Financial crisis and the international order:
Beyond price and market stability

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Abstract

This paper states that the concepts of price macroeconomic stability and international integration are "restricted" to face the study of current financial crisis. As a matter of fact, the debate relative to instability and global governance has been focused on the definition of national monetary and fiscal policy rules that would stabilize prices and markets in the context of commercial and financial openness. Under a political economy perspective, the speculative dynamics of financial factors and the transmission channels of credit are decisive to understand the inner contradictions of capital movement and its safeguards that characterize the changing social and institutional relationships among states, capital and labor in the international order.

Key words: financial crisis, international order, stabilization policies, credit

Introduction

The impacts of financial deregulation have been expressed through an intense reorganization of economies and societies under the disciplinarian rules established by financial capital. The instability of the macroeconomic dynamics and the financial crisis observed in this period have been reinforced by the expansion of global banks and institutional investors that search increasing flexibility so as to guarantee the necessary mobility to liquid wealth in a context of migration to new forms of capital accumulation. As a result, the space of economic reproduction has become restricted because it loses the preference of investment. Currently, modifications in the direction of wealth are observed, consolidating the preference of alternative assets to traditional activities. In fact, the dynamics of capital accumulation is redefined because the singular activities of industrialization have been reduced, with exception of those integrated in the new flows of foreign direct investment. In this context, banks and institutional investors assume key role in the direction of investments, based on expectations of return and liquidity, and in the definition of new perspectives of market integration and social reproduction in a deflationary framework.. Nevertheless, in this frame, new financial policies and credit strategies have been decisive in the definition of the reproduction conditions of national capitalisms.

The economic crisis of the post-war accumulation pattern reveals the inner contradictions of the movement of capital and the overcoming of these contradictions has involved the reorganization of economic and social relations. In this context, the high liquidity preference does no explain the crisis, but can only be explained by it. (Eaton, 1958). In fact, the high liquidity preference is a manifestation of the crisis. In this framework, the centralization of capital, through waves of mergers and acquisitions, besides the expansion of sub-contracting schemes, redefines the social capital and creates new structural forms (Aglietta, 1979). The centralization process fuels financial circulation and feds speculation, because uncommitted cash flows to the productive function are canalized towards financial markets. Thus, there is a set of interrelated balance sheets and cash flows among the income-producing system and the financial structure that is crucial to affect the valuation of items in the stock of capital assets and the pace of investment.

During financial crisis, where disorders of financial circulation are observed, the centralization process is intensified. In this context of high liquidity preference, the space of credit relations is redefined. The expansion of stock markets has been recently related to wages of mergers and speculation in the context of abundant global liquidity and uncertain productive employment of monetary cash flows. Financial centralization has particularly been influenced by the expansion of institutional investors and the flexible growth of giant banks organized into banking groups. In this context, public supply of capital has been replaced by private financial funds and operations. This paper states that the concepts of macroeconomic stability and international integration are “restricted” to face the study of current financial crisis. As a matter of fact, the debate relative to instability and global governance has been focused on the definition of national economic policy rules that would stabilize prices and markets in the context of commercial and financial openness based on: low inflation, high rates of real interests, reduction of public budgetary, deregulation of all the markets and independent central banks. There is undoubtedly, however, the need to open new perspectives, both economic and social, considering a political economy analysis to understand the possibilities and challenges of integration and expansion of national capitalisms in the global order. Nevertheless, the inner contradictions of capital movement and its safeguards need be apprehended in a systemic approach overwhelmed by a political project.

Section 1 discusses the impacts of the international crisis after the 1970s on the economic and social reproduction conditions, emphasizing the role of the markets in the neo-liberal approach. Section 2 considers the tensions among the transformations in sociability conditions and the dynamics of financial factors in the current accumulation pattern, understood as an historical process that involves changing social institutional relationships among states, capital and labor in the international order. Finally, the conclusions.

1. Beyond the markets: crisis in the international order and sociability transformations

During the last three decades, the international order has taken the self-regulating character of the market economy for granted, stimulating the elimination of restrictions and artificial barriers in the form of state interventionism. This subordination of the political decision making process to the logic of financial capital has nurtered financial crisis and social exclusion.

In the period between 1950 to 1973, predominated the idea of national growth guided by national states that would guarantee the sustainability of this process by means of social and economic actions that framed private investment decisions. In the context of these "Golden Years", centered on public and private investment, supported by segmented financial systems of national character, the conditions of production and reproduction of material life, as well as the conditions of citizenship and integration into the consumer society, were achieved by the way of economic growth. Taking into account an historical perspective, it could be said that after the Second World War, the elimination of restrictions to the volume of investment necessary to consolidate the pattern of accumulation had been possible due to the horizon of yield conditioned by the state intervention. In this way, the behavior of private economic agents was conditioned by monetary, fiscal and exchange rate policies implemented in an international context that favored the implementation of actions of Keynesian nature.

In the context of the Welfare State expansion, Friedman (1953) restated the possibility of general equilibrium since self-regulated markets were observed. His contribution expresses the tensions between this economic theory and the political economy analysis because Friedman considered the market as the axis of sociability conditions. His ideas, based on classical liberalism, turned out to generate a relation of opposition between individual freedom and the structures that had characterized the post-war period. The impact of his critics against the state interventionism modified, on behalf of individual freedom, the guidelines of economic policy. Considering this background and in the framework of the industrialized economies crisis in the 1970s, the instruments of economic policy used to stabilize aggregate demand and, therefore, stimulate economic growth, were put in question because of the restatement of the centrality of self-regulated markets to guarantee rational choices, equilibrium and freedom.

Since the 1970s, price stability and international integration turned out to be the two concepts that synthesize the principles of "good" governance based on the monetarist model of balance of payments adjustment. Under this theoretical approach, it is believed that markets, without state intervention, are inherently stable; as a result, external disequilibrium is determined by economic policy options. The ex-ante saving-investment disequilibrium, covered by monetary expansion, causes the global balance of payments deficit. It is supposed that money demand is an stable function of income level; an expansion of money supply has direct effects on aggregate demand (for a given level of product) and, through this way, on domestic price level, causing balance of payments deficits and loss of international reserves. In other words, the tendency of keeping the domestic income level too high *vis à vis* its non-inflationary level, is responsible for this fact (Madi, 2004). Money demand is considered stable: the instability of prices is the result of the instability of money supply, that depends on government expenses financed by monetary emission, or yet on the adoption of policies that try to reduce temporarily the natural unemployment rate. Friedman condemned any active policy in order to achieve employment goals because of its effects on individual choices (rationality) and price stability.

In the context of the crisis of the Bretton Woods fixed exchange rate system, the adoption of a flexible regime would let the economy achieve general equilibrium. The free markets would express rational choices and the free exchange rates would permit the adjustment of domestic prices to costs in the international order. Each country would have to take care of its monetary policy, leaving to the free exchange markets the determination of relative prices among nations. In the long-run, through the process of balance of payments adjustment, the domestic price level and the stock of money supply would become compatible with internal and external equilibrium. The achievement of equilibrium would result from rational choices of economic agents in a settlement without restrictions to price adjustments. Thus, exchange rate flexibility would make possible the achievement of the monetary rules because exchange rate flexibility could equilibrate the gap between prices and costs among countries (Madi, 2004). As a matter of fact, the defense of exchange rate flexibility by Friedman (1953) is based on the possibility to rescue the autonomy of monetary policy and overpass the "impossible trinity" in a changing international order towards liberalization of capital flows. The centrality of the market turned out to jeopardize the dimensions that are not apprehended by exchange market relations, that is to say, sociability conditions are bounded by the possibilities of integration into the market in the context of financial deregulation.

The approach based on market adjustments has been unable to analyze the economic process as an historical and social one and, consequently, has not been able to apprehend the forces and tensions beyond macroeconomic price stability. The historical and structural changes in social relations, modifying the conditions of social reproduction, particularly in periods of crisis and transition, are related to qualitative transformations in the accumulation and competition processes. In fact, the emphasis on macroeconomic stabilization has neglected more fruitful perspectives towards a totalizing analysis of contemporary capitalism (Robinson, 1959).

In the last decades, the structural transformations express the crisis of the social character of investment and of labor that overwhelmed the sociability conditions in the post-war period. In fact, the reorganization process has been conditioned by the national dimension of institutions, historically constructed and consolidated after the Second World War. When analyzing the relationship between investment and employment in a deregulated context, it can be said that the conditions of employability are being redefined. In this critical context, social reorganization, under the impacts of financialization, has been also conditioned to an intense process of normatization that has stimulated liquidity preference and new labor relations. Thus, investment decisions must be analyzed in a context of capitalist speculative finance in which financial liquidity redefines the dimension of time and space, shortening the length of decision periods and broadening the spectrum of possibilities of valorization. Structural instability strengthened a fluid horizon of yield for investment decisions that become centered on the short run. Under the aegis of finance capital, finance regulates the pace of investment, while the pace of investment determines income and employment. As a result, the dynamics of investment and employment turns out to be discussed primarily in financial terms because managers and owners of firms have come to view their organizations in terms on their short-term financial performance. Assets, debts, current stock market evaluation, mergers and acquisitions predominate the conception of investment decisions (Minsky, 1986). In this conception, the firm is viewed as a set of assets that has to be financed and in which operation divisions and product lines may be bought or sell in order to pursuit short-term profits. The adjustment on labor force is subordinated to profit targets (Fligsten, 2004).

The logic of short term decisions, that imposes volatility to the rate of interest and product, has not allowed to lengthen the horizon of forecast of economic agents and provokes movements of stop-and-go in the dynamics of economic growth. At the same time, economic openness restricts the options of investment in a framework of blockages in the expansion of the industrial structure. While the importance of exporting integration advances, the performance of domestic product becomes dependent of the international economy dynamics. Consequently, the possibilities of economic expansion by means of the industrial pattern integration have become restricted.

The evolution of the capitalist relations of production, reveals changing labor organizing principles to cope with the dictates of capital reproduction: automatic production control; redefinition of tasks in the context of transformations in the modalities of capitalist management towards new kinds of control, job rotation and suppression of skilled workers. As a result, new trends in collective demands and wage contractual relations have been increasingly observed, revealing transformations in the conditions of existence of the working class. The financial capital has redefined the operation of the economy, inducing macroeconomic policies and regulation of markets under new parameters.

In the process of social reorganization under the disciplinariam rules of financial capital, actions towards the reduction of State interventionism, liberalization of markets and macroeconomic stability were implemented in national capitalisms, encouraging reforms that would minimize the restrictions to capital accumulation. This normatization process was guided by the current proposal of multilateral institutions to achieve economic growth in the context of self-regulated markets, attributing to the state the definition and protection of property rights, offering legal, judicial and normative efficient systems and of “friendly” policies, like new financial policies, towards social and economic inclusion.

As a result, in this process of social reorganization, it has been displaced to the individuals the responsibility for the process of economic and social development. The deflationary macroeconomic policies have displaced the focus from the generation of demand to the supply-side actions. Thus, the microeconomic agenda defended by the World Bank has been centered on entrepreneurship, social responsibility and corporate governance. At the micro level, the endogenous growth agenda is identified with a higher efficiency in the use of inputs, that could be explained as a result of the implementation of market friendly policies, such as those that objective the enlargement of access to credit and capital markets. In this way, the divergences verified among the performance of different countries could be attributed to institutions and policies that determine the environment in which economic agents accumulate abilities and firms accumulate capital, invest in technology and generate product in a macroeconomic context in which price stability is emphasized [1].

Considering the World Bank endogenous growth model, sociability would pass to be mediated by the conception of entrepreneurship and corporative social responsibility[2], which would influence

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[2] In order to face these challenges, corporations are adopting social responsibility principles that involve the adoption of voluntary global values to create new cooperative practices in business culture, in order to modify the relationship among corporations, shareholders, employees, clients, suppliers, communities and governments (Madi and Gonçalves, 2005c). When considering the social responsibility principles and actions, the image of the corporation is generally associated to values that stand out the necessity to share the corporate performance with the community through social actions, defending honesty, integrity and intense responsibility sense. Companies consider that value creation, in the long-run, demands a solid commitment to trustworthiness of information to shareholders; quality of services and labor conditions. They reinforce the importance of the financial institution in the community, supporting social, environmental and educational projects. Considering this context, the decisions related to lending and investment need to express social responsibility, sharing with governments, clients, suppliers and employees the achievement of the goal of economic sustainability. Global principles ruled by the International Organization of Labour and the Global Compact would be followed, because of the concern in eliminating job discrimination, all forms of forced and infantile labour relations. The general idea is that management strategies, while searching a balanced relation among profit, human beings and nature, would lead to economic growth. These objectives would be

the reorganization of social relations. The changing norms of social solidarity would complement the conception of the minimum State that has privileged the private management criteria of efficiency, efficacy and effectiveness in the allocation of resources. Social responsibility has new dimensions, therefore, the responsibility of economic growth is shared with the social citizen that is redefined because of its proper conditions of social interrelations in which restricted employability conditions are observed. Thus, there are tensions between the macroeconomic deflationary trends and the microeconomic agenda.

Considering the neo-liberal ideology of growth, it is imposed to society the notion that private economic agents would be agents of development in a new ability-based framework. In this context, the behavior towards risk is decisive to understand investment demands and new abilities are required so as to adequate this behavior to social interrelations in which restricted employability conditions are observed. The responsibility of employability is supported by the citizens, that must redefine their skills or become informal entrepreneurs. In fact, after deregulation, the conditions of social exclusion have been redefined and enlarged because of the lack of social adequacy to the new behavior parameters (Madi e Gonçalves, 2005a).

The micro-entrepreneurship concept, while synthesis of the process of reconfiguration of capital dynamics, is limited to guarantee economic reproduction, turning out to preserve survival strategies. On the other hand, although corporate social responsibility is defined as a set of values and principles of behaviour– that are being spread in global scale- that constitute universal parameters that would be followed to achieve better management in the context of the creation of an enterprise culture; corporate social responsibility has been related to profit seeking strategies and the valuation process submitted to shareholders. Thus, the relationship between corporate social responsibility and the asset portfolio valuation of institutional investors reinforces the submission of the process of reorganization of economic and social life to financial markets. The advance of new forms of enterprise organization based on capital markets has increased the potential conflicts between short-run and long-run decisions as expectations of worldwide investors must be accomplished. Under the multilateral institutions perspective, the corporate governance principles have turned out to configurate a necessary legal framework in order to democratize the access to capital markets [3]. As

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achieved through projects developed in partnerships with institutions, non governmental organizations, also entailing governments and suppliers in social actions. Corporate social responsibility practices include social actions shared with other institutions, beyond cultural initiatives, having strong appeal of social marketing. Companies in Brazil define themselves as responsible, expressing fundamentally its social responsibility by means of investments and development of voluntary actions. The promotion of the institutional image of the companies is undeniable in this context.

[3] The multilateral institutions approach is based on the New Keynesian perspective, good practices of corporate governance are aimed to overcome “asymmetric information”, so as to structure efficient financial leverage systems and offer greater transparency to

a result, corporate governance has strengethened the financial portfolio approach to investment decisions, compatible with the shareholder value conception, nurtured by the expansion of institutional investors and the asset inflation process.

Taking into account this bankground, micro-entrepreneurship, corporate governance and social responsibility have proved to be mechanisms of self-protection of capitalism in the context of adjustment to new forms of accumulation and valorization under the aegis of globalized financial markets. In this context, the problem of inequality and social exclusion has been reinforced. The increase in the rate of unemployment and the falling real incomes reveal the results of the adjustment focused on price stabilization. Thus, the impacts of deregulation on labor market must be understood considering the new international financial pattern - high returns and low inflation. Current macroeconomic policies have been guided to preserve price stability, instead of preserving employment. The pace of investment, in a framework overwhelmed by liquidity preference, tends to slow down since liquidity preference is an obstacle to production and employment.

The increasing liquidity of capital and the velocity of investment, expressed in the short-run investment yield horizon, are incompatible with society claims of citizenship, employment and income. As a result, the vulnerability of labor market is not independent of the global financial structure, nurtured by speculative behavior. It is worth to remember that the discussion of employability characteristic of modernization after the Second World War was overwhelmed by the advance of industrialism and urbanization, which dynamics tended to incorporate workers into the formal market and consumer society by means of economic growth. Nevertheless, current flexibilization and informality are connected with the increasing growth of insecurely-employed and low-skilled workers. The growing heterogeneity of labor markets expresses that the process of social inclusion that characterized the post-war pattern of accumulation is being dismantled. The new growth conditions, framed by the financial dynamic, tends to create and reinforce social heterogeneous situations, where, at the same time, the access to benefits produced by society turned out to be restricted.

Employability is conditioned to private portfolio investment decisions since, in the new development frame. In this framework, investment decisions are also conditioned by labor risks that include level of monetary wages, labor qualification, diversity of labor contracts and capacity of

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investors (Fligstein, 2001). The rules of corporate governance, that are based on informational transparency and on the protection of stockholders, would reduce the assymetric information in capital markets (Stiglitz, 2003), maximize investors´ returns and solve the arising agency problem. As a matter of fact, corporate governance has recently been spread out as a mechanism of protection of minor investors, offering guarantees and informational transparency (disclosure) to them so as to enlarge the access to capital markets. Consequently, it would be capable of solving potential conflicts between shareholders and managers.

collective organization. Consequently, the private strategies that are being considered to achieve cost reductions and innovations involve new labor relations and impacts on social organization, since labor flexibility must be compatible to capital mobility. Thus, the access conditions to income are modified and are configured new perspectives of social mobility. As a result,, in the context of financial flexibilization, new forms of social reproduction have emerged.

Investment and consumption are social conditioned activities, subject to historically determined structures. The financial markets have established a decision making horizon that is incompatible with the increase of productive investment and employment. Thus, social vulnerability is not independent of the global financial architecture, nurtured by speculative behavior. The subordination of the social dynamics to the economic logic, supported by the debate centered on the price macroeconomic adjustment, defines a conservative modernization process in which the answer to the crisis of the Bretton Woods growth pattern strengthens the centrality of private investment decisions that obey financial patterns.

2. The political dimensions of deflationary adjustments: social tensions, credit expansion and financial fragility

In contemporary capitalism, the expansion of the monetary and financial circuits is expression of a social framework overwhelmed by high liquidity preference and subordinated to rules of risk management. Besides the multiple financial innovations related to management and transference of risks, the relations between banks, institutional investors and society reveal aspects of the search for the necessary flexibilization of social dynamics by means of the enlargement of financial access. The low dynamism of private investment and the redefinition of the role of the state configurate the frame of reference not only to apprehend the scope of the macroeconomic adjustment promoted by stabilization policies, but also to understand sociability transformations. As a mater of fact, the instability of macroeconomic dynamics of this period is reinforced by the expansion of global finance and by the high liquidity preference of universal banks, that search increasing flexibility, so as to guarantee the necessary mobility in a context of migration to new forms of accumulation. In this framework of crisis of the post Second World War pattern of accumulation, financial institutions can enlarge the purchasing power of money and, as a result, stimulate the system dynamism through conventional credit operations. The financial capital speeds up the capital concentration process, the expansion of banks and stock markets and the consolidation of the rentiers as a social group. The economic activity of this group is exerted in the circulation sphere, particularly because of the transactions with bonds and shares. The development and the flexibilization of the credit system and the expansion of public bonds reinforce this picture (Bujarin,1974). The space of credit turns out to overwhelm the conditions of market integration and, therefore, the configuration of new sociability conditions in a context of crisis of investment and redefinition of the role of the state

It is suggested, as a result, a new articulation among wealth, credit, production, consumption and labor, that has supported new forms of social inclusion and fed political and social support to macroeconomic policies. In contemporary capitalism, social relations are being transformed in the deflationary context of the "good governance". In this scene, restrictions, privileges and new forms of integration and mobility are redefined expressing the real tensions between solidarity and particular interests. Under neo-liberalism, the interface between finance and social life has turned out to become decisive. New forms of credit access conditions have been considered to reorganize social interactions, reinforcing the market integration process to the consumer society because enlarge purchasing power of money. In other words, in the financialization context, the expansion of credit may possible to enlarge the subordination of sociability conditions to the economic sphere. All society is subordinated since the flexibilization process in credit markets let low income population and small and micro-entrepreneurs participate of this process that had been restricted for decades.

Consequently, society is increasingly overwhelmed by the economic logic of market exchange and important consequences to the social system can be observed. The processes of global integration and the increase in financial access are two aspects of the dynamics of financialization. In fact, the flexibilization of financial activities, enlarging the credit access conditions, increases the chances of expansion of the market economy, in a macroeconomic frame whose dynamics is characterized by recessive adjustments, under the monetary rules imposed by financial markets (Gonçalves e Madi, 2005 b). Displacing to the banks the responsibility of the growth of the markets, the social sphere is increasingly subordinated to the dynamics of financial activities. Profit-seeking banking activities, that expand the circulation sphere, turn out to create new tensions in the possibilities of economic and social reproduction. Considering a political economy of rent-seeking, the tensions observed between the cohesion of financial groups and the loss of cohesion of social conditions characterize the sociability conditions (Bujarin, 1974). The macroeconomic adjustment centered on deflationary policies has stimulated individualization and broken social cohesion, increased social pressure and favored social fragmentation and the emergence of group of interests with specific demands. As a result, social dynamics becomes increasingly conditioned by the logic of capital. In this context, the bourgeoisie loses its socially useful functions, assuming its action asocial character, strengthening the rupture of the social bonds in a picture of increasing individualism. The nexus between private liquid wealth and social dynamics encloses different conflictive aspects in the frame determined by the relations among policies of “good” global governance and sociability. Price stabilization has tended to dismantle the social dimensions of investment and labor, which dynamics is increasingly subordinated to the self-regulated market economy, increasing, as a result, social exclusion.

In fact, the process of banking inclusion and the process of integration to the market economy by means of the indebtedness are necessary to guarantee the reproduction of financial capital and the stability of financial markets. The financial capital exercises control over the structural forms necessary for the continuing cycles of valorization of productive capital, thanks to the centralized money at disposal. The possibilities of attenuation of the inner contradictions of capitalist economies express in context of crisis could be thought considering the impact of credit relations (Bernstein,1978). Credit is an indispensable gear in the mechanism of capitalist economy, and at the same time, an instrument of destruction, since it aggravates the internal contradictions of capitalism between production and exchange. In current financialization process, credit system seems to be a "means of adaptation" of capitalist economy. In other words, credit could appear to be a means of "adapting" the insufficient productive forces to the needs of growth of the self-regulated markets.

It is necessary to consider the political dimension of the modernization process, in which the relationship between finance and social inclusion seems to be relevant. The political dimensions of the social tensions observed reveal the difficulties to achieve deflationary adjustments and to attend to the expectations of society. There has been settled a process of subordination of the spheres of social life to the key role of banks and institutional investors that has transformed employability and sociability conditions. Management of credit risk in banking sector has changed in the recent period in order to support the segmentation strategy of banking inclusion, generalizing the access to credit market to low income clients and borrowers from the informal sphere. In fact, revenues in consumer and commercial units by means of the expansion of personal credit operations have presented intense growth. The short-term bank strategies centered on the expansion of personal loans express the process of reconfiguration of capital dynamics, revealing a qualitative change in social interactions and in the possibilities of economic growth and social inclusion. The disciplinarian effects on labor, considering the acceptance of flexible contracts and other transformations in labor relations, could be understood because of the increasing volume of debt in a context in which investment and labor relations have become restricted.

As a matter of fact, current financial market flexibilization is connected to the process of eliminating restrictions so as to enlarge the integration into the consumer society. The expectations of society seemed to have changed in relation to the expectations that predominated in the post-war period. The current flexibilization of financial activities, enlarging access to credit, has turned out to increase the chances of integration to consumer society in a context of recessive macroeconomic adjustments. In fact, the new transmission channels of credit expand purchasing power in a context of deflation in the market of goods and asset inflation[4]. The expansion of credit is based on the expectations of future income in a deflationary context. Beyond the new credit channels and monetary transmission effects, the interface between finance and social life is decisive: since neo-liberalism has had decisive impacts on labor incomes, the expansion of credit reinforces the market integration process because enlarges purchasing power of money. Consequently, the expansion of credit express the tensions between the economic and the social reproduction.

Global financial integration has augmented the exposure of countries to global macroeconomic and financial conditions, increasing the possibilities of transmission mechanisms being instabilizing. The redirection of the attention to the canonic discussion between fixed or flexible exchange rate regimes sets aside the essence of the problem, that is, the instabilizing effects of increasing capital mobility and the loss of autonomy of economic policy. In spite of the exchange rate chosen, national states options are limited because of the kind of integration in the international order Crisis in emergent markets have shown sources of fragility of these economies: its dependence on favorable access conditions to international financial markets, the random behavior of investors and capital flows, the narrow interconnection between exchange and bonds markets-especially public debt markets. The vulnerability of domestic currencies in emergent countries, as a result of changes in market opinions, is not independent of the global financial cycle, that threatens the sustainability of exchange rate regimes. As a consequence, the success of stabilization programs depends on the access to international financial resources. The volatility of exchange rates, nurtured by speculative behavior, brings higher risks to emerging economies. The side effects of financial integration – including changes in macroeconomic stability- can occur when changes in net capital inflows are too abrupt.

[4] Considering the monetarist direct transmission effect between money and prices, the deflationary policy would contribute to price stabilization by means of the real balance effect. On the other hand, the indirect transmission effect between money and spending would explain the low rates of spending as a result of high interest rates. None of those transmission effects explain the current articulation between monetary restrictions and credit expansion.

The financial fragility of the domestic structures conditions the evolution of credit markets. In other words, the management of national interest exchange rates depends on the hierarchy among monetary policies and the arbitrage/speculation made by financial markets (Tavares e Melín, 1998). Thus, the specific forms of integration in financial globalization and the international financial architecture are decisive to think about the possibilities and limits of the credit expansion process and, therefore, to the limits of this kind of market integration. The interface between social and macroeconomic vulnerability is conditioned by the convertibility of national currencies and, therefore, by the specific way of integration in the international order.

This market integration process by means of credit expansion is overwhelmed by tensions between the banking system criteria of risk credit management and the expectations of society about the role of credit actions on sociability conditions. As a matter of fact, the expansion of credit may possible to enlarge the subordination of sociability conditions to the economic sphere. At the same time, the expansion of credit jeopardizes the economic and social crisis underlying these process. There are tensions inherent to the crisis scenario; the impacts on livelihood conditions, the definition of survival strategies based on future income, the loss of social cohesion and the subordination of society to the financial logic. Nevertheless, the fragility of each national financial structure could turn out to limit the possibilities of overcoming the effects of a credit crisis in terms of socialization of credit losses.

3. Final considerations

In the context of neo-liberalism, the reorganization of social interactions, by means of new forms of market integration that involved the redefinition of financial access conditions, has been conditioned to the new norms of reference for capital mobility. The development of a structural approach reveals the tensions inherent to the impacts of financialization on employability conditions and social inclusion. In fact, sociability conditions are being transformed by the changing market institutional set up and the pattern of wealth: the economy of employment of the post Second World War period has been increasingly transformed in an economy of assets. After financial deregulation, the financial criteria of investment was strengthened by the shareholder value conception, nurtured by the expansion of institutional investors and justified on behalf of the democratization of capital.

When analyzing the limits that reality imposes to economic dynamics, the fragility of investment expresses structural problems that must be apprehended in a historical perspective. Such fragilities are related to the notion of liquidity preference as an specific trace of behavior of private agents in the context of rentism. The challenges, when apprehended considering a political economy analysis, overlap the discussion about social cohesion in contemporary capitalism.

It is necessary to apprehend the dynamics of investment in the context of a social system that is changing in terms of the arrangement among the State, capital and labor. It is possible to think about the relation between financial deregulation and the current expansion of world-wide capitalism, in which processes of reorganization of the economies and societies under the perspective established by banks. In the financialization process of the 21st century, entrepreneurship, bank´s corporate social responsibility values and corporate governance need to be understood as a safeguard of financial capital to expand profits.

After the 1990s, the relationship between investment and employment need be analyzed emphasizing the organization of markets and production relations in contemporary society, where flexible specialization and flexible forms of work organization have had decisive impacts on sociability conditions overwhelmed by instability and new risks. In the deflationary framework imposed by the new pattern of accumulation, the advance of new business models, based on capital markets, has increased the potential conflicts between short run and long run decisions as expectations of worldwide investors must be accomplished. In deregulated macroeconomic context focused on price stability lower wage incomes and high interest real rates impact consumer and investment demand decisions. The growing liquidity of capital and investment velocity are incompatible with society claims.

The private corporation has been transformed in the locus where the new sociability conditions are defined after the Welfare State crisis. New behavior patterns are imposed through the global social responsibility, creating a new social environment, in which labor would turn out to be cooperative with the enterprise performance. The civic character is dislocated to the scope of the corporation, redefined under the notion of social responsibility. The corporation, embodying civism, handles the good order of society, spreading out practices of solidarity among collaborators, customers, suppliers. Corporate governance and social responsibility have turned out to be two faces of the same process of reconfiguration of social and economic spheres in the context of financialization. In reality, the expansion of the world-wide capitalism system, after the 70s, has increasingly expressed the tensions between the expansion of the markets and social inclusion. In the context of financialization, corporate governance and social responsibility do not seem to be able to overcome the tensions inherent to the reorganization of the markets, since private strategies are guided by performance criteria, subordinating sociability conditions to asset valuation criteria.

In the framework of the enlargement of financial access, there can be observed tensions between profit seeking banking strategies and the social expectations towards social inclusion. In fact, the relationship between inequality and financialization encloses different aspects in the frame determined by global integration and social vulnerability. Behind the "technical" dimension of norms and rules underlying the modernization process, there have been constructed and developed new financial strategies and political alliances so as to materialize the modernization process. The tensions in the new relations between State, society and the markets characterized the processes of homogenization and resistance in a context in which the social dimension of wealth and the social dimension of labor are changing. In fact, the macroeconomic adjustment has political dimensions that have increasingly subordinated societies to the logic of financial flexibilization and the new transmission channels of credit.

In this context of political and social tensions, the growing indebtedness in a deflationary context increasingly threatens social cohesion. As a result, the expansion of credit and the self-regulating system can be considered two faces of the same phenomena: the expansion of the markets by means of the generation of demand without current income minimizes social pressures, restricts political relations and favored new political alliances. The financial expansion subordinate the social sphere, displacing to the banks the dynamics of sociability conditions.

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