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Abstract

The evolution of financ large nonfinancial corporations already harmed by the slow aggregate demand growth and destructive competition of the period. Financial market pressures led to shorter planning horizons, a declining allegiance of stake-holders to long-term corporate goals, and a large increase in the percentage of cash flow paid to financial market agents. The net result is a “neoliberal paradox”: financial markets demand that corporations achieve ever higher profits, while product markets make this result impossible to achieve. The neoliberal paradox helps explain the outbreak of financial accounting fraud in the late 1990s.

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