FINANCIALIZATION IN THE GLOBAL SOUTH: AN HISTORICAL PERSPECTIVE ON BRAZIL

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ABSTRACT

FINANCIALIZATION IN THE GLOBAL SOUTH: AN HISTORICAL PERSPECTIVE ON BRAZIL

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This study reviews the Global South-based approaches to the concept of financialization, which have been on the agenda for a while. In this context, the applications of the concept to the case of Brazil are discussed in light of arguments on contemporary capitalism and from an historical perspective. As a result, the portrait of Brazil as a country of the Global South indicates that it is reasonable to adopt a skeptical approach to the inferences that financialization is a new phenomenon regarding the period from the 1980s to the present, considering the financialization studies together with the further prevalent theoretical frameworks.

Keywords: Financialization, the Global South, Brazil

ÖZ

KÜRESEL GÜNEY'DE FİNANSALLAŞMA: BREZİLYA'YA TARİHSEL BİR BAKIŞ

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Bu çalışma bir süredir literatürde gündemde olan finansallaşma kavramının Küresel Güney temelindeki yaklaşımlarını gözden geçirmektedir. Bu bağlamda, kavramın Brezilya örneğine uygulanışı, çağdaş kapitalizm üzerine var olan tartışmalar ışığında ve tarihsel bir perspektiften tartışılmaktadır. Sonuç olarak, bir Küresel Güney ülkesi olan Brezilya'da ortaya çıkan tablo, konunun finansallaşma çalışmalarının ötesindeki mevcut teorik çerçevelerle birlikte düşünülmesiyle, finansallaşmanın 1980'lerden bugünü kapsayan döneme ilişkin yeni bir olgu olduğu çıkarımlarına şüpheyle yaklaşmak gerektiğini göstermektedir.

Anahtar Kelimeler: Finansallaşma, Küresel Güney, Brezilya

To my family and friends

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LIST OF ABBREVIATIONS

BANESPA	Banco de Estado de São Paulo
BCHASP	Banco de Crédito Hipotecário e Agrícola do Estado de São Paulo
BNDES	Banco Nacional de Desenvolvimento Econômico e Social
ECLAC	Economic Commission for Latin America and the Caribbean
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IMF	International Monetary Fund
ISEB	Instituto Superior de Estudos Brasileiros
ISI	Import Substitution Industrialization
NFC	Non-financial Corporation
PT	Partido dos Trabalhadores
SUMOC	Superintendência da Moeda e do Crédito
UK	United Kingdom
US	United States
WB	World Bank

CHAPTER 1

INTRODUCTION

The concept of financialization implies a financial expansion by considering the last four decades of contemporary capitalism. Financialization studies have led to stimulating literature with an increasing number of arguments, in which it is possible to encounter different perspectives that, broadly, indicate expanding access to finance, prioritization of financial activities in corporate structures, and an increasing and/or dominating role of finance in capital accumulation. In order to address the last four decades, finance-related concerns are noteworthy. Nevertheless, a conceptual approach with the purpose of interpreting transformations that are purported as differences or changes between periods with financialization requires a comprehension of the historical development of contemporary capitalism. For, the aspects of changes that are expected to point out a break with the previous period, might also reveal the continuities regarding conditions inherent in capitalism.

This, in turn, would give an idea about to what extent the attempts of establishing new conceptual frameworks based on the period would be explanatory. Likewise, discussions about the ongoing form of capitalism are not limited to financialization studies, as the relationship of financialization with globalization and neoliberalism is also questioned under the conceptual discussions on financialization. Capitalist reproduction manifests the existence and maintenance of capitalism, while it, in its essence, includes the strategy of expansion, namely capital accumulation strategies. Therefore, before making assumptions about financialization based on the expansion of financial instruments, it also should be considered that financialization would be an instrument for concerns about capital accumulation. Looking further back, too, it is possible to see that the arguments in the literature regarding expansionary financial

strategies, intertwining of the industrial capital and the financial capital, and centralization of finance in accumulation are not peculiar to this period.

That is why, in this context, it is necessary to find out what the interaction of industrial capital with financial capital constitutes in terms of the very strategy of expansion. This would draw attention to the organizational structure of groups that dominate the capital circuits. The formation of such a structure, on the other hand, indicates a series of historical social relations. Those relations pivotally consist of the relations between the state and society that includes both the inter- and intra-class relations, which are fundamental in order to follow the orientation of capital accumulation strategies. In this regard, since the ultimate strategy of expansion does not deny the existence of other strategies, or might be in the form of sub-strategies, such as financialization and globalization; one aspect of both the organizational structures and the developed strategies is to be articulated to hegemony by means of a power bloc.

That is to say since the characteristics associated with the last forty years require further theoretical explorations in terms of those mentioned factors, it would be reasonable to take a skeptical stance on the explanatory and/or descriptive aspects of financialization regarding a particular period. Nonetheless, the origin of the financialization studies is the Global North, or even the US. And seemingly, this has created the need to introduce the approaches of the concept in the Global South, as well. Thus, together with the distinctions between the Global North and the South, it is necessary to see that the aforementioned historical social formations would be important in questioning the applicability of the concept of financialization. In this way, these conceptual attempts would also make more sense with single or comparative country analyses.

Thus, this study has the objective of historicizing finance in contemporary Brazilian capitalism in order to review the Global South-concerned financialization concepts in the case of Brazil. Based on an historical perspective, following how capital accumulation has been financed in Brazil is taken into account to make inquiries on that to what extent it is possible to make a distinction between financialization and the historical relations of industrial and financial capital. It would be possible, in this way,

to establish the necessary historical connections about how colonial relations were carried to the post-colonial period and how they would be associated with the last four decades. In order to make these connections, the necessity of understanding the role of the state in social relations in Brazil, i.e. its strategies, is another point to be examined.

Considering the financial expansion in the last forty years, there is also the fact that the historical bond between capitalism and the state has been reproduced in the neoliberal era (Bin, 2016: 106). That is to say, neoliberalism, as a phase of capitalism, mostly considered from the 1980s to the present, further reinforces the need to understand the state due to its role in strategies. Because, while neoliberal hegemony has been requiring the systematic use of the state's power in the guise of opposing state interventionism, it is aimed at reorganizing the dominance of capital; on the other hand, it reconstitutes the relations of domination, which are most explicit in the cases of middle-income countries (Saad-Filho and Yalman, 2010: 1). Financialization is, therefore, in need of a perspective that argues the state's strategies in the Global South.

By the same token, there is a main, and quite contradictory, element of the state's strategies, which make financialization visible in the context of neoliberalism. Despite the rhetoric of market 'deregulation', the state's leading role in the financial markets by being the main actor in the channelization processes of public resources into a particular segment of society. These processes are often observable in the state finance of countries in the Global South by creating mechanisms, such as public-private partnerships, privatizations, securitization of the public debt, and especially through monetary policy by means of currency appreciation, interest rates and inflation targeting. This, again, brings the dominant capital group to the fore in terms of state policies.

On the other hand, it should not be forgotten that the capital groups that have become central in the policy-making processes are internationalized capital. Internationalization is a sub-strategy of the expansion strategy because groups are in principle faced with four main strategies that are specialization, diversification, verticalization and conglomeration; and each of these is subjected to that sub-strategy

of internationalization by the local conditions (Gonçalves, 1991: 511). To put it differently, the formation of strategies and local conditions (e.g. availability of capital, technological and organizational capacities, market agencies, etc.) in the context of internationalization have never been isolated from both the outside world and the social conflicts. Rather, how to transfer resources that are also highly related to the outside world, has shaped the intense conflicts of interest either within rural and urban, manufacturing and finance, and capital and labor as a whole during import substitution industrialization (Saad-Filho, 2010: 7).

Considering contemporary capitalism, how, then, one would suggest a connection between the period that Keynesian consensus seem to dominate which is associated with the state-led import substitution industrialization strategies and neoliberal consensus with the financial expansion? The answer to such a question would in no way be one-dimensional. Rather, it is plausible to explain that connection in a compatible way that takes the multi-layered hegemonic structure into account. For, the organization of hegemony reveals both the layers, the relationship between the layers, and the way to form a consensus. That would be, therefore, in Jessop's words (2013: 92), "…the resulting crisis of bourgeois political hegemony…is nonetheless combined with a remarkable survival of bourgeois political as well as economic domination.".

The neoliberal period, then, might be pondered as the continuation of the previous political and economic domination; while strategies for this survival would include sub-strategies developed in the name of the main expansion strategy in order to manage the political and economic crises of the Keynesian consensus. On the other hand, today's crisis management strategies have been enriched considerably. In other words, the frequency of financial crises, which is also one of the main concerns emphasized by the financialization studies, has led to the development of broad crisis management strategies in order to prevent social crises, as well. This, unsurprisingly, has developed not only the means of economic policymaking but also the means of combating crises politically. Precisely for this reason, neoliberalism comprises political and ideological apparatuses that are too cautious to be associated with a purely economic policy framework.

From this point of view, financialization analyses should evaluate these tools not only in terms of economic choices, policies, and the way crises are tried to be managed, but in terms of their instrumentalization in social reproduction. Undoubtedly, the emphasis on dependency on foreign capital flows, which is at the core of financialization analyses of the Global South, is one of the main issues interacting with these processes. However, behind such a dependency or subordination, there are social dynamics that stand out with their historicity. The example of Brazil is such that it would provide a convenient historical discussion in order to fulfill the expectancy of dealing with the shortcomings of the financialization analyses, since Brazil is also located in a geography where the dependency debates have been handled with comprehensive literature.

In this regard, the increase in fiscal deficits at the expense of external debt and current account deficit, and efforts to continuously expand financing sources have already been the most referred characteristics of accumulation until the 1980s in Brazil. In addition, the fact that the developing international financial markets have increased the opportunities for Brazilian capital to access international credit is also related to the period before that financial expansion. Still, 'international competition' has always required more, which has consistently created the need for more funding mechanisms in Brazil and possibly elsewhere. For this reason, the organization of the dominant capital groups has served to concentrate more by diversifying their fields of activity, and in parallel, internal financing mechanisms have always been tried to be developed under such organizational structures.

Also, positioning the state against the dominant class fraction has often been discussed in the Brazilian context throughout contemporary capitalism. For instance, it was common to describe much of the 19th century with the conflicts of the interests of the centralists and the merchant class against the interests of the decentralist landed class. Then, starting from the end of the 19th century and continuing for almost half of the 20th century, it has become possible to encounter debates on the conflicting interests of landed exporters with the requirements of the Treasury expenditures. This was because of the continuously high state debt. However, the need for external financing in the country and hence the implementation of required policies by the foreign capital

were also significant in these historical conflicts. For, the outward orientation of finance in the Global South countries is quite older than the last forty years (Koddenbrock et al., 2022: 6). However, this is related to how the state's financing mechanisms have been involved in the social conflicts in the past and the present, and would better demonstrate the transitions in history.

Likewise, the main factor in shaping arguments about the state being detrimental to development in Brazil has indeed been about the access to finance by interstate market relations in the past within the framework of the relations transferred from the colonial period to the post-colonial period. Later, in the continuation of the post-colonial era, with the existence of internationalized capital and transnational capital in domestic markets, the state found itself in a strategic position to guarantee the conditions of international financial markets on behalf of the dominant groups. Because the state is no longer an intermediary in accessing finance for the group that dominates the capital circuits, as internationalized capital interacts directly with the international financial markets. However, the state continues to play a role in accessing finance in order to reproduce hegemonic strata, while carrying out the reconciliations or conflicts of the dominant group with other social groups.

Therefore, finance has always been important in forming and transforming the relevant role of the state in capital accumulation strategies in the countries of the Global South. This is also shaped around the very assumption that either domestic or foreign financial sectors would provide further economic growth by means of investments for the real sector in 'developing' countries, despite the background of the motive of attracting foreign capital with historically dependent relations and under subordination conditions for the Global South. Still, with the problem of instantaneous hot money flows, this domination through financial capital is rather more deepened, since the effort to implement policies compatible with the international financial markets leaves almost no room for states in order to go beyond the 'required' policy frameworks.

In a similar way, due to the capital groups in the form of conglomerate structures operating in many sectors, implementing any policy that contradicts with the interests of those groups also means the risk of domestic capital's outflow from the domestic

economies. That is to say, under the circumstances of capital account liberalization is another fact that is likely to restrict the state's autonomy in policy-making processes. For, even when opposition elements seemed to come to power against the candidates supported by the financial markets, it was possible to see that the continuity of certain policies was guaranteed in Brazil. In this regard, the transition from the Cardoso administration to the Lula administration in Brazil is a deeply interconnected way that does not reflect any break with the neoliberal policies. Moreover, Lula's 'successful' implementation of neoliberal policies in pursuing the interests of different class fractions at the same time is often praised from many perspectives, though it might also be interpreted together with the conditions of being backed by the so-called global liquidity. This 'success', however, was still not enough to conceal the ongoing social contradictions.

That is why it is necessary to show that financialization has a complementary effect on the repressive nature of the neoliberal phase of capitalism. In as much as the increasing room for finance in terms of the mechanism by which capital subordinates working segments of society and other capital fractions simply manifests financialization beyond exponentially perpetuating historical contradictions of capitalism. For these reasons, it is quite reasonable to consider neoliberalism and financialization together. However, no matter what kind of connection or distinction is expressed between the historical features of finance and financialization, discussing a relationship of subordination or dependence on finance would, in any case, require paying attention to understanding the historical social conditions of the country that is the subject of such dominance.

Reviewing financialization around all of these mentioned concerns in Brazil, this study aims to establish the historical links for the conceptual comprehension of mainly the last four decades. Then, in order to make inferences on the question that whether financialization would be an instrument for the maintenance of the current accumulation regime, an historical perspective on Brazil is expected to contribute to the stimulating research agenda of financialization. Hence it is believed that financialization studies on the Global South still require further explorations and

explanations on considerations of single or comparative country cases in order to enrich the theoretical understanding of the last forty years.

Starting from this point, the second chapter after this introductory chapter will begin firstly by giving place to how finance is positioned in the field of reel capital and/or how this positioning is problematized in order to pay the necessary attention to the concern of making a distinction between finance and financialization. Then, the studies grounded on financial expansion and/or finance-driven accumulation in the recent phase of contemporary capitalism will be referred to. In the next stage, the theoretical framework of financialization emerging from the core of capitalism will be pointed out. Finally, attention is drawn to the conceptualization initiatives called subordinate and dependent financialization, which takes the variegated features of financialization in the Global South into account.

Following this, the third chapter will be consisting of historical reading of Brazil. At this point, it is thought that presenting how accumulation has been financed in Brazil from a historical perspective, keeping in mind the indicators related to financialization mentioned in the previous chapter, would contribute to the understanding of Brazil before reviewing the country-specific financialization analyses in the last part of the next chapter. Because recalling the historical debates on Brazilian capitalism provides an important framework for both dependency and subordination-concerned issues in the country. Thus, the historical part begins with the background of the 20th century, continues with the import substitution industrialization period, and then the neoliberal period, showing the transformations in how accumulation has been financed in Brazilian contemporary capitalism.

The fourth chapter will start with a summary of the financialization approaches to the Global South and some points of the historical part that may give clues before making inferences about the case of Brazil. Then, the differences and similarities of financial and non-financial companies will be revealed by drawing attention to the state-market relations in terms of the corporate structures and market dynamics of the Brazilian companies, since those are believed to be closely related to the subject. In light of these, financialization studies considering Brazil, which can be characterized as mostly

empirical will be reviewed in order to conclude with the ultimate discussion on the Brazilian case. And finally, the conclusion of the study will be briefly presented in the fifth chapter.

CHAPTER 2

FINANCIAL EXPANSION WITHIN CAPITALISM

Since ancient times, the economic activities of societies have been shaping the conditions and transformation of each other politically, sociologically, geographically, and in many other aspects. This has undoubtedly been one of the main reasons pushing the area of social science to a multi-dimensional and interdisciplinary inquiry from past to present. Contemporary understanding of finance, on the other hand, is a concept that seems quite numerical and is mostly perceived as a sub-branch of disciplines such as economics and business administration, or, more recently, as a branch on its own. This is because its essence, which is roughly creation of an exchange value apart from the commodity circulation, is veiled by a complex appearance. Today, however, social scientists from almost every discipline have begun to question many issues related to finance. This seems to be about finance playing a greater role in social relations by means of some transformations in contemporary capitalism.

2.1. Production and Finance

The role of finance in the value creation process and the impact of banking on development have been discussed in different contexts and aspects throughout history. In this regard, Schumpeter (1962 [1911]) seems to be an early scholar specifically claiming the importance of banking and finance in economic growth by mentioning their effects on investment. Kalecki (1971 [1933]) and Keynes (1973 [1937]), too, to more or less similar extent, underlined finance as a substantial component in investment determinants. Later, Gerschenkron (1962) and Cameron (1967) found out that development of banking serves for development of economy in line with the analyses on banking functions in particular industrialized countries. Whereas, Hilferding (1981 [1910]) earlier explains that financial capital and its imperialist form, by capturing the constituents of classes, has been striving for further mobilization

which then assumed to cause a crisis due to the lack of means of payments after credit growth. Starting from this point, many more latter thinkers have also been shaping economic theories by drawing attention to the effects of finance on growth, but today there is also a strong tendency to explain economic problems in connection with finance.

Marx, in this regard, as by-far earlier thinker than the previously mentioned ones questioning interest-bearing capital, indicate that expansion is possible through accumulating capital. To elaborate further about types of capital expansion it is helpful to recall some of Marxian concepts. Marx (1976a: 247) defines commodity circulation as the essence of capital to be exchanged, then to create the commercial capital, which then forms money as the last product of the commodity circulation as well as the first aspect of the capital historically. Capital accumulation is, in this regard, "… the employment of a portion of revenue (surplus-value) as capital, or its reconversion into capital" (Malthus, 1836 cited in ibid: 725). This is the transformation of money into capital as means of production and labor power in the market, meanwhile being reproduced through the expansion of the elements that make up its value in the capital production process and the commodity circulation, thereby becoming a constantly reproduced cycle (ibid: 709). Marx (1976a: 247) further states that:

> "Historically speaking, capital invariably first confronts landed property in the form of money; in the form of monetary wealth, merchants' capital and usurers' capital. However, we do not need to look back at the history of capital's origins in order to recognize that money is its first form of appearance. Every day the same story is played out before our eyes. Even up to the present day, all new capital, in the first instance, steps onto the stage – i.e. the market, whether it is the commodity-market, the labour-market, or the money-market – in the shape of money, money which has to be transformed into capital by definite processes.".

Commodity capital, on the other hand, includes total capital available on the market both as commodities to be converted into money and money to be converted into commodities (Marx, 1976b: 379). Money as a commodity contains a qualitatively same quantitatively comparable value; as for value is not a product of money, but is a product of human labor that is measured by labor-time (Marx, 1976a: 188). The capitalist who transforms money into capital by creating an additional use value

instead of the commodity production cycle can make a profit. In this way money is turned into a commodity as capital, and now it becomes capital not only for its owner but also for others. But here money is a return value to its owner, that is, it is lent. It is used by another capitalist in the production of surplus value only on the condition that it is returned to its owner after a certain period of time. What is loaned here is always a certain amount of money, and he receives as a value of interest and periodic depreciation a part of the consumed value of the fixed capital itself (usage value) (Marx, 1976b: 459-477).

Thereafter, money, as a means of payment (then as a commitment) in commodity circulation, turns into a lender-borrower relationship between commodity producers and commodity traders with the development of the capitalist mode of production (ibid: 525). That is, for Marx, while with the expansion and generalization of this relationship, the credit system and the management of interest-bearing capital develop, revealing money traders, i.e. intermediaries entering in between lenders and borrowers of money-capital in order to profit from the difference between borrowing rate and lending rate by centralizing lenders (money-capital) on the one side and borrowers on the other. That is, while the aspect of capital makes its possessor to profit from interest is grounded on the commodification of money, fictitious capital transforms capital flows into a commodity capital away from production. In a sense, although the money that can be transferred from the owner to the borrowers until it re-enters the commodity circulation, could make profit in each transfer, but that profit actually exists in the market as the value that could not be created by labor and capital.

The visibility of all these processes have been blurred in the complex appearance of today's capitalism. These approaches towards investment and economic growth would not have been able to clarify everything, either due to ambiguity, oversight, or misconceptions. That is why, the relationship between finance and development is still one of the most discussed issues today. But one thing seems to be obviously clear that, it is possible to use money that is an aspect of capital to make profit through its exchange, while production and then commerce actually constitutes the base of putting value historically into today's imprinted money. So, the best way to understand the effects of finance in troubles of contemporary capitalism would be to historicize the

analysis and to explore how the historical contradictions of social relations have been managed by the political and economic power within relations. In this regard, the manifestation of transformations after two world wars and has brought about the transition from the post-war period to the financial accumulation regime, first as Keynesianism and the latter as neoliberalism in principle.

Keynesianism was presented as a rational economic management to overcome the environment of crisis and even create a somewhat more just and better capitalism in the post-war period, for Keynesianism knew the organizational strength of the working class and capital's need for labor (Holloway, 1995: 7-8). However, the dominant classes, reconciled with Keynesianism before, would obviously have been motivated by the 'rationality' (that is mostly imposition of their interests) rather than being motivated by social class contradictions, and the slowdown in the rate of accumulation could not prevent the rapid rejection of these policies later on. Towards the end of the 1960s there was already turmoil; many reasons such as the 1973 oil crisis, the interventionist welfare state no longer working, the defeat of the Bretton Woods system established to regulate international trade and finance, and more importantly the increase in the activity of communists and socialists in many parts of the world now created the need for a new alternative to capital accumulation (Harvey, 2006: 148-149).

This 'alternative' has been brutal neoliberalism. But the way it is expressed here as brutal does not mean that it could have been otherwise, as neoliberalism is a brutal ideological, political and economic reproduction of capitalism, literally due to its conflicts led by its contradictions. Contrary to what might be thought, it should be questioned that neoliberalism is a process that begins against the former mode of reproduction by overthrowing it. For, Keynesianism structured the post-war period by including some social democratic aspects and planning with states leading economies for the maintenance of the aggregate demand, and even short- and medium-term had proved improvements in economic performance –mainly due to welfare state, high taxes and controls of finance and trade— hence promoted economic booms for a while (Fine and Saad-Filho, 2017: 689). However, this restructuring is not the reverse of the elements that started with the internationalization of capital and then brought

neoliberalism that centers finance at the center of contemporary capitalism (Duménil and Lévy 2005: 17)

Although financialization does not fully explain neoliberalism, it stands out as its most prominent aspect. Because neoliberalism is a capitalist reproduction process led by exploitative and impoverishing state practices on behalf of capital, with its institutions that are inconsistently based on and shaped around economic policy foundations such as monetarism (Fine and Saad-Filho, 2017: 686). But the question that what distinguished this process from the previous ones and shows it as a new phase of capitalism is need to be answered, for sure. The answer to this question is possibly financialization. In order not to appear tautological, it is important to underline that the use of term financialization is referred to the contemporary dynamics of capital accumulation. That is, neoliberalism has been adapting its dynamics implied by different transformations in different places and times to financialization changeably, but financialization constitutes a social and economic form of organization (Jessop, 2013: 93).

On the other hand, finance is quite old. While it existed as credits in the name of trade until the 19th and almost first half of the 20th century; since the 1960s, foreign direct investments mostly characterized finance; and towards the 1980s, it started to exist again as foreign investment, and more importantly, as sub-contracting strategies of transnational corporations (Chesnais, 2016: 10). In other words, "in the twentieth century financialization has characterized both the inter-bellum up until the Great Depression, and the late neoliberal period." (Powell, 2018: 12). Then, the next question in line should focus on the changes from the Great Depression to the 1980s. The most obvious transformation that financialization has undergone in this 'interim' period under the umbrella of being a form of organization seems to be the mode of capital accumulation in this process and, as mentioned before, the internationalization process of capital.

2.2. Approaches to Financialization Studies

Today, financialization is tried to be understood with many approaches from finance being an everyday life activity to the formation of a new accumulation regime, to the changes in company management via shareholder value, and to the differentiation of capitalism (cf. Zwan, 2014). The motivation that feeds these studies is basically the increase in financial activity and profits, thus the subordination of productive activities, and ultimately the crises. However, explaining the subordination of productive activities to financial activities by financialization with the dominance of finance or financial capital[1] over productive capital is close to being an erroneous approach, even in conditions where local and global factors might reflect it in different contexts.

For Lapavitsas (2009a: 146), although Hilferding's approach (1981 [1910]) to the transformed relationship between the financial capital, industrial capital and banking capital laid the foundations for that period; it contemporarily has shortcomings based on the assumption that financialization does not reflect the dominance of banks over industrial and commercial capital, but it reflects the increasing autonomy of the financial sector. Likewise, Dos Santos (2009), in his empirical study presented against Hilferding's understanding of finance capital, argues that contemporary capitalism with financialization cannot be defined by being based on Hilferding's framework for the integration of corporations, banks and capital markets, which limited with the earnings of finance capital. For Fine (2010a), however, both approaches of Lapavitsas (2009a) and Dos Santos (2009) which underline financial expropriation by the financial capital, are lacking an analytical framework because of not providing an analyses of substantial strategies.

[1] While the term finance capital is primarily perceived as Money capital operating in sectors such as financial services; in a broader sense, it is possible to see financial capital as capital that gets involved in financial activities as interest-bearing (or possibly fictitious) capital for profit in financial cycles separate from or in addition to commodity circulation in any sector. However, financialization, concentration and internationalization have intertwined these terms, and apart from the conceptual discussion here, finance capital can exist in financialization processes as a broad concept that can include both. Because financialization has created not only changes related to financial capital, but also changes within fractions previously defined as finance capital. For the conceptual literature, see Marx, 1976a, 1976b; Hilferding, 1981 (1910); Magdoff and Sweezy, 1987; Foster, 2007; Chesnais, 2016.

Fine (2010a: 113-114), further, proposes to focus on financial logics that are attached to production detrimentally and demonstrate the main expropriation on the social level through the way strategies are formed and pursued. More precisely, as Chesnais states (2016: 5), "by finance capital we mean the integration of the circuits of money capital, productive capital and commodity capital under the conditions of monopolization and internationalization of capital by means of a series of links and relationships between individual capitals.".

Further, neither internationalization of capital is a uniform process nor internationalized capital is free from being subject to layers of hegemony. That is,

> "…the essence of the internationalization of capital is that this tendency is immediately checked by the differentiation of conditions of production and exchange. Thus, in an important way, the tendency to uniformity leads to the condition for differentiation. However, self-expansion illuminates the least efficient results of internationalization by drawing attention to its functional importance for capital. It fails to bring to light the more intrinsic character of internationalization as an innate aspect of capital." (Palloix, 1977: 3).

Thus, internationalizing capitalism spatially alters the processes of integration into the international financial market as it has been in international trade. And this is hidden in the essence of capital, in the drive to expand continuously and concentratedly through accumulation. This already presents those layers within the hegemony as secondary, tertiary, quadrature and more as subordination.

However, this form is essential in capitalist reproduction precisely because hegemony would bind together and by consent (or even changeably by compulsion) conflicting or congruent interests to an abstract as well as concrete extent. As long as that conjunction includes inter- and intra-relations at local, national and global levels, it cannot be monotonous, rather they are shaped by the social and historical class contradictions. In this context, financialization is subject to the variegations that these contradictions will create at the local, national and global levels. Definitely, new conceptual frameworks may also be needed when understanding such variegations, but the extent to which they contain novelties is revealed in the historical specificities of each case considered.

By the same token, the US is the place where the financialization discussions first are considered, as well as it can be seen in the literature that financialization has been discussed under the umbrella of the Global North for a considerable period of time.[2] Later on, conceptualizations that inevitably address the Global South have also emerged to draw attention to the modalities of financialization in the world economy.[3] While the general state of financialization expresses the expansion of financial instruments, profits and supportive policies in many forms and dynamics within the relations between the state, capital and labor; the advantages and disadvantages of this expansionary tendency concerning the Global South have begun to be evaluated from various aspects that are economic, political, and hence social. Also, since the one of the most remarkable issue here is for whom and under what conditions the advantages and disadvantages are, a political economy approach in the light of the historical social relations is inevitable in order to understand the process.

In a nutshell, financialization under neoliberalism is in a direct relationship with internationalization of capital; secondly, internationalization could not standardized conditions for each actor; thirdly, internationalized capital does not necessarily mean commodity capital, money capital, commercial capital and/or interest-bearing capital but is a collectivity of it regarding its strategies; fourthly, these strategies and the position of possessing capital are hidden in the historical dynamics of capital accumulation; fifthly, those historical dynamics manifests themselves in social relations; and lastly, social relations include either the state-class, the state-business, the inter-class as well as the intra-class relations that bring most light to the internationalization of capital processes. For, in order to understand the processes of financialization, too, empirical analysis of descriptive trends should begin here for the provision of analytical justifications.

[2] See, e.g. Aglietta, 1979; Arrighi, 1994; Stockhammer, 2004; Krippner, 2005.

[3] See, e.g. Becker et al., 2010; Powell, 2013; Lapavitsas, 2013; Gabor, 2013; Kaltenbrunner and Karaçimen, 2016; Akçay and Güngen, 2019; Karwowski, 2020; Alami et al, 2022.

In this context, it is so helpful to remind Zwan's overview (2014: 103-115) about the increasing role of finance under some headings as follows. The first of these headings is the view that problematized the expansion of finance from various aspects by examining financialization as an accumulation regime. The second explains that the growing influence of finance has occurred contemporary finance-driven corporate structures due to the emergence of shareholder value and attained ideological legitimacy by its corporate constituents. And the third expresses the decentralization and popularization of finance, emphasizing that it permeates culture as daily life practices with the technological and institutional developments experiences in the second half of the 20th century.

Bringing some additions and criticisms to these views, Zwan (2014: 115) emphasizes the importance of evaluating financialization with institutional analyses such as the 'varieties of capitalism'. Because, accordingly, the analytical discussion of national models of capitalism with a historical specificity may improve the situation of merely considering Anglo-American aspect of financialization studies by revealing the transformations of each political economy; this, then, may improve the developments shown by other analyses and sheds light on financialization studies (ibid: 114-119). On the other hand, Yalman, Marois and Güngen (2019: 3-10), in the introduction section of their book *The Political Economy of Financial Transformation in Turkey*, clarifies the financialization debates in a very comprehensive way.

According to them, although it is a controversial issue whether the concept of financialization is a new stage of contemporary capitalism containing new trends, some aspects of financial liberalization have also put forward new and frequently used arguments that question both global and national transformations through financialization, globalization, and neoliberalism (ibid: 3-4). However, as the concept of financialization becomes more widespread, this affects its specific applicability. For, even though the term does not that contain a novel usage theoretically, conceptualizing it becomes more blurring employing the expansion of financial operations and changes in the finance-real sector relationship largely shaped by the experiences of the Global North, as the authors indicate (2019: 4).

Moreover, such an understanding, not only blurring its concept but also the distinction of banking and financial institutions, which, in turn, requires an analysis of transformed interactions between internal and external relationships in financial markets just like in the non-financial ones. While this analysis, in Yalman *et al.*'s terms, still would not resolve the contradictions in the literature-based arguments on whether this is a new epoch or not, it would reveal the activities of transnational corporate structures in which both the operations of real and financial sectors are intertwined globally. As a matter of fact, it would provide a consideration of the transnational organized structures by taking into account the class relations that are the subject of this transformation and the strategic selectivities of historical factors such as the state, both on a national and global scale, instead of doing so in the Global North context (ibid: 7).

Accordingly, modalities of financial transformation in capitalism in the international context have begun to emerge in parallel with the financialization studies. The concept of subordinate financialization, in this regard, takes the Global South (or emerging economies) into account which forms a significant part of financial studies based on modalities of financial transformation. But initially it seems useful to first elaborate on financialization literature in order to have a more detailed look at the concept of subordinate financialization.

2.3. Financialization of the Core

Various social scientists has been interested in financialization and its effects on social relations. However, the views pointing to the problems of financialization generally by criticizing the crises of contemporary capitalism, and the effects of finance-led growth on production and accumulation has been coming from the Regulation School, Post-Keynesian views and Marxists during the 1990s-2000s. Before the concept of financialization, Magdoff and Sweezy (1987), who criticizes financial markets while explaining wage stagnation and expansion of financial instruments, make a statement quite related to today's discussions. According to them, previously, the sellers of interest or dividend-bearing financial instruments (stocks and bonds) were also capitalists who do not expand all of their real capital but cooperated as money capitalist

and producer capitalist; today, however, since there is a bunch of financial instruments, there is no way for producer capitalist to have to invest in real capital formation at any point (ibid: 96-97). Therefore, as they state, "[I]t may just as well remain in the form of money capital circulation around in the financial sector, fueling the growth of financial markets which increasingly take on a life of their own." (ibid: 97). By the same token, Arrighi states (1994: 9-11) that the financial restructuring of the global capitalist economy depending on the goal of further expansion shows the U.S. hegemonic transitions that is more likely to be related to the increasing concentration of capitalist power rather than international competition.

Aglieta (1979) is one of another earliest scholars mainly taking the U.S. into account to point out the end of the previous Fordist and Taylorist organizations of production in the post-war period. It is mentioned that the new regime of accumulation is finance centered to grow under wage restrictions and credit expansion to sustain effective demand (cf. ibid: 386-390; Boyer, 2000). In this context, while questioning the finance, the U.S.-based analyses have helped to reveal things empirically as well. For example, while Krippner (2005) focuses on the contradictions of corporate control mechanisms in the era of globalization by showing the rise of portfolio revenues and financial profits in the U.S. economy since the 1980s and 1990s. And Orhangazi (2008) similarly indicated two features: firstly, the increased opportunities to profit from financial investments in the U.S might lead corporate finance managers to 'rationally' move away from real sector investments in order not to miss profit opportunities; and secondly, the mobility of funds in the financial market by increasing uncertainties might cause hesitations of investing in real sector.

To put it differently, as well as the risks brought by the expansion of financial instruments at the micro level, the macro level problems are also a matter of discussion. Stockhammer (2004: 720), in this regard, evaluates whether the economic slowdown can be explained by financialization, still an "ill-defined term", employing the annual data of the U.K., U.S., German and France firms. Then, he finds out the situation that firms face a trade-off between profits and growth, claiming that because of the 'shareholder value revolution', they prioritize profits, and this, in turn, becomes reflected as economic slowdown. And so, to the extent that the direct relationship of

financialization and neoliberalism can be identified, international competition (or internationalization) and the concern of retaining shareholders led the U.S. companies to adopt strategies to reduce costs in every aspect, but profits generated from such reductions have been distributed to shareholders as expanding financial instruments, instead of being reinvested in company activities (Crotty, 2005; Milberg, 2008; Baud and Durand, 2012 cited in Zwan, 2014: 104).

Regarding the U.S., another argument taking place by Duménil and Lévy (2004) is that, in transition to neoliberalism due to the crisis, internationalization of capital and globalized markets have required strong positions for the developed countries (mainly the U.S.) to restore money and power through financialization. But for Kotz (2010), in contrast with Duménil and Lévy (2005), financialization should be expressed as the separation of finance from non-financial activities by playing an expanding role in economies, rather than taking over economies because it can be seen that financialization predates neoliberalism in the late 19th and early 20th centuries. As for neoliberalism, it has emerged with the increasingly global markets due to the crisis of the previous social structure, the risk of socialism, and the crisis of post-Great Depression policies, whereas financialization has been an ever-present tendency in capitalism (Kotz, 2010: 5).

Basically, if financialization is understood merely as a change in the activities of non-financial companies, this argument may seem correct. However, it should not be forgotten that the most fundamental tendency of capitalism is to retain capital as a means of production and to expand it as a matter of continuity (i.e. economies of scale). So if capital enters into a borrowing-lending relationship as financial capital at the expense of not expanding, except to make profits, this also gives the capitalist a permanent possession of money or capital. In financialization, as the capitalist gains financial profit and moves away from production in reel sector, not only the capital that does not enter production but also the labor that should be in production is kept away from this process.[4] This, in contrast to the liberal competitive free market

[4] See Foster, J. B. (2007). Financialization of Capitalism. *Monthly Review*, 58(11): 1-12.

understanding, would bring about processes in which capitalist –whether financial or industrial capitalist— becomes almost the sole owner of capital. And, this is seemingly unmaintainable.

On the other hand, even to the extent that financialization is recognized as the increasing role of financial motives, markets, actors and institutions in economies both externally and internally, it is difficult to explain the long-term distortions of capitalism on economies by the behavior of money at the managerial level (cf. Epstein, 2005; Minsky, 1996: 362-364). Rather, for Lapavitsas (2011), the relationship between finance and production is no longer as presumable as it used to be. Because the transformation in capitalism shows three changes in particular: firstly, the relationship between non-financial companies and banks had become different from the previous one mainly due to the inclusion of external finance and companies acquiring financial characteristics; secondly and accordingly, both the loans, and risks and profits of banking turned to commercial profits and intermediation in opened markets; finally, the degree to which the working classes became customers of finance increased also with the restriction of public services and increased wage pressures (ibid: 620-623).

Namely, what is implied there for transformation is primarily financial liberalization, subordination of labor, and restriction of states' roles as a social entity. This brings the framework quite close to the understanding of neoliberalism. As for neoliberalism, in the revealing words of Saad-Filho and Yalman (2010: 1);

> "…is the contemporary form of capitalism, and it is based on the systematic use of state power to impose, under the veil of 'non-intervention', a hegemonic project of recomposition of the rule of capital in most areas of social life. This project emerged gradually after the partial disintegration of post-war Keynesianism and developmentalism in the 1970s and 1980s, and it has led to the reconstitution of economic and social relations of subordination in those countries where neoliberalism has been imposed. The tensions and displacements embedded within global neoliberalism are nowhere more evident than in the middle-income countries.".

Therefore there are some aspects to be underlined for better understanding of finance and neoliberalism concerning contemporary capitalism: first, capitalism as a world system has always been a matter of the globe from the very beginning (i.e.

internationalization); second, hegemony, in Gramscian terms, is basically an imposition by consent that is based on the dominant class or class fractions subordination of other classes by narrowing their interests through ideological and political practices, in order to impose their long-term interests that require exploitation and political oppression[5]; third, the state that has always been there as a regulator of the monetary and financial requirements, historical provider of financial instruments (Fine, 2010b: 13), and with its role and "strategic selectivities" for the continuation of capitalist relations (Jessop, 2013 cited in Yalman et al., 2019: 7).

So much so that crises, as another particular reason for the financialization debates, reveal the role of the state once again. Because when neoliberalism is considered together with financialization, both creates numerous political and economic sort of social crises, meanwhile a strong state mechanism becomes essential for the management of these crises, if not to solve it. This, additionally but unsurprisingly, assigns the state to the task of providing the necessary oppressive and exploitative environment to sustain such subordinate relations during crises. Also, crises are one of the main events that have been triggering debates on whether capitalism enters a new phase. In this context, there is some justification for the analyses that take the U.S. into account as the starting point of these crises. However, these crises, as in Poulantzas's emphasis (1973: 176-177), are the crises of the whole system as long as they are not against hegemonic, which would one day reach the center, too.

Then, regardless of whether financialization is specific to a period or not, it is necessary to understand that it is not specific to advanced capitalist countries, and to focus on the financialization processes of each late capitalist country as well. Because in these countries, even though the banking system or securitizations are seen to be limited, there is the fact that financialization is carried out with financial instruments as well as fictitious capital in addition to the factors that reveal the process such as taking control of the income of working segments, dividend payments or the return of government bonds (Güngen, 2010: 95-98). This requires either separate and

[5] See Gramsci, A. (1971). Selections from the Prison Notebooks of Antonio Gramsci, 1891-1937. New York: International Publishers.

comparative examination of each country, since it is possible to see that successive crises have been spreading to all parts of the world under that accumulation strategies. However, in order to get one step closer to understand these accumulation regime in their historical and social specificities in other part of the world than the U.S. and Europe, it is pertinent to first look at the growing literature of subordinate financialization on the Global South.

2.4. Conceptualizing Financialization in the Global South

One of the very reasons behind financialization studies has been the destructive crises of the world economy mainly grounded on the core of capitalism. No doubt there are also questions of whether the successive crises in the Global South in the 1990s and in the beginning of the 2000s heralded the 2008 crisis starting in the U.S., and/or whether today's recurrent crises are still the continuing effects of the 2008 crisis. This, in a sense, manifests that successive and intertwined crises have been spreading to all parts of the world. Considering that accumulation in contemporary capitalism is under internationalization and hierarchy of the world economy, it is not possible to understand unequal developments and crises in the context of developed capitalist countries; because these are global systemic crises (cf. Hanieh, 2009: 62; Engelen et al., 2010). On the other hand, already thorny transition of the Global South countries to neoliberalism before the 2008 crisis was noticeable. The structural adjustment policies namely the export policies, the financial and monetary structures, hence being subject to international capital flows, and destruction of infrastructural and social position of the state have narrowed the policy areas of many national economies (Hanieh, 2009: 79-80).

On the one hand, there was the assumption of an export-led growth for the Global South; on the other, that narrowed national control has mainly turned out to be based on the fiscal discipline, privatizations, financial liberalization, trade liberalization, stabilization efforts on exchange rate policy, deregulation, encouraging capital inflows, and assurance of property rights (Williamson, 1990). Then, financial liberalization most of the time did not go as indicated in most countries of the Global South, which was expected to improve quality and quantity of foreign investments as

long as capital flows and exchange rates fluctuated countries' economic situation, thus financial crises occurred (Akyüz, 2008: 18-21). That is why, either nationally, regionally, and globally, crises have taken a shape difficult to prevent, because crises moments seems to have intertwined with capitalism and capital accumulation, which is more comprehensive than to be explained by unregulated market dynamics and excessive expansion of financial instruments.

Pointing out variegated aspects of financialization, Stockhammer (2010: 6-9) argues that, for instance, Anglo-Saxon countries adopted a growth model financed by credit to drive consumption, whereas countries such as Germany, Japan, and possibly China adopted an export-led growth model at the same time by being a part of financial changes. In the Global South, where the policy area is already known to be narrower, too, growth models were expected to be export-led and financed by foreign investments encouraged through domestic policies. Based on this, however, financialization in those countries has created numerous uncertainties and thus risks such as external risks brought by capital flows, the conditions created by domestic finance that has become more complex while developing, the limits of financial system's expansion, the question of how to place foreign bank entries domestically, the results of increasing domestic credit, and so on (cf. Claessens and Ghosh, 2016: 41-46).

Notwithstanding, efforts to make those countries attractive for foreign investments have created some remarkable aspects of those national economies. One of them is related to the issue of increasing reserve accumulation. The excessively accumulated foreign reserves placed such burdens on the countries seeking stability, and, at the end, they have been converted into financiers of the U.S. public debt by turning the dollar into quasi-world money, while trying to reduce the risks of foreign investors (Painceira, 2009; Lapavitsas, 2013). Another one is capital account liberalization as a requirement of the Brady Plan, which was proposed by the U.S. Treasury Secretary Nicholas Brady for the developing world to restructure their unpaid debts and to increase the credibility of those indebted countries in the 1990s through the agency of the IMF and the World Bank (Clark, 1993: 38-39). Along with this, as almost the starting point of financialization for many countries, has also led those countries to

form debt markets and emerging market bonds, and paved the further way for foreign capital flows and policies for financial liberalization (Painceira, 2009: 5-6). As a matter of fact, capital account liberalization in addition to be involved in the domestic operations of the Global South countries, also offered benefits to private financial institutions from re-finance of those countries' foreign debt under free market conditions (ibid: 6).

On the other side, Claessen and Ghosh (2016: 71-73) claim that despite the underdevelopment of institutional and legal infrastructures (e.g. banking systems) in the emerging economies, the better fiscal structure and diversifying monetary policy – which are expected to be achieved by means of reserve accumulation, flexible exchange rate regime, and inflation targeting– have provided two opportunities through macro-prudential policies: first, supporting growth position thanks to liquidity; and second, implementation of more flexible macro-economic policies in response to shocks, including the 2008 crisis. While in a similar vein, Correa and Vidal (2012) emphasize that one of the main determinant of the financialization process is the transformation of institutions such as the central bank and the banking sector as the provider of credit, because of their role in finance of both public spending and national economic activities. So much so that the major economies of Latin America have turned their public budgets and debts into profits for foreign investors as a consequence of deregulated securitization beyond the accessibility of governments and central bank. Because, with such a way of entering international financial processes, there is substantial private sector liquidity conditions, despite the risk of weakening financial structures (ibid: 542-543).

Also, in contrast to the emphasis on growth made by Claessen and Ghosh (2016), Rodrik (2015) indicates premature de-industrialization as a new trend in low- and middle-income countries based on their employment and shares of outputs. Since the 1980s, manufacturing sectors developed during the period of import substitution industrialization have weakened considerably –not in most 'exceptional' Asian countries but especially in Latin America—, which have been transforming these countries into service economies without a proper industrialization experience under damaged growth potential (Rodrik, 2014: 2-5). Considering this approach, it is once

again necessary to pay attention to how the rising manufacturing bourgeoisie in the import-substitution period has articulated or transformed in the period regarding financialization and/or neoliberalism. Otherwise the decline in manufacturing output and employment does not necessarily mean that this phenomenon is due to the fact that the manufacturing sector have succumbed to the financial sector since the 1980s. But such claims raises many other questions considering manufacturing corporate structures, employment schemes, institutional and legal frameworks, external and internal demand, currency rates, and much more besides.

Answers to the questions that pre-mature deindustrialization argument poses depend on understanding the particular interactions and relationships between real and financial sectors in political economies of each country and their historical accumulation processes, because financialization does not only create changes that support capital accumulation in the respective countries' non-financial and financial sectors by means of increasing financial activities; but also bring a number of requirements and contradictions that transformed production and investment (Kaltenbrunner and Karaçimen, 2016). By the same token, Karwowski (2020) discusses the very claim of the financialization studies that growth and development of financial sectors do not bring economic prosperity and development in terms of financial repression by the Global North. For, there are varying aspects of financialization related to international, national, and even urban interactions in all Asian, South African, Middle Eastern, Central and Eastern European, and Latin American countries, hence the determinants of spatial difference, local institutions, and historical conditions matter (ibid: 163-165).

2.4.1. Peripheral Financialization

Then, to what extent, is it possible to conceptualize these variegations in terms of countries' histories, forms, or levels of capitalism? In this context, the first conceptualization of financialization in the Global South has been with the concept of 'peripheral financialization' (Becker et al., 2010). In this concept, Becker, Jäger, Leubolt, and Weissenbacher propose to investigate financialization from the Regulation School perspective, in which states, international organizations, and social

dynamics are analyzed, unlike the crisis-driven component of Keynesian analysis. In this regard, they underline a series of key elements. The first is three biaxial typologies for the analysis of accumulation processes, which are productive or financialized accumulation, extensive or intensive accumulation, and introverted or extraverted accumulation (cf. Aglietta, 1982; Beaud, 1987; Becker, 2002; Husson, 2004; Becker and Jäger, 2010 cited in ibid: 227). Also, according to the authors, it is necessary to look at each of the bi-axis typologies because of the multidimensional nature of accumulation. In this context, while the foundations of financialized accumulation are laid in a limited productive accumulation, hereby capital seeks liquidity opportunities during uncertainties (cf. Harvey, 1984; Arrighi, 1994; Joshua, 2009 cited in ibid: 227).

However, the limitation, expansion and valorization of financial assets within this frame work necessitates institutional change, such as monetary regulation that would, for instance, create a difference in the interest rates expected to be low in the productive sphere but high in the financial sphere, as well as would change the form government finance (e.g. securitization); which, then would be in favor of particular interest groups creating social changes (ibid: 228-231). On the other hand, for the authors, these changes do not only occur by monetary moves, but also include elements such as privatizations, forcing the ecological physical conditions of countries, stock market revitalization, and imbalances in wage relations. In this connection, for instance, the privatization of pension systems is striking regarding its effects on social imbalances. Moreover, working segments of society also become an important part of financialized accumulation by taking excessive debt burden to finance their lives under deteriorating real wage conditions (ibid: 228).

As for the character of financialization in the periphery, it is possible to observe an extraverted form in general, while, in the semi-periphery, there is a structure dependent on capital inflows, as Becker *et al* (2010: 229) indicate. As a matter of the fact, the policies are associated with valuable exchange rates and high interest rates (ibid: 230). While it is hoped to gain social legitimacy with inflation targeting dimension of these policies, pro-financialization policies are put into practice more in this way (cf. Seabrooke, 2006; Becker et al, 2010: 229). Nevertheless, factors such as overvalued currencies, dollarization, trade and current account deficits, and increasing external

debt increase vulnerabilities to crises in the periphery, at the same time the development of productive sectors also become restricted (Becker et al, 2010: 231). Further, crises can often take the form of a currency crisis. This, in turn, pushes those countries to build up huge foreign exchange reserves, and thus financial structures of those states are deeply affected. Still, although in the periphery the extraverted character of financialization has been emphasized by the authors as such, including partially industrialized and/or diversified semi-peripheries, the financialization of each country is grounded on 'socio-economic heterogeneities' particularly differing through domestic interest groups and international positions.

In other words, the peripheral financialization view essentially reinterprets the dependency theories that risen from Latin America in the 1960s and 1970s, emphasizing the changes of financial expansion along with dependency since the debt crises of the 1980s, and re-interpreting two remarkable features of the previous models: the character of the domination domestic capitalist classes positioned in the periphery by external conditions, and the exploitation of labor (Reis and Oliveira, 2021). In this context, Reis and Oliveira also propose the concept of "financialized dependence", which reflects the continuity of the process after "colonial dependence", "financial-industrial dependence" and "technological-industrial dependence", based on the terminology of Dos Santos, as it shows the reproduction from dependency, in order to understand the dynamics of financialized accumulation and social relations in terms of class relations, external imperatives, and class formations and struggles historically located in the periphery (Dos Santos, 1970 cited in ibid: 4). For, since financialized accumulation is essentially based on future claims of surplus value, paying the debt one day illuminates the process by revealing a necessary social control to ensure that at some point labor will be exploited, in Reis and Oliveira's terms (2021: 16).

2.4.2. Subordinate Financialization

On the other hand, there is another conceptualization regarding variegated financialization in 'developing countries' –and/or emerging capitalist economies (ECEs), emerging market economies (EMEs), and lastly developing and emerging

economies (DEEs)— which introduces the notion of subordinate financialization (Powell, 2013; Lapavitsas, 2013; Bonizzi, 2013; Alami et al., 2022). This concept of subordinate financialization firstly used by Powell (2013), in *Subordinate Financialization: a Study of Mexico and its non-financial corporations*. For the analysis of developing countries, Powell's work centers on understanding the transformations of businesses, banks and households within contemporary capitalism's characteristics that are internationalization and transformation of the dollar into the world money (ibid: 110-111).

Accordingly, few characteristics are highlighted which are not that homogenous but rather are products of institutional contexts. Those are businesses operating undistributed profits and market financing for financial investment purposes, banking sector making profits from investment banking and household indebtedness by taking advantage of liquidity, hence making households dependent of finance and imposing market risks of increased indebtedness on mass segments of society (Powell, 2013; Lapavitsas, 2013). Moreover, although these transformations are seemingly shaped by imperial relations, the subordination of developing countries are grounded on international capital requirements, the involvement of domestic businesses in foreign market-based financial derivatives, developing countries' states bearing most of the market risks, the mechanisms of transferring and allocating most domestic profitable opportunities to foreign investors, and the consumption level sustained by debts for the continuation of domestic capitalists who also invest and valorize their wealth abroad (Bonizzi et al., 2020: 177-178).

As such, it is helpful to mention subordinate characteristics of financialization one by one. Although some of those are already mentioned, it seems necessary to remind all of the concept's components in order to frame those as a whole. The first component of the subordinate financialization concept is that developing countries accumulate excessive reserves in order to join international capital flows (cf. Painceira, 2009; Lapavitsas, 2013). As a matter of fact, in Lapavitsas's words, the 1997-98 crises converted the issue of reserve accumulation into an instrument of 'self-insurance' (Lapavitsas, 2013: 30). However, contrary to claims that it would increase the inflow of money into developing countries by securing promised capital flows, it led to three

main reverse results. The first of these is that many countries, from Sub-Saharan African countries to China, has been accumulating a lot of reserves, in a sense, causing the outflow of resources available, rather than investing in their own economies (ibid: 252). The second result pointed out by Lapavitsas (2013: 252-253), relatedly, is that these countries have almost become the financiers of the U.S. public debt, as well as perhaps the financiers of the consumer loans and mortgages which then initiated the housing bubble in 2008, since the reserves are mostly accumulated in the forms of U.S. dollars or U.S. public securities.

And the third result of the over-accumulated reserves is the costs imposed on these countries due to the sterilizations carried out in order to maintain the accumulation (ibid: 253). This is because these countries have conditioned not to have current account deficits in the flexible exchange rate regime on the one hand, and implementing inflation targeting on the other. Lapavitsas further argues that, as for sterilizations were also made under conditions where the interest rates linked to foreign currency were lower than both domestic and international borrowing rates and the interest rates of the U.S. public securities. In other words, even in conditions were the risk of the dollar's depreciation one day in the future can be completely ignored, securing capital flows and encouraging foreign capital inflows to the country with high interest rates has created the situation that the difference between the yield and the lump sum serves as a cover allowance for countries such as the U.S. Moreover, the author also draws attention that, the opportunities arising from this interest rate differentials have not only been exploited by security issuing countries and/or the countries imprinting reserve money, but private borrowers in developing countries have also profited by investing in domestic financial instruments. This, for sure, was made possible by socializing all the costs and risks.

The second factor that makes financialization in developing countries subordinate has been the expanding internal financialization (Lapavitsas, 2009b: 121). And this has included the expansion of domestic financial institutions and the growth of domestic bond markets due to the sterilization (Bonizzi et al., 2020: 182-184). The third factor, on the other hand, is the changes that occur with the transformation of the operations schemes and relationships of real sector firms and financial institutions. In other

words, due to the fact that the access of large companies to external finance in international open markets has come to the fore, hence their reliance on domestic banks has decreased, and their financial operations have expanded; as well as, most developing countries have started to introduce stock markets along with financial liberalization, as another example of institutional changes in corporate structures (Lapavitsas, 2009b: 114). This increase in non-financial corporations' financial activities has led the aforementioned banks to seek other profit opportunities, adopting investment banking-type features, and financialize personal income as lender and mortgage provider (Bonizzi, 2013: 91-92).

The fourth factor is mentioned as the increase in the number of foreign banks entering developing countries. While this, from time to time, has put forward the issue that foreign banking structures would be adapted in these counties, also has created contradictions in the claims of mainstream economists (Lapavitsas, 2013: 254). On the one hand, it was asserted that an increase in the number of foreign bank would provide supportive finance to small- and medium-sized enterprises by increasing domestic finance capacity; on the other hand, there has been discussions on whether varying information gathering processes would cause problems in domestic banking systems (cf. Levine, 1997; Gavin and Hausmann, 1996; Claessens and Glaessner, 1998; Claessens et al., 2001; Clarke et al., 2003; Tressel et al., 2006; Dos Santos, 2007 cited in ibid). However, another aspect of this situation, which is also the fifth factor, is that, in addition to the fact that foreign banks has raised the number of mortgage and consumer loans, causing an increase in personal indebtedness; significant proportions of total banking assets in middle-income countries have turned into be under the ownership of these foreign banks (ibid: 254-255).

On the other hand, it would be useful to mention some findings about the consequence of the motive that is also the cause of all these contradictions, namely, encouraging foreign investment. First, foreign direct investment (FDI) appeared energetic in the 2000s; but, still, according to Lapavitsas (2013: 247), some features of the FDI flows should not be overlooked in interpretation, because a significant part of the FDI reflects investments by financial institutions of developed countries, and more importantly, portfolio investments might technically be considered as FDI. Portfolio

flows, the other form of foreign investments, emerged as profitable loanable capital after the crises until the 2000s, but short-term flows have generally been insecure for domestic financial systems (ibid: 248). That is to say, subordinate financialization has not only structurally transformed the interaction of domestic economies and global finance, but also consolidated the dominant role of the developed countries, being the reason behind developing countries to have a subordinate character, by its hierarchical and exploitative nature.

2.4.3. Dependent Financialization

In addition to peripheral and subordinate financialization, 'dependent financialization' has brought forward as another interpretation for financialization of the Global South. In a report on Romania's financialization process, Gabor (2013: 17-21) uses the expression of dependent financialization regarding financial markets of the developing countries, other than the developed and innovative financial markets. Financialization in these 'shallow' markets, as defined by Gabor, is portrayed as dependent on transnational financial actors who have gained significant economic and political positions in their operations by means of directing regulations or shaping themselves according to regulations. In this regard, given that the Romanian case has turn into be financially dependent from its central bank-led financial system, the report underlines several factors of such dependency (ibid: 216-218). The first is the claim that transnational banks dominate many branches of banking, both in terms of ownership and regulatory bases, by transforming banking relationships in these financial markets into a market-based and 'impatient' aspect. The second, these transnational banks are involved in speculative attacks either directly or by means of domestic currency.

The third, again these transnational banks lend in foreign currency by transferring the exchange rate risk to borrowers, because of the motivation stemming entirely from the yield differentials, despite that there is no constraint on domestic currency funding. The fourth, and in conjunction with the third, is the existence of risk-trading elements, such as off-balance sheet relationships, arising mainly from the pursuit of these yield differentials. The fifth, the changing nature of interbank relations, which is a factor that deepens the transition to different dynamics to financialize through reserve

trading, starts to be grounded on exchange transactions and other asset markets. The sixth is the changes in the state security market, since the tendency of borrowing through more captive resources (e.g. Treasury accounts, pension funds) with short dates and high returns, instead of government bonds. The seventh, as financialized banks and markets get out of control, constant data restrictions made it difficult to bring these short-term, unstable transactions to the public's consideration. The eighth is that transnational banks can resist or bend regulations and regulatory agencies in the context of political conditions of the countries, both through arbitrage and with the 'implicit' support of 'independent' central banks. The ninth and last one is the discursive dominance provided by the liquidity imperative, which narrows the policy-making decisions of those dependent markets mostly due to the pro-cyclical nature of liquidity.

On the other hand, sort of distinctive from Gabor's framework, Akçay and Güngen also suggest using 'dependent financialization' in order to step up the already socially comprehensive concept of 'peripheral financialization' that had emerged with the reclaim of a Dependency view from a 'Regulationist' perspective, as both have common roots derived from the Marxist approach (cf. Becker et al., 2010; Gabor, 2013; Becker and Weissenbacher, 2015; Akçay and Güngen, 2019, 2022). According to Akçay and Güngen (2019: 3-4), it would be appropriate to use the concept of dependent financialization for 'emerging capitalist countries' (ECCs); especially for those with high foreign currency tendencies in their economies (e.g. dollarization, or euroization), those which have outstanding current account deficits and thus become dependent on imports, and those which are constantly dependent on foreign capital for economic growth. That is not re-discussing the validity of the Dependency views in the 1960s and 1970s; but is reconsidering the view for its approach with historical and geographical line in the way to analyze the hierarchical structure of international finance, which would contribute to re-introduce the problems of de-industrialization and structurally higher interest rates in the ECCs than in the advanced capitalist countries (ACCs) (ibid: 5-6).

Regulation School's approach related to the financialization process, in this regard, would bring into more comprehensive interpretations of dependent financialization

because of its 'holistic' perspective on the class structure of societies and the reflections of class struggles on the accumulation regime (Akçay and Güngen, 2019: 5). On the other side, the fact that the Regulationist view makes sharp distinctions in terms of financial capital while defining the accumulation regime in peripheral financialization, which would create the problem of capital accumulation's periodization with a one-sided strategy. Instead of such distinctions, analyses focusing on more prudent forms such as credit expansion in ECCs, the relationship of financial capital with the state would contribute more to understand the contradictions and continuities of financialization (ibid: 6). In addition to these, for Akçay and Güngen, although the subordinate financialization concept contributes to addressing the issue of the dependency-inducing structure of integration into the global financial system, it does not include important emphases such as class structure, social reproduction and the historicity of the state (cf. Lapavitsas, 2013; Bonizzi et al. 2020; Akçay and Güngen, 2022: 298).

In the light of these, the concept of dependent financialization, together with its aforementioned aspects, tend to focus on making an interpretation of variegated financialization based on the fact that the main hegemonic currencies of the core economies are more convertible than of the peripheral economies that are, in a sense, dependent on the accumulation processes of the core economies (Akçay and Güngen, 2022: 298-300). In other words, for them, given the framework that variegated financialization has been shaping around states' financialization policies, household financialization, non-financial companies' financialization, debt dollarization, and so on; it would be better to understand another aspect of this process recurring with conjunctural impacts of higher interest rates and less convertible currencies on ECCs with a historical and class-concerned approach under the umbrella of countries and their economies' articulation to global financial cycles. Because higher interests rates do not only attract foreign capital, but also changes the environment of, for instance, public debt and mas-indebtedness, by making ECCs' economies crisis-prone and more dependent of the monetary policy decisions made by the ACCs' central banks (ibid: 298-299).

In addition to the empirical studies, the number of which is increasing day by day, the increase in private debt and access to financial instruments in the Global South countries has also been discussed as an authoritarian turn in the context of the consequences of dependent financialization (Apaydın and Çoban, 2022). While it was questioned that whether it is possible to see signals of democratization with an improvement in economic growth through increasing access to credit and the expansion of financial instruments; the authors underline that, because of the risks brought by economic liberalization in the Global South countries, it is possible to see authoritarian tendencies in those countries. Because social and political factors along with dependent financialization structure increase inequality and continuous implementation of those policies in favor of financial deepening at the expanse of their social costs, possibly create social crises due to the conflicts of interests, which are, in turn, result in repression for the sake of accumulation (ibid: 4-6).

2.4.4. International Financial Subordination

Last but not least, and quite recently, Alami, Alves, Bonizzi, Kaltenbrunner, Koddenbrock, Kvangraven, and Powell have proposed to create a cumulative theory to synthesize the analyses of international political economy on the ongoing financialization of 'developing and emerging economies' (DEEs) (2022). And, their proposal for this cumulative theory umbrella is International Financial Subordination (IFS). The authors, in this regard, list the limitations of explaining the ongoing continuities and contradictions of IFS respectively. Firstly, the mainstream economics mostly expresses the economic problems of DEEs by underlining the underdevelopment of financial systems and institutions, while emphasizing the solution to these problems as reforms through practices such as good governance, flexible exchange rate policies, development local market, and even temporary capital controls (cf. Obstfeld, 1996; Calvo and Reinhart, 2002; IMF, 2012 cited in Alami et al., 2022: 2).

On the other hand, while there are economists who are interested in changing the axes of development with the regulation of capital flows (cf. Diaz-Alejandro, 1985; Griffith-Jones, 1998; Arestis and Glickman, 2002 cited in ibid: 3); the relatively

critical economic literature shows an interests in areas such as global driving forces, the limitations of DEEs currencies, finding necessary solutions to the increasing instability caused by integration efforts, the problems of capital flows building more dependency on the conjuncture with respect to national characteristics and policy-making processes, and the problems caused by the excessive liquidity in DEEs (cf. Eichengreen and Hausmann, 1999; Stiglitz, 2010; Rey, 2015; Eichengreen et al., 2018 cited in ibid: 2-3). However, these analyses seem isolated from the relations of global capitalism because they are often based on empirical discussions on DEEs (ibid: 3).

International political economy, on the other hand, focuses on the hegemonic position of the U.S. dollar and the U.S. in its studies which considers its effects and relations within global financial markets, while attaching importance to understand the power relations and their transformation by deepening finance through political and institutional factors, as defined by authors. That is, for them, the international political economy approach, despite the intensity of the perception that financial subordination is likely to be seen as a continuous and systematic aspect of global capitalism parallel to underdevelopment in DEEs, particularly considers effects and result of the IFS in DEEs, too. It is clear, for the authors, however, that the issue is still not fully conceptualized, as financialization studies in DEEs has been fragmented rather than extensively theorized.

Therefore, it is suggested that IFS be used as a pluralistic and interdisciplinary umbrella concept which serves primarily for conceptual analyses, using empirical and political elements to the extent it is necessary, in order to understand the processes that make DEEs subordinated (ibid: 4). This umbrella is closely interacted with three heterodox views that are the Dependency, Post-Keynesian, and Marxist approaches, for the interpretation of contemporary accumulation processes, the relationship between finance and development, the interaction of IFS with historical and social relations production . As such, Alami *et al.* (2022: 3-5) claims that, IFS proposes to organize studies around the state structure, the role of money and non-state actors, and the dynamics that emerge through geographical and spatial relationships.

Put it differently, it has been argued that the historical, spatial, and political characteristics of financialization may differ from financial liberalization and financial globalization in the Global South, based on emerging and transforming patters in addition to already existing institutionalized structures (Lapavitsas and Soydan, 2020). In this context, whether dependent or subordinate financialization, the focus of these conceptual approaches emphasizes different points but almost through the same factors, such as foreign capital flows, increase in the activities of foreign financial institutions, changing debt patterns, and the expansion of financial profit mechanisms. It seems reasonable, then, to reveal the common denominators of global capitalism and its social actors as vulnerabilities caused by financialization, suggesting that examining the social role of the state is crucial along with all other social relations. Because given the state's role of maintaining financial dominance in implementing neoliberal policies, its effects on social policies arising from financialization have also been inevitable (Fine, 2014; Lavinas, 2020). This brings to light not only economic fragilities and crises, but also crises of social and class politics. However, while all kinds of political, economic, sanitary and environmental crises continue, global capitalism and its dominant constituents will undoubtedly continue to form institutionalized and/or closed-door bargains.[6]

[6] See, Gabor, D. (2021). The Wall Street Consensus, Development and Change, *International Institute of Social Studies*. Vol. 52(3): 429-459.; Dafermos, Y., Gabor, D., & Michell, J. (2021). The Wall Street Consensus in pandemic times: what does it mean for climate-aligned development?. *Canadian Journal of Development Studies*. 42(1-2): 238-51. Also see, Yalman, G. L. (2021). Crisis of What? Crisis in or of Neoliberalism? A Brief Encounter with the Debate on the Authoritarian Turn. In E. Babacan et al. (Eds.) *Regime Change in Turkey: Neoliberal Authoritarianism, Islamism and Hegemony*. Routledge.

CHAPTER 3

HISTORICAL REVIEW OF THE CONTEMPORARY CAPITALISM IN BRAZIL

Both finance and banking have long-standing pasts in history that existed and shaped in various ways, times and places, regarding particular social, economic and political activities of each time period and place. Although functions of banking have been varied in the history of banking in time, the primary and earliest reason behind the need for banking seems to be the security matters for the storage of valuable things. That 'need' appears as the very motivation of property ownership which was not only based on the preservation of the metallic or fiat money, but that of contracts, seeds, jewels, and so on. Apart from the questions of whether the money of the contemporary world is a property and has a value in real terms, there is the issue that money as a mean of exchange has somewhere in history become something buyable and sellable in markets. It is therefore important to underline that money, which historically owes its value to productive activities, has started to act as capital making profits in financial and/or financialized markets in a substitute manner for its preliminary role in the commodity circulation.

This, however, requires the participation of actors with particular interests for the historical formation of such a cycle and its networks. That is why this cycle and its actors neither can be evaluated in isolation in terms of time and space, nor can it be explained by the inevitability of an integration. Rather, as Fernando Henrique Cardoso and Enzo Faletto (1979: xxvi) state for their analysis of structural dependency in the preface of their book *Dependency and Development in Latin America*, "…[T]heir explanation must also lie in the different moments at which sectors of local classes allied or clashed with foreign interests, organized different forms of state, sustained distinct ideologies, or tried to implement various policies or defined alternative strategies to cope with imperialist challenges in diverse moments of history.". In this

context, identifying the historical environment, actors, and strategies of the Brazilian financial sector is, to a significant extent, necessary in order to scrutinize the history of money and banking in Brazil.

3.1. Background of the 20th Century Capitalism

3.1.1. About the 19th Century

The establishment of the *Banco do Brasil* (Bank of Brazil) on 12 October 1808 is associated with the move of the Portuguese court to Rio de Janeiro under the probable risks of Napoleon's invasion of Portugal.[7] With the aim of finding an "immediate solution of the problem" –that is the economic and political impacts of the Napoleonic Wars in the peninsula—, several measures, which are opening the ports and liberalizing the sectors of trade and manufacturing, were taken in the *Carta Régia* (Royal Letter) as adoption of a "liberal concessions regime" on 28 January 1808 (Rodrigues, 1959: 179). In this regard, those measures were needed to be strengthened by forming an organized and centralized instrument for the circulation of money and to be able to finance the activities of the economy under the conditions of the Portuguese court's move to its colony. The *Banco do Brasil* was primarily supposed to undertake a 'regulatory' stance with the motives of preventing lacks of funds to the Royal Exchequer, creating means of payment, and removing the obstacles ahead the commercial transactions.

Later, the bank, which was stated to be experiencing some difficulties, tried to attract the attention of domestic and foreign investors by announcing that the royal treasury would transfer capital to the bank as a result of taxation created only for this purpose.

[7] Although Portugal might carry its neutral attitudes toward the Napoleonic Europe, the Britain side made the Portuguese court to take the decision of moving from Lisbon to Rio de Janeiro without impressing a particular pressure. It is still discussed whether the crown was brave or timid, yet the move opened a new period in the colony Brazil. Since the colony was no more only a place of dominion, but also a homeland, new sort of an economic regime supposed to be founded in line with the requirements of epoch's liberal principles. I.e. "transformation of the colony into an internalized metropolis" (Dias, 1972 cited in Cardoso 2009: 9). For further knowledge, see Schultz, Kirsten. (2001). Tropical Versailles: Empire, Monarchy, and the Portuguese Royal Court in Rio de Janeiro, 1808-1821 (1st ed.). Routledge.

However, despite the move of reanimation, neither new investors could be attracted easily, nor the process of the new taxes' collection was that smooth. Only one of the bank's ultimate goals, which was having the role of issuing money in circulation, was relatively accomplished, though bank's troubles could not been avoided again since the paper money issued had not been backed by metallic assets (Cardoso, 2010: 167-171). This is one of the main reasons why the bank remained closed until 1838. Although it was restructured and reopened in 1851 in order to fulfill its roles in the state finance and in the economy of Brazil, later on, structural changes needed again to give the contemporary form of the bank due to the financial 'panics' of the 1890s (Marichal, 2008: 587).

On the other side, because of the dominance of Britain in trade relations, the connection of Portugal with Brazil had started to be weakened since the 17th century. The Portuguese Kingdom tried and needed to preserve its ties with Britain mainly due to the problems in Europe, which once again reinforced the British hegemony over Portugal and its colony (Halperín-Donghi, 1993: 71-73). For instance, the *Banco do Brasil* was, for a while, tied to an agency in London on the grounds of a loan-based contractual obligation and its agents also assumed control of intermediation in sale of some particular Brazilian products there. (Cardoso: 170-171). By the 1820s, although Brazil, like other Latin American colonies, declared its independence, since its new king was Dom Pedro I, the son of the Portuguese king Dom João VI, and the ongoing British influence was further consolidated there, it becomes a necessity to question this political independence in terms of social balances.

During the independence period of Brazil, there were two main groups emerged: the first consisted of Portuguese-born bureaucrats, merchants and military officers which played an effective role in the political arena through the Portuguese-like conservatism; and, the second was led by idea of a Brazilian liberalism. While not only the conflicts and contradictions of these two groups, but also the discontent and independence movements rising from some regions took place. The administration was, once again, only able to avoid risking its existence with Britain's help. Yet, the concessions provided to Britain in return became inevitable. As the activity that makes up almost the entire Brazilian economy was agriculture, the basis of the social structure

was the landed aristocrats and slaves. Brazil, in a sense, had been subject to the word of Britain by committing to end slave trade because, in the world market, cheaper Brazilian sugar produced by slaves could be a threat for the British sugar produced in the slavery abolished plantations (Skidmore and Smith, 2005: 139-142).

The issue of abolishing slavery soon divided the Brazilian elite that were in general positioned separately in the center and in the northern and southern regions of the empire. Those who were positioned in the center were mainly Portuguese-born merchants and bureaucrats whereas landowners were in regions outside of the center. Nonetheless, the riots in the South that broke out due to the occupation of the Banda Oriental[8], to an important extent, made the emperor dependent on the support of the landlords in the South, while the expenditures made to handle all the situation almost depleted the Brazilian Treasury. Pedro I, who did not hesitate to try anything to overcome this crisis, started to print money. This soon created a profitable situation for exporter landlords through the depreciated Brazilian currency, as well as a high inflation that damaged the situation of the other groups in the country (Halperín-Donghi, 1993: 89).

Under these conditions, as the era of Pedro I was coming to an end, the liberal group that had gained strength had the opportunity to further put their decentralization interest into action. This, however, revealed the threat of revolts in some regions that could even lead to a social revolution. Then, it became possible for elites to unite in a short time compared to the previous period around the idea of Dom Pedro II to ascend to the throne at a young age for the empire was no more exposed to those threats. Still, there was another important issue affecting the interests of the conflicting elites in the process leading up to the abolition of slavery.

[8] The Banda Oriental, the east bank of the Uruguay River, was occupied by the Portuguese forces before the independence. The establishment of the new empire of Brazil, however, did not change the situation of invading there, yet the local forces organized in the Río de la Plata soon presented a threat to Brazil. So much so that as soon as the revolts gained momentum, Argentina also declared war on Brazil, while the Brazil's emperor, Pedro I, needed to be supported by the landowners of the Southern Brazil. This, in turn, meant a complication of its previous connection with the other social group consisting of the bureaucrats and merchants in the center of the country (Halperín Donghi, 1993: 88-90; Skidmore and Smith, 2005: 141-42).

By the middle of the 19th century, although the Dutch and British continued to dominate the loan market in Brazil, it cannot be said that there were no internal interest-bearing loans within the country. On the one hand, there were the local merchants, who, in a sense, with the downfall of the previous colonial relations, began to lend their customers through the trade channel; on the other hand, there were the commissioners who financed the farmer with current account loans, especially in the regions where coffee production took place. Further, a mechanism had been created in which the commissioners in this agricultural production point controlled the commodity sales and money flow, sometimes even dominated the production process so as to undertake the risk management of the landowner to embrace a part of the value created in production (Saes, 1986: 45-47).

When all this is considered together with the issue of slavery, it points out that the coffee economy was also to an extent excluded from the banking system that was tried to be linked to the world economy under the conditions that trade was already more privileged than farming. That is why, regarding accumulation within the system, the situation of the planters' indebtedness and the slaves being a new class emerged. Since slaves had contributed to this economy both by being the source of working and by creating the condition for the farmer to get the necessary capital, the existence of slaves was constituting sort of a commitment of debts to be paid (Martins, 1979 cited in ibid: 48-49). These created the need to find a replacement of labor forces and a new way for loans to be guaranteed again. This, then, caused borrowing again as it required the acquisition of capital goods such as machinery that was expected to be a cure for the lack of labor. And ultimately, the rising costs of slaves were also transforming the relation of interests between slave traders and landowners, with several other social factors, leading the Brazilian government to take measures to end the slave trade.

In the time leading up to second half of the 18th century, the general course of the Brazilian economy was stable, if not spectacular. Still, the trade deficit, which was seen mainly due to the increase in imports, influenced the period as another indicator that could not be prevented in spite of the increase in exports. However, the way those exports taking place was more intriguing because mostly British commercial houses were those managing the process of carrying the exports of Brazil to the world market.

Moreover, it was the British, too, who provided quite good amount of loans to the Brazilian government, and foreign investments from the City of London took place. Several infrastructural and sectoral investments again had been realized with the 'cooperation' of the British.[9] Almost all the railways in Brazil, for example, were constructed with foreign investments from Britain (Bethell, 2018: 73-75). That is to say, almost all of the public debt of Brazil at that time was because of the loans from London.

It should also be noted that British commercial banks were also among the most widescale banks in Brazil at the time. "In 1913… British banks held a third of total bank assets, domestic and foreign, in Brazil." (ibid: 75). In this regard, although, towards the end of the century, houses in the country began to grow and to some extent reduce the role of British commercial banks, the finance of agriculture, industry and trade was provided by British capital for a long time. To exemplify, in 1855, the banking house of N. M. Rothschild had started to be the financial agent of the Brazilian government in London in order to lead the credit processes of the Brazilian government in the capital markets of London (Abreu, 2000: 390).[10] This in turn, had created a situation in which the government's fiscal, commercial and monetary sort of policy-making processes became openly imported from that agent in line with its interests or 'guidance'.

Towards the last decades of the 19th century, when the major issue of slavery was still on the agenda in Brazil, immigration from Europe was considered as a way out at the point of transition from slavery to free labor. Although one of the reasons for this seemed to be to correct the slave image that formed the identity of Brazil, the labor needed by the coffee plantations that grew immensely in and around Sao Paulo was not enough despite all the internal migration from the Northeast region. However, the

[9] For more about the extent of those 'cooperation's, see: Bethell, L. (2018) "Britain and Brazil (1808–1914)" In *Brazil: Essays on History and Politics*, University of London Press., and, Abreu, M. D. P. (2000) "British business in Brazil: maturity and demise (1850-1950)", Revista Brasileira de Economia, v. 54, n. 4.

[10] Also see Shaw, C. (2005). Rothschilds and Brazil: An Introduction to Sources in the Rothschild Archive. *Latin American Research Review*, *40*(1), 165–185.

institutional changes planned to make immigration attractive were affecting the political balances in the country (Skidmore and Smith, 2005: 144-147). The military forces, on the one hand, were strengthened during the Paraguayan War through over financing which was also a reason behind the significantly increasing external debt. Moreover, since the international financial crisis of 1873 had caused to collapse the stock markets all around the world, the finance in Brazil was also damaged to a crucial extent.[11] For instance, the collapse of a banking baron leading most of the Brazilian banking system made the capital market seem abandoned in Brazil.

On the other hand, the landowning oligarchy of coffee planters from Sao Paulo and the cattle farmers from Minas Gerais had not been reluctant to cooperate with the military by the virtue of monarchy's abolitionist moves and so on, thus the period regarded as the Republic of *Café com Leite* (Coffee with Milk) had started and lasted until the 1930s (Halperín-Donghi, 1993: 153-155). At this juncture in time, it is possible to mention an oligarchical rule originating largely from the last decades of the 19th century and a picture of Brazil that continued to experience various financial problems in the last decade of the 19th century as well as in the early 20th century. On account of these events, it might be helpful to recall the arguments addressed in the literature to cover how was the monetary policy during the second empire and the first republic that, then, gave the shape of the Brazilian financial system in the 1900s.

3.1.2. Discussions on the 19th Century

One of the most referenced books in this regard has been Furtado's (1993) *Formação Econômica do Brasil*. For him, monetary policies of the 19th century had often been restricted by the concern of doctrinal integration to the world economy.[12] The gold-

[11] For more about the reasons behind the start of a series of crises, namely 'panics' cf. Aliber, R. Z., Kindleberger, C. P., & Kindleberger, C. P. (2011) *Manias, panics, and crashes: A history of financial crises*. New York: Palgrave Macmillan; Mishkin, F. S. (1991) "Asymmetric Information and Financial Crises:A Historical Perspective" in Hubbard, H. G. (ed.) *Financial Markets and Financial Crises*. Chicago: NBER and University of Chicago Press.

[12] I.e. a commitment to the European doctrine.

standard system was not that equally applicable to an export economy experiencing its transition from slave-labor to a wage-labor regime. For it was causing an inefficient investment to guarantee the conditions of the financial orthodoxy at the same time by creating differences in crises and management of those crises in the world economies dependent upon the place each country occupies in the international trade (ibid: 161-168).[13]

Then, some scholars contended that the policies were often compatible for the sake of British banks and foreign investors, whereas there were also those stating that the monetary policies seemed convenient to the interest of landowners (cf. Granziera, 1979; Schulz, 1996). While another argument taking place has been that the political conflicts regarding centralization and de-centralization had an impact on deciding the monetary policies in parallel to monopolizing the issuance of banknotes (Levy and Andrade, 1985). In this argument, it is asserted that the only notes was not issued by the state but also there were some individual payment bills, such as the role commissioners played in the plantations mentioned earlier. This enabled the private credit bills to cover the needs for payment flows at the same time by accelerating the circulation of goods. Since the emergence of the commercial banks or mechanisms of credit in some regions did not only satisfy the money needed in sectors of production and commerce but also created a banking capital from the usurer's capital that had been transforming the shape of capital accumulation. That changed the level of the state's power to regulate the monetary policy from time to time by means of political conflicts (ibid: 20-23).

However, the argument, which is seemingly agreed in common, has been that one of the problems concerning the banking system was believed to be about the convertibility obsession rooted in the imperial era.[14] Just like Furtado's explanation

[13] In the wage-labor regime, the risk of monetary demand being higher than exports is another source of imbalance because previously it was possible to compensate the differences between export and imports by means of the differences between income and factor expenditures. Nevertheless, Brazil, as a country exporting primary goods, was more fragile to the prices falls in the international market, thereby facing the problems in balance-of-payments (Furtado: 161-8).

[14] For further discussions, please see Wileman, Joseph P. 1896. *Brazilian Exchange: The Study of an Inconvertible Currency*. Buenos Aires: Gali Brothers.

that the issues of inconvertibility, deficits and the issuance of paper money have become pathological in Brazil (Furtado: 167). The conditions were requiring monetary expansion in the Brazilian political economy because Brazil was an exporter of primary products, converting its productive activities on a wage-labor basis in that time, and had a high import coefficient in its balance-of-payments. Therefore, monetary reforms were tried to be considered several times at the end of the 1880s. Franco (1983: 30-37), for instance, asserts that the expansionary conditions for the monetary policy in the end of 19th century were not reasonable for a simultaneous deflationary plan that could also maintain the convertibility conditions as advocates of the *metalista* orthodoxy would prefer.

Although it was also known that the exchange rates were subject to the effects of the balance of trade and foreign loans issued by the treasury, the main reason for the fluctuations in the exchange rate was believed to be speculation in the foreign exchange market (ibid: 37). Thus, the disposition of Brazilian bonds to London seemed like a must due to the budget stagnation by reducing the Treasury's control over loan capital markets. And, for Franco, it was the foreign direct investment obeying to the confines of the international finance and the circumstances of the financial markets, rather than being shaped through granting of interest guarantees or interest rates differentials by the local factors.

On the other hand, both *metalista* and *papelista* economic schools of the period have more been taken into account in Villela's (2020) recent work *The Political Economy of Money and Banking in Imperial Brazil, 1850-1889*.[15] For him, it was true that the production sectors demanded cheap credits because of the abolishment issue and the need for creation of new opportunities in such a transition, as the new Commercial Code showed in that era. But, the imperial government did not prefer to depreciate the Brazilian currency because it will cause an increase in the payments for those who were indebted in sterling and for the Treasury. It was not only for the provision of a

[15] In general and supposedly, the *metalista* advocates were interested in currency-related policies, whereas the *papelista* advocates were in banking and issuance of notes.

guarantee to the foreign creditors but also a stable exchange rate seemed necessary. Even though the *metalista* thought seemed opposed to the existence of new actors issuing notes, both the *metalista* and *papelista* views were in support of the conditions that several actors expanded money supply because there were little opposition to deposit and discount banks. The point distinguished them was more likely to be the convertibility issue (ibid: 93-97).

In addition to these, Villela (2020: 185) contends that "… contemporary policymakers strove to confer on Brazil's currency the discipline associated with the Gold Standard.". However, for him, it was not due to a 'mimicry' of Europe, as Furtado states. Rather, for the author, three concerns took place regarding the monetary policy: the first is the government's debt in sterling; the second, the need to signal 'financial rectitude' for foreign investors; and, the third is the fixed exchange rate regime, which would prevent sudden changes in the foreign exchange as an insurance with the convertibility to prevent income and wealth shifts.

3.1.3. An Expansionary Period: the *Encilhamento*

The historical period following these discussions in the literature is defined as the *Encilhamento*.[16] Although it is conventionally common to define the *Encilhamento* as a bubble, there are also some approaches which interpret it in a developmentalist perspective or as a combination of both views (cf. Furtado, 1972; Fishlow, 1972; Lobo, 1976; Levy, 1980; Topik, 1991; Júnior, 2003; Schulz, 2008); as well as there are some late approaches that claim an analogy between the crisis of the *Encilhamento* and the Baring crisis in Argentina by linking those crises with international capital flows and debt cycles (Triner and Wandschneider, 2005; Filomeno, 2010). The main argument of the view that saw the *Encilhamento* as a bubble was focused on the uncontrolled speculation in financial instruments and the corrupt situations it created (Lobo, 1976: 260-300). Nonetheless, speculations on the commodity and financial markets had not

[16] *Encilhamento* is used by referring to horse races with the meaning of saddling up and/or mounting. In Brazil, the term used to refer to a series of monetary policies that covers the last years of the 1880s and the early years of the 1890s.

taken place for the first time, but the *Encilhamento* period was the first time that many more corporate and individual investors engaged in the market more than ever (Levy, 1980: 192).

The argument, which is that these conditions provided economic growth and industrialization with opportunities such as the growth of limitedly responsible corporate formation and excessive stock sales, also claims that the events caused a negative shock by crashing the financial markets by constituting the circumstances for an early period of import substitution industrialization (Fishlow, 1972: 311-365). But again, the Furtado readings highlight the imperatives of this situation, such as the demand for additional money created by the spread of wage-labor. This situation, for him, pushed the economy administration to expand the means of payment, revealing features that the increase in the number of banknotes and excessive credit abundance. While this expansion created an incentive for private consumption and investment with low real interest rates, it acted as a concentrating factor in the short-run. However, in the long-run, it required imports, and it was inevitable that it would have a direct impact on the exchange rate by creating negative effects on the balance-of-payments (Furtado, 1972: 168-175).

There are also opinions emphasizing that the reason behind an ultimate convertibility crisis was not exactly as Furtado states, because of the claim that the exports had also increased like the imports. In other words, the deterioration in the balance-of-payments was not seen as the increase in imports due to credit expansion, but as the difficulties in the finance of the capital account caused by external restrictions due to the political and/or economic structure (Júnior, 2003: 286-293). In this regard, Schulz, too, asserts that immigrants, freed men and people in cities developed the market as a response to the expansion of the banks and industries, and this, in turn caused an inevitable increase in the stock market (Schulz, 2008: 71-90). Then, this was, again, due to three circumstances of the *Encilhamento*: the need of money supply for the salaries of wage-labor, the coffee prices in parallel to the efforts to make a peaceful enactment for the abolition, and broadened markets of some industrial goods.

Nonetheless, the issuance of gold-supported notes was fragile from the beginning because any decrease in the prices of coffee would cause a deficit in balance-of-payments, which means an outflow of gold. The political crisis by means of republican civils backing the army to unsettle the monarchy, however, shaped the occurrence of this prediction. The numerous loans and allowances were expected to make planters, and several other benefited sectors, happy, while funds that were supposed to be used by the state for the public good which flowed almost interest-free to the privileged banks (ibid: 90-97). That is, agricultural loans and the flow of convertible notes did not save the monarchy.

According to Topik, the Republic was not a structural inevitableness, but it was a political coincidence that maintained the imperial understanding of policy-making, as "the core of the expansion during the *Encilhamento* years was the great merger movement directed by a handful of financiers." (Topik, 1991: 264). Its start was given as a response to the abolition and booms in the international capital markets, yet, its real developmentalist objectives could not be obscured because both the number and scope of newly created corporation were higher than ever before. This shows that not only financiers but also planters and industrialists benefited. All the figures of the *Encilhamento*'s policy-makers, that are Ouro-Preto, Barbosa and Lucena, combined the political requirements with an economic 'vision'. This period of expansion would eventually collapse, and it did (ibid: 169-171).

However, the conflict commonly highlighted to portray both the collapse and its background was not between the growers favoring the immigration or expanded money, the commercial capitalists using the opportunities of the *Encilhamento*, and the progressive bourgeois industrialists opposing to that expansion. Rather, it seems more correct to look for this struggle between the bourgeois fractions and the subordinate classes. And, finally, it discredited an organized model of capitalism, for Topik (1991: 264). That is to say, after this period, while discontented attitudes towards expansionary monetary policy and state intervention were accepted. In practice, Brazil's foreign credit opportunities were damaged. Efforts to create a national capital market harmed Rio de Janeiro's national hegemony. And, most of the

companies established in those years could survive to the extent that they could remain under the control of foreigners or the state (ibid: 264-267).

Instability amid this financial turmoil left the banking system, too, in an unstable and unorganized situation with the following banking crises in the first years of the 1900s. Seemingly, it is possible to feel that too much monetary easing would no longer be that welcomed and a return to economic orthodoxy should be given place. That is probably why many banks issuing money was stopped by the new finance minister, Joaquim Murtinho, after 1898. A lot of banks founded during the *Encilhamento* failed, and even the *Banco da República* formed together with the *Banco do Brasil* as a national bank closed (Cortés and Marcondes, 2018: 7-9). By 1900-1901, the need for banking reform in Brazil was continued to be emphasized because of the crises. Also, for the argument that the Brazilian banking system is inadequate to promote investment for industrialization had started to spread (Neuhaus, 1974).

One of the reasons behind this, nonetheless, have been expressed as the orthodox monetary policies of that period. For instance, the monetary orthodoxy considered with the fact that Brazil did not have adequate financial and monetary institutions to foment industrialization at the same time by being concerned about stabilization, appreciation of the currency, decrease in money supply, and balance-of-payments (Peláez, 1971: 19-25). Also, the state's debt and was a crucial factor in monetary policy-making (Fritsch, 1988: 13-31). That is to say, an inherited factors that are the state's external debt, which was mostly equal to half of the foreign investment, and the Treasury's debt, which was mainly linked to the savings of the Brazilian middling people, were restricting. Thus, a controversy in implementing the liberal assumptions revealed by the state intervening in the financial policies during the First Republic in consequence of a debilitated financial system required interventions for decades (Topik, 1987).

The reform of the banking system in 1906 was in order to establish a well-defined structure for the transactions of the banks and businesses, as well as to re-open and give a form to the *Banco do Brasil* as a national bank (Triner, 1996: 137-143). Therefore, the role attached to the bank was leading the national distribution of banking services as well as the management of the monetary policy. In a sense, without

challenging the former view of intervention by Topik, this view asserts that the planned institutional dimension contributed to the Brazilian economy by means of creating an organized banking system that concerned by connecting regions, areas of production, and public and private sectors. Subsequently, the national banking system, which was shaped in a hierarchy led mainly by the *Banco do Brasil*, approached to take a certain institutional shape regionally and nationally (Triner, 1999: 132-143). This created the opportunity for the banking system to provide resources to the market and entrepreneurs by creating dynamics that are both legal and responsive to the market. That is to say, a more organized banking system enabled the sectors interacting with the finance and banks to experience a safer expansion of banking in the way to economically grow, decrease the risks and protect properties (Triner, 2000: 127-146).

And ultimately, this allowed the country to experience a growth in the period up to the 1930s, which contributed to the Brazilian development 'despite the complexities in public finance'. In short, Triner makes descriptive conclusions about the First Republic's monetary and domestic finance debates based on data and in discussion with the developmentalist and dependency theses that dominated the literature for a period.[17] However, it is still open to debate how these descriptions based on the institutional reforms and changes in the domestic finance and banking system added a new dimension to the subject, in terms of foreign debt, international finance, and international markets, and the impacts of external shocks. Also, the emphasis that despite the complexities of public finance, the domestic banking system organized and contributed to the development, still lack the very reason to explain the problems with the public finance.

Similarly, alternative views attached to the monetary policy had also questioned the effects of international markets on the domestic economy. The study on monetary policy by Neuhaus, for instance, suggests that more consistent implementation of the

[17] For other works with data such as national product, price levels, money supply and international debt support the inferences about Brazil's economic trajectory contributed to the financial historiography of the country, see *Triner*, *Gail* D. (2000). *Banking* and *Economic Development*: *Brazil*, 1889-1930. New York: Palgrave. And, for the discussion on Dependency School, see Triner, G. (1999). The Delayed Development of Early Brazilian Financial Historiography, 1889–1930. *Revista De Historia Económica / Journal of Iberian and Latin American Economic History*, *17*(S1), 53-75.

orthodox monetary policies would provide a better response to the demands of both domestic and foreign markets in line with the public finance, which is then problematized by the argument that these orthodox policies would not respond to these external shocks, and that these policies caused the country more trouble in the long-run (cf. Neuhaus, 1974; Peláez and Suzigan, 1976). The latter view, in addition to both Dependency and Monetarist views, highlights an export-led growth. According to them, in times of external shocks, countries were able to accumulate by using their previously idle capacities (Peláez and Suzigan, 1976). That is, Brazil was accumulating wealth by its comparative advantage in coffee production, which it gained under the conditions of exploitation.

In addition to that developmentalist point of view, Prado's analysis (1970) of the production and finance for Brazil based on the comparative advantage doctrine is also essential to be mentioned because its critique has been argued a lot during decades. Whether the finance is considered as an international network with its domestic links or not, international trade and a particular exchange rate regime to conduct the exchange of the goods and services obviously make the relations of the market intertwined among countries. A country putting efforts to be industrialized has to be motivated by the ability to export its production in a free trade regime, and this does not only require the capacity to produce industrial goods, but also the access to all kind of inputs, logistics and finance of all the process. Being able to coordinate all of those processes for a free trade regime generate the need for a standardization of means to access all the components internationally. This standardization allowed some of the countries, namely the industrialized ones, to have the advantage of not only introducing the doctrine for certain countries, but also having sort of a determinant power to set the conditions.

By the same token, a free market through demand and supply indicators of a market, let it be international or domestic, would never be enough to explain the conditions of both demanders and suppliers taking part in the circulation. This is because even the states have exchange relations that influences the conditions of both domestic and international market, and those relations are not only at national levels but even it is possible for a state be subject to a relation with individual corporate entities

internationally. For that matter, the assumption made by Prado (1970) is that international financial interests pervades key sectors of the Brazilian economy, for Brazil would be offered financial resources to those sectors in which it was supposed to have a comparative advantage, such as the coffee production. In this way, as a country devoting its activities to these foreign incentivized sectors, the country's inability to produce for domestic consumption in time will increase the need for imports and make it more fragile to external shocks. At the same time, this meant linking public debt, dividend payments to foreigners, and commercial profits to foreign countries; as well as the debt framework created by this structure was not only included the central government and the federalized states, but even the simple municipalities were subject to debts from foreign loans in the Brazilian case ibid: 456-458).

On the other side, any crises hindering commercial and/or financial inflows and outflows in the world market created the need to supply restricted goods that were normally imported in countries, which exports primary goods and imports manufactured goods from the industrialized countries. And this, at those times, brought up the way to be industrialized by increasing domestic production (ibid: 456-482). In this respect, the coming period by 1930s had been a new period to consider that increase in efforts to meet the domestic demand of the Brazilian people. Seeing how the claims made by Prado can be further interpreted in Brazil after a world war and a global depression will more contribute to cover the debates. Therefore, in order to continue for the discussion, the question of how had the industrialization in a supposedly 'closed' trade been financed since the 1930s will be given place.

3.2. The Import Substitution Industrialization Period

Efforts for the establishment of a new way to organize production by means of substituting imported products in a primary-product exporter country is basically interpreted as a concept related to the periods when international commerce is interrupted. This is possibly seen in most countries during and/or after the wars, economic recessions and depressions. In addition, during these periods when trade seems relatively closed, it may also manifest itself as an interim period in terms of not prioritizing financial stability or the conditions 'desired' by foreign investors. Strategy

changes in capital accumulation, however, assumed to be prioritized so that the affected economies could manage the crises, if not to solve it. For example, it was possible to observe a series of strategy changes in Brazil after the financial crisis of 1873. In other words, to the extent that the *Encilhamento* period and the excessive monetary expansion had been likely to form a developmentalism, some long-standing strategies in the context of the monetary policy had undergone changes in order to stir up the export sector. Thus, it exposed some changes to the Brazilian political economy.

3.2.1. The Issue of Coffee vs Industrialization

Although coffee was a product with an increasing demand in the world market and Brazil was closely associated with that demand, Brazilians, to an important extent, had not a voice on coffee prices in the imperial period, but European or North American exporters with information, capital, and credit were setting the prices (Topik, 1991: 61). That is why alterations in these conditions for the national control of coffee was one of the distinctive features of the First Republic. In this context, the interventions of the period were interpreted as being against liberal market patterns.[18] As the liberal Brazilian state undertook roles such as provision of various federal and regional credit mechanisms, institutional arrangements, infrastructure investments, the state's economic activity in the market had been increasing, though the state expenditure was also correspondingly tremendous. However, a result of the political economy in the country was conditioned the access to credit by the state in reference to both the coffee boom and the coffee crises associated with overproduction. Those conditions were coffee-based moves despite the agricultural diversification possibilities that were the increasing production of rubber, beans, corn, rice, and dairy products.[19]

[18] Three kinds of demands took place in the Congress that were those who claimed to limit the control of foreign exporters in the market, those who proposed to decrease the production by encouraging the demand for coffee, and those who still went for more reduction in production expenses. All the same, the mean for the conciliation of the agricultural sector had mainly been the state and regional credits. Another measure had been cooperatives for mutual finance, warehouses and marketing to limit the intermediaries taking role in the market, though fiscal restrictions did not allow all the states to cheer the concept of cooperatives. The state, further, provided some tax concessions, kept taking part for the banking and transportation facilities, made valorizations for coffee, set institutes and organizations for coffee planters, thereby institutionalizing 'national' coffee market. (Topik, 1991: 62-91).

[19] It was because of the less political influence of those sectors' interest representatives (Topik: 70-1).

With the effect of the World War I, the banking system, in which both state banks and private banks were located, was decentralized and dispersed to various parts of the country as national institutions. The efforts to nationalize the banking system also included various constitutional reforms by means of the *Inspetoria Geral de Bancos* (General Inspectorate of Banks). Although this situation did not change the importance of foreign banks for the country, it increased the share of loans in the GDP.[20] State banks provided financial support to mortgage banks by borrowing or deposit funds provided through *Caixas Econômica* (Saving Banks). The *Banco do Brasil* was the monetary authority which monopolized the necessary functions of exchange and money supply for the Treasury. Although such monetary duties were undertaken by means of monetary emission and rediscounting, in times of crisis, for instance in the 1930s, credits were also mobilized through social security instruments, and resources from savings and monetary issuance (Marcondes, 2014: 754-759).

This also revealed the regional expansion of the *Banco do Brasil*-supported credit mechanisms, which increased their activity in different regions. Thus, a Sao Paulo-based literature regarding mortgage market has also emerged.[21] Moreover, it is not reasonable to overlook the private mechanisms because there were a remarkable amount of private bonds and stocks in Brazil until the 1920s (Musacchio, 2009, cited in ibid: 758-759).[22] For, during the 19th century, institutional changes let the mortgage

[20] The share was reaching over a fifth of GDP in 1929 (Goldsmith, 1986 cited in Marcondes, 2014: 755).

[21] Cf**.** Saes, Flávio Azevedo Marques de. (1986) *Crédito e Bancos no Desenvolvimento da Economia Paulista (1850-1930)*. São Paulo: IPE/USP.; Hanley, Anne G. (2005) *Native Capital*: Financial Institutions and Economic Development in São Paulo, Brazil, 1850-1920. Stanford: Stanford University Press.; Marcondes, Renato Leite & Maduro Júnior, Paulo Rogério Rodrigues. (2005) Crédito Hipotecário em São Paulo: Evidências para um núcleo urbano em expansão (1865-1890). In: *XXXIII Encontro Nacional de Economia* (ANPEC). Natal: ANPEC.

[22]Debentures represented 14 percent of GDP in 1915 (Ibid). Reminding the Triner's claims about the improvements in the legal terms of creditors' property rights mentioned before (Triner, 2000: chapter 6), Marcondes also gives place to the guarantees of an institutional environment for creditors and shareholders that enabled companies from different sectors to issue securities in the market. Even so, the conditions of the war and depression reduced the priority of protection mechanisms' of private stock and bond markets later on.

market to expand, as a private credit mechanism that did not include the finance provided by means of shares, but through banks' credit and bondholders. That is to say, the banks provided credit to industries, commerce, public services at larger amounts and better interest and term conditions, while the mortgage market was concentrated mostly in the hands of particular capitalists that were making credit available under less favorable conditions, but to a significant group of people. Therefore, even by only considering the mortgage market, it is possible to evaluate the credit market as fragmented (ibid: 759-782).

On the other hand, the issuance of mortgage bonds was a particular issue in the coffee market because, in addition to the before mentioned subsidized immigration to meet the need for labor, a large-scale access to mortgage bonds to planters took place.[23] Here, the BANESPA case is remarkable to show how the state, once again, had been involved even in provision of the mortgage loans. As the crisis of 1929 had cut the credit flows, the mortgage operations continued as long as the state took roles. The former BCHASP (*Banco de Crédito Hipotecário e Agrícola do Estado de São Paulo* – Mortgage and Agricultural Credit Banks of the State of Sao Paulo) converted into the BANESPA (*Banco do Estado de São Paulo* – Bank of the State of Sao Paulo), and became a state bank by rediscounting its securities (Corrêa, 2017: 167-169). That is, since the political economy in the country was shaped around coffee, it is possible to that an important part of the economic policy was related to the restructuring of agricultural credit and the policy of coffee valorization as long as the so called '*paulista*' interests were represented in the political arena.[24] By the same token, the implementation of the valorization schemes by the state was a direct intervention in the coffee market. Those programs were based on the stockpile of overproduced

[23] "According to one informed estimate, banks provided seventy-five thousand *contos* [one million réis corresponded to one conto de réis] in mortgages in Sao Paulo and individuals provided a like amount. One in four landowners had a mortgage." (Bresser-Pereira, 1977 cited in Topik: 61). As well as formally 167,636 subsidized immigrants came to Sao Paulo in the years 1885-1889; then 315,555 more in the coming five years to decrease labor expenses (Ibid: 61-2).

[24] *Paulista* is a term used to refer to the group of coffee planter owners is Sao Paulo, which is also possible to be seen as a name of the period from the *Encilhamento* to 1930s as the *Paulista* period, or *Paulista* economy.

harvests to release when the indicators of international market would be appropriate, as well as they were financed mainly by means of the foreign bankers' capital under the state's intermediary (Halperin-Donghi, 1993: 171).

Those did not mean that the country left all the efforts to be in line with the international monetary requirements and just served for the interests of coffee exporters. It was true that the Gold Standard had its limitations in Brazil, but still in accordance with the economy administrations of different periods, there were some attempts to prioritize the Gold Standard and the fixed exchange rates. The *Caixa de Conversão* (Conversion Board)[25] in the years between 1906 and 1914, and its resurrection, which is the *Caixa de Estabilização* (Stabilization Board)[26] in the years between 1926 and 1930, for instance, assumed the role of stabilizing exchange rate. However, because of the fluctuations in the balance-of-payments, it is not possible to say that Brazil committed to those international patterns tightly (Marcondes, 2014: 758).

To exemplify, the last president of the period before Vargas, Washington Luís, had been showing quite a lot sensitivity to please foreign capital through his effort to guarantee convertibility under the Gold-Exchange Standard. The Gold-Exchange Standard, however, like the Gold Standard, was not very consistently applicable in the world economy, and it was seen with convulsions over time.[27] Most of Brazilian society had little to do with Luís's economic policies, because despite all the effects of the Great Depression hitting the Brazilian economy, namely the exhausting reserves, the balance-of-payments crisis, and the dramatic drop in the coffee exports, his insistence on a hard-money policy, which soon got him into trouble. The coup or 'revolution' of 1930 soon discharged Luís, and in accordance with the support of a

[25] Conversion Board was established in 1906, in order to manage the coffee crises and stabilize the exchange rate in Brazil. The Conversion Board issued bills of gold-paper to guarantee its exchange.

[26] The Stabilization Board issued notes to be exchange for gold ingots and coins to build a reserve.

[27] See Cohen, B. (1995) "A Brief History of International Monetary Relations" in Frieden & Lake (eds), International Political Economy, pp.209-228.

tired section the elite, Vargas came to power. Although the political turmoil in the country motivated some groups to mobilize such as the Integralists influenced by the European fascism, and the National Liberation Alliance (*Aliança Libertadora Nacional* – ALN) of socialists, communists and various radicals, Vargas suppressed these groups with his authoritarian dictatorship, i.e. the Estado Novo (Skidmore and Smith, 2005: 157-163).

3.2.2. The Arguments on the ISI

For Topik, too, the situation cannot only be explained by the political power of the plant owners, the increasing power of the state by taking role in the economic activity, the problems in the export economy caused by the Great Depression, and/or industrialization forced by middle and working classes. It was the matter of the export economy as a whole. It is true that the increasing importance of coffee in the international commerce, Brazil's place in the coffee market, the power of the national bourgeoisie, and pressures due to the competition had pushed the state to take on some roles. And, while the bureaucratic side of this defensive agenda was concerned by the currency related issues and fiscal indicators for the Treasury; market actors were interested in maximizing profits, so it was also not possible to see foreigners taking a stand against these interventions as longs as their profits were on the agenda. To put it differently, the First Republic was obviously liberal, but the situation was dialectical because "… state interventions were necessary to end distortions in the market place and allow the free rein of the forces of supply and demand." (Topik, 1991: 92).

That was to mention that coffee was a crucial product for the whole Brazilian economy and that 'particular momentum' required the state for the sake of that export economy. As well as policy makers were not independent from the hegemonic class or the forces of civil society, but also, they did not consist of a bureaucratic caste of a patrimonial state. Rather, they were under the reasons of the state itself and the needs of their supporters. Evidently, there were state enterprises as indicators of state capitalism, as well as the subsidies made to private economy. For Topik (1991: 161-163) economic liberalism had been the doctrine of the Republic, whereas interventionism was the output of the crises and rescue operations, instead of a development planning.

To put it differently, "the Brazilian experience between 1889-1930, then, suggests that the state economic interventions, rather than being the results of the breakdown of the export economy, were a product of the export economy itself." (ibid: 167). That is why, the state's relative autonomy from the demands of plant owners has mostly been explained by the influence of foreign investors without considering the class-based interests within Brazil. However, the ultimate goal of each actor in this political economy was to make a profit and minimize risks. The state incentivized private investment, particularly foreign investment through concessions because it helped the country to build the infrastructure. Essentially, "economic nationalism was not a consequence of subordination of the oligarchy and the Depression, as has frequently been asserted, but rather a product, particularly in banking, coffee, railroads, and basic industries, of the export economy (Bresser-Pereira, 1977 cited in ibid: 164).

On the other hand, public debt had been the main driver of the export economy, so much so that while the total public debt was three-quarters of the internal debt in 1889, in the 1920s, it was doubling the internal debt by increasing more than twice of the GDP. Parallel to this, almost all of the current surplus was spent on the cost of external debt. As a result, although the state gained a relative autonomy against exporter coffee planters with foreign credits and the emerging domestic market, the necessity of the export sector ensured the continuity of the planters' influence in the process starting from the 1930s. Thus, Topik (1991: 165-166) points out that the issues exhibited by the market actors including the state until the 1930s were capital accumulation concerned in Brazil. For these events were not a rupture at either a global or national level, but rather, as the evolution of Brazil's dependency on structural changes in the world economy.

At this point, it might be useful to refer to the discussions in the Latin American literature on development. Against Ricardo's comparative advantage theory, which proposes diversification at the expense of specialization, the import substitution industrialization model had been adopted in the Global South, under the leadership of the United Nation agencies. Topics discussed under the titles such as protectionism and state planning spawned mainly two school of thinking in Latin America. As Topal

covers, one of them was in favor of free trade and liberalism, while the other advocated economic independence and national economy (cf. Topal, 2009: 114-121). Likewise, the development concerned schools continued to discuss the views of both group on two sides. The first, in the name of structuralism, argued that only the revolution could save Latin American countries against the doctrines of neo-classical economics. Afterwards, Prebisch, one of the scholars from this side, strikingly analyzed that the price levels of raw materials and agricultural products, which are assumed to be exported by Latin American countries in the long-run, would structurally be lower than the price levels of products exported from industrialized countries (ibid: 114-116). This situation would force the productive capacity of the country by having to export more products in the peripheral countries, thereby making this system in favor of the rich countries. Independently but parallel to the Prebisch's work, Singer also conducted a similar study by pointing to a system in which both sides would not benefit to the same extent. Showing that the price elasticity of demand in periphery and core countries is different, he claimed that protectionism in core countries would reduce imports in the long-run by restricting imports (ibid: 115-118).

On the other hand, another branch of the development school is the Dependency approach. This approach is also divided into two, the neo-Marxist and the reformist. The first, as can be seen in Topal's work (2009), unlike the structuralist and reformist views, emphasizes that it was a failure attaching an importance to national bourgeoisie because the national bourgeoisie had never been a threat to the landowner class. Rather both groups could shape their interests in conformity, whereas in case of an opposition by subordinated classes would definitely lead them to take authoritarian measures. And finally, the reformist view, claims that import substitution did not reduce foreign dependency in Latin America, but it increased it because the industrial sector could not get out of the foreign hands. Additionally, the efforts to finance the development policies, due to reasons such as the inability of diversification despite the loans that support exports and the limited incomes in foreign currencies, eventually led to borrowing from foreigners (ibid: 121).

Looking at the extensions of these discussions regarding the Brazilian case, as a critique to the views that Brazil was an agricultural nation, ISEB (*Instituto Superior*

de Estudos Brasileiros – Higher Institute of Brazilian Studies) saw the years 1950s as the weakening of the agromercantile oligarchy that was an opposed to the industrialization of Brazil by maintaining the semi-colonial and semi-feudal relations of the export economy.[28] The administrations of Vargas and Kubitscheck, however, modernized those relations with the support of the national industrial bourgeoisie and the middle class including the collaboration with technobureaucrats, urban working class, and the non-exporter segments of the oligarchy (cf. Bresser-Pereira and Van Dyke, 1984: 39-42). For Bresser-Pereira and Van Dyke, however, this interpretation, in spite of the omittances of various components of the Brazilian development, was the first in underlining modernization, developmentalism and technobureaucracy within the state apparatus (ibid: 42).

In this regard, Furtado, who was working in the ECLAC/CEPAL (Economic Commission for Latin America and the Caribbean – *Comisión Económica para América Latina y el Caribe*), also sometimes collaborated with the ISEB, asserted the structuralist view for the Brazilian development with the emphasis of the expansion of the world economy as a process including both development and underdevelopment. Furtado's analysis, in line with Prebisch's works, focuses on primary export model and the underdevelopment of Brazil by suggesting the import substitution industrialization model and economic planning by the state for the way to develop in the periphery. Such a development process would require an increase in the physical productivity of labor. In the export economy, however, an increase in labor productivity would cause an abrupt transfer to international market by decreasing the prices. This, in turn, would create distortions in the distribution of national income. That is why, the state should undertake the role of ensuring savings and investment to diminish the main characteristic of underdevelopment that is sectoral disequilibrium, at the same time by developing the domestic market (Furtado, 1977: 107-115).[29]

[28] ISEB included various intellectuals from the Communist Party, though all of them were not Marxists (Bresser-Pereira and Van Dyke: 39-41).

[29] For further detail, see Furtado, Celso (1993) [1959]. *Formação Econômica do Brasil*. 40th ed. São Paulo. Editora Brasiliense.; Furtado, Celso. (1965). Political Obstacles to Economic Growth in Brazil, *International Affairs*, Volume 41, Issue 2: 252–266; Furtado, Celso. (1959). *The Economic Growth of Brasil: A Survey from Colonial to Modern Times*. translated by Ricardo W. De Aguiar and Eric Charles Drysdale. Berkeley: University of California Press; Furtado, C. (1977). *Economic*

Due to the framework of this study, it is not possible to mention all the numerous criticisms made against the advocates of the structuralist and dependency view, as both views, quite for a long time, dominated the studies of the Latin American development history. However, for the Brazilian case, there has been some popular debates that are called as 'structuralists vs monetarists' in the 1950s-60s in Latin America. For instance, asserting that Furtado's indications to the expansionary effects of the state's expenditures were plausible and his analysis provide a good framework about the social history of Brazil, Neuhaus, opposed to the developmentalist arguments in the context that orthodox policies had not always been implemented consistently. Rather, the policies were made to the extent that they coincided with the requirements of the fiscal balance and under the inadequacy of the banking system. For example, when the price and wage elasticity absorbed some of the depression shock, it was the currency devaluations that relieved the Brazilian economy while the world prices were falling. That is why, Furtado's analysis (1974: 89-93) was, for Neuhaus, a simple income-expenditure analysis.

Baer (1974: 118-120), similarly, claims that both Furtado's works and most of the Dependency-concerned works had been limiting the studies of economic history because of generalizations. For him, Furtado's analysis was superficial because it was based on the assumption that reducing imports at the same time by maintaining the domestic income and purchasing power would keep the domestic market dynamic, which, in turn, would cause an increase in the domestic demand of industrial products, and then an increase in the income. Baer, firstly, claims that most of the coffee aid was financed by export taxes; secondly, he argues that financially supporting coffee was not that convenient for industrialization because the credit creation was already limited in the country, and directing most of the credit for the coffee sector artificially distorted other relative possibilities to profit in the country (ibid: 120). Love (1996: 171), on the other hand, argued that "Furtado's structuralism provided a heterodox but non-Marxist path to dependency". His concept was based on the requirement of restructuring

Development of Latin America: Historical Background and Contemporary Problems (2nd ed., Cambridge Latin American Studies) (S. Macedo, Trans.). Cambridge: Cambridge University Press.

primary production for industrialization of the country, which was explicitly benefitting particular regions. And, for Love, neo-classical thought would possibly challenge this concept, as income differences among regions in the long-run cause inequalities in the effects of the growth by leading those regions to become less selective in terms of labor in the long-run. Therefore, this shows itself in three phases: at first, increase, then stabilize, and finally decrease (Williamson, 1959 cited in ibid: 167-171).

In short, the main analyses opposed to Furtado, seemingly, could not go beyond criticizing the period's Keynesian economic policies-influenced manifestations based on specific variables. While Furtado, in his former works, saw the downward pressure on wages due to subsistence economy as a limiting factor for the encouragement of the domestic market; his later works attributed the non-rising wages to conditions and capital accumulation that favored capital re-appropriation of surplus in export products. Also, according to him, another reason he claimed was that the labor abundance in the country was absorbed by the increase in profitability during periods of cyclical recovery, and that during the crisis it would create a fall in prices, a deterioration in the terms of trade and hence a capital outflow. As a price drop would also affect profits, it was expected to lower income concentration, as well. However, the cyclical contraction in exports, thanks to exchange rate devaluations, was actually a mechanism that socialized losses. As a result, the capacity of the economy to resist the crisis was increasing by preserving the conditions of capital accumulation with the income concentration.

3.2.3. Dependency and Industry

Likewise, when the crisis of 1929 broke out, the price drop in the coffee industry ended up with in an overproduction crisis. The level of production and income in the coffee sector, however, were not affected because of the exchange rate devaluations implemented at that time, the control in supply of the product, and maintenance of the employment. In other words, with the protection through the fixed exchange rate and import control, not only the national non-durable industry was protected against international competition, but also the imports of raw materials and capital goods

expanded. Therefore, Brazil's industrial sector became active. On the other hand, although the external fluctuations and the trends that triggered the inflation crisis were, for Furtado, Brazil's structural problems, the inconvenient import capacity of the country would be another obstacle for the expansion of the industry. That is, industrial expansion within a diversified productive structure was expected to characterize Brazil's underdevelopment, which would also lead to imbalances in external accounts, thus inflationary pressures (Furtado, 1959 cited in Bielschowsky, 2014: 55-60).

This brings the subject to an understanding of the Brazilian financial system with respect to such a developmentalism shaping the import substitution industrialization period in which the state came to the fore. Suggestions of import substitution industrialization policies obviously attached an important role to fiscal policy of that period. Yet, it is hardly plausible to say that the effort to stabilize monetary conditions had been abandoned. In 1931, for instance, the British foreign capital appointed Sir Otto Niemeyer, namely a 'money doctor', to meet with the Brazilian government to share some proposals for monetary, fiscal and commercial policies of the country. The main highlight was the establishment a central bank, monetary reform, stabilization of the exchange, balancing the budget, and limitation of direct or indirect external credit by the administrative authorities (de Pavia Abreu and de Souza, 2011: 12-16). Initially, a central bank typical to their proposal had not been established, but the *Banco do Brasil* became even more central through some of its functions. One of them was the authority of issuance through its rediscount portfolio (*Carteira de Redesconto)* to cope with the fluctuations in the currency exchange market.

To exemplify, in 1924, one-fourth of the monetary in circulation was the issues of the *Banco do Brasil,* and it was the two-fifth in the 1945. Secondly, it assumed the role of holding banks' illiquid assets in order to decrease their large currency reserves by means of the *Caixa de Mobilização Bancária,* meanwhile it had been setting the required reserve ratios for other banks (Goldsmith, 1986: 166-175). Finally and as another function increasing its share in the banking system, it was the principal commercial bank in the country because it provided loans and collected the revenues, once again through its rediscount office (Cortés and Marcondes: 9-11). As if these were not enough, the financial institutions' reluctance to finance activities other than

the urban ones created the burden of creating rural credit mechanisms on the *Banco do Brasil*, and it established branches in some areas, though most of them did not seem organized (Sochaczewski, 1993: 26-27).

In the meantime, it is possible to see the banking system expanding similar to the acceleration of the industries from the 1930s, under the umbrella of establishment of a national banking system parallel to 'nationalization' of the economy. First of all, the international financial crash of 1929, while narrowing the space of the foreign sector, eliminated the field of activity in which foreign banks dominated (ibid: 28). The government's control over foreign exchange transactions was unpreferable for foreign banks, causing them to gradually relinquish their positions to local banks. However, despite the controls of the *Banco do Brasil*, several banks were not subject to minimum cash requirements, or when were, they could still operate by building up their small amounts of nominal capital from deposits acquired through relationships with some institutions.

Since the difficulty was experienced both under the conditions of chronic inflation, internal capitalization of private companies, and the requirements of the subsidies for the import of capital goods for import substitution and infrastructure expanses of the public sector, the increase in the number of banks between the years 1939 and 1946, particularly stemming from banks loans that went out of control and was often considered speculative, strained the whole system (ibid: 24-27). In this regard, there was the issue of establishing a central bank to maintain stability about the processes of issuing. The main tasks of the central bank were supposed to be: firstly, to accumulate reserves to deal with threats related to capital movements, credit or fluctuations in the commercial activities; secondly, to regulate credit and payment instruments; the third, to control the credit market and credit instrument at the same time providing liquidity; and finally, to act as the government's financial agency (ibid: 28-29).

That is probably why the *Superintendência da Moeda e do Crédito* (Superintendency of Money and Credit – SUMOC) was established in 1945, which would then often be reminded with the Instruction 113 that guarantees the very disciplined environment for the entry of FDI and internationalization of capital during the 1950s (Campos,

2017). The SUMOC, though not quite independent of the *Banco do Brasil*, emerged as a central bank to organize the inflationary situation and money market in general. In other words, besides carrying out activities, such as rediscount, foreign exchange, specifying discount rates, determination of interest rates for deposits, it was also carrying out the activities of the *Caixa de Mobilização Bancária* of the *Banco do Brasil*. These activities also required it to manage the general loan portfolio of the *Banco do Brasil* like a commercial bank, and the portfolio of agricultural and industrial loans for the purpose of providing long-term loans like a development bank (Bulhões, 1989). Still, another problem of the financial intermediation was pointed out that private savings could not be accessed because of the disorganization of the Brazilian stock market owing to the highly concentrated distribution of income and thus savings, the credibility issues on the federal securities, and the inadequate number of companies in the private equity market.

By the same token, the issuance of capital through the stock market was discouraged by the reasons that the market was narrow, investment banks were not capable of underwriting issues, the family structure of the companies persisting the inflationary bias, and the consequent diversion of savings to the real estate market (Sochaczewski: 29-30). Similarly, Studart (1995), in his book, *Investment Finance in Economic Development*, expresses that the underdevelopment of the instruments necessary to finance the investment, the insensitivity to inflationary pressure, and the lack of long-term credit from private banks were some of the problems of the period from the second world war to the military dictatorship. Because, while the long-term financing of public investments had been affecting the macroeconomic trends, private financial actors were limited to short-term transactions. This, in turn, restricted the access to long-term credit in the country as a whole. A development sustained in this way was based on the public finance of investments using extra-budgetary taxation and/or monetary expansion. However, since chronic inflation in any case required raising taxes or issuing bonds, it became inevitable for companies to increase their profit margins and create a new inflationary pressure in an environment where government expenditures are restricted and credit creation was difficult (ibid: 94-115).

In general, interpreting the financial limitations by reason of the solid presence of the state in the market causing reluctance or hesitation is the easier way. But, reminding some aspects of the political situation, which seemed the state of being unreconciled and event building up a path to a military dictatorship, is also necessarily informative. At the beginning of the Second Republican period, Vargas, slightly more, centered urban workers by imitating the model of the British Labor Party for the election race, though General Dutra won the elections (Skidmore and Smith: 163). Probably, this orientation of Vargas was partly because of the industrialization's negative impacts on the working class, but mainly owing to the strengthening of the left, then collaborating with him (Halperín-Donghi: 258-259). But the consequence was that Dutra's moves away from planning and his return to coffee export sector again exposed Brazil to external vulnerabilities, partly because of the urgent problem of the balance-of-payments deficits (Studart, 1995: 95).

Vargas, on the other hand, did not give up and then took office again by putting economic policy at the center with a technocratic cadre. He promised to revive the inflow of capital and technology to the country by using both the public and private resources. Another important development at this point was the U.S., which was closely interested in the Brazilian economy, drew attention to the inadequacy of infrastructure and energy in the country as a reason hindering the development, and mentioned its interest to create new investment channels for the Brazilian development (Skidmore and Smith, 2005: 164-165).[30] In a short time, however, inflation and the overvalued exchange rate continued to exist, while the deterioration of the foreign trade balance also wobbled the financing promise of the U.S. government. This not only led to various criticisms to Vargas, but also prompted him to implement an urgent stabilization program, which meant a reduction in wages, reductions in public spending, and credit controls. Consequently, the last Vargas era, caught between austerity and appealing to urban workers, came to an end as political turmoil drove him to suicide due to the corruption blames (ibid: 163-165).

[30] The economic commission under the guidance of the U.S. government was not only committing to promise credit, but also proposed some institutional planning, such as the establishment of the National Bank for Economic Development (BNDE). Although the BNDE had no authorization to operate or create deposits, its role was particular in creation of funds for the public investments (Studart: 105-10).

3.2.4. The Way to 1964

Kubitsheck after Vargas, on the one hand, tried to achieve his stability goals by pledging fifty years development in five years. On the other hand, he made generous expenditures, such as establishing a new capital city with the aim of shifting population to the interiors of Brazil, and the *Plano de Metas* (Target Plan), which was mainly based on accompanying industrial production through developing domestic consumer-durable market as well as infrastructure and energy facilities (Studart, 1995: 96).[31] Then, the presidency of Quadros took place but lasted in a short time under the concerns of foreign creditors which created other problems in the country, as the austerity policies proposed by the IMF were not taken seriously while trying to achieve economic goals. Still, those austerity policies were seemingly just postponed, as the period of the populist Quadros presidency took a short time, which then would require a reconsideration in a relatively new era in Brazil with the period of Goulart taking the power as the vice-president. Goulart was the labor minister of the Vargas era, who was dismissed at the expense of implementing the austerity policies. Once again, at a time when inflation and balance-of-payments problems were at the height, Goulart's creation of a stabilization team, including economist Celso Furtado, showed that action was taken in order to comply with the IMF's directives 'advising' on reducing public expenditures, curbing wages and controlling credits (Skidmore and Smith, 2005: 168-170).

In essence, this stabilization program was not much different from the former ones, but it should be remembered that the classes that made up Goulart's main political base would closely affected by wage controls.[32] On the other hand, there was no doubt that the classes representing their interests under the 'national economy' rhetoric would

[31] Also see Brasil: *Programa de Metas del presidente Juscelino Kubitschek.* Situación del plan de fomento económico el 31 de diciembre del 1958. Presidencia de la República. Servicio de Documentación. Rio de Janeiro, 1959.

[32]Also see Brasil: Presidência da República. *Plano Trienal de Desenvolvimento Econômico e Social (1963-1965): Síntese*. Rio de Janeiro, 1963.

create another area of defiance by pointing out the abidance by the conditions of the IMF. Last but not least, urban and rural groups had been organizing more and more, since they were, in a sense, less oppressed in the Goulart period compared to the previous periods. The organization of these, muchly leftist, groups not only disturbed the nationalists, but also the agricultural capital since a rural movement would be a serious threat to their interests (Halperín-Donghi, 1993: 260-262). As a result, Brazilian society was widely polarized, and the army stepped in. Brazil. In other words, conflicts were reconciled by authoritarianism along continuing economic interventionism with the convulsions of populist alliances in this period. However, unlike Goulart's policies in the previous period, initially the military's very primary policy was to solve the inflation problem by lowering wages.[33] While this was constituting another problem for already mobilizing sections of society, the *junta* politics did not hesitate to act in the most violent way in an environment also influenced by the Cuban Revolution in the Latin America region.[34]

With the stabilization move, a new plan put forward to improve the conditions for the continuity of the accumulation regime –at the expense of working classes, for sure. Economist Roberto Campos, who was known for arguing that capitalism has not failed in Brazil, but has not been tried yet, also had an effect on the 'reformist' economic policy, as the planning minister of the *junta* cabinet. Under the leadership of Campos, a central bank was eventually established, stock markets and securities were, to an extent, put into an institutional framework, necessary regulations were implemented against the working classes, and export conditions were softened. On the other hand,

[33] Studart mentions that the previous era's usury law (ceiling interest), gold clause (as another tool of market control) and various regulations restricting private banks to compete in the public banks-dominated financial market led to inefficiency stemming from the government's populist approach (see Footnote 2, Studart: 193). However, fixing the wages with an index, in this period, seemingly, created a situation to the detriment of working people by enabling the government to keep wages below inflation, instead of solving that inefficiency.

[34]There are tendencies to liken the Brazilian bureaucratic authoritarianism to fascism. To avoid deviating from the context of the study, it is plausible to merely mention that there were differences as well as similarities. Because, in *Estado Novo*, for example, it was possible to see the state trying to shape labor unions as an extension of the authoritarian administration, which is, in terms of the respective political theories, closer to fascism by trying to politicize the masses with the efforts of making them a part of the regime. In this period, however, it can be seen that the military had openly been trying to disorganized the masses as an actor of depoliticization (Halperín-Donghi: 311-2).

financial system arrangements to support stabilization consisted on several basic concerns. One of them was to carry out various regulations in order to bring the savings into the financial system; the other was to converting the mechanisms of the financial system into long-term lending, as private actors had only been involved in short-term credit transfers; and most dominant another concern was, of course, to create more financial resources (Studart, 1995: 73-79).

Nevertheless, although the expected growth was not seen until 1966, either because the 'economic miracle' of 1967 was requiring a longer-term to see the effects of the reforms or more was needed for a rapid growth, yet the tight framework then followed by the next government took care of this. The framework was clear: suppressing labor and boosting foreign investment (Skidmore and Smith, 2005: 172-174). In this context, implementation of these reforms had shown that, over time, financial actors continued to avoid providing long-term credit, no matter how much the government regulate or incentivize them, though those regulations or incentives mostly used to create more profitable opportunities by those private actors. Since the banks' continuous 'reluctance' created the need to constantly finance the transfer of resources from foreign countries under the conditions that the government trying to increase the volume of credit, another consequence of the reforms was increased foreign borrowing (Studart, 1995: 77-82). This meant an excessive accumulation of foreign debt at that time.[35] On top of that, the actors in the domestic financial market with access to external debt were no longer limited as before. The expanding European market made it very easy for even national companies to borrow abroad (Aglietta, 1985 cited in ibid: 80). In general, the economic boom was possible by means of the expansionary fiscal and monetary conditions.[36] This is because this liquidity environment was refreshing

[35] In 1965 and 1966 external borrowing was $373 million, while it rose to $4.5 billion in 1973 (Studart: 80).

[36] The ratio of loans provided by investment banks to total private sector loans increased from 4.8% in 1967 to 12.7% in 1973; the ratio of financial companies' loans to total private sector loans from 10.4% to 15.1; the ratio of housing finance to total private sector loans increased from 8.5% to 17.4%, thus these three loan mechanisms being accounted for almost half of increasing private sector loans. On the other hand, annual growth rates were around 13%. Inflation, paralleled the boom's performance, from 38% in 1966 to 15% in 1973. More strikingly, the balance-of-payments improved as exports rose from $1.6 billion in 1967 to $6.2 in 1973 (Ibid: 81-2).

the production both from demand and supply sides, as financial instruments were expanding in various ways from consumer credits and housing finance to increasing number of investment banks.

3.2.5. The End of the Commodity Boom

By 1973, the aftermath of the boom had been started to give signals that the macroeconomic trends did not continue on the similar way. As the oil shock and the end of the Bretton Woods system from the outside, and from the inside, domestic accumulation not turning into new financing, increasing demand for capital inputs, domestic markets reaching saturation formed some of the superficial problems to hamper the desired macroeconomic situation. Again, this was tried to be solved with a new development plan centering around import substitution. In terms of fiscal expansion, the plan did not indicate a deviation, but, monetary conditions were approached with a much more conservative line. Under the leadership of Minister Delfim Netto, once it became clear that such a mixed plan could not meet the expectations, in 1980 the policies completely surrendered by the orthodoxy. High interest ceiling were introduced against the expansion of both consumer and bank loans, the state's price control mechanism was abolished, both public expenditures and investment by public enterprises were curtailed, corporate taxes were reviewed, and surely wages were readjusted and lowered –as it is the first thing coming to mind in regard to inflationary pressures (Studart, 1995: 84-98).

These were clearly in a structure that forced the state to sacrifice public profits, i.e. to privatize earnings, in the way to save the private sector at the expense of socialized losses. In practice, the discussions taken place to show the inadequacy of import substitution industrialization are mainly based on incorrect resource allocation due to the primary production's loss of importance, creation of a speculative environment, provision of the monopolization opportunity to the industrial sector, fragilities due to over-strengthening the state, labor productivity and unemployment issues because of the need for capital-intensive conditions, income concentration, capital inflow and economy dependency enhanced by financial subordination, or the inequality that had been remarkably separating the urban middle classes from the working people in

general. However, the most important point that should not be forgotten is the structure of the import substitution system (cf. Saad-Filho, 2010: 3-8).

Although industrialization may have evolved over time from consumer-durables to even production of capital goods in a relatively large economy of the Global South like Brazil, the state's role was not only based on planning, providing fiscal expansion, and so on. Rather, its structure behind the suppression of labor and regulation of social conflicts should not be ignored. Because, from the early industrialization period of Brazil, taking into account all the issues involving labor, capital and state actors, the direction in which productive resources would be transferred shaped the political life in its essence. By the same token, those led the state to be central to such a politically and economically interventionist state of being under the populist, nationalist, corporatist, or whatever rhetoric. Therefore, the best picture describing the end of the import substitution seems to consider the outputs of the country's actors in terms of the political economy.

From the capital side, the situation was domestic capital consisting of family companies with relatively small capital that produced consumer-durables, while more advanced production such as capital inputs was undertaken by transnational companies or certain domestic oligopolies (ibid: 6). From the labor side, the picture looked grim because the labor had the least share of gains from the 'economic miracle', while having the most share of losses from the 'lost decade'. Even though the middle and urban working classes had been reaching some sort of purchasing power (for the sake of markets to keep the consumer demand alive), it was kind of a small compensation for the huge accumulation. As for the state, the world recession following these events once again reduced the revenues from export products, while inflation, balance-of-payments deficit had still been constituting a problem. As well as borrowing was problematic since both the internal and external interest rates were high, and the Brazilian state was already extremely indebted. At the end, it was subject to an IMF-led economic plan to meet foreign commitments.

3.3. Transition to Neoliberalism

The Washington Consensus, which is widely accepted as the manifesto of neoliberalism, refers to a policy framework drawn by the IMF, the World Bank, the Federal Reserve Board, the executive branch of the U.S., the Inter-American Development Bank, think tanks related to economic policy, and congressmen interested in Latin America (Marangos, 2009: 197). In other words, through the Bretton Woods institutions of the 1980s, these structural adjustment programs, originally conceived for Latin America but later found in many places, contained some of the main policy recommendations. These were: fiscal discipline, strict control of public expenditure, tax reform, privatization of public enterprises, financial liberalization, trade liberalization, regulation of exchange rate policy, facilitating foreign direct investment, deregulation and assurance of property rights (Williamson, 1990).

These structural adjustment programs actually showed the feature of an effort to remove the obstacles facing the financial capital, unlike the previous policy proposals in exchange for foreign credits underlining development. So as the recommendations of the Washington Consensus, then, were criticized concerning its effect on sequential crises of the 1990s, especially in Asia, and the main argument was that those policies were not effective in economic growth because it was merely focused on inflation, interest rates, budget management, trade balance, and money supply by ignoring the indicators of welfare, such as consumption, income, employment, savings, health, education, housing, inequality, and so on (Stiglitz, 1998). Overall, either this or that way, the Washington Consensus marked the beginning of neoliberal accumulation strategies. This was, however, more than the economic strategies of accumulation because neoliberalism, as the way contemporary capitalism operates, is a hegemonic political project that puts the state at the center of domination in order to maintain social life around particular class interests under the discourse of removing the state from the market (Saad-Filho and Yalman, 2010).

That is why, to the extent that it is possible to define the return to free market idealism as a new liberalism following the end of the planned development phase, it is common

to refer to the period starting from the 1970s-80s as neoliberal. However, since the determination of these framework cannot provide a uniform transition process under same conditions everywhere, the political transition led the adaptation of each countries' political economy. In this case study of Brazil, however, the use of the term neoliberalism is preferred to express that the economic policies of this phase differed in comparison to the previous phase, so, it does not mean that the former was illiberal. For, the neoliberal period is another capitalist period in which the national development goals were replaced by the centrality of finance in Brazil, Latin America, and many parts of the world, where domestic capital became transnational and development priorities changed. Nonetheless, transition to that phase of capitalism did not happen suddenly with the withdrawal of the military from the politics, or with the state being subject to directives of the IMF.

3.3.1. The *Abertura*

Brazilian's transition to neoliberal policies started with the *Abertura* (opening) under the junta administration earlier than the 1980s, which, in turn, brought transition to democracy forward once the social, economic and political conditions were considered appropriate (Bresser-Pereira and Bruneau, 1984: 187-191). As it has been previously stated, in Brazil, what happened by 1964 meant the consensus of the elites (including large and medium sized-capitalists, industrialists, financiers, exporters, merchants, landowners, top civil servants, and so on) by the *junta*. At the end of this elite consensus, excessive capital accumulation became possible and continued through an absolute labor suppression until the moment when the strict approach of the military government to its aims was politically broke up, as well as its strategy to grow in this way was economically exhausted (Saad-Filho, 2010: 12-13). However the long-lasting military rule and its social reflection, both economically and politically, caused a political struggle, since the economic situation was also not as bright as before. The consensus this time was in favor of a transition to democracy notably because both economic and political foundations seemed ready. Also, unlike the previous more radical social movements, the political struggle demanding democracy was also more balanced and secure, led mainly by middle-classes intellectuals and lawyers, at the

same time demanded by the outside world (Markoff and Baretta, 1990: 422; Halperín-Donghi, 1993: 363-364).

In this regard, Fernando Henrique Cardoso, questioning the dependent process of capitalism in Latin America as a sociologist, considers the development goals with regards to fascist, authoritarian, corporatist, totalitarian and even democratic practices. Then, he concludes that it is easier to think that industrialization would happen through authoritarianism, but without social democratization as a whole, a democratic transition would be a 'deception' (Cardoso, 1973, 1979, 1981, 1996 cited in Cammack, 1997: 223).[37] To put it differently, the socialization of not only economic losses but also economic gains was one of the prerequisites for social democracy, meaning that a political democratization process should be carried out together with social democracy as a whole. However, the neoliberal economic policy-making basically aimed to reveal the continuity of globalized economic structures under a market mechanism that was finally 'competitive', free from state intervention, and led by international capital mobility. In other words, the very emphasis of the economic administration was to be led by the motive to attract foreign capital.

This, in fact, was not a new motive that had never been observed before, but what made the difference was that this motive was at the very center of the whole strategy of capital accumulation. The commitment was to act in line with the interests of global financial actors for the sake of this strategy in order for capital inflows, thereby achieving the stability hoped for years and years. In this structure, 'policy credibility' is more important than ever to 'not scare' foreign capital due to the risk of capital outflows, and one of the most important instruments has been interest rates as it was crucial to control inflation and balance-of-payments deficits. Moreover, both commercial and financial liberalization were another dimensions of this economic strategies. As if the high interest rates' tendency to reduce employment, production, and investment was not risky enough, this multidimensional liberalization created the

[37] Later on, Cardoso, as a socialist then became a politician, also believed that liberal democracy or democratic liberties would constitute improvements for social democratization, and he said "I was never a neo-liberal" Still, liberal democracy or democratic liberties would have constitute improvements for the aim of social democratization (Cardoso, 1973, 1979, 1981, 1996 cited in Cammack, 1997: 223).

requirement that keeping domestic interest rates high would not be adequate for stability, but the interest rates show be higher above the international levels due to management of intertwined risks such as exchange rate risks (Saad-Filho, 2010: 14-15).

In order to follow the implementation of this policy structure together with the historical transformation of the country, it is necessary to remind how the transition from the *junta* administration happened. When General President Geisel at some point failed to manipulate the country's strikes, media calls for democratization, inflation protests, and the whole opposition including even the Catholic church, General Figueiredo had been the next president to undertake the governing process of re-democratization in 1979. Meanwhile, another feature of 1979 was the marked rise in international interest rates, inflation, and thus the end of Brazil's economic expansion. This ultimately limited the military's effectiveness in the Brazilian political arena because still being able to borrow from the credit market was crucial in order not to deepen the economic recession. The military therefore had to pursue the democratization process in order to prevent Brazil being defaulted.

In 1985, the opposition won by a large majority and the *junta* era was over. However, President-elect Tancredo Neves passed away before he could take office, therefore José Sarney took his place (Halperín-Donghi, 1993: 367). Now it was time to do something to recover the economic situation. The name of the new republic's first stabilization program was the Cruzado plan. Cruzado was the name of the new currency that replaced the cruzeiro with the wage-price freeze policy implemented to combat inflation (1000 cruzeiro now meant one cruzado). Although the plan initially seemed to reduce the 227 percent inflation, it obviously failed when it rose again to 337 percent in early 1987. These, in turn, created some controversy about inflation. According to structuralists, the reasons behind inflation were the relative price changes of agricultural products because of its effects in the economic growth and the problem of income redistribution. On the other hand, for the neo-structuralist and/or neo-developmentalist view, which included some economists inspired by the structuralists including Bresser-Pereira, the reason were the price increase in the production costs, wage indexations, and that tendency to devaluate exchange. Based on these reasons,

they believed that inflation actually depends on inflation because inflation creates inflation day by day in a continuous overlapping manner, therefore the inflationary process is inertial (cf. Bresser-Pereira, 1986: 9-22).[38]

Similar to inflation, external debt problems were tried to be managed by indebting more, liberalizing capital accounts, and reforming the domestic financial system respectively under the Sarney administration (Saad-Filho, 2010: 15-16). Also, a social atmosphere demanding and conflicting economically occurred. For instance, the government's step to design an agrarian reform probably by virtue of the *Movimento dos Trabalhadores Rurais Sem Terra* (Landless Rural Worker's Movement – MST)[39] caused an aggressive struggle from the side of landowners, which would then be a problem for the election. Likewise, since the Cruzado Plan were keeping the value of the new currency superficially stable, it was also decreasing the domestic value of exchange, thus harmed the trade balance, which was also problematic for merchants (Halperín-Donghi, 1993: 367-368). As a result, the collapse of the Cruzado plan in general resulted in the little-known young politician Fernando Collor de Mello becoming president in 1990. More interestingly, the former labor union leader Luiz Inácio Lula da Silva, who received 47 percent of the votes, was the opposition candidate against Collor in the 1989 elections. Since the percentage of votes for the left to some extent reflects the political conflict in the country, the election of Collor was only the beginning of more turbulent times. Collor, initially aimed for stability with a couple of short-term so-called vulgar Keynesian policies, but also it was during his administration that Brazil reduced most of its import restrictions by following the Uruguay Round of GATT (Saad-Filho, 2010: 16).

[38] Also Bresser-Pereira, as the finance minister, later on, proposed another policy, which was defined by him as "an interim policy, just aiming at dealing with an emergency situation. It should be followed by some reasonable solution for the foreign debt problem, a strong fiscal adjustment, and a new stabilization plan". But since he could not find enough support for the latter ones, he resigned, as he mentions. See, Bresser-Pereira, L. C. (1990). Brazil's Inflation and the Cruzado Plan, 1985-1988. In P. S. Falk (Eds.). *Inflation: are we next? Hyperinflation and Solutions in Argentina, Brazil and Israel*. Boulder: Lynne Rienner: 57-74.

[39] MST was mobilized more through the democratization moves of the era in line with organized leadership not only against being landless but also against globalization and more. See Issa, D. (2007). Praxis of Empowerment: Mística and Mobilization in Brazil's Landless Rural Workers' Movement. *Latin American Perspectives*, *34*(2), 124–138.

Afterwards, fiscal control was broken and annual inflation was at 1585 percent due to the necessity to be subject to funds more but no longer access to foreign loans could take place. Also, interest rates were extremely high, so much so that many manufacturing companies grown in the import substitution process had started to make more profits in the financial markets than in the commodity markets. Meanwhile external pressures inclined for the administration to follow an IMF-led austerity policy (Pang and Jarnagin, 1987: 13-14). That is why at a point he turned to be extremely market-oriented to adopt policies parallel to the aforementioned Washington Consensus including privatization, deregulation and liberalization of trade and finance. But since an opposed stance was there that the Congress was mostly not that agreed with these resolutions, thus the only thing the government achieved was the sale of a state-owned steel mill company. For, Collor did not have time to do more, as he resigned in 1992 when he was about to be impeached due to corruption and replaced by the vice-President Itamar Franco (Skidmore and Smith, 1993: 176). Nevertheless, the annual inflation in 1993 had risen to a rate around 2000 percent, when an urgent action was extremely needed.

3.3.2. Cardoso and the Real Plan

Although the issue of privatization was slightly shelved during the Franco period, another stabilization plan came to the fore, which was again expected to be market-oriented with all of its efforts to control inflation, increase export capacity, and attract foreign capital inflows. In late 1993, Fernando Henrique Cardoso, as finance minister, introduced a new anti-inflation program. It was almost the last chance of Brazil, remembering that the *junta* era was ended in a debt crisis which eventually collapsed all of its legitimacy. That is to say, controlling inflation was one of the most components about political legitimacy of the elite (Saad-Filho, 2010: 16). Cardoso's plan later proved so successful to decrease the inflation, even he gained a lot confidence to run for president in the 1994 elections against Lula in which he received 54 percent of the votes to take office in 1995. Indeed, Cardoso had managed the problem of hyperinflation with the Real plan, but before understanding this stabilization it seems useful reminding the Brady plan which was introduced by

Nicholas Brady, the U.S. Treasury Secretary, to the IMF and the World Bank in 1989. With the aim of managing the international debt situation of the Third World, the Brady plan's goal was to increase the creditworthiness of the debtors by imposing reforms programs to those countries.

In other words, international creditors were likely to enhance the 'cooperation among debtors and creditors' by means of financial assistance, but in exchange for implementing 'strong' policies that is mainly removing interest rate controls in order to decrease debt burdens, promote domestic savings, and most importantly, avoid capital outflows (Clark, 1993: 38-39). Although this plan eased the debt situation to some extent, the inflation problem had still been existing in Brazil. This is exactly why the finance minister Cardoso was on the scene. The 'real' aim of the Real Plan was financial liberalization, trade liberalization and cutting government expenditure, thus it was almost the crowning of commitment to neoliberal policies. As it was to push the limits of Brazil profiting from the international credit market's excessive liquidity, but at the same time by trying to go all lengths to attract foreign capital (Morais et al., 1999: 9).

Obviously, the program 'unbelievably' decreased the inflation as the 1993 annual inflation of about 2000 percent become 3.7 percent in 1997. However, the 7.1 percent real interest rate on treasury bills in 1993 was about to be 35 percent; the $6 billion current account deficit again in 1993 increased to more than $33 billion; the external debt grew from $145 billion in 1993 to $200 billion in 1997; the domestic debt constituted 21 percent of the GDP in 1993, and 30 percent of the GDP in 1997; and so on.[40] That is to say, the new Brazilian currency, *real*, which had been dramatically appreciated, limited most of the other macroeconomic indicators. For, it indicated the exchange rate being the main policy instrument, fiscal problems, increasing capital inflow simultaneous to increasing current account deficits (around $34.5 billion) and high interest rates. Meanwhile, the real growth rate was initially 5-6 percent then fell to 3 percent in 1997 and above 1 percent in 1999, but the previous growth also was not possible owing to increasing performance of the real economy, instead it largely

[40] See Morais et al. for the detailed data (pp. 11).

was due to the increase in real wages and consumption (cf. Dornbusch and Cline, 1997: 376-379; Amann and Baer, 2000: 1805-15).

Moreover, since the public debts were remarkably increasing just like the taxation levels, there should have been a disconnectedness among fiscal and monetary policy. The reason behind that was not only the government spending in general, but also the finance of capital inflow sterilizations. To put the fiscal imbalances in a different way, due to the high interest rates, both industrialists and banks borrowed from abroad at lower interest rates as far as they could reach. These borrowings, however, were not just to cover their expenditures or to finance investment, but also to buy treasury and central bank bills at a 30 percent annual interest rate. But, this was problematic because the central bank had been earning around 5 percent from its reserves, while transferring all the value of difference created by this mechanism to those who hold bills thanks to having access to foreign finance (Morais et al., 1999: 13)

On the other hand, foreign exchange reserves were crucial for both the stability of the new currency and for keeping inflation low, as inflation was also high. Yet, the problem here was that capital inflows were short-term portfolio investments, hence open to speculation and fragile to crises (Dornbusch and Cline, 1997: 391-393). As a matter of fact, when the Asian crises broke out in 1997, countries subject to the IMF scheme began to experience difficulties one after another due to sudden capital inflows and outflows. When Russia also went through a crisis came after Asia in 1998, it fell to the IMF, the U.S. government and the World Bank to save Brazil upon panic. $41.5 billion support provided to Brazil, while the government had been implementing the desired domestic conditions in return. In general, Congress did not hinder this process mostly, but once domestic crisis such as the rejection of pension reform proposals occurred, again 'external concerns' increased in line with the capital outflows and already rapidly declining reserves of the country (Amann and Baer, 2000: 1816-1817).

After the Asian crises, the capital flowing into the 'emerging' markets has stagnated, and the financial assets seeming safer, such as the U.S. treasury bills, started to be preferred. By the beginning of 1999, after Brazil had to dissolve its $40 billion worth of reserves, the Central bank had to abandon its efforts to appreciate *real*, allowing it

to float. *Real* lost almost half of its value quickly, then with the inflation that came to the agenda again, interest rates were increased to 45 percent. While it was clear that the costs of all these were socialized, the Brazilian government decided to implement a currency board. This, in turn, caused the liquid Brazilian market to be damaged and the savings to be further endangered because liquidity was the basis of both financial and pension system. Since currency board would also restrict both the fiscal and monetary policy instruments, this meant dragging the masses into the fire in order to prove that Brazil was in harmony with the international financial system, beyond causing other problems such as poverty, unemployment, and many more (Morais et al., 1999: 13-14).

Despite all these failures, maybe because of his 'successes' in the past, or the despair of seeing no alternative to neoliberal policies, the 1988 elections again resulted in Cardoso's victory over Lula. While the pressure exerted on the administration due to the loans from the U.S. government, IMF and World Bank continued, the economic crisis had not ended. That is probably why most of Cardoso's second term was spent trying not to default on foreign debt (Skidmore and Smith, 2005: 178-179). Additionally, the Real plan was not the only subject of the Cardoso period that needs to be addressed. Since the period before him still carried the worries of the authoritarian past, he had also put forwards a social democratic project. According to Cammack (1997: 223-224), this social democratic project had oppositional and counter-hegemonic features, as originally conceived by the sociologist Cardoso. However, the mass legitimacy of being able to reduce inflation (by means of neoliberal policies though) brought him to another point. This, in turn, transformed the forces that were initially targeted by Cardoso into an area where they represented their interest through the structures that were tried to be established as liberal and democratic (ibid: 234-242).

In order to make inferences with respect to this situation, the basic way is to comprehend which policy served whom under what conditions, that is the political economy of the country and the social relations. As Boito puts it, the most plausible way to obverse social relations and state policies is the concept of power bloc, because it provides both an understanding of the conditions necessary for the bourgeois class

to reproduce capitalism and the interests of each group within itself. Power bloc, on the other hand, is under the hegemony of that social group whose interests are prioritized by the state, and to the extent it is necessary it all takes place at the expense of other interest groups (Poulantzas, 1968 cited in Boito, 2010: 190). Considering that the state has been prioritizing the interest of foreign creditors and national financial actors over other bourgeois interests in the neoliberal era, it is reasonable to say that the policy aims included the integration of the industrial and agricultural bourgeoisie under the hegemony of financial capital.

This is the main reason why these policies are crowned with the deregulation of the labor market and the curtailment of social rights, actually combining the interests of the domestic bourgeoisie and hegemony (ibid: 191). For, the way to provide the very ground that every capitalist actor can more or less benefit is to suppress labor. So much so that this not only worsens the conditions of labor, but even transforms the state structure of which all the classes take a part. In this context, for example, although privatizations were assumed to be done to create public finances, the neoliberal prescription demanding the reduction of public expenditures at the end of the day happened with the aim of increasing capital while shrinking the state. That is, it still protects the interest of a particular class. Moreover, even the mainstream literature has questioned the contribution of privatizations both with regards to their quality and quantity regarding the Brazilian state (cf. Baer and Villela, 1992; Pinheiro and Giambiagi, 1997; Gonçalves, 1999; Silva, 2002). Indeed, the general conventional claim has been that the state, instead of downsizing, weakened itself during the privatizations. However, when considered in terms of labor again, it would be more difficult to directly suppress labor with the existence of a weak state.

Therefore, even though privatizations were made to show that the state was acting in accordance with the neoliberal directives, contrary to what the mainstream expected, it was never reasonable to eliminate or reduce the presence of the state under such labor repression. Last but not least, as another commitment to hegemony, the liberalization of trade and the entire market has suffered small, medium and even large capital depending on their activities. Regarding the relationship between the exporter sectors and the exchange rate policies that has often been expressed before, new

conditions created huge differences in imposition of industrial, manufacturing and agrarian interests compared to the protectionist period. This meant that policy practices previously favoring those sections of the bourgeoisie now turned out to serve only for the banking branch of capital and international capital. No wonder, both the costs of those differences and the risks posed by capital flows, such as sudden changes in commodity prices and exchange rates, generally has been sorted by means of 'monetary stability' in spite of its impositions on classes, especially the working classes (Boito, 2010: 192).

3.3.3. Continuities from Cardoso to Lula

Now the discussion will continue with what changed in the 21st century Brazil when the Cardoso era was over and labor leader Lula finally elected in 2002. In order to avoid repetition, as most of the 21st century discussions will take place in the next section, this part is to provide an outline. Firstly, it would not be wrong to roughly say that although the 2002 elections were a significant achievement of the left in Brazil, nothing much has changed. Just like Cardoso, who is said to be an ex-Marxist sociologist, Lula, the former union leader, did not or 'could not' deviate from neoliberal policies. The economic stagnation before and during the elections and social tensions in the country limited support for Presidential candidate José Serra, Cardoso's successor in the party. This put Lula, the candidate of the *Partido dos Trabalhadores* (Workers' Party – PT), to the fore. However, apart from the historical issues on the radicalism of the worker's party, it was seen as to a significant extent against neoliberalism because the PT was directly associated with the left, and even directly related to some organized movements.[41]

In the last days of Cardoso, the internal public debt was almost equal to half of the GDP while it was about to come to maturity in less than a year. Under these circumstances, there were those who demanded an interest hike to roll over the government debt, as well as those who advocated re-planning to find other ways to

[41] For more about the formation of the PT, see Saad-Filho, 2007: 8-18.

reduce the dominance of financial capital. Yet, once the increases in interest rates could not deal with all the situation of panic, the *real* depreciated, most foreign banks started to recall their short-term credit lines, and Brazilian bonds and foreign debt certificated were downgraded in international markets (Saad-Filho, 2007: 18-19). Investors' concerns that the left-wing candidate would break out of the previous policy framework were not that baseless at the beginning. Because, in the document titled "another brazil is possible" prepared by the PT in 2001, the party openly made a call. While this namely "the necessary rupture" call openly questioned the promises made to the IMF, land reform, increasing access to public services, and even reconsidering privatizations and the property structure was highlighted (Campello, 2015: 92-93).

However then another move came from Lula towards the middle of the year, as the stock market nearly crashed, the *real* depreciated even more, and the risk premium of Brazil's government securities rose to the highest levels in the world. Perhaps partly because market pressure must have gripped Lula, he replied to everyone via the *Carta ao Povo Brasileiro* (Letter to the Brazilian People). While emphasizing that he would guarantee the maintenance of the fiscal discipline and efforts to keep inflation low in the letter, he also stated that no arbitrary decisions would be taken under the PT administration, and that the country would adhere to all the contracts to which it is subject (ibid: 94). That is, he would adhere to the tutelage of international finance. Although the letter created excitement domestically, it did not make much impact internationally at first. As a matter of fact, the capital outflow, the depreciation of the *real*, and the lowering of the bonds' ratings continued despite the interest rate rise, until the IMF announced a $30 billion loan support. The backing of the IMF and the U.S. government then advertised and the situation had started to calm down.

As in the words of Martínez and Santiso (2003: 374), "[B]usiness could go on, the IMF play keeping Brazil alive as a 'buy' opportunity. Confidence was further boosted when all the main presidential candidates pledged to honor the agreement.". On the other hand, Lula's acceptance of IMF tutelage was not merely an economic policy surrender. Because the Lula coalition called the alliance of losers, encompassed many social segments, from unionized urban and rural workers to unorganized and informal workers; from civil servants to professional middle class; from manufacturing

industrialists to the right-wing oligarchs of some regions (Saad-Filho: 20-2). This required responses to the demands of all that expanding political support. The remarkable point here, however, is that this alliance of losers were seemingly losers of neoliberal policies. This put Lula in an already inconsistent framework to lead the country because the common ground of those 'losers' was very limited and short-dated.

The Lula administration taking office with these vulnerabilities, determined its economic policy with orthodox goals such as low inflation, fiscal surplus, flexible exchange rates and an independent central bank. Because it was the Fiscal Responsibility Law enacted by Cardoso in 2002, which would allow Lula to get rid of the so called vulnerabilities both with his moderate statements about the concerns of the financial circles as well as the provision of the conditions for the reproduction of neoliberal strategies. During the first term of the administration, as demonstrated in Amann and Baer (2008), large portfolio investments continued mainly due to the high interest rated determined by the Central Bank, meanwhile primary budget surpluses also increased. At the same time, there were large trade surpluses, particularly due to certain high-priced commodities in the international market. *Real* appreciated against dollar, the risks for repayment of the IMF debt was eliminated, and foreign exchange inflows became easier as reserves also increased from $37.8 billion in 2002 to $85.8 billion in 2006. Due to low foreign direct investment and restricted public investment, however, investment could not exceed 20 percent of GDP. As a matter of fact, growth was starting to be upwards only in 2004 (ibid: 34-5).

On the other hand, while the administration gave importance to some sort of welfare and subsidy programs, privatizations were not 'reconsidered', and little progress was made on the land reform issue. That is, the fragmented left due to the 'misrepresentation' in the administration pushed the government to backing of the national and regional capitalists, even though it was known that they would be behind it only to the extent that their interests were exercised. Those, together with the *mensalão* scandal based on the accusations on the PT for buying votes in the Congress, led Lula to turn to poor urbanites (Morais and Saad-Fiho, 2011: 32-33). In this regard, the social assistance program *Bolsa Família* has been one of the most strength of the

president in a time when income concentration was increasing. As Saad-Filho mentions, this social policy practice through conditional cash transfers has reached millions of extremely poor families in Brazil since 2003 (Saad-Filho, 2015: 1227-1228). Nevertheless, without ignoring its poverty alleviation feature, it must be said that this program, which implemented without reforms and transformations in property structures to improve redistribution, has been a reproduction mechanism to mitigate harms of accumulation strategies for poverty management rather than dealing with the rooted problems of neoliberalism (cf. Amann and Baer: 37-39; Saad-Filho: 1237-1240).

In 2006, despite the scandal erupted and some sections of the elite instrumentalizing the situation to hold Lula down, support from the poor urban would have increased for him. Lula again won the elections by a good margin. Some changes in the administration were pointed out because although it was possible to reach moderate outputs from stabilization regarding inflation, exchange rate, budget balance, etc., the lack of growth and employment made those concerned. With the new approach of 'national economic development', unlike the previous term, it became possible to see some heterodox economists within the administration (Morais and Saad-Filho: 34). Clearly, Lula's strategies had now proven what was required to the global finance, for example by paying off the IMF debt before it was due, and thereafter it was the time to get back to the troubles of development but without touching the central bank. Therefore, without interfering with monetary policy and exchange rates, this heterodox group called neo-developmentalist, aimed to increase aggregate demand, regulate income redistribution, expand consumer credit to the impoverished base, along with the protection of international reserves, and they were successful to an extent (ibid: 35).

Also, the state was involved in this developmentalist attempt under the *Programa de Aceleração do Crescimento* (Growth Acceleration Program – PAC) mostly by increasing public investments and activities of state banks such as subsidized credits, housing finance, consumption credits, and development finance (Campello: 108- 109). In conjunction with the highly liquid global market, this has been one of the remarkable periods of Brazil's economic expansion. Accordingly, investment

increased to 19 percent of the GDP in 2008 from 15.9 percent in 2005 through the PAC; so much so that even during the 2008 global financial crisis, the rapid growth sustained through the government's countercyclical policies (Morais and Saad-Filho: 36). These policies covered many issues, from keeping public spending high to increasing credit, from expanding social provision to stabilizing the exchange rate to protect the export sector, and so on. That is why, both fiscal deficit and internal public debt increased, but also the economy grew along with the boom in commodity prices as fast as never before (Barbosa and Souza, 2010 cited in ibid: 37).

One of the most emphasized feature of this period was the state intervention in a nationalist manner, meanwhile Morais and Saad-Filho (2011: 35) also mentions the accelerated transnationalization of Brazilian capital. In this regard, Ayres and his colleagues claims that the increasing economic activity of the Brazilian state such as development bank BNDES, the state-controlled oil company Petrobras, and many others were the very instruments of those countercyclical policies regarding the 2008 crisis. That is why, the government dragging the country into a fiscal precarity then faced domestic public debt, decreased capacity to raise income, and lower GDP (Ayres et al., 2019: 22). Nonetheless, it should not be forgotten that foreign direct investment and net capital inflows, rather than the period before the so-called countercyclical policies, exhibited more increase along with economic growth during this period attached to a 'fiscal precarity'.[42]

Then, at this point, it would be useful to underline two conditions . Firstly, this was a period in which a significant part of the domestic capital and the working classes increasingly accessed to credits and services, but it was the state's effort to maintain aggregate demand by spreading public resources to guarantee the conditions of capital accumulation during the crisis. Secondly, as long as the aggregate demand was maintained, capital could accumulate in conjunction with free trade and finance, therefore accumulation could also tend towards transnationalization rather than nationalization. Overall, it should be said that this another period of expansion was relatively successful compared to the others both politically and economically, despite

[42] See World Bank, Data Bank (1970-2020). *Foreign direct investment, net inflows* Retrieved from https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD (accessed on 02.07.22).

the fact that both deficits and debt would be socialized at some point. This showed that in Brazil even a deviated left-wing government can implement neoliberal policies more successful than any self-assured right-wing government. Hence, Lula fulfilled his commitment to neoliberal accumulation of capital while did not miss occasions that would please disadvantaged classes as well, whether because of his pragmatism or his loyalty to his past. However, all this never diminished the repressive effects of neoliberal policies on labor. For, labor has now been indebted and even more dependent on this accumulation regime.

So much so that neither Dilma Rousseff, who ran as Lula's successor in the 2010 elections, nor rival candidate José Serra made even a slightest claim to back off from these policies, besides they did not come across a mobilized labor requiring them to do so. Although Serra went as nasty as he could during the election campaigns to oust her, Rousseff became Brazil's first woman president in 2011. She was perhaps the most left-wing president ever because she was a former revolutionist, however she lacked most of Lula's opportunistic behavior. As she was pretty determined to maintain, and even to consolidate, the neo-developmentalist policies of the previous period, she could not settle with particular segments of society. In addition to this disagreement, the continuation of the global financial crisis, the deterioration of stable value of the *real*, the straining of the fiscal conditions, global uncertainties, and many other factors began to limit investment for economic indicators (Ricz, 2017: 100-101). Thus, the PT's alliance with domestic segments was also shaken. The Rousseff administration, then, had to leave neo-developmentalist policies behind by focusing on fiscal austerity and inflation targeted due to the pressures created on her. But once the PT lost the support of the internal bourgeoisie, it was therefore a perfect opportunity to undermine the credibility of the administration as the demand of the international and financial bourgeoisie was already to leave the state-led developmentalist policies aside to merely implement neoliberal economic policy.

In other words, the consensus was broken, and although the PT was quite degenerate in terms of its political base, as of those days it had little support outside of the poor and working segments. Still, Rousseff was re-elected in the 2014 elections, albeit by a narrow margin. The effects of the global crisis, the inadequacy of development

policies, the current account deficit, and deindustrialization continued to deteriorate the economic situation (Saad-Filho and Boito, 2016: 221-222). The games against Rousseff increased day by day under the leadership of the rival party and turned into mainly right-wing mass actions to be united around corruption, but, no doubt, it was in no way about this corruption case of *Lava Jato*, but to dismiss the Rousseff administration due to her tendencies to violate the very backbone of the neoliberal policy framework in Brazil, i.e. the Fiscal Responsibility Law, by understating the fiscal deficit. Eventually, the process worked and Rousseff was dismissed to be replaced by vice-president, Michel Temer, who was then accused by Rousseff to orchestrate almost a coup against her. After Temer acted as president for the rest of the Roussef's presidency, Brazil probably has made a historical mistake by the electing President Jair Bolsonaro. However, since does not seem possible to discuss the originality of the many disasters of far-right president Bolsonaro and his era being accompanied by a series of crises that are global pandemics, global recession, climate crises in general, it would be good to end this section here.

CHAPTER 4

FINANCIALIZATION IN BRAZIL?

As discussed in the second chapter, it can be said that international financial expansion is tried to be analyzed in the Global South with three main analytical approaches. The first of these is the Dependency view, which starts with the discussions on the post-colonial period, but feeds on the understanding of underdevelopment that focuses on the relationship between the core and the periphery. The actors in the analyses are states, international capital, labor and domestic capital. Underdevelopment, on the other hand, is explained by the peripheral production relations and the resulting commercial and financial constraints regarding the cost of finance and technology. This, in turn, can again be explained by the unequal relations and concentration aspect of capitalism and summarized with the arguments that social relations based on interests are maintained for the benefit of the elite or elite fractions at the expense of other classes. Dependent and peripheral financialization approach, in a similar vein, is focused on explaining the international relations of capitalism historically also by applying a series of views introduced by the Regulation School in an eclectic way within this framework.

Post-Keynesian views, on the other hand, analyze the macro as well as micro policy-making processes in economies together with the behavior of foreign markets in order to understand the money and power relations that arise in the context of liquidity. In this framework, it reveals macroeconomic elements that limit countries due to the causalities of money and power positions in the processes of policymaking. Finally, the Marxist approach examines how labor and capital are positioned in global capitalism based on exploitative and imperial relations. In this context, Marxists analyses are mostly inclined to see financialization as a continuum of contemporary global capitalism. For it has been demonstrated in most analyses that these are

processes contributing to discipline labor, and in relation to redistribution that further accumulates capital. This reflects the reproduction of hegemonic capitalism, its markets and structures institutionalized around the interests of certain fractions of capital.

In a nutshell, let financialization be a cyclical process from within neoliberalism –or more precisely within capitalism—, or be an unprecedented new aspect of the capitalism; neither the dependency of actors in capitalism nor the subordination within the system would probably not manifest itself as a new monster to the extent what are discussed seems to hegemony, hierarchy of money and power, the core and periphery of capitalism. However, given the contradictions of capitalism and hence its crisis tendencies, there would be new phenomena arising from the way to manage each crisis within these contradictions, rather than to solve, as it is the systemic necessity. That is to say, there is almost no doubt that financialization, in terms of imputed features of it in the literature, is something that has occurred and been continuing with crises. In order to understand it by way of looking at the countries of the Global South historically, it is required to interpret the social formations that would show novelties and specificities in social context.

This possibly will not be an approach to try to explain financialization perfectly conceptual. But the purpose here is more about contributing to make time and space-based inferences on Brazil to the extent that it can be fed with already existing conceptual ground. Thus, the rest of this study will be shaped around the questions that why and how financialization has started to be discussed in Brazil as a country from the Global South. Initially, in order to provide a basis to the understanding of the Brazilian literature, some implications on capital groups under the umbrella of internationalization and financialization will be addresses parallel to the previous chapter on an historical overview. Then, the Brazil-grounded literature on the financial expansion process and dependent/subordinate financialization arguments will be reviewed.

4.1. Internationalization and Financialization in Brazil

4.1.1. Capital Groups until Internationalization

In colonial-era Brazil, the land ownership structure has its roots in large export-based productions by slave labor on plants called *fazendas*. This structure included commercial, colonial and slave-holding businesses at its time (Lacerda et al., 2001: 12). On the other hand, the long-lasted issue of slavery on the way to integrating into the capitalist system is quite crucial for Brazil. For, in Brazil's agriculture-based export economy (especially in coffee plantations), the mechanism to finance production was directly related to the commercialization of the product. While coffee merchants and *comissários* (commissioners) as a group of economic actors were those who assumed the supply of trading profits and financing, mostly depending on the commercial centers such as Rio de Janeiro; and, this was the most important feature that distinguished them from an ordinary merchant, since both the financial activities of the product and its sale depended on them (ibid: 32).

On the other hand, credit money came mainly from British and Dutch houses during this period when Portugal had not been patronizing its colony well. Yet, in the coffee economy, this structure, in which the slave is the guaranteeing element of financing, is inherent in coffee production. Because coffee production in convenient plants is a long-term effort, so that it was the labor taking part in the production both as productive force and as a commitment mean of repayment. This is significant because it is an example of how finance becomes a form of organization but also how a productive activity becomes subordinate by finance since commercialization.

After the independence, the pressures on the abolition of slavery on the grounds of both international integration and modernization, as mentioned in the first part of the third chapter, even led to the establishment of an agricultural republic. It was partly because of the highly strengthened army due to the regional wars in Latin America but also the planters consolidated their political power a lot due to the war conditions away from the center. For slave labor was as important to coffee producers as the abolition of slavery was to capitalist mode of production in which free labor is a condition. This

is a process that has cyclical aspects, along with a change in strategy. The transition from slavery to free labor had not been easy both materially and morally, and as again can be seen in the third chapter, the problems of Brazilian capitalism are often linked to this transition in the literature concerned with the period up to the import substitution industrialization period.

It should not be forgotten that despite the domestic finance houses that emerged towards the end of the 18th century, agricultural, industrial and commercial loans were dependent on the British houses for a long time. In addition to these loans, there was managerial guidance on behalf on the British, which were generally based on free trade doctrines sandwiched between heavy sterling debt, convertibility issue and gold-standard implementation to sustain the fragile export economy. On the one hand, there was already wages supposedly as a new cost in production, on the other hand, inflation, a high import coefficient, a high current account deficit. Those were at a time when monetary expansion could be preferred to convertibility, while exporter capital demands in conflicts with the Treasury debts in foreign currency were on the agenda. Yet, the *Encilhamento* bubble, in which excessive credit booms and banking proliferation –in parallel with the exporter capital's demands for cheap credit abundance—perhaps triggered by the panic of the 1873 crisis, showed itself.

This bubble was a period marked as the rise of financiers together with its developmentalist aspects. Because the issue here was not actually a conflict between merchants, industrialists and growers due to the ongoing conflict of centralist and decentralist approached related to the establishment of the republic, as explained in more detail in the third chapter. Rather, it was a collectivity of interests directly related to its developmental and expanding aspects of finance, the conditions for the transition from slavery to free labor, thus a conflict between capital fractions and working classes. Otherwise, it would have been meaningless if the political balance could not be established, despite the resources flowing into agriculture and privileged sectors (e.g. convertible banknotes and subsidized immigration to lower agricultural production costs) at the expense of a huge public debt burden.

By the same token, to the extent that the world market began to recover from the crisis, a return to orthodoxy came with it, but this manifested itself as a necessity of international market, for sure. As a matter of fact, even when the *Encilhamento* bubble burst, in spite of the portrait that there were heavy government debt, low saving rates, and weakening financial structure, this developmentalism was not completely abandoned under some conditions organized by the state. So much so that although access to credit began to be conditioned, banks began to spread to different regions, and the state stood behind the mortgage market through *Caixas Economicas* (saving banks). These saving banks, definitely, continued this task at social costs. However, there were divergences within the financial system as well. For instance, while commercial banks were providing loans to the industrial, commercial and public sector at better interest rates; the mortgage market was serving to agricultural capital at worse interest rates because it was financed by loans and bonds, instead of stocks. And, the main reason for this is concentration according to the literature discussed in the third chapter.

On the other hand, considering the presidents from the period of the *Café com Leite* (Coffee with Milk) Republic to 1930, another striking thing is that most of them were presidents elected from Sao Paulo (coffee) and Minas Gerais (milk)[43]; which raises the question that to what extent other segments of the agricultural economy, such as the Amazon economy, could benefit from this period regarding their comparatively weaker political power. As well as, for the concentration in the production of coffee (being the 'comparatively advantaged' sector) and later on a few different products would show international character of the export sector based on primary production. The excessive mortgage bonds in the market and the state's direct intervention in the coffee market by implementing valorization schemes also reflect the extent to which the capital accumulation in the Brazilian economy had been relying on coffee in this regard.

[43] See Skidmore and Smith, (2005): 154.

Nevertheless, the policies supporting coffee did not necessarily mean that the issues of the Gold Standard and exchange rate convertibility were put aside. But Luís, the last president before Vargas came to power in 1930, may be an example in this respect, because he placed too much emphasis on the practice of orthodoxy. For, certainly along with the devastating effects of the Great Depression, it did not take long for him to be defeated with the coup. The period of import substitution industrialization, which was envisaged to be relatively closed under economic nationalism particularly from 1930 onwards, was not absolutely the result of the coffee and milk oligarchy, but the result of the relationship between the economies of industry (manufacturing), banking, coffee and railways with the export economy.

Although the state gained a relative autonomy against coffee planters, the coup is also apt to be explained by the export economy and the conjuncture in the world economy, both economically and politically (Topik, 1987). As a matter of fact, the conflicts of capital fractions predicted that economic and political power of the traditional agricultural capital would be overcome by industrialization led by the state, at least rhetorically. However, that was probably not the case, as until the coup in 1964, as populism, nationalism, corporatism, and etatism apparently failed to reconcile some specific conflicts such as those between agricultural capital and urban capital, those between manufacturing capital and finance capital, and surely, those between capital and labor (particularly urban labor and urban middle classes) (Saad-Filho, 2010: 7).

As a result, commodity boom became possible with this military coup-led reconciliation despite its many contradictions. But those contradictions still kept existing in intra-class relations due to the property structure and the environment of competition. As, Evans (1979) asserts, the alliance of that three leg tripod consisting of transnational companies, large-scale local capital groups and the state summarizes well the exclusionary industrialization seemingly ‘successful’, in spite of the all the social contradictions. Obviously, the substitution of imports was important as can be seen in the planning programs of the period, but the Brazilian economy was never closed to the outside. Because capital inputs required for both foreign borrowing to finance excessive state expenditure, FDI and the capital goods necessary for the growth of domestic industry had always come from outside. As for those produced

internally, non-durables by small family firms whose ownership structure rarely change, and durable and capital goods were produced by foreign transnational capital and domestic oligopolistic producers (ibid: 7).

Therefore, the state, which was constantly caught in the middle of the conflicts among the priorities of interests, failed to determine the requirements of capital accumulation beyond the short- and medium-termism. On the other hand, fluctuations became inevitable as transnational corporations took over some of the profitable sectors, access to finance and technology for most of the manufacturing sector was dependent on foreigners, the unregulated stock market and the inefficient federal securities was making difficult to access to private savings, the exhausted public finance, current account deficit, and inflation. Stabilization programs, then, came into play.

Nevertheless, there were several other important factors. The first was that the economic boom was mainly the product of expansionary monetary and fiscal policy because it expanded liquidity, thereby increasing access to credit and expanding financial instruments. The second, the actors in the domestic financial market had access to external borrowing, too, because the growth of the European market enabled even national companies to get loans from abroad (Aglietta, 1985). But, the third factor was concentrated income, as domestically access to private savings was difficult and family business structures were implied to create inflationary pressures rather than turning this concentrated accumulation into the market (Sochaczewski, 1993). Therefore, given the crisis conditions and social contradictions explained in the third chapter, in order to cover the period of transition to neoliberalism in terms of financialization, it may be useful to focus a little more on corporate structures in Brazil.

4.1.2. Internationalization and Concentration

Fontes and Garcia (2013) interpret the internationalization of Brazilian capital beginning in the 1960s as a new imperial capitalism in Brazil. According to them, a cooperation carried out by the corporate-military power mainly through Petrobras and construction companies at the time it started, by means of the driving force of credits and the state's policies has been the starting point of that 20 large Brazilian

transnational corporations invested around $56 billion in 2007, and in 2010, held $209 billion foreign assets with approximately $130 billion revenues (ibid: 209-210). The state, on the other hand, did not hesitate to be a force behind the investments of domestic corporations abroad, despite the insufficient domestic investment during the developmentalist discourse. For Fontes and Garcia (2013: 211), there was a climate that tended to attribute this to the fact that transnationals had been retaining the profitable investments within the country and that there was no alternative for domestic corporations to compete internationally.

Nonetheless, one of the most striking issues here was the internationalization of the Brazilian National Social and Development Bank (BNDES), which supposedly played a central role in development, by turning into a financial holding company through holding shares of firms during the Lula period, at the same time by playing a major role in the concentration of capital to create 'national champions' abroad (ibid: 211-213). In fact, This process contained many conflicts and contradictions, also led to transformations within the bourgeois fractions. Yet, these transformations are too deep to be explained only by the variability of economic powers and the subordination of certain fractions because this expansionary project had been including every single element of society (ibid: 216). For, while this neo-developmentalist hegemony played the role of foreign capital in many other Southern countries through the South-South collaborations, the ownership of these companies was not exempt from foreign capital participation, although the credit provider was the Brazilian state, as it is according to the authors, too.

Moreover, for sure, increasing profits in banking and finance were not only specific to BNDES under the Lula Administration. According to Minella, who points out that finance in Brazil has expanded excessively since 1987, financial institutions and institutional investors, by participating in the processes of capital flows at a significant level, had the opportunity to influence the access of certain sectors to finance at the expense of others without access (1996, 2007: 102). Although this financial hegemony is not independent of economic and political conjunctures, either at regional, national and global levels, its strength is felt better during periods of reduced capital flows. On the other hand, while it is known that the concentration generally seems to be in state-

controlled institutions, some national private banks and some foreign banks, the political power brought by this gives a remarkable influence to those groups on policy-making processes (ibid: 103).[44]

Additionally, although it is difficult to fully characterize the relationship between the state and the financial system, public debt and the pivotal role of the Central Bank are indicators that reflect the policy implementations necessary to maintain hegemony. Another important factor in this regard is the *grupo* corporate structure, as these groups are considered partners of capital accumulation and power (Gonçalves, 1991). That is, such an organizational structure is not only economical but also plays a role in social reproduction processes through media and cultural industries. On the other hand, they are legally independent from each other, but together in terms of property structure which can be as individual, family-owned, multi-family owned as well as under shareholders or holdings (ibid: 494). This, in turn, gives them the power to manage their shareholders, managers, workers and their forms of organization and conflicts (Minella, 2007: 104).

Obviously this group structure is the reason behind the concentration in national industries mainly because of their early involvement in entrepreneurial activities in profitable areas by being alertness to opportunities as well as their relations to the developmentalists governments (cf. Leff, 1978). But also, as the groups operate in different markets under financial controls, resource flows often take place within the framework of the group structure, too, because they have also banks and other types of financial institutions. And, those banks generally have a shareholding relationship with the banks or banking families through interests-based or familial-based relationships established in a very social background (Costa, 2002 cited in Minella, 2007: 110).

As of 2005, Minella points out that the country's four largest national private banks and another bank mainly associated with foreign capital are under the umbrella of non-

[44] They are also transnationally and nationally organized around representative associations. See Minella, 2007: 106-107.

financial groups, while three of them are also among the country's fifteen largest private groups (ibid: 111). For instance, *Banco Bradesco*, as the third largest bank in Brazil and Latin America, controls the largest electricity and mining companies in the country by establishing *Bradespar* Holding company to become a shareholder in many companies, including the public company Petrobras, and began to intertwine through shareholder relationships with more than 40 non-financial corporations (ibid). Other major banks operated in various industries such as *Itaú* in furniture, paper and cellulose, information technologies, chemicals and petrochemicals; *Safra* in telecommunications, paper, livestock; *Votorantim* in metallurgy, steel, paper and cellulose, chemicals, construction, electricity, food and many more (ibid). Even banks with foreign capital included in various groups ranging from primary industries to manufacturing and even to the service sector.

However, what is also remarkable here is that most of those industries have started to emerge in the era of import substitution industrialization and some of them were under the state enterprises. That is, although it is a two-way process in Brazil that both the financial profit owners take over the industries and the industrial profit owners integrated to the financial sectors, it is useful to be skeptical of the idea that this intertwining began with the neoliberal transition. Rather, it seems reasonable to think that these fractions of capital were the driving force in the neoliberal transition, hence the financialization. In this context, the transformation of developmentalism under nationalist rhetoric between the years 1930-1964 into corporate-military cooperation with the 1964 coup points out some peculiarities in Brazil, because, for instance, while the transition to neoliberalism with certain military coups in many other Latin American countries, this transition namely started with democratization process in Brazil.

Neoliberal and democratic transition came into existence under a consensus, however there is also the question that to what extent it was possible to portray a reconciled Brazil not only because of the inter-class contradictions, but also intra-class ones. For, a wide range of intellectuals argue that the dominance of exporter landowner groups in Brazil has always been a problem in industrialization, so rural power maintains its strong character over the state, despite the increasing activities of industrial capital for

a long time (cf. Cardoso, 1972; Schneider, 1992; Evans, 1992). And that is addressed as mainly because of the embedded character of the state's autonomy developed in the 1930s, in addition, the bureaucratic structure being personalized by the presidents and being open to a clientelist relationships harmed the institutional and developmental consistency (Evans, 1992: 167-168). On the other hand, the problem of organization in the industry has been shown as another issue, and the problems of bureaucratic functioning, the power of transnational companies within the country, and the problematic representation structure provided by the state have mostly been indicated as the reason (cf. Diniz and Boschi, 1979; Evans, 1992; Schneider, 2004).

In addition to the implications that these industrial organizations are not institutionally pluralistic, perhaps the period that best illustrates intra-class conflict in the neoliberal era occurred during the Lula administration. Because both the transition to finance-first neoliberalism and its required policies were able to continue with a minimum political consensus under the conditions that the interests of the international capital cycle were principally taken into account. In this context, it is useful to underline a few issues before moving on to the financial expansion discussions in the literature on Brazil. First of all, privatizations have played a role in the finance-industry conflicts in some aspects. The first of these is the privatization of the state's social services, as this creates opportunities for service sectors to benefit from being the new providers of those services, while large capital groups also obtained the opportunities to benefit more from the public budget.

Secondly, due to the privatization law, the public enterprises sold to large-scale companies, as it is mentioned in the third chapter. In addition to this disadvantaged situation for medium- and small- sized capital, although most of those public enterprises were profitable, for those facing profitability problems, the state provided financial assistance under sale contracts (Boito, 2007: 61). Third, the state has not completely withdrawn from the infrastructure services, but public-private partnerships were another area that large companies have been monopolizing; and the state's whole role here is seemingly guaranteeing the monopolies' profits through the public budget. Another important issue has been trade liberalization and financial deregulation with respect to the contradictions within capitalist class. However, these had not only

excluded some companies in terms of their size as in privatizations, but has completely taken care of the interests of national and international financial capital by ignoring the interests of even the industrial capital.

In Boito's words, this has favored financial capital functions as usurer and predatory capital in most developing countries, as in Brazil, since the financial capital has rarely looked for activities other than profiting at high interest rates (ibid: 64). No doubt, the characteristics of the period were in favor of financial capital, however it was the state that formed the basis of these conditions. So much so that the state's policies contributing to this structure have been wide enough, including all the efforts such as international integration of the national financial market, the effort to stabilize the national currency in the free exchange rate regime, the free movement of government bonds and stock markets in the financial market, the transformation of public debt into a versatile return by liquid financial capital holding the public securities with high interest yields, high interests costs for both consumers and industrialists, high-yielding debts of other capitalists to the financial capitalists, financial compliance that guarantees the payment of interest on public debt bonds, and so on.

This has not only challenged the industrial capital in their debt rollovers and profit-making processes, but has also encouraged them to invest some of their capital into investing in finance (ibid: 64-65). Nonetheless, the hegemony of this power bloc, which Boito addresses by indicating the large national and financial capital, would have expressed the contradictions at some point, as the reproaches of the industrial capital against free trade regime created interesting political alliances (ibid: 65). For instance, in 1996, *Federação das Indústrias do Estado de São Paulo* (The Federation of Industries of the State of São Paulo – FIESP), despite being an organization of the industrialists, supported the national strike of *Central Única dos Trabalhadores* (Unified Workers' Central – CUT)[45], reflecting that those outside the power bloc could form alliances (ibid). Then, this alliance led the Cardoso administration to take minor

[45] The CUT consisted of a labor aristocracy including qualified workers from the industries of automotive, oil, banking (Boito, 2007: 65).

appeasement measures without changing its policies in the face of pressure and within the framework of the World Trade Organization's rules.

Lula, on the other hand, was able to achieve certain successes by not ignoring the interests of national capital in this axis started by the Cardoso, because, as stated in the third chapter, the 'alliance of losers' supporting Lula also included these broad sections of society. Yet, another fact was Lula's promise that he would follow the IMF prescription, as his electoral campaign had been tumultuous both politically and economically. This two-way return to both the IMF and the national non-financial capital, however, maybe did not fully reflect his strategy during his campaign, but the deterioration of the economic situation in the beginning of the 2000s was effecting the situation. From the other side, the reason for the economic situation was principally the internationalization of the economy, the global framework followed for the free movement of capital, and the policies implemented for those. Lula, however, possibly had been considering that these policies have the capacity to meet the demands of the national non-financial capital to the extent that the market liquidity is favorable.

For these reasons, the debt-paying capacity and the amount of reserves of the Brazilian state were dependent on the inability to risk the conditions suitable for the entry of capital and foreign direct investments into the country. It is still undeniable that this non-financial national capital also took a secondary place in the power bloc during the Lula period, since Lula implemented neo-developmentalist policies to encourage export-oriented production within the limits allowed by the large financial capital. Nonetheless, another aspect of encouraging this export-oriented production was again in favor of large financial capital due to its effect on reducing the imbalance in external accounts with foreign currency inflows into the country, as opposed to giving importance to production for the domestic market. As well as these policies were still carried out in a financial framework where production and investment were operated with high interest rates and return to the financial companies as another profits. And finally, Boito (2007: 68) claims that the 'true opening' policies displayed by Lula in the South-South cooperation with the G-20 countries and the Mercosur prove the targeted position for Brazilian large industrial capital hegemonic layers. In the light of

these arguments, it is more convenient now to review how the literature interprets the effects of financial expansion in Brazil.

4.2. Analyses on the Brazil's Financialization

In the conventional analyses, the 'asymmetrical' economic effects of the financial expansion processes and solutions to problems, such as over-indebtedness, financial fragilities, external shocks, risks of unregulated capital flows, in the 'developing countries' are generally addressed through the underdevelopment of financial systems, lack of competition, low quality or non-pluralism of the institutions, and inaccuracies in macroeconomic policy-making.[46] Meanwhile, its political economic and/or political effects are tried to be problematized by the corporate governance issues, inequalities, clientelism or crony capitalism, and again political institutional problems.[47] However, due to the impossibility of coming across a mainstream understanding that draws attention to the subordinate or dependent aspect of financialization and/or neoliberalism, other than the differences in the levels of countries' market development and capitalist integration, or in the macroeconomic policy frameworks, it seems most plausible to not include all of those analyses within the scope of this study, as the space is also limited. For, those analyses are mostly constructive for those studies interested in efforts to fix finance-led capitalism in Brazil[48] or elsewhere, but are away from problematizing the reproduced contradictions in capitalism .

On the other hand, the number of studies dealing with the contradictions of capitalism in the last four decades has been increasing day-by-day, and both empirically and

[46] E.g. Obstfeld, 1996; Mackinnon and Pill, 1998; Eichengreen and Hausmann, 1999; Bevilaqua and Garcia, 2002; Calvo and Reinhart, 2002; Tanner and Ramos, 2002; Goldstein and Turner, 2004; Chong and Silanes, 2005; the World Bank, 2009; Stiglitz, 2010; Matheson, 2015, Passos and Modenesi, 2021.

[47] E.g. Rabelo and Coutinho, 2001; OECD, 2003; the World Bank, 2004; Rogers et al., 2008; Limoeiro, 2020; Aquino and Batley, 2021; also, Amann and Baer, 2008; Schneider, 2009, 2021; Morgan et al., 2021.

[48] E.g. Caprio Jr. et al., 1998; the IMF and the World Bank, 2003; the World Bank, 2004; The IMF and the World Bank, 2013; Bilijanovska and Sandri, 2018.

theoretically, regarding either Brazil and/or other countries of Global South. Despite the diversity of the titles proposed for those concepts, it will be tried to understand how the literature follows the Brazil's place in historical capitalism, internationalization and financialization, by considering the analyses that have similar concerns in their essence. As mentioned earlier, reviews on such analyses together with the previous section including arguments of business organizations is believed to be reflective of the impact of financialization in Brazil, as those studies combine empirical analyses of the literature that are already fed by existing theories to discuss neoliberal policies within capitalism.

In this context, Barbosa-Filho (2005), who discusses the relationship between the economic growth of emerging market economies and international liquidity with an empirical study covering the years 1966-2000 in Brazil, asserts that, given the structure of Brazil's import trends with high income elasticity, making a choice among domestic and foreign finance is pointless. Because Brazil's growth has always been dependent on international financial conditions from the 1960s onwards. For example, significant capital inflows led to an average annual growth in GDP of around 8 percent in the 1970s. However, the debt crises of the 1980s were heavily affected by the rise in international interest rates and liquidity, and in Brazil the annual growth averages first decreased to 3 percent, then to 1.2 percent in the early 1990s, and with the crises in the second half of the 1990s the rate was around 0.5 percent (ibid: 314). That is why, for Barbosa-Filho (2005: 330), when it is not possible to control fluctuations due to the external finance through monetary management and solution framework of the world financial authorities, excessive reserve accumulation and thus financial bubbles would only be eliminated by export promotion, capital controls and floating exchange rates regime to an extent.

During the import substitution industrialization, too, Brazil, which is implied to be a good example of peripheral Fordism, continued its accumulation strategies through the monetary channels, while overvalued currency regimes were also applied together with efforts to reduce inflation; that is, the growth of industries has been internalized by foreign dependency (Becker et al., 2010). The main thing that changed with neoliberal period was more likely to be the effort to transform the accumulation,

starting with the liberalization of capital accounts and focused on interest-bearing capital, into an export-oriented policy, but this time with an externalized industrialization (ibid: 234). However, the crises of the second half of the 1990s introduced several new pressures and hence solutions to those pressures, such as devaluation of the *real* to deal with dollarization which also creates another burden on the state, as the state's securities were dollar-indexed. Also, as Becker *et al.* (2010: 236) demonstrates, the burden of compensating costs of devaluation on banking sector has always made the state a 'safety net' of the financial capital by almost doubling the public debts from 1994 to 2002. This caused the reallocation of money to financial capital, since the interests rates of the securities were one of the highest in the world market (Gonçalves, 2006 cited in ibid: 236).

Nonetheless, Correa and Vidal (2012) argue that Latin America is a region of increased bank competition in addition to speculation and financial changes since the first half of the 1990s, recalling the large inflows of capital including institutional investments into the region. This has resulted in greater outflows from countries in earnings, interest, commissions and dividends because of the privatization of public enterprises and the energy and mining sort of enterprises that FDI participated through institutions such as investment banks (ibid: 544). At the same time, deregulation within the framework of structural adjustment programs as a result of the bargaining on public debt with the IMF and the World Bank was applied under the name of financial reform to manage fluctuations and crises in markets due to the capital flows, rather than the use of tools such as increasing exports and capital controls. As for conditions of competition, which still depended on international credit conditions, foreign exchange flows and the management of these processes, made central banks nucleal in terms of the key role of inflation targeting and monetary management domestically. Brazil, in this respect, as a region experiencing intense bank privatizations and institutional transformations such as local interbank mergers and acquisitions, also included the state in this competitive pressure, since two of the largest banks in the country are publicly owned by assets (ibid: 544).

While the demand for foreign currency-based financial services has also been increasing, competition has raised the fragility with processes such as the dollarization

of economies (ibid: 545). As a result, the external liabilities together with various liabilities arising not only from private debts but also from the public debts under dollarization, have led to an environment in which government bonds offer attractive returns. This ensured that financial policies based on pro-finance profitability, including austerity policies and the increase in indirect tax obligations to masses, could sustain such a financial rent transfer that the central bank autonomy plays a leading role (ibid: 546). Therefore, it should be underlined that the finance-driven priorities of the neoliberal policy reforms are highly dependent on exchange rates in the policy framework of the state. Meanwhile, social consequences were legitimized through the instrumentalization of debt crises of the 1980s and inflation, despite the long-term dependency of the money channel of the Brazilian accumulation (Becker et al., 2010: 236).

Another aspect of the Brazilian economy, unlike developed economies, is the transition of capital accumulation from the productive area to an area based on finance, mainly because of the domestic public debt (Bruno et al., 2011). Because, in developed economies, the capital markets works with rentier activities under a re-valuation mechanism, and financialization is observed at low interest rates through private borrowing. In the Brazilian economy, however, while financialization, public debt, rentier-patrimonial accumulation have been sustaining, public finance was subordinated to global financial markets. In this way, the autonomy of economic policy-making was reduced and the expectations or rationalities of financial capital was prioritized; economic growth and job creation policies have been secondary (ibid: 739-742). On the other hand, there is three characteristics that the Brazilian economy experiences much more similar to developed economies to be interpreted within financialization, which are: firstly, the concentration of income in favor of financial profits and against wages; reduction of productive-based capital accumulation; increased political influence of the rentier class and capitalists on the state apparatus and making economic policy available to the interests of these classes (ibid: 746).

This mode of accumulation does not indicate and economic portray in which there is no economic growth and recessions are frequent, however, sustainable higher growth rates are also not very compatible with such a model; because the dynamics of the

domestic market constantly sets a policy tool to show sensitivity to the foreign market, resulting in a short-term concerned behavior (ibid: 741). Such an attitude deters industrial investments, for sure. By the same token, between the years 1991-2003, this model manifested itself as a period in which the profits of industrial companies are combined with non-operating profits (ibid: 735). The high real interest rates that emerged during the commercial and financial liberalization process, the spread of low-risky financial products with high liquidity and profitability, no doubt, positioned not only the finance sector but also other corporations in this direction.

In a similar vein, it is one of the claims in the literature that non-financial corporations have switched to a new financing model in which they focuses on the creation of shareholder wealth. That is why, from 1995 to 2008, the dividend distribution of companies, their earning interest income from equity, the repurchase of shares depending on the profitability of the shares and the income sources obtained from other financial instruments increased the capital profitability of companies (Miranda et al., 2015). However, this self-funded financing model has defined to be a slowing growing structure, endangering the country's economic growth, as it is concentrated on the distribution of wealth to shareholders. Moreover, while this structure has been tried to maintained, those companies which had constant access to financial markets and became increasingly keen on financial profits, also tried to make more and more profit by further borrowing. In other words, it should come as no surprise that these companies, which have a fragile, speculative and Ponzi type of equity structure, tend to increase the economic fragility of nations and even the world economy as a whole (ibid: 26).

In a sense, contrarily, according to Paula and Meyer (2019: 21), considering the balance sheets of large Brazilian companies in the 1995-2007 period they examined, although financial incomes have an important place in the returns of the companies, there is no clear evidence that dividends are paid at the expense of productive investments. Thus, the authors consider that the financialization of firms has not been fully consolidated in Brazil and is still underway. That is to say, Brazilian financialization continues rapidly, but the main feature of it has been seen as the creation of financial assets by combining liquidity and high returns mostly through

households, firms, financial institutions, and pension funds (ibid). Also, according to Villavicencio's (2021: 182) comparison of the cases of Brazil, Mexico and Argentina, although the debt securities of all three countries increased; it was related to the financing needs of non-financial corporations in Mexico, it was an increase in international debt securities in Argentina, but it was due to both factors in Brazil. Nevertheless, non-financial corporations are said to be less financialized in Argentine, while in Brazil and Mexico this trend is at the forefront globally (ibid: 198).

By the same token, Kaltenbrunner (2017: 56) indicates that, in Brazil, corporate debt has increased by about 15 percent from 2007 to 2014, with total debt over $1 trillion at the end of 2015. Most of this increase was, for Kaltenbrunner, due to external or inter-company debts, as there was a decrease in bank's loan shares and borrowing over corporate debt securities, while external financing and market financing did not accompany such a decreasing trend. As a result, banking finance to NFCs with loans mostly replaced with debt securities from the banking sector side, and a large part of such debts belong to a few large Brazilian companies. On the external debt side, despite the limited data, it is though that the debt of around 80 billion dollars has been provided to NFCs by international banks (ibid: 58). Moreover, such an increase in foreign financing is not only for non-financial companies, but also for financial institutions. When looking at the ratio of local and cross-border lending of foreign banks, Kaltenbrunner (2017: 60) states that the cross-border credit flow is much higher than the credit flow of foreign banks through domestic institutional channels; and this is quite important because cross-border loans are denominated in foreign currency (primarily in dollars).

On the other hand, international debt securities such as Euro-bonds and Dollar-bonds are of increasing importance in the context of Brazil, as another indication that reflects borrowing through instruments of foreign currency-indexed (ibid: 60). Meanwhile, on the asset side, the author points out the short term cash flows regarding the balance sheets of listed corporations from 1995 to 2010. While it is possible to see modest increases in the share of cash assets in total assets, there was a decreasing trend in stocks and shares (ibid: 62). However, the most sought-after asset, as mentioned before, has been public debt securities. With the Brazilian Central Bank data

confirming this claim in Kaltenbrunner's article (2017), it becomes possible to point out that the increase in the financial income and borrowing capacity of NFCs has been increasing for a long time, despite the stagnant stocks. As a matter of fact, it is reasonable to mention that both assets and liabilities are quite taking place in international financial markets and in foreign currencies. For, the public debt securities are also bounded by the foreign currency conditions.

Although the financial instruments going beyond the high borrowing and banking debts ween in this way are the elements reflecting financialization, it should be underlined that Brazil's shifting its transactions to foreign currency, unlike the most countries of the Global North, is perhaps the biggest variegation in terms of financialization. The basis of this phenomenon should be sought in Brazil's dependence on foreign capital since its internationalization process. For, financialization and internationalization are two sides of the same coin. On the other hand, domestic short-term financing is incompatible with the long-term borrowing conditions of NFCs and financial institutions within the country, not only because of the interest rate differentials and hedging opportunities, but also because of the short-termism regarding the country's economic policy making. Such dualities are the main things creating vulnerabilities in the Global South. That is why, the idea that these should be evaluated under the umbrella of an international currency hierarchy is also commonly accepted in the literature (Kaltenbrunner and Painceira, 2018; Oreiro et al., 2021; Villavicencio, 2021).

For Kaltenbrunner and Painceira (2018), this hierarchy is important in two ways; the first is the aspect related to the accumulation of international reserves and the financialization of banks and households. What is implied here is basically securing the country's position in such a monetary hierarchy against problems created by capital flows and global liquidity on asset prices and exchange rates (ibid: 20). While Brazil's amount of international reserves was $31.7 billion in 2000, it started to increase rapidly as of 2006 and it reached the level of $350 billion before 2012 to be continued around those levels until 2020 (Central Statistics Office of the Republic of Botswana, 2022)[49].

[49] Central Statistics Office of the Republic of Botswana (2022). Brazil Foreign Exchange Reserves 01/06/2000 to 01/06/2022 [Statistics]. CEIC. https://www.ceicdata.com/

This is not only prevented such large of amounts of savings to be absorbed by the domestic economy, but also caused significant changes in the domestic banking system (Kaltenbrunner and Painceira, 2018: 28-32). Because, the Brazilian Central Bank also resorted to monetary sterilizations so that the monetary expansion resulting from the foreign exchange demand, and hence inflation could be managed. In other words, the Central Bank offered debt securities to domestic banks with high interest costs to the public through repo agreements.

For instance, the authors draw attention to the outstanding repo stocks which increased from $58 billion to $858 billion from 2004 to 2014, by stating that such conditions were created for banking sector to benefit from this excessively liquid and low-cost instrument. This and many more instrument have allowed banks in Brazil to manage their assets with short-term securities and expand their credit operations as much as possible. However, banks seemingly turned to short-term finance with these easy-to-cash assets, as those were able to stay away from maturity problems because banking customers were now also households, instead of large manufacturing companies. The other aspect of the monetary hierarchy was noted by the authors as external fragility and increased financial operations of NFCs. Since the main reason for the secondary position of the Global South countries in this hierarchy is that they are vulnerable to sudden capital flows and fluctuations in the exchange rate, NFCs can use derivatives transactions, speculations, and hedging positions in general terms that both the financial sector and NFCs obtain with maturity and interest rate differentials arising between foreign and domestic currencies.

Nonetheless, Oreiro and his colleagues also interprets Brazil as an example of peripheral financialization, regarding the policy framework that has started to applied since the Washington Consensus, and foreign debt-focused growth models (Oreiro et al., 2021). However, their main emphasis in on the overvaluation of real exchange rates and accordingly high interest rates. They state that this foreign savings-oriented growth model, which is a trap for them, reduces the autonomy in the policy-making processes, as well as creates the problem of premature deindustrialization. Given the neo-developmentalist policies of the Lula administration, this analysis problematizes the period of high growth from 2003-04 to 2010 with moderate inflation by underlining

a few points. First of all, it is emphasized that the real exchange rate appreciated more than 30 percent from 2003 to 2005, is related to the Central Bank's repo transactions in order to maintain the policy framework as of 2006. Because, in addition to the above-mentioned reserve increase, sterilizations and the ratio of repo increased from around 1.7 percent of GDP in 2005 to more than 10 percent in 2008 (ibid: 13). In other words, the free exchange rate regime was tried to be controlled by selling government securities and accumulating reserves, not too much associated with the situation of the real economy.

Another important point was the minimum wage policy. In addition to the aforementioned household's increased indebtedness, the minimum wage, which increased by 8.4 percent between 2006-2008, is claimed by the authors to be the implicit aim of increasing the effective demand for consumption, instead of improving income distribution (ibid: 17). On the other hand, when employment started to fall from 2004 to 2008, more strikingly, there had been no direct effect of exchange rate appreciation on the manufacturing sector in terms of flowing investments to the financial sector (ibid: 13). Still, this situation seems quite suitable to be perceived with the intertwining of the real-financial sector relationship. Only the bankruptcy of Lehman Brothers temporarily reversed Brazil's not so bad situation, that is, until the currency depreciating in 2008. This must also be the reason why it is possible to see $350 billion in reserves increasing by an average of 22 percent per year from 2009 to 2011, because there should have been 'lessons' learned from the Asian crisis.

However, for Oreiro *et al.* (2021: 14) it still seems unreasonable for authors to say that such implicit interventions in the foreign exchange market are completely sterilized, because the Brazilian Central Bank must have bought foreign currency for more reserve accumulation by increasing its money stock. This is, the continuation of the over-valued exchange rate regime amid the impacts of a global financial crisis had begun to show signs of stagnation compared to the previous growth period, which showed almost no explicit problems for the manufacturing sector. According to the authors, this tends to be a symptom of the Dutch Disease, as the share of manufacturing in total value added has begun to decline; and the reason for this stagnation is not due to the decline in aggregate, given the average annual growth of 5.6 percent in the

commercial sectors. On the contrary, the decrease in the competitiveness of industrial firms due to the exchange rate and the difficulty of accessing effective demand were seen by the authors as more expressive of this stagnation (ibid: 17). Thus, a stagnation trend analyzed with the ongoing developments of the domestic demand, the trend of deindustrialization should be brought to mind, as the deterioration in terms-of-trade will make it difficult to maintain the value of the exchange rate, tend to reduce wages, and undermine the 'stability'.

In any case, whenever things start to go bad, it is always known the conditions of which social group get worse first and more. As a matter of fact, Martinez and Borsari (2021) examine the empirical evidence on the effects of this financial integration on working classes by making an analysis on Brazil and Colombia which are among the most flexible countries in the Global South in terms of labor conditions. Differences in wealth distribution increased by the financial transformation are not only from peripheral to core countries; but also from working classes to particular capital fractions. Because, the reserve accumulation and sterilizations applied by the central banks in order to take the financial accumulation under the collateral effect, increased the public debt to such an extent that is was difficult. For instance, in Brazil, the domestic debt of the federal government increased from 19 percent to 38 percent in 2019 from 2001 (ibid: 13).

On the other hand, it was previously emphasized that the massive customers of domestic banks have stated to be working classes, since the domestic banks shifted to commercial activities as a result of the effects of Brazilian companies deepening interactions with global financial cycles due to the financial liberalization and aforementioned central bank practices on the banking system. In this context, Martinez and Borsari (2021: 13) also demonstrate that, household indebtedness in the Brazilian banking system increased from 18.4 percent of 12-month available income to 46.2 percent in 2020. While this made it difficult to access new loans, as well as goods and services; it also resulted in significant increases in the risk of default and the ratio of debt service payments to income. For, the household interest debt payments in Brazil corresponded to 15.5 percent of disposable income in 2005, then increased to 20.3 percent in 2020 (ibid: 13). Nevertheless, the decline in average real wages during

exchange rate devaluation periods also undermines the ability to access to both financial and physical markets. That is to say, once there is a constraint in liquidity, a rupture on efforts in the name of managing effective demand from the part of working classes becomes almost inevitable.

Moreover, any fluctuations in the exchange rate that could not be ended and turned into crises, the purchasing power of these segments is expected to decrease further in import-dependent countries such as Brazil (ibid: 14-15). Then, considering the tool of management for those crises, i.e. fiscal discipline, it is possible to see that the effort to discipline labor has become systematic. It is obvious that the legal dimension of this flexibility created by reforms in labor and social security laws in each country as another aspect of legalized and legitimized austerity patterns of crisis-management. The main purpose was to control public debt, even with 'symbolic' factors such as international credit rating agencies; but, once exposed to 'flexible' exploitation, the motive of disciplining labor becomes deepened step by step, and difficult to return. Likewise, in Brazil, the burdensome effects of the 1988 Constitution in Brazil later changed to the detriment of workers and pensioners by the worker president Lula.

Another issue that should be included in this regard is undoubtedly 'the collateralization of social policy by financial markets' introduced by Lavinas (2020). As mentioned in the previous section, commercializing social services has been one of the most important changes coming with financialization, including all kinds of cash transfers, pensions and social payments becoming collateral and new revenues flowing into the financial sector (ibid: 312). That is neoliberalism with a new dimension to its oppressive aspect by transforming social rights into assets. Brazil, as Lavinas (2020: 318) indicates, in this regard, is an example with high income inequality and poverty (Gini coefficient above 0.6 during the 1990s), where two-thirds of social spending was in the form of cash transfers; later through loans, the Bolsa Familia programs, social assistance for some of the disadvantaged poor segments. Meanwhile, the total amount of these programs was only 1.5 percent of the GDP reaching about a quarter of the population (ibid: 318). Moreover, the fact that payments are made through bank accounts is another remarkable condition, for Lavinas, since such a practice would also pave the way for the purchase of more financial products.

On the other hand, for the author, some credit services have been offered at relatively low-interest rates, initiated by the PT in 2003, which is based on deductions from salaries, public pension plans, and/or survivors' pensions. Despite this, the country's economic conditions have made it questionable how low even low interest rates can be, creating a new profit opportunity for banks with public finance, making households indebted over wages, pension funds, and even survivors' pensions. Lavinas states that in 2016, interest rates vary between 27 and 49 percent annually, emphasizing that debtors' costs have also been increased with default insurance. Further, by 2014 the ratio of total debt to income exceeded 60 percent on average (about three times more than minimum wages), compared to 73 percent for the poorest; as a matter of fact, between 2015 and 2017 more than a quarter of the population was in default due to their basic expenses (ibid: 319).

In the light of these, it seems quite reasonable to consider financialization in Brazil as a tool for neoliberalism in which social reproduction is carried out by the state itself within the capital accumulation strategies of the dominant classes. That is, while Brazil's public debt is older than the country's independence, the internationalization of capital is not an aspect of financialization either. Possibly the process of financialization is a consequence rather than a cause, because, as historical readings show, stabilization programs have been seen many times in Brazilian history with their difference aims. Financialization started with the *abertura*; however, the first step that guaranteed the inclusion of the Southern Brazil in this global process seems to be the Cardoso's Real Plan, which aimed at monetary stability. In order to illustrate, the Real Plan has increased the portfolio investments, loans, and other foreign investments from less than $5 billion between 1980-1993 to more than $20 billion between 1994-1998, as well as raised the annual average of FDI entries to Brazil more than eight times; hence increasing the total financial capital inflows to the country from $6.5 billion to $34.4 billion between the same years (Bin, 2016: 113).

The second step of the process is the focus of inflation targeting, which started with the collapse of the Real Plan after the Asian and Russian crises. This again brought the financial capital flows, which fell to an average of $15 billion in 1999-2005, then

approached to $105 billion between 2006-2014, as the crises managed under the guidance of the Bretton Woods institutions (ibid: 113). On the other hand, the state policies shifted funds from welfare to public debt interest payments aligned finance with the interests of the financial class fraction, with prominent aspects of monetarism and deregulation, masking privatizations within portfolio investments, and only under the circumstances of internationally sustained liquidity. Therefore, the drive to maintain monetary stability by initially capturing the exchange rate has over time concentrated capital in the finance and financial sector, increasing not only the profits of the ten concentrated largest banks by 1039 percent from 1994 to 2003, bur also socializing the entire cost of government bonds that constituted 40 percent of the banks' investment portfolios (Reis and Oliveira, 2021: 8-10). And, despite privatizations and increased indirect taxes, public debt increased as a state policy for the efforts based on domination with the strategy of exploiting labor by more oppression in order to survive against global domination (ibid: 8).

It should not be forgotten that, fictitious capital has continued the contradictions of neoliberalism with the expansion based on a strong ideology in order for the expropriation of the productive classes by propertied classes (Bin, 2016: 107). The incredible profits, not limited to the activities of finance capital, reveals that the state maintains much of the fictitious capital and financial expansion of the economy, as it is the largest issuer of debt (Harvey, 2010 cited in ibid: 107). By the same token, recalling the dialectical relationship of the state with financialization, Alami (2019) highlights the imposition of taxes on foreign currency derivatives by making some politically distressing regulations against speculation in the Brazilian currency between 2011 and 2013.

However, this and any of the regulations that are supposed to balance over-expansion of finance should not seem like on opportunity to emphasize that financialization can be managed with certain aims, but this and all the regulations basically reflects that

> "… state power (not the state apparatus as such) should be seen as a form-determined condensation of the balance of forces in political and politically relevant struggle. This formulation combines the themes of a necessarily specific form, material condensation, and balance of forces. Exploring this theme involves two interrelated aspects of the state system. We need first to

examine the state form as a complex institutional ensemble with a specific pattern of ‘strategic selectivity’ that reflects and modifies the balance of class forces; and, second, to consider the constitution of these class forces and their strategies themselves, including their capacity to reflect on and respond to the strategic selectivities inscribed within the state apparatus as a whole.” (Jessop, 1999: 51).

CHAPTER 5

CONCLUSION

Financialization, as discussed in this study, seems to be about understanding social relations and the state, which can be understood by looking at history. This is because, in order to make inferences on how financialization analyses of the Global South are integrated into the Global North-introduced accumulation strategies and their instruments, it is useful to adopt a theoretical approach to the historical dynamics that constitute the state and society. This will serve to see not only the relationships of dependency or subordination, but also to what extent the new conceptualizations would be explanatory. Hence this makes it necessary to question such conceptualizations in the way to understand the last forty years in terms of periodizing certain continuities of capitalism. This is why this study first began by trying to understand how finance has been historically problematized. In order to find out in which directions financialization, as a conceptualization attempt, diverges from and converges on these problematizations, it was one of the important points of the thesis to present a broad theoretical framework by centering the concerns about financial expansion.

For, whether financialization is defined as a financial expansion, the financialization of capital or the domination of finance capital over other capital, or the maintenance of capital accumulation under the domination of finance; it is clear that these are not new problematizations as well as discussions limited to financialization analyses. On the other hand, the idea of examining these concerns separately in the Global South compared to the Global North is expected to be constructive in order to determine the explanatory power of a theoretical approach. However, the assertion that financialization has subordinate and dependent consequences in the Global South based on principally empirical analyses leads to skepticism about relevant

conceptualizations, once it repeats the very fact that almost every aspect of capitalism creates hegemonic inter-layer variegations.

Rather, these analyses should consider how finance is articulated in the recomposition of such dependent and subordinate relations, which requires understanding how these relations are organized around certain strategies at the international, national and social levels. This is the most stimulating reason why this study deals with Brazil historically. As the importance of finance in terms of accumulation strategies and foreign dependency formed and maintained throughout history in Brazil shows, most characteristics of financialization can be observed not in line with periods, but with strategies. Although some changes can be underlined by the characteristics of financialization associated with the last forty years, the framework established by financialization weakens in case these changes are considered together with certain strategies and the way these strategies are maintained.

Raising these concerns, in this study, was related to the intention of completing certain aspects of financialization analyses, instead of denying their contribution to the literature. For, it seems quite reasonable to discuss financialization under neoliberalism, which is expressed in the name of the current mode of capitalist reproduction, as this study also shows. However, pushing the possibility of financialization being an instrumentalization into the background of neoliberal reconstitution of domination erodes the theoretical understanding.

Neoliberalism, or capitalism in its clearest form, has always needed a variety of tools in establishing and reproducing various necessary social conditions under power blocs. This expresses the very hegemonic consensus that guarantees certain gains at the expense of certain losses. The consensus prevailing in the neoliberal period has definitely benefited from financial expansion and the ‘stability’ associated with finance-led accumulation in order to establish and resettle some imbalance in terms of the continuity of the economic and political structure it includes. However, as the example of Brazil also shows, the main contradiction in neoliberalism itself is that it entrusts the finance-led accumulation regime to the state under the guise of limiting state intervention.

Accordingly, with history, it is possible to see that it is not easy to form a consensus within the framework of carrying out accumulation strategies in Brazil. Therefore, the state's changing policies in favor of either the financial sector or the manufacturing sector should bring to mind the existence of the usual intra-class contradictions rather than a break. These contradictions would certainly form and transform the accumulation strategies throughout history. However, it should not be forgotten that the most basic strategy in the essence of capitalism is the strategy of continuous expansion. Such an expansion always has to be in favor of certain segments so that accumulation could be sustained.

Likewise, historically access to external financing has always been crucial in Brazil, therefore financial variegations have shown themselves at the international and social level in every period, as well. This socially and historically has been the reflection of the interests of the agriculture and manufacturing industry against the interests of commercial and financial capital at the policy level. However, together with internationalization and concentration, which are the complementary strategies of further expansion in the 1950s-60s, it has been possible to explain how certain capital groups, either financial or industrial, became the pillars of capital accumulation in this era. This is because of the very reason that the capital group dominating the capital circuits leads the accumulation, while that group can be determined in terms of its property structure and scale.

In other words, once capital is concentrated as such, the intertwined lines of the industrial or financial capital become another issue of problematization. As well as considering this problematization together with the problem of financial domination, it will be meaningful again, as the mentioned capital group can manifest itself as both financialized and finance capital, even with terminological selectivities. Because, mostly, it is this group that consists of both bank capital and industrial capital –that seems to make the highest profits and to shift its investments from the real sector to the financial sector in financialization studies–, which also directly interacts with international financial markets.

That is why, with the aspects mentioned in the financialization studies, the policies followed by states under the restrictions of the global liquidity conditions created by peripheral, dependent and subordinate financialization should also be evaluated considering the interests of that capital group. In the study, it is discussed that these groups are especially transnational companies and internationalized manufacturing capital, which are the winners of the import substitution-led accumulation in Brazil. However, another dimension of this debate is the historical commodity boom that is another form of expressing the winnings of that group, which reflects a process starting with the corporate-military cooperation established through the military coup in the 1960s and ending with the debt crisis in the 1970s.

To put it differently, such a regime of accumulation was also dependent on international liquidity conditions, namely the borrowing capacity of the state. Nonetheless, the exit from the crisis in Brazil resulted in the reduction of public expenditures within the framework of the continuity of the disproportionate earnings of that group, and brought the process that is the subject of the financialization studies. The aspects such as the increase in short-term borrowing of the state, capital, and labor, as demonstrated by the analyses, show that the engine of accumulation is plenty of debt. Nevertheless, households appear to be the only brand new group known to have started borrowing at such high levels compared to previous periods. This is precisely the importance of approaching the subject from a political economy perspective.

Thus, this period attributed to borrowing on one side and financial profits on the other can be seen in this transition in the Global South, since the states have been at the center of both indebtedness and financial expansion in the Global South, at least to the extent that the example of Brazil demonstrates. That is, what is sustained by the neoliberal transition as well as what policies are included is, therefore, a quite relevant issue in understanding the last forty years beyond financialization. Likewise, many issues such as privatizations, reduction of social expenditures, public-private partnerships, securitization of public debt, and dollar and euro orientation of economies can be addressed in the context of financialization in line with the neoliberal policy framework.

For instance, while privatizations were arranged in a way that concentrated capital would further benefit and their profitability was guaranteed by the state, it was also possible for the state to revive the groups suffering from the domination of the financial and financialized sector with public-private partnerships. On the other hand, the most basic building block of the continuation of this cycle has been borrowing. So much so that the 'prosperity' felt through indebtedness sometimes even enabled the governments to keep their powers. This not only pushed the working segments of society further under the domination, but also dragged small-medium-sized companies, which are known to have an important role in job creation, into an endless debt cycle. Nonetheless, it has been observed that the financial capital, which is known to have access to borrowing at low interest rates in international financial markets, also profits from public debt securitizations of the state at higher interest rates in the domestic market. Since this and numerous other examples of such mechanisms are in the way that neoliberalism economically reproduced in the last forty-year period, it is important to establish the relationship of the basis of these policies with fiscal discipline, inflation targeting, over-valued exchange rate and high interest rates.

This is the very reason why each of these policy instruments is meaningful not only in terms of acting in harmony with international financial markets in order to maintain the borrowing capacity or avoid crises, but also in terms of representing interests in hegemonic layers. To an extent managing the risks posed by hot money flows for the countries of the Global South with financial liberalization would also be possible with compliance with this policy framework. Yet, this is a systematic structure. As the historical example of Brazil shows, the social dynamics are in no way less determinant in shaping and following accumulation strategies than the global conditions. Therefore, the Global South-based financialization analyses shaped around the framework of international relations of subordination and dependency are partly right. However, understanding of such relations should not be limited to this level neither empirically nor theoretically. In this regard, it is believed that this study rather demonstrates that these relations significantly reflect financialization as an instrument of reproduction in the neoliberal era, with all the historicity of both inter- and intra-class relations.

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A. TURKISH SUMMARY / TÜRKÇE ÖZET

Finansallaşma, en genel haliyle, çağdaş kapitalizmin son kırk yılını kapsayan finansal bir genişlemeyi ifade etmek için kullanılır. Finansallaşma çalışmaları ise, genel olarak finansmana erişimin yaygınlaşması ve kitleselleşmesi, şirket yönetiminde finansal faaliyetlerin üretken faaliyetlere kıyasla önceliklendirilmesi ve sermaye birikiminde finansın baskın hale gelen rolünü işaret eden farklı bakış açılarıyla karşılaşmanın mümkün olduğu ve içinde barındırdığı artan sayıda tartışmayla ufuk açıcı bir literatürü oluşturur. Diğer yandan, son kırk yılı anlamak adına ortaya çıkan finansa ilişkin kaygılar, içinde bulunulan dönemin özellikleri gereği oldukça dikkat çekicidir. Bununla birlikte, finansallaşmayla birlikte döneme atfedilen farklılıklar ya da değişimleri yorumlamaya yönelik kavramsal bir yaklaşım, çağdaş kapitalizmin tarihsel gelişiminin kavranmasını gerektirir. Zira değişimlerin bir önceki dönemden kopuşa işaret etmesi beklenen yönleri, kapitalizmin doğasında var olan koşullara ilişkin süreklilikleri de ortaya koyabilir.

Bu süreklilikler ise dönemsel görünen yeni kavramsal çerçeveler oluşturma girişimlerinin ne ölçüde açıklayıcı olacağı konusunda fikir verecektir. Ayrıca, kapitalizmin süregelen formuna ilişkin tartışmalar finansallaşma çalışmaları ile sınırlı kalmamakla birlikte, finansallaşma çalışmalarını şekillendiren kavramsal tartışmalar çerçevesinde, finansal genişlemenin küreselleşme ve neoliberalizm ile ilişkisi de sorgulanmaktadır. Zira kapitalist yeniden üretim, kapitalizmin varlığını ve sürekliliğini ifade eden temel genişleme stratejisini, yani sermaye birikim stratejilerini içerir. Bu nedenle finansallaşma çalışmalarının finansal araçların genişlemesine dayalı analizleri, finansallaşmanın sermaye birikimiyle ilişkilendirilebilecek bir araç olabileceği ihtimalini de göz ardı etmemelidir. Çünkü tarihsel olarak daha geriye bakıldığında da, literatürdeki finansal genişlemeye ilişkin stratejilerin, sanayi sermayesi ile finansal sermaye arası ayrımın muğlaklaşmasının ve finansın birikimde merkezi rol oynamasına ilişkin tartışmaların bu döneme özgü finansallaşma çalışmalarıyla sınırlı olmadığını görmek mümkündür.

Bu nedenle, sanayi sermayesinin finansal sermaye ile etkileşiminin tam da genişleme stratejisi açısından ne ifade ettiğini anlamak gerekir. Bu şekilde, sermaye devrelerine hakim olan grupların organizasyon yapısı dikkatleri üzerine çekecektir ki, böyle bir yapının oluşumu bir dizi tarihsel toplumsal ilişkiye işaret eder. Bu ilişkiler esas olarak, sermaye birikim stratejilerinin yönelimini takip etmek için tespiti son derece önemli olan sınıflar arası ve sınıf içi ilişkilerin, genel kapsamıyla devlet ve toplum arasındaki ilişkilerin, bir ürünü olarak ortaya çıkar. Bu bağlamda, nihai olan genişleme stratejisi, diğer stratejilerin varlığını inkar etmediğinden veya finansallaşma ve küreselleşme gibi alt stratejileri de gözlemlemek mümkün olacağından; hem hakim grupların organizasyon yapıları hem de geliştirilen stratejiler, bir güç bloğu aracılığıyla hegemonyaya eklemlenmeyi yansıtacaktır.

Yani, son kırk yıla ilişkin özellikler, bahsedilen faktörler açısından daha fazla teorik araştırma gerektirdiğinden, belirli bir döneme ilişkin finansallaşmanın açıklayıcı ve/veya betimleyici yönleri konusunda şüpheci bir tavır almak mantıklı olacaktır. Bununla birlikte, finansallaşma çalışmalarının kökeni Küresel Kuzey, hatta açıkça ABD'dir. Ve görünüşe göre, bu, kavramın yaklaşımlarını Küresel Güney'e uyarlama ihtiyacını doğurmuştur. Dolayısıyla Küresel Kuzey ve Güney arasındaki ayrımlarla birlikte, söz konusu tarihsel toplumsal oluşumların finansallaşma kavramının uygulanabilirliğinin sorgulanmasında önemli olacağını da unutmamak gerekir. Bu şekilde, bu kavramsal girişimleri anlamak da yine tekil veya karşılaştırmalı ülke analizleri ile daha anlamlı olabilecektir.

Bu nedenler ışığında, bu çalışma, Brezilya örneği üzerinden Küresel Güney'e ilişkin finansallaşma kavramlarını gözden geçirmek adına çağdaş Brezilya kapitalizminde finansı tarihselleştirmeyi amaçlamaktadır. Tarihsel bir perspektiften hareketle, Brezilya'da sermaye birikiminin nasıl finanse edildiği göz önünde bulundurularak, finansallaşma ile endüstriyel ve finansal sermayenin tarihsel ilişkileri arasında bir ayrım yapmanın ne ölçüde mümkün olduğu araştırılmaktadır. Öte yandan, sömürge ilişkilerinin post-kolonyal döneme nasıl taşındığı ve son kırk yılla nasıl ilişkilendirileceği konusunda gerekli tarihsel bağlantıları bu şekilde kurabilmek için

Brezilya'da devletin toplumsal ilişkilerdeki rolünü, yani stratejilerini anlamanın gerekliliği de incelenmesi gereken bir diğer noktadır.

Bunlara ek olarak, yine 1980'lerden bugüne dek süregelen dönemi dikkate alarak yapılan tartışmaların bir diğer yönü ise neoliberalizmdir. Bu bağlamda, neoliberal stratejilerdeki rolü sebebiyle, yine, devleti anlama ihtiyacı daha da pekişmektedir. Çünkü neoliberal hegemonya devlet müdahaleciliğine karşı çıkma söylemleri ardında devlet gücünün sistematik kullanımı içerir. Bu da yine finansallaşmayı, devletin Küresel Güney'deki stratejilerini tartışan bir bakış açısında değerlendirmeyi önemli kılmaktadır. Keza neoliberalizm bağlamında finansallaşmayı görünür kılan devlet stratejilerinin oldukça temel ama çelişkili bir unsuru vardır. Bu, piyasanın kuralsızlaştırılması iddialarının aksine, kamu kaynaklarını toplumun belirli bir kesimine devlet tarafından kanalize edilmesi koşullarında finansal sermaye çıkarlarını gözetmektir.

Bu süreçler, kamu-özel ortaklıkları, özelleştirmeler, kamu borcunun menkul kıymetleştirilmesi gibi mekanizmalar oluşturarak, ve tabii ki, para politikası üzerinden değerli döviz kuru rejimi, yabancı sermaye için çekici faiz oranları , enflasyon hedeflemesi gibi politika araçlarıyla Küresel Güney ülkelerinin devlet finansmanı mekanizmalarında da görülebilir. Bu da devlet politikaları açısından yine egemen sermaye grubunu ön plana çıkarmaktadır. Bu sermaye grubunun ise uluslararasılaşmış sermaye olduğu unutulmamalıdır. Brezilya örneği, bu bakımdan, ithal ikameci kalkınma döneminden neoliberal döneme geçişte başlıca uluslararasılaşmış ve ulusötesi sermaye gruplarının, diğer kesimlere kıyasla, orantısız kazançlar elde ettiği bir örnek olarak da kendini gösterir.

Ancak bu geçişin aynı zamanda belli koşulları yeniden üretmek için bir kriz yönetim stratejisi olduğu unutulmamalıdır. Çünkü Brezilya'da neoliberal uzlaşı devlet güdümlü kalkınma temelli Keynezyen uzlaşının 1970'lerde borç krizleri ile sonlanmasının akabinde ortaya çıkmıştır. Dolayısıyla, finansallaşma analizlerinde de, neoliberal yeniden üretimle ilişkilendirilebilecek araçların yalnızca ekonomik tercihler, politikalar ve krizlerin yönetilme biçimleri açısından değil; toplumsal yeniden üretimdeki araçsallaştırmalar açısından da anlaşılması gerekir. Kuşkusuz,

Küresel Güney'in finansallaşma analizlerinin merkezinde yer alan yabancı sermaye akımlarına bağımlılık vurgusu, bu süreçleri etkileyen konulardan biridir. Ancak, yine hatırlatmak gerekir ki, bu tarz bir bağımlılığın ardında yine tarihselliği ile göze çarpacak toplumsal dinamikler vardır.

Brezilya, bu açıdan da, bağımlılık tartışmalarının kapsamlı olarak ele alındığı bir coğrafyada yer almasının da gereğince, finansallaşma analizlerine buradan bakmak için uygun bir tarihsel araştırma sağlamaktadır. 1980'lere kadar dış borç ve cari açıklar pahasına mali açıkların artması ve finansman kaynaklarının sürekli olarak devlet tarafından genişletilmeye çalışılması da, neoliberalizm öncesi Brezilya'da birikimin en temel özelliklerinden biriydi. Ancak gelişen uluslararası finans piyasalarının uluslararası krediye erişim olanaklarını artırması, bir noktada, Brezilya'da uluslararasılaşmaya başlayan sermaye gruplarının krediye erişimini iç piyasa bakımından doğrudan devlet politikalarına bağlı olmaktan çıkarmaya başlamıştı. Bu grupların örgütlenmesi bunun gibi faktörlerle faaliyet alanlarını genişletme olanaklarını daha da pekiştiriyordu.

Ayrıca, Brezilya literatüründe, sıklıkla rastlanan bir diğer tartışma ise devleti, kalkınmacılıktaki varlığı üzerinden sınıf fraksiyonlarına karşı konumlandıran yorumlardır. Örneğin, 19. Yüzyıl'ın büyük bir bölümünü merkeziyetçi tüccarlar ve özerklik yanlısı toprak sahibi sınıfın çıkarlarına karşı çatışmalarla tanımlamak yaygınken; daha sonra 20. Yüzyıl'ın hemen hemen yarısına kadar süren dönemi, hazine harcamalarının gereklilikleri ile toprak sahibi ihracatçıların çatışan çıkarları üzerine tartışmalar içerisinde görmek mümkün oldu. Bunların temel nedeni ise sürekli olarak yüksek olan devlet borcu olarak yorumlanmaktadır. Fakat meselenin özü, ülkedeki dış finansman ihtiyacı ve dolayısıyla yabancı sermayenin varlığının gerektirdiği politikaları uygulamakla da oldukça ilgili bulunabilir.

Yine, bu devletin kalkınmayı yıpratıcı özellikler gösterdiğine dair yaklaşımların şekillenmesinde, geçmişte kolonyal dönemden post-kolonyal döneme aktarılan ilişkiler çerçevesinde devletlerarası piyasa ilişkileri yoluyla süren finansmana erişim konusundaki dönüşümler belirleyici olmuştur. Daha sonra, post-kolonyal dönemin devamında da, uluslararasılaşmış ve ulusötesi sermayenin iç pazarlardaki varlığı ile,

devlet, kendini önceki dönemin finansman koşullarını belirleyen ana unsur olmaktan çıkıp uluslararası finans piyasalarının koşulların garanti altına alma stratejilerini yürütme konumunda bulmuştur.

Başka bir deyişle, Küresel Güney bağlamında sermaye birikim stratejilerine bakıldığında finansın her zaman devletin rolünü şekillendiren ve dönüştüren bir önemi olduğu görülebilir. Bunun, aynı zamanda, yabancı sermayeyi cezbetme güdüsünün ardındaki tarihsel bağımlılık ilişkisine karşın, 'gelişmekte olan' ülkelerdeki reel sektörlere finans sektörünün finansman ve büyüme sağlayacağı varsayımı etrafında var olma yönü de vardır. Öte yandan, Brezilya'da birikim stratejileri çerçevesinde uzlaşı oluşturmanın kolay olmadığını tarihle birlikte görmek mümkündür. Dolayısıyla devletin ya finans sektörü ya da reel sektörü lehine politika geliştirmesi, diğerini ikincilleştirmediği gibi, bir kırılmadan ziyade olağan sınıf içi çelişkilerin varlığını ve yönetilme gerekliliğini akla getirmelidir.

Brezilya literatüründe yüzyılı aşkın süreler boyunca çeşitli terminolojilerce tartışılan konuların, neoliberal dönemde artık parasalcılığa karşı kalkınmacılık gibi net bir ayrımı ifade etmeği görülebilir. Çünkü neoliberal politika çerçevesi dahilindeki kalkınma politikaları geçmişe kıyasla finans ekseninde değişen kısıtlamalara tabidir. Örneğin Lula, süregelen sınıf içi çelişkilere rağmen, 2000'li yılların yaklaşık on yıl kadar süren önemli bir bölümünde kalkınmacılık ve parasalcılığın belirli uzlaşılar ile bir arada yürütülebileceğini gösterdi. Yine de böyle bir politika çerçevesinin izlenmesindeki temel nokta, parasalcılığın da kalkınmacılıkla iç içe geçtiği bir şekilde ve her birinin uluslararası piyasa koşullarına, ve dolayısıyla likiditeye bağlı olarak sürdürülmesi olarak ifade edilmiştir. Ve böyle bir kalkınmacılığın niteliği de sıklıkla tartışmalara konu olacak biçimdedir. Söz edilen sermaye uzlaşıların sergilediği birikimin motorunu ise devlet dahil toplumu oluşturan hemen hemen her kesimin borçlanması olarak görülmektedir.

Bununla birlikte, hanehalkları, önceki dönemlere kıyasla hiç olmadığı yüksek seviyelerde borçlanmaya başladığı bilinen tek grup olarak görünmektedir. Bu yüzden belki de en az finansal olmayan şirketler kadar bu grupların dahil olduğu borç döngüsünü de anlamak, finansallaşmaya dikkat çekerken daha çarpıcı sonuçlar

sunabilir. Öte yandan, özelleştirme, sosyal harcamaların azaltılması, kamu-özel ortaklıkları, kamu menkul kıymetleştirmeleri yoluyla kamu kaynaklarının yöneldiği kesimlerin çalışan kesimlerden iyice uzaklaştığını unutmamak gerekir.

Bu çerçevenin sürdürülmesini kolaylaştıran finansal genişlemenin, küresel koşullara olduğunu kadar ülke içindeki sınıf dinamikleri ve uluslararası piyasalara entegrasyonun doğası ile şekillendiğini Brezilya örneği ile görmek mümkündür. Finansallaşmaya bu perspektiften bakıldığında, insanların borca erişiminin artması birçok yönden yatıştırıcıdır, ancak döngünün başında bu ağır borçtan kimin kâr ettiğini anlama dürtüsü finansallaşma analizlerinin çerçevesinden asla eksik olmamalıdır ki bu her zaman için bir siyasal iktisat perspektifini gerektirecektir. Küresel Güney'e ilişkin analitik yaklaşımlar genellikle finansallaşmayı ampirik çalışmalar üzerinden çıkarımlar yaparak kavramsallaştırmalar yapmaya yatkın görünmektedirler.

Bu kavramsallaştırma girişimlerinden ilki olan Bağımlılık görüşü, devletler, uluslararası sermaye, emek ve yerli sermaye ekseninde bir merkez çevre ilişkisine odaklanarak finansal azgelişmişliğe atıfta bulunur. Ve bu azgelişmişliğin sebebini çevresel üretim ilişkilerinin tarattığı finansa erişim maliyeti ve kısıtlamalarla açıklanmaya çalışılır. Buna karşın, post-Keynezyen görüşlerde söz konusu eksen uluslararası likidite bağlamında ortaya çıkan para ve güç hiyerarşileridir. Bu hiyerarşiler nezdinde ortaya koyulan makroekonomik nedensellikler politika yapım süreçlerini dış piyasaların davranışları ile birlikte analiz etmeye gayret eder. Diğer yandan, Marxist yaklaşım, emek ve sermayenin sömürücü ve emperyalist ilişkilere dayalı konumuna bakarak finansallaşmanın kapitalizmle ilişkisini kurmayı önemserler. Bunun ardındaki motivasyon ise hegemonyanın emeği disipline etme çabalarının doğrudan sermaye birikimi ve yeniden dağıtım mekanizmalarıyla ilgili olduğu düşüncesidir. Yani, ne finansal olarak kurduğu bağımlılık ilişkileri içindeki tabi olma hali, ne hegemonik tahakküm, ne de para ve güç hiyerarşileri bakımından finansallaşma kapitalizmden ayrışabilecek şekilde ele alınabilir.

Bu bağlamda, bu çalışma Küresel Güney'deki finansallaşmayı teorik çerçeve altında ele alabilme konusunda şüphecidir. Bu şüpheciliğin karşılaştırmalı analizler ve tek ülke analizleri ile bir ölçüde giderilebileceği sıklıkla dile getirilmektedir. Bununla

birlikte, karşılaştırmalı analizler için sadece ülkelerin değil, aynı zamanda ülkeler içindeki kapitalizmin döngüsel yönlerinin de anlaşılması faydalı olacaktır. 1980'lerden mevcut dönemi kapsayan dönemselleştirmeler, finansallaşmayı kapitalizmin özünde görülen sürekli çelişkilerden ve dönüşümlerde arındırmadığı gibi, ampirik analizlerin ağırlığı ile teorik anlayışı daraltma şüphesi yaratmaktadır. Zira toplumsal üretim ilişkileri ve bunların örgütlenme biçimleri temelinde yapılmayan analizlerin finansallaşmanın bir araç olarak Küresel Güney'de ne derece çok yönlü kullanıldığı gizleyebilir.

Yine bu bağlamda, son kırk yıla ilişkin Küresel Güney analizleri, önceki dönemin devlet güdümlü kalkınmacılığı neoliberal dönemle ampirik olarak karşılaştırarak çıkarımlar yapma eğiliminde olmanın aksine, birikim stratejileri arasında bağlantı kurarak finansallaşmanın eksik yönlerini tamamlayabilirler. Bu tür bir yaklaşımın ise, piyasa serbestliği kisvesi altında devletin rolünün azaltılması söylemlerinin aksine, bu iki dönemselleştirme ve geçiş sürecinde devletin toplumsal rolünü merkeze alarak yapıyor olması oldukça önemlidir. Bu nedenle, ampirik analizlerin tespitlerinin ardındaki devlet-toplum ilişkileri, her zaman tarihsel bir politik ekonomi perspektifi gerektirecektir. Aynı şekilde Brezilya üzerine yapılan bu çalışmadan yapılabilecek en önemli çıkarımlardan biri, finansallaşmanın ekonomik bir kavramdan ziyade neoliberal baskıcı politika çerçevesini tamamlayan dizi politik ve ekonomik araca hizmet ettiği olacaktır.

Keza, neoliberal projenin hem ideolojik, hem siyasi hem de ekonomik yönlerini yeniden mülkiyet yapısı, Brezilya'da uzlaşma süreçlerini hiçbir zaman sorunsuz hale getirmedi. Neoliberal döneme ilişkin uzlaşı ise askeri-şirket işbirliği ve cunta yönetimi altında getirdiği uluslararasılaşma ve yoğunlaşma sonucunda ortaya çıkmıştır. Böylece, finans sermayesi ile filizlenen imalat burjuvazisi arasındaki çatışmaların kendi aralarında mı yoksa onlara karşı başka sınıfların mevcudiyeti arasında mı olduğu sorusunun yanıtı Brezilya'da sermaye gruplarının mülkiyet yapıları tarafından ortaya konmuştur. Bu çatışmalara ve çelişkilerin sonlanması ile değil, hem finans odaklı birikimin hem de kalkınmacılığın dönemin iktidar ilişkileri yoluyla birlikte uygulanabileceğini yansıtan bir başka çıkarımı ifade eder.

Yine neoliberal dönemde devletin uyguladığı ekonomik politikalarına eşlik eden özelleştirmeler, Brezilya'nın finansallaşması söz konusu olduğunda, yoğunlaşma ve uluslararasılaşma bağlamında da ele alınması gereken konular olmuştur. Zira ithal ikameci sanayileşme döneminin kazananları çoğunlukla ülkelerde bulunan oligopolleşmiş holding yapıları ve ulusötesi şirketler olurken, özelleştirme de büyük ölçüde bu grupların lehine sonuçlanmıştır. Bu yoğunlaşmış kurumsal yapının hem finansal hem de finansal olmayan çeşitli şirketlerden oluştuğunu unutmamak gerekir. Zira Brezilya, hem imalat sektöründe holding yapılarının banka sermayesi olarak da faaliyet göstermesiyle hem de bankalar gibi finansal şirketlerin reel sektörün kârlı aktivitelerine dahil olmalarıyla, finansallaşma argümanlarında öne sürülen reel sektörün geri plana atıldığı varsayımını zayıflatır. Nitekim söz edilen sermaye türlerinin ne derece iç içe Brezilya örneğinde görülebilmektedir.

Öte yandan hem kamu hem de özel bankaların hanehalklarının krediye erişimini genişleten ticari yönü, yalnızca bu şirketlerin müşteri kitlelerini genişletmesiyle açıklanamayacak kadar derinden devletin sosyal politika araçlarını özel şirketler üzerinden sürdürmesiyle ilişkilidir. Bu da konunun en az ekonomik boyutu kadar siyasal boyutunun dikkat çekici olduğunu ortaya koymaktadır. Nitekim borçlu emek, en temel bakış açısıyla, borçlarını ödemek ya da çevirmek adına günden güne daha esnek koşullar altında bile çalışmaya razı olacaktır. Buna karşın, bu hizmetleri sağlayan özel şirketlerin kârlarına devlet eliyle katkı sağlanmış olacaktır. Ancak, yine hatırlatmak gerekir ki, nispeten küçük-orta ölçekli ve yoğunlaşmanın daha az olduğu sektörlerde faaliyet gösteren şirketler de yine bu borçlanma döngüsünde yerlerini almışlardır. Dahası, bu şirketlerin ekonomilerde istihdam yaratma yönü de yine borç çevrimi kapasitelerine bağlı olarak sürdürülebilecektir.

Bütün bunlar, finansın ya da finansallaşmanın kurduğu bağımlılık ilişkilerinin hiçbir koşulda küresel zeminle sınırlı kalmadığını göstermektedir. Öyle ki, finansallaşmanın bir yeniden üretim aracı olarak toplumsal hayatın her alanına da nüfuz ettiği gerçeği, finansın kurduğu bağımlılık ilişkilerinin küresel ve ulusal zeminlerde de sürdürülmesini garanti eden etkendir. Bu ipuçları, hem ülkedeki yabancı para birimlerinin etkisi, hem kredi ihtiyacı, kamu borcu, hem de güç bloğunun çıkarlarını politika düzeyinde uygulama adına aksiyon alan bir para otoritesinin varlığının

çelişkilerini bir kez daha ortaya koymaktadır. Brezilya'nın bağımsızlığından bu yana, devlet her zaman uluslararası borçlanma kapasitesi dahilinde politikalar izlemiştir. Bu bakımdan finansallaşma ile ilişkilendirilen küresel likidite koşullarına bağlılık ve buna bağlı olarak finansa Küresel Güney'de tabi nitelikler kazandıran koşullar pek çok açıdan, bu çalışma ile ortaya konmaya çalışılan tarihsel bağlardan da açıkça görülebileceği üzere, yeni ve eşi benzeri görülmemiş koşulları ortaya koymamaktadır.

Ancak yeni ve bilinmeyen tarafı toplumsal ilişkiler çerçevesinde değerlendirildiğinde kendini göstermektedir. Zira, kapitalizme içkin emeğin sermayenin boyunduruğu altına alma güdüsünün oldukça tanıdık olmasına karşın, kapitalizmin herhangi bir evresinde finansa erişimin bu kadar kitleselleştiği bir dönem görmek mümkün değildir. Nitekim, Brezilya örneğinden yola çıkarak son dönemin farklılaşan bir diğer yönü ise, sanayi politikalarının, önceki kalkınmacılıklardan farklı olarak, kamu borcunu kontrol altına alarak sermaye akışlarını mahkum biçimde, yani devletin önceki finansal ilişki biçimlerinden farklı olarak, içsel ve dışsal olarak mali alanın egemenliği altında sürdürmesidir. Bu durum ise piyasanın anlık hareketlerine dayalı politika oluşturma süreçlerini planlamadan uzak ve kısa vadeci hale getirmiştir. Bu nedenle, finansallaşma çalışmalarında da yer aldığı ölçüde, sanayisizleşme sorunları aynı zamanda uzun vadeli risklerden kaçınma temelli anlık stratejilerin neticesi olmuştur.

Bunlar, yine 1980'lerde Brezilya gibi ülkeler için tasvir edilen ihracata yönelik kalkınma stratejilerine dahil olmak yerine; enflasyon hedeflemesi, değerli kur politikası uygulamaları ve yüksek faiz oranları ile oluşturulan ekonomik koşullara paralel olarak kısa vadeci ve davranışları öngörülemez sermaye akışlarına mahkum ekonomiler yaratmıştır. Finansallaşmanın neoliberalizmle ilişkilendirilebilmesi adına bu unsurların her birinin ardındaki siyasal nedenleri tespit edilmelidir. Bu bakımdan, çalışmanın da gösterdiği üzere, finansallaşma neoliberal dönemi oldukça tamamlayan bir araçtır. Bu aracın dahil olduğu birikim stratejisinin yerel, ulusal ve küresel düzeyde yarattığı tabi kılma veya bağımlı olma halinin kapitalizmin ta kendisine ait olduğu akılda tutulmalıdır ki, kapitalizmin tarihsel olarak yeniden üretildiği koşulların tarafından ampirik çıkarımlara indirgenmesi önlenebilsin.

Bunların ışığında, bu çalışma ile hedeflenen tarih tartışması, Brezilya'da finansal genişleme dönemlerinin son kırk yılla sınırlı olmadığını ortaya koymaktadır. Ancak bu dönemlerin finansal genişleme, ya da kavramın tartışılan tüm yönleriyle finansallaşma, bakımından elbette nitelik ve niceliksel değişkenlik gösterebilmektedir. Örneğin, kolonyal dönemde sermaye devrelerinde dominant olduğu varsayılan toprak sahibi sermayenin finansa erişimini federal devletin politikalarıyla sınırlı tutulması, üretim alanında köle emeği üzerinden kurulan finansman ilişkisini göstermektedir. Bu sadece emek ve finans arasındaki değer algısı üzerinden anlam ifade etmemekle birlikte, aynı zamanda üretken faaliyetlerin menkul kıymetleştirilmesi bakımından da iyi ve erken bir tarihsel örnektir. Nitekim, finansın üretken alanla kurduğu ilişkinin amacı ve neticesi ne olursa olsun, emeğin henüz meta döngüsünde üretilmemiş değerinin içine girdiği ticari döngü, daha erken dönemden itibaren endüstriyel sermaye ile finansal sermaye arasındaki bağlantıya dair önemli ipuçları sunmaktadır.

Diğer yandan, aynı dönemde, kredi parasının uzun yıllar boyunca İngiliz ve Hollandalı sermayeden temini, Brezilya'nın iç ve dış pazarlarda ekonomik faaliyetlerine dair hakim doktrin uygulamalarını yine başlıca finansman üzerinden dayattığı gerçeğinin görülmesini sağlar. Bu da tıpkı çağdaş dönemin finansallaşmaya zemin hazırlayan politika çerçevelerinin uluslararası finans kuruluşlarının meşhur plan ve programları altında sunulması halini anımsatmaktadır. Benzer şekilde, o dönemlerde bugünlerdeki kadar sıklaşmamış finansal krizlerin ve kriz risklerinin 1873 krizi sonrası yarattığı genişlemeci *Encilhamento* dönemi, Brezilya'da sayısız bankanın çeşitli yerli ve yabancı sermaye grupları tarafından türediği, kamu borcunun önceki dönemin konvertibilite takıntısının aksine hiç olmadığı kadar cesurca artırıldığı bir dönemdi. Bu dönemi ve akabinde öne çıkan tarım sermayesi hegemonyasını birlikte görmek, kölelikten özgür emeğe geçiş koşullarında krediye erişimi hiç olmadığı kadar önemseyen bu sermaye kesiminin çıkarlarını oldukça yansıtır.

Öte yandan bu geçiş aşamasında kurulan cumhuriyet, devletin kahve üretimine doğrudan ipotek tahvilleri ve değerleme politikaları ile müdahil olması bakımından da geride bırakılan altın standardı uygulamaları bakımından da dönemin devlet piyasa ilişkisini uluslararası gelişmeler ile birlikte anlamaya yardımcı olur. Zira bu dönem

tam olarak bir başka finansal kriz ile başlayan Büyük Buhran sıralarına denk gelmektedir.

Öte yandan Büyük Buhran'ın yıkıcı etkileri ile ortaya çıkan ekonomik milliyetçilik döneminde devlet kahve sermayesinin baskın konumu karşısında görece özerk hale gelerek, diğer Küresel Güney ülkelerine de büyük ölçüde paralel bir biçimde, sermaye fraksiyonlarının çatışmalarının devlet öncülüğünde sanayileşme ile aşılabileceği inancı çerçevesinde yol izlemiştir. Bu bağlamda 1964 darbesi ile kurulan uzlaşı sıklıkla popülizm, milliyetçilik, korporatizm ve devletçilik gibi çeşitli kavramlar ekseninde tartışılsa da, en temel haliyle kırsal ve kentli sermaye, imalat ve finans (yerine göre ticaret) sermayesi, ve kentli emek ve orta sınıflar arası denge arayışını yansıtmaktadır. Bu denge arayışının başarılı sonuçlanıp sonuçlanmadığı tartışmaları bir yana bırakıldığında, bu dönemde mümkün olan meta patlamasının hangi gruplara ne kazandırdığını anlamak önemlidir. Zira bu gruplar finansallaşma ile ifade edilen dönemde de sermaye devrelerine hakim gruplar olarak tam da koloni döneminden post-kolonyal döneme taşınan emperyalist ilişkilerin sürdürülme biçimi olan ulusötesi şirketler ve o sıralarda uluslarasılaşan ve oligopolleşen yerel şirketler, yani *grupo* adındaki holding şirket yapıları, olarak kendilerini göstermişlerdir.

Kısaca, bu ve bunun gibi tarihsel örneklerin, en azından Brezilya bağlamında görülebileceği üzere, Küresel Güney'e ilişkin finansallaşma analizlerinin Küresel Kuzey temelli birikim stratejilerine ve araçlarına hangi teorik çerçevede oturtularak son kırk yılı anlamanın daha mümkün olabileceği sorusuna cevap vermede önemlidirler. Bu önemin sebebi ise elbette toplumsal ilişkilerin uluslararası piyasalara eklemlenmedeki belirleyiciliği ve daha da önemlisi toplumsal ilişkilere dair en önemli ipuçlarını veren devlet mekanizmalarının ilgili stratejileri uygulama biçimleridir. Bu şekilde, finansallaşma özelliği gösteren dönemler kapitalizmin özündeki temel strateji olan genişleme stratejisinin hangi tamamlayıcı ya da alt stratejilerle sürdürüldüğünü anlamaya olanak sağlayarak sorulan soruların teorik bir tutarlılık içerisinde cevaplanmasına olanak sağlar.

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