

FINANCIALIZATION IN BRAZIL: THE ROLE OF FINANCIAL INSTITUTIONS

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The “New Economic Sociology” main focus is the “market” that emerges as a priority area for implementation and testing of concepts like network, social capital, trust, reciprocity or contracts. Thus, the social issues about legitimacy, political and cultural control have become more crucial to organizational survival than the economic gamble.

If the “New Economic Sociology” gives great emphasis in markets, the “Financial Sociology”, also appears, to analyze the networks, dependencies and conflicts in financial market. The peculiarity is attributed to financial market, more specifically, in relation to Stock Exchange.

The New Market (2002) created by Bovespa (principal Stock Exchange in Brazil). It has inaugurated a new phase of the capital market. It's supported by corporate governance practices. The New Market has three principles: transparency, accountability and social responsibility. It aims to reduce uncertainties in capital market. In this case, Bovespa has been making a great effort to disconnect its image from the idea of casino and gambling. Because, there is a cultural assumption that “invest in financial market” is risky in Brazil. It is associated with casinos and gambling.

According to Grün (2003) the question about disclosure appeared as a critical way to the bureaucratic model in Brazil. However, in the privatization process, with Fernando Henrique Cardoso government (1994) the corporate governance gains

eminence. The government needs to be transparency to increase reliance for the investors in the privatization process.

In 2002, the principal candidate to the Presidency, Luís Inácio Lula da Silva, that represents the “central” left and unionism went to Bovespa. In that moment, he wanted to demonstrate adherence to economic practices established in the financial market. Therefore, corporate governance has gained huge attention in the nation¹.

After 2002, the pension funds have growth and adopted the corporate governance practices like a great instrument for its protection. The pension funds are essential to understand the advance of corporate governance, because, the corporate governance conflict is between institutional investor (for example: pension fund is considered a minority shareholder) and the owner (the majority shareholder) in Brazil.

The “Capital Markets Director Plan” was created in 2002, which contains actions from government and private sector to create “good” conditions for the capital market development. The plan emphasizes the importance of minority investor to Brazilian economic growth.

In that moment, other important facts emerge: Brazilian capital market internationalization. There were an increasing number of companies accessing the international market through the ADRs (American Depository Receipts), which increases the significance of foreign investor in household stock market.

In 2001, Bovespa also initiated a campaign focused on education to explain the main concepts of stock market for the population. The campaign, which is called “Bovespa goes to you”, has taken the capital market closer to civil society. It shows that investment in shares is accessible for the general public. The main point is to make the stock market more popular. As part of this project, a number of initiatives have been

¹ GRÜN, R. “Governança Corporativa: atores e ações na construção de uma nova institucionalidade”. Apresentado no **XXVII Encontro Anual da ANPOCS**, 2003.

developed such as “Bovespa at the Beach”, “Bovespa at the Factory/Company”, “Bovespa at the University”.

The environment is prepared for the growth of stock market in Brazil. On one hand, by internal reasons: the popularization promoted by Bovespa; the unionists (which represents the “left”) have adopted corporate governance practices and the rise of individual investors, the gradual establishment of corporate governance by the New Market. On the other hand, the international economic development has brought good “winds” for Brazil.

This context has demonstrated that the diffusion of corporate governance issue has created a “moral” financial market in Brazil. The corporate governance acted further than its economic principles to disperse the negative image of financial market. It evidences that the evolution of corporate governance practices has shaped economic and politician environments, as well as, institutionalizing “morally” financial market in Brazil.

From 1990, corporate governance has been a recurrent subject in the Brazilian’s world enterprise and media. The debate around this issue has produced a great euphoria, among professionals from stock market. It turns around the corporate governance practice as a solid and trustworthy way to the development of Brazilian’s financial market

The “New Economic Sociology” illustrates that the market is treated as a form of social coordination characterized by conflicts, dependencies, structures and unpredictability reflect the cultural specificity of each country. So if the market can be seen as a cultural locus. The corporate governance in Brazilian capital market opens a

new space to understand how some actors attempt to change the traditional perception of the market through symbolic strategies².

In this context, the discussion about financialization has begun to increase in Brazil. According to Erturk *et al.* (2008), the financialization has been gaining space among academics, media and business world. Erturk *et al.* (2008) suggests four different ways to summarize — what is financialization? They are: “Liberal collectivist theory” (1920-1930), “agency theory” (1980-1990), “political economy”, which stands out mostly in the 90’s and “cultural economy” that emerged from the years 2000³.

The cultural economic goes beyond the question of only observes process of financialization. “*Cultural economic core adds a new proposal about how Discourses of finance, along with the qualification that performativity with Discrepancy and infelicity, is the norm in the empirical cases examined so far*” (Erturk *et al.* 2008: 36). For example, Martin (2002) deals with the financialization through narratives of personal finance. He notes that narratives induce the performativity of the individual action⁴.

For Grün (2005), what is seen in Brazil is much more a spread of the financialization logic. Grün proposes that when the domination apparatus of financial logic reach society, they suffer great transformation, significantly altering their scope and performance however, the maintainability of original language, which is previously legitimated by the opinion makers, generates the effect of thinking to be in front of a simple copy of financial tools used in other places⁵.

² GRÜN, R. Decifra-me ou te devoro! As finanças e a sociedade brasileira. **MANA**, v. 13, n. 2, p. 381-410, 2007.

³ ERTURK, I. FROUD, J. JOHAL, S. LEAVER, A. WILLIAMS, k. General Introduction: Financialization, Coupon pool and Conjecture. In: **Financialization at Work: Key Texts and Commentary**. Routledge: USA, 2008.

⁴ MARTIN, R. **Financialization of Daily Life**. Philadelphia: Temple University Press, 2002.

⁵ GRÜN, R. Convergência das elites e inovações financeiras: a governança corporativa no Brasil. **Revista Brasileira de Ciências Sociais**. v. 20, n. 58, 2005.

According to the rise of individual investors and by cultural economic analyses, this communication aims to explore the popularization of the financial market approach how the ideas about finance are been built; how financial institutions are leading Brazilian society to think as a financial one?

Brazilian evidences of the financial apparatus are the rise of the corporate governance movement, the policies of financial inclusion, the explicit proposal from Bovespa and the increased availability of personal finance movement that shaped the Brazilian lifestyle

Brazilian appropriation of financialization represents more than simple economic domination. So, this communication identifies actors, actions and motivations involved in the social construction of popular investor in Brazil by analysis the personal finance phenomenon. It approaches cultural economic to explore moral, cultural, social and symbolic values to demonstrate how personal finance linked to financialization has shaped the Brazilian lifestyle.

So, it observes that the financial institutions analyzed have standardized a lifestyle connected with the idea of “money”. There is a moral influence being created to perform individuals that transforms attitudes and modes of action. Thus, it is also illustrates the importance of the personal finance phenomenon to demonstrate changes brought by the financial institutions.