clearly shown the limits of a financialised economy such as the European and US economies. Whereas these economies went to their lowest levels of growth and deficit in more than seventy years, the emerging countries showed resilience as they did not only successfully mediate their ways through the crisis, but have continued to grow (IMF 2011). Although China's rate of growth has declined in the past one year, the growth rate remains remarkably higher than the EU and US where financialisation still holds sway. Despite the inherent limitations of the Africa rising narrative (see Fioramonti 2014; Oloruntoba 2014), the continent has also been growing despite the crisis.

One of the challenges of financialised economies is the failure of regulation. The finance monopoly capital of the contemporary times has framed a narrative of 'too big to fail' in order to ensure that banks and corporations that are badly managed end up getting bailed out by the state in the event of crisis. The failure of regulation both at the domestic and international levels gives room for opportunistic and excessively risky behaviours by corporate executives in banks, investment and hedge-fund companies, which hurt household, national and the global economies. As Bresser-Pereira (2010:501) argues, 'the 2008 global crisis began as financial crises in rich countries usually begin, and was essentially caused by the deregulation of financial markets and the wild speculations such deregulation makes possible'.

It would appear that the emerging economies are avoiding this trap. Gallagher (2014) shows how emerging countries such as China, Brazil, India and others deployed the right mix of policies to exert control over the movement of capital in the period before and after the latest economic crisis. These policies effectively helped to limit the negative effects of the crisis over the respective economies. The relative stability and steady growth that these countries have experienced and continue to experience to a qualified extent, on account of creative regulation of capital, could spur a bandwagon effect to other ewly industrialising countries. As noted earlier, the salience of power and consideration for geostrategic interests of the United States will compel the country to resist sudden displacement of the current regime of accumulation through financialisation. Such resistance is already playing out in the various moves of the United States to check-mate the rising influence of China. The control that the US exercises over the US dollar as the international currency as well as in the IMF provides the country with political leverage to resist any change in the current order. However, various factors combine to turn the possibility that the new constellation of power of emerging countries present into a reality of transforming global relations and reducing global inequality. The next section deals with the issue of transforming global relations and reducing global inequality.

Imperative of Transforming Gobal Relations for Inclusive Development

The preceding sections have described the way financialisation of the global economy has fostered inequality both within and between countries. There are compelling reasons to transform global relations in such a way that global inequality will be reduced. These reasons have both historical and contemporary imports. Historically, the US had operated a variant of capitalism that ensured steady growth and shared prosperity among the citizens. Particularly, the Fordist regime of accumulation, which led to the 30 glorious years of capitalism from 1948 to 1977, was characterised by regulated financial markets, financial stability, high rate of economic growth and a reduction of inequality (Bresser-Pereira 2010:504). Stiglitz (2012) shows how the current regime of financialisation has divided the society between the haves and the have-nots, and between the richest one per cent and the 99 per cent who are struggling to survive. The fear that the majority of the population will not be able to afford education, and the resultant propensity to build dynasty of poverty both in the US and other parts of the world, necessitate a change from the current neoliberal paradigm.

Since power and interests are involved, the necessary change may not come easy. However, new political forces can emerge, especially with support from the middle class, that will force these changes in the US and elsewhere. The current rate of inequality in the US, especially in its racial essence, is not sustainable in the long run for peaceful co-existence in that society. Thus, political action is required to ensure that the gap between the rich and the poor is bridged through appropriate social policies, especially in education and health.

The imperative of transforming global relations is reinforced by the changes in the global geography of power in which emerging countries are now forming various alliances backed by relevant institutions. In particular, the decision of Brazil, Russia, India, China and South Africa (BRICS) group of countries to establish the BRICS Development Bank may be a watershed in the ongoing realignment of forces for the reconfiguration of global power relations – the BRICS countries signed an agreement to set up a bank with a $100 billion liquidity reserves of $50 billion, with each country contributing $10 billion. The agreement also includes the establishment of a Contingency Reserve Arrangement in the first effort to balance the world financial order (Totten 2014). Apart from these concrete steps, the BRICS countries have also called for diversification in the portfolio of currency of international trade. They have also gone beyond mere rhetoric to engage in what Totten calls dollar-less BRICS energy deals, currency swaps and foreign direct investments. There is no doubt that these countries are well positioned to effect the changes in the global relations of financial powers at these auspicious times. Their cumulative contributions to the global economy as well as population invest them with the moral obligation to undertake this onerous task. As Totten (2014) notes, the BRICS countries collectively account for nearly $16 trillion in Gross Domestic Product (GDP) and 40 per cent of the world population. As each country acts to maximize its own utility, the emerging economies of the BRICS nations can create a paralleling international financial system ultimately challenging the hegemony of the current western-dominated system.

The role of China in engendering the transformation in global relations of power is particularly significant. Given the country's rate of economic growth, its demand for minerals and other commodities as well as availability of surplus fund for investment abroad, China has been forming alliances and entering into trade and investment partnerships in all developing regions of the world, particularly Latin America and Africa. The close relationship that exists between China and Russia, which is demonstrated in their mutual commitment to topple the US dollar as a currency of international trade, are strong prospects for the decentralisation of global finance. The US may pre-empt the implications of de-dollarisation of international transactions on its economy and act such that the overdue reforms of the IMF are carried out without much further delay. The country also has an option of engaging in belligerent attitude towards China and Russia as well as seeking to break the BRICS alliance through divide and rule tactics. However, no matter the option that it takes, a new momentum that will lead to changes in the current financial order has started and this is likely to continue in the near future.

The significance of these new alliances and realignment of forces to reduce global poverty and inequality is the alternative that it presents to the current regime of accumulation that is based on financialisation. With the possible exception of South Africa with high degree of mineral exports and liberalised policy on capital flight, the BRICS countries owe their growth to industrialisation and manufacturing exports. To a significant extent, they also deviate from the mainstream orthodoxy of free market and capital accounts liberalisation. Rather, they followed the path of cautious and calculated engagement with the globalisation processes.

Scholars have expressed concern over likely problems that may emerge from the BRICS alliance. For instance, Desai and Vreeland wrote in the *Washington Post* of 14 December 2014 that intra-country quibbles, lack of coordination, disputes at the WTO, absence of capacity for monitoring and surveillance, but, importantly, the structural disparity between the Chinese economy and those of other members of the alliance as the most likely reason why the BRICS Development Bank might not be able to make the expected changes in the global financial order (Desai and Vreeland 2014). Their skepticism was also borne out of the failure of previous regional initiatives such as the *Corporacion Andina de Fomento* (CAF) or Development Bank of Latin America which was formed by the Andean nations in the 1960s, the Chiang Mai Initiative of the Asian countries of 2000s and the Bank of the South established in 2009.

Desai and Vreeland note in respect of the dominant position of China in the BRICS that 'the structural disparity between China and the rest of the BRICS members (the Chinese economy being larger than the economies of all other BRICS combined) is at the heart of the matter for any BRICS institution. China's dominant position makes coordination in terms of operations and funding priorities difficult to imagine (Desai and Vreeland 2014). Despite these fears, there is no reason to expect a failure. What is important is for the BRICS member countries to guard against possible deliberate attempts by the US to sabotage the well-meaning efforts to transform the global financial relations.

There are several ways in which this can be achieved. First, is the recognition that what is at stake is power, hegemony and domination. Although the Anglo-American world is in decline, at least economically, the control that they exert over the global institutions such as the IMF, the World Bank and the WTO remains intact. The need to maintain this control explains why the much-needed reforms at the IMF remain in limbo. The role of the US in this 'art of power maintenance' remains very critical (Wade 2013). Conservative political elites in the US remain hostile to any form of change in the current global order. As Desai and Vreeland note in their analysis of the prospects and challenges of the BRICS Development Bank, the US Congress only mentions the proposal for the reform of the IMF in the context of another issue. Even when this was mentioned, the proposal was rejected. In other words, the US Republican Party-dominated Congress is not particularly interested in supporting any meaningful reform of the IMF.

As mentioned earlier, the US also resisted the proposal of the sixty-third President of the United Nations General Assembly towards reform of the financial system back in 2008. For instance, in objecting to the decision of Migne d' Escoto, the sixty-third President of the United Nations General Assembly, to set up the Commission of Experts on Reform of the International Financial and Monetary System, the US delegate to the June 2008 conference argued that:

> our *strong view* (emphasis mine) is that the UN does not have the expertise or mandate to serve as a suitable forum or provide direction for meaningful dialogue on a number of issues addressed in the document, such as reserve systems, the international financial institutions and the international financial architecture.

The US position fits well with how Arrighi (2004) and Braudel (1992) conceive financialisation. Guillen (2014:452) echoes the view of these scholars thus:

> It is postulated that financialisations are not recent phenomenon of contemporary history, but have historically been linked to periods of hegemonic transition, where the hegemonic power of the moment as historical and contemporary phenomenon where the hegemonic power of the moment attempts to use its monetary and financial domination to preserve its position. Such is the case with the United States, the driving force behind contemporary financialization.

Given this reality and the abundance of evidence to support US's tactics to block progressive change, the BRICS countries must recognize the dynamics of geopolitical interests and respond accordingly. Recognition of this dynamic will also ensure that the BRICS countries manage any inevitable infighting that may arise in the discharge of both responsibilities and enjoyment of benefits of the new Bank. The governance structure of the development bank, which precludes new members joining the bank from going beyond certain thresholds, is a step in the right direction.

Resistance to the opposition of the US to the reforms of the international financial relations will require building alliances and cooperation with other developing countries, especially in Africa, Asia and Latin America. Global south cooperation and solidarity in the form of the Bandung accord of 1955 and the Group of 77+China is imperative. Such cooperation is needed to bolster greater support and inject additional resources to the BRICS Development Bank. Some of the countries in the global south that are not yet part of BRICS have substantial external reserves, sovereign wealth funds and pensions that are currently held in US banks and in US dollars. These funds can be withdrawn, converted to another currency and channelled to the BRICS Development Bank, thereby increasing the quantity of money available to boost development.

Apart from the stated goals of the new BRICS Development Bank to help countries in difficult economic situations, another way they can help in transforming global financial relations is to ensure that they follow a different path in managing the mobility of capital. As Gallagher (2014) has argued, BRICS countries have, to a large extent, engaged in capital controls before and during the last global economic crisis. The decision of the BRICS countries to de-dollarize international trade through the use of other currencies should also be followed through.

Conclusion

The article has examined how financialisation of the global economy has fueled global inequality over the past four decades. The change from the Fordist regime of accumulation to a new form of financial oligarchy, especially at the core of global capitalism, has global implications. The inherent contradictions in the financialised global economic structure inevitably lead to crises. Such crises, as a UN Report shows, are 'demonstrations of failure at many levels-of theory and philosophy, of institutions, policies and practices, and less overtly of ethics and accountability' (UN, 2009:1). Continuation of the economic practices that foster inequality is favoured by powerful forces whose interests are satisfied by the current economic structure both at the firm and national levels is problematic. The role of the US in maintaining the current global economic order is particularly emphasised in the article.

The article also argues that the necessary change in the global geography of power from the Anglo-America controlled capitalist system to a more diversified one under BRICS could portend great possibilities for transforming global relations. The establishment of the BRICS Development Bank and the seemingly firm determination of the BRICS countries to de-dollarize their international transactions present a bright prospect for altering the current global economic power structure a way that will have multiplier effects on efforts geared toward reduction in global inequality.

Given the link between deregulation, capital account liberalisation and global economic crisis, it is imperative that regulation should be taken more seriously. The last global economic crisis brought to the fore the imperative of effective regulation of capital both at the domestic and international levels. At the national level, the capacity of the state should be strengthened to regulate capital in a way that will ensure a right balance between accumulation and investment in productive sectors of the economy. A right balance also needs to be ensured between the state and the market.

The last global economic crisis laid bare the fallacy of market perfection and efficiency. Furthermore, the role of the central bank in the national economy should also be defined in such a way that it engages more critically in supporting overall macro-economic performance rather than simply targeting inflation or interest rates (UN 2009). At the international level, the need to restructure the international financial institutions cannot be over-emphasised.

As the IMF has proved incapable of correctly pre-empting or effectively addressing the crisis of global capitalism, a new global financial architecture in form of a World Finance Organization whose motive force is effective regulation of capital and optimum allocation of financial resources for development should be created. In this regard, the proposed world body can also be responsible for exercising control over illicit financial inflows from developing to developed countries.

Regardless of how entrenched the power of the transnational capitalist class is in maintaining the current levels of inequality, it will be in their long-term enlightened self-interest to work toward the reduction of inequality. Apart from the inevitable violence that may result from the continued impoverishment of the subaltern classes, inequality among and within countries disrupts the maximisation of social well-being for all citizens. Inequality will also continue to fuel migrations from regions of low development to regions of high development with all the attendant consequences regarding inevitable increases in security and social spending. Lastly, moving from financialisation to a manufacturing-based economy with high labour intensity content is one sure way to reduce inequality. Where they exist at all, the current industrial policies in Africa, as elsewhere, are unduly capital-intensive and technology-driven. Given the low rate of skill acquisition in most parts of the continent, it is imperative to formulate industrial policies that promote low capital and high labour-intensive manufactures (Motsohi 2015). This way, low-skilled people can be employed, and hence lead to the reduction in inequality.

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