The Federal Reserve and Authoritarian Statism

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ABSTRACT: This paper examines the evolution of the Federal Reserve during the neoliberal period, noting both its institutional capacity and organizational flexibility. It argues that the Federal Reserve is open to institutional change itself *and* plays a key role managing and organizing financial power. From this, the paper uses Poulantzas' theory of 'authoritarian statism' to chart the trajectory of the Fed's institutional change, showing that it has developed ever-more powerful capacities insulated from democratic checks.

KEYWORDS: Federal Reserve; Poulantzas; Neoliberalism; Finance; Institutional Analysis, Authoritarian Statism

Introduction

The renewed interest in recent years on the authoritarian characteristics of the neoliberal state alongside a growing crisis of state legitimacy and the rise of fascistic movements in the US and elsewhere, has led to a range of important contributions on the subject. These accounts often define authoritarianism narrowly - to include attempts to 'insulate certain policies and institutional practices from social and political dissent'[2] – and return to the earlier contributions of Nicos Poulantzas (1978) and Stuart Hall (1979) to explain such practices (Bruff, 2014, 113). Prominent here is the work of Ian Bruff whose concept of authoritarian neoliberalism describes post-2007 shifts in state policy. Though Bruff himself argues that authoritarian neoliberalism is not a break, but rather evolution, from previous neoliberal patterns of rule - entailing the rise of '*more* authoritarian forms of neoliberalism'- he nevertheless identifies a qualitive

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[2] This definition describes a movement towards a technocratic form of authoritarianism. A wider literature has addressed different aspects of the relationship between neoliberalism and authoritarianism. See: Albo and Fanelli (2014); Kiely (2017); and Slobodian (2018).

shift following the 2008 financial crisis (Bruff, 2014, 120, emphasis added). This saw the development of a new political orientation aimed at both 'moralizing the global crisis' – explaining it in terms of the moral failings of individuals – and reallocating responsibility for state policy to 'increasingly coercive, legal, institutional, and policy processes.' Moreover, if such changes have increased the power of unrepresentative branches, so too have they weakened the state by further eroding the legitimacy of key institutions (Bruff, 2014, 124,125).

This way of viewing neoliberal management and state restructuring has been developed by Tansel (2017), Clua-Losada and Riera-Almandoz (2017), and Jessop (2019), among others, and has served as a catalyst for research describing the transformation of liberal regimes over the last four decades, and the deeper economic and political alterations this entailed. Yet, if the concept of authoritarian neoliberalism (and others like it) shines a bright light on key changes and reorientations in state policy, important questions have gone unanswered, in part owning to a lack of focus on the institutional and organizational mechanisms of contemporary capitalism (Ryan, 2019; Schneider and Sandbeck, 2019). Indeed, while Poulantzas' theory of 'authoritarian statism' and view of the state as a social relation figures prominently in this much of this work, there has paradoxically been little concern for the type of institutional shifts and transformations in state capacity that Poulantzas himself emphasized – rather the concept of authoritarian statism has often been detached from the institutional methodology underpinning Poulantzas' analysis. Moreover, this work implies a non-authoritarian period of neoliberalism and thereby tends to obscure important continuities between the pre and post 2008 period (Ryan, 2019).

Equally important, Poulantzas' concern with the key branches of policymaking within the state economic apparatus has been persistently overlooked. As a result, major nodes of state power - including, perhaps most prominently, the US Federal Reserve - have received only superficial treatment as centres of authoritarian control and command. This relates to a broader gap in the critical research. It is well recognized that the Fed operates in close contact with financial firms and is relatively insulated from political pressure. But this is all too often taken as evidence that the Federal Reserve is an instrument of financial domination, essentially captured by Wall Street interests.[3] Subsequently,

[3] On the Fed as captured by financial interests see: Baker (2010); Pixley et al (2013); Lawrence and King (2016); Jeffers (2013). On the Fed's institutional/political autonomy

scholarly analysis has focused on the Fed's relationship to *outside* political or economic forces. Besides blocking a nuanced understanding of the Fed's development of its institutional capacities over the neoliberal period, such analytic framing prevents more than a cursory analysis of its authoritarian and anti-democratic institutional practices, let alone the shifts in its organizational capacity and power following the 2008 crisis.

This paper focuses on key organizational and administrative shifts *within* the Federal Reserve System during the neoliberal period,[4] and looks to Poulantzas' analysis in *State, Power, Socialism* to gain important insights about these changes. It argues that the Fed's policy orientations and strategic priorities shifted considerably through the neoliberal period, though always within the confines of promoting financial liberalization, and that its institutional capacity and ability to discipline finance has grown since the 1980s - concentrating key policymaking power within the Federal Reserve System. From this, the paper argues that the Federal Reserve increasingly represents a form of authoritarian statism, understood as the insulation of key institutions from democratic oversight, and that the additional focus on Poulantzas' work - and method of analysis - is key to advancing the literature on authoritarian neoliberalism.[5]

The argument is developed in three additional sections. The first examines Poulantzas' relational view of the state and theory of authoritarian

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see: Harvey (2005); Epstein and Schor (2011); Goodhart (2015); Conti-Brown (2016); and Mabbett and Schelke (2019). Emphasis on the Fed's political autonomy and its top-down institutional structure can also be seen in recent proposals for democratic reform (Pollin, 2009).

[4] Drawing on the critical literature, I argue that neoliberalism represents a mode of accumulation underpinned by economic financialization and the acceleration of globalization, as well as - most broadly - the defeat of the working class (Fine and Sadd Filho, 2017). In many respects, Mark Dudzic and Alfred Redd Jr (2015, 373) capture the essence of these changes through their summary of neoliberalism as 'capitalism that has essentially eliminated working class opposition.' Indeed, the defeat of labour in the 1970s, which took shape primarily though the Volcker shock, occurred not mainly because it was a political (i.e. socialist) threat, but due to its militancy and expectations impacting inflation and profitability (Panitch and Gindin, 2012). This need to control labour to manage finance and globalization required shifts in the state apparatus, entailing new administrative hierarchies, and the development of new capacities and contradictions.

[5] In this latter sense, the paper closely aligns with the argument offered by Schneider and Sandbeck (2019).

statism. It shows that these offer a framework for studying institutional processes, including shifts within key state branches. Although Poulantzas stops short of acknowledging the state's historical and dynamic development of particular capacities as an emergent social force, he highlights its complex, *internal* relationship to capital. He does this by treating institutions as important sights of analytic inquiry - expressing a latent institutional methodology and providing a model for understanding the trajectory of institutional change and authoritarian breaks (and shifts) within the state.

Section two begins to trace the Fed's development during the neoliberal period. It highlights important transformations that have been notoriously cast aside or misunderstood, thereby recognizing the Fed's institutional malleability and its key role organizing and shaping financial power. Above all, the section highlights the Fed's increasing power and capacity through the neoliberal period and outlines some of the organizational changes this entailed, showing that simple state vs market views of neoliberalism fail to capture the transformations inside the Fed that have underpinned financial power. Section three extends this point by examining the changes that have arisen since the 2008 crisis. While the Fed remains autonomous from the executive and has in some senses fortified this independence, these changes mark a deeper shift to what Poulantzas called 'authoritarian statism,' and further demonstrate the importance of studying the Fed's evolving institutional organization.

Poulantzas and Institutional Framing

The central role of the state, Poulantzas argues, is to represent and organize 'the long-term political interests of the power bloc' (Poulantzas, 1978, 354). State institutions function 'under the hegemony of a class or fraction located within it' and, while possessing no perfect rationality, prioritize objectives that reinforce those interests (Poulantzas, 1978, 381). Yet this function - 'constituting the political unity of the dominant classes' - requires the state's relative autotomy from specific class interests or fragments and therefore only takes shape due to its specific materiality, 'as an apparatus relatively separated from the relations of production' (Poulantzas, 1978, 356). Subsequently, the state is neither a thing, merely expressing the interests of a dominant economic class, nor a subject, completely independent from class relations and power. Rather, like capital, it is a social relation: dominant classes and fractions do not confront the state as an external force, somehow possessing a ready-made political unity, these relations are internalized within the state itself; they traverse its different branches and networks, shaping its organization and giving rise to various contradictions and struggles. In this view, the outside/inside distinction between political and economic power fades, making the state a 'condensed expression of the ongoing class struggle' (Poulantzas, 1978, 362).

Crucially, Poulantzas notes that the state 'it is not reducible to the relationship of forces'; it too has a distinct political relevance, an 'opacity and resistance of its own' (Poulantzas, 1978, 364). Class relations are always adapted to the materiality of state institutions and exist in a 'refracted form,' varying according to the nature of those configurations (Poulantzas, 1978, 364). Whatever the origin of particular institutions, once formed they act back on and shape economic power relations, 'imposing [their] will on the divergent and rival interests of civil society' - the bureaucracy plays 'a role of its own in orienting state policy' (Poulantzas, 1978, 360, 366, 377). For Poulantzas, then, a change in the class relationship of forces always affects the state; but 'does not find expression in the state in a direct and immediate fashion,' making it necessary to study specific processes: contradictions, policy channels, ways of filtering information, 'strategic fields,' 'intersecting power networks' (Poulantzas, 1978, 364, 366, 379). More broadly, shifts in class relations correspond to changes within the hierarchy of state institutions as well between the economic, ideological, and coercive apparatuses of the state – with different regimes of accumulation characterized by specific orderings of state branches and apparatuses.

This approach to studying the state develops Miliband's conception of institutional power (Maher and Aquanno, 2018). Moreover, it problematizes theories of path dependency, whereby standard rules and procedures lock-in behaviour and normalize operating procedures, as well as perspectives that 'there is no inertia at all in an organization' (Latour, 2013, 47). The latter view presents institutions as unstable and 'always about to disintegrate,' and argues that their development is extremely 'precarious' - dependent on how actors translate organizational tasks as well as the tools they use to move from one cycle to the next (Conrad, 2019, 304; Latour, 2013, 47). As Poulantzas shows, the terms set by this debate - between the structural forces and sedimented practices that produce continuity within an organized space, and the patterns of breakdown and decay that allow for change and development - are ill-informed and severely confuse matters.

Poulantzas' relational view also aligns with the concept of emergence associated with institutional Marxism and Critical Realism, which posits that more concrete organizational systems, while ultimately shaped by wider structural pressures and bound by their directional logic, possess distinct proprieties and casual mechanisms (Collier, 1994; Creaven, 2000; Maher and Aquanno, 2018). In this account, state institutions reflect organizations of class power and internalize capitalist accumulation imperatives, but nonetheless exert a historical dynamism of their own, due to the agency and consciousness of the human agents they embed (Maher and Aquanno, 2018, 40-41; Panitch and Gindin 2012; Jessop 2010). From this starting point, while capitalist laws of motion impose certain boundaries on organizational action and create enduring capacities that persist untested inside institutional formations, they shape only the outer edges of institutional practice, fostering institutional variation and differentiation.

However, Poulantzas ultimately promotes a contradictory version of institutional power, and has trouble viewing the independent historical dynamism of institutional formations.[6] Indeed, while spending considerable time emphasizing the causal force of state actions, he sees these too much in terms of shifting compositions of class power, and does not go to enough trouble to identify the state's ontological specificity. Ultimately, Poulantzas argues that state institutions formally concentrate and coordinate power but are not the 'the source of the power that flows through [them]': power thereby originates in economic class relations - the condensation of political power within the state is always itself a reflection of class power (Resch, 1992, 321; Maher and Aquanno, 2018). This implies a one-way pattern of causality rather than a dialectical interaction between distinct and stratified patterns of power.

Yet, if Poulantzas ultimately blurs the distinction between state and economic power, he directs attention to specific shifts inside the state. This *institutional methodology* also underpins his theory of authoritarian statism, according to which independent and democratically 'insulated' state agencies are seen to play a leading role in policymaking. Authoritarian statism, Poulantzas (1978, 553) argues, is constitutive of a 'new institutional reality that can only be examined in its own right.' It corresponds to 'specific institutional features of the state which break with the regular forms of the reproduction of bourgeoise political domination,' and the establishment of 'an entire institutional structure serving to prevent the rise in popular struggles' (Poulantzas, 1978, 564, 568).

This break within the state thus leads to a new stream of administrative authority relatively unchecked by democratic power, which 'massively intervenes in the reproduction of capital' (Poulantzas, 1978, 579). Such insulation of policy

[6] For a more comprehensive discussion on this see: Maher and Aquanno (2018).

authority is bound up with the ‘growing economic role of the state’ and reflects ‘the decline of parliament’ and essential functions of the representative system as well as the development of new executive powers to ‘fix norms and enact rules’ (Poulantzas, 1978, 591, 593). Though occurring within ‘the general and universal laws still enacted by parliament,’ this shift strengthens the executive branch, particularly those sections responsible for key economic institutions. Within this process of centralization is another: the concentration of authority within the executive itself. These ‘institutional mutations’ occur gradually and involve the upper administration’s increasing subordination to the presidential and governmental executive (Poulantzas, 1978, 608). Thus, while authoritarian statism looks different in each country, it is characterized by distinct institutional transformations involving two interconnected administrative alterations: a shift towards democratically insulated branches of state bureaucracy within the economic apparatus; and the expanded capacity and centralization of these administrative nodes. As we will see, these changes describe many key shifts within the Federal Reserve, especially in the post 2008 period.

The Federal Reserve in the Neoliberal Period

The collapse of key aspects of the post-war financial regime (capital controls, interest rate regulations, par values on currencies, etc.), together with the 2008-2009 financial bailouts, are often weakly offered as evidence of the Fed’s subservience to Wall Street and eroding regulatory capacity (see, for example, Lawrence and King, 2016). At the same time, the rise of neoliberalism is frequently associated with central bank independence and monetary policy autonomy. In this view, the Fed’s separation from outside political forces allowed it to effectively manage inflation and restructure around supporting financial accumulation and asset appreciation – again to the benefit of powerful financial institutions (see Streeck, 2013; Conte-Brown, 2016). Such views tend to explain the Fed’s institutional development as an effect of regulatory capture and outside influence (or the lack thereof) and for all intents and purposes are wrong.

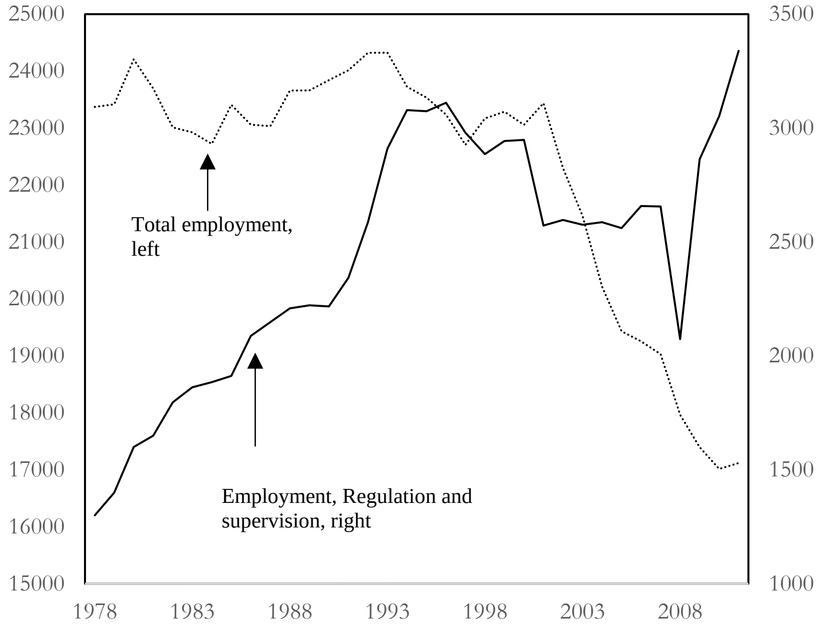
In fact, the Federal Reserve has played a vital role managing and regulating the financial system over the past four decades. To be sure, the Volcker shock radically reshaped class relations by undercutting working class power, and thereby set the conditions for the rise of low wage, nonstandard employment, as well as the restoration of profit rates (Konings, 2011; Panitch and Gindin, 2012). But this cannot be seen apart from the Fed’s broader financial responsibilities, which were vastly extended from the very beginning of the neoliberal period:

though the removal of capital controls and privatization of interest rate and currency markets - which the Fed had a hand in initiating - created a new degree of financial openness, this decidedly did not disembed markets from the Fed's regulatory control. Facing a different set of economic pressures due to the erosion of Keynesian national economic planning and emergent financial power, the Fed rather promoted financial accumulation through open capital markets. This supported the financial discipline imposed by the Volcker shock, forming a new integrative logic that set the parameters of Fed policymaking through the neoliberal period.

This new supervisory approach is manifested in the policy and organizational changes that took shape inside the Fed following the 1970s. While overall employment consistently declined through the neoliberal period, after reaching its peak in the mid 1970s, this involved an internal reorganization of responsibilities, not a hollowing out of the Federal Reserve System. In fact, as the Fed reduced its workforce by 23% from 1978 to 2007, employment in regulation and supervision ballooned by 51%. What we see here is the Federal Reserve shifting its focus away from providing traditional banking services and towards managing financial liberalism.[7] It follows that the Fed consistently developed new rules to regulate markets and ensure the functionality of an increasingly global financial system. From 1975 to 2008 the number of restrictions imposed by the Board of Governors grew from 2,867 to 7,687, even as new regulations proved more comprehensive and included more subcomponents and individual stipulations.

[7] The Federal Reserve System has long provided key services to banks and the public. Most importantly, this involves supporting the nation's payment mechanism and private clearing arrangements through its Fedwire system. Until 1994, the Fed provided paper-based securities services, definitive securities safeguarding, and non-cash collection' (Federal Reserve, 1995-1996, 5).

Figure 1
Employment, Federal Reserve System, 1977-2012



Source: Federal Reserve

This regulatory approach also involved developing new crisis containment capacities. While the Fed assumed the role of global central bank during the post-war period, this mainly involved protecting the gold parity and managing the international supply of dollars to promote growth. As the Fed reorganized itself to manage global markets and vastly extended its expenditure on research and supervision, it did so with one eye on promoting financial liberalization, given this supported US financial hegemony and the new constellation of class interests underlying neoliberalism (Panitch and Gindin, 2012; Soderberg, 2001). Paradoxically, this meant more regulation but also more instability, as new rules left critical space for financial engineering and innovation. As a result, financial crises became 'one of the developmental features of neoliberalism,' reinforcing 'the central position of financial interests in capitalist power structures' (Albo et al, 2010, 35).

But crises were only functional if they weren't carried too far. For this reason, the Fed's new regulatory program combined an emphasis on limiting 'systemic risk' and managing 'the stability of the banking system' (FOMC, 1982; FOMC, 1983). This required backstopping financial markets by committing to 'absorb all non-idiosyncratic bank risk,' and managing systemically important institutions and funding markets (Sooklal, 2012). The Fed subsequently invented a variety of market tools as it intervened in nearly every major financial crisis in the post-1970s period – from the Penn Central collapse, to the Savings and Loans crisis, to the LTCM failure (Gowan, 1999; Aquanno, 2015; Panitch and Gindin, 2012).

Yet, though economic pressures locked-in certain strategic premises, fostering reinforcing patterns of integration and key points of organizational rigidity, they only imposed rough limits on the Fed's institutional flexibility. Within the confines of promoting and organizing financial power, the Fed's policy decisions were always conjunctural, in the sense they involved specific processes of accommodation, trial and error experimentation, and mutual adjustment. As regulators alternated from one moment of financial control to the next, their decisions did not always benefit key firms, even if they opened new opportunities and promoted different patterns of financial intervention.

From the start of the neoliberal period, the Fed moved through at least four distinct regulatory cycles, each involving the development of new constraints on financial firms and markets (Table 1, see note on methodology). The first lasted from 1977 to 1987 and took shape through the inflation crisis of the 1970s as well as the LDC debt crisis and the S&L bank crisis. This period of regulatory overhaul saw new controls that imposed additional burdens on existing firms and shifted accumulation strategies. The slow disintegration of Glass-Steagall regulations, far from marking a new trend towards financial freedom and regulatory capture, were part of a wider reorientation that altered how key banking firms operated and extracted surplus. To be sure, as some regulations were relaxed, others were imposed and strengthened, particularly on capital ratios, loan loss reserves, and the tax deductibility of consumer interest payments (Neuberger, 1988; Kobrak and Troege, 2015). These regulations closed important sources of revenue and pushed banks into non-traditional markets.

Table 1
Federal Reserve Regulatory Cycles: 1977-2014

Period/Cycle	New Rules and Restrictions: FRB	Percentage Increase: Rules and Regulations	New Hiring: Regulation and Supervision
1977-1987	1496	40	848
1990-1996	2478	56	894
2001-2006	575	8	86
2008-2014	5244	67	1265*

Source: Regdata.com; Federal Reserve. **Note**:*calculation based on year end 2011, due to changes in reporting. Regulatory information is available until December 2014. **Methodology**: Cycles were identified on the basis of clear shifts in supervisory hiring and financial regulations. In the periods between cycles the regulatory burden on financial firms was generally decreased reflecting a reduced emphasis on financial supervision inside the Federal Reserve System. These trends were analyzed against the Annual Reports of the Federal Reverse, with focus on the Supervision and Regulation section in each report. Finally, FOMC meeting minutes were analyzed using a key word search which highlighted major trends.

The second wave followed a brief period of regulatory loosening in the late 1980s, and lasted until 1996. Major policies focused on real estate lending with the goal of expanding the same securitized debt markets US officials helped create in the 1970s, and involved standardized access to supervisory data for bank holding companies. As these companies grew in size, due to the consolidation which followed 20 years of instability, Fed officials became increasingly focused on tracking their global connectivity and internal risk management procedures, as well as expanding coordination and communication between auditors and examiners.

In fact, as the Fed committed to protecting key firms, it increasingly pushed the financial system in the direction of market-based intermediation, whereby credit is provided through securities markets rather than banks. This did not so much involve the decline of commercial banks, but their reorientation - away from providing loans, especially to corporations, and towards facilitating a wider process of financial intermediation. These banks also moved into different sections of the financial system, particularly derivative markets, aided by the gradual erosion of Glass-Steagall regulations and the privatization of currency and interest rate risk (Lapavitsas, 2014, 57). The shift to low inflation initiated by the

Volcker shock actually helped underwrite this transformation: as the Fed started steering short-term interest rates with 'more precision and consistency,' it effectively committed to reducing 'uncertainty over future access to liquidity' and enabled 'arbitrage along the yield curve' (Walter and Wansleben, 2019, 4-5; Adrian and Shin, 2008). This 'more strongly entangled' the Federal Reserve in market-based financial processes, and gradually shifted its preference towards these structures, making it a 'key architect of a market-based transnational liquidity regime' (Walter and Wansleben, 2019, 5).

The Fed's motivations in this respect were not easy to decipher, nor were they always clear or straightforward, but regulators were no doubt keen to limit volatility and ensure the growth of complementary markets that diversified risk, while providing maximum opportunity for innovation and accumulation. This is precisely what Greenspan was referring to in 1999 when he praised the resiliency of the US financial system, and the ability of credit markets to 'substitute for the loss of bank financial intermediation' (Greenspan, 1999). If regulators were not eager to prevent crises, as this meant capital controls or other restrictive policies, they were clearly concerned to build a 'robust' financial infrastructure and increasingly came to see credit markets as a core part of this (Greenspan, 1999; Panitch and Gindin, 2012). That these markets helped turn banks into trading firms, spurred financial innovation, and lowered borrowing costs also proved important.

In the wake of the dotcom bust, the Fed introduced important new rules on mortgage securitization and adjusted capital adequacy standards for foreign owned US bank holding companies, kicking off a third regulatory wave. Between 2001 and 2006, while total employment in regulation and supervision stalled, Fed officials introduced almost 600 regulations. New policies resulted in shifts in inter-agency coordination that saw the Fed take a leadership role in managing illicit and predatory financial practices and revamping accounting and filing policies. The overall scale of these changes remained small, as confidence in the supervisory apparatus developed through the 1980 and 1990s grew, yet together they marked a noticeable reorientation. Inside the Fed, focus shifted to the so-called perimeter of the financial system, away from core banks and markets, and much more attention was placed on integrating regulatory processes and managing the deployment of new information technologies. In the end, large firms faced more restrictions, reflecting how the state continued to steer the financial system, but these hardly added up to a new era of state repression.

The subprime crisis once again changed the Fed's approach - this time far more dramatically. From 2008 to 2014 the number of restrictions and regulations imposed by the Federal Reserve Board increased 70%; this was accompanied by a dramatic increase in hiring for supervisory positions, and a new emphasis on tracking financial stability that saw the operating budget for supervision and regulation at the regional banks grow 80%, from $641 million to $1.15 billion. The brunt of these changes were directed at bank holding companies, who were not only subjected to onerous new rules on systemic instability, but more intensely monitored by the Fed's network of on-the-ground supervisors and inspectors.

The panoply of new rules instituted during this final period took the Fed some distance from the supervisory priorities it had set previously. This occurred as the leadership created space for institutional learning and 'creative thinking' by encouraging more internal debate around key issues, and prioritized a 'consensus' approach to financial policy (Irwin, 2009). Another factor was that strategically placed actors within the Federal Reserve Bank of New York, who maintained tight coordination with Wall Street firms, rapidly adjusted to new circumstances and developed their understanding of the financial system.

What distinguished the Fed's regulatory model prior to the subprime crisis, beyond the very general goal of organizing financial hegemony, was that policies were coordinated through firms and involved specific policy targets. The Basel standards were a watershed in this regard because they ushered in a micro-prudential regulatory system aimed at preventing systemic risk. As the Fed responded to the 2008 crisis and extended its influence well beyond normal thresholds, it developed new rules, norms, and codes of conduct for managing financial markets based on previous policy failures. As we will see, the Fed's ongoing evolution from strict inflation targeting has to be seen in this context. Further, regulators became more assertive in their dealings with financial institutions, less confident in the efficiency and rationality of the financial sector, and much more directly involved in the day-to-day operation of financial firms (Aquanno, 2014). This process of institutional development can especially be seen with the establishment of the Large Financial Institution Supervisory Program. Created in 2012, this sent supervisory teams into financial firms to be a part of their risk management operations. The explicit task of these onsite teams was not only to examine risk, but to engage with the management structure of the firm to shape its risk strategy (Sooklal, 2012).

Apart from such measures of institutional learning, the Dodd Frank Act (DFA) and the Basel III Accord, both of which senior Fed officials had a hand in writing, introduced new measures extending the Fed's organizational remit. This represented a step in the direction of macro-prudential risk management as it emphasized the pro-cyclicality of financial markets (Rethel and Sinclair, 2012, 82-83). Moreover, it is significant that leverage ratios imposed by the DFA and Federal Reserve were stricter than those implemented in Europe. This again placed restraints on US financial firms and limited their room for maneuver. It had the further effect of supporting offshore lending markets where US corporations get an edge over their global competitors and have long been an important source of dollar funding.

Over the last 40 years the Fed has therefore remained tightly committed to preserving American financial power and been careful to develop a web of policies that facilitate financial innovation but also manage the contradictory features of financial accumulation. This model of financial supervision, which involved promoting financial liberalization and aggressively containing systemic financial risk, through what Golub, Kaya and Reay (2015, 657) call 'post hoc interventionalism,' can be viewed as an integrative logic within the Federal Reserve System that appears in its 'institutional mandate as a whole and in the singular competencies of each worker' (Perez and Ramas, 2019, 394). This history also emphasizes the openness of the Fed's institutional evolution, its institutional autonomy, and its key role organizing and shaping financial accumulation. As new vulnerabilities appeared, and struggles occurred through the terrain of the state, the Federal Reserve experimented with different supervisory approaches, each involving a distinct application of regulatory power.

As this suggests, the liberalization of capital markets did not undermine but actually enhanced the Fed's management of the financial system. If neoliberalism entailed, as Poulantzas argued, the ever-growing prominence of the economic apparatus of the state over its ideological and repressive functions, it also therefore involved a tremendous degree of restructuring and reorientation within the economic apparatus itself. Moreover, that the 2008 financial crisis marked the culmination of this process inside the Federal Reserve, rather than the start of it, means it did not suddenly catapult the Fed to the centre of the economic apparatus of the US State. This had already occurred due to the nature of neoliberal accumulation, the Fed's role in managing and regulating liquidity and bank holding companies, and its ability to adapt and respond to changing markets conditions.[8]

The 2008 Shift

The Fed's insulation from democratic political pressure was an essential factor in these institutional transformations and its development through the neoliberal period. This autonomy gave it a special degree of flexibility to pursue organizational changes and support accumulation. Indeed, the Fed's focus on low inflation and promoting financial mobility - both of which decimated working class populations - required a degree of political independence, as the experience of establishing price controls in the 1970s had demonstrated (Maher, 2017).

The 1935 Banking Act, which removed the Comptroller of the Currency and the Treasury Secretary from the Federal Reserve Board was a major step in the Fed's insulation from congressional pressure. So too was the 1951 Fed-Treasury Accord. However, it was only in the wake of the 1970s crisis and transition to neoliberalism, when capital controls were lifted and financial markets widely liberalized, that the Fed came to exercise the full range of its institutional autotomy. Indeed, while the 1977 Federal Banking Agency Audit Act increased oversight of the Fed's rulemaking activities and strengthened disclosure rules,[9] technically enhancing accountability, it hardly represented a reassertion of the parliamentary system (Conti-Brown, 2016). These changes were in fact carefully designed to respect the Fed's institutional autonomy and therefore can be viewed as 'participation schemes' to legitimate the Fed's exposure to democratic pressure (Poulantzas, 1978, 684). Further, this way of framing the

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[8] For a more comprehensive analysis of these changes and the Fed's role in the economic apparatus of the US state see: Maher and Aquanno (forthcoming).

[9] The DFA also increased oversight of the Federal Reserve. For example, it forced the Fed to release lending records for emergency operations, discount window operations, and open market transactions. It also required the vice chairmen of the Federal Reserve to regularly appear before the House Financial Services Committee and the Senate Banking, Housing and Urban Affairs Committee. The Federal Banking Agency Audit Act permitted the Government Accountability Office to audit the Fed's non-monetary policy operations (Labonte, 2017). Importantly, however, the Fed's rulemaking remains exempted from executive review by the Office of Information and Regulatory Affairs as well as from the cost-benefit analysis requirements established under Executive Order 12866. Further 'there is no group with monetary policy expertise tasked by Congress with evaluating the Fed's actions' (Labonte, 2017).

argument misses the key point about the Fed's political insulation: that it is a constitutive part of financial hegemony, reinforced by the need to maintain financial confidence and ensure the stable monetary conditions for the realization of future value. As the Fed took responsibility for maintaining low inflation amidst the privatization of par values in the 1970s and the failure of wage and price controls, it positioned its independence as an integral aspect of financial accumulation, such that the growing power of finance protected and bolstered the Fed's autonomy.[10]

With its insulation from democratic influence anchored in this way, the Fed drifted more, not less, towards the pillars of authoritarian statism outlined by Poulantzas. The institutional developments described in the previous section are a major part of this. They speak to the Fed's evolving responsibility and its position 'atop statism,' and the ways in which, far from simply reproducing post-war administrative practices, the management of financial markets during the neoliberal period rested increasingly on the type of technocratic insulation that constitutes authoritarian statism (Kaufman, 2020). Moreover, as we saw, such forms of undemocratic control have massively expanded since 2008 - in large measure due to the Dodd Frank Act, which widely expanded the Fed's jurisdiction, giving it 'extensive new rulemaking power…to regulate entities it did not before the crisis' (Shelby, 2015). This all supports Bruff's argument that the crisis represents a qualitative shift in the trajectory of neoliberal state management, yet it also demonstrates the futility of viewing the post-2008 period as something entirely distinct - such practices have always been a constitutive aspect of neoliberalism.

If a critical part of the Fed's institutional development since the financial crisis involved new regulatory and oversight responsibilities, this was only one side of the story. The other involved new market-based capacities to further support financial accumulation and manage key markets. Since 2008, the Fed has backstopped offshore financial markets through unlimited swap lines of credit with G7 central banks, purchased large quantities of corporate, municipal, and US agency bonds - effectively underwriting liquidity in these markets - and influenced *long-term* interest rates. It has also actively generated asset price inflation in equities through QE programs that push risk out along the yield curve, temporarily nationalized major financial firms (including those outside its institutional remit such as AIG), planned and organized the merger of

[10] See Maher and Aquanno (forthcoming).

strategically important financial firms, and facilitated the conversion of merchant banks to federally chartered commercial banks.

By raising the amount of excess reserves in the banking system, these 'open-ended' interventions have in fact changed how financial firms operate, augmenting key funding markets and widely shifting financial practices (Kaufman, 2020). This has made markets more dependent on the Federal Reserve, especially in terms of the provision of liquidity and the maintenance of excess reserve balances (Kaminska, 2016). The more intimate engagement in markets associated with these new measures thus mark another clear distinction from the pre-crisis period.

The Fed's autonomous financing capacity, which 'removes from Congress one of the most important tools of oversight,' has also been extended since the crisis. As a result, Fed officials now have even more 'extraordinary latitude' to resist Congressional pressure (Conti-Brown, 2013, 396). The collapse of Bretton Woods par values in 1971 was a crucial factor in the development of this capacity. By linking the dollar to gold, the postwar monetary system imposed severe limits on the Fed's capacity to expand its balance sheet and gain proceeds from open market operations, as such operations increased the supply of dollars and threatened the gold peg. When this system collapsed, the Fed could more freely purchase securities, subject only to the dollar's credibility and market price.

Yet, while this expanded the Fed's self-financing capacity and was key to its increased autonomy in the late 1970s, the threat of inflation imposed a major barrier. An important aspect of the neoliberal assault on labour has been to remove this constraint: by expanding vulnerable and precarious forms of employment and prioritizing low inflation at the expense of employment growth. This anchored inflationary expectations and blunted wage pressure, allowing the Fed to purchase public and private debt without risking inflation (Stansbury and Summers, 2020). Following the 2008 crisis, with annualized inflation averaging only 1.6% from 2009 to 2020 and the threat of deflation often more pronounced, the Fed's institutional autonomy and flexibility has been greatly enhanced.

These institutional changes and shifts in capacity and orientation have in fact culminated today in the development of a new monetary policy regime. Whereas the Federal Reserve was previously focused on preserving financial stability and maintaining *low inflation,* it has now shifted to managing *macroeconomic stability* more generally. Involved in this shift are two interconnected changes - both of which register the Fed's expanding institutional power. First, the Fed has moved towards providing more direct and sustained intervention into private financial markets through measures such as massive quantitative easing and the purchase of corporate bonds and Exchange Traded Funds. These measures represent a longer-term management of markets and willingness to accept the widespread impacts on asset prices and wealth distribution this entails. Clearly, this extends the Fed's previous crisis containment strategies, which mainly targeted acute stress through temporary intervention.

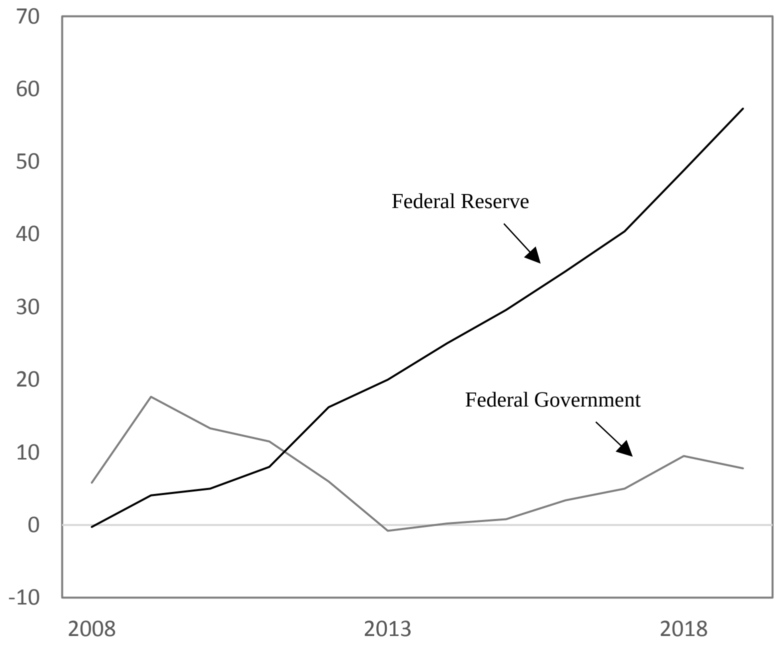
Related to this is a second major shift, involving a new commitment to 'inclusive' capitalism (Federal Reserve, 2020). The Fed's 2020 Statement on Longer-Run Goals and Monetary Policy Strategy, outlining its 'framework for monetary policy' and key organizational priorities, went so far as to acknowledge the distributional impact of high interest on ethnic populations, due to their overrepresentation in the 'lower end of the income spectrum,' and committed to supporting 'people from low and moderate income communities' through higher overall levels of inflation (Powell, 2020; Federal Reserve, 2020). If this was a dramatic rebuke of its prior position on the so-called neutrality of money, it represented the Fed taking responsibility for managing social inequality and structural racism - though still in the context of promoting financialized accumulation and the globalization of production this helps sustain. Crucially, this shift towards managing macroeconomic stability can be juxtaposed to (and even partly explained in terms of) the overall decline in the US federal bureaucracy during this same period (Figure 2). This points to a deeper restructuring within the US state from formally democratic to administrative branches within the economic apparatus that are explicitly autonomous from Congress.

At the same time, the Federal Reserve System has become increasingly more centralized and, to a certain extent, connected to the Treasury Department and political executive. The DFA adjusted the Fed's governance model by creating a new position on the Board of Governors - responsible for overseeing the supervision and regulation of financial firms - and changing the appointment process for regional board directors. This concentrated power in the Board of Governors and further centralized the Board's authority around a new inner leadership team (based around the chair, vice chair and the new vice chair of supervision). Paradoxically, the DFA also placed restraints on the Board's supervisory responsibilities through the new Financial Stability Oversight Council, which limited the Fed's discretionary power under Section 13(3) of the Federal Reserve Act, and gave the Treasury Department a certain amount of influence over the Fed's supervisory and emergency responsibilities.[11] This suppression, of course, has never been fully realized, but the council has to a high degree come under the control of the Treasury Department. Using its power as chair, the Treasury has shaped discussion by presenting reports and documents that support its strategic priorities.[12] This reflects how the Treasury has stacked the meeting room with senior officials: whereas three members of the Federal Reserve Board and two members of the SEC, FDIC, and CFTC typically attend meetings, the Treasury has committed an average of six senior members to each meeting. Following Trump's election, the Treasury Department was even more aggressive in asserting its influence. From January 2016 to October 2018 Treasury officials delivered 87 of the 115 presentations which serve as the basis for deliberation and analysis.

[11] The FSOC consists of the 'heads of the agencies that regulate financial institutions and markets,' including the chair of the Federal Reserve Board, and was created to enhance coordination among financial regulators to promote system-wide financial stability.

[12] Of the 490 presentations given by the ten voting member agencies between 2010 and 2018, Treasury staff delivered 54%.

Figure 2
Total Expenses, Federal Reserve vs Federal Government, Percentage Change 2008 - 2019

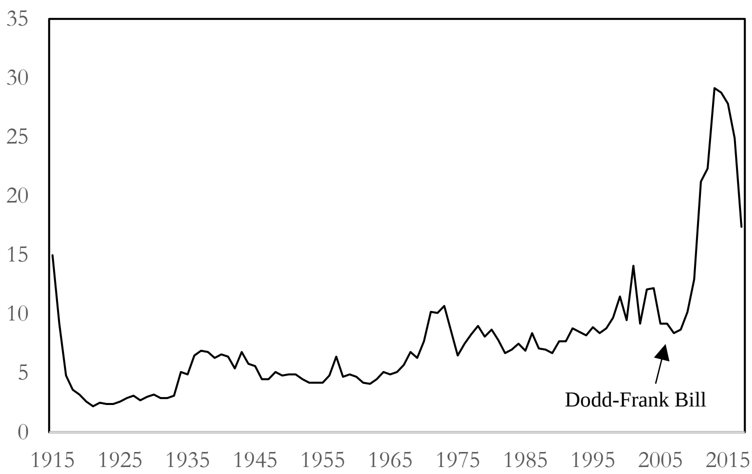


Source: Federal Reserve

Seen in terms of the Fed's wider political insulation from democratic control and its key role organizing financial power, these changes hardly reflect a loss of independence. Nor do they threaten the Fed's leading position within the state economic apparatus. They are rather far more about extending the Fed's capacity to act across the terrain of the financial system with greater authority. Furthermore, one must be careful not to overextend the argument and improperly downplay the established institutional channels mediating this centralization. The Board's new responsibilities enhanced its supervisory power and gave it more control to direct the general activities of the system; however this authority is still conducted through regional banks, with their sophisticated understanding of the market infrastructure. In this environment, the institutional knowledge and capacity built up at the regional level provides an important check on the Broad's authority, as does the responsibility banks have for exercising the general guideposts pushed by the Board (Conti-Brown and Johnson, 2013).

However, though there are clear limits to the Fed's centralization, the enhanced power of the Federal Reserve Board is increasingly unmistakable. This is registered in the historic growth of FRB expenditures since 2008, both in real terms and relative to the regional banks (Figure 3). While regional budgets have grown from $6.3 billion to $33.4 following 2010, this reflects interest payments to banking institutions holding funds at regional banks (the new IOER system for managing interest rates). Excluding these payments, FRB expenditure as a portion of total system expenditure has jumped significantly to nearly 25 percent, up from an average of 6.4 percent from 1915 to 2006 (Figure 3). This centralization has to some degree consolidated the streams of authority within the Federal Reserve System, restricting space for dialogue and argumentation and further closing key public access points - even if such openings never themselves articulated working class interests. If the Fed still does not represent a pure form of authoritarian statism, due to its lack of subservience to the political executive and continuing autonomy, the further degree of centralism, cohesion, and policy power this entails have sharpened the trends identified by Poulantzas.

Figure 3
Federal Reserve Expenditure as a Percent of Total System Expenditure



Source: Federal Reserve

Conclusion

This paper examined the Fed's institutional development through the neoliberal period using Poulantzas' relational view of the state and theory of authoritarian statism. Poulantzas' inability to sufficiently capture the emergence of state institutional formations leads him to blur the distinction between state power and economic power. However, it does not prevent him from examining important shifts and processes *within* the state and seeing these as impacting economic forces and relations. At the same time, viewing state institutions as relations of class forces, relatively autonomous from economic interests, demonstrates the futility of seeing things in terms of the Fed's ongoing capture by the financial elite. Rather, the Poulantzasian framework shines a bright light on the organizational and institutional capacities underpinning and supporting neoliberal capitalism.

As we saw, this methodological and theoretical orientation provides a way of understanding key transformations inside the Federal Reserve over the last several decades and addresses several problems in the literature on authoritarian neoliberalism. It shows the Federal Reserve as a relatively open and increasingly centralized and democratically insulated institution. Most important, it highlights the Fed's extraordinary power and centrality within the neoliberal state, its ability to discipline and shape accumulation, and the extension of its responsibilities since the financial crisis.

We see, moreover, that the Fed's financial governance practices developed not through a precise linearity, but through waves of regulatory adjustment, involving the development of new policy orientations and regimes. Overall, such changes greatly enhanced the Fed's power, bringing it ever more into the centre of global capitalism, and extending its institutional reach and focus. That financial crises have nevertheless been a feature of the neoliberal period hardly indicates that the Fed is an instrument of financial power. Such instability merely highlights the deep contradictions within neoliberal financialization, of which the Fed's attempt to foster both liberalization and stability is reflective.

Clearly, all this goes some way towards demonstrating the authoritarian nature of the economic apparatus of the US state and the Fed's increasing role in this over the last four decades – and especially since 2008. What should be apparent is that these institutional and organizational shifts have to a high degree reinforced the Fed's insulation from popular democratic pressure, making the need for political change ever more important. This is the case even though the

Fed's current policy regime promotes a form of 'inclusive' capitalism, as this shift is extremely limited and by no means written in stone, given the Fed's connection to the financial ruling bloc. As Poulantzas also helps show, such change requires more than just democratizing the Federal Reserve Board or limiting financial influence on regional boards of directors. It requires addressing the deep administrative and organizational interconnectivity between the Federal Reserve and Wall Street, and ultimately challenging capitalist social relations.

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