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# FINANCIALIZATION IN UNSUCCESSFUL NEO-MERCANTILIST ECONOMIES: External Capital Inflows, Financial Gains and Income Inequality*

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***The workings of the capitalist mode of production was drastically modified by the industrial crisis in developed economies during the 1970s. In developing economies the ISI model was replaced by globalized, deregulated and financialized systems that were dominated by exports and unable to achieve surplus or balanced current accounts. Therefore, foreign capital inflows were needed to stabilize balance of payments, and this meant higher income leakages, in the form of financial gains. On this basis it is argued that "unsuccessful" economies that underwent the process of financialization and neo-mercantilism experienced limited economic growth, and more importantly, increased income inequality, as developed economies increasingly appropriated the financial gains of developing economies. In addition to the exporting of goods and services based on low wages (and reduced costs), the financial market was strengthened as a means of extracting the surplus from developing economies in the form of financial gains, opening up what we have referred to as the "financial channel".***

***Key words***: financialization, neo-mercantalism, foreign capital, financial gain, Latin American Countries, GDP

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## *Introduction*

There is no doubt that the industrial crisis of the 1970s in developed economies drastically modified the workings of capitalist economies, and more importantly, changed ruling class alliances. The *stagflation* process that took place in the seventh decade of the 20th century, bringing the profound crisis of capitalist accumulation to the surface, had profound impacts on the organization of capitalist economies. Deregulation and globalization (fundamental neoliberal components), along with *financialization*, whose meaning is subject to deep dissent, (Levy and Lopez 2013, Introduction) and neo-mercantilism, are the main characteristics of the 21st century capitalist system.

Although financial capital domination in the workings of capitalist economies has been overemphasized in the last thirty years, labeled the "master" of the capitalist accumulation process, (Russell 2008), it is agreed that corporations' productive-sector decisions are subject to shareholder-value-maximization objectives (Lazonick and O'Sullivan 2000; Milberg 2008), and more importantly, are related to a capitalist economic growth style based on regressive income distribution. The bank and capital market finance - accumulation nexus weakened; and more importantly, financial capital acquired a state of relative autonomy from the productive sector. In addition the financial non-banking sector became stronger, operating with almost no barriers between financial bank and non-bank operations.

Under these conditions, financial globalization developed, and the foundations for the international money market were laid. The key variable of the financial market transformation was increased private international capital mobility that became evident in late 1960 (Eatwell and Taylor 2000) and changed the world financial order (*i.e.,* Bretton Woods System demise in 1971). The rise in financial instrument prices, referred to as financial inflation (Toporowski 2000), was the main mechanism of financial appropriation that modified the income distribution between regions (hegemonic countries versus the rest of the world), among countries (according their position in relation to the hegemonic country's production process), and more importantly, between social classes, reducing the income share of agents not possessing assets (real or financial) and increasing the income of financial *rentiers*. The wage income gap widened and financial *rentiers* dominated the ruling class.

In this context debt growth exploded and debt issuers were able to appropriate returns on the basis of future income promises. Money became the central device for accessing more money (Minsky 1964; Minsky 1975), giving way to a wide range of financial innovations that led to the second historical *financialization* period (Vercelli 2013–14). New production organization led to a process of accumulation that was not only "financial capital-led" (Boyer 2000), but financial capital became the basis of economic relations among agents and sectors (Stockhammer 2008). This set of arrangements unleashed highly speculative business cycles, based on increased family indebtedness. Corporations became net lenders (instead of net borrowers), and more importantly, exporting acquired a new dimension.

The main argument of this paper is that neo-mercantilism became the main transformation of capitalist non-hegemonic countries, with exports becoming the center of accumulation, imposing a new world surplus appropriation. This generated increased inequalities between regions, among the countries in a region, and among the social classes in countries. A key element of this accumulation process has been a spatial decoupling between production and demand. More importantly, financial capital acquired a position of partial autonomy from the productive sector. This new condition modified the hegemonic country's position in the process of capitalist accumulation: specifically, it lost its productive and technological strength, and increased its financial (and military) power.

It is important to stress that the financial capital is not an external factor of globalized and *financialized* capital accumulation economies, and it is far from being the main (or sole) cause of economic distress and recessions. Financial capital operates in conjunction with productive capital on the basis of bidirectional relations. Moreover, the acquired importance of financial capital is related to the increased imbalances established in the Second-World-War Europe reconstruction and the reconfiguration of the United States as the main hegemonic country of the capitalist system during the mid-1950s. Thus, the financial system re-organization, on its own, does not ensure economic stability or robustness.

The primary aim of this paper is to increase an understanding of the operations of the principle factors that sustain the dominant mode of production, as well as the interrelations between the financial and productive sectors, with a close look at external market operations. Our main concern is to analyze this contradiction, placing developing economies at the forefront of our discussion, especially those that have not been able to achieve current account equilibrium. Under these circumstances, developed economies' surplus extraction from developing economies became more evident, introducing a new element, which is the "financial channel" based on increased financial margins beyond the reduced wages of exporting goods (affecting the entire economy), and which, in conjunction, slowed down economic growth.

This paper is divided into four sections. Following the introduction, the second section discusses the background and development of *financialization* and neo-mercantilism. The third section is devoted to the main characteristics of *financialization* and neo-mercantilism in Latin America, and their effects on income distribution. Lastly, some conclusions are proposed.

## *Financialization and Neo-Mercantlism: Background and Development*

The most important features of *financialization* and *neo-mercantilism* are the structural imbalances between developed and developing economies, within regions and within national economies. These imbalances escalated income inequalities, with "unsuccessful" economies those most affected. The seeds of *financialization* and neo-*mercantalism* lie in the structural imbalances generated by developed economies that possess the ability to issue international units of accounts. On that basis, developed economies appropriated backward economies' surplus, and augmented trade disequilibria between and within regions. Also, capital mobility strengthened financial systems and thereby fortified the "financial channel."

In this context, the *financialization* process, which Epstein (2005, 4) defined as the "increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of domestic and international economies", merged with neo-mercantilism, defined as "the pursuit of economic policies and institutional arrangements which see net external surplus as a crucial source of profits. The solution to the problem of effective demand is seen as lying above all in a positive trade balance. Moreover, the current account surplus is seen as the increasing private sector's ability to operate on international capital markets" (Bellofiore, Garibaldo and Halevi 2010, 120).

The financial and productive social arrangement that serves as the background for economic imbalances can be found in the second post–war period, constructed on the basis of productive capital dominance, strong government intervention in the economy, limited competition among big corporations (closed economies: Boyer 2013), and financial systems ascribed to countries' national boundaries (explicit prohibition of private capital movement among countries, IMF, clause 33). The productive sector was based on "retain and re-invest" organization (Lazonick and O'Sullivan 2000), and one of its most notorious results was a rise in productivity that partially benefited workers' wages (within a capitalist labor exploitation scheme) and increased enterprises' income and savings that were channeled to finance investment and production, causing a profit reflux back to the economy (Kalecki 1971).

Another important feature was the bank-based financial structure, with limited non-banking financial sector participation, and more importantly, with defined boundaries between banking and financial non-banking activities, securing money advances to production and accumulation (Boyer 2013). The dominant banking system was based on the model of "create and retain" assets and liabilities (Kregel 2008) that encouraged banks to accommodate "solvent" credits (Rochon 2006). In this context, the banking sector shared the risks from undue-payments, following risk-minimizing strategies.

Employment creation was the central goal of economic policies, with the aim of reaching full employment conditions, for which expansive fiscal and monetary policies were unleashed. Government economic intervention was guided by industrialization policies, built on the basis of backward linkages[1] intended to expand employment with high remuneration, fortifying internal markets and thereby limiting income leakages. This was reflected in the theoretical adherence to the Phillips negative curve slope (Phillips 1958), based on an indirect relation between growth rates of money wages and unemployment reduction.

However, the reconstruction of Europe and Japan (specifically, the defeated economies in the Second World War) and the reconfiguration of United States' hegemonic position in the world arena, undermined what was meant to be "golden age" capitalism (Bellofiore, Garibaldo and Halevi 2010; Parguez 2009), unleashing what have been referred to as "beggar thy neighbor" strategies. This process led to

1 Unlike in advanced economies and Southeast Asia (Japan and other countries that industrialized such as South Korea) the capital goods sector in the Latin America region was not developed nor was foreign technology *endogeneized* to developing economies (see: Amsden 1989, 2044).

the development of the export sectors in Europe (particularly Germany and Italy) as well as in Japan, through the transference of dynamic US industrial activities to these countries. Another important source of the "beggar thy neighbor" strategy can be found in the industrialization processes in East Asian countries, based on strong net exports aimed at dealing with developing economies' "external restrictions" (Amsden 1989; Amsden 2004).

Specifically, the background for the "beggar thy neighbor" strategy is the US Marshall Plan, established to reconstruct the European and Japanese economies and the growth strategy of East Asian countries. This was accompanied by the US dollar assuming the role of international money, indirectly based on a fixed commodity value (gold, pegged at a value of 35 US dollars per gold ounce, during the Bretton Woods era).[2]

This US transference of its dynamic manufacture industries to the countries defeated in the Second World War fortified the export sectors in these countries (Milberg 2008; Lazonick and O'Sullivan 2000), and created external trade surpluses. Initially, these surpluses were used to settle European debts with the US economy, along with intra-European softening of current account deficit mechanisms that prevented exchange rate misalignment (*i.e.,* European Payment System 1949–57).[3] This condition drastically changed when the European Common Market (1957) was imposed, restoring full currency convertibility, with no international currency buffer for preventing current account deficits or surpluses, and more importantly, for deterring exchange rate depreciations as a means to increase international competition.

While the European and Japanese economies converted their export sector into their *deus ex machina* for achieving economic growth, the US economy fortified its service sector (specifically financial services, based on information technologies, within undermined manufacturing sectors), in which its labor base,

2 Many economists argue that the 1970 industrial crisis in developed countries and the 1980 external debt crisis can be partly explained by international liquidity shortage. Minsky (1986) proposed that this condition could be overcome if the United States would operate big current account deficits and therefore provide the liquidity required by international financial market operations. Alternatively, Toporowski (2013, section 4) argued that banking institutions could issue the means of payments required on the basis that they operate on a financial system sustained by pure credit-money economies.

3 Under the European Payment System, the central banks of surplus countries accumulated gold bullions in an effort to deter currency depreciation in current account deficit countries (see: Bellofiore et al. 2010, 127–129).

while paid very high wages, was radically diminished (Milberg 2008). This situation planted the seeds for increased and amplified trade imbalances in the future. And the counterpart was the strengthening of the financial sector, with consumption finance becoming the most important device for achieving economic growth. Financial gains, based on what has been described as the share value maximization strategy (Lazonik and O'Sullivan 2000), switched economic policies from full employment to price stability, in order to guarantee financial wealth purchasing power.

Financial gains were accompanied by a process of increasing inequality between developed and developing economies, and within countries of each region, based on wage share reduction (United States, European countries and developing capitalist economies). In this process, demand was decoupled from supply, and the United States assumed the role of increasing world economic demand, based on its ability to create limitless liquidity (increasing debts), while European countries, East Asian (mainly India and China) and Latin American developing economies turned out to be the worldwide producers. This process was based on an increasing unequal distribution of surplus that gave "exorbitant privileges" to the "hegemon" economy (United States) (De Cecco 2012, 30).

## *The International Order After the Bretton Woods Demise*

A discussion of the international order should consider countries' asymmetries (colonialism in terms of Rosa Luxemburg, imperialism according to Lenin, or central-periphery countries according to Furtado) in which the leading international country is able to determine the pace of accumulation, and more importantly, the social and economic organization of less-developed economies, and in return, are able to distribute world surplus, appropriating for themselves the biggest share.

De Cecco (2012, 30) argues that hegemonic countries are big economies with profound domestic structural distortions that can induce worldwide disruptions, and their main distinction is their power to issue international money that operates on the basis of current account surpluses or deficits.

As in the 1980 external debt crisis, international liquidity provisions were issued through financial securities that circulated in *asymmetric* money markets, giving way to unprecedented international liquidity growth. The United States (as the hegemonic country) became the aggregate-demand worldwide growth engine (consumer of last resort) and the provider of international liquidity, unleashing significant imbalances in current and financial accounts.

This international arrangement modified the world surplus distribution, creating new winners and losers. De Cecco (2012, 30) describes the international order as follows:

> "If the country that issues international means of payment is allowed to enjoy 'exorbitant privileges' that is, if it can preempt the world output, structurally coming first in the pecking order, with everybody else dividing among themselves what is left the issuer of the world currency can run deficits as big as it finds fit to, and the rest of the world will just have to run as big a surplus, its resources being preempted by the center country."

A central argument of this discussion is that the hegemonic country obtains 'exorbitant privileges' on the basis of international money issuance that has "a higher return on its external assets than that on its external liabilities" (Gourinchas et al. cited in: De Cecco 2012). Thus, the United States appropriates the main bulk of international surplus through the financial channel, which means that financial gains are seized through financial assets denominated in dollars, which circulate throughout the international financial market. The European industrial countries that are providers of US commodities continue in the pecking order in terms of surplus appropriation. They specialize in the production of capital goods and the *know–how* of the manufacturing industry. Developing net export countries with current account surpluses come in third place, with low wages as their comparative advantage. Last on the list are developing economies that have strong export sectors with export surpluses in raw materials, without achieving overall current account surplus, and therefore international capital is required to close their financial account gap and equilibrate their balance of payment. Through this channel they need to part with additional surplus, and this further reduces the wage share in income and increases income inequality in their economies. This is the case of the Latin American region that has been unable to attain current account surpluses over time in spite of the increasing positive terms of trade during the last decade (as we shall see in the following section).

## *Performance of Latin American Countries in the Financialized and Neo-Mercantilist Era*

Two of the main peculiarities of Latin American economies are that their external sector developed during the colonial period and that the capitalist mode of production was adopted through international trade (Kregel 2002). The raw material export enclave sector, although completely separated from the indigenous internal production sector, was the means for adopting capitalist social and economic relations, which did not spread to the entire economy (the indigenous sector remained backward). In these economies the industrialization process was rather late and developed as an unintended consequence of the interwar period of the 20th century, which cut off the region from supplies of international goods and from international financial flows, due to the collapse of the external commodity market as well as international finance.

Another important antecedent of the Latin American industrialization process, particularly "industrialization by import substitution", is that it did not begin through specialization of particular sectors. Also, the United States (the region's hegemonic country) did not develop a complementary relation with the region's economies. US domination over Latin America was constructed on the basis of weak US import demand coefficients resulting from reduced economic complementarity between the dominant (central) and peripheral economies.

In addition, the US economy developed on the basis of broad industrial processes that did not require foreign goods and services. Amsden (2001) emphasizes that the United States exploited the same commodities as some other countries in the region (e.g., petrol), and therefore, contrary to the experience of East Asian economies, the import substitution industrialization (ISI) process in Latin America industrialized the entire manufacturing sector, with unlimited protection barriers for final goods, and not discriminating among different agents (actually favoring the entry of multinationals, e.g., the car industry in Mexico). (Amsden 2001) Another missing feature in Latin America's industrialization process was technological development and technological adaptation to the region's specification. Government industrial policies throughout the region financed capital and intermediate goods imports in order to reduce production costs, instead of developing the capital goods sector. Finally, national agreements regarding the sector that should act as the economic engine of growth were not achieved in the industrialization processes in the different countries.

All these conditions impeded a process of industrialization that would destroy the backward archaic production sectors, developing what Fajnzylber (1998) referred to as "*truncated* industrialization." Specifically, they were unable to strengthen their export sector or follow a "beggar thy neighbor" strategy as the East Asian developing countries did, which converted them into what we have denominated "successful" developing economies. Hence, Latin American economies underwent the process of deregulation and globalization, and most importantly, the *financialization* and *neo-mercantilism* changes in a context of extremely weak manufacturing export sectors and a feeble capital market, which maintained their dependence on external capital inflows to balance their structural current account deficit position.

### *Structure of Latin American Economies in the Financialized, Neo-Mercantilist Period*

The Latin American GDP structure leaves no doubts as to the transformation that took place in the region during that period. The export share of the GDP boomed during the last twenty years. In the early 1990s exports represented around 15% of GDP spending. In the first years of the first decade of this century, they jumped to 20% of the GDP, and by the middle of the decade, to 25% of the GDP. However, the region did not achieve a long-lasting, permanent net trade surplus. Only between 2002 and 2007 was there a net export surplus. Strikingly enough, neither the export boom nor the net export trade surplus expanded gross fixed capital formation. Thus, the Latin American region was characterized by a rather peculiar production structure during the neo-mercantilist period (Figure 1).

Our analysis of the growth strategies of Latin American economies is based on six countries (Argentina, Brazil, Chile, Colombia, Mexico and Peru) that resemble the region's heterogeneity as well as its similarities. We argue that these economies are representative since they account for more than 80% of the GDP total spending as well as 80% of each one of the GDP components (Figure 2). An important characteristic of this group of economies is that it includes big countries (Brazil and Mexico), medium-sized economies (Argentina, Chile and Colombia) and small ones (Peru).

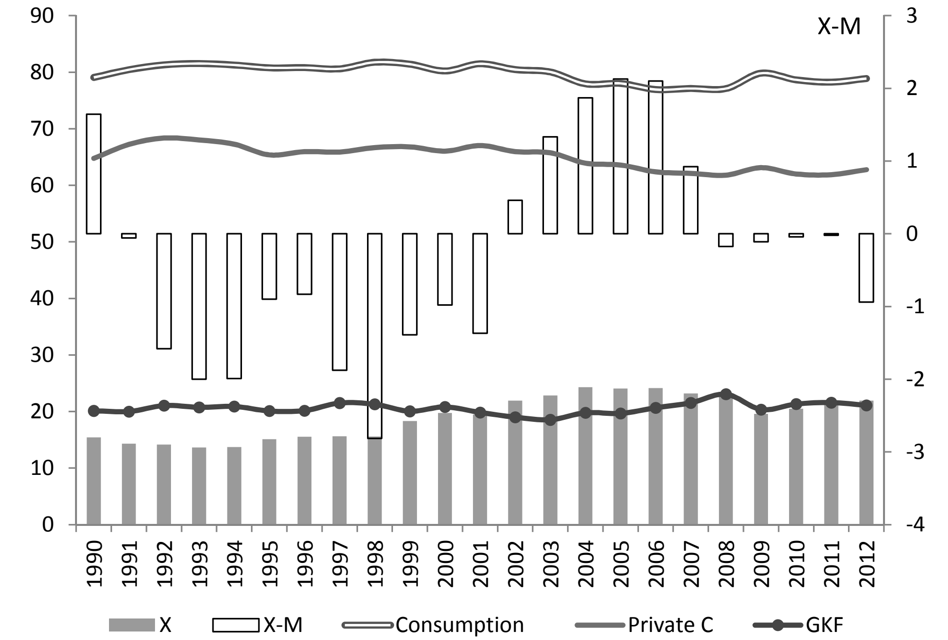
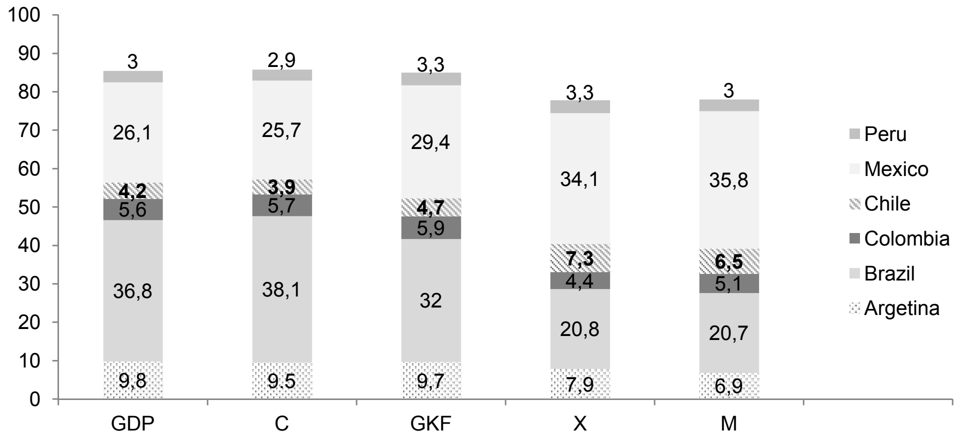



*Figure 1: Main GDP components of Latin America*

GKF: Gross Capital Formation; X: Exports, M: Imports
Source: Author' calculation based on Economic Commission for Latin America and the Caribbean (CEPAL), Databases and Statistical Publications. Available at: http://estadisticas.cepal.org/cepalstat/




*Figute 2: Countries GDP participation in terms of total Latin american GDP spending.*

GKF: Gross Capital Formation, X: Exports, M: Imports
Source: Author' calculation based on Economic Commission for Latin America and the Caribbean (CEPAL), Databases and Statistical Publications. Available at: http://estadisticas.cepal.org/cepalstat/

We can observe differences when we look at the growth strategies of all the economies (Table 1). Although the export share of the GDP increased in each country, this occurred at different rates. Chile led this process, achieving an average export share of nearly 35% of the GDP, particularly in the neo-mercantilist period (when the export share represented 38% of the GDP). Mexico was in a distant second place, with an average share of 26% in terms of the GDP, increasing to 28% during the neo-mercantilist era. Peru came in third place, with an average share of 21%, which rose to 24% in the first decade of this century. Argentina and Colombia had an average export share around 15% of the GDP, with a marked upward trend in the first decade of this century. Brazil had the smallest export share among the six economies.

*Table 1: Countries growth strategy*

| | GDP growth rates | Private Consp | G. F. I | Exports | Net exports | GDP growth rates | Private Consp | G. F. I | Exports | Net exports |
|---|---|---|---|---|---|---|---|---|---|---|
| | Argentina | | | | | Chile | | | | |
| 1990-12 | 4,3 | 63,8 | 19,6 | 16,3 | 1,9 | 5,1 | 62,0 | 22,1 | 34,8 | 3,7 |
| 1990-99 | 4,6 | 69,2 | 18,3 | 9,3 | -1,2 | 6,6 | 66,1 | 23,8 | 26,3 | -0,7 |
| 2000-08 | 4,2 | 62,5 | 19,4 | 21,2 | 4,6 | 4,2 | 60,7 | 20,8 | 38,3 | 6,2 |
| 2000-12 | 4,5 | 60,1 | 20,6 | 21,1 | 3,9 | 4,1 | 60,7 | 21,6 | 37,6 | 5,1 |
| | Brazil | | | | | Mexico | | | | |
| 1990-12 | 2,9 | 61,6 | 17,8 | 11,3 | 0,0 | 2,7 | 67,3 | 21,7 | 26,3 | -1,5 |
| 1990-99 | 2,3 | 63,8 | 17,2 | 7,9 | -0,7 | 3,1 | 67,9 | 20,9 | 21,4 | -1,6 |
| 2000-08 | 3,6 | 60,6 | 17,1 | 13,8 | 1,5 | 2,3 | 67,2 | 21,9 | 26,5 | -1,7 |
| 2000-12 | 3,3 | 60,8 | 18,0 | 12,7 | 0,3 | 2,2 | 67,1 | 21,9 | 28,0 | -1,5 |
| | Colombia | | | | | Peru | | | | |
| 1990-12 | 3,5 | 66,5 | 21,6 | 15,7 | -2,9 | 5,0 | 65,8 | 22,8 | 21,9 | 1,5 |
| 1990-99 | 2,6 | 72,2 | 22,4 | 11,8 | -5,1 | 4,2 | 72,6 | 21,3 | 13,3 | -3,8 |
| 2000-08 | 4,4 | 66,6 | 19,8 | 16,7 | -2,6 | 6,8 | 66,2 | 20,4 | 23,4 | 3,1 |
| 2000-12 | 4,3 | 64,4 | 21,4 | 21,4 | -2,1 | 5,8 | 63,5 | 23,3 | 24,7 | 3,2 |

Source: Author' calculation based on Economic Commission for Latin America and the Caribbean (CEPAL), Databases and Statistical Publications. Available at: http://estadisticas.cepal.org/cepalstat/

The results in terms of net exports are ambiguous. In the 1990s all the countries experienced balance trade net deficits, which turned into surpluses in the following decade, except in the cases of Mexico and Colombia. Therefore, the size of the export sector does not guarantee external trade balances.

Secondly, gross fixed investment spending remained stable but rather low. On average it did not surpass 20% of their GDPs, hence investment spending was not an important element in the last twenty years or in the neo-mercantilist period. Only Brazil and Colombia had more dynamic accumulation strategies in relation to export activities, while Mexico and definitely Chile had more dynamic export sectors. Thirdly, the consumption share of the GDP (total and private) did not lead economic growth, with the private consumption share of the GDP diminishing during the neo-mercantilist period.

On the basis of the varying performance of GDP activities, two export models can be identified: at one extreme are the economies with the export coefficients above the investment shares of the GDP (Chile and Mexico), and at the other extreme we have Brazil and Colombia whose investment shares are above exports. The remarkable aspect of these growth models is that neither guarantees a trade balance surplus, since Mexico (dominated by an export share of the GDP) and Colombia (with stronger investment coefficients) have shown long-lasting trade deficits.

*What happened in the export sectors?*

Because of the importance of export sectors, we will discuss their composition in order to understand the reasons that a trade surplus was not achieved or at least why income leakages from domestic demand in the international market were not neutralized in a long-lasting relation.

The first element to take note of is that raw materials and manufacturing based on raw materials showed an extremely dominant surplus position in the trade balances of the different countries. It is also important to notice that all the economies experienced net surpluses in these sectors, well above their total net trade balances. This means that raw materials and export manufacturing based on raw materials neutralize the net deficits in other sectors (Table 2). This was particularly the case for Chile in the first decade of this century, with raw material coefficients close to 20% of the GDP, and 7% of the GDP in the case of Argentina and Peru (Table 2).

*Table 2. Trade balance with respect to GDP: Raw material and industrial classified by technological intensities*

| | 1983-2011 | 1980-1989 | 1990-1999 | 2000-08 | 2000-11 | 1983-2011 | 1980-1989 | 1990-1999 | 2000-08 | 2000-11 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Argentina | | | | | Colombia | | | | |
| X-M | 3,25 | 3,35 | -0,06 | 6,73 | 5,96 | -0,59 | -0,15 | -1,23 | -0,44 | -0,31 |
| RM&Mrw | 6,71 | 4,46 | 1,80 | 11,11 | 6,46 | 4,70 | 3,98 | 3,98 | 5,22 | 5,72 |
| Industrial G&s | -3,46 | -1,11 | -3,71 | -4,38 | -4,62 | -5,29 | -4,13 | -5,21 | -5,66 | -6,04 |
| Low Tech | -0,11 | 0,52 | -0,24 | -0,18 | -0,36 | 0,02 | -0,03 | 0,15 | 0,15 | -0,05 |
| Medium Tech | -2,00 | -1,06 | -2,20 | -2,34 | -2,40 | -3,44 | -3,06 | -3,45 | -3,42 | -3,65 |
| High Tech | -2,31 | -0,58 | -1,25 | -1,91 | -2,00 | -2,07 | -1,01 | -1,93 | -2,73 | -2,79 |
| | Brazil | | | | | Mexico | | | | |
| X-M | 2,12 | 4,37 | 0,66 | -0,34 | 2,03 | 0,12 | 3,81 | -1,28 | -1,05 | -0,87 |
| RM&Mrw | 2,23 | 2,11 | 1,08 | 3,12 | 3,25 | 1,54 | 5,31 | 0,62 | 0,11 | 0,10 |
| Industrial G&s | -0,11 | 2,26 | -0,42 | -0,69 | -1,22 | -1,42 | -1,50 | -1,39 | -1,16 | -0,96 |
| Low Tech | 0,69 | 1,48 | 0,58 | 0,52 | 0,32 | -0,72 | -0,08 | -0,85 | -0,93 | -0,99 |
| Medium Tech | -0,87 | 0,79 | -1,09 | -1,31 | -1,65 | -0,40 | -0,76 | -0,66 | -0,29 | 0,02 |
| High Tech | -0,83 | -0,37 | -0,84 | -1,04 | -1,08 | -0,05 | -0,63 | 0,06 | 0,34 | 0,20 |
| | Chile | | | | | Peru | | | | |
| X-M | 4,28 | 5,56 | 0,47 | 6,86 | 6,72 | 0,72 | 1,23 | -2,04 | 2,52 | 2,73 |
| RM&Mrw | 15,12 | 14,76 | 12,29 | 17,74 | 17,69 | 5,20 | 4,63 | 3,24 | 6,68 | 7,16 |
| Industrial G&s | -10,84 | -11,45 | -11,83 | -10,89 | -10,97 | -4,48 | -3,40 | -5,28 | -2,88 | -4,43 |
| Low Tech | -2,34 | -1,70 | -2,28 | -2,73 | -2,75 | -0,14 | 0,42 | -0,14 | -0,24 | -0,48 |
| Medium Tech | -6,89 | -6,26 | -7,79 | -6,38 | -6,50 | -4,52 | -2,88 | -5,05 | -5,11 | -5,56 |
| High Tech | -2,34 | -1,59 | -2,41 | -2,71 | -2,72 | -1,31 | -0,95 | -1,57 | -2,02 | -2,10 |

Source: Autor´ calculation based on Grouped by technology intensiveness, Uniform Classification for International Trade (CUCI), 2nd Review. Available at: http://interwp.cepal.org/badecel/basededatos.asp

The reasons for these astonishing results are the increasing terms of trade experienced by Latin America throughout the first decade of this century (Figure 3) that rocketed these sectors' activities and increased exports, resembling the neo-mercantilism period up to the “primary export” model of the first decade of the 20th century.

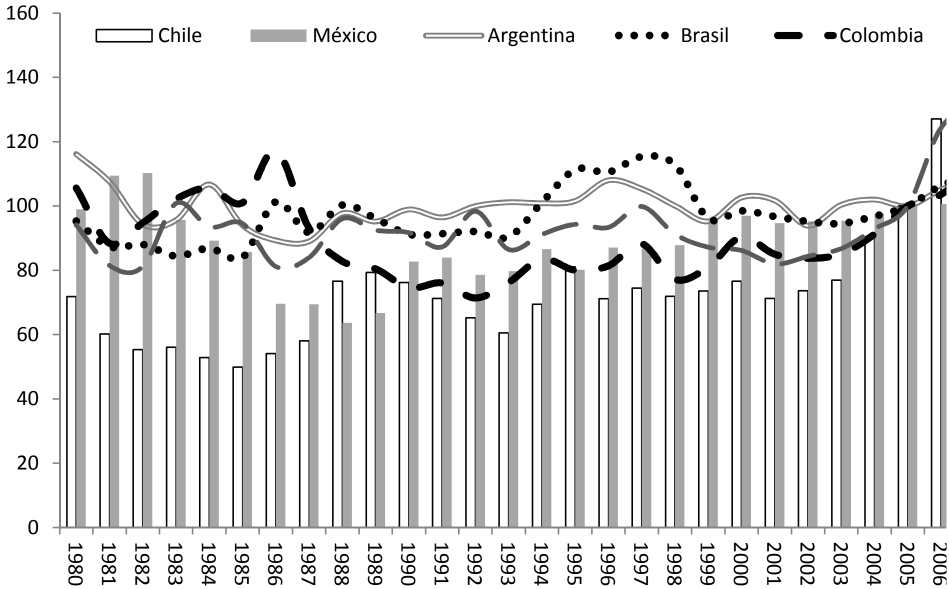



*Figure 3: Terms of trade price relation of godds and services. Index 2005=100*

Source: Author’ calculation based on Author’ calculation based on Economic Commission for Latin America and the Caribbean (CEPAL), Databases and Statistical Publications. Available at: http://estadisticas.cepal.org/cepalstat/. Consulted: May 7th, 2014

The industrial net export sectors, excluding manufactured goods based on raw materials, remained at a deficit. From the end of the 1990s, and specifically in the neo-mercantilist era (the first decade of this century), there were profound deficits in industrial goods net exports in all the countries analyzed. This was especially the case for Chile with negative average coefficients of net exports, around 11% of the GDP, followed by Colombia, Argentina and Peru, and to a lesser extent, Mexico (Table 2). Hence, the expected boom in industrial activity from East Asian countries did not take place in Latin America, or at least it was not evident in the external trade balance.

Our analysis based on net external exports by technological intensities is extremely revealing (Table 2). The most profound net export deficit occurred in exporting industries based on medium technology, reflecting the neoliberal desindustrialization process. Specifically, the more dynamic industries of the “industrialization import substitution” model were the ones that contributed more to the negative results in trade balances in the first decade of this century.

The only exceptions were Brazil and Mexico, which had net export surpluses in their medium and high technological sectors, respectively. Specifically, Brazil experienced a milder regression in the des-industrialization process of the neoliberal era. The Mexican experience was more bewildering since it seemed to follow the East Asian countries' growth strategy, with the peculiarity that the investment coefficient did not grow, causing an extremely vicious growth model in which the export industry was highly dependent on imports, resulting in what is referred to as "maquila" production, with extremely low added value, and with low worker remuneration as its primary advantage.

Considering the above arguments, it can be argued that the production model based on a globalized market, with no direct government economic intervention or industrial policies and with important transnational corporation participation in economic activity, did not induce "successful" experiences in the Latin American region during the neo-mercantilist era.

## *Capital Inflows to Latin America and Financial Market Transformation*

The commercial openness and the process of financial liberalization of capitalist economies modified the volume and composition of foreign capital inflows. The increased export volumes that reached important net export surplus positions in some of the region's economies were not enough to reach long term and significant current account surpluses. Between 2002 and 2007 alone, the Latin American current account was at a surplus, barely surpassing 1% of the region's GDP, and consequently, the overall results of increased export activities, when net factor payments are considered, are rather gloomy (Figure 4).

The other notorious feature was the presence of external surplus in the Balance of Payments Accounts in terms of GPD; which between 2002 and 2006 surpassed the current account coefficient in terms of the GDP. This was extremely costly, since financial reserves remained idle to assure stable (and to overvalue) exchange rates to external investors.

Our analysis of the Balance of Payments composition in the different countries shows that during the first decade of this century, Argentina and Chile were the only economies that achieved a surplus in their current accounts (2.2% and 0.6% in terms of their GDP, respectively) (Figure 5a). Secondly, almost all the coun-

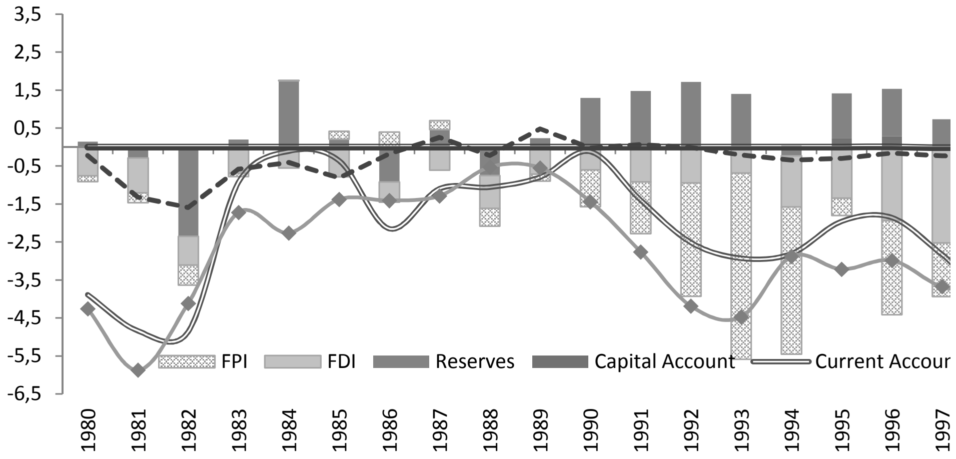



*Figure 4: Latin American Balance of Payment composition in terms of GDP*

Source: Author' calculation based on Banlace of Payments, International Monetary Fund, CD-Room, January 2014. Used series: Historical data (1980-2005), Economic Concept View (2005-2012). For derivatives (2005-2012): Financial derivatives (other than reserves) and employee stock options : Net acquisition of financial assets.
Latin America´s GDP, Wold Bank. Available at: http://data.worldbank.org/country/ZJ. The next countries are considered as a part of Latin America: Argentina, Belize, Bolivia, Brasil, Colombia, Costa Rica, Cuba (no hay datos de balanza de pagos), Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haití, Honduras, Jamaica, Mexico, Nicaragua, Panamá, Paraguay, Perú, St. Luica, St. Vincent and the Grenadines, Suriname, Venezuela (RB).
Series interpretation: Current & Capital Account, positive = surplus; Financial Account, positive = deficit; Reserves, positive = decrease.

tries accrued an important amount of reserves from the 1990s onwards, which meant foreign direct and portfolio investment sterilization practices, as stated above, to prevent exchange rate movements and to reassure foreign investors' confidence; and thereby maximize financial instrument returns, and in this way, fortify financial market expansion. This was clearly the case for Chile, Brazil, Colombia, Argentina and Mexico (Figure 5a).

The most important components in financial accounts are foreign direct and portfolio investments, with unnoticeable volumes of financial flows in the form of derivatives and options. "Other investments" that includes bank credits, shifted to a second distant position, and therefore external flow composition modified radically in comparison to the regulated periods, in which the "industrialization import substitution" model dominated, and public credits were the countries' external capital inflows (Figure 5b).

The peculiar element is that important volumes of international private capital inflows in the form of foreign direct and portfolio investment flows did not manage to modify drastically the bank-based structure of Latin American countries.

The size of financial markets in Latin American countries in terms of the GDP did not increase as expected, or at least it never came close to the US financial market size (Figure 6). In Latin America, the Chilean financial market

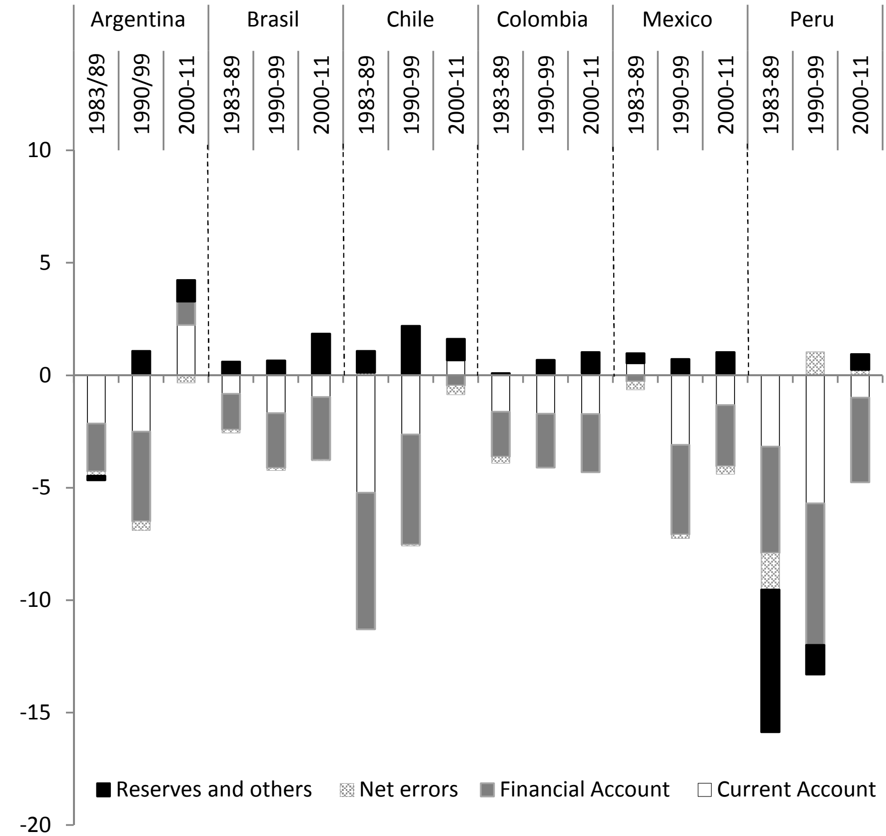



*Figure 5a: Balance of Payment by net components in terms of GDP, by countries*
*Source: Author's calculation*

Source: Author' calculation based on Banlace of Payments, International Monetary Fund, CD-Room, January 2014. Used series: Historical data (1980-2005), Economic Concept View (2005-2012). For derivatives (2005-2012): Financial derivatives (other than reserves) and employee stock options : Net acquisition of financial assets.
Latin America´s GDP, Wold Bank. Available at: http://data.worldbank.org/country/ZJ.
Series interpretation: Current & Capital Account, positive = surplus; Financial Account, positive = deficit; Reserves, positive = decrease.

increased the most, particularly the banking sector, followed by Brazil. A third group of countries with more limited financial markets is composed of Mexico and Argentina, followed by Colombia and Peru (Figure 6).

Not surprisingly, the bank sector continued to represent the biggest share of the financial market in all Latin American countries analyzed, even though *financialization* undermined its importance. In this context, it is not astonishing that Chilean banking markets grew above those in the United States (in relation to its GDP) (Figure 6).

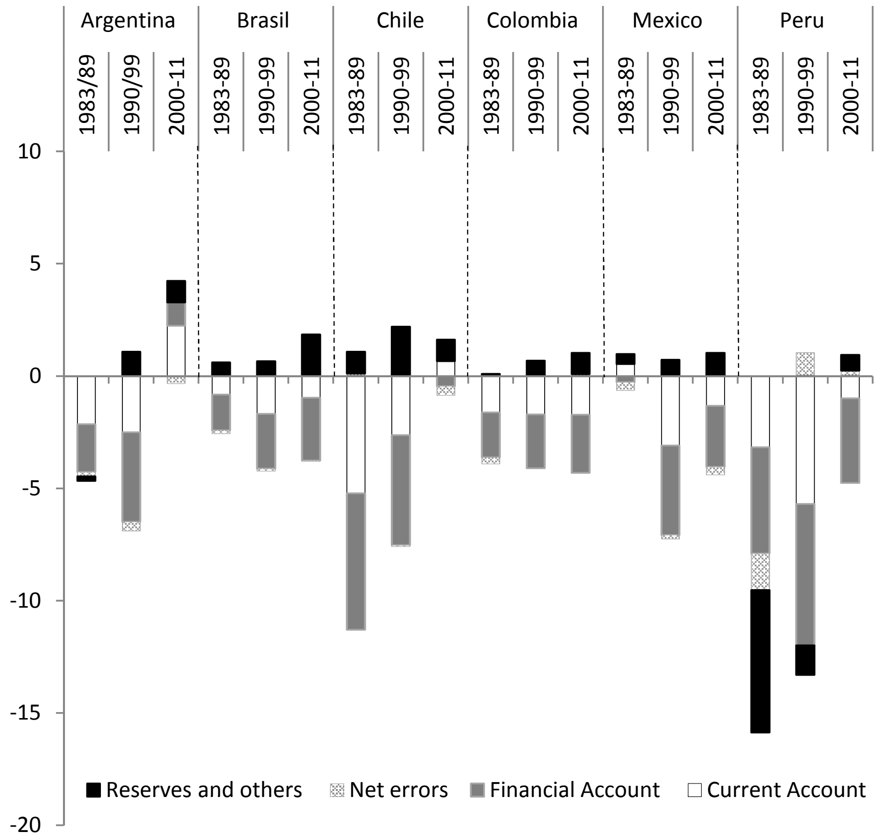



*Figure 5b. Net Financial Accounts by components in terms of GDP, by counties*

Source: Author' calculation based on Banlace of Payments, International Monetary Fund, CD-Room, January 2014. Used series: Historical data (1980-2005), Economic Concept View (2005-2012). For derivatives (2005-2012): Financial derivatives (other than reserves) and employee stock options : Net acquisition of financial assets.
Latin America´s GDP, Wold Bank. Available at: http://data.worldbank.org/country/ZJ.
Series interpretation: Current & Capital Account, positive = surplus; Financial Account, positive = deficit; Reserves, positive = decrease.

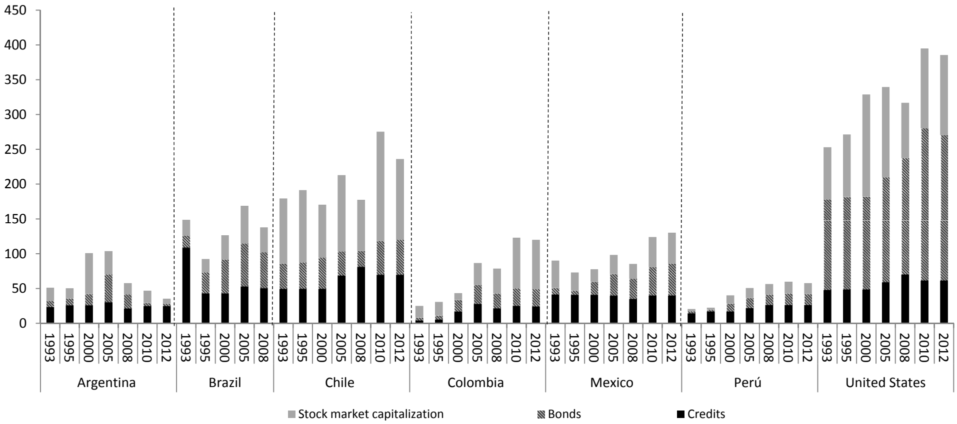



*Figure 6: Financial market size and its main markets in terms of GDP, by countries*

Source: Author's calculation based on International Financial Statistics, FMI (CDRoom, Jan 2014) & BIS Quarterly Review.

Latin America´s GDP, Wold Bank. Available at: http://data.worldbank.org/country/ZJ.

In the bond market the situation was completely different. In spite of the higher foreign portfolio investment volumes, the bond market size in terms of the GDP did not grow significantly (especially if compared with the US bond market size). Brazil's bond market size was the biggest, followed by Chile and Mexico. A second group of countries consisted of Colombia and Peru (Figure 6). The reason for that is that the private bond markets did not develop significantly (Stallings and Studart 2006).

Finally, the capital market remained relatively shallow and small (Figure 6). This was due to the relatively low capital market turnover in terms of the GDP (Figure 7) and the low number of corporations operating in Latin American stock markets and their rather infrequent operations (Levy 2013). Hence, the dominant financial investors' strategies did not do away with shares and financial instruments. Instead, they were maintained in order to control the big corporations.

Taking into account the volume and composition of external capital inflows and the way that financial markets have taken shape in Latin America, and particularly considering low capital market turn-over and financial instrument price volatility, the next question is how the "financial channel" became fortified, and specifically how developed countries appropriated the surpluses of developing countries.

The answer is straight forward: Latin American financial markets offered increased financial margins to attract external private capital inflows. More specifi-

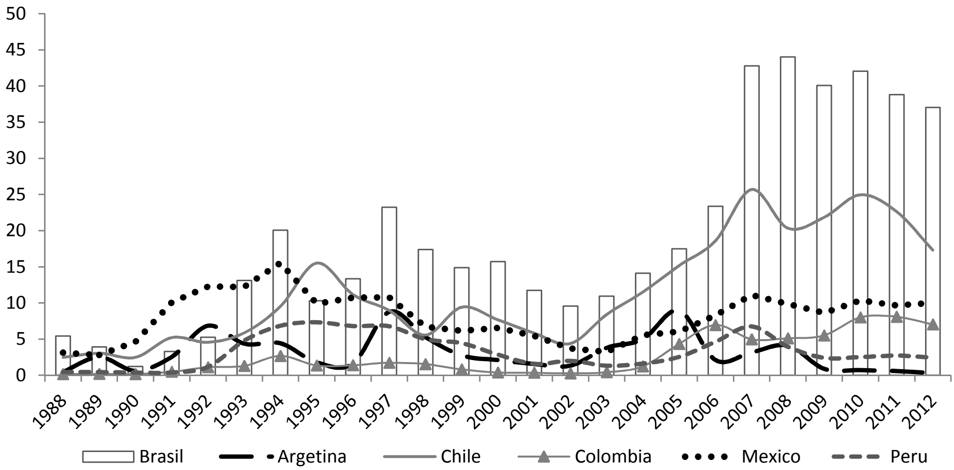



*Figure 7: Capital market turnover in relation to GDP, by countries*

Source: Author calculations in terms of World Development Indicators, World DataBank. Available at: http://databank.worldbank.org/data/home.aspx

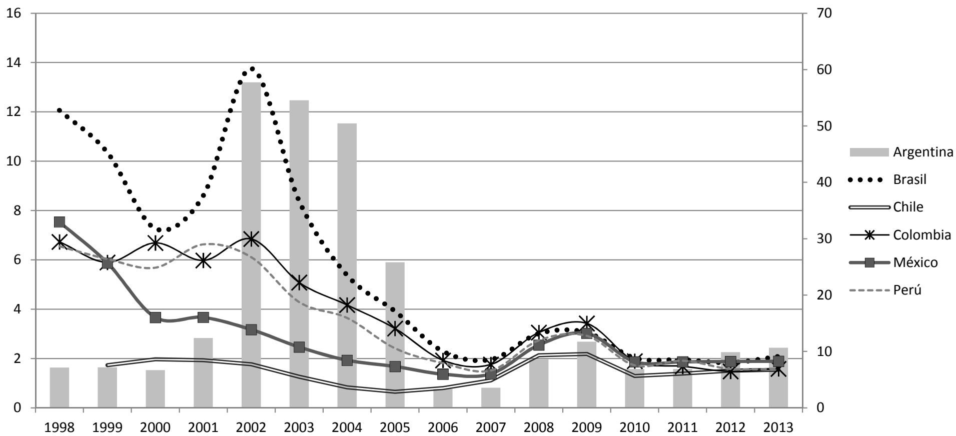



*Figure 8: Bond index of Emerging countries (EMBI), return differential in relation to US Treasury bonds*

(Argentina EMBI is measured in the right axis)

Source: Author calculation based on information Central Reserve Bank of Peru, with data of Bloomberg & Reuters. Available at: http://www.bcrp.gob.pe/

cally, bond returns were significantly higher than those of developed economies. One way of measuring these margins is through the Emerging Bonds Market Index (EMBI).[4] Between 1998 and 2003 the EMBI depicts significant higher returns

4 EMBI measures the differential returns of emerging countries bonds in relation to US treasury bonds, in terms of basic points. J.P. Morgan elaborates this index and portfolio debt portfolio returns.

from Latin American bonds (Figure 8). Argentina, after the 2001 crisis, heads the list, followed by Brazil's EMBI index. Colombia and Peru also experienced higher financial margins, to lesser extents, with Mexico and Chile not being greatly affected. From 2007 on there is downward movement, explained by the US Quantitative Easing monetary policy, which reduced their interest rates to levels near zero. In spite of that, the differential rates remained very high. For instance Argentina's bond returns (Figure 8, right axis) were 10 points higher than US bonds. Colombia, Brazil, Chile and Mexico average around 4 points higher than for US bonds.

### *Income Distribution in Latin American Countries During Financialization and Neo-Mercantilism*

Despite profound structural changes in financial sectors, the countries' economic openness to international competition, and the economic impulse of exports, wages did not increase. If we look at the countries' average wages in real terms, its evolution has not been very encouraging during the last decades.

If 1980 is considered the starting point (just before the Latin American external debt crisis, the wage index shows a downward slope in all of the countries analyzed. In the 1990s wages remained low with no significant change, with the exception of Mexico, which in the beginning of the 1990s, due to exchange rate overvaluation, experienced relatively small increases in average wages, in real terms, wiped off after the 1994 financial crisis. The neo-mercantilist period coincided with important increases in workers' wages in Chile and Argentina that, however, seems to be more related to political changes. Specifically, after Argentina's crisis in 2000, with Kirchner coming into office, wages began to increase. Chile also experienced an upward wage index trend that surpassed the level attained in 1980,[5] which is more related to policies on raising minimum wages in the 1990s, when the country returned to democracy. Mexico and Colombia experienced a mild upward trend, while the Brazilian wage index remained relatively stagnant and Peru's index continued to fall during the 1990s. Therefore, the increased terms of trade experienced in the region during that period was not shared with workers' wages.

If we look at income distribution in Latin American countries in terms of deciles, we find a more complex situation (Table 3). On average the highest 10% of the population (upper decile), appropriates more than 40% of each coun-

5 The starting point of 1980 does not enable a comparison with high wages for Chile, since its economy was undergoing a deep economic recession in 1980.

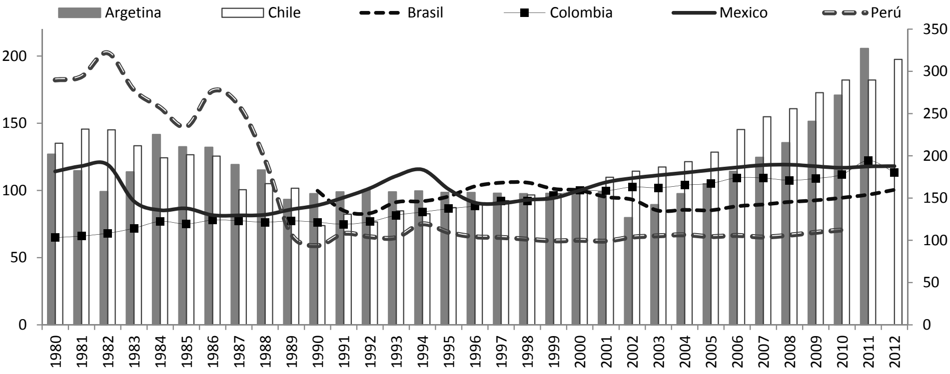



*Figure 9: Real Average annual wage, Index 2010=100*

(Peru is measured in the right axis)
Source: Author' calculation based on Economic Commission for Latin America and the Caribbean (CEPAL), Databases and Statistical Publications. Available at: http://estadisticas.cepal.org/cepalstat/

try's income, with a relatively lower figure for Peru (although this country's data only covers between 2001 and 2012). The average upper decile seems to remain relatively stable with small downward movements. In Brazil it decreased from 47% in 2007 to 46% in 2012; in Colombia from 42% in 2007 to 40% in 2012; in Mexico, from 40% in 2008 to 38% in 2012; and in Argentina from 43% in 2006 to 36% in 2012. We can group Brazil, Chile and Colombia together as the economies with higher income stratus appropriation (between 1990 and 2012, the last decile, or the wealthiest 10% of the population, possessed around 50% of total income).

At the other extreme, Brazil also comes out as the most unequal country in terms of income distribution. The 1st decile possesses less than 1% of total income, and the first three deciles, 5% of total income. The 4$^{th}$, 5$^{th}$ and 6$^{th}$ deciles possess 25% of total income. Argentina, Chile and Colombia are next in line in terms of the most unequal countries measured by the income appropriated by the poorest sector of the economy (Table 3).

Finally, if the Gini coefficient is taken into account, the results are not drastically modified (Figure 10). Argentina seems to have slightly reverted its unequal conditions, since the Gini coefficient on average went down from 0.45–0.50 to 0.36 (closer to zero being more equal); in Peru it went from 0.56 in 1998 to 0.46 in 2012; and in Brazil, some improvement can be observed, according to the Gini coefficient, with the lowest position reached in 2012, indicating a relatively high

*Table 4: Cuadro 4. Income distributon by decile, Latin America*

Percentage of total national income

| | Decile 1 | Decile 2 | Decile 3 | Sum | Decile 4 | Decile 5 | Decile 6 | Decile 7 | Sum | Decile 8 | Decile 9 | Decile 10 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Argentina | | | | | | | | | | | | |
| Average | 1,1 | 2,3 | 3,2 | 6,7 | 4,3 | 5,3 | 6,7 | 8,5 | 24,8 | 11,1 | 15,9 | 41,4 |
| 1990 | 1,6 | 2,6 | 3,6 | 7,8 | 4,6 | 5,6 | 7,0 | 8,8 | 26,0 | 11,2 | 15,6 | 39,4 |
| 1994 | 1,4 | 2,4 | 3,4 | 7,2 | 4,4 | 5,4 | 6,8 | 8,4 | 25,0 | 11,2 | 16,2 | 40,2 |
| 2000 | 1,0 | 2,2 | 3,0 | 6,2 | 4,0 | 5,2 | 6,4 | 8,4 | 24,0 | 11,0 | 16,0 | 42,8 |
| 2006 | 0,8 | 2,0 | 3,0 | 5,8 | 4,0 | 5,2 | 6,6 | 8,4 | 24,2 | 11,0 | 15,8 | 43,2 |
| 2012 | 1,4 | 2,8 | 3,8 | 8,0 | 5,0 | 6,2 | 7,4 | 9,4 | 28,0 | 11,8 | 16,0 | 36,2 |
| Brasil | | | | | | | | | | | | |
| Average | 0,8 | 1,8 | 2,6 | 5,2 | 3,4 | 4,4 | 5,6 | 7,3 | 20,7 | 9,9 | 15,3 | 48,9 |
| 1990 | 0,8 | 1,6 | 2,4 | 4,8 | 3,2 | 4,2 | 5,4 | 7,2 | 20,0 | 10,2 | 16,4 | 48,6 |
| 1995 | 0,8 | 1,6 | 2,4 | 4,8 | 3,2 | 4,2 | 5,4 | 7,0 | 19,8 | 9,8 | 15,8 | 49,8 |
| 2001 | 0,6 | 1,6 | 2,2 | 4,4 | 3,0 | 4,0 | 5,2 | 6,8 | 19,0 | 9,6 | 15,2 | 51,8 |
| 2007 | 0,8 | 2,0 | 2,8 | 5,6 | 3,6 | 4,6 | 6,0 | 7,6 | 21,8 | 10,2 | 15,2 | 47,0 |
| 2012 | 1,0 | 2,2 | 3,0 | 6,2 | 4,0 | 5,0 | 6,2 | 7,8 | 23,0 | 10,0 | 14,6 | 45,8 |
| Chile | | | | | | | | | | | | |
| Average | 1,3 | 2,4 | 3,3 | 7,0 | 4,1 | 5,1 | 6,2 | 7,9 | 23,3 | 10,4 | 15,5 | 43,8 |
| 1989 | 1,2 | 2,4 | 3,2 | 6,8 | 4,0 | 5,0 | 6,2 | 8,0 | 23,2 | 10,4 | 15,8 | 43,8 |
| 1994 | 1,2 | 2,4 | 3,2 | 6,8 | 4,0 | 5,0 | 6,2 | 7,8 | 23,0 | 10,4 | 15,6 | 44,0 |
| 2000 | 1,2 | 2,2 | 3,0 | 6,4 | 4,0 | 4,8 | 6,0 | 7,6 | 22,4 | 10,0 | 15,4 | 45,6 |
| 2007 | 1,4 | 2,6 | 3,4 | 7,4 | 4,4 | 5,4 | 6,6 | 8,2 | 24,6 | 10,8 | 15,6 | 41,6 |
| 2011 | 1,6 | 2,8 | 3,6 | 8,0 | 4,4 | 5,4 | 6,4 | 8,0 | 24,2 | 10,4 | 15,4 | 42,0 |
| Colombia | | | | | | | | | | | | |
| Average | 1,2 | 2,3 | 3,2 | 6,7 | 4,1 | 5,1 | 6,4 | 8,1 | 23,8 | 10,7 | 15,6 | 43,2 |
| 1991 | 1,6 | 2,8 | 3,8 | 8,2 | 4,8 | 5,8 | 7,0 | 8,8 | 26,4 | 11,4 | 16,0 | 38,0 |
| 1994 | 0,8 | 2,0 | 2,8 | 5,6 | 3,6 | 4,6 | 6,0 | 7,6 | 21,8 | 10,2 | 15,0 | 47,2 |
| 1999 | 1,0 | 2,2 | 3,0 | 6,2 | 3,8 | 4,8 | 6,2 | 7,8 | 22,6 | 10,2 | 15,4 | 45,6 |
| 2008 | 1,0 | 2,2 | 3,2 | 6,4 | 4,2 | 5,2 | 6,6 | 8,4 | 24,4 | 11,0 | 16,0 | 42,4 |
| 2012 | 1,4 | 2,6 | 3,4 | 7,4 | 4,4 | 5,6 | 6,8 | 8,6 | 25,4 | 11,2 | 15,8 | 40,2 |
| México | | | | | | | | | | | | |
| Average | 1,9 | 2,9 | 3,8 | 8,6 | 4,6 | 5,6 | 6,8 | 8,4 | 25,3 | 10,8 | 15,3 | 40,1 |
| 1989 | 1,6 | 2,6 | 3,4 | 7,6 | 4,2 | 5,2 | 6,4 | 7,8 | 23,6 | 10,0 | 14,6 | 44,0 |
| 1994 | 1,8 | 2,8 | 3,6 | 8,2 | 4,4 | 5,4 | 6,4 | 8,0 | 24,2 | 10,6 | 15,6 | 41,6 |
| 2000 | 2,0 | 3,0 | 3,8 | 8,8 | 4,6 | 5,6 | 6,6 | 8,4 | 25,2 | 10,8 | 15,6 | 39,8 |
| 2008 | 2,0 | 3,0 | 3,8 | 8,8 | 4,8 | 5,8 | 6,8 | 8,4 | 25,8 | 10,8 | 14,8 | 39,8 |
| 2012 | 2,0 | 3,2 | 4,0 | 9,2 | 5,0 | 6,0 | 7,2 | 8,6 | 26,8 | 11,0 | 15,4 | 37,8 |
| Perú | | | | | | | | | | | | |
| Average | 2,0 | 3,4 | 4,4 | 9,7 | 5,3 | 6,4 | 7,6 | 9,2 | 28,5 | 11,4 | 15,4 | 35,1 |
| 2001 | 1,6 | 3,0 | 4,0 | 8,6 | 5,0 | 6,0 | 7,2 | 8,8 | 27,0 | 11,2 | 15,2 | 38,0 |
| 2007 | 2,0 | 3,4 | 4,4 | 9,8 | 5,2 | 6,4 | 7,6 | 9,2 | 28,4 | 11,6 | 15,4 | 34,8 |
| 2012 | 2,2 | 3,8 | 4,8 | 10,8 | 5,8 | 7,0 | 8,2 | 9,6 | 30,6 | 11,8 | 15,4 | 31,4 |

Source: Author' calculation based on Economic Commission for Latin America and the Caribbean (CEPAL), Databases and Statistical Publications. Income distributon by decile, by geographical areas. Percentage of total national income. Available at: http://estadisticas.cepal.org/cepalstat/

value of inequality (over 0.50), with the same applying to Colombia. Mexico and Chile seem to have remained highly unequal during this period.

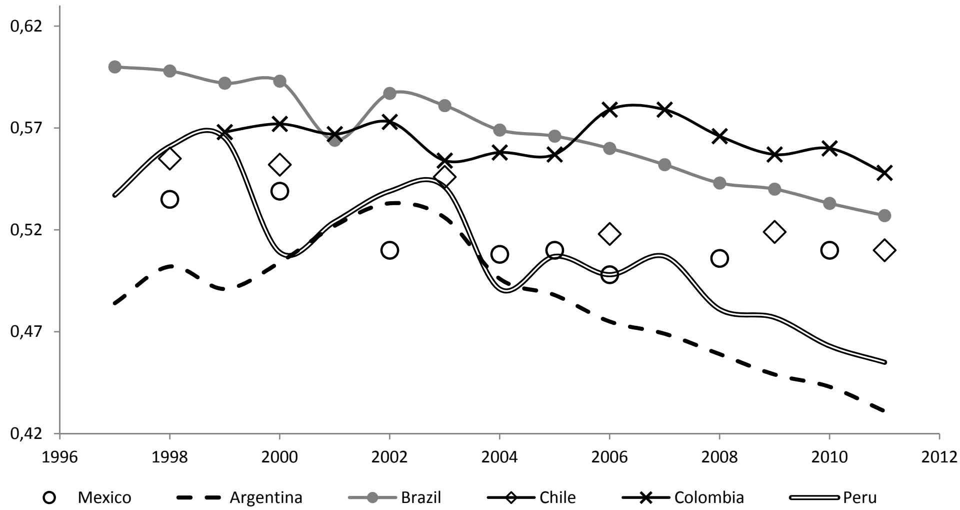



*Figure 10: Gini coefficient*

Source: Author' calculation based on Inter-American Development Bank. Available at: http://www.iadb.org/en

## *Final Remarks*

The profound inequalities in current social and production organization may be traced back to the years when economic regulation prevailed, together with direct intervention by governments, and expanded fiscal and monetary policies, the main objective of which was to create full employment economic conditions. Their origins may be found in the promotion of external trade surpluses (and deficits) with no mechanism for preventing exchange rate misalignments. The growth strategy used by Germany and Italy in Europe and Japan along with the East Asian countries induced profound and growing imbalances that undermined the workings of stable and robust economies. The limitless power of the US issuance of international liquidity led to a growing international financial market, in which worldwide surplus was subject to distributional forces, which fortified modern *rentiers* that managed to raise their appropriation of total returns. Its counterpart force has been to reduce workers' income and mobilize the greatest proportion of surpluses to reach industrial countries, and wealthy social classes.

In this context it is important to understand the globalization forces that became dominant in the 1990s and the increasing importance of exports (neo-mercantilism) that accompanied policies aimed at controlling prices in the real sector and sparking inflation in the financial market.

A major issue not given enough importance in economic theory and policy consists of the imbalances established on the basis of growing international debts, whose main objective is the control of international markets and the mobilization of surplus to the stronger political economies, forcing deficit countries (that do not have the "privilege" of issuing international units of account) to bear the largest portion of adjustment costs. The 2008 US crisis, which spread to all developed economies, particularly European Monetary Union countries, has shown the limits of this growth strategy, and raw material export countries will also be affected by deep economic recessions, once the terms of trade cease to increase, limiting appropriation by central economies.

The major difficulties in the 2008 crisis aftermath are slow economic recovery and jobless economic growth (in the United States) and the fact that European economies have not been able to regain economic growth. In addition, once developing exporting economies will go through deep economic recession, the "hegemon countries" will be unable to sustain the income concentration through which their economies are maintained.

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## *Rezime:*
## *Finansijalizacija u neuspešnim neomerkantilističkim privredama: Priliv inostranog kapitala, finansijski profiti i dohodovna nejednakost*

**Industrijska kriza u razvijenim ekonomijama tokom sedamdesetih godina prošlog veka je značajno promenila kapitalistički način proizvodnje U zemljama u razvoju ISI model zamenjen je globalizovanim, deregulisanim i finansijalizovanim sistemima u kojima je naglasak stavljen na izvoz dok istovremeno ti sistemi nisu bili u stanju da postignu višak ili ravnotežu tekućeg računa. Stoga je priliv inostranog kapitala bio potreban da bi se stabilizovao platni bilans, a to je značilo veći odliv prihoda u obliku finansijskog profita. Na osnovu toga, može se tvrditi da su „neuspešne" privrede, koje su prošle proces finansijalizacije i neomerkantilizma, doživele ograničen ekonomski rast, i što je još važnije, povećanje u dohodovnoj nejednakosti, dok su paralelno razvijene ekonomije sve više prisvajale finansijske profite iz zemalja u razvoju. Pored izvoza roba i usluga čija su osnova niske nadnice (i sniženi troškovi), finansijsko**

**tržište je ojačano kao sredstvo za izvlačenje viška iz zemalja u razvoju u vidu finansijskog profita čime je otvoren „finansijski kanal".**

***Ključne reči***: finansijalizacija, neomerkantilizam, inostrani kapital, finansijski profit, latinoameričke zemlje, BDP

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