Preface

The regulation of banking and finance is often perceived as an abstruse if not arcane subject. Because of the technical issues that it involves, financial regulation seems less amenable to the tools of political or sociological analysis than other realms of the political economy, such as labor relations and trade policy, where the lines of conflict appear to be more clearly defined and where the identities of the relevant actors reflect better understood cleavages. When the subject of financial regulation is taken up by political economists, it tends to be addressed almost solely in terms of structural economic forces, such as the inherent power of finance capital or the inexorable force of international financial market integration. The presumption is that the technical nature of financial regulation makes political variables, such as the identities of policymaking elites and their ideological agendas, irrelevant. This is especially the case when it comes to the way political economists think about the phenomenon of financial “liberalization” in a country such as Spain, where market-oriented reform coincided with political democratization, lending support to the idea that it was simply the natural, ahistorical corollary of the interplay of economic and political market forces in a new democracy.

In this book I take issue with many of these common assumptions about the political underpinnings of financial regulation and in particu-

lar those of financial liberalization. My analysis grew out of an effort to understand why the liberalization of the domestic financial system instituted in Spain during the late 1970s and early 1980s did not bear the fruits that neoliberal reform is expected to produce: a truly competitive financial system. My effort to understand this outcome led first to the observation of an underlying reality: that the highly oligopolistic private banking sector in Spain was afforded almost as much protection during the reform process as it had enjoyed for nearly a century under a succession of political and regulatory regimes of very different ideological hues. The explanation, I discovered, was not to be found simply in the structural economic “power” that the financial sector held within Spanish capital, as Spanish reformers had tools at their disposal to break that power during the 1980s. It was to be found, rather, in the historical origins of the reform agenda in Spain and in the political dynamic to which this agenda gave rise in the course of the reform process. Financial liberalization in Spain was brought about neither by international market forces nor by democratization, even if these factors played into it in important ways. It represents rather the culmination of a long historical process of competition within the state and of accommodation between succeeding groups of state elites with different political and ideological agendas and the private banking sector, a process that goes back to the early days of Spanish industrialization at the beginning of the twentieth century.

Like all books, this one benefited greatly from the input, critique, and assistance of people to whom I am very grateful. Foremost among them is Harvey B. Feigenbaum, whose keen and unapologetic expositions of the political economy perspective served to focus my mind on the subtleties of economic power and its relation to political processes in contemporary market economies. Thus I became interested in an aspect of Spain’s contemporary political economy that has been all but ignored by scholars, though it is critical to an understanding of that country’s contemporary economic problems. Throughout the course of my work, Harvey has been a steady source of encouragement, a helpful critic, and a good friend.

Others who have contributed generously with their comments and whose input has helped to shape my ideas are Christopher S. Allen, Tom Cusack, Douglas Forsyth, Jeffry Frieden, John Griffin, Mauro Guillen, John Ikenberry, Richard Locke, Michael Loriaux, Brian

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The list of persons who assisted in my field research in Madrid includes a large number of government and private bank officials who were intimately involved in the reform process, all of whom were extremely generous with their time and their interest. I am convinced that the strategic choices of this group of reformers were guided by strong personal convictions and intellectual sincerity, and that they can be properly understood only in the light of history.

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Banking on Privilege