Introduction

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I did not know Susan Strange. We never met in person, and neither did we ever correspond. As I began to contemplate writing this Introduction, a thought struck me. I could not help but look back to a younger version of me, still fresh into my PhD programme, when Manchester University Press decided to republish *Casino Capitalism* for the first time in 1997. Would I have been brave enough back then, I wonder now, to have sought Susan's counsel had I found that we were attending the same event? I hope that the answer would have been 'yes', but in all likelihood I would have believed that it was not my place to disturb her train of thought when in full flow.

Those thoughts, of course, have left a golden legacy for anyone engaged in the study of International Political Economy (IPE). It is by no means necessary to have crossed paths with Susan the person to have crossed the paths laid down by Strange the academic. Her journalist's eye for distilling the zeitgeist into a single, memorable phrase, coupled with her ability to flesh out those phrases in richly suggestive academic terms, means that she continues to be an important presence within the IPE literature. Indeed, Benjamin Cohen's (2008) recent best-selling intellectual history of the field, in which Strange is positioned among the seven trailblazers who established its foundations, has ensured that her standing is currently more secure than ever.

Yet at the same time this remains primarily a background presence. Younger generations of IPE scholars are more likely to know *of* Strange's work as part of an overall summary of the field than they are to be familiar with its content. 'What, that old stuff?' is a frequently rehearsed retort to the encouragement to become immersed in its finer details. And it is true that the first republication of *Casino Capitalism* contained a new Preface in which Strange observed that a 'fair sub-title' for the

book ‘could well have been “Some reflections of an amateur historian”’ (p. xix). The history in question, though, refers to events that are commonly assumed to have been overtaken by bigger developments on which a maturing IPE has cast its gaze. Moreover, it is told entirely independently of both the theoretical and the methodological pursuits that have subsequently come into fashion. If Strange is to be viewed as a trailblazer, it is often said, then it is for a style of IPE for which the trail has gone cold.

This second republication of *Casino Capitalism*, this time alongside its companion volume, *Mad Money*, provides the ideal opportunity to set the record straight in this regard. For anyone who is returning to these books for the first time in a number of years, it is a delight to be reacquainted with the nuance of a historical perspective that emphasizes the significance of decisions that could have been taken but were not (pp. 26–38) just as much as the decisions that were actually taken (pp. 38–49). History thus comes alive as a highly politicized lens in Strange’s hands through the analysis of alternatives that were available but were overlooked simply because they did not fit the prevailing political mentality. For anyone coming to this work for the first time, there will consequently be many moments of revelation. Even though a self-consciously theoretical voice was so often written out of Strange’s work, younger generations of IPE scholars will find on repeated occasions that her texts speak to them in a language that helps to confirm their own subsequent theoretical choices. Strange’s ‘amateur history’ thus pre-empted a good deal of IPE’s future, in its concern for both the way in which the financial system was becoming a repository for political power and for how this made more and more people susceptible in their everyday lives to the whims of financial market pricing dynamics.

The casino metaphor

The advantages of having such a name allow us to say that we continue to live in ‘Strange times’ whenever we recognize in *Casino Capitalism* a footprint into which we have later stepped. But the overriding message of the book is that we do indeed live in ‘strange times’ in an altogether different meaning of the phrase. ‘How did we ever get *here*?’, the reader is asked to ponder when led through the steps which resulted in the dissolution of the Bretton Woods system of managed financial prices. There is always a sense, lying just beneath the surface of the text, that this particular piece of institutional vandalism was something that touched Strange personally. She had, after all, worked as a journalist in the United States covering the first five years’ operation of the Bretton Woods system in the

late 1940s, first as an editorial assistant for the *Economist* and then as White House correspondent for the *Observer* (see Strange 1989).

Unsurprisingly, then, it is not necessary to look too hard in *Casino Capitalism* for the outline of a narrative structure of heroes and villains (chapters 2 and 3). This is the history of an embryonic financial globalization told through a reminder of the duties on behalf of their citizens that political elites had overlooked when once again handing financial pricing dynamics over to market mechanisms. The architects of the original Bretton Woods agreements are the most obvious heroes of the piece for having had the foresight to try to rule out by institutional means the future that eventually unfolded. They are joined by those who at the time of Strange's writing were positioning themselves as the spiritual heirs of the attempts at Bretton Woods to keep finance firmly reined in. The villains consist of the policy-makers – mainly from the United States in Strange's telling – who did most to sabotage the collective agreements for managing financial prices, the bankers who were able to project their private interests in alternative market-based arrangements as the new national interest, and the economists who popularized Panglossian preachings on all things market-related.

The cast list was thus drawn, but the participants still required a stage on which to act. This came in the form of the central metaphor around which the whole of the analysis is organized: that of the casino. It is an alluring metaphor, at first glance providing instinctive confirmation of so many of the ills of the modern economic condition, but on a second and third pass also revealing how much of contemporary significance relating to the internal operation of financial markets must remain unsaid when likening them directly to a casino. The greatest allure of the metaphor might ultimately be just how much *further* it can be pushed today, despite the fact that in its original form it was often treated as evidence of Strange's alleged tendency towards hyperbole.

For instance, it does not matter to the nature of the bet how much money you place on a single spin of a standard roulette wheel. You might turn more heads as the size of your stake increases, but a \$1 bet on number 27, say, is statistically indistinguishable from a bet of \$100, \$1,000 or even \$1,000,000. In each case, the odds on number 27 coming up are exactly the same: 35/1 on the outcomes that the house is willing to honour as winning bets. The same is decidedly not true, though, of financial markets. There, the casino operates in such a way that every additional nought on the end of the stake speaks of a greater degree of market power and, as a consequence, of a greater chance of enforcing upon the market environment the desired outcome. The deeper the pockets of the market participants, then, the more that they are able to change the odds in their own favour. As a result, the financial equivalent

of number 27 turns up as the winning bet much more frequently than statistical probability suggests it should. These are spins of the roulette wheel where the people placing the bets, and not pure chance, so often get to dictate where the wheel will stop.

Strange was writing at the very cusp of the technological revolution within financial trading, and it should go without saying that it is of no detriment to her work that she failed to foresee how big these changes would eventually be. However, working through a single example of this trend highlights the potential limits of too direct an application of the casino metaphor. One of the most important recent developments in stock market trading is the advent of so-called high-frequency trading that takes advantage of differentials in computing speed that are so tiny as to be almost beyond human conception. Imagine being able to divide each second into ten and then doing the same again for each resulting tenth: this is the degree of gradation, for instance, that is used to determine the outcomes of Olympic sprinting races. Now imagine each one-hundredth of a second itself being divided into one hundred, and we begin to get a sense of the differentials in computing speed that enable high-frequency traders to 'front run' other people's trades (Lewis 2014). The time that it takes for the blink of an eye would be sufficient, in theory, for high-frequency traders to insert themselves 3,000 times over between the bid and offer prices of stock market deals that are already in train. On each occasion the person with the infinitesimal advantage in computing speed would find that they were able to simultaneously buy and sell the same stock in between these two buffer prices, thereby top-slicing the profits that other people thought they were going to make between starting and finishing a single click of their computer mouse.

It no longer makes sense to be thinking in terms of the odds on being successful in such circumstances, because all downside risk has been removed. The casino metaphor becomes non-operative, because what arises are situations in which financial market participants, once they have paid the access fees to the super-fast network connections, are able to lay free bet after free bet with no chance of losing. High-frequency traders now routinely go 'algo-sniffing', trying to discover the internal characteristics of other people's trading algorithms by deploying advantageous computing speed differentials to position themselves minutely in front of those people's trades. This is the financial equivalent of me being able to watch you stake your entire stack of chips on red coming up on a single spin of the roulette wheel but, because I can 'see' in real time long before you can whether red will be a winning gamble, I can choose at my leisure whether to hijack your bet and siphon off your winnings or do nothing and avoid your losses. Whatever this particular gaming environment might be described as, it certainly does not display the characteris-

tics of any normal casino, where the probability of winning and losing is not up to the participants to decide.

Still, it would be wrong to focus too much on how things have changed within the market environment since Strange's day, because the internal dynamics of the trading process were not in any case her primary focus. The *raison d'être* of *Casino Capitalism* was to expose the development of a financial system that had increasingly escaped the calming influences of democratic control (chapters 1 and 7). Strange was the first IPE scholar to systematically think through the implications of a globalizing trend in which a potentially self-regulating traders' paradise began to be harnessed as an alternative to increasingly cash-strapped welfare states. In the interstices of the narrative structure of heroes and villains it is also possible to identify a third generic member of the cast list: this time the unwitting victims of the interplay between financial high politics and the initial signs of the reversal of state-sponsored welfare rights (chapters 4 and 5).

These are the ordinary people who are not active market participants in the direct sense of having a seat at the roulette table, but whose lives can nonetheless change out of all recognition if, after someone else's ill-fated spin of the wheel, their jobs are suddenly to disappear in a puff of smoke. It is these same people who have also increasingly been told that their future well-being is tied to the late-life consumption made possible by allowing their savings to be invested for them on all sorts of different financial markets. '[T]he great difference,' wrote Strange in outlining her analytical agenda for the chapters ahead, 'between an ordinary casino which you can go into or stay away from, and the global casino of high finance, is that in the latter all of us are involuntarily engaged in the day's play' (p. 2). For those inadvertent financial market conscripts who are enlisted in this way – and today there are many more who fit such a description than three decades ago – the casino must surely remain a compelling metaphor.

The theme of crisis

With the casino thus installed as the book's main metaphor, it is put to use to develop the theme of crisis. Abstract work on the conceptual meaning of crisis is left to those who feel more self-assured on theoretical matters, because Strange's attention is directed elsewhere. Once more she displays her humane instincts in her concern for the way in which crisis tendencies touch down in the lives of ordinary people. It is difficult to read either *Casino Capitalism* or *Mad Money* and fail to spot the possibility that Strange did not really care if bankers unintentionally managed

to burn their own money. After all, it is these participants in the casino who ‘play, as it were, “for the house”’ (p. 1). And who would not admit to a sense of sneaky satisfaction when hearing news of the house, despite stacking the tables in its own favour, still coming a cropper (see Mezrich 2002)? But it is a very different matter, for Strange, when those who enjoy none of the paper wealth that lax regulations have enabled the financial system to create nonetheless are required to foot the bill for the clean-up job when those same lax regulations allow for the generation of unsustainable excesses. Re-reading her objections to such a situation today, embroiled as we are in an age of austerity following the global financial crisis, makes for a poignant task.

Strange was always drawn to big picture questions such as this (Lawton et al. 2000). Perhaps when, like her, you were there at the beginning of something as significant as Bretton Woods, nothing else will do. Despite the impressive grasp of historical detail that features in all of Strange’s books on finance, the prospect of being captured by the minutiae was not for her. This is a well-trodden road to academic reputability, and it is one that many of the younger generation of IPE scholars have consciously set themselves upon. But the urge to be recognized by peers for knowing a lot about a little never left a mark on Strange. The international economy was a fragile entity, she believed, only ever a handful of wrong decisions – or wrong non-decisions – away from the next important downturn. The task she set herself was to monitor how the political centre-of-gravity had shifted over recent decades to make the phenomenon of compounding downturns all the more likely (chapters 4 and 5). There could hardly be a bigger picture question out there.

We learn a lot from this about Strange’s approach to her subject field. What happens when the evolving governance structure suddenly falls into place in your mind’s eye to produce a deeply troubling picture of what is in store? Do you hold your fire, being careful to guard yourself against the charge of not having collected all possible corroborating evidence, or do you share your fears regardless because that is what the situation appears to demand? The latter seems to have been the only route ahead seriously considered by Strange, as she was a constant fixture in the publish-and-be-damned camp. The ‘amateur historian’ she proclaimed to be in the Preface to the 1997 edition of *Casino Capitalism* actually turns out on many occasions to be the incisive independent newspaper columnist she would have preferred to have been (Strange 1989). Her work could not read less like someone whose intention was to rearrange the deck-chairs while the Good Ship Globalization floundered. Instead, she was on the lookout for icebergs of all shapes and sizes even when that ship was still under construction in dry dock.

Being wise after the event about the potential for crisis is one thing – a

much treasured goal, no less, of so many social scientists. But Strange set herself a rather different standard of being wise *before* the event. Of course, this was not possible all of the time, because there was no infallible crystal ball to provide the text for *Casino Capitalism*. There will consequently be numerous occasions on which today's reader will find her views on how the financial system was likely to change rather endearing for the degree to which they underestimated the speed and the extent of the actual reforms (chapter 6). For someone who was often accused in her day of scaremongering, her predictions now look somewhat conservative. The froth of a previous housing bubble is mentioned in passing but the housing market is not seen as a site of potential economic meltdown (p. 63); little credence is given to the European Community (as it was back then) proceeding through all the stages to eventual monetary union (pp. 156–7); and perhaps most touchingly of all the reader is told that, if current developments remain unchecked, the unthinkable might just happen and something approaching a 24-hour global exchange might materialize (p. 97).

There are very few academic books, however, for which successful futurology is the relevant benchmark for judgement, and this is certainly not one of them. Knowing that the global financial system did not evolve in exactly the way Strange foresaw means only that we have more of the modern history of global finance to go on today than she did when writing in the mid-1980s. And the fact that there is a tradition within IPE of taking that history seriously owes much to Strange's pioneering lead. Many of the subsequent updates follow *Casino Capitalism* in putting the theme of crisis right at the heart of the analysis (e.g., Helleiner 1994; Best 2005; Kapstein 2006). Everyone working in such a tradition is susceptible to getting as many of their predictions of the precise form of the next crisis as wrong as Strange did both here and in the follow-up work, *Mad Money* (Strange 1998a). But if authors who study the potential fault-lines within global finance have learnt one thing from her work it would seem to be the value of shouting loud warnings about the generic dynamics through which future problems are being bottled up.

The underlying 'states and markets' perspective

It is perhaps unsurprising that Strange underestimated the change that was occurring *within* financial markets, because she never really takes the reader inside the casino. It would be wrong to suggest that financial markets remain resolutely in 'black box' form in the chapters that follow, but equally the argument operates overwhelmingly at the level of the system. If the systemic mode of governance changes then it seems reasonable

to presume that the participants within the system will recalibrate their behaviour accordingly (see Strange 1998b). This is the line of argument that Strange adopts, yet it does tend to deflect attention away from the processes of financial innovation that, as the 1980s progressed, fundamentally recast who was trading what and how. *Casino Capitalism* thus tells the story of only one of the two great changes that occurred at that time. It created the space to focus on the developing trend towards financial liberalization, but only by de-emphasizing the parallel trend towards financial innovation. The former relates to the external regulation of the market environment by political actors, whereas the latter relates to the internal changes to the trading instruments of choice which allowed market actors to massively accentuate the effects of the new political mindset. Both provided the major financial players enhanced scope for evading political control of their activities, but *Casino Capitalism* only fleshes out the first half of the picture. It was left to the popular finance writer Peter Bernstein (1992) to balance the books by writing the first widely accessible history of financial innovation.

In many ways this is classic Strange. A clear message shining through all of her books is that, if you want to know how any part of the international system truly works, then first find out where power can be said to lie (Strange 1988c). This might be relational power (the ability to systematically come out on top in negotiations) or her own preferred concept of structural power (the ability to shape decisively in one's own favour the terrain on which all negotiations take place). Wherever power might be thought to exist, however, it is assumed that it has transformative potential. When such potentials are enacted in relation to the international economy, they are likely to have an important influence on the underlying relationship between state and market.

Metaphor (the casino), theme (crisis) and perspective (the relationship between state and market) thus come together in what is a temptingly straightforward argument. The 1980s marked a true departure from the principles laid down at Bretton Woods, Strange suggested, because state power had been used, somewhat counter-intuitively perhaps on first reading, to render states less effective in the process of regulating the international financial system (see also Strange 1996). With market actors given an increasingly free hand to decide the outer limits of their own activities, finance had come to inhabit a world that resembled an already giant casino that was only likely to become bigger still over time. And because states had chosen to remove the checks and balances that had once restrained reckless, foolhardy and even downright improper behaviour, crisis had now been installed as a persistent elephant in the room.

Given the way in which political authority is aggregated at the level

of the state, much of Strange's language might today seem distinctly old-fashioned. Look closely at the text for all those instances in which 'Washington' decides, 'Tokyo' thinks, 'the Europeans' act, 'the British' respond, etc. It is only the story of financial liberalization that can be told through this perspective, because liberalization is in the first instance a regulatory and not a processual matter, and the process of financial innovation belongs to no one country or combination of countries. Only regulatory matters can be made sense of when the authority to change behavioural parameters is located in unitary fashion at the level of the state. Still, though, it must be noted that this concept of power, however much it has been left behind by subsequent theoretical advances in IPE, required Strange to swim very much against the tide of contemporary popular political opinion. *Casino Capitalism* was written at a time, it bears repeating, when in the English-speaking world in particular 'the market' was typically portrayed as an all-seeing, all-knowing entity with conspicuous powers of determination. It was written about as if it had interests of its own and a will that made it possible to act upon such interests (Watson 2005). Against that background, it was a healthy antidote to populist misconceptions to encounter Strange placing 'Washington', 'Tokyo', 'the Europeans', 'the British' and the like at the forefront of her narrative.

Moreover, it also enabled her to outline the extent to which the state continues to exist as the essential backstop to any supposed system of market self-regulation. Once more the theme of crisis is used to make the point. *Casino Capitalism* ends with the following somewhat apocalyptic warning (p. 161): 'By New Year's Eve on 31 December 1999, we shall have reached the end of a century. If, by then, we have still not succumbed to a nuclear holocaust, that will be one thing to celebrate. But unless positive, practical steps are taken soon to cool and control the financial casino, there will not be much else.' New Year's Eve 1999 actually turned out to be a day on which the financial casino, by some measures at least, reached a point of historic excess. The FTSE 100 index of leading UK stocks, for instance, stood at a peak of 6930.2 on that day, and it took more than fifteen years for this level to be surpassed. In the meantime, conspicuous state support has been required to prop up prices in various parts of the financial casino, as the delusions of market self-regulation have been exposed by events such as the collapse of the tech-stock bubble (Froud et al. 2006) and the corporate governance scandals involving false accounting techniques at companies like Enron, Worldcom, Tyco and Parmalat (Clarke 2007).

Nothing, though, could have prepared us for the sheer scale of state support that was necessary to help banks repair their catastrophically broken balance sheets in the wake of the initial implosion of US mortgage

lending markets in 2007. There is a hint in *Casino Capitalism* of what might be to come in this regard if a little bit of creative reading between the lines is allowed. In surveying the options open to the US Federal Reserve in providing stability to an already gratuitously overheating financial system – '[t]he United States must act', she argued, portentously (p. 146) – Strange came to the following conclusion: 'Insuring all the other banks against the loss they might suffer by overlending to a failing bank would be a great deal more expensive than insuring US depositors for losses less than \$10,000' (p. 134). Nobody, however, could have imagined just how much public money would have to be found, not just by the Fed but by central banks around the world, to provide effective deposit insurance for banks that had gambled their whole futures on continuous house price rises being able to mask the fact that mortgages had been sold en masse to people who lacked the ability to meet their repayments. That was one number that the roulette wheel of the global financial casino resolutely refused to turn up, despite its participants using their market power to stack the tables in its favour. Something approaching unlimited liability was subsequently accepted by the state on banks' behalf as zero after zero was added to the monetary commitment to keep financial markets functioning. Moreover, when the bill then became due, the ensuing age of austerity has hit the most vulnerable people in society hardest (Blyth 2013). The real normative purpose of Strange's casino metaphor – the fear that ordinary people who were never party to market gains would be the first to suffer when those gains evaporated – thus comes starkly back into view.

Overall assessment

This is a book that should continue to command high regard as it approaches its thirtieth anniversary. At the very least, it deserves today to be treated to a sympathetic reading. There is little to be gained by going through it on a page-by-page basis simply to arm oneself with a list of examples where it can be said that Strange called things incorrectly as events ultimately unfolded in a rather different way. The book was written, after all, with an eye on the overall impression that it would leave. And by tying the metaphor of the casino to the theme of crisis and the underlying perspective of the relationship between state and market, that impression is still often really rather mesmerising.

The great merit of *Casino Capitalism* is that it enacts a conversation about often overlooked aspects of our past that sheds important light on why our world is shaped as it is. It does not tell us all that we might want to know about the present; but, then again, why would we expect that

it should? Much more importantly, it gives us reason to reflect on the situation we have been bequeathed, reason to question, reason to challenge, reason to get angry. These all appear to be reactions that Strange had hoped to provoke in her readers nearly three decades ago. *Casino Capitalism* therefore continues to do its job wonderfully well even after all these years.

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