

# **Is Financialization a Form of Dependency or a Strategy for the External Financing Need of Productive Capital?**

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## **Abstract**

The insufficiency in the production of capital goods (Department I goods) is the most important problem for the less developed countries. Although this problem reveals itself in the process of capital accumulation in varying forms, it always comes to surface as a problem of a foreign exchange scarcity. This problem becomes more acute as capital accumulation accelerates. In order to reduce the foreign exchange scarcity, internationalization of commercial capital (exportation) as well as various state supports to productive capital (subsidies and intervention) have been utilized in many less developed countries. At this point, financialization has also become a channel for the acceleration of productive capital formation. In a time of excessive global liquidity, interiorization of money capital has been used as a strategy by less developed countries in order to foster capitalist industrialization.

This paper will address the interiorization of international money capital as one of the structural reasons for the rising financialization in less developed countries. We argue that financialization does not only refer to some monetary flows; but it also represents a temporal shift of productive capital to the process of relative surplus value production.

Such an approach to financialization offers an alternative analytical framework to the dominant interpretation in the development literature which centers on the arguments of financial mania and the continuity of underdevelopment. We will explore the theoretical claim of financialization as being conducive to productive capital formation at a concrete level by drawing from the Turkish experience in the post-1980 period. The analysis will show that financial policies of the 1990s paved the way to the legal and institutional changes that aim at achieving a higher technology-based industrialization in Turkey.

**Keywords:** Department I, financialization, interiorization of money capital, internationalization, relative surplus value, the need for capital in the form of foreign exchange