CONTENTS

Introduction

> Little by little, the two countries established an instinctive conjunction of financial interests, so that it seemed impossible on either side, to imagine life without it. This, and not sentiment and language, was the innermost guts of the "Special Relationship."
>
> —SUSAN STRANGE, *STERLING AND BRITISH POLICY*

THE CLOSE postwar association between the United Kingdom and the United States is known by a single mnemonic: the "Special Relationship." It refers to an unusually close and cooperative partnership between two independent states, encompassing diplomatic, military-strategic, political, economic, and cultural spheres. For the UK, the Special Relationship has offered a means to preserve great-power status even though its capacity for unilateral action in pursuit of foreign policy objectives is greatly diminished. For the US, the UK's possession of nuclear weapons, access to political and military intelligence, and position on the United Nations Security Council are valuable appendages. Despite the occasional spat and periods of cooling, diplomatic relations between the two states have remained extraordinarily close (Watt, 1986; Curtis, 1998; Dumbrell, 2006). But for all that the concept of the Special Relationship has illuminated, it has also obscured much—for example, the *political economy* of Anglo-America, buried beneath more fashionable scholarly preoccupations with diplomacy, grand strategy, and the cultural and sentimental linkages between the two states.[1] This is a great shame because, as Susan Strange (1971) noted, it was the exchange of roles between the dollar and sterling, as well as the deep financial ties between the two states, that were central to Anglo-American unity and integration.

In this book, I examine the political economy of the relationship between the UK and the US. I do this both as a way of moving beyond the traditional preoccupations of literature on Anglo-America and, more importantly, to challenge international political economy's (IPE) emphasis upon the singularly transformative role of US power in the making of a postwar global political economy. The accent in the book is predominantly on the "Anglo" facet of Anglo-American development, because it recovers the overlooked centrality of the UK's hugely significant contribution to fashioning a postwar global capitalism *alongside* America. Throughout the book, I argue that interactive processes of "Anglo-American development" shaped the politics of financial globalization. Institutional interdependencies between private finance in London and New York City—alongside close linkages between the Anglo-American treasuries and central banks—generated a distinctive sphere of Anglo-American capitalism centered upon financial integration. Despite being increasingly uneven, as US power waxed and UK power waned, Anglo-American development was hugely consequential for both states. It had important effects on both the domestic political economies of the US and the UK as well as the wider global political economy. Domestically, Anglo-American financial integration and transatlantic regulatory interdependence destabilized the postwar architecture of financial regulation in both states, and it fueled the growth of their financial sectors and made workers more dependent upon debt. Internationally, Anglo-American financial integration spurred the wider liberalization of global finance and critically undermined the foundations of the Bretton Woods monetary regime. This book tells the story of the Anglo-American origins of modern global finance, tracing its development from nascent forms of Anglo-American integration and cooperation associated with the gold standard to the spectacular implosion of Anglo-American finance and the international economy in the global financial crisis of 2007/8.

Hegemonic Cycles, Structural Power, and Anglo-America

By recovering the UK's deeply integrated and influential role within the origins of modern financial globalization, this book challenges some of the central foundations of IPE. Within its traditional historiography, IPE has viewed modern international economic history as a cyclical succession of neatly delineated phases of liberal "hegemonic" leadership punctuated by periods of anarchic disorder. As a field that originated in an evaluation of the role of these hegemonic powers in shaping the structures of the international economic order, IPE understood the systemic transformation of global capitalism as something that grew out of the leadership efforts of a singular, dominant state (Cohen, 2008). In the nineteenth century, during the *Pax Britannica*, the UK is said to have played this role; after World War II, the baton of international leadership passed to the US, under the auspices of *Pax Americana*. The US implemented its vision of a liberal international economic order at Bretton Woods in 1944, before overseeing the globalization project in the decades that followed.

This cyclical narrative has an important blind spot: the centrality of postwar *Anglo-American development* to the politics of financial globalization. The "hegemony" story has largely interpreted the waning of the UK's power and the waxing of America's as analytically discrete phenomena. But, as this book argues, they were in fact deeply interrelated processes. This book is, then, on one level, a methodological critique of thinking about the historical development of the modern international economy as a cyclical set of transitions between different national hegemonic powers that singularly, and discretely, refashion the global system. Such an approach reads the *international* within IPE as something sociologically reductive—a by-product or outgrowth of national dynamics anchored in the dominant state of a given epoch and projected outward into the world. In doing so, it remains trapped within a form of methodological nationalism that overlooks the fuller complexity of international capitalist development across space and time.

By adopting a more complex, transnational view of power transformation, we arrive at a different account of the politics of financial globalization, one that modifies claims regarding the singularity of America's role in driving that project and draws attention to the underappreciated significance of the UK's. Consequently, this book complements and extends the efforts of scholars that have highlighted the wider significance of an Anglo-American heartland within the global political economy (Van der Pijl, 1984; 1998; 2006; Mead, 2007; Gowan, 2009). It teases out, in much finer institutional and historical detail, the processes that generated Anglo-American financial interdependence by focusing on the imbrication of Anglo-American capitalism within distinctive national and international monetary orders. However, it does not do so through formulations of the relationship between distinctive class fractions or an historical-sociological state form specific to Anglo-America (Van der Pijl, 1998, 2006), nor the specificity of Anglo-American maritime power and a shared Protestant, liberal cultural disposition (Mead, 2007).

Instead, in this book I explore the historical-institutional articulation of the functionally and politically privileged relationship between private and public finance at the heart of the capitalist state (Ingham, 1984; Wray, 2012). Using the public-private financial nexus between the treasury, the central bank, and private banking in each country as an institutional pivot, I examine the historical transformation of Anglo-American political economy through the prism of the interactive dynamics of both the domestic and international monetary orders. Domestically, I focus on the dissolution of the financial regulatory structure associated with the postwar Keynesian state and the emergence of a more liberalized financial system. Internationally, I analyze the role of Anglo-American development in both founding and subsequently undermining the embedded liberalism of the Bretton Woods monetary order.

From this alternative vantage point, we arrive at a different story about the politics of financial globalization and the role of Anglo-America within it. This book does not deny the distinctive and unparalleled importance of US power and capitalism in remaking the postwar global political economy; a wide body of scholarship has clearly and convincingly stated the case for America's central role in relaunching the liberal international economic order (Keohane, 1984; Cox, 1987; Gilpin, 1987; Gowan, 1999; Smith, 2005; Ikenberry, 2011; Konings, 2011; Panitch and Gindin, 2012). But, rather than being bound up with the familiar IPE preoccupation with arguing either for or against the notion of US hegemonic decline from the 1970s, as much of that literature has been, this book explores the long-term developmental interaction of the US with the UK as a specific analytical and empirical puzzle. This focus enables the book to make a novel theoretical contribution to our understanding of the formation of power within the modern global political economy, through a critical engagement with the notion of "structural power" that came to be associated with those authors that argued *against* claims regarding the onset of US decline, and *for* the reality of enduring US dominance (Strange, 1987; 1996; Gill and Law, 1989; Gill, 1991; Konings, 2011; Panitch and Gindin, 2012).

In its original formulation (Strange, 1987), structural power never got to grips with the complex processes of international development that generated the institutional capacities formative to America's postwar financial power. There was no sense of the historicity of structural power, because Strange's work began from the assumption of an already existing US predominance and sought only to explain its continuity. Where the story of the prehistory of US structural power in finance has been told, that history has largely been viewed as the product of an externalization of the internal dynamics of US capitalism into a largely spatially indeterminate global economy (Konings, 2011; Panitch and Gindin, 2012). Explanations of postwar financial globalization focused on the structural power of US finance have missed the transatlantic interactivity that shaped America's global financial power. Without a set of extremely particular and politically contingent institutional developments within the UK, driven by the efforts of bankers and state officials who sought to manage the distinctive challenges of the UK's transition into postimperial power, US finance could never have realized the spatial fix that brought the dollar into the City of London. In the process, the options open to US policy makers were also structured in important ways by dynamics unfolding within the UK. This was not, then, simply a case of the US having the power to "shape and determine the structures of the global political economy within which other states . . . have to operate" (Strange, 1994: 24–25). That formulation has produced a misleading interpretation of the monolithic power of the US.

It was also not, as has been argued (Burn, 1996; 2006), simply a case of the City of London, and with it the "City-Bank-Treasury" nexus at the commanding heights of UK capitalism, recovering its prewar gold standard orientation (Ingham, 1984: 131, 149). This was something qualitatively distinct. To suggest that the development of the Euromarkets and the arrival of US finance in London recovered the autonomy of the old axis of power in the City-Bank-Treasury nexus is to overlook the extent to which the arrival of the US dollar and US banks pulled US state power into the City. In doing so it fundamentally redefined UK sovereignty. In as far as the City-Bank-Treasury nexus did retain its predominance within UK capitalism, it did so by integrating itself within the rapidly internationalizing Federal Reserve-Wall Street-Treasury nexus at the heart of US capitalism. Transatlantic integration gave rise to a new order of Anglo-American finance, spatially and institutionally embedded within an Atlanticized UK capitalism. This emergent financial order was critical to the incubation of financial globalization that undermined, in synchronicity, both the Bretton Woods international monetary order and the postwar order of domestic financial regulation within the two states.

Anglo-American financial integration also sparked processes of regulatory interaction, through a transatlantic regulatory feedback loop that gave momentum to the broader international dynamics of financial liberalization. These processes led to the synthetic development of novel Anglo-American financial practices that proved central to the breakdown of Bretton Woods and the global takeoff of banking from the 1970s. Perhaps most consequentially, these dynamics would eventually sow the seeds for the global financial crisis of 2007/8. We cannot, then, credibly tell the story of the political economy of postwar global finance as a dichotomy between American ad hoc and European rules-based visions of financial globalization (Abdelal, 2007). Such a distinction misses the specificity of the UK's role within the genesis of financial globalization.

Owing to its former status as the leading sponsor of the international economic order and its possession of the City of London, as well as its tight integration with US finance, the UK's orientation toward financial globalization was distinctive from, and often contrary to, the prevailing continental position.[2] Additionally, we cannot tell the story of financial liberalization and institutional transformation within the US without properly appreciating the importance of the Special Relationship with the UK. As the book shows, momentum for the dismantling of the New Deal financial regulation in the US as well as the transformation in central banking techniques—particularly during the critical decade of the 1980s—owed a great deal to competitive interaction with UK finance. This Anglo-American dynamic is understated in the existing scholarship, which has conceived of the dynamics of financialization and liberalization within the US as largely endogenous (Krippner, 2005, 2011; Meltzer, 2009; Konings, 2011; Panitch and Gindin, 2012). The synchronized Anglo-American turn to neoliberalism was not simply the product of a shared transatlantic context of ideas or structural similarities of their political systems; Anglo-American development played a central role.

A focus on development has traditionally confined the discussion to issues of north-south inequality and the idea of divergent and asynchronous paths to capitalist modernity (Rist, 2002; Payne and Phillips, 2010). But, insofar as the institutions of capitalist sociality are always in flux, development can form the foundation for a historical analysis of *all* processes of socioeconomic change, not just those of the Global South. Turning our attention to "development" as a diachronic spatiotemporal dynamic of institutional transformation sui generis moves us away from the static tautology of US structural power and brings us toward an appreciation of the way US financial power resources were developed historically *and* geographically—not only through the endogenous growth of US economic power, but also via the expansion of US finance in and through the subordinate incorporation of UK capitalism.

In advancing these arguments about Anglo-American development, I make a wider point about the nature of order and historical transformation within global capitalism by breaking from the traditional focus upon distinctive stages of hegemonic or "imperial" rule. That tradition begins from the assumption of a dominant nation state impressing its power upon the international system in a monocausal and geographically ill-defined manner. Instead, I argue that patterns of international political-economic order are historically specific, resistant to generalization, and generated by complex and uneven coarticulations of capitalist development between and across distinctive nation-states and other scales. These developmental processes operate through and across privileged geographical sites—regional, national and subnational—that act as nodal points within global capitalism. From this emerges the sense of complex, integrated, and interdependent forms of global power, rather than a neat succession of transformations between discrete phases of global rule by a single dominant state. In an age of much more intensive and extensive globalization, that premise is more, not less, valid. Thinking in these terms provides important clues for interpreting the contemporary growth of China's international power under conditions of dense economic entanglement with US multinational corporations (MNCs) and the US dollar.

As an alternative way of thinking about the politics of financial globalization and systemic transformation, this book highlights the gradual postwar subsumption of UK capitalism within a larger, transnational sphere of Anglo-American development. In doing so, it stresses both the hugely determinative impact of the US upon the fortunes of UK capitalism and the way in which working with and through the UK also shaped the historical development of US capitalism in important ways. Most important, the book shows that, in their very interactive development, the UK and the US came to constitute something more than the sum of their parts: a distinctive Anglo-American developmental space that refashioned the global economic order, disrupting the Keynesian compromise in both states and spurring financial liberalization. The UK's role here was not merely incidental—it was integral. To frame the dynamics of postwar UK capitalism around the causes and consequences of "decline," as so much of the literature has done (Burnham, 1990; Overbeek, 1990; Gamble, 1994; English and Kenny, 2000), is to overlook the importance of the UK's role in resuscitating the globalization project, in conjunction with the US, after World War II.

Beyond its contribution to IPE, the book also challenges the understanding of Anglo-American capitalism found in comparative political economy (CPE). The UK and the US have served as the exemplars of a specific type of "Anglo-Saxon," "Anglo-liberal," or "liberal market" capitalism within CPE (Dore et al., 1999; Coates, 2000; Hall and Soskice, 2001; Hay, 2013a). This type has been comparatively distinguished from more "coordinated" (i.e., less market-dominated), "Rhenish," or "state-led" models of capitalism. The most influential treatment of this theme is found in the "varieties of capitalism" (VOC) approach (Hall and Soskice, 2001). This approach portrays the UK and the US as representative of a "liberal market economy" (LME) variety of capitalism defined by the predominance of market mechanisms in coordinating firms' activities.[3] Significantly, the configuration of Anglo-American economies around this ideal type is viewed as a product of "institutional complementarities" that arise *internally* to each model, facilitating a particular set of comparative advantages within the international division of labor.

The VOC approach has been subject to wide-ranging critique, including for (among other things) its narrow understanding of institutions, a depoliticized treatment of capitalism, and an inattentiveness to the centrality of the state (Hancke et al., 2007; Streeck, 2010a; Clift, 2014). Most important, regarding the argument developed in this book, the VOC portrayal of the UK and US economies has failed to substantiate empirically the formation of a supposedly parallel type of capitalism within the two states. Indeed, during the late nineteenth century, the UK and the US could even be seen to represent two *distinctive* models of capitalism, with UK capitalism characterized by small-scale, family-owned, "proprietary" production, while US capitalism, by contrast, was marked by an emerging "managerial" form of large-scale, technologically advanced, corporate organization in which ownership and control were separated (Lazonick, 1993). Even after World War II, the new settlement of UK social democracy and the legacy of US New Deal–era politics were substantively different, with corporatist structures of labor representation and welfarist provision of housing and health care, among other distinctions, much stronger in the former than the latter (King and Wood, 1999). How, then, did the widespread claims of a parallel liberalized vision and organizationally symmetrical capitalism in these two states gain traction?

Through its focus upon Anglo-American financial development, this book reveals that it was the long-term developmental interaction between the two states, not their internal institutional complementarities, that was central to the paradigmatic shift to a more market-oriented, "neoliberal" model of political economy during the 1980s. The comparative methodological nationalism of CPE, and the ahistoricism of the VOC approach, have rendered these important international dimensions and common lineages largely invisible. This book stresses the role of long-term and continuing *developmental interdependence* between the two states as both a driver of common features of Anglo-American capitalism (e.g., liberalized financial markets and high levels of inequality driven in part by financial sector salaries) and a cause of wider financial globalization, liberalization, and innovation. To the extent that we can draw illuminating comparative parallels between UK and US capitalism, then, we need to adopt a historical and methodologically internationalist perspective to properly understand them (Coates, 2014).

Empirically, this book breaks new ground by using original archival material from the Bank of England Archives, the National Archives, and the Archives of the British Bankers' Association. Drawing on this new evidence, as well as a novel theoretical framework, the book examines key episodes of Anglo-American interaction. From chapters 4 to 6, much of the supporting evidence is based upon archival sources: materials drawn from the Bank of England Archives in Threadneedle Street, London; the National Archives in Kew, Surrey; and the London Metropolitan Archives, London. It is only within the past decade, during the research for this book, that access to the entirety of this wide range of archival material has been possible. Under the thirty-year rule, many of the official documents pertaining to the early years of the Thatcher government only became available as of 2009. With those documents on the early years of the neoliberal transformation now available, it has become much easier to examine the development of state institutions during both the postwar period and the beginning of the neoliberal era. This also affords a much better opportunity to examine the transformation of UK capitalism within an Anglo-American horizon. We can now trace the collapse of Keynesianism, the ascendancy of monetarist ideas, and the trajectory of financial liberalization during the transition toward neoliberalism.

This archival material illuminates how influential institutions within the UK state became entangled in the relationship with the US, and how they interpreted and were impacted by that relationship. Rather than focusing on the entirety of that historical relationship, the book looks at decisive moments of Anglo-American relations in the development of the postwar global political economy. These moments were, I argue, central not only to UK development, but also to the transformation of US capitalism and the wider global political economy.[4] I set out to answer three main research questions: first, how did Anglo-American developmental dynamics shape the transition from a Keynesian regulatory order of finance to the emergence of a more liberalized financial system and the ascendancy of monetarist ideas in the UK? Second, how did these processes feed back into the development of US capitalism? And, third, in what ways did Anglo-American development both shape and reflect the broader international monetary order?

As the book demonstrates, an Anglo-American development sphere based upon increasing financial interdependence between the two states began to emerge in earnest during the 1920s, with the disastrous attempt to restore the gold standard. After the interwar years this interdependence began, tentatively, to reemerge. But it was with the development of the Euromarkets from the late

1950s that Anglo-American development began to reach a much fuller expression, shaping the crisis years of the Bretton Woods regime in the process. In the longer term, these processes came to undermine the national monetary systems and regulatory orders in the UK and the US. Bankers in London and New York pressed for financial liberalization while the development of new central banking practices ushered in the Anglo-American transition to neoliberal capitalism in the early 1980s. By 2007/8, the neoliberal model of deregulated finance and debt-driven consumption—of which the US and the UK had been the central architects—exploded to devastating effect.

The Shape of Things to Come

Although the book is geared toward motivating the broad argument for the centrality of Anglo-American development to the politics of postwar financial globalization, individual chapters engage specific debates pertinent to the different historical periods and topics under discussion. This is unavoidable, given the historical and thematic scope of the book, with many of the subtopics—such as the UK's early postwar relationship with the US and the politics of the 1976 International Monetary Fund (IMF) crisis—having spawned extensive scholarly literatures. This is not, then, simply a debate with the dominant perspectives within IPE, nor should it simply be read as such; it should also be read as a series of contributions to more discretely framed debates around political economy.

The book proceeds as follows. In chapter 1, I set out its theoretical framework, critiquing the tendency of IPE to overlook Anglo-American development, which, I argue, arises from a fixation with hegemonic cycles of rise and decline that has framed the UK and the US framed within a declinist narrative that forecloses alternative analytical strategies. I propose an alternative framework that, by building upon works that have drawn attention to the importance of financial power within the state (Ingham, 1984; Gowan, 1999; Wray, 2012; Panitch and Gindin, 2012), conceives of Anglo-American development in terms of the interdependent and coconstitutive relationship between the Federal Reserve-Treasury-Wall Street complex and the City-Bank-Treasury nexus. This developmental perspective provides important correctives to both the hegemony story and the concept of "structural power" prevalent within IPE, and it reveals the centrality of Anglo-American dynamics to cementing the international dominance of the dollar and propelling financial globalization.

Chapter 2 examines Anglo-American development from the nineteenth century to World War II. I focus on the "great reversal" in power that occurred as US development caught up to and closed the gap with the UK, after which leadership of the international monetary order came to depend increasingly upon their cooperative efforts, a process encapsulated by the ill-fated attempt to resuscitate the gold standard after World War I. The war weakened the UK and strengthened its US creditors, forcing the City to draw upon US financial support, from both private and central bankers, to relaunch the gold standard and restore sterling convertibility. Rather than viewing the failed leadership efforts of the 1920s as a consequence of the US' unwillingness and the UK's inability to lead (Kindleberger, 1973), or of the underdeveloped capacities of US finance (Konings, 2011), I emphasize the nascent but insufficient foundations of Anglo-American financial integration as a central factor in the failure of the interwar gold standard. Anglo-American cooperation was ultimately undermined by the lack of US willingness and capacity to play a greater leadership role and respect its duties and obligations under the gold standard system, leading to the collapse of the gold standard and the increasing rivalry and protectionism of the 1930s. The failure of Anglo-American management of the international monetary system in the interwar years had a formative impact upon the priorities instituted at Bretton Woods during the 1940s.

The Anglo-American crux of the international economy was reflected in the creation of the Bretton Woods framework. In chapter 3, I challenge the traditional IPE interpretation of Bretton Woods, which views it as the marker for a new era of US hegemony (Block, 1977; Gilpin, 1987; Schwartz, 2009a; Ikenberry, 2011). Stressing the "uneven interdependence" characteristic of the postwar Anglo-American relationship, I reveal the continuing mutual dependencies between the two states and their expression within the formation of Bretton Woods. The UK's role in the creation and dynamics of Bretton Woods went far beyond the ideas of John Maynard Keynes. The continued importance of both sterling as a major international currency and of the financial infrastructure contained within the City of London, allied to the international limits of private US finance, ensured that the development of UK capitalism continued to be fundamental to postwar international finance. Tracing the struggle between economic orthodoxy and emergent Keynesian ideas within the national political economies of the UK and the US, I show that the continuing relevance of pre-Keynesian economic orthodoxy—represented most influentially by transatlantic bankers—laid the basis for the subsequent undermining of Bretton Woods and the relaunching of financial globalization from the

1950s. The "embedded liberal" compromise established through Bretton Woods was critically undermined by the shallowness of its institutionalization within the Anglo-American architects: it was never embedded firmly enough.

Chapter 4 explores the way in which postwar restrictions on the use of sterling prompted UK merchant bankers to develop an innovative method for financing international trade. They tapped into the large volume of offshore dollars that had accrued because of massive overseas US spending through military aid and the Marshall Plan, using these dollars to finance trade between third parties, leading to the birth of the offshore "Eurodollar market." I challenge existing IPE interpretations of the Euromarkets that have viewed their development either in terms of the outward expansion of US financial power (Strange, 1987; Gowan, 1990; Konings, 2011; Panitch and Gindin, 2012), or as a return to the pre–World War I classical gold standard orientation of power within UK capitalism (Burn, 1999, 2006). I argue that the development of the Euromarkets represented the foundational moment in the emergence of a qualitatively distinctive form of integrated Anglo-American financial development. Construing the Euromarkets as an embedding of US structural power in international finance, the chapter suggests that coconstitutive Anglo-American developmental processes were integral to their emergence. Dynamics generated in London circumscribed and structured US monetary policy in a way that US-centric approaches overlook. The agency of City merchant bankers in constructing the Eurodollar market infrastructure, as well as the adaptation of the Bank of England and UK Treasury, did lay the transatlantic foundations for the longer-term hegemony of the dollar. But they also generated policy dilemmas for US officials and critically undermined the fixed exchange rate system agreed at Bretton Woods by creating the institutional infrastructure for vast offshore financial markets and capital flows.

After the collapse of Bretton Woods, the global economy entered a period of sustained turmoil. The oil shock of 1973 contributed to a severe "stagflationary" crisis: the combination of high inflation and low growth. The UK suffered more than most advanced capitalist states during the 1970s. Chapter 5 focuses upon the International Monetary Fund (IMF) crisis of 1976—a crucial turning point in the politics of financial globalization that has been underappreciated within IPE. Had the UK's Labour government enacted measures proposed by the party's left wing and had the City and the Bank proved unsuccessful in defending London's regulatory culture and sponsorship of the Euromarkets from threats both inside and outside the UK, then the advancement of financial globalization would have been sharply arrested.

Chapter 5 argues that the resolution of the 1976 crisis in favor of the UK's continued commitment to an open international economic order and the abandonment of Keynesian full employment reflected increased Anglo-American interdependence. Anglo-American financial integration generated a constituency of UK financiers, political forces, and institutions with an increasingly *Atlantic* orientation. Priorities among influential financial and state actors within the UK were now bound up with, and increasingly difficult to disentangle from, the interests of US finance and the US state. As the US pressured the UK through the disciplinary stance of the US Treasury and the Fed, refracted through the power of the IMF, UK officials, the Tories, and City bankers also embraced US discipline to achieve their own domestic political ambitions by undermining a Labour government that they viewed as outmoded, dangerous, and fiscally reckless. Financial, political, and policy elites within the UK made common cause with the US to overcome the challenge of a radicalized social democratic settlement promoted by the left wing of the Labour Party. I go beyond prevailing interpretations of the 1976 crisis by rejecting the binary framing of interpretations that focus on establishing a primary level of causality, either national or international, that explains the abandonment of Keynesianism by the Labour government (Ludlum, 1992; Baker, 1999; Harmon, 2008; Rogers, 2009). As an alternative, I show that postwar Anglo-American development generated an Atlanticized constituency of social forces *within* the UK, including UK financiers, political forces, and state institutions with an increasingly transatlantic outlook. These actors united with the interests of the US to defeat the challenge of a radicalized social democratic settlement that severely threatened the City's international role. Anglo-American development made it increasingly misleading to distinguish between distinctly "national" and "international" causes.

By the end of the 1970s, with spiraling inflation in the US, Paul Volcker, as head of the Fed, adopted a radical monetary stance, pushing interest rates up to record highs in order to break inflation and undermine the wage militancy of US workers. In the US this restoration of class power, underpinning the neoliberal political project, relied upon high interest rates, recession, and market liberalization. Across the Atlantic, the formula for capitalist restructuring under Thatcher exhibited remarkable parallels. In chapter 6, I depart from existing approaches to the rise of neoliberalism, which point to the significance of the ideological similarities between Thatcherism and Reaganism (Krieger, 1986: 17; Gamble, 2001: 129; Harvey, 2005: 22; Peck and Tickell, 2007: 28), excavating the processes of transatlantic institutional symbiosis that drove the synchronized embrace of financial liberalization and monetarist central banking. Uncovering these formative transatlantic dynamics leads me to challenge IPE accounts of US financialization that have overstated the endogeneity of liberalization and associated financial sector expansion (Greider, 1987: 155; Schwartz, 2009a: 211; Konings, 2011: 131–37; Panitch and Gindin, 2012: 169; Krippner, 2012: 73).

In chapter 6 I argue that the radicalization of monetary policy, regulatory transformation, and central bank innovation in the US and the UK emerged out of institutional complementarities and interdependencies generated by Anglo-American development. The development of offshore markets in the City led bankers on both sides of the Atlantic to push for further domestic liberalization, as competition between London and New York intensified. US banks pressured regulators to replicate the City's offshore conditions, which gradually eroded New Deal–era financial regulations. These dynamics, alongside the Fed's failure to regulate the Euromarkets, demonstrated both the limits on US monetary policy autonomy and the importance of the transatlantic impetus to liberalization emerging from Anglo-American financial integration. Embracing monetarism, Thatcher and Reagan made clear that price stability would be restored and that working-class solidarity would be broken. In the absence of the Bretton Woods framework, both states demonstrated their commitment to internalizing discipline through extreme applications of monetary policy and direct confrontations with the labor movement. The pursuit of price stability over and above the Keynesian commitment to full employment helped maintain the centrality of London and New York in global financial markets. Developments in the UK and the US led the way for the broader adoption of neoliberalism within the global political economy and the further development of financialization.

As chapter 7 demonstrates, these structural transformations—part of the longer history of postwar Anglo-American development—were the ultimate cause of the global financial crisis of 2007/8. The chapter echoes IPE accounts of the origins of the crisis that have recognized its distinctively Anglo-American accent (Gowan, 2009; Hay, 2013a), but it also argues that such interpretations have not sufficiently identified the systematic transatlantic developmental processes linking the reconstitution of Anglo-American financial markets. The crisis cannot be explained as an extension of internal US dynamics of financial market transformation into a "satellite" London market (Gowan, 2009). To do so, I contend, is to miss the mutual causal dependency of Anglo-American development. Modeling a comparatively specific

"Anglo-liberal" form of capitalism indicates the core features of the defective growth model that generated the crisis (Hay, 2013a), but it does not provide a sufficiently thorough historicization of these dynamics, nor does it adequately map the transatlantic developmental processes that underpinned it.

Chapter 7 argues that the Anglo-American origins of the crisis had a deep historical-institutional lineage, rooted in the transatlantic transformation from the Keynesian order during the early 1980s. This transformation was itself enabled and conditioned by previous processes of postwar Anglo-American development. The continuation of long-term transatlantic financial liberalization and integration dynamics during the 1980s and beyond placed the markets in New York and London at the heart of the institutional infrastructure that transmitted the crisis globally. Anglo-American preeminence within international banking regulation ensured that the global financial system would accommodate the enormous leveraging-up of major banks. Politically, the conversion of both the UK's Labour Party and America's Democratic Party to the virtues of financial deregulation, as well as their acceptance of the epistemic omnipotence of financial markets, laid the basis for the profoundly misplaced complacence that generated economic vulnerability on an enormous scale. Viewing the events of 2007/8 from the perspective of the longue durée of Anglo-American finance allows us to more fully appreciate the role of the nexus between treasuries, central banks, and private bankers on both sides of the Atlantic in producing the crisis.

Chapter 8 sketches out some of the major themes of the postcrisis political economy of Anglo-America. Identifying the central policy pairing between fiscal austerity and monetary loosening, the chapter draws upon accounts of the structural crisis of neoliberal capitalism (Gamble, 2014; Streeck, 2014), arguing that, despite the adoption of unorthodox monetary policy and the restoration of growth, economic recovery has failed to arrest the underlying structural crisis of Anglo-American political economies. In the postcrisis era, the reliance upon a strategy of ultralow interest rates and quantitative easing initiated by the US and the UK demonstrated the continued centrality of Anglo-American central bank leadership to the global economy. But the sluggish return to growth in the West, and the continued stagnation of living standards within the UK and the US specifically, have revealed the declining ability of neoliberal capitalism to deliver economic growth and distributional gains in amounts adequate to bolster democratic consent. The rise of antiestablishment politics in both states—and the fracturing of the longstanding neoliberal center ground of party politics—has led to new political and economic dynamics. Alongside these changes, the rebalancing of the City-Bank-Treasury nexus toward Chinese finance, the policies of Donald Trump, and Brexit are transforming the global economy. These dynamics, I argue, threaten the political economy of the Special Relationship and the wider international standing of the UK and the US.

The book concludes by reappraising the history and politics of capitalist development within Anglo-America. Viewed through a wide historical lens, a clear picture emerges: it is the postwar Keynesian transformation of Anglo-American capitalism that is the historical anomaly in need of explanation as an exceptional development, not the rise of a neoliberal order from the 1970s. Staggering levels of inequality and the limited capacity of democracy to rein in the forces of the market have been the normal condition of modern liberal capitalism. It took two violent cataclysms of total war and the existence of a Soviet alternative to shock the system into a more equitable and democratized reconfiguration—one that placed markets (albeit incompletely) in the service of communitarian ends.

That this reconfiguration was already under threat from resurgent forces of political-economic orthodoxy by the early years of the Bretton Woods order speaks to another important lesson. The postwar embedding of liberalism within the national form of the social democratic state and the international regime of Bretton Woods did not go far enough; too much power was left to private finance in London and New York. As transatlantic bankers articulated their vision in ever-bolder terms in the decades after Bretton Woods, the vision of a democratically controlled form of capitalism that could deliver sustained growth and increased equality receded further in memory. The core institutions within the state were not transformed in a manner that might enable a lasting commitment to full employment and the pursuit of more equitable and democratic goals. As we wrestle once more with the challenge of capitalist economies that produce enormous material excesses and a sense of collective disempowerment, the lessons of history should be heeded.

INDEX

Page numbers in *italics* refer to illustrations and tables.