Financialization in the Americas: Evidence and Consequences

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Introduction

In recent years there has been an emerging literature on the topic of financialization in English from a political economy perspective. Most of these writings focus on the United States or on the developed countries of North America, Western Europe, and Australia, and sometimes the more developed economies of Asia. Simultaneously there has been an emerging literature in Spanish on financialization in Latin America. Most of what is published in English on Latin America is focused on financial liberalization or on financial crises in specific countries (Argentina, Brazil, Mexico), which are important aspects of financialization, but does not cover the broader topic with all its ramifications. In particular, work on Latin America, as on the United States and other regions, has examined the implications of financialization for non-financial firms and productive investment, for distribution and the conditions of labor, and for economic and social policy.

The lack of cross-fertilization between the two literatures is notable. Rarely if ever do articles and books from one side appear in translation (French authors are translated into both languages, although rarely the same works), and it is rare to find authors of either set cited in the articles of the other.

Measurements of financialization have been carried out for the US and OECD countries, but not for Latin American economies. The purpose of this paper is to explore whether existing measurements of financialization for the US and OECD countries can be replicated for the case of Latin America.

After discussing the basic definition of financialization and its implications, we proceed to review three approaches to measuring financialization for the US economy appearing in the literature, namely (1) Rentiers’ share of national income (Power, Epstein and Abrana 2003, Epstein and Jadayev 2005); (2) the financial origin of profits for non-financial corporations and capitalist enterprises (Krippner 2003, 2005); and (3) the macroeconomic weight of financial profits in the economy (Crotty 2007).

We then discuss, the unique characteristics of the Chilean and Latin American economies that must be taken into account when measuring financialization in Latin America.
America. Using the example of Chile, we emphasize that the predominance of *grupos económicos* or mixed activity conglomerates, which combine financial and nonfinancial corporations and display high levels of ownership and control, reframes both measurements and debates on financialization.

Taking this into account, we report on our attempts to replicate measurements of financialization for the Chilean economy. The results presented here preliminary and tentative.

**Definitions and Basic Concepts**

As many of the U.S. authors point out, there is no generally accepted definition of financialization, though all share a concern for the growth of financial activities and the increasing power of financial interests. Epstein (2005:3) gives a broad definition encompassing the concerns of many authors using the term: “[F]inancialization means the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies.” Krippner (2005) defines financialization as “a pattern of accumulation in which profits accrue primarily through financial channels rather than through trade and commodity production.” Crotty gives no explicit definition of financialization (and points out the lack of consensus on a definition among its critics), but is on similar lines to the other two when he discusses “rentier or finance capitalism” and argues “that finance has grown in importance with the rise of neoliberalism, that financial interests have become much more economically and politically powerful, and that these trends have been coterminous with a deterioration in real economic performance” (2005:7).

Salama proposes a definition (also adopted by Giraldo) of financialization focused on corporations: “There is financialization when industrial enterprises devote a growing part of their resources to financial activities in detriment to their principal activity” (1998a:59). However, Salama points out that the concept of financialization can be applied to countries as well as to firms (when enough firms turn to financial investment so that the financial assets in a country rise relative to real assets) and places it within the context of the new financial dependency, especially since the 1990s, while Giraldo uses the concept within the analysis of “the hegemony of international finance capital” (Giraldo and Mora, 1998). Lo Vuolo does not explicitly use the term financialization, but is similarly concerned with the rise of finance capital as an economic and political project that imposes a financial logic on the productive sector and on governments (2001:1).

All of the authors coincide in a general focus on the rise in the power and logic of finance within corporations and for the economy as a whole. In the case of the Latin Americanists, we should add the state. While all agree on the role of the state in the financialization process in terms of neoliberal and pro-finance policies, the analyses of

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2 All quotes from Spanish language sources have been translated by the authors.
Latin America also include the state as a site of financialization; that is, the financial activities of governments, particularly in credit markets with regard to the issuing of treasury bonds, reflect a financial logic closely interrelated with the logic of private capital in the era of neoliberal financialization, including a decline in productive or indirectly productive activities (public investment).

In sum, despite this differences (and relative lack of communication) analysts working both in the North and South, suggest five major areas where financialization is having major impact: (1) weak growth rates and employment levels due to a decline in productive investments; (2) informalization of labor-capital relations as mergers and acquisition intensify downsizing in a never ending race to prop up shareholder value and defend the profit rate; (3) shifts in the structure and dynamics of class relations; (4) a reduced margin for public policy; and (5) increased concentration of income and rising inequality.

**Measurements of Financialization for the US Economy**

Another notable difference in the literature, is that measurements of financialization have been carried out for the US and OECD countries, but not for Latin American economies.

In developed countries, where data is more readily available, measuring financialization must overcome serious obstacles:

“Publicly available data is more adequate for research work on nonfinancial than on financial firms and markets. For example, it is extremely difficult to calculate a meaningful profit rate for the financial sector as a whole. Most important data on financial firms and markets are proprietary. A researcher would have to have a substantial budget to access even a reasonable subset of it. The sheer size and complexity of financial institutions contributes to non-transparency” (Crotty 2007: 2).

These difficulties multiply seven-fold when attempting to measure financialization in Latin American countries. In addition to the challenges outlined by Crotty, researchers on financialization face the lack of consistent and comparable data across countries and decades and a scarcity of funding for research with a critical perspective. Additionally, the domination of most Latin American economies by multi-activity economic conglomerates, displaying high degrees in the concentration of ownership, and promoting processes of transnationalization, further complicate such efforts.

Nonetheless, research on the implications of financialization for the functioning of the US economy and society, has yielded a series of estimates and measurements about the extent of this process. Approaches to measuring financialization have been varied, but in general they can be grouped into three broad categories: (a) Rentiers’ Share of National Income; (b) Financial origin of profits for firms; and (c) Macroeconomic weight
of financial profits and of the exaction of financial profits. Each of these three approaches is succinctly described below.

a. Rentiers’ Share of Income (Power, Epstein, and Abrena 2003; Epstein and Jayadev 2005)

The first of these measures is the rentier’s share of national income. In its most simple formulation, it captures the share of GDP that is represented by income derived from financial activities.

\[
\text{(1.0) Rentiers’ share} = \text{Profits of corporate financial firms} + \text{Interest Income generated by Non-Financial Firms (NFF)} + \text{Interest Income generated by Households}
\]

In order to estimate the Profit of financial firms, these authors use the concept of “Entrepreneurial Income”, which is calculated “by summing property income and operating surplus for the financial sector and then subtracting reinvested earnings on foreign direct investment, property income attributed to insurance policy holders, interest payable, and rents payable for the financial sector” (Power, Epstein and Abrena 2003: xx). Depending on whether data was taken from the 1997 or 2001 edition of the National Accounts Tables published OECD countries different methods are used to arrive at Entrepreneurial Income. \(^3\)

\[
\text{(1.1) Rentiers’ Income Share}_1 = \text{Entrepreneurial Income of Financial Sector} + \text{Interest Income realized by the Rest of the Economy (ROE)} - \text{Government}
\]

\[
\text{(1.2) Rentiers’ Income Share}_2 = \text{Entrepreneurial Income of Financial Sector} + \text{Interest Income realized by Rest of the Economy (ROE)} - \text{Government} + \text{Capital Gains on Financial Assets by ROE} - \text{Government}
\]

Using these two approaches, the Rentiers’ Share of GDP for OECD countries oscillate between 12.20% (Sweden) to 35.2% (United States). \(^4\)

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If we understand financialization as “a phase of capitalist development in which profit-making occurs primarily through financial channels rather than through trade and commodity production” (Krippner 2003:4), then it is important to provide such measurement.

Krippner (2003, 2005) sets out to present an accumulation-centered, rather than activity centered measure of financialization. In her efforts to calculate the financial origin of profits, she offers two different measures.

(2.0) Financial Source of Revenue for Non-Financial Firms

\[
\frac{\text{Portfolio Income of Non-Financial Firms}}{\text{Corporate Cash Flow}}
\]

This ratio is further disaggregated into:

\[
\frac{\text{Portfolio Income}}{\text{Corporate Cash Flow}} = \frac{\text{Interests}_{\text{NFF}} + \text{Dividends}_{\text{NFF}} + \text{Realized Capital Gains}_{\text{NFF}}}{\text{Profits}_{\text{NFF}} + \text{Depreciation Allowance}_{\text{NFF}}}
\]

Through this measurement, Krippner demonstrates the “the growing importance of ‘portfolio income’ (comprising income from interest payments, dividends and capital gains on investments” relative to revenue generated by productive activities” (Krippner 2005: 182). In the case of non-financial firms in the US, the ratio of profits originating from financial activities as measured by this ratio, moved from 0.08 in the early 1950s, climbing steeply from 1970 to reach over 0.4 in 1990, and averaging about 0.5 by 2000 (Krippner 2005: 185, Figure 4). When this surge is decomposed into its three components, she shows that the upward climb experienced over the past three decades, has been largely driven due to the increase in the interest component, rather dividends or capital gains, which have tended to remained relatively steady over time.

The other measurement of financialization, Krippner develops aims to capture the importance of the financial sector as a source of profit for the entire economy. Financialization, she clarifies, should be seen as reflected not only in the behavior of non-financial firms, but also in the growing importance of profits of the financial sector. To capture this broader trend, in which the financial sector becomes a more important locus for the generation of profits, she uses the following measure:
(3.0) Importance of the financial sector a source of profit for the economy as a whole:

\[
\text{Financial Profits} = \frac{\text{Financial Profits}}{\text{Non-Financial Profits}}
\]

Using this measure, and aware that corporate cash flow figures underestimate profits, and differential tax treatment faced by financial and non-financial firms regarding depreciation allowances, she is able nonetheless to arrive at an upper and lower measure of this ratio. While the ratio remains stable in the 1950s and 1960s, increases gradually in the 1970s, skyrockets in the 1980s, retreats and recovers over the 1990s. Nonetheless, the trend is clear: “At the highest point at the end of the period, the ratio ranges (depending on which measure one follows) from approximately three to five times the levels typical of the 1950s and 1960s” (Krippner 2005: 188).

c. Macroeconomic Weight of Financial Motive (Crotty 2003, 2007)

Economists examining financialization in the US (and to lesser extent in Western Europe) have tended to focus on measuring the extent to which financial agents extract resources from non-financial corporations and how this has become a more preponderant feature of the contemporary capitalist macro-economy. In his recent work, James Crotty (2003, 2007) has presented different indicators of such process. Among the most important indicators presented are:

- Rate of return on average assets (ROAA) and on average equity (ROAE) for commercial banks;
- Volume of real profits of the financial sector;
- Financial sector profits as a % of GDP;
- Financial sector profits as a % of non-financial sector profits;
- Financial assets held by the financial sector as a % of GDP;
- Gross value added of financial corporations as % of non-financial corporations;
- Total credit market debt as a % of GDP;
- Total financial assets as a % of GDP;
- Ratio of total derivatives as a % of GDP;
- Rise in concentration in commercial banking shares of major banks in total assets; and
- Ratio of non-interest income to interest-income of commercial banks, among others.
As we argue below, both measurement of financialization as well as discussions about the impact of globalization, need to be reframed in the case of Latin America, given its unique corporate structure and the preponderant role played by grupos económicos or conglomerates.

**Characteristics of the Chilean Case**

We have chosen to begin our attempts to replicate the above measures of financialization for Latin American with the case of Chile. The case of Chile is unique in a number of ways:

1. **Chilean Capital Markets are Relatively Well-Developed**: Chilean capital market is relatively well developed, with more than two decades of significant participation by institutional investors. The Chilean capital market is characterized by high market capitalization and low turnover. By 2002, approximately 250 different stocks were traded on the Santiago Stock Exchange, with a total market value of nearly $60 billion dollars, or 85 percent of GDP. (Lefort and Walker 2005).

2. **Data is available**: Data is available from government sources, including National Account data, as well as data collected by the different regulatory mechanisms (Superintendencia de Valores y Seguros (SVS), Superintendencia de Bancos e Instituciones Financieras (SBIF), and the Superintendencia de AFPs.

While the first of these two reasons, facilitate the task of measuring financialization in Chile, the other two reasons for choosing Chile, highlight some important differences.

3. **Corporate structure dominated by grupos económicos**:  
   - Like the rest of Latin America, Chile has a highly concentrated ownership structure. As Table 1 indicates, the concentration of stockownership by the largest stockholder is 55% in Chile, 61% in Argentina, 52% in Mexico, and 51% in Brazil. In many countries, the largest three stockholders control over 80% of publicly traded stocks.
   
   - **Grupos económicos** or economic conglomerates are a predominant feature of the Chilean economy. In 1990, the single largest grupo contolred assets equivalent to 22% of the assets of publicly traded companies, and the five largest 44%. By 2002, the largest had fallen to only 20.5%, while the 5 largest had increased their control to 47.6% (see Table 2). Given this characteristic, there is a long tradition of scholarship on the grupos economicos by critical economists(Dahse 1970, Rozas and Marin 1988, Fazio 1996, 2000, 2005), though the link between the rise of the grupos and processes of financialization have not been directly addressed. A very useful analysis is presented by Fuentes (1997) who analyzes the grupos economicos from at the macroeconomic (share distribution of stock equity (patrimonio bursátil), rate of rotation in stock equity, and concentration of
ownership) and microeconomic (degrees of cohesion, crossholding, interlocking directorates) dimensions (Fuentes 1997, esp. Chapter III).

- Combination of financial and non-financial firms under Grupo Control. Chile’s grupos, as those of other Latin American countries, are clearly mixed-activity financial conglomerates, dominating the key export and manufacturing sectors, at the same time that they exercise control over the financial sector. In Chile’s case, the 9 banks controlled by the grupos have 47% of the loan market share (See Table 3).

  Widespread use of pyramid structures: “the Chilean corporate structure presents highly concentrated ownership, widespread use of pyramid structures to separate cash from control rights and opaque ultimate ownership identification.” (Lefort and Walker 2005: 6).

- High degrees of concentration in the financial sector. In 1990, there were 40 banks and the combined market share of the largest four was about 49%. In 2002, the number of banks had dropped to 26 and the market share of the largest four was almost 60%. Increasing bank concentration as a result of bank mergers and acquisitions, has the most negative effects on firms that borrow exclusively from the banks involved in a merger (Duarte et al. 2004).

4. High degree of transnationalization: Grupos have risen and are actors of intense processes of transnationalization of capital in all sectors of the economy. The have allied themselves with transnational banks, institutional investors, and transnational corporations; the grupos have also become transnational investors participating in privatization processes in Argentina, Peru, Bolivia, Brazil and Colombia to name a few.

Difficulties and Challenges

As we shall see below, these characteristics, perhaps more accentuated in Chile than in other Latin American countries, illustrate the difficulties of researching financialization in the South and the complexities faced in developing consistent measures of financialization. As discussed in greater detail below, the most important challenges arising from these characteristics are: a) the erasure of clear boundaries between financial and non-financial firms; b) the high degree of concentration of ownership and control

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5 Lefort and Walker (2005) indicate that the concentration of the system also increased as measured by two loan based concentration measures: the Herfindahl and the share of the largest four banks (C4). Both indicators show a large rise in concentration. The loan based Herfindahl index reached its maximum level (1426) by the end of 2002. At the time, the C4 concentration index was equal to 67.5%. Despite this tendency, the concentration of the Chilean system is still relatively low, compared to international standards (Levine, 2000).
through pyramid structures and property chains; c) High degree of concentration within the financial sector itself encompassing banks, private pension management firms (AFPs), stock brokerages, insurance, and other type of financial services; and d) High dynamism in the internationalization, mergers and acquisition, changing ownership structures, and adaptability to profit opportunities both in Chile as well as in Latin America and other parts of the world. The dynamic nature of the expansion strategies and the combination of competition and joint-ventures is constantly changing the ownership structure, origin of profits and its distribution, as well as the nature of control for Chilean capitalism.6

**Using Firm-Level Accounting Data to Measure Financialization**

Previous research on Chile’s grupos economicos (Dahse 1970; Rozas and Marin 1988; Fuentes 1997; Fazio 1997, 2000, 2005) have highlighted the high degree of concentration of ownership, their rise, success and downfall at the hand of the military dictatorship, the external debt crisis and neoliberal policies. These economic conglomerates or grupos constitute the dominating feature of Chilean capitalism, its corporate governance structures, and political process. Despite their saliency, studies linking these conglomerates to processes of financialization do not exist.

**The four selected groups**

Our first attempt to measure the degree of financialization for the grupos economicos was based on selecting four of these conglomerates from the close to 150 officially-acknowledged “grupos empresariales” to exist in the country. The first three of these are the largest in the country and form part of the traditional family-based conglomerates that have been present in the Chilean economy from the late 1950s (Grupo Angelini, Matte, Luksic) and one of the emerging groups (Sigdo Koppers).

The three traditional groups analyzed have a very diversified portfolio of financial (banks, insurance, mutual funds, stock brokerage firms) and non-financial firms mainly linked to natural resources such as mining, forestry, fishing, and agro-exports, in addition to manufacturing and the service sector.

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6 “The worst aspects of Chilean corporate governance practices are related to conflict of interest between controlling and minority shareholders. ...the widespread use of pyramids as a way to separate cash from control rights. Pyramids seem to be an efficient way for economic groups to exercise control over a wide variety of productive assets and to establish internal capital markets that compensate for relatively poorly developed formal markets. However, the use of pyramids could exacerbate agency problems and be detrimental to the market value of companies and to the level of economic development of the country.” (Lefort and Walker 2005: 33)
Grupo Angelini

The largest conglomerate in Chile, Empresas COPEC, controlled in 60.11% by Grupo Angelini through its holding company Antar Chile, was ranked in 2004 by Forbes as the 279 largest firm in the world, with assets over US$5 billion (Fazio 2005: 141). Unlike the other two largest grupos in Chile, Matte and Luksic, Grupo Angelini until 2005 did not own a bank. It owned important firms in mutual fund management, electricity, forestry and lumber, beverages, insurance. Through its company, Cruz del Sur SA, it had in 2005 23.4% of the total general insurance market and through this business had undertaken an accelerated process of association with foreign capital (Liberty Mutual Group from the USA and ING from Holland) (Fazio 2005). Towards the end of the 1990s, it exercises its control through four controlling companies: COPEC SA (fuel, electricity, forestry and cellulose, mining, fishing, commerce and investment services); Antar Chile, Forestal Cholguan and Inversiones Siemel (Fuentes 1997).

Grupo Luksic

The Grupo has two holding investment companies. Antofagasta Holdings, is mainly dedicated to mining, and Quiñenco, through which it controls a vast network of financial (Banco de Chile) and non-financial firms in the food and beverage, metalworking, telecommunications sectors. It is the only of the major groups with holding in copper. With significant ownership in copper mining (Los Pelambres), the Grupo Luksic became one of the top copper producers in Chile and the World. Los Pelambres is owned by one of the key holding companies of the group, Antofagasta Holding (Antofagasta PLC). Antofagasta PLC is traded in the London Stock Exchange. Los Pelambres is owned 61% by Luksic, and the rest by Japanese investors.

Grupo Matte

This group has firms in forestry, cellulos, paper and paper products. At the center is its controlling company (empresa matriz) Empresas CMPC (Compañía Manufacturera de Papeles y Cartones), through which it controls a number of forestry and lumber corporations. With a Belgian consortium it shares control of Colbún, an important hydroelectric power company. It also has firms in real estate, construction, insurance, and finance. In the financial sector, Bicecorp S.A. plays the role of controlling company. Four holding companies, Empresas CMPC SA, Minera Valparaiso, Forestal Pacifico Sur, and Bicecorp S.A. (Fuentes 1997; Fazio 1995).

Grupo Sigdo Koppers

As indicated, this is one of the newer groups, and it is not linked to a family. It encompasses industrial manufacturing (consumer durables), explosives, auto sales, electricity and construction.
**FECU Data**

In addition to National Account data provided by Chile’s Central Bank, we have relied on firm-level accounting information for the 2001-2006 period provided by the FECU online data base of the Superintendencia de Valores y Seguros (SVS). The FECU database has standardized accounting data for all firms which according to Chilean legislation can be categorized as Sociedades Anomimas Abierta. The *Ficha Estadística Codificada y Uniforme* (FECU) is a standardized form which all firms are required by law to file on a regular basis. Accounting data is presented in individual and consolidated format and is reported in either current Chilean pesos or US dollars. In this paper, we have chosen to use non-consolidated accounting data so as to capture investments in subsidiaries which appear in a separate account and not part of the reporting firm’s stock of aggregate assets.

One of the problems of using only FECU data is that it significantly underestimates each grupo real control. FECU excludes data and ownership of (1) financial corporations such as banks and private social security management funds (AFPs), which are highly concentrated; and (2) non-public or closed companies which also play a key role in the management, control, and control of cash flow and profits. FECU data therefore offer a partial glimpse, offering data on public or openly traded stock companies linked to each group. This is only the tip of the iceberg and the full scope of a grupo’s reach into the financial and non-financial firms, its level of transnationalization is seriously underestimated.

*Sociedades Anónimas Abiertas* (publicly traded) firms were grouped according to their publicly acknowledged linkage to one of the four grupos económicos selected. Year-end individual (non-consolidated) public or open firm-level accounting data was processed in order to develop the four indicators for each one of the firms belonging to the grupo económico and, where possible, for the grupo económico as a whole.

**Five Indicators Derived from FECU Data**

Based on the procedure outlined above, we chose the following four indicators, as part of our first attempt to develop measurements of financialization that takes into account the dominant presence of the grupos económicos in the Chilean economy:

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7 Lefort and Walker (2000, 2005) have used the FECU database, as well as Cowan, Hansen and Herrera (), and other researchers linked to the IDB’s .... None of them explicitly addresses or attempts to measure financialization in the Chilean economy. In this paper we restrict our research to the data that is available on line from SVS from 2000 to 2006. Lefort and Walker (various years), Fuentes (1997), Dahse (1970), Rozas and Marin (1988) and Fazio (various years), develop “property chains” that characterize Chilean conglomerates.

8 Time constraints prevented us from converting data presented in US dollars into Chilean pesos, and thus being able to calculate unweighted averages for some of the grupo económicos as a whole.
Indicator 1: Proportion of its assets are in the form of investments in linked firms belonging to the *grupo* and investments in other firms

FECU Indicator 1:

\[
\text{Degree of Extraversion}^9 = \frac{\text{Investments in Linked Firms} + \text{Investment in Other Firms}}{\text{Total Assets}}
\]

FECU Indicator 2:

\[
= \frac{\text{Results of Operation (Item 5.31.11.00)}}{\text{Results Outside of Operation (Item 5.31.12.00)}}
\]

The Results of Operation represents those items relative to the main activity of the business and includes the difference between revenues and costs of that activity which can be classified as the main activity of the firm. The Resulados de Operación, include those items covered by accounting codes 5.31.12.10 to 5.31.90 respectively). An include financial income, profits from investment in linked companies, other income and deductions of losses resulting from investments in related companies, amortization of

The item Results Outside of Operation is the sum of income, costs, and expenses that are conventionally unattributable to the main activity of the firm. It includes financial income (5.31.12.10), profits from investments in linked companies (5.31.12.20), Other income outside of operation (5.31.12.30) such as royalties, exemptions, profits from the sale of fixed assets, etc.) and the deduction of losses resulting from investments in related companies (5.31.12.40), amortization of smaller value of investments (5.31.12.50), Financial Expenses (5.31.12.60), as well as other items such as exchange rate differences and monetary corrections.

FECU Indicator 3:

Financial Revenue as a Proportion of Year-End Profits

\[
= \frac{\text{Financial Income (5.31.12.10)}}{\text{Total Assets}}
\]

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9 This ratio was calculated by adding item *Inversiones en Empresas Relacionadas* (5.13.10.10) to *Inversiones en Otras Empresas* (5.13.10.20) and dividing it by *Total Activos* (5.10.00.00).
FECU Indicator 4: Financial Revenue + Profits from Investment in Other Firms as a Proportion of Year-End Profit

\[
\text{Financial Income (5.31.12.10)} + \text{Profits from Investment in Other Societies (5.31.12.20)} \\
\hline
\text{Year-end Profits (5.30.00.00)}
\]

The last indicator is calculated from the reported Cash Flow Statements. It consists of the ratio of the sum of Financial Income Received (5.41.11.20) and Dividends and Other Distributions Received (5.41.11.30) over the Net Flow Originated by Activities of the Operation (5.41.11.00).

FECU Indicator 5

\[
\text{Financial Income Received (5.41.11.20)} + \text{Dividends and Other Distributions Received (5.41.11.30)} \\
\hline
\text{Net Flow Originated by Activities of the Operation (5.41.11.00)}
\]

These five indicators were calculated for each of the firms for the 2001 to 2006 period. Though each of these present numerous shortcomings and need further discussion, they begin to give us a more in-depth understanding of the complexities involved in measuring financialization processes in the case of the Chilean conglomerates.

**Main Results**

Rentiers’ Share of National Income

Using National Account data published by the Banco Central, and following Power et al’s methodology, Table 6 presents an estimate for Chile’s Rentiers’ Share of National Income (See Table 6). This was 23.2% of GDP in 1996, climbed above 24% of GDP during for 1999 and 2000,, and fell to under 21% in 2002 and close to 18% in 2003.
When the components of Rentiers’ Share are analyzed, one sees a clear increase in the contribution of Interest Income by Non-Financial Corporations, which climbed from 26% in 1996 to over 36% for the 2000-2003 period. When this share is compared to OECD countries reported by Power et al. (2003), one sees that Chile ranks at the very top below the UK and above Germany (See Table 7).

Macroeconomic Weight of Financial Profits

Though we were not able to produce comparable and consistent indicators, sufficient data exists to draw some conclusions. Despite a consistent decrease in the ratio of total debt to GDP, Chile still shows the highest average of all Latin American countries for the 1990-2004 period, as reported by the IDB’s CLYPS Dataset on Public Debt Level and Composition in Latin America (see Table 8). If we examine, the Chilean banks Rate of Return on Equity as reported by the SBIF 2006 Annual Report, Chilean banks have recovered exceedingly well after the Asian Crisis. For 2006, the rate of return on equity was 18.6 percent, one of the highest rates over the last seventeen years (See Table 9). Likewise, when these rate of returns are compared internationally, Chilean banks outperform banks in any other part of the world (See Table 10).

FECU Based Indicators of Financialization for Four Grupos

a. Ratio of investments in affiliated or linked societies as a percentage of total assets (See Tables 16 thru 19)

b. Ratio of Results of Outside of Operation over Results of Operation (See Tables 20 thru 23).

c. Ratio of Financial Revenue as a Proportion of Year-End Profits (See Tables 24 thru 27).

d. Ratio of Financial Revenue and Profits from Investments in Other Enterprises as a Proportion of year-End Profits (See Tables 28 thru 31).

e. Ratio of Financial Income and Dividends as a Proportion of the Net Flow Originated by Activities of the Operation (See Tables 32 thru 35).


**Tentative Conclusions**

1. **Financialization remains understudied:** Through its far-reaching impact on the economy, enterprises, and the state, financialization is redrawning the parameters under which Latin American capitalism reproduces itself. It is also setting unique conditions under which the achieving greater equity and political democracy must unfold in the region, yet it remains a process that Latin Americanists and neostructuralist economists have “not dared speak its name.” The process of financialization experienced by Latin America in general, and the Chilean economy in particular, remain understudied.\(^\text{10}\)

2. **Financialization in Latin America and the Chilean economy remains under-measured.** As was the case in the United States and OECD countries, theoretical debates preceded and many times were undermined by the lack of effective measurements of financialization processes. Those authors that have discussed financialization in Latin America have not offered consistent measures of either the rentiers’ share of national income or based on an accumulation approach that estimates the financial origin of profits.

3. **Limited progress:** The indicators presented in this paper are preliminary and need to be refined in order to determine whether they can be replicated for the rest of the economy. Despite their shortcomings, they seem to offer possibilities.

4. **The need for Latin America-specific indicators:** Using firm-level year-end accounting data, can offer insights into the deeply enmeshing of financial and nonfinancial firms, used by Chilean grupos económicos in their expansion strategies. Consequently, efforts to measure and better understand financialization processes in Latin America will require the use of combined approaches that are acutely aware of the high level of concentration, transnationalization, and financialization, which characterizes the expansion of capitalism in the region.

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\(^{10}\) Lara (2002) is one of the few that discusses financialization of the Chilean economy. He does not offer any measurement of the process however.
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