Financialization, coalition of interests and interest rates in emerging economies: The case of Brazil

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Résumé

According to Keynes (1936) the actual value of the interest rate is governed by the prevailing convention about what its value is expected to be. In the long run expectations about the future behavior of monetary policy depends on the 'safe interest rate', the value of the interest rate that agents believes that will prevailed. Central bank is capable of inducing changes in the agents' expectations about the level of the safe interest rate. The prevalence of high real interest rates in most emerging economies may led to the formation of a coalition of rentier-financier interests for the maintenance of high interest rates, since these favor the financial wealth valuation. This coalition is not only beneficial to rentiers, but also to the central bank itself, which takes advantage of its reputation performing as a conservative monetary authority. On the other hand, high interest rates have non-neutral income distribution effects, favoring rentiers at the expense of lower income workers.
Brazil has one of greater interest rate of the world and also is one the most financialized emerging economy. According to Bresser-Pereira and Nakano (2002: 169): "due to the persistent maintenance of the interest rate [in Brazil] at a very high level it is natural that the fear of reduction arises and that this level becomes a *convention*". In Brazil, since 1994, the financialization, occurs by the interest earnings replacing the previous monetary regime characterized by 'financialization by the inflationary gains'. Both processes have been stimulated since the early 1990s by the increasing capital account liberalization. Under the 'financialization by interest-rate gains' regime, the government sought, until 2015, to reconcile the interests of rentier-financiers' accumulation with redistributive social policies, favoring segments whose income derives from interest income and other financial gains. Thus, financialization was boosted by two factors: high real interest rates and the permanence of an "overnight" circuit in the Brazilian economy, inherited from the period of high inflation, but maintained in the post-1994 price stabilization period; "growth cum foreign savings" strategy that requires to attract capital inflows through interest rates differential to finance current account deficit.
In this paper we discuss that relationship between financialization, coalition of interests and interest rate in emerging economies with special focus in Brazil.

Mots-Clés: Financialization, Emerging Market Economies, Exchange Rates

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