

Economic Development and Variegated Financialization in Emerging Economies

Ewa Karwowski

University of Hertfordshire, UK,
e.karwowski@herts.ac.uk

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Hertfordshire **UH**

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Abstract

Financialization in the Global South plays out differently than in the Global North. Work comparing financialization variations across poorer countries and regions is limited. Therefore, this article takes stock of the structural and spatial variegation of financialization in emerging economies (EMEs), by reviewing the phenomenon on the international, state and city level for 20 EMEs. National-level data on the financial sector, non-financial firms, households and the state are presented alongside indicators capturing spatial, i.e. local and transnational, dimensions. These are indices measuring status and international connectedness of financial centres as well as international financial flows and the global presence of listed companies.

Introduction

One of the main strengths of financialization as a concept is its potential for interdisciplinary research (Aalbers 2015). In this spirit, the paper brings together different debates from economic geography, political economy and heterodox economics, addressing the underlying structures and spatial sites of variegated financialization. The focus here is on the Global South, and specifically on emerging economies (EMEs), where financialization is acknowledged to take on a distinct character, shaped by the interaction of international and domestic forces. While the distinctiveness of financialization in EMEs has been discussed for some time, producing important studies on the changing nature of financial markets and institutions within specific countries (Rethel, 2010; Correa, Vidal, & Marshall, 2012; Ashman & Fine, 2013), there are few comparative accounts across a larger number of poorer countries or regions.¹

This paper discusses financialization with respect to dimensions, which are important for EMEs, on three geographical scales: the urban (or city) level, the nation state and the international scale. In this way, links are created across different research strands since typically the changing nature of finance is discussed either in the context of financial centres, highlighting the interaction of city and international scales, or financial liberalisation, focusing on the integration of domestic economies into international financial structures. These financialization dimensions are: (1) financial liberalization, (2) financial globalization, (3) the presence of globally

¹ Notable exceptions are Becker et al. (2010) studying the financialization of Brazil, Chile, Serbia and Slovakia as well as Karwowski & Stockhammer (2017) analysing the phenomenon across 17 EMEs.

operating companies, (4) the financialization of the financial sector, (5) non-financial companies (NFCs), (6) households and (7) the state as well as (8) asset price inflation and (9) the existence of financial centres.

The paper takes stock of these dimensions across 20 EMEs. Acknowledging the origins of financialization research as an agenda focusing on the US and UK as well as the peripheral character of financialization in the Global South the empirical evidence is compared with measures for the two largest Anglo-Saxon economies.² The comparative analysis suggests that particularly EMEs in Asia are showing strong signs of financialization on the city, national and international scales. In contrast, these signs appear – maybe surprisingly in the light of economic history – much less pronounced in Latin America and the Middle Eastern and North African (MENA) countries in the sample, while Central and Eastern Europe (CEE) and South Africa can be placed between these two extremes. Variiegation also comes strongly to the fore within regions. While the experience of financialization in East Asia generally has a strong international dimension, where financial liberalization attracted foreign capital inflows, China and India are important exceptions. Both countries shied away from pushing financial liberalisation and promoting foreign inflows to the same extent as their regional peers.

Locating financialization in the Global South

Analyses of financialization in poorer countries only started gaining visibility by the 2010s once the financialization research agenda had grown and broadened. Frequently, however, such studies merely replicated empirical work previously done for the United States. Nevertheless, there is a long-standing tradition – in theory and policy – of scrutinising the role of finance in development (Kalecki 1951[1993], Shaw 1973, McKinnon 1974). The financialization literature as it emerged within critical accounting, heterodox economics, cultural political economy and economic geography stresses the inherently unstable nature of financial processes in capitalist economies. Thus, it is deeply suspicious of claims that growth and innovation in the financial sector will bring about economic prosperity or development. Here, financialization is at least implicitly understood to be a type of structural transformation through which productive structures lose out or become subordinated to financial accumulation.

Historically, the backlash against the financial repression hypothesis is a predecessor of debates on financialization in the Global South, predating broader financialization debates. Given the importance of these earlier debates, it is worthwhile to recount them in some detail. They strongly focus on financial liberalization, which entails domestic financial deregulation as well as capital account opening, as the key dimension. Shaw (1973, Gurley & Shaw 1960) and McKinnon

² A broad definition of the Global South is used here which encompasses all emerging economies and developing countries. EMEs also include countries in Central Eastern Europe which are generally regarded to be peripheral to the centres of global finance even if not always included in the term Global South.

(1974) put forward the thesis that overregulated financial markets, which they argued were ‘repressed’, were holding back growth and development in poor countries. Interest rate and credit controls were the major culprits behind a misallocation of capital in their view. Interest rate controls meant rates were administratively set too low, and adversely affected household saving and hampered credit extension for investment. Credit controls, referring to governments favouring certain economic sectors to receive this subsidised credit over others, arguably led to inefficient allocation of scarce capital resources. Financial liberalization was proclaimed to be the cure since higher interest rates and credit allocation by market forces would incentivise household saving, allow for larger credit volumes and support more (and more efficient) private investment.

The financial repression hypothesis rejected the Keynesian view that industry should be favoured over finance, which was dominant in the immediate post-war era and embodied in the Bretton Woods system of fixed exchange rates. This orthodox Keynesian view also fed the belief that desired economic outcomes such as economic catching-up of poor regions could be engineered through good policies. The post-war economic “golden age” came to a turbulent end in rich countries with stagflation in the 1970s. By that time, in developing economies many had also become disillusioned with the promise of catching-up (Leys 1996). The 1970s brought about a reconsideration of economic thinking and the financial repression hypothesis emerged as part of a broader shift towards market liberalization (Loiz 2017). McKinnon’s and Shaw’s ideas became dominant in the 1980s with ‘getting interest rates right’ an integral part of the World Bank’s development policy toolkit by the end of the decade (Long 1991, p. 169).

Claims that higher real interest rates would induce more saving were empirically shaky at best (Ostry & Reinhard 1992, Ogaki et al. 1996, Loiz 2017). Nonetheless, more and more countries embraced inflation targeting via high interest rates beginning in the early 1990s, emulating New Zealand’s example.³ But high interest rates in emerging economies are a major driver of state financialization in the Global South since they open up avenues for financial accumulation to domestic capital potentially at the expense of supporting productive enterprise (Karwowski 2019), while feeding the international search for yield of (mostly rich-country) financial investors (Bonizzi 2017).

The pro-liberalization debate shifted focus in the 1990s, arguing that fostering credit extension would increase future growth (Levine & King 1993, Levine 2005). Financial deepening – so the modified claim – would support economic growth. The volume of credit, initially measured by investment credit and later replaced by general credit measures, in total GDP represented financial depth. An open capital account was seen as an important part of this liberalization. The argument for freeing up international financial flows was one of efficiency (Stiglitz 2000). Foreign inflows could be an important additional source of investment funding and simultaneously force domestic institutions – private firms and public authorities – to be more efficient.

³ More than half of the emerging economies in the sample have adopted inflation targeting by today.

Thus, financial globalization, meaning the growth in cross-border financial investment, was encouraged by international financial institutions as part of the Washington Consensus. Thus, while public policies can introduce and support financialization at a national level, affecting firms' operations and citizens' lives domestically, international phenomena such as financial globalization or the Washington Consensus actively shaped domestic policies in turn.

Frequent financial crises in emerging economies especially since the 1990s generated a backlash against financial liberalization and financial globalization. Open capital accounts allowed for increasing foreign inflows which were often short-term and easily reversible (such as in East Asia during the 1990s, Corsetti, Pesenti, & Roubini 1998; Stiglitz 2000). Thus, especially heterodox economists viewed them with suspicion since they had the potential to generate asset price inflation, plunging a country into financial and exchange rate crises once the unsustainable nature of price rises becomes apparent (Kregel 1998; Dymski 1999; and Arestis & Glickman 2002).

The East Asian crisis was crucial to illustrate the flaws in policies pushing for capital account openness. Many of the affected economies, such as Hong Kong, Singapore, South Korea and Taiwan, had become high-income countries in the late 1980s/early 1990s, accomplishing the until today very rare miracle of economic catching-up with the OECD world. But it was these dynamic and at the time strongly-growing countries that faced severe currency and financial crises in 1997/8. Importantly, their fundamentals, especially their growth performance, government deficits and debt levels alongside their export positions, were strong and backed by prudent policies. Thus, if financial globalization ended in tears even for the Asian "Tigers" (Arestis & Glickman 2002), financial liberalization was clearly a flawed policy, requiring substantial domestic regulation and supervision (Kawai et al. 2005).

Financialization scholars warn of financial sector deregulation and, in the context of developing regions, especially of hastily opening up capital accounts. Crucially, they regard not only short-term inflows with caution, but also point to the presence of foreign banks or companies as risk factors, since these corporations tend to transfer their financialized practices, meaning more short-term and often financial instead of productive investment, into the local economy (see dos Santos 2013 on banks and Rossi 2013 on non-financial corporations).

The realisation that households' relationship with the financial sector was also changing came relatively late. One of the core signs is high and rising debt burdens (Cynamon & Fazzari 2008, Kus 2012, Alvarez 2015). Mainstream economists tend to regard increasing household credit volumes in emerging and developing parts of the world uncritically. They are put down as signs of financial deepening, meaning financial development. This disregards difference in types of credit and considerations about debt sustainability. Especially household borrowing does not build up productive capacity, and instead potentially worsens financial fragility. Thus, recent expansion in emerging economies' household debt is increasingly seen with caution even by the financial press (Wheatly 2018).

Since financial centers host internationally operating companies, functioning as nodes between the national and global financial spheres, they constitute a core dimension of financialization. The foundations of the research agenda on financial centers were laid in Friedman's world cities hypothesis, further developed by Sassen (1991) and her work on global cities, which shifted the focus from manufacturing to producer services. Sassen singled out London, New York and Tokyo. Until today, New York and London – or NYLON – are the leading financial centers (Wójcik 2013). This research tradition stresses the competition among cities and their hierarchical relationships, while a network research agenda emerged in parallel, emphasising the linkages among cities and their positions as nodes in an international web of money and power (Amin & Thrift 1992). A milestone in terms of empirical data, capturing these international linkages, is the Global and World Cities project, mapping the relationships across hundreds of cities internationally (Beaverstock et al. 2000; Taylor 2004). Cities in the Global South are part of this effort and visibly play a lesser – if growing – role in comparison to their rich-country counterparts.

Having understood these dimensions, measuring the extent to which emerging economies have been affected by changes on these dimensions, as the next section does, will reveal the overall extent of financialisation in the Global South as well as variations across countries.

Measuring financialization in EMEs

This section discusses the measures that capture the different dimensions of financialization in EMEs. Table 1 provides an overview of the proposed indicators, stating the dimension measured, the scale addressed, and the sources used. The analytical focus are the years since the Global Financial Crisis of 2007-8, providing the latest snapshot of countries' financialization across nine dimensions. Where possible, given data availability, average values for the years 2008-2017 are reported.

The term EME is not well defined in the literature, and loosely refers to middle-income countries undergoing economic transformation, for instance, from planned to free-market economy (Kvint 2009). The choice of the twenty emerging economies considered reflects existing literature on financialization in the Global South and emerging economies (see Karwowski & Stockhammer 2017 for an overview) and data limitations.⁴ The following countries are included in the analysis: Argentina, Brazil, Chile, Colombia and Mexico from Latin America; China (together with Hong Kong), India, Indonesia, Malaysia, Singapore, South Korea and Thailand, representing Asia; the Czech Republic, Hungary, Poland, and Russia are included for CEE; Saudi Arabia and Turkey are the only two economies from the Middle East and North Africa (MENA)⁵ region for which data could be gathered, while South

⁴ The author's intention was to also include the Baltic state and the Philippines but since no BIS data was available measures capturing financialization on the state level could not be compiled.

⁵ Admittedly, MENA is interpreted rather broadly.

Table 1. *Financialization dimensions and indicators*

Financialization dimension	Scale	Indicator	Source
Financial liberalisation	International	Ito-Chinn openness index	Ito & Chinn 2017
Foreign financial inflows		Stock of foreign liabilities (portfolio investment, FDI and other financial inflows)	Lane & Ferretti 2011
Presence of global companies		Number of companies among top 300 listed global companies by operational revenue across ten sectors	Osiris
Household financialization	Nation state	Household debt (% of GDP)	BIS
NFC financialization		NFC debt (% of GDP)	BIS
Financial sector financialization		Financial market capitalisation (% of GDP)	World Bank
Government financialization		Net interest rate margin	World Bank
House price volatility		Real house price indices (2010 = 100), coefficient of variation	BIS
Global financial centres	City	The Global Financial Centres Index	Z/Yen Group Limited
		Global Command and Control Centres	GaWC Research Network

Africa is the only African country in the sample. These 20 economies can be broadly seen as emerging economies. Hong Kong, Singapore, South Korea together with most of the CEE economies are high-income economic entities and have been so for a while. Nevertheless, given their relatively recent experience with economic catch-up they tend to be perceived as EMEs especially by financial investors. This is illustrated by their proneness to contagion during financial crises in other EMEs.

On the international scale, financial liberalization is an important indicator of financialization. This type of deregulation can be captured using the Chinn-Ito financial openness index (Chinn & Ito 2006). Financial liberalization goes hand in hand with financial globalization. The Lane & Milesi-Ferretti database is used to measure the stock of assets owned by foreign investors. All types of assets are considered, not just short-term financial investment, since the presence of foreign companies can also induce domestic companies to embrace more financialized behaviour. Finally, inspired by the global production networks literature, the Osiris database is used to assess the presence of globally operating companies headquartered in each of the analysed countries. Large listed companies are more likely to be exposed to shareholder demands or integrated into networks, which cater towards generating shareholder value.

On the national level, to assess the financialization of the domestic financial sector, the World Bank's measure of stock market capitalization as share of GDP is employed. Debt volumes for NFCs and households are also used to detect sectoral financialization. The two measures are inspired by Hyman Minsky, who argued that debt should be assessed relative to the income stream of an economic unit,

providing an indication of how easily debt burdens can be paid back. GDP is an estimate of a country's ability to generate cash flow, which in turn is crucial to pay off debt obligations. The Bank for International Settlement (BIS) provides data on the market value of sectoral debt as share of GDP. The level of domestic net interest margins is utilised as proxy for state financialization, given the impact of monetary policy on domestic accumulation patterns. Central banks do not determine interest rate margins directly, and they are rather an outcome of the interplay between monetary policy and domestic financial structures, both influenced by international capital flows. Nevertheless, tight monetary policy is likely to translate into larger margins (Borio et al. 2015). This means that high rates set by central banks are associated with larger financial accumulation by the financial sector. This might of course be a symptom of an uncompetitive – because concentrated – financial sector where banks and other private lenders are able to charge high interest rates while paying low rates on deposits. Given the crucial role of the central bank as regulator such a situation is however still, at least partially, an outcome of monetary and financial-sector policies. Finally, house price bubbles signal financialization. The BIS provides historical series of real house price indices, used here to calculate the volatility of residential real estate prices.⁶

Considering indicators to document global financial center status, two measures have been included, one capturing the hierarchical dimension of cities' relationships among each other, another accounting for the role these centres play as nodes in a global network. The first aspect is represented by the Global Financial Centres (GFC) Index, which combined so-called 'objective evidence' and 'subjective assessment' across 92 cities. The former include infrastructure measures, but also perception indicators such as the World Bank's Ease of Doing Business or the Corruption Perceptions Index, the latter is based on questionnaire responses. The top financial center is quoted for each of the included countries and its global position. The second measure is derived from the Globalization and World Cities Research Network at Loughborough University. The project assesses the importance of cities as Global Command and Control Centres (GCCC). The number of financial headquarters present in 2012 is the relevant measure.

Of course, the presented measures will not be able to capture financialization dynamics exhaustively. Longitudinal and qualitative studies of changing international, domestic and urban financial patterns would give us additional insights into the structural transformation brought about. Therefore, the analysis presented here captures financialization across nine different dimensions by generating a dashboard of measures, which should ideally be read alongside qualitative studies.

⁶ If fewer than five years of data are available, the measure is not included. A shorter historical series allows less assessment of volatility using the coefficient of variation.

Table 2. *Financialization indicators across twenty emerging economies and three scales*

Scale Indicator	International level			Nation-state level					City level	
	Openness index	Financial inflows	Global companies	Fin market cap (% GDP)	NFC debt (% GDP)	Household debt (% GDP)	Net interest rate margin	House price volatility	GFC index	GCCC (no of HQs)
	2008-15	2008-11	2017	2008-15	2008-17	2008-17	2008-15	2008-17	2017	2012
Argentina	0.1	56.6	6	10	13.4	5.4	5.60	n/a	90 (Buenos Aires)	n/a
Brazil	0.4	59.5	55	50	42.5	22.0	5.26	16.2	63 (Sao Paulo)	5 (Sao Paulo)
Chile	0.8	114.2	19	106	84.3	36.0	3.95	8.9	n/a	2 (Santiago)
Colombia	0.4	56.2	14	52	32.4	21.1	6.29	14.8	n/a	2 (Bogota)
Mexico	0.7	69.5	19	36	19.9	14.5	5.65	3.9	73 (Mexico City)	1 (Mexico City/Monterrey)
China	0.2	41.8	312	55	134.0	30.9	2.93	3.6	6 (Shanghai)	15 (Beijing)
Hong Kong, China	1.0	915.0	46	1000	185.9	60.5	2.06	23.7	3 (Hong Kong)	21 (Hong Kong)
India	0.2	46.9	69	73	49.5	9.5	3.03	20.7	60 (Mumbai)	10 (Mumbai)
Indonesia	0.5	58.2	19	38	18.1	15.1	6.01	2.7	62 (Jakarta)	5 (Jakarta)
Malaysia	0.3	104.8	20	133	62.2	62.8	2.73	18.0	55 (Kuala Lumpur)	6 (Kuala Lumpur)
Singapore	1.0	753.7	22	232	95.1	53.1	1.77	7.3	4 (Singapore)	6 (Singapore)
South Korea	0.6	75.9	87	85	101.3	81.1	2.49	1.7	22 (Seoul)	13 (Seoul)
Thailand	0.2	85.5	28	77	47.5	59.8	3.12	7.0	61 (Bangkok)	6 (Bangkok)
Czech Republic	1.0	104.1	2	22	56.7	29.3	2.85	6.0	58 (Prague)	n/a
Hungary	1.0	295.5	3	17	84.3	30.4	3.76	12.9	72 (Budapest)	1 (Budapest)
Poland	0.5	95.5	11	32	42.8	33.9	3.03	5.9	36 (Warsaw)	2 (Warsaw)
Russia	0.6	64.9	44	43	45.7	13.5	4.04	22.5	87 (St Petersburg)	3 (Moscow)
Saudi Arabia	0.7	50.8	11	63	38.8	11.1	2.86	n/a	77 (Riyadh)	7 (Riyadh)
Turkey	0.4	66.6	19	29	48.3	16.6	4.57	12.1	78 (Istanbul)	3 (Istanbul)
South Africa	0.2	88.1	26	228	33.2	39.0	3.02	3.9	48 (Johannesburg)	3 (Johannesburg/Cape Town)
UK	1.0	672.0	105	108	90.1	90.0	1.52	7.4	1 (London)	19 (London)
US	1.0	162.9	802	118	69.2	85.8	3.39	9.6	2 (New York)	30 (New York)

Comparing variegated financialization across and within regions

When comparing measures of financialization in EMEs a strong degree of variegation can be observed across but also within regions. Table 2 provides the nine dimensions of financialization for our sample economies, showing relative positions through colour coding. Values ranked within the top quartile of an indicator are highlighted in black to symbolise a strong degree of financialization (high). Positions in the second quartile are highlighted in dark grey (medium high), while the lower ranks are represented by light grey (medium low). Values that indicate the least degree of financialization (low) for a given indicator are marked in off-white. The US and UK are included only as points of reference. Both would rank 'high' or 'medium high' on almost all of these indicators, with house price volatility and the net interest rate margin (in the post-2008 period) as notable exceptions.

Amongst the represented regions, Asia shows the strongest evidence of financialization with an average of seven out of ten dimensions of financialization for each country flagged in black or dark grey. It is followed by South Africa – the only African economy in the sample – with five indicators showing up as medium high or high. In CEE, countries typically show signs of high or medium high financialization according to only four indicators, and both Latin America and the two MENA region countries show even fewer signs. Variegation is also present within regions, and especially clearly in Asia and Latin America. While Hong Kong shows signs of financialization across all indicators except for interest rate margins, signs of the phenomenon are very weak in Indonesia

The opposite is true for Latin America. Whereas Chile reaches levels of financialization across these dimensions comparable to Asian economies, Argentina shows hardly any signs of financialization. Some unifying patterns within individual regions also emerge. The indicators reveal that high interest rates are a major driver of financialization in Latin America. This has been documented in the past (see Becker et al. 2010, Kaltenbrunner & Paineira 2017). In Asia, the main driver in most countries is the interplay between financial liberalization and globalization.

The international dimension

There are three indicators that are used to capture the international dimension of financialization: financial liberalization, financial globalization and the presence of globally operating corporations. Considering financial liberalization, the openness index is high or medium high across almost all CEE countries, in the three richest Asian economies of the group (Hong Kong, Singapore and South Korea) and Indonesia, Chile and Mexico in Latin America as well as Saudi Arabia. The past decade coincided with a relative roll-back of financial liberalization in many EMEs. In 2015, conditions were more restrictive than in the aftermath of the financial crisis in Argentina, Chile and Colombia as well as Indonesia, Malaysia and Thailand. This was not the case in CEE. Here, the Czech Republic and Hungary were fully financially 'open' throughout the period, earning the same score as the US and UK on the indicator, while Poland and Russia have furthered their financial liberalization.

The openness of capital accounts among CEE countries is unsurprising since the region has traditionally been extremely welcoming to foreign financial inflows ever since the beginnings of its transformation towards capitalism, in many countries implemented as 'big bang', an abrupt and fast liberalization.

Financial openness and foreign inflows seem to go hand in hand. Most countries that are open to inflows (relative to their peer group) also received a higher share of foreign capital measured as share of GDP. The only notable exception are Thailand and South Africa where financial openness is classified as very low while the presence of foreign capital is rather high. In the case of South Africa, this is peculiar since the country is regarded to be extremely financially open according to a rival index (the IMF's financial reforms index, scoring 0.85 of 1 in 2005). Notably, Hong Kong and Singapore have attracted more foreign capital (measured as share of GDP) than the UK, while Hungary's foreign capital liabilities exceed those of the US.

The presence of global companies – and their being headquartered in EMEs – does not seem to coincide with the two other international-level measures, financial liberalization and globalization. While CEE is a region open to foreign inflows, there are few globally operating companies incorporated there. Russia is the only exception, hosting 44 major companies that operate internationally. This result is driven by the country's strong resource endowments since the majority of these forty-odd Russian firms are engaged in the utilities (17 firms), energy (12), or basic materials (seven) sectors. Brazilian companies operating internationally have a similar profile (25 utilities and seven energy companies). However, Brazil alongside India and China does not seem particularly open to foreign capital, while itself being home to a large number of global companies. Of course, these three countries possess large domestic markets, facilitating the formation of home-based transnationally-operating corporations. The smaller Asian economies in the sample – especially Hong Kong, Malaysia, Singapore, South Korea and Thailand – have also managed to support a notable number of globally operating corporations but unlike in China and India this coincided with large foreign capital inflows. While the US host by far the largest number of global companies (800+) among the sample countries, the UK's importance as base for international corporations appears much more modest (with only 105 companies incorporated there). The UK's close links to many off-shore centers can partially explain this observation.

Nation-state level

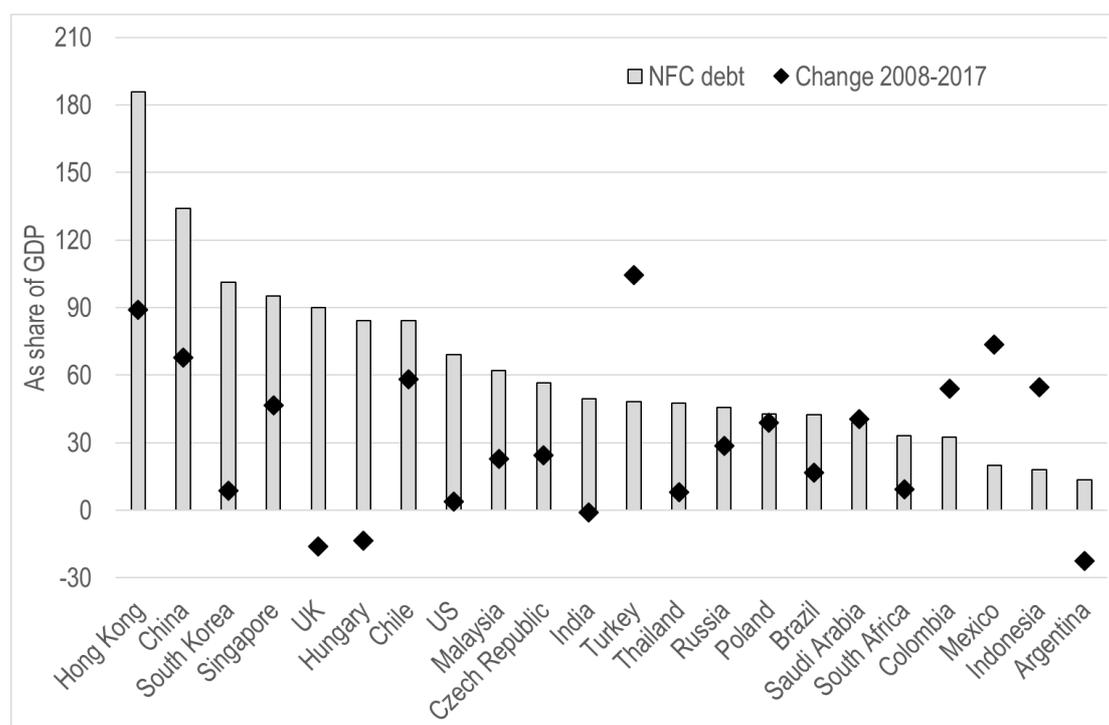
Table 2 also provides us with five indicators capturing dimensions of financialization on the national level. They correspond to the four domestic macroeconomic aggregates – the financial sector, non-financial firms, households and the government – plus a measure of asset price inflation in residential property.

The measure of financial sector financialization appears closely linked to the presence of globally operating companies in a country. All emerging economies in the sample that rank high or medium high on the former indicator also host a

substantial number of global companies with the exception of Chile and Saudi Arabia. This result illustrates the links across geographical scales. Domestic capital markets can of course have a transnational dimension. Thus, US and UK stock markets attract large numbers of international companies – in the 1990s several major South African companies relocated to London once capital account restrictions were loosened, effectively becoming UK-based firms (Chabane et al. 2006). Hong Kong and Singapore, in turn, are regional financial hubs and function as off-shore financial centers. The former constitutes a gateway into China, still a relatively closed financial market. Thus, especially in recent years, the ties between Hong Kong and Shanghai, the prime mainland stock exchange in China, have strengthened backed by financial deregulation. For instance, since 2014 the Shanghai-Hong Kong Stock Connect enables foreign investors to buy selected Shanghai-listed stocks, while allowing Chinese investors to buy Hang Seng-listed equity (Prasad, 2016).

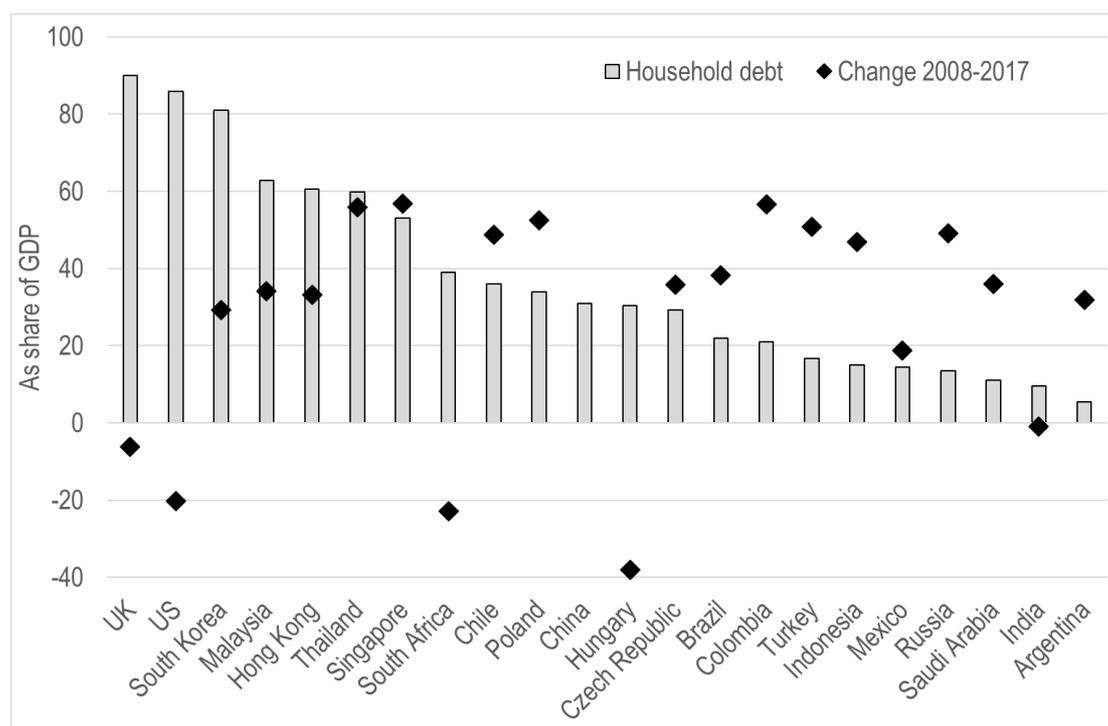
In recent years, the financial press has been concerned about rising debt in emerging economies, in particular among non-financial enterprises and household (Wheatley 2018). This most clearly affects Asia. Examining NFCs, debt burdens are indeed extremely high across most of the Asian countries in the sample. In Hong Kong, China, South Korea and Singapore corporate debt volumes (measured as share of GDP) exceed those in the two Anglo-Saxon economies (Figure 1). Especially in China and Hong Kong, the expansion of corporate debt over the past decade has been enormous (70-90%). Only Chile, Mexico and Turkey experienced similar growth rates albeit from a much lower base.

Figure 1. NFC debt and its growth for selected economies, 2008-2017



Source: Based on data from BIS, 2018.

Figure 2. Household debt and its growth for selected economies, 2008-2017



Source: Based on data from BIS, 2018.

Similar growth patterns are visible with respect to household debt, even though debt taken on by individuals is smaller than corporate debt (Figure 2). Household debt is comparatively high across Asia, especially in South Korea, Malaysia, Hong Kong, Thailand and Singapore, but does not reach UK and US levels. However, household debt has been growing strongly over the last decade in the vast majority of emerging countries in the sample (South Africa, Hungary and India being notable exceptions); by contrast, individuals in the two Anglo-Saxon economies have reduced their overall debt.

The net interest rate margin, gauging the financialization of government and its policies, provides quite a different picture from the other national-level measures employed in this analysis. The highest margins can overwhelmingly be found in Latin American countries. Indonesia is the only country from outside the region with similarly high interest margins.

House price volatility, capturing asset price inflation, is another indicator flagged as high or medium high in many of the Latin American economies included here (i.e. Brazil, Chile and Colombia). However, over the past decade it has been more severe in Hong Kong, Russia, India and Malaysia. It is noteworthy that asset price inflation shows up as low in South Africa. The country was one of the few emerging economies that experienced a similarly extreme real price inflation of residential housing as the US and UK in the run-up to the global financial crisis (see Karwowski 2018). Thus, similar to the two Anglo-Saxon economies the housing

market in the country has been stagnant ever since the crisis, showing little price movement and therefore hardly any volatility.

The city level

Finally, let us consider the position of emerging market financial centers in the global economy. The GFC index places all top financial centres in our sample firmly within the Asian economies. While London and New York lead the index, they are followed by Hong Kong and Singapore in positions three and four, respectively. Shanghai comes sixth and Seoul is ranked 22nd. The 2017 GFC index captures 92 and their relative positions. Thus, while Kuala Lumpur (55) and Mumbai (60) are labelled as medium high in our relative comparison, they make only the second half of this global city ranking. Among cities in the CEE region, Warsaw (36) and Prague (58) are classified as comparatively high on the index. Johannesburg ranks at position 48. When comparing to the GCCC indicator, based on network analysis, it becomes apparent that financial centres in CEE and Africa are in fact only weakly integrated into global financial networks. While all Asian financial metropolises hosted at least five headquarters of international financial companies in 2012, this number did not exceed an average of three for financial metropolises in CEE. In the case of South Africa, Cape Town appears as an important financial center alongside Johannesburg, each city being the seat of three international corporate headquarters. The GFC Index is a broader indicator than the GCCC indicator. However, its subjective assessment elements and limited global reach might overestimate the importance of cities included in the ranking as appears to be the case for Warsaw, for instance.

Conclusion

This paper has argued that financialization is not merely a rich country phenomenon and that financialization theory has its roots in researchers' and policymakers' rejection of claims that growth and innovation in the financial sector will bring about economic prosperity and development. Thus, the rejection of the financial repression hypothesis is a key predecessor of financialization debates, which is too often overlooked. To tackle this shortcoming, the paper firmly locates financialization in the Global South by providing an overview of key dimensions of financialization across 20 EMEs. Using ten measures to take stock of financialization across and within regions developing regions, the variegation of the phenomenon is striking. This dashboard of financialization indicators illustrates the importance of spatial distinctiveness, local institutions, and history.

Among the EMEs in the sample, Asian economies (and in fact South Africa) show the greatest evidence of financialization overall, Latin American ones (together with Turkey and Saudi Arabia) are comparatively less financialized, with CEE somewhere in between the two regions. Distinct regional patterns can be observed: In Latin America tight monetary policy and high interest rate margins appear a crucial

driver of financialization. Against the backdrop of the region's history of elevated inflation levels, high interest rates and margins make financial accumulation attractive, paving the way for financialization if productive investment appears less lucrative. Financial liberalization and globalization are most important dimensions of financialization in CEE, a region that experienced 'big bang'-type financial sector liberalization during the 1990s.

Intriguingly, Asia, a region known for its dynamic manufacturing capacity, exhibits strong signs of financialization on all three scales, the international, domestic and urban level. Asian financial centers have caught up visibly with London and New York over the past decade. Hong Kong, Singapore and Shanghai are close on NYLON's heels in the international rankings of leading financial cities. Asian companies rival US- and UK-based corporations operating internationally, by also becoming international players. But financialization remains a deeply problematic phenomenon. Therefore, strongly rising NFC and household debt alongside substantial house price volatility are worrying developments across Asia, which should be monitored and held in check otherwise they might lead to similar flare-ups of financial instability in Asian economies as the US and UK have experienced over the couple of past decades. Given the high levels of financial globalisation among Asian EMEs financial disturbances in the region would have global consequences. The 2015/2016 jitters in the Chinese stock market, which prompted the US Fed to delay interest rate increases, might have been a first sign of this development.

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