Non-financial corporations and maximizing shareholder value: an approach on macroeconomic instability in emerging economies[1]

Roberto Alexandre Zanchetta Borghi[2]
Igor Lopes Rocha[3]

Abstract

This paper focuses on non-financial corporations under the intensification of the regime of maximizing shareholder value. It highlights aspects of macroeconomic instability in emerging economies arising from this process. It is argued that the microeconomic logic that guides big corporations in their search for earnings, including non-operating gains, do not differ significantly between economies. However, given the different forms of international insertion in a context of deregulation of financial and foreign exchange markets, the behavior of these corporations makes emerging economies more unstable. This fact could be observed during the recent economic crisis, through the impacts of losses incurred by companies with foreign exchange derivatives operations. On the one hand, it was noticed that many corporations have exhibited Ponzi financial behavior. On the other hand, it has shown how the macroeconomic impact of their operations increases the systemic financial fragility. The study is divided into two sections. First section presents the theoretical basis of the logic of maximizing shareholder value within the dynamics of corporations. The second section investigates the weaknesses to which emerging economies are exposed within the logic of financial dominance. Finally, the study reinforces the need for regulatory mechanisms that mitigate the financial instability inherent in capitalism.

Keywords: non-financial corporations, emerging economies, shareholder value, macroeconomic instability.

JEL Code: F31, F42, F59, G32, O11, O16.

Introduction

In recent decades, especially since the 1970s, there was a trend towards the expansion of financial flows and stocks. It is argued that such dynamics are associated with the development of deep and articulated financial markets, the emergence of numerous financial innovations particularly securitization and derivatives, the participation of new economic intermediaries like institutional investors, as well as the reorientation of other agents' dynamics and the increasing adoption of liberal policies by national States. Banks, other financial institutions, governments, non-financial corporations and households are

[1] The authors wish to thank Maryse Farhi for her special commentaries. They also take full responsibility for any remaining errors.
[2] Master's Student in Economics of the State University of Campinas (Unicamp), Brazil – robertoazborghi@yahoo.com.br.
[3] Master's Student in Economics of the State University of Campinas (Unicamp), Brazil – igorlr3@yahoo.com.br.

even more involved in this logic of maximizing wealth through choices that focus on short-term liquidity and profitability.

With the end of the Bretton Woods system, the intensification process of deregulation and liberalization of domestic and international financial markets as well as increasing capital mobility, characteristics of the financial globalization process[4], have contributed to an expansion of financial assets in the private portfolio composition. Thus, as pointed out by Coutinho and Belluzzo (1998, p.138), the economic agents "began to subordinate their spending, investment and saving decisions to expectations about the pace of their financial enrichment".

In the case of non-financial corporations, emphasized in this paper, a growing dominance of the financial sphere over the productive one[5] was observed. This was represented either by raising holdings in financial assets – proportionally bigger than the increase in productive assets – or by the financial flows volume turning higher than productive investment. Although controversial[6], the "financialization" concept covers the process of financial globalization, the "revolution" in favor of shareholder value and the rise of revenues derived from the Stock Exchange capital. These all lead to a greater financial dominance in the economy.

> "[...] the financial sphere represents the capital spearhead, where operations achieve the highest degree of mobility; where the gap between the priorities of operators and the needs in the world reveals itself more acute" (CHESNAIS, 1994, p.206).

For the corporations, the macroeconomic and financial changes, that began in the 1970s[7] and accelerated towards greater liberalization and deregulation of financial markets and flows, have manifested themselves in the shareholders' strong preferences for profits distribution and, in general, for capital gains. Their quest for liquid and profitable options of wealth application and the enterprises' pursuit of alternative forms of leverage, including for financing, guided them into a new and vast range of financial resources. These in turn came to dictate rules for management and profits allocation.

As pointed out by Cintra (1997), one of the central dimensions in the new wealth standard management is the presence of institutional investors as major shareholders. This helped to change the management rules inside the capitalist firm, encouraging executives to run the corporation with the ultimate goal of "creating shareholder value", i.e. increasing the company's value in the Stock Exchange to maximize the shareholder wealth[8].

This change in the corporate behavior resulted from the transformations already mentioned in the financial field. In other words, it was attempting to limit the administrative discretion in favor of the interests of the representatives of financial capital.

---

[4] For details, see Chesnais (1998) and Carneiro (1999).

[5] Further analysis on this point is offered by Chesnais (1994, 1998 e 2005), Duménil and Lévy (2000), Guttmann (2008), Orléan (1999) and Braga (1997), among others.

[6] For a broad concept definition, see Epstein (2005) and Palley (2007).

[7] Transition period from "golden age" to "financialized" capitalism or financial dominance capitalism – "a capitalism form inherently unstable" (Bresser-Pereira, 2010, p.54).

[8] Throughout the 1970s, investors were the first to take actions in order to influence the corporate governance mechanisms and practices. The purpose was to mitigate the power of bureaucratic body within the corporation, since it represented a low investors' power in the company's decisions and therefore little influence on the profits distribution.

Due to the new dynamics of wealth management and composition focusing on financial assets, real variables became susceptible to more complex fluctuations caused by the excessive volatility in macroeconomic prices, particularly interest and exchange rates[9]. This pattern was mostly reflected in the macroeconomic dynamics of both central countries and emerging economies, that engaged in financial globalization[10].

Instabilities in these economies are aggravated by the contagion effect, resulting from different transmission channels, i.e. from multiple interdependencies between emerging and developed economies. In the 1990s, the destabilizing effects of capital flows and new trends of international financial markets revealed themselves through several financial crises faced by emerging countries during the implementation of neo-liberal reforms (Prates, 2002). In the recent international financial crisis, the contagion effect involved both the current account and the capital account. The current account experienced a fall in commodities prices and global demand and an increase in profits remittances by companies and banks. At the same time the capital account was affected through lower direct investment inflow, the portfolio investments outflow, the interruption of trade credit lines, and the sharp credit crunch (Prates *et al*., 2009, p.13).

Based on these observations, the aim of this paper is to address the behavior of non-financial corporations under the intensification of the regime of maximizing shareholder value, highlighting aspects of macroeconomic instability arising from this process in emerging economies. The paper is organized into two sections, besides this introduction and the concluding remarks. The first section discusses the logic of maximizing shareholder value and the main changes that have occurred in the corporations' dynamics since the 1970s. The second section presents macroeconomic instability aspects in emerging economies derived from this new regime. In a subsection, the study analyzes the case of financial losses arising from foreign exchange derivatives operations incurred by non-financial corporations from emerging economies in 2008. This is done in order to exemplify that such financial posture by the corporations transformed these economies into more unstable ones.

1. Maximizing shareholder value and the corporate dynamics

From the 1970s and 1980s onwards, the liberalization and deregulation processes of financial and foreign exchange markets, both national and internationally, were diffused. This has allowed the intensification of the "financialization" process in the economy (Farhi and Borghi, 2009, p.181). For the capitalist corporation, "financialization" refers mainly to the dominance of maximizing shareholder value as the main corporate goal. This change has occurred with the emergence of different types of funds (pension funds, mutual funds and hedge funds) that bring together small investors, in order to achieve economies of scale (better diversification, more information, lower transaction costs etc.), and has been marked

[9] It is assumed that wages are also affected by this logic. According to the Keynes approach (1936), it may be thought in a market hierarchy for determining employment and income. In a monetary economy, capitalists' decisions in relation to wealth allocation are crucial. Decisions come from the monetary and financial markets, pass through the goods market, to reach the labor market, contrary to the (neo)classical view.

[10] According to Prates (2002, p.104), they correspond to "peripheral countries that have got into the international monetary and financial contemporary system since the late 1980s through the liberalization of their financial systems and their capital accounts [...]".

by increasing institutional investors' participation as shareholders in large companies around the world (Guttmann, 2008, p.12).

The new financial view about the capitalist corporation is strengthened by the concept of shareholder value. When companies started to focus more on the financial results, shareholders realized that the returns previously offered were relatively low.

> "The 1980s reflected a shift in the dominant conception of control from the finance to the shareholder value conception of the corporation for large U.S. corporations. Finance CEOs were more likely to observe the new conception of control and steer their firms toward the shareholder value point of view" (FLIGSTEIN, 2002, p.166-167).

In this sense, a shift inside corporations occur, leading them to seek a growing shareholder value through higher prices of their shares traded on the Stock Exchange all around the world. As stressed by Carneiro (1999, p.62, emphasis in original), "[...] the central goal of companies is now supporting high and increasing relationships between *price and profit*. Thus there is a set of operations that aim to directly maintain or rise the stock market prices, such as, certain types of mergers and acquisitions or, mainly, repurchasing processes – leveraged or not – of shares on the Stock Exchange".

Moreover, in this context, corporation managers focus on core business investments[11], rejecting unprofitable products and promoting also a reorganization in the capital structure. At times, the movement of maximizing shareholder value[12] has prompted booms of mergers and acquisitions in stock markets of central countries as company executives try to increase company value even if moments later they were to sell them off again. This process has been strengthened by the significant concentration of private wealth in the institutional investors' hands.

> "In the name of 'creating shareholder value', the past two decades [we could say three decades] have witnessed a marked shift in the strategic orientation of top corporate managers in the allocation of corporate resources and returns away from 'retain and reinvest' and towards 'downsize and distribute'" (LAZONICK and O'SULLIVAN, 2000, p.18).

Froud *et al*. (2000) contrast two stereotypes of the corporations' logic. According to them, productive logic is characterized by competition for products and processes, as well as focus on smaller production times, lower inventory and higher quality. The U.S. company led financial logic, in its turn, would be based mainly on the universal competition for financial results. The return on investment of one firm would be compared to others, independently of their operating segment.

However, both logics are not contradictory. They tend indeed to strengthen each other and shape the corporations' logic under the financial dominance regime. Either in the productive sphere or in the financial sphere, corporations are guided by flexibility and profitability required by shareholders and imposed by the competition movement, especially in an environment of higher capital mobility. As presents Braga (1997), the

---

[11] Term generally used to highlight the strongest areas and strategic performance of a particular company. Mainly in the 1960s, companies from the central countries grew and expanded internationally under the Fordist accumulation regime, diversifying their activities in a wide business range often not correlated.

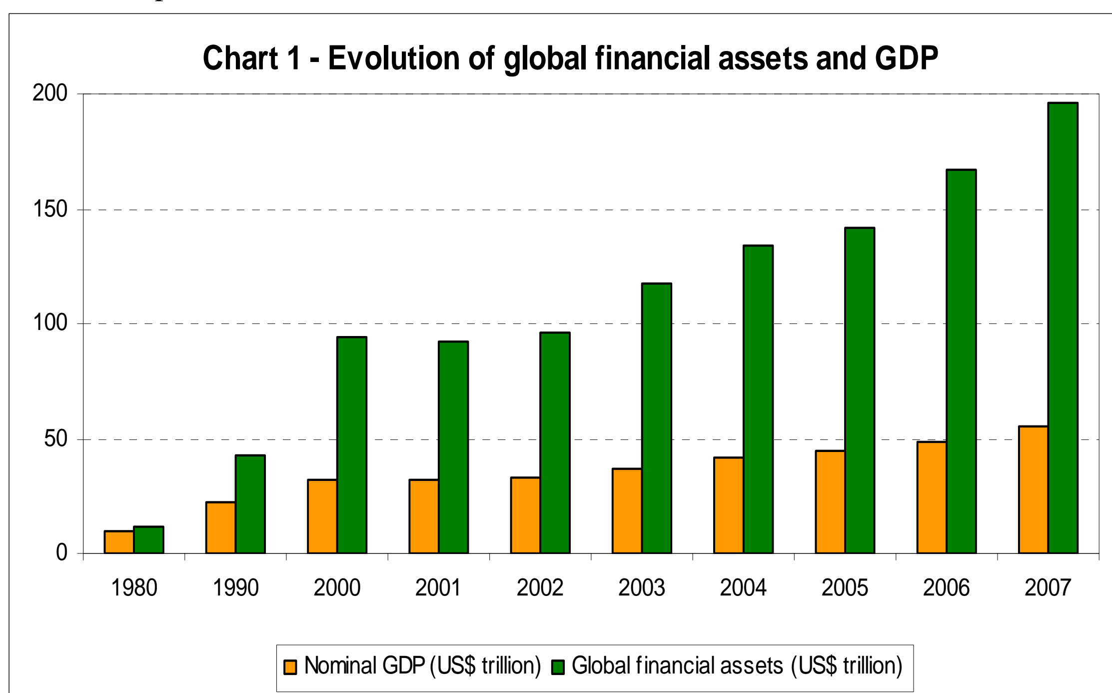
[12] As pointed out by Lazonick and O'Sullivan (2000), DiMaggio (2001), Crotty (2002) and Froud *et al*. (2000), there are several weaknesses in this financial logic. This model would seek immediate shareholder profits, i.e. short-term gains at the expense of long-term vision in corporations.

representative objective function for a large capitalist enterprise can be summarized in the following expression:

$$F: f(Fi, Ipt, X)$$

The Fi term represents finance, increasingly present in the corporation's logic. The Ipt term symbolizes investment in technological progress, i.e. innovative investment that enables them to face the competitive process and/or create new competitive advantages. The X term corresponds to tradable production or simply commercial activities conducted within or between corporations. For instance, intra-firm trade became a fundamental strategy in large corporations, due to the decentralization of production around the world.

Although all this manifests more clearly in transnational corporations, even those whose operations are restricted to domestic markets incorporated the financial dimension into their decisions, either because they are publicly traded and their shares are quoted on the Stock Exchange or because it involves financial assets and liabilities. Braga (1997, p.195-200) also shows that in "Money Manager Capitalism"[13] the quest for capital appreciation becomes increasingly less dependent on production cycle. This appreciation can be satisfied in other fields, especially under the fictitious capital form[14], because the diffusion of financial globalization process has removed the existing barriers to the capital circulation. Chart 1 shows the recent evolution of global financial assets and Gross Domestic Product (GDP). It can be observed the distinct expansion rhythms between financial and productive activities.



Source: McKinsey Global Institute, in: Bresser-Pereira (2010, p.57).

[13] Expression coined by Minsky and which characterizes the current capitalism phase (Wray, 2009).

[14] In fact, the strictly financial circuits of capital appreciation combine inviting features: liquidity and minor concerns about management production, productive innovation and labor.

As highlights Chesnais (2005, p.54), in this system,

> "the 'administrative power' inside the corporation is stronger than ever but sets goals for itself very different from those of the previous period[15]. The administrator molds itself through the finance and explores the freedom afforded by its 'virtuality'. He quickly rounded the control to which he was firstly object. But his priorities are very different from those of the industrial administrator which he has replaced. The groups are run by people for whom the trend in the Stock Exchange is more important than anything else. The control over corporate governance was in general frustrated, but the values of finance triumphed".

This represents an alignment between shareholders' and managers' interests. The emergence of shareholders' interests has been strengthened by the prevalence of stock options and performance bonuses based on profits as important components of the company remuneration for managers, who were clearly encouraged to generate the highest returns (Guttmann, 2008, p.13). According to Lazonick and O'Sullivan (2000, p.27),

> "[...] by the 1980s the deregulated financial environment and the rise of the institutional investor as a holder of corporate stocks encouraged top managers to align their own interests with external financial interests rather than with the interests of the productive organizations over which they exercised control".

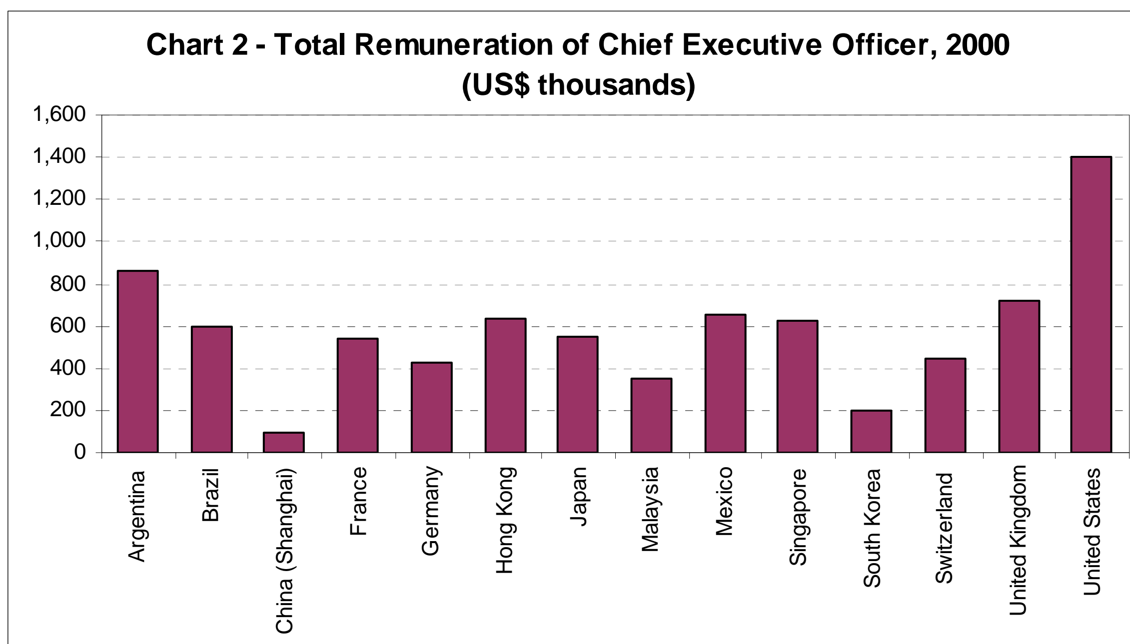
All these dynamics have become the main form of wealth management, not only in developed countries, but also in emerging ones. This microeconomic financial logic that guides the search for profits, including non-operating gains, in big corporations does not differ significantly between the economies. Obviously, its degree can vary from one country to another. That depends on historical and specific institutional constraints and on a very different way that each economy is inserted in the international context. High executive's remuneration, expressed in Chart 2, is one of the features of this financial logic. Despite some important differences, noted, for instance, between remunerations in the U.S. and China, the proximity of remunerations observed in developed and emerging economies denotes the widespread character of this accumulation pattern.

However, as noted by Minsky (1982), sources of instability arise from this new regime. They derive from bad credit assessments, uncontrolled degrees of leverage by economic agents, financial innovations, flawed system of risk rating and payment practices with highly aggressive bonuses that encourage taking risk and short term gains[16]. These are instabilities which may lead to crises, endogenous to the capitalist system. As stated in his financial instability hypothesis, Minsky (1986) explains how the stability produces, endogenously, destabilizing elements, through the leverage degree and maturities and rates mismatch in the financial structures of different agents over the time, especially from relative calm periods.

---

[15] For an analysis of the capitalist firm evolution and its goals, particularly focusing on its growth and long-term horizon, see Penrose (1959).

[16] See also Bresser-Pereira (2010, p.61).



Source: Own elaboration based on *Tower Perrins Worldwide Total Remuneration Survey 2000*, in: BECHT *et al*. (2005, p.59).
Note: Data based on remuneration consultants' estimate for a typical CEO in a large industrial company. These values add: Basic compensation, Voluntary company contributions, Variable bonus, Perquisites, Compulsory company contributions and Long-term incentives. In the U.S., variable remuneration exceeds the fixed payment.

In these unstable financial dynamics[17], the participation of banks and institutional investors concerning non-financial corporations and the creation of shareholder value is decisive. Firstly, because they themselves, in their logic of wealth application, are shareholders of the companies. Secondly, because the injection of liquidity into the system by banks could become a speculation channel, since it can involve securities purchases and even the finance for other investors, enabling them to increase significantly their leverage capacity, operation capability and portfolio size. Thirdly, because financial institutions, as Guttmann (2008, p.18) stresses, have become huge conglomerates that integrate different services, instruments and markets, used by non-financial corporations. Therefore, through the liquidity expansion provided by banks and driven, to a large extent, by financial markets applications with speculative purpose, there is a procyclical appreciation mechanism of asset prices in these markets, on whose fluctuations the companies have become increasingly dependent. These movements are reflected in the more unstable macroeconomic behavior, especially in the emerging economies, whose pattern of international integration is different from the pattern of central economies.

2. Macroeconomic instability in emerging economies

The previous section discussed how the financial and short-term logic of maximizing shareholder value strongly influences the decisions of non-financial

[17] Such dynamics do not provide a basis for value creation in the long-term, since it negatively affects productive investment. The profits are transferred primarily to shareholders, especially as dividends, instead of being retained and reinvested as happened in the previous accumulation regime until the 1970s.

corporations around the world. It was argued that the microeconomic dynamics, underlying the concept of maximizing shareholder value, are shared by corporations from different economies. These dynamics are reflected in strategies of financial management through the monitoring of cash flows, mergers and acquisitions operations, and the use of mechanisms to hedge themselves and to exploit the possibilities of gains derived from the fluctuations in the exchange and interest rates. This section however aims to show that, in the context of the post 1970s financial and foreign exchange deregulation, this posture exacerbates the macroeconomic instability in emerging economies. The extent of the instability depends on the country's different degrees of international insertion and their particularities, such as the monetary inconvertibility. This section will also briefly consider the case of losses with foreign exchange derivatives by non-financial corporations from emerging economies as an important transmission channel of the international financial crisis to these countries.

In an international monetary system characterized by a key-currency, like the dollar (a financial, fiduciary and flexible currency), by strong (but not necessarily free) capital mobility and by a floating exchange rate regime, the main macroeconomic prices (exchange and interest rates) become more unstable and susceptible to more intense and frequent oscillations, especially in emerging economies[18] (Prates, 2002). Obviously, this tends to be reinforced by the rhythm of financial and technological innovations which enable the process and thus by the agents' logic that compose the increasingly interconnected national and international monetary and financial markets.

Nevertheless, the degree of an economy's exposure to external movements in this scenario depends on their forms of international insertion. On the one hand, there is the commercial and productive dimension and on the other, the financial dimension. Both are mainly considered here from the viewpoint of the previously stressed non-financial corporations' logic and behavior and are directly conditioned by the dynamics of international economy in each moment of the economic cycle. Clearly, even between the emerging economies, the degree of exposure varies[19].

The productive-commercial insertion is related to the liberalization of Foreign Direct Investment (FDI) flows and also to the degree of trade openness. This in turn is conditioned by several factors, such as the exchange rate regime, the structure of foreign trade (what is exported and imported) and the existence of tariff and non-tariff barriers to trade[20]. In the context of this study, it is observed that a decrease in the restrictions to trade

---

[18] See also Guttmann (2008) and Tavares and Belluzzo (2002).

[19] It is not the aim of this paper to study particularities of international insertion – both productive-commercial and financial dimensions – for the different emerging countries. Evidently, depending on the kind of historical insertion, marked by governmental action and other economic agents relevant in the "integration" into the international markets, the degree of exposure to external movements and instability varies. In the literature, there are many works analyzing the international insertion cases of Latin American and Asian economies which mostly represent the emerging economies. See, for instance, Akyüz, Chang and Kozul-Wright (1998), BIS (2008), Carneiro (1999 and 2007), Hiratuka and Sarti (2006), Lall (2004), Palma (2004) and Prates (2002).

[20] Authors, like Franco (1999 and 2006), argue that the external insertion of developing countries, considering the processes of productive and financial globalization, is a necessary condition for them, in order to reach economic development. Thus, the FDI inflows would make possible productivity gains that would result in a larger material progress. Moreover, the economic openness would allow the population, in general, to obtain better life conditions through external competition, eliminating the development model based on protectionism and on the infant industry argument. Therefore, those industries which depend on the State support to be competitive should be extinguished. Also according to this view, discussed by Laplane and Sarti

and investment flows between countries and a consolidation of global productive networks tend to lead to stronger interdependence between economies, with a higher degree of exposure in the case of emerging economies. In general and in comparison to developed economies they are associated to a lower technological dynamism, to an industrial structure based on lower value-added products and also to an inferior degree of autonomy of economic policy.

This movement influences and is influenced, at the same time, by the logic of non-financial corporations[21], that is, for instance, reflected in the type of competition and in the relationship between headquarters and subsidiaries. When the productive and financial transformations occurred, especially after the 1970s, the subsidiaries started to play a more important role in the increasingly coordinated and internationally irradiated competitive corporation's strategy (Borghi and Cintra, 2009). As noted by Porter (1986), it moves from a multidomestic competition to a global one. This means the nature of competition has changed from one where what is happening in a certain national territory is relatively independent of what is happening in other countries and regions, to another where the competitive position of the firm in a country is largely affected by its positions in other places and vice versa. This fact corresponds to the change in the relationship between headquarters and subsidiaries. In other words, the relationship has changed from a stand alone pattern where subsidiaries are similar to headquarters and have more independence, to a more integrated pattern within the corporation[22] where subsidiaries are more subordinated to headquarters in terms of strategic decisions, thus "intensifying the productive, financial and technological flows" (Sarti, 2002, p.28).

For emerging economies, where many subsidiaries of transnational corporations are located, these modifications towards strategic decisions centered in headquarters make them more susceptible to the movement of profits and dividends remittances to the center

---

(1997), it would be crucial to the economic expansion the foreign capital, since it would finance the growth and the transitory external imbalances, would participate actively in the industrial restructuration, supplying the technological resources to the organizational and productive modernization, and would guarantee the access to international trade channels. For different critical opinions about this process, see Dunning (1993), Rodrik (2004) and Hausmann and Rodrik (2006). The last two works, for instance, emphasize the importance of industrial policy to the economic development against the "free market" logic. Rodrik (2006) stresses the need for combination of policies, such as, the exchange rate and the industrial ones, to reach a higher degree of development. According to the author (*ibidem*, p.22), "without a relatively stable and competitive exchange rate, it is practically impossible to induce investment and entrepreneurship in tradables of any kind. But without more directly targeted industrial policies, exchange rate policies alone cannot be a very powerful tool for promoting diversification. […] The secret of the success of high-growth economies lies in a combination of these two types of policies".

[21] This above all refers to the transnational corporations and also the exporting companies, even without facilities abroad. However, it cannot be forgotten that all companies nowadays, even those not publicly traded or operating only domestically, take into account in their strategic decisions the dominance of financial dynamics. For the transnational corporations, the logic of maximizing shareholder value manifests itself in the decision-making centers, i.e. the headquarters, and irradiates around their subsidiaries. This dimension appears in the national companies mainly through the capital opening and the trade of their shares, often acquired by foreign investors, on the Stock Exchange.

[22] In Unctad (1993), it is characterized two types of integration: the simple and the complex. In the first one, the decision-making center of the enterprise's main activities remains in headquarters, being the integration headquarter-subsidiary restricted basically to productive and commercial flows. In the second one, there is a stronger intra-corporation relationship, between headquarter and its subsidiaries and also between subsidiaries, which assume more relevance on financial and technological flows. These integration modalities are related to the different roles played by subsidiaries in the value chain where the corporation is inserted.

rather than reinvestment in the subsidiary, when a reorientation to financial investments does not happen. This is most likely to occur in the absence of outflow restrictions, in moments of reversal in the international economic cycle, periods of domestic currency appreciation and during changes in the strategy of wealth allocation by the corporation around the world. In addition to the subsidiaries of foreign corporations, national companies[23] also need to be considered, particularly those dependent on exports and imports. All companies are exposed to currency fluctuations, assuming a floating or a managed float (also known as dirty float) exchange rate regime. This exposure is linked not only to revenues and costs of their activities, but also to possible debts in foreign currency, which may increase significantly in the case of devaluation of the domestic currency. Because of this, it is a common practice of exporting companies to engage in hedge operations against exchange rate fluctuations in derivatives markets. However, embedded in the logic of achieving high and immediate non-operating gains they also use those instruments in a speculative way (Farhi and Borghi, 2009).

The financial dimension is interconnected to the previous process. However, before discussing it, it is necessary to show a central feature of the international monetary system that permeates both dimensions and reinforces the instability in emerging economies: the monetary hierarchy. This hierarchy means that the arrangement of the international monetary system is composed of different types of currencies, classified according to their degree of convertibility. This, in turn, refers to the ability of a currency to fulfill the three basic functions of money at the international level: means of exchange, unit of account and store of value. This analysis characterizes three sets of currencies. At the top of monetary hierarchy, is the dollar, the key-currency of the system with full liquidity and therefore full convertibility. Beneath the dollar there are the currencies that are considered convertible – issued by other central countries and used, albeit in a lesser extent, as store of value and common denominator of some international contracts. They also have high liquidity, but not the maximum. Finally, there are the inconvertible currencies that are issued by emerging countries and are unable to perform the aforementioned functions (Andrade and Prates, 2009).

This analogy is also presented by Cohen (1998), under the concept of a currency pyramid, which makes it possible to classify the different currencies modalities. The author stresses the fact that they should be understood far beyond their territorial space, because of their varying importance at the international level. Assuming the degree of currency internationalization and currency substitution, a sense of hierarchy can be established[24]:

> "In effect, the virtual geography of money must be "morphed" from a simple two-dimensional field of neatly divided spatial packages to something more like a vast, three-dimensional *pyramid*: narrow at the top, where a few popular currencies dominate; increasingly broad below, reflecting varying degrees of competitive inferiority. We may call it the Currency Pyramid. The image of the Currency Pyramid, based on flows rather than location, is the real key to understand how currency spaces are organized today. [...] Both facts are

[23] With the recent movement of productive internationalization by companies from emerging economies, the implications of this phenomenon to their domestic economies can also be considered. This probably makes them more vulnerable to the conditions in international markets.

[24] For details concerning the seven categories listed by the author – Top Currency, Patrician Currency, Elite Currency, Plebeian Currency, Permeated Currency, Quasi-Currency and Pseudo-Currency –, see Cohen (1998, p.116-118).

> captured by the picture of a Currency Pyramid: the deterritorialization of currencies as well as their stratification by relative status, both driven by market forces as well as by government action" (*ibidem*, p.114-115, emphasis in original).

This fragment also shows that the process of building the currency pyramid result from the actions of several agents, in particular government, financial institutions (banks, institutional investors etc.) and transnational corporations. The intention here is not to discuss the movement of each agent over time, but only to stress that the very existence of global networks conducted by transnational corporations has contributed to intensify the trade and financial flows. Since they operate in different markets and currencies this has contributed to the strengthening of finance in their dynamics. This was reinforced by the post 1970s liberalization process and capital flows deregulation (Farhi and Borghi, 2009).

Prates (2002) emphasizes that, in the context of financial globalization, the inconvertibility of currencies from emerging economies has become an important source of fragility. In this system, the basic interest rate is determined in its core – i.e. in the United States – and is the lowest, "because it remunerates an investment made in the strongest currency of the system [the dollar] and which is seen as the safest by the capital owners. The further from the core of the system the currency is, the higher the interest rates that must be paid are as that currency becomes less safe. This phenomenon could also be interpreted in another way, in other words that the capital owners require a greater return for investing in less safe currencies. [Or,] it could be stated that the capital owners in the periphery accept lower return rates to invest in the strongest currencies" (Carneiro, 1999, p.65). According to this author, the interest rates in economies outside the center of the system are determined by the rate associated to the strongest currency added by a country risk established by rating agencies. Obviously, the assets risks in emerging economies, including the degree of illiquidity, are considered greater and thus higher returns are required in these countries in order to attract capital flows and/or avoid capital flight. This in turn affects the relative prices between currencies and the measurement of wealth. The higher premium paid in emerging economies in order to reduce the liquidity preference becomes an attraction for foreign investors and also for the domestic agents. The companies tend to diversify their applications, seeking the highest return in the shortest terms, in order to meet the demands of their shareholders[25].

The lack of a guarantee of continued capital flows to emerging economies, as occurs in the central ones, makes it more difficult to establish a domestic interest rate below the market rate, as this would trigger a capital outflow and even an uncontrolled devaluation of national currency. The devaluation could continue without generating a resumption of capital inflows, given the possible loss of interest in the country's assets. This impacts negatively on the degree of autonomy of economic policy in emerging economies (Carneiro, 1999; Prates, 2002).

These propositions are linked to the asymmetry of the international financial system, expressed through two channels: the exogenous dynamics of capital flows in

---

[25] Although there are different degrees of capital markets development in emerging economies, this analysis should consider the actions of transnational corporations installed in the country and also national enterprises that are publicly traded and have their shares negotiated on the Stock Exchange. Their actions in the financial markets, in general, and of other agents, including foreigners, in these markets, cannot be forgotten since they are guided by a logic of flexibility and profitability in the positions assumed in relation to the wealth allocation, which is conducive to a more unstable macroeconomic dynamics in those economies.

relation to emerging economies and their relatively low participation in global flows. The first concerns the fact that capital flows are determined, above all, by the economic cycle and by the monetary policy in central economies. This makes them more unstable and susceptible to abrupt reversals, such as in moments of higher risk aversion, resulting in a "flight to quality"[26]. The second refers to the concentration of capital flows between central countries[27] and to the still inexpressive, albeit increasing, participation of assets issued by emerging economies and acquired by investors from those countries. This behavior is destabilizing, mainly because of the important participation of foreign investors in foreign exchange and financial markets of emerging economies, which are neither significantly deep nor liquid. Therefore, the movements of foreign investors directly impact the price of assets negotiated in these economies[28] (Andrade and Prates, 2009). As noted by these authors (*ibidem*, p.21-22):

> "[...] in moments of higher uncertainty [the currencies of emerging countries] are the first targets of the movement of flight to quality (i.e. to assets denominated in the key-currency) of global investors. Only in periods of international liquidity excess and high appetite for risk (when, generally, interest rates in central countries are at low levels), the assets from peripheral/emerging countries embed a high expected appreciation (which compensates their lower liquidity premium [...]) and, thereby, become assets demanded by institutional investors".

The monetary and financial asymmetries indicated characterize the basis for a macroeconomic discussion of instability in emerging economies, given their implications on the exchange and interest rates of these economies. This is an important element which differentiates them from central economies and it should be thought in terms of the economy's degree of financial openness, i.e. the ease with which residents can acquire assets and liabilities in foreign currencies and non-residents can operate in national financial markets, including the enjoyment of market access by foreign banks (Akyüz, 1992). Three types of financial liberalization may be distinguished: (1) permission to residents for borrowing in international financial markets and to non-residents for entering and lending in domestic financial markets; (2) permission to residents for transferring capital and for holding financial assets abroad and to non-residents for issuing liabilities in domestic financial markets; (3) permission of transactions in foreign currency among residents, such as, bank deposits (Akyüz, 1992; Prates, 2005-2006).

The depth of the process of financial liberalization carried out in a country and the existence of some kind of control over capital flows provide elements to think about the macroeconomic instability of the economies. In the case of emerging economies, the action

---

[26] According to Akyüz (1992, p.7-8), "[...] these [exchange rates, trade, balance of payments and the level of economic activity] will all be influenced by financial policy abroad and by events at home and abroad that alter expectations. This effect of openness is known as loss of policy autonomy; i.e. reduced ability of governments to achieve national objectives by using the policy instruments at their disposal". Furthermore, "[...] most capital movements are motivated primarily by the prospect of short-term capital gains or losses, rather than by real investment opportunities and considerations of long-term risk and return" (*ibidem*, p.8).

[27] According to Obstfeld and Taylor (2002), the capital flows, especially in the 1990s, were characterized by being a "rich-rich affair", it means, a process of "diversification finance" rather than "development finance".

[28] "[…] the speculative element in the prospective return from financial assets is not only dominant but also highly variable, capable of generating gyrations in exchange rates and financial asset prices by causing sudden reversal in capital flows for reasons unrelated to the underlying fundamentals […]" (Akyüz, 1992, p.9-10).

of non-financial corporations, such as borrowing money or buying assets abroad, as well as operating in the spot and futures[29] domestic financial markets, exacerbates the instability, especially in moments of reversal in the economic cycle. This also results from the action of other agents in those markets – i.e. national agents, such as banks and other financial institutions, as well as foreign agents[30], such as institutional investors. Given the high volatility of capital flows into emerging economies, such moments of reversal in the cycle and increase in risk aversion may lead to a fast outflow of speculative capital which has gone there in moments of boom. It may also lead to outflows of capital to offset corporation's losses in other places, especially in headquarters. It means that they could result in "mass movements", with capital flight and devaluation of national currency, and contagion effect among economies, causing problems in the balance of payments and/or deflation of asset prices.

Another important consequence of the emerging countries' integration in the international financial system, marked by volatile capital flows, is on economic growth (Akyüz, 1992; Singh, 1997). As pointed out by Akyüz (1992, p.19), "sharp swings in the direction of capital flows, and instability of exchange rates and interest rates associated with them tend to increase risk, liquidity preference, and the interest rate, thereby reducing investment". Depending on the leverage degree and maturities and rates mismatch between companies' assets and liabilities, this trend of rising interest rates may increase their financial fragility, imposing greater difficulties to the dynamics of domestic economy. Singh (1997) stresses the instability of foreign exchange and financial markets in emerging economies and highlights its negative impacts on productive investment and economic growth, due to the reversal of firms' expectations, what increases their liquidity preference, and the reversal of wealth effect that characterized the previous expansion phase, thereby reducing consumption.

> "Faced with an economic shock the two markets [the stock and currency markets] may interact with each other in a negative feedback loop to produce even greater instability for the markets and the whole financial system. Moreover, the gyrations in these markets may discourage aggregate investment through various channels, e.g. depressing business expectations because of greater uncertainty; greater instability in aggregate consumption because of wealth effects caused by large fluctuations in stockmarket prices. These factors contribute to the instability of the real economy and may also reduce long-term economic growth" (SINGH, 1997, p.779).

2.1. The international financial crisis and the losses of non-financial corporations with exposure to foreign exchange derivatives

In this subsection, the intention is to exemplify some aspects of the previous

[29] The use of foreign exchange derivatives has previously been mentioned. In this case, it is also possible to operate abroad through non-deliverable forward contracts (NDF). Besides them, there are many other derivatives instruments related, for instance, to interest rates and commodities prices, which can be traded in organized or over-the-counter markets, at national or international level, with different purposes: hedge, speculation and arbitrage.

[30] Motivated by the logic of short-term gains, their strong presence in many segments of domestic financial market – securities, stocks and derivatives – "has reinforced the transmission channels of the instability created in international financial markets to the peripheral economies" (Prates, 2005-2006, p.150).

discussions by means of the impacts observed after the losses with foreign exchange derivatives reported by non-financial corporations from emerging economies during the recent global economic crisis. The degree of financial exposure of several companies and the relatively unawareness of the intensity of the problem by the regulators have turned this episode into an important transmission channel of the crisis to these countries, due to the macroeconomic effects resulted from such operations.

In September 2008, with the bankruptcy of the American investment bank Lehman Brothers, the movement of capital flight from emerging economies towards "quality" was intensified. As a consequence, there was a strong and abrupt devaluation of national currencies of these countries. Several companies from different branches and sizes had assumed large amount positions in the foreign exchange derivatives markets, especially in the over-the-counter markets, betting on the continuity of the precedent movement of intense appreciation of national currencies against the dollar[31]. Many of them were exporting companies, which frequently use this kind of instrument to protect themselves against currency fluctuations. Nevertheless, the speculative nature of this trend was emphasized by the large amount traded, which was much greater than their exporting revenues, and the concentration of those operations in the over-the-counter markets instead of organized markets, which are more transparent and have standard contracts.

> "[...] the companies, traditionally productive and increasingly financial, perceived a possibility of non-operating gain through these instruments, much beyond what would be safe to avoid the volatility of prices. It means that, by resorting to the high leverage made possible by the very existence of derivatives – by means of which one can purchase in the future an asset one does not wish to receive and short sell another asset one does not have beforehand –, companies did not restrict themselves to hedge. They speculated by believing that an asset would behave in the future in a certain way without having any sort of collateral" (FARHI and BORGHI, 2009, p.172).

The positions in the derivatives markets were probably settled during the first semester 2008, when the processes of devaluation of the dollar against the basket of national currencies and of increase in the international commodities prices took place. As mentioned by Minsky (1986, p.213), in another context, "the absence of serious financial difficulties over a substantial period leads to the development of a euphoric economy in which increasing short-term financing of long positions becomes a normal way of life". In the case of emerging economies, this scenario of tranquility had been reinforced by the resumption of the international liquidity cycle after 2003[32]. In the specific case of derivatives, this was built during the semester before the aggravation of the crisis.

---

[31] Farhi and Borghi (2009) point out many cases of companies from Brazil, Mexico, South Korea, India, Hong Kong and China, which have used different kind of instruments with the similar purpose. Some reported losses overcame US$ 1 billion. It is estimated that the losses with derivatives in the fourth quarter 2008 reached US$ 4 billion in Mexico and US$ 25 billion in Brazil (BIS, 2009). According to a director of the Brazilian Central Bank, the losses in the country would have reached US$ 10 billion (Romero and Ribeiro, 2009).

[32] See, for instance, Prates and Farhi (2009), Prates and Cintra (2009) and Prates *et al*. (2009). These highlight the transition from the period of high international liquidity to the period of the beginning of the crisis, manifested by the default on subprime mortgages in the United States, and its effects on emerging economies, especially in what concerns the capital flows and the volatility of exchange rate.

However, it was enough to expose the companies involved to situations of enormous financial fragility.

The high losses arising from the operations mentioned above were observed in a moment of aggravation of the international crisis and of a sharp increase in risk aversion, what has meant a higher degree of liquidity preference by all agents. This movement has resulted in serious macroeconomic impacts in emerging economies, as noted by Farhi and Borghi (2009) and Freitas (2009). Firstly, the losses have exacerbated the volatility and the process of national currencies devaluation. Secondly, due to the inaccuracy and lack of transparency about which companies and banks were exposed to the derivatives instruments, there was a strong movement of restricting liquidity in interbank operations. This in turn provoked a significant and widespread credit crunch for firms and imposed greater difficulties for them to refinancing. Thirdly, an aggravated factor of the previous condition has consisted in the fact that, by performing such "unknown" operations in opaque markets, companies have not only lost credibility in the banks' eyes, but also committed their future earnings to the payment of these debts, which has made it more difficult to obtain new loans. Obviously, such elements of reversal in the economic cycle have immediately contributed to a temporary interruption of investment plans which were being conducted by many enterprises in emerging economies, like Brazil, further decelerating the economy[33].

As a result, it can be stated, following the taxonomy of financial structures proposed by Minsky (1986), that many companies have become Ponzi finance. Those which were directly involved in the derivatives operations have registered huge losses that were much greater than their operating revenues[34]. Even those which have not taken similar positions in these markets were affected through the currency devaluation and the increase in their debt in foreign currency. Furthermore, due to the domestic credit crunch, companies in need of working capital, whether directly involved with the described speculative movement or not, have reached a higher degree of financial fragility and have faced liquidity risk. Consequently, some governmental measures were taken, sometimes in partnership with private banks, such as the availability of credit lines to reestablish the cash flows of companies in order to avoid a worsening situation. In some cases, the liquidity risk has become an insolvency risk. For instance, the Controladora Comercial Mexicana has gone bankrupt. In Brazil, some companies, like Sadia and Aracruz, were merged with others (Perdigão and Votorantim, respectively, creating BRF-Brasil Foods and Fibria[35]).

To sum up, given the asymmetrical forms of insertion of emerging economies in the international monetary and financial systems, the practices adopted by several non-financial corporations, engaged in a short-term logic represented by the financialization of wealth and maximizing shareholder value, resulted in serious macroeconomic impacts, through

[33] The economic resumption in Brazil, for instance, has depended, above all, on the adoption of countercyclical policies by public banks and on consumption incentives, such as, the reduction of taxes on many goods (Freitas, 2009; Carvalho and Souza, 2009).

[34] According to Fundap (2009), a decrease in the profit of Brazilian non-financial companies was observed in 2008, compared to the previous year. This could be explained by more financial rather than operating reasons, since the operating performance improved from one year to another. For companies in the services sector, the fall in profitability resulted mainly from the high amount of commitments in foreign currency and for industrial companies, from the losses in foreign exchange derivatives.

[35] See Valenti and Fregoni (2010) for the different financial situation of both companies at the end of 2009, one year after the report of their losses.

their speculative operations with foreign exchange derivatives. These effects have constituted an important transmission channel of the international crisis to those countries. Therefore, it is essential to implement mechanisms[36] that allow regulators to know the positions assumed by the agents in these markets, as well as the amount traded, in order to try to reduce the degree of systemic financial fragility[37].

Concluding remarks

This paper aimed to analyze the relationship between the logic of non-financial corporations since the 1970s and the macroeconomic instability in emerging economies. This increasingly financial logic, based on short-term gains and maximizing shareholder value, an important feature both in central and peripheral economies, was strengthened by the change in the international monetary and financial pattern in that period. This process first manifested itself with the appearance of the Euromarket. It has become stronger, however, with the process of financial globalization and the removal of national and international barriers to capital circulation. The quest for maximizing shareholder value is not only reflected in company behavior, but also in shareholder interests, frequently represented by institutional investors. In terms of company strategy, it is expressed as a search for the highest (operating and non-operating) profitability and liquidity as well as the priority given to dividend payments instead of profit reinvestment. In terms of shareholder behavior, it is expressed through highly leveraged funds which, by means of the processes of financial and foreign exchange deregulation and liberalization, compose portfolios in different countries and maintain liquid positions which can be rapidly undone, for example in moments of reversal in the economic cycle.

Such aspects, which reflect the agents' speculative dynamics, illustrate the instability to which emerging economies are exposed. Above all, they face volatile capital flows through the movements of companies and shareholders. Due to the different forms of international insertion of these economies in the described context of globalization, in comparison to the central economies, the new dynamics of non-financial corporations make the behavior of emerging economies more unstable. On the one hand, the paper has analyzed elements of productive and commercial integration, emphasizing profits and

---

[36] As stated Lessa (2008), "all those who had assets or liabilities in foreign currencies should register them in the Central Bank. It is inconceivable that we should go to sleep one day believing that Sadia, Aracruz, Votorantim and Vicunha are in good situation and wake up in the morning to find out that they themselves do not know the extension of their losses".

[37] "One result was a review of derivatives exposures across the region as policymakers realized that these exposures could pose systemic risk. Looking forward, policymakers will need to balance financial stability against market development in considering possible regulation of corporate derivatives risk" (BIS, 2009, p.55). Some measures were taken in Brazil. "[...] the companies must register in local clearinghouses the derivatives operations linked to external funding. The record should include the values and currencies involved, terms, counterparts, clearing form and parameters used. [...] Other important measure was set by the market, with the creation of the Central of Exposure to Derivatives [Central de Exposição a Derivativos – CED], [...] an nonprofit enterprise controlled by the Brazilian Bank Federation [Federação das Associações de Bancos – Febraban], which will unify in the same system the positions registered in Cetip [Brazilian Organized Counter of Assets and Derivatives] and in BMF&Bovespa [Brazilian Mercantile and Futures Exchange], [...] in order to share information and allow banks to know the consolidated derivatives position of each client before conducting a new transaction. [...] The awareness of the consolidated position probably will not avoid that banks take risks, but it surely will make them demand more collaterals, which should inhibit the boldness of CEOs" (*Valor Econômico*, 2010). See also Lucchesi (2010) and Mandl (2010).

dividends remittances, foreign trade and foreign direct investment, linked to the companies' activities. This especially affects transnational corporations, although in the case of exporting and importing flows it also hits domestic enterprises dependent on the international dynamics. On the other hand, the paper considered the financial insertion of emerging economies, showing a notorious exposure to portfolio investments, which tend to exacerbate the price volatility of domestic assets and could lead to problems in the balance of payments. Both dimensions of insertion were discussed in the context of a system like the current one, in which the monetary hierarchy predominates. This contributes to explain the cyclical movements in the international economy and their more pronounced consequences to emerging economies, given their lower autonomy of economic policy especially where processes of commercial and financial liberalization were deeper.

As a recent example of this relationship between the dynamics of non-financial corporations and the macroeconomic instability in emerging economies the paper considered the case of losses incurred by companies from these economies with foreign exchange derivatives operations just after the aggravation of the international financial crisis with the bankruptcy of Lehman Brothers. This episode has revealed both the worsening financial situation of several companies, including some without positions in derivatives markets, and the macroeconomic impacts resulting from these speculative operations. This has constituted an important transmission channel of the international crisis to those countries, increasing fragility and thus requiring an active role of the State in order to minimize the adverse effects.

In the context of this event it is stressed that there is a need for regulatory mechanisms which mitigate the financial and macroeconomic instability in these countries. In the case of derivatives, the awareness by the regulators of the positions assumed by the agents and the volume traded in the different markets is an essential condition to avoid it becoming a recurrent channel of instability to these economies. In a more general context, controlling volatile capital flows is an important alternative for those emerging economies which have deeply "integrated" into the process of financial globalization, since it is a way of reducing their exposure and the volatility of their exchange and interest rates.

Bibliographic references

AKYÜZ, Yilmaz. *On financial openness in developing countries*. United Nations Conference on Trade and Development (Unctad), Geneva, June 1992.

AKYÜZ, Yilmaz; CHANG, Ha-Joon; KOZUL-WRIGHT, Richard. "New perspectives on East Asian development". *Journal of Development Studies*, 34: 6, p.4-36, 1998.

ANDRADE, Rogério P. and PRATES, Daniela Magalhães. "Dinâmica da taxa de câmbio em uma economia monetária periférica: uma abordagem keynesiana". Campinas: IE/Unicamp (unpublished work), 2009.

BANK FOR INTERNATIONAL SETTLEMENTS (BIS). "Financial globalisation and emerging market capital flows". *BIS Papers*, n. 44, December 2008.

___________. "International banking and financial market developments". *BIS Quarterly Review*, June 2009.

BECHT, Marco; BOLTON, Patrick; RÖELL, Ailsa. “Corporate Governance and Control”. *Finance Working Paper*, n. 02/2002, European Corporate Governance Institute (ECGI). Updated August 2005. Available at: www.ecgi.org/wp.

BORGHI, Roberto Alexandre Zanchetta and CINTRA, Marcos Antonio Macedo. “A formação de redes globais e a captura do valor”. *Revista Princípios*, São Paulo, n. 104, p.16-20, November/December 2009.

BRAGA, José Carlos de Souza. “Financeirização global. O padrão sistêmico de riqueza do capitalismo contemporâneo”. In: TAVARES, Maria da Conceição and FIORI, José Luís (Orgs.). *Poder e dinheiro:* uma economia política da globalização. Petrópolis, RJ: Vozes, 1997, p.195-242.

BRESSER-PEREIRA, Luiz Carlos. “A crise financeira global e depois: um novo capitalismo?”. *Novos Estudos Cebrap*, São Paulo, n. 86, p.51-72, March 2010.

CARNEIRO, Ricardo. “Globalização financeira e inserção periférica”. *Economia e Sociedade*, IE/Unicamp, Campinas, 13, p.57-92, December 1999.

__________. “Globalização e integração periférica”. *Discussion Paper*, IE/Unicamp, Campinas, n. 126, July 2007.

CARVALHO, Fernando J. Cardim and SOUZA, Francisco Eduardo Pires de. “A crise internacional e o Brasil”. *Iniciativa para la Transparencia Financiera* (ITF), Lectura 41, Argentina, March 2009.

CHESNAIS, François. *La mondialisation du capital*. Paris: Syros, 1994.

__________. (Coord.). *A mundialização financeira*: gênese, custos e riscos. São Paulo: Xamã, 1998.

__________. “O capital portador de juros: acumulação, internacionalização, efeitos econômicos e políticos”. In: CHESNAIS, François (Org.). *A finança mundializada*. São Paulo: Boitempo Editorial, 2005, p.35-67.

CINTRA, Marcos Antonio Macedo. *As transformações na estrutura do sistema financeiro dos Estados Unidos*: a montagem de um novo regime monetário-financeiro (1980-1995). PhD Thesis in Economics – IE/Unicamp. Campinas: Universidade Estadual de Campinas (Unicamp), 1997.

COHEN, Benjamin J. *The geography of money*. Ithaca and London: Cornell University Press, 1998.

COUTINHO, Luciano and BELLUZZO, Luiz Gonzaga. “‘Financeirização’ da riqueza, inflação de ativos e decisões de gasto em economias abertas”. *Economia e Sociedade*, IE/Unicamp, Campinas, 11, p.137-150, December 1998.

CROTTY, James. “The effects of increased product market competition and changes in financial markets on the performance of nonfinancial corporations in the neoliberal era”. *PERI Working Paper*, n. 44, 2002.

DIMAGGIO, Paul. *The twenty-first-century firm*: changing economic organization in international perspective. Princeton: Princeton University, 2001.

DUMÉNIL, Gérard and LÉVY, Dominique. *Crise et sortie de crise*: ordre et désordres néoliberaux. Paris: Presses Universitaires de France, 2000.

DUNNING, John H. *The globalization of business*: the challenge of the 1990s. London: Routledge, 1993.

EPSTEIN, Gerald A. (Ed.). *Financialization and the world economy*. Northampton, MA: Edward Elgar Publishing, Inc., 2005.

FARHI, Maryse and BORGHI, Roberto Alexandre Zanchetta. "Operações com derivativos financeiros das corporações de economias emergentes". *Estudos Avançados*, IEA/USP, São Paulo, v. 23, n. 66, p.169-188, May/August 2009.

FLIGSTEIN, Neil. *The architecture of markets*: an economic sociology of twenty first-century capitalist societies. Princeton: Princeton University, 2002.

FRANCO, Gustavo H. B. *O desafio brasileiro*: ensaios sobre desenvolvimento, globalização e moeda. São Paulo: Editora 34, 1999.

__________ . "Investimento direto no Brasil". In: LACERDA, Antônio Corrêa de (Org.). *Crise e oportunidade*: o Brasil e o cenário internacional. São Paulo: Editora Lazuli, 2006.

FREITAS, Maria Cristina Penido de. "Os efeitos da crise global no Brasil: aversão ao risco e preferência pela liquidez no mercado de crédito". *Estudos Avançados*, IEA/USP, São Paulo, v. 23, n. 66, p.125-145, May/August 2009.

FROUD, Julie; HASLAM, Colin; JOHAL, Sukhdev; WILLIAMS, Karel. "Shareholder value and financialization: consultancy promises, management moves". *Economy and Society*, Oxfordshire, v. 29, n. 1, p.80-110, 2000.

FUNDAP. *O desempenho das empresas não financeiras em 2008*. Technical Note – Grupo de Conjuntura da Fundação do Desenvolvimento Administrativo (Fundap), São Paulo, May 2009.

GUTTMANN, Robert. "Uma introdução ao capitalismo dirigido pelas finanças". *Novos Estudos Cebrap*, n. 82, p.11-33, November 2008.

HAUSMANN, Ricardo and RODRIK, Dani. *Doomed to choose*: industrial policy as predicament. Cambridge, MA: Harvard University, September 2006.

HIRATUKA, Célio and SARTI, Fernando. *Globalização, comércio internacional e desenvolvimento industrial*: notas sobre a inserção dos países em desenvolvimento da Ásia e da América Latina. Campinas: IE/Unicamp, 2006 (mimeo).

KEYNES, John Maynard (1936). *A teoria geral do emprego, do juro e da moeda*. Translation of Mário R. da Cruz and technical revision of Cláudio Roberto Contador. São Paulo: Atlas, 1982.

LALL, Sanjaya. "Reinventing industrial strategy: the role of government policy in building industrial competitiveness". *G-24 Discussion Paper Series*, n. 28, United Nations Conference on Trade and Development (Unctad), New York and Geneva, April 2004.

LAPLANE, Mariano and SARTI, Fernando. “Investimento Direto Estrangeiro e a retomada do crescimento sustentado nos anos 90”. *Economia e Sociedade*, IE/Unicamp, Campinas, 8, p.143-182, 1997.

LAZONICK, William and O’SULLIVAN, Mary. “Maximizing shareholder value: a new ideology for corporate governance”. *Economy and Society*, v. 29, n. 1, p.13-35, 2000.

LESSA, Carlos. “A economia financeira e a lógica do cassino”. *Valor Econômico*, November 19, 2008.

LUCCHESI, Cristiane Perini. “Central vai consolidar posição em derivativo”. *Valor Econômico*, March 2, 2010.

MANDL, Carolina. “Cetip planeja tornar-se plataforma de gerenciamento de derivativos”. *Valor Econômico*, March 2, 2010.

MINSKY, Hyman P. *Inflation, Recession and Economic Policy*. Armonk: Wheatsheaf Books, 1982.

__________. *Stabilizing an Unstable Economy*. New Haven and London: Yale University Press, 1986.

OBSTFELD, Maurice and TAYLOR, Alan M. “Globalization and capital markets”. *NBER Working Paper*, n. 8846. Cambridge, MA: National Bureau of Economic Research (NBER), 2002.

ORLÉAN, André. *Le pouvoir de la finance*. Paris: Editions Odile Jacob, 1999.

PALLEY, Thomas I. “Financialization: what it is and why it matters”. *The Levy Economics Institute of Bard College*, Working Paper n. 525, December 2007.

PALMA, Gabriel. “Gansos voadores e patos vulneráveis: a diferença da liderança do Japão e dos Estados Unidos, no desenvolvimento do Sudeste Asiático e da América Latina”. In: FIORI, José Luís (Org.). *O poder americano.* Petrópolis, RJ: Vozes, 2004.

PENROSE, Edith Tilton (1959). *The theory of the growth of the firm*. Oxford: Basil Blackwell, 1980.

PORTER, Michael. *Competition in global industries*. Boston: Harvard Business School Press, 1986.

PRATES, Daniela Magalhães. *Crises financeiras dos países “emergentes”*: uma interpretação heterodoxa. PhD Thesis in Economics – IE/Unicamp. Campinas: Universidade Estadual de Campinas (Unicamp), 2002.

__________. “A inserção externa da economia brasileira no governo Lula”. *Política Econômica em Foco*, Biannual Bulletin, Centro de Estudos de Conjuntura e Política Econômica (Cecon), IE/Unicamp, Campinas, n. 7, seção IV, p.119-151, Nov.2005/Apr.2006.

PRATES, Daniela Magalhães and FARHI, Maryse. “A crise financeira internacional, o grau de investimento e a taxa de câmbio do real”. *Discussion Paper*, IE/Unicamp, Campinas, n. 164, June 2009.

PRATES, Daniela Magalhães and CINTRA, Marcos Antonio Macedo. "Os países emergentes diante da crise financeira global". *II Encontro Internacional da Associação Keynesiana Brasileira (AKB)*, Porto Alegre/RS, September 2009.

PRATES, Daniela Magalhães; BICHARA, Julimar da Silva; CUNHA, André Moreira. "O efeito contágio da crise financeira global nos países emergentes". *Indicadores Econômicos FEE*, Porto Alegre, v. 37, n. 1, 2009.

RODRIK, Dani. *Industrial policy for the twenty-first century.* Cambridge, MA: Harvard University, September 2004.

ROMERO, Cristiano and RIBEIRO, Alex. "Os bastidores da crise". *Valor Econômico*, November 13, 2009.

SARTI, Fernando. "Cadeia: Automobilística. Nota técnica final". *Estudo da Competitividade de Cadeias Integradas no Brasil*: impactos das zonas de livre comércio. Campinas: IE/Unicamp, December 2002.

SINGH, Ajit. "Financial liberalisation, stockmarkets and economic development". *The Economic Journal*, v. 107, n. 442, p.771-782, May 1997.

TAVARES, Maria da Conceição and BELLUZZO, Luiz Gonzaga de Mello. "Desenvolvimento no Brasil – relembrando um velho tema". In: BIELSCHOWSKY, Ricardo and MUSSI, Carlos (Orgs.). *Políticas para a retomada do crescimento* – reflexões de economistas brasileiros. Brasília: Ipea, Cepal, p.149-184, 2002.

UNCTAD. *World Investment Report 1993*: TNCs and integrated international production. New York and Geneva: United Nations, 1993.

VALENTI, Graziella and FREGONI, Silvia. "BRF e Fibria têm histórias diferentes após prejuízos". *Valor Econômico*, March 2, 2010.

VALOR ECONÔMICO. "Recuperação do fôlego dos derivativos exige cautela". *Valor Econômico*, Opinião, March 18, 2010.

WRAY, L. Randall. "O novo capitalismo dos gerentes de dinheiro e a crise financeira global". *Revista Oikos*, v. 8, n. 1, 2009.