

**Growth and Crisis,
Social Structure of Accumulation Theory and Analysis**

November 2-4 2006, Galway - Ireland

**Commentaries on:
“The logic of financial crisis in a financializing regime of accumulation:
the Brazilian specific case”.**

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In the mid-90s, I wrote two important works on this specific topic:

In the first work, *Innovative Restructuring and Reorganization of Brazil's Private Financial Institutions*¹, I elaborated a table of classification by period, based on investments in banking automation and informational technology (Table 4: Indicators of Periods and Processes of the Financial System in Brazil, 1964-1997), which contributed to the growth of banking institutions and to the territorial dispersion of private banking activities in Brazil.

In that study, I observed the formation of four large phases of the territorial dispersion of these institutions; they are:

- in the first phase, from 1945 to 1963, the number of banks decreased from 500 to 326, corresponding to the beginning of the process of concentration of banking activities;
- in the second phase, from 1964 to 1986, this number went from 328 to 115, revealing the intensification of the concentration process;
- in the third phase, from 1974 to 1986, the number of banks increased slightly from 100 to 123, marking the passage from the concentration phase to the conglomeration phase, in which there was an increase in the growth of fusions and incorporations, and an extraordinary increase in the number of bank branches, which went from 7,536 to 17,115, making possible the emergence of large financial conglomerates (GCF's), encouraged by protectionist policies of the Central Bank of Brazil (BC).
- In the fourth phase, from 1987 to 1996, the number of banks increased from 121 to 263; this phase corresponded to the formation of initiatives, proposed by the World Bank, the BC and the National Monetary Council of Brazil (CMN), for restructuring the financial system so as to reduce the conglomerates and expand the participation of large foreign financial institutions, thereby encouraging the processes of national reorganization, of extrajudicial liquidation and of the closure, between 1995 and 1997, of important retail GCF's: Banco Nacional, Banco Econômico, Banorte,

¹ Article published in the magazine *Geouerj*, No. 02, Rio de Janeiro, pp.65-79, 1997.

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In the second work, *Extrajudicial Liquidations, Privatizations and Financial Globalization in Brazil: The crisis of the public financial sector in the age of the Real²*, I dedicated myself at greater length to the fourth phase and to the appearance of the fifth phase, from 1996 to 2001, which corresponds more precisely to investigating the deconglomerating internationalization and globalization phase of Brazil's national financial system, fruit of the neoliberal politics that developed during Fernando Henrique Cardoso's presidency and characterized by the growth of privatizations impelled by the National Privatization Program (PND); by increasing participation of international financial capital; and by the increase in extrajudicial liquidations of important national conglomerates, fruit of the implementation of the Program to Stimulate and Restructure the National Financial System (PROER), initiated in 1995. From 1994 to 1998, under the PROER, 62 shareholding alterations, 33 fusions and 44 extrajudicial liquidations occurred, totaling more than 104 banks; 37% of all financial institutions went through the adjustment process of the National Financial System (*Conjuntura Econômica*, June 6th, 1999).

Analyzing the performance of the Brazilian economy during the last two decades of the twentieth century, it may be stated that there were two long periods of change in GNP growth: one lost decade, corresponding to the 80s, which represented the exhaustion of the intensive model of substitute importation; and another decade that was "sold out", corresponding to the 90s and the beginning of the third millennium, which was characterized by the victory of neoliberalism, by the implementation of programs (PROER, PND) and by policies of internationalization and globalization of the Brazilian economy, during the Cardoso Administration.

The two aforementioned works furnished the initial methodological elements for understanding the importance of the role that information and banking-automation technologies played in the process of forming the Brazilian financial system's virtual structures of accumulation, principally with the consolidation of financial operations via internet banking, which is responsible for putting into operation financial sector activities within the territory.

² Article published in the magazine *Ciência Geográfica*, No.15, Bauru, São Paulo, 2001.

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Table 4

INDICATORS	PERIODS AND PROCESSES		
	1 st Period: 1964-1973 Genesis of the AB	2 nd Period: 1974-1986 Oligarchical Territorial Dispersion Confined to the AB	3 rd Period: 1987-1997 Innovative Restructuring and Deregulation of the AB
1. Phases or Development Modes			
2. Management Characteristics	Centralized-concentrated: corresponds to the implantation of the AB based on strong territorial regionalization of financial flows and on the expansion of the scale of actuation.	Decentralized-diluted: corresponds to oligarchical dispersion (confined to banking activities), which is seated in the territorialization of the AB of financial flows, in segmentation, in vertical integration and in the continued expansion of the scale of actuation.	Decentralized-instantaneous: characterized by increased investments in innovative restructuring and deregulation, and described by neoliberal sectoral policies, it is developing from the selective territorial restructuring of finance operations flows, effectuated through vertical disintegration, differentiation and expansion of the scope of the activities and through reorganization.
3. Transactional Performance	Information and decisions were centralized in CPD's and largely processed in mainframes installed in a preferential manner in the centers of territorial management (São Paulo, Rio de Janeiro, Brasília and Bel Horizonte), interconnected via National Telex Network (RNTx).	Information and decisions began to be effectuated by data processing distribution systems to be distributed by minicomputers in regionally shared data banks, ATM machines and fund transfer terminals (TTF's) interconnected by telex, hypertext and satellite.	Information and decisions began to be effectuated online in real time in various local networks integrated by large computers, microcomputers and servers, telephones, fax/modems, ATM's and fund transfer terminals (TTF's), interconnected by satellite.
4. Types of Dispersion	Corresponds to the <i>intensification phase of the concentration process</i> , which is restricted to the space of large metropolises, through the growing use of data processing centers (CPD's) and by the expansion of communications networks and telex services.	Marks the <i>passage from the concentration phase to the conglomeration phase</i> . During this phase, dispersion of regional activities expanded, from large metropolises to intermediate cities and some businesses, through the implantation and diffusion of ATM machines, fund transfer terminals (TIF's) and the emergence of remote banking services.	Corresponds to the beginning of the <i>process of reorganization and the emergence of multiple banks</i> . With this type of dispersion, banking activities continue expanding, through the expansion of remote banking and the increased use of servers, from large metropolises to mid-sized cities, to businesses and to clients' homes via home banking and the internet.
5. Level of Territorialization of Services	Low Area of actuation of telex services: 50 localities; -- Metropolises	Medium and High Area of actuation of banking services in 1985: 4,096 municipalities --Metropolises, cities and businesses	High Area of actuation of banking services in 1987: 3,429 municipalities; -- Metropolises, cities, businesses and clients' homes (home banking), via fax and internet.
6. Unionization	Low	High	Low
7. Employment	High	Medium	Medium or Low
8. Unemployment	No data	1 st Wave in 1986: -109,000, -10.93%	2 nd Wave in 1990: -77,273; -8.50%
9. Jobs Created	No data	45,000 new jobs in 1985	34,285 new jobs from 1987 to 1989



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	Medium	High	High
10. Degree of Automation	Constitution of expansion of CPD's, telex communications networks	Implantation and diffusion of ATM's and fund transfer terminals (TTF's, and the emergence of remote banking: instantaneous, electronic, interlink, 24-hour Bank, <i>Banco Um</i>)	Informational implantation, accelerated outsourcing and investment in new technologies
11. Work Management	Taylor method	Ford method	Flexible
12. Productivity	Medium	High	High
13. Lucrativeness	High	High	High

Source: PIRES (1995:155).