

Financialisation in the Middle Income Countries: An Analysis of the Changing Investment and Financing Behaviours of Non-Financial Corporations

in Turkey and Brazil

Annina Kaltenbrunner, Elif Karacimen, Juan Pablo Paineira, Paulo dos Santos

The last few decades have been marked by the broadening and deepening role of finance, which is often discussed with reference to the term “financialisation”. Much has been written on the subject in the context of developed countries. As of yet very little analysis exists for developing and middle-income countries. This paper aims to make a first step towards conceptualising financialisation in the context of middle income countries through conducting a comparative analysis of the changes in the behaviour, practices, and relations of non-financial corporations (NFCs) in Brazil and Turkey. In adopting the financialisation approach, this paper aims to go beyond the dichotomous understanding of “finance” and “real” economy. It focuses on the new dynamics in both realms and the interconnections between the two. It argues that one of the crucial points to consider in analysing the financialisation in middle income countries is the changes in the mode of integration of those countries into the world economy and accompanied transformations in the financial and non-financial sectors of these economies. Indeed, one of the major characteristics of middle income countries over the last decade has been their deepening integration into the world economy through trade, foreign direct investment and capital flows. This deepening economic and financial international integration has gone hand in hand with important changes in the behaviour of non-financial companies in terms of portfolio management, for example. This paper discusses these changes in the behaviour of NFCs. It addresses the dearth of empirical work on financialisation of NFCs in middle income countries by examining the changes in the asset and liability structures of the major NFCs in Turkey and Brazil in the last decade. Situated in a broader context, this analysis sheds lights on how NFCs’ integration into international production chains (centred in advanced economies) and their increased financial integration have altered their behaviour. In particular, it shows how the increased exposure of NFCs to financial risk posed by volatile exchange rates movements and international capital flows have affected their behaviour. Based upon this analysis, the paper concludes with exploring the implications the changes in practices and behaviours of NFCs have had on the capital accumulation in these countries.