

Connecting Critical Macro-Finance to Theories of Capitalism

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Abstract : The mainstream political economy failed to explain the nature and causes of systemic failures and thus to compare and comprehend how contemporary capitalist systems work. An alternative research framework of Critical Macro-Finance (CMF) is an attempt to collaborate political theory with post-Keynesian economics with an objective to find answers to unresolved questions that emerged since the international financial crisis and repeated failures of capital systems. This unorthodox approach brings out four main propositions, namely : (a) that the adoption of American financial practices has anchored financial globalization in market-based finance; (b) that global finance is a set of interconnected, hierarchical balance sheets, increasingly subject to time-critical liquidity; (c) that credit creation in market-based finance involves new forms of money; and (d) that market-based finance structurally requires a de-risking state capable both of protecting systemic liabilities and creating new investment opportunities. The ongoing discussion of CMF literature is yet to be tested or even fully framed. This qualitative paper will critically examine the CMF framework and will engage in discussions aiming to connect the CMF with theories of capitalism in a wider context to bring a holistic approach for analyzing contemporary financial capitalism.

Keywords : critical macro-finance, capitalism, financial system, comparative political economy

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