ALTERNATE HORIZONS PLATFORM

Susan Strange—Casino capitalism: A book review

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Abstract

Many scholars of international political economy (hereafter IPE) have all come to a common conclusion that the control over financial affairs is a big contributor of international power and influence. Susan Strange, who was at the time of writing Casino Capitalism, a professor in the department of International Relations at the London School of Economics, continues to criticise and observe the overlooked pieces of the international financial system enforced and managed by the Bretton Woods system. In this book, Professor Strange points out the dangers of mismanagement of money and credit, and that the uncertainty in this industry has turned us all into gamblers. In her book she foregrounds the often overlooked pieces of the financial system and claims that the management of money is a matter of political importance. Her research is directed, however, not limited to, the changes that were given effect by this financial system on societies.

Introduction

In the introduction, Matthew Watson accounts for the title *Casino Capitalism* by linking the term 'casino' to a 'crisis' and thus refers to the relationship between the markets and states as one filled with crises. This book is less focused on the current financial management by banks and governments, and rather goes back to the roots of finance and how it can be seen as a system filled with gamblers and uncertainty. Though referring to the banks as instigators of uncertainty and stimulators of mismanagement of finance, Strange puts more emphasis on the rising disruptive character of money and how to curb the uncertainty in the financial system. The author first argues that the lack of restrictions and regulation in the international financial system has led to a greater uncertainty especially in developing and underdeveloped states in that there has been a global stagnation in economic growth. Strange further points out that the inefficiency of states such as the United States in managing and controlling the system and commodity prices such as the price of oil, has resulted in uncontrollable exchanges rates and interest rates. In this regard she refers specifically to the United States (US) because of its dominance in the trade and financial market due to the dollar being the main currency of international trade. Strange directly points out that the ignorance of the US in the exchange market has greatly cost the developing countries (Aronson 1987: 116). With this statement, Strange expresses how authority has come second to markets, and that countries such as the US have prioritised the market and the benefit thereof without necessarily considering its negative impact on developing and underdeveloped states.

The element of uncertainty in the financial markets has managed to increase instability which in turn has fuelled unequal competition in the trade and financial markets between small and big transnational corporations (Niggle 1987: 217). An example of the failure of the US to intervene can be seen in the World Bank providing an unregulated flow of credit to states, especially for developing countries. This has resulted in debt that cannot be settled, thus keeping states indebted and creating a negative balance of payment for these states in the international financial and trade systems. Professor Strange then drifts into the roles that world leaders have played in stimulating the instability. She points out that world leaders are too focused on protectionism than correcting the monetary mismanagement. A mercantilist scholar would probably disagree with Strange in this regard, because more than anything, mercantilists have been accused of being ignorant to external nondomestic issues. She directly emphasises that policy makers' ignorance to policies that negatively affect the financial system have also fuelled the casino element of the financial system. By this she points out that the world has been made subject to those policies and in turn has been involved in a gambling game of uncertainty which does not necessarily yield fruits for investors and participants in the financial system (Aronson 1987: 115).

Casino Capitalism and the international policy economy

A dollarised financial market has allowed for the US to have overall power and control in the financial market, however, as Professor Strange implies, this power is not implemented in an effective manner. This book not only brings out the problems faced by the international financial market, but it also proposes ways to combat instability and chaos. In discussing the relevance and value of this book to IPE, I will discuss the solutions that the author has proposed and how they can be implemented in real life issues.

With the prescriptions offered in this book, it helps us as scholars to better identify the core issues and their causes in the financial system, though many economist and financial analysts have accused this piece of writing as being too ambitious or rather as they put it 'reflections of an amateur historian'. I particularly think that this book is direct and leaves no room for incompetency by any state (Aronson 1987: 114). Strange is not sympathetic to any issue faced by countries and maybe that is why these theorists have accused her of being an 'amateur', however considering her experience as a journalist with close investigation into the Bretton Woods system, an editorial assistant for *The Economist* and a White House correspondent for *The Observer*, it would suffice to say that she is quite learned in this field. After having worked for over five years in the US, perhaps not enough years to make such bold statements, she does, however, provide substantive evidence for all her proposals. Strange has a reasonable belief that the US is capable of managing and controlling the current financial system through credit regulation and making stricter regulations for international banks in lending money. Many scholars believe that this can help to increase global economic growth especially for developing states and small international cooperations, thus creating a fair and equal market for all actors (Caskey 1988: 144).

Stange further points out that the US can acquire the role of 'international lender of last resort' for international banks that mainly lend in dollars (Strange and Watson 1997: 148). This specific contribution could be said to be too ambitious, especially for a mercantilist state such as the US: this will create imbalances in the financial market that will enable the US to have more power that could be exploited (Caskey 1988: 145). The US has been known to be a state that overtly implements protectionist policies. These policies could thus have long term implications for countries who are indebted to the US. It could, however, be that professor Strange made these prescriptions long before the Trump administration. Many theorists have argued that her stance could have changed had this book been written with this knowledge at her disposal. So perhaps she was not too ambitious, rather she just used all that was available to her and formed what is today considered 'amateur' prescriptions (Niggle 1987: 217).

Considering that this book was written in the aftermath of the 1970s stagflation in developed countries, wherein the US Federal Reserve played a fundamental role in combating domestic inflation by raising interest rates (Balaam and Dillman 2019: 203). This all took place after the 1973 oil price hike which hindered economic growth and value of currencies. Unlike the Keynesian school of thought which could not account for this economic instability, Strange offers a retrospective analysis of the situation wherein she points out the root cause of uncertainty in this 'financial casino' (Heywood 2019: 160). In chapter 3 of the book, Strange delves into multiple interpretations of what she considers to be a man-made economic and financial disorder. The interpretation that caught my eye is the Marxist interpretation wherein most Marxists point out that the instability in the monetary system came about when the US exhausted its privileges under the gold exchange standard. They insist that the US was irresponsible within its role as world banker. It is thus contradictory that Strange continues to prescribe that the US must again step into the role of being international lender of last resort or banker to the world. It is a counterstatement which could pose more damage than repair in the international political economy.

Casino capitalism: Weaknesses and strengths

The weakness in this text is that it cannot be read in isolation: it needs one to be well informed about the financial sector as well as world economics. A first-year international relations student would likely not be able to engage with this material. Furthermore, it would suffice to say that this book needs to be revisited more than twice, because it is a dense text which requires comprehension and application of reality to make sense of what the author is implying. It thus cannot be read in one sitting. However, the above weakness can also be seen as a strength because this text can still be applied in giving account for contemporary issues. This text was written in a manner that almost guarantees longevity for the book. This became evident during the 2008 global financial crisis when her statements and contributions about global financial mismanagement were confirmed almost twenty years later (Marlin-Bennett 2017: 17).

Being a neo-liberal, it is no surprise that Professor Strange mainly directs the blame at governmental policies and holistically to those in authority. Thus, another weakness of this book could be its singular lens of analysis, wherein the author makes no use of critical IR theories such as realism, structuralism, feminism, constructivism, and most importantly postcolonialism. The author makes no reference to developing countries as colonised states, thus she fails to account for the inequality that was embedded into the monetary system by past racial segregations in African and Asian states. When giving an account for the financial industry, a broad field with global implications, a theorist is not expected to divorce their analysis from the implications of past colonial regimes.

An economist or financial analyst will most likely be able to engage with this piece more than an undergraduate student would, however, it is still an interesting read nonetheless. Perhaps a Marxist would also be likely to peruse this text and agree with some points that the author makes; however, they will disagree with Strange's prescription to give leadership power to a state such as the US. Though Strange goes on to put too much faith in the US's capability to mend the financial gaps, it would suffice to say that the main strength of this book is its bluntness in bringing forth issues and the cause of those issues. Strange does not shy away from exposing presidential administrations that could have caused these irregularities in the financial markets. She thus addresses what is often overlooked in the field of international relations.

Generally, this book is written in a language that allows easy interpretation for scholars, the author does not make vague expressions without substantiation, and this is evident in her close research into the field. Whereas authors such as David Ricardo have always been accused of making numerical illustrations which are not aligned with a specific country or trade object, Strange utilises statistical evidence that is tied to a specific country in question. This thus allows for one to be able to realistically engage with the material aspect of the text because she often disengages from literature and academia and offers a statistical interpretation of world scenarios.

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