A critical study of financial inclusion policies in Brazil

Danielle Oliveira Santanna

Submitted in accordance with the requirements for the degree of Doctor of Philosophy

The University of Leeds

Leeds University Business School

February 2019

Intellectual property and publication statements

The candidate confirms that the work submitted is his own and that appropriate credit has been given where reference has been made to the work of others.

"A philosopher never gets quite used to the world. To him or her, the world continues to seem a bit unreasonable—bewildering, even enigmatic. Philosophers and small children thus have an important faculty in common. You might say that throughout his life a philosopher remains as thin-skinned as a child.

So now you must choose, Sophie. Are you a child who has not yet become world-weary? Or are you a philosopher who will vow never to become so?"

(Jostein Gaarder)

Acknowledgements

Firstly, I would like to acknowledge the unrestricted support of my supervisory team. I feel extremely lucky to have been given the opportunity to work with two of the most brilliant people I've ever met, and whose busy schedules never stopped them from giving the attention this thesis needed. Besides international political economy, race relations and finance, I thank Gary Dymski, the team leader, for teaching me humility, respect and care. Gary gives his students the intelectual freedom to find their own voices. And he uses his academic prestige to enable those new voices to be heard. I thank Annina Kaltenbrunner for teaching me the focus required to shape that voice into a doctoral thesis – which was absolutely crucial for me to get here. Above all, I thank them for restoring my faith in a world where heterodox economists play an active role in social change.

I thank Alice Oliveira, who after having been forced to drop out of school as a child, dared to become a geographer at the age of 55. She taught her grandaughter the power of education and moreover, the power of an empowered woman. I thank Raymundo Pitanga, Selma Oliveira and Vilma Oliveira, who taught me the greatest lesson of all - that "what is essential is invisible to the eye".

I would also like to thank Robert Sweeney, for showing me that love is patient, kind – and also resilient to the uncertainties of the #PhDlife; all my friends in the Lubs department, especially Rosa Canelli, who brightened up my Sundays over pizzas and coffees, as it was usually too cold for gelatos; Silvana de Paula, who along with Gary was responsible for the program that brought me to Leeds. Besides making my dreams come true, they crafted my British reality with the comfort of a family; and Marcelo Paixão and Irene Rossetto, who planted the seeds of scientific curiosity in my 19-year-old version, and who I deeply admire.

I would like to express my sincere gratitude to the interviewees of this study, who kindly accepted to share their life stories and experiences with me. I hope to honour their trust; to the Leeds University Business School, which provided the funding for this project to happen; and to David Courtney and the rest of the staff who support research students, who are extremelly efficient at their jobs.

Abstract

Over the past several decades, powerful international organizations, especially the World Bank and the United Nations, have provided analytical and programmatic support for anti-poverty, pro-development approaches based on financial tools. The political advocacy for financial inclusion (FI) is based on the idea that expanding the access of poor and/or socially-excluded people to the formal banking system would give them the means for building wealth and income. Many contributions to the academic literature on FI pointed out these programs' limitations and inconsistencies. This thesis contributes to the critical re-evaluation of FI by undertaking a thorough, mixed-methods examination of the case of Brazil.

Drawing on the literature on financialization, we conceptualize the FI of lower-income households as unfolding in institutional environments moulded by structural power asymmetries. A lender-borrower relation, when it arises out of other asymmetric relations becomes asymmetric itself, and thus can deepen the borrower's state of precariousness rather than eliminating it.

This thesis thus has the principal goal of investigating the power asymmetries in the lender-borrower relation in Brazil, from different angles. Using a combination of historical, qualitative and quantitative methods, this study shows first how the provision of financial products to an enlarged base of the population is a central variable to modern accumulation regimes, which therefore explains the protection given by the state apparatus to the interests of financiers to the detriment of the interests of borrowers - and therefore the nature of that supply. Second, it explains the process of mass absorption of financial products offered under disadvantageous conditions by vulnerable workers. We argue that in times of increased economic prosperity, a series of consumption and financial norms form the basis for the social legitimation of credit use. And when those cultural institutions underlying credit demand in times of greater prosperity are associated with the strong instability faced by low income populations in the labour market - translated into weak employment bonds, low wage levels and low state protection - the result is the formation of debt cycles.

Table of contents

List of figures 8
List of tables 9
List of abbreviations 11
CHAPTER 1 : INTRODUCTION 13
1.1 Background of the study 13
1.2 Theoretical underpinnings 15
1.3 Research questions and contributions 17
1.4 Methodology and main results 22
1.5 Organization of the thesis 24
CHAPTER 2 : TOWARDS A CRITICAL THEORETICAL FRAMEWORK FOR EVALUATING FINANCIAL INCLUSION INITIATIVES 26
2.1 Introduction 26
2.2 The market approach to financial inclusion 28
2.2.1 The emergence of the neoliberal model of social policy 28
2.2.2. Policy prescriptions in the context of the neoliberal model of social policy 30
2.2.3 The market approach to financial inclusion 31
2.3 Criticism of the market approach 34
2.4 The spatial view of financial inclusion 37
2.5 Financial inclusion and the financialization literature 40
2.5.1 Financialization and structures of accumulation 40
2.5.2 The destitution approach to financialization of households 45
2.5.3 The cultural approach to financialization of households 46
2.6 Towards a plan of action for financial inclusion evaluation studies 51
CHAPTER 3 : METHODOLOGY 53
3.1 Introduction 53
3.2 The philosophy of Critical Realism 53
3.3 The methodology of Critical Realism 56
3.4 Target population and unit of analysis 58
3.5 Obtaining a description of financial behaviour 61
3.6 Unveiling the structural origins of observable phenomena 62

3.6.1 Methods used to investigate structural conditioners of financial inclusion in Brazil . 63
3.6.2 The qualitative enquiry ... 66
3.7 Conclusion ... 70
CHAPTER 4 : FINANCIAL INCLUSION POLICIES IN BRAZIL ... 71
4.1 Introduction ... 71
4.2 Objective 1 – promoting access to free bank accounts ... 75
4.3 Objective 2 – promoting access to housing credit ... 80
4.4 Objective 3 – promoting access to consumer credit ... 82
4.5 Objective 4 – promoting access to low value credit ... 85
4.6 Conclusion ... 87
CHAPTER 5 : THE HISTORY OF CONSUMER CREDIT IN BRAZIL – FROM THE DEVELOPMENTALIST ERA TO LULA ... 89
5.1 Introduction ... 89
5.2. The early days of consumer credit ... 91
5.3. The rise of consumer credit in the developmentalist era ... 94
5.3.1 Putting SCFIs on the map ... 94
5.3.2 The SCFIs and the structural reforms ... 96
5.3.3 The SCFIs and the Miracle ... 98
5.4. The crisis of the developmentalist SSA and the paralysis of consumer credit ... 103
5.4.1 The crisis of the Miracle and its effects on consumer credit ... 103
5.4.2 The 1980s and early 1990s: the “game over” for SCFIs ... 106
5.5. The modern era of consumer credit ... 109
5.5.1 The emergence of the neoliberal SSA in Brazil – a background ... 109
5.5.2 The rise of the financial sector and the role of securities in the neoliberal SSA ... 113
5.5.3 The credit boom of the 2000s ... 115
5.6 Conclusion ... 123
CHAPTER 6 : STRUCTURAL DETERMINANTS OF CONSUMER CREDIT DEMAND – THE CASE OF *COMPLEXO DA PENHA* ... 126
6.1. Introduction ... 126
6.2 Intersubjectivities shaping consumption and financial norms amongst the Brazilian low income population in the literature ... 128
6.3 Intersubjectivities underlying consumption and financial norms amongst the Brazilian low income population – the case of *Complexo da Penha* ... 134
6.3.1. Intersubjectivities underlying consumption norms in *Complexo da Penha* ... 134
6.3.2 Intersubjectivities underlying financial norms in *Complexo da Penha* – the case of instalment credit. ... 136

6.3.3 Intersubjectivities underlying financial norms in *Complexo da Penha* – the case of cash credit 139

6.3.4 Consumer credit and financial norms in *Complexo da Penha* 141

6.3.5. The issue of lack of financial education 142

6.4. Connecting the intersubjectivities mapped to structural conditioning 144

6.5. Consumer credit and basic consumption 148

6.6 Conclusion 155

CHAPTER 7 : HOUSEHOLD DEBT CYCLES – A MINSKYAN-INSPIRED APPROACH 156

7.1 Introduction 156

7.2 Minskyan theory and the case of households 158

7.3 A model of low income household financial fragility 164

7.3.1 Minskyan-inspired micro-foundations 164

7.3.2 The household indebtedness cycle 166

7.4 Household financial fragility in Brazil 171

7.4.1 Debt cycles and supporting evidence 171

7.4.2 Exogenous income shocks in numbers 174

7.5 Conclusion 182

CHAPTER 8 : CONCLUSION 184

8.1 A summarizing overview 184

8.2 Future research 187

8.3 Policy recommendations 188

ANNEX 1 - Semi-structured interview guide 191

REFERENCES 194

List of figures

Figure 4.1 Total credit to the private sector. R$ (million). Deflated series (IGP-DI, aug 2014=100). January 1991 – August 2014. 73

Figure 4.2 Total credit to the private sector, by categories. R$ (million). Deflated series (IGP-DI, Aug 2014=100). June 1988 – August 2014. 73

Figure 4.3 Adults with an account in the world (%). 2014. 77

Figure 4.4 Accounts by social classes (%). 2005, 2007 and 2010. 78

Figure 4.5. Ownership of accounts, by type of account (%). 2013. 79

Figure 4.6 Ownership of accounts, by type of account and income quintiles (%). 2013. 79

Figure 4.7 Balance of credit portfolio with free resources - Individuals - by categories. Deflated (IGP-DI, ago 2014=100). March 2007 – October 2014. 83

Figure 4.8. Real interest rates for selected types of credit to individuals (% p. y.), July 1994-October 2014. 85

Figure 5.1 Instalment sales' advertisement. 92

Figure 5.2 Rate of variation of industrial employment, 1971-1997. 107

Figure 5.3 Total credit to the private sector, by categories. R$ (million). Deflated series (IGP-DI, Aug 2014=100). June 1988 – August 2014. 122

Figure 5.4 Real interest rates for selected types of credit to individuals (% p. y.), July 1994-October 2014. 123

Figure 7.1 Indebtedness of families with the National Financial System in relation to the income accumulated over the last twelve months (%). January 2005 - March 2017. 173

List of tables

Table 3.1 Participants' profiles. 67

Table 4.1 Variation of credit demand by individuals, by income categories (%). January 2007 – October 2014. 74

Table 4.2 Adults with an account (%), age 15+. Brazil and Latin America & Caribbean. 76

Table 4.3 Lending penetration (financial and other forms of lending, %). 2003 and 2009......... 80

Table 4.4 Volume of housing credit by income strata (%). 2012, 2013 and 2014...................... 82

Table 4.5 Volume of *consignado* credit by income strata (%). 2012, 2013 and 2014. 83

Table 4.6 Volume of *non-consignado* credit by income strata (%). 2012, 2013 and 2014. 84

Table 4.7 Volume of credit card- based credit by type of credit and income strata (%). Month of reference: December. 2012, 2013 and 2014. 84

Table 5.1 Nominal average annual yield of selected financial securities. 1970 to 1973........... 101

Table 5.2 Nominal and real interest rates on SCFIs loans (% per year). 1960 to 1970............. 101

Table 5.3 Ownership structure of SCFIs. 102

Table 5.4 Evolution of inflation, as measured by IGP-DI, from 1985 to 1989. 107

Table 5.5 Comparison between the main pillars of the Peripheral Fordist SSA and the Neoliberal SSA. 109

Table 5.6 Selected acquisitions and partnerships related to the expansion of credit portfolios of commercial banks. 119

Table 6.1 Consumption intersubjectivities existent in the literature. 129

Table 6.2 Financial subjectivities existent in the literature 131

Table 7.1 Indebtedness in relation to the borrower's annual income, by income strata (%). 2014. 171

Table 7.2 Indebtedness in relation to the borrower's monthly income, by income strata (%). 2014.. 172

Table 7.3 Unemployment rate, for urban residents in the Southeast, by household income strata, gender and race. 2015... 175

Table 7.4 Average number of years in the current job, for urban residents in the Southeast, by household income strata, gender and race. 2015.. 175

Table 7.5 Hourly income obtained on average in the main job, for urban residents in the Southeast, by household income strata, gender and race (R$). 2015. 176

Table 7.6 Formalization rates, for urban residents in the Southeast, by household income strata, gender and race (%). 2015. 176

Table 7.7 Dependent variables of logistic regressions. 178

Table 7.8 Logistic regressions for unemployment and years in current job. 179
Table 7.9 Likelihood ratio test for model significance.. 180
Table 7.10 Logistic regressions for job formality and hourly income. 181
Table 7.11 Likelihood ratio test for model significance... 182

List of abbreviations

CGAP	Consultative Group to Assist the Poor
AFI	Alliance for Financial Inclusion
CBB	Central Bank of Brazil
ENEF	*Estratégia Nacional de Educação Financeira*
	(National Strategy of Financial Inclusion)
CONEF	*Comitê Nacional de Educação Financeira*
	(National Committee of Financial Inclusion)
SSA	Social Structures of Accumulation
CVM	*Comitê de Valores Mobiliários*
	(Securities and Exchange Commission)
SUSEP	*Superintendência de Seguros Privados*
	(Superintendence of Private Insurance)
PREVIC	*Superintendência Nacional de Previdência Complementar*
	(National Superintendence of Supplementary Pension)
RQ	Research Question
MFI	Microfinance Institutions
IPE	International Political Economy
CR	Critical Realism
POF	*Pesquisa de Orçamento Familiar*
	(Research on Family Budgets)
FGV	*Fudação Getúlio Vargas*
	(Getúlio Vargas Foundation)
BNDES	*Banco Nacional de Desenvolvimento Econômico e Social*
	(National Economic and Social Development Bank)
IDEC	*Instituto de Defesa do Consumidor*
	(Institute of Consumer Defense)
CEF	*Caixa Econômica Federal*
INSS	*Instituto Nacional de Seguro Social*
	(National Institute of Social Security)
OSCIP	*Organização da Sociedade Civil de Interesse Público*
	Civil Society Organization of Public Interest.

CPMF	*Contribuição Provisória sobre Movimentação Financeira* (Provisional Contribution on Financial Transactions)
SCFI	*Sociedade de Crédito, Financiamento e Investimento* (Credit, Financing and Investment Societies)
SCPC	*Serviço Central de Proteção ao Crédito* (Credit Protection Central Service)
ORTN	*Obrigação Reajustável do Tesouro Nacional* (Adjustable Rate Treasury Bonds)
CDC	*Crédito Direto ao Consumidor* (Direct Credit to Consumer)
IGP-DI	*Índice Geral de Preços - Disponibilidade Interna* (General prices Index - Internal Availability)
PND	*Plano Nacional de Desenvolvimento* (National Development Plan)
LFT	*Letra Financeira do Tesouro* (Treasury Financial Bills)
PAC	*Plano de Aceleração do Crescimento* (Plan for Accelerated Growth)
FIH	Financial Instability Hypothesis
MCMV	*Minha Casa, Minha Vida* (My House, My Life)
PNAD	*Pesquisa Nacional por Amostra de Domicílios* (National Survey by Sample of Households)
IBGE	*Instituto Brasileiro de Geografia e Estatística* (Brazilian Institute of Geography and Statistics)
ILO	International Labour Organization

CHAPTER 1 : INTRODUCTION

1.1 Background of the study

The fight against financial exclusion has had tremendous support from the World Bank and other international financial institutions, as well as from numerous national governments, over the past several decades. Anderloni et al (2008) define the term in the following way:

> "Financial exclusion refers to a process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong." (Anderloni et al. 2008, p. 9).

The global push to reduce or end financial exclusion policies can be traced back to 1995, when the World Bank created a specialized institution to coordinate the effort - the Consultative Group to Assist the Poor (CGAP). The United Nations also provided support for this initiative, adopting inclusive finance as a key financial-development objective, as well as promoting microcredit as a policy tool for furthering it. The Bill & Melinda Gates Foundation funded the Alliance for Financial Inclusion (AFI) in 2008 as a vehicle for advancing financial inclusion (FI) policies in developing and emerging economies.

Even the 2008 financial crisis, which arose in part because of excessive lending to lower income households, did not reverse this policy consensus: the G-20 leaders who gathered at the 2009 Pittsburgh Summit in the wake of that crisis reaffirmed their commitment to promoting FI, agreeing on the “Principles for Innovative FI” (Soederberg 2013). In 2011 these “Principles” were complemented by the Maya Declaration – the first global and measurable set of commitments supported by around 80 countries. The AFI now has member institutions in 89 countries; and according to the World Bank (2014), two-thirds of all global financial regulatory agencies around the world are formally engaged with promoting FI.

Brazil has been one of the countries most affected by this global initiative. It began implementing microcredit programs in the second half of the 1990's, during the presidential mandate of Fernando Henrique Cardoso. And the Lula government that followed it in 2003 made a clear commitment to expand both microcredit and access to financial services. In 2010 the Central Bank of Brazil (CBB) became a member of the AFI by signing the Maya Declaration. In the same year and the following year, the CBB published two extensive reports whose basic objective was to conduct a diagnosis of the situation in the country, based on the analysis of supply indicators. In the same period, the National Strategy for Financial Education (ENEF) was instituted by a federal decree[1], transforming the promotion of financial education into a permanent state policy whose main aim was to develop financial capabilities in high schools. The initiative is coordinated and executed by the National Committee of Financial Education (CONEF), which is composed of four financial authorities, four ministries and four representatives of civil society[2]. In 2014, the CBB put in place the Financial Inclusion Statistics project, with a primary objective of improving data availability on the issue (Central Bank, 2015).

The sustained pressure that powerful international organizations have placed on developing economies to adopt FI policies, in an era punctuated by several financial crises, creates an urgent need for studies that critically assess these policies' characteristics, nature, and effects. This thesis undertakes such a study. We argue that this critical approach necessarily involves the identification of structural determinants of the type of financial inclusion promoted. From this analysis, one is able to assess the efficacy of FI initiatives as anti-poverty policies for specific contexts. In the present thesis, the case of Brazil is explored – more specifically we focus on the case of the southeast region, which has a level of financial inclusion higher than in the rest of the country.

[1]Federal decree number 7397/2010.

[2]Besides the CBB, the Brazilian Securities and Exchange Commission (CVM), the Superintendence of Private Insurance (SUSEP) and the National Superintendence of Supplementary Pension (PREVIC) compose CONEF; The ministries involved are the Education, Justice, Pensions and Economics ministries; and the representatives of civil society are renewed each three years (Central Bank, 2012).

1.2 Theoretical underpinnings

In this thesis, we use the term "market approach to FI" to denote studies that support the political discourse about FI promoted by influential international institutions. The inconsistencies and contradictions associated with the market approach get clearer when contrasted to other literatures, especially those grounded in spatial and financialization analyses (Dymski and Veitch, 1996; Leyshon et al, 2004; Montgomerie, 2007; Krippner, 2005). These critical studies' contraposition to the market approach begins with assumptions adopted therein regarding the causes of poverty. While for FI theorists, poverty is caused by exclusion from various markets, spatial and financialization scholars assume that poverty is ultimately caused by structural power asymmetries that are locked up in the market, and more generally in the institutional environment.

Different understandings of the causes of poverty are directly related to policy prescriptions. For the market approach, as poverty is a result of being left out of market dynamics, FI is then treated as a vehicle for reintegration into markets, and therefore a way out of poverty. For the spatial approach, FI policies are not capable of eliminating poverty at its roots, but are capable of eliminating the reinforcement mechanism through which the exclusion from the mainstream financial sector deepens states of destitution. Financialization scholars are more sceptical of the capacity of FI to eradicate that reinforcement mechanism. As the structural lender-borrower relationship that emerges out of other asymmetric relations becomes asymmetric itself, FI initiatives may even deepen states of precariousness rather than eliminate them. The main mechanism highlighted in this literature is the unsustainable rise in indebtedness, which mainly happens through increasing debt levels of low income households which seems to accompany such FI policies. (Montgomerie, 2007; Cynamon and Fazzari, 2008; Karacimen, 2014; Federici, 2014). The theoretical position that recognizes the potential that FI policies have to worsen the issues they were supposed to correct is the one that guides this thesis.

The different strands of the financialization literature allow us to see the structural asymmetries of the lender-borrower relation from different angles. The first angle shows the power of the lender by uncovering the structural determinants of the supply of financial products to low income populations. Based on an application of the social structures of accumulation (SSA) approach to the analysis of financialization, it is argued that the supply of financial products to an enlarged base of the population is a central variable to modern accumulation regimes (McDonough, 2011; Kotz, 2010). This centrality explains the protection given by the state apparatus to the interests of financiers to the detriment of the interests of borrowers which in turn influences how financial products are supplied.

The second angle focuses on the weakness of the borrower by uncovering the structural determinants of demand for those financial products. It is argued that the vulnerable worker, who is increasingly unprotected by a weakened welfare state and whose life is fundamentally characterized by a state of permanent labour market uncertainty, does not have many options to guarantee his access to basic goods and services. In this case, indebtedness becomes a direct consequence of the quest for survival - or of a standard of living prevailing in times prior to the upsurge of capitalism's striking inequalities (Palomera, 2004; Langley, 2008; Warren and Tyagi, 2003).

Other sources of agents' vulnerability are the changing perceptions and attitudes towards the use of financial products in modern societies (Karacimen, 2012). This process of change is explained by the fact that the emergent demand for those products is underpinned by a set of cultural institutions that establish high levels of desired consumption, and that legitimize the use of various credit instruments to finance that consumption[3]. These cultural institutions commonly refer to consumption and financial norms, defined as socially shared standards of behaviour (Cynamon and Fazzari, 2008).

The literature that addresses FI in the specific case of Brazil is small. The vast majority of existing studies follow three main paths: the first group follows the market approach, and investigates topics such as the degree of penetration of financial products in the poorer strata, the individual characteristics that determine exclusion, along with institutional and socio-cultural barriers to the further dissemination of those products (Lana, 2013; Kumar, 2005; Feltrim et al, 2009). The second group follows the spatial approach, addressing issues of unequal inter-regional distribution of credit and its effects

[3] We follow the SSA theory in considering cultural institutions as structural entities that provide ideological support to the rest of the structure. (Kotz et al, 1994).

on local development (Crocco et al, 2013; Reichstul and Lima, 2006; Alexandre et al, 2008).

There is still a third group, composed of studies which are more critical of the FI paradigm, as they denounce the unbridled growth of credit that has occurred since the 2000's (Mora, 2015; Dieese, 2014; Junior and Guimarães, 2015; Sbicca et al, 2012; Martins and Ferraz, 2011). They align more closely to our purposes, as they are concerned about tracing the type of inclusion that has taken place. However, they focus little on the structural conditioning of that growth. In other words, they do not show the interaction between multiple structural features that culminates in the phenomenon of increased indebtedness. In addition, the investigation of those features must surpass a more traditional "economicist" view that considers the existence of rational maximizing individuals who consume according to long term expectations on income inflows differentials. Instead, it should, as we do, explore how cultural institutions are central to explaining behaviour. This way, this thesis follows a fourth path, which is detailed in the next section.

1.3 Research questions and contributions

Inspired by the financialization literature, rather than starting from the assumption that more FI is inherently positive, we argue that the deepening of FI is not necessarily an ally in the fight against poverty. Moreover, depending on the context, it can make the condition of the poor – especially the ones commonly referred to as the precariat[4] - even more unstable. This context is marked by structural asymmetries in the lender borrower relation in a given society. In line with the literature discussed above, the structural factors that condition these asymmetries can be identified by focusing on the supply and demand for credit. The greater the power asymmetries of the lender-borrower relationship, the

[4] The precariat is the modern term used to designate the relative surplus population – workers that, due to their low qualification and flexible labour markets, are subject to low remuneration, low welfare protection and disposable contracts, which makes them especially vulnerable to economic cycles (Braga, 2016). For more details, see chapter 3.

less effective FI policies are in combating poverty. We investigate the case of Brazil, following two research steps.

The first step seeks a precise understanding of the type of FI that took place, setting out its policies, relevant actors, assessing the degree of FI obtained and its main characteristics. This allows for the analysis to focus on the main financial products, which reached a significant portion of low income populations.

The second step explores the structural determinants of power asymmetries in the lender-borrower relation - and by "structural determinants" we refer to the ones that operate at the collective level, in opposition to the agency level - that shaped the existing type of financial inclusion by posing the following research questions:

RQ1. What are the structural factors underlying the supply of financial products to low income populations?

RQ2. What are the structural factors underlying the demand of financial products by low income populations?

RQ3. What are the implications of the factors identified in RQ2 in the financial lives of low income populations?

Along with the following set of hypotheses:

H1 (RQ1). The relative importance of the provision of financial products to the poor in the organization of the capitalist system affects the characteristics of that supply. This way, the bigger the centrality of those products in the accumulation process, the bigger the protection given by the state apparatus to the interests of lenders, which tends to directly influence the nature of this supply in a way that adversely affects borrowers.

H2 (RQ2). There are consumption and financial norms which legitimize the use of credit to fulfil social consumption needs, stimulating its absorption. Social consumption is understood here as all types of consumption that are not strictly necessary to guarantee survival.

H3 (RQ2). Instabilities in agents' insertion in the labour market and in their access to welfare generates demand for credit to fulfil basic needs. In other words, there are labour market instabilities that seriously compromise the level and regularity of the income inflow along with weak welfare institutions that do not provide an appropriate cushion against those uncertainties.

H4 (RQ3). The structural factors identified by RQ2 interact, creating cycles of indebtedness among low income households.

This thesis makes the following interrelated contributions. At the theoretical level, we propose a new mapping of the different literatures that deal with the theme of FI. This mapping establishes the spatial and financialization literatures as counterpoints to the market approach. As mentioned earlier, the basic criterion chosen for this demarcation was the understandings adopted regarding the causes of poverty. This demarcation generates three important analytical distinctions. First, it clearly establishes how the spatial literature, which is the field in which the concept of FI originally emerged, differs from the market approach. As previously stated, while for the former poverty is a result of being left out of market dynamics, for the latter it is a product of institutionally preserved structural power asymmetries. Most studies do not make that distinction, given the similarities of their policy recommendations, as both prescribe FI. But while the market approach prescribes FI as a way of eliminating poverty, the spatial approach prescribes it as a way of eradicating the reinforcement mechanism through which the exclusion from mainstream financial services deepens states of destitution.

Second, it clarifies how financialization studies also offer a critical perspective to the market approach. The financialization literature emerged after the two schools previously studied, and quite independently from them. Many studies do not make any reference to the concept of financial exclusion. Nevertheless, as this thesis shows, this new body of literature can make an important and more critical contribution to the analysis of FI policies. Third, it shows how financialization scholars differ from the spatial tradition in terms of scope of analysis, and consequently policy prescriptions. As this literature starts from the analysis of the changing role of finance in modern capitalist societies as a whole (instead of having a narrower focus on the relationship between finance and low income populations, as in the spatial school), its different strands allow us to see from different perspectives the structural asymmetries in the emergent lender-borrower relationship. Consequently, FI is considered to be potentially harmful, depending on the context considered.

And by deriving research questions from the financialization school, we put together a theoretical framework receptive to historical, multilevel and interdisciplinary studies that can be applied to FI assessments in many other realities. Historical because it allows for the historical investigation of structural determinants; multilevel because it allows for the constant interplay between observable phenomena and structural causation; and interdisciplinary as it allows for the engagement with other disciplines when it comes to the understanding of consumption and financial behaviour.

Regarding the core chapters, our fourth contribution is to tell the history of consumer credit in Brazil. To our knowledge, we are the first to conduct such an undertaking. Given the centrality of consumer credit not only for the determination of macroeconomic dynamics but also for the organization of daily life, its history has already been accurately told in the cases of developed economies. The analysis goes from the first half of the twentieth century to Lula's mandate in the early 2000's. Placing the provision of consumer credit historically enables us to better understand its contemporary form; and moreover, to understand the role that consumer credit has in the current accumulation regime and how that role affects supply.

Fifth, the next question focuses on the structural determinants of absorption of an increased credit supply. We argue that a series of consumption and financial norms (structural cultural institutions) form the basis for the legitimation of credit use to finance social consumption[5]. These norms in turn are supported by a series of intersubjectivities. Our contributions in this regard are the following: we elucidate the operating mechanisms of intersubjectivities amongst the Brazilian poor which were previously pointed out by the literature; we identify the emergence of new intersubjectivities; and we trace the structural relations that the intersubjectivities mapped enclose. By doing the latter, we were able to attest that a mixture of active and passive processes of legitimation[6] took place during the

[5] Understood here as all types of consumption that are not strictly necessary to guarantee survival.
[6] For distinction between active and passive legitimation, see chapter 2.

period analysed. Generally, we point to the existence of social processes that condition decision making – joining forces with the economic tradition that questions mainstream approaches to banking and credit based on individual intertemporal rationality.

Sixth, we also identified a second type of credit demand which emerges from the urge to finance very basic needs. It emerges from the lack of "cushions of protection" coming from labour market structures and welfare systems. In addition, the fact that this credit demand is left largely unattended by the formal financial system render these agents vulnerable to informal arrangements to guarantee survival. Another important contribution of this thesis is the detailing of the operation of moneylenders and *caixinhas* within a *favela*. Even though there are some studies that analyze local currencies (Menezes and Crocco, 2007; Freire, 2011), the operation of informal local lending systems in poor communities is still largely unknown.

Finally, the thesis shows that, in a context of cyclical financial inclusion at high costs, when the cultural institutions underlying credit demand in times of greater economic prosperity are associated with the strong instability faced by low-income populations in the labour market, along with deficient formal safety nets, the result is the formation of indebtedness cycles. We contribute to the Minskyan literature by arguing that a Minskyan inspired analytical framework can be an important tool in the investigation of the finances of low income agents. This is because it enables a unique portrayal of how multiple structural phenomena interact (financial, cultural and labour institutions) in order to condition a process of cyclical transformation of financial states for those agents. We also contribute to the Brazilian literature that addresses the theme of FI and financial behaviour of low income populations. By applying the above theoretical propositions to the Brazilian context this thesis helps to explain how the country came to have more than 60 million defaulters, which corresponds to 40% of the adult population – an understudied phenomenon of vital importance.

1.4 Methodology and main results

The methodology adopted in this thesis is based on critical realism, an approach to scientific enquiry which sees, as its ultimate purpose, the identification of generative mechanisms underlying empirical regularities, along with the use of mixed methods for that identification.

The first research step, which sets the stage for the main analysis, is based on a compilation of descriptive statistics drawn from various sources. We were able to identify the relative importance of consumer credit during the process of FI, which reached a significant portion of Brazil's low income population. The central place of consumer credit in the management of the household budget merited its role as the focal point of the thesis.

The second step, which unveils the structural asymmetries in the lender-borrower relation, makes use of a mix of historical, qualitative and quantitative methods to reach its conclusions. The investigation of our first research question, based on a historical analysis, draws on a range of neglected sources available at the archives of the National Library of Rio de Janeiro, including academic, business and government reports.

By putting the modern credit boom in historical perspective, some of its features are better understood, such as the strategy of forming partnerships with retailer institutions, a practice that emerged in the 1950's. Furthermore, it clarifies the role of consumer credit in the "big picture". It is argued that during the developmentalist era, between the 1950's and the 1980's, consumer credit played a supportive role in the accumulation process - it opened up the market for the infant industry, in a context of saturation of the richer segments of demand and strong income concentration, therefore supporting industrial accumulation.

After the 1980's, however, the locus of accumulation shifted from the productive to the financial sector. In addition, changes in the macroeconomic environment incentivized banks to increase the credit-to-securities ratio. Under the influence of FI policies, the credit expansion process included previously marginalized clients. For the government, this set of changes boosted aggregate demand via consumption without addressing structural income redistribution policies, at a time when investments had lost their dynamism. In this new scenario, with consumer credit as one of the main instruments of modern accumulation, it started to reach a larger base of the population, but also became much more costly for the borrower if compared to the developmentalist era.

The investigation of our second research question made use of in-depth interviews with residents of *Complexo da Penha*[7] to shed light on the structural factors underlying consumer credit demand. As the analysis surpassed the sphere of 'what people do' to 'why they do it', the use of a qualitative approach was appropriate for different reasons: because the perceptions of participants are key to that type of investigation; because perceptions can't be fairly summarized on a single rating scale at one point in time without informational losses (Patton, 2002); because the rigidity of pre-defined response categories of quantitative investigations hinder the identification of the various structural conditioners of existent subjectivities – in contrast to the open-ended character of qualitative enquiries.

The interviews suggested the existence of a double-charactered consumer credit demand. On the one hand, several consumption and financial norms legitimize the use of credit to finance social consumption. On the other, labour market and welfare instabilities generate demand for credit to fulfil basic needs. However, the latter type of demand is left largely unattended by the formal financial system, which evidences the failure of financial inclusion policies to work as safety nets.

For our third research question, which investigated the implications of the cultural and labour market/welfare forces in the shaping of everyday lives in a context of cyclical financial inclusion at high costs, a Minskyan-inspired model of indebtedness was developed. The model was posteriorly confronted with quantitative data, and this empirical test was based on descriptive statistics and logistic regressions. It was argued that those structural factors interact producing indebtedness cycles, characterized by a "Minskyan movement" of progression towards unstable positions and by a "non-Minskyan" trace of external abrupt income shocks.

[7] A slums located at the north of Rio de Janeiro. One interviewee was a resident of *Complexo do Alemão* – a slum that neighbours *Complexo da Penha*.

In sum, our main conclusion is that in contexts where fundamental structural relations are highly asymmetric, as is the case of Brazil, policies of financial inclusion that are implemented in spite of these asymmetries end up deepening them, as they turn chronic indebtedness into a social epidemic. This is because the emergent lender-borrower relation becomes fundamentally asymmetric itself.

1.5 Organization of the thesis

After this introduction, chapter 2 presents the mapping of the various theoretical approaches to FI. From the critical perspective, the theoretical framework that serves as a basis for the elaboration of the thesis is set out, along with the research questions and hypothesis derived from it.

Chapter 3 contains the methodological choices used to investigate the research questions posed. First, the philosophical underpinnings of the study are presented – we show how it is grounded in the ontological and epistemological principles of critical realism, and how the philosophical tradition supports a methodological variety that combines historical, multilevel, interdisciplinary and mixed methods. Secondly, we focus on the "technicalities" of the research design, addressing the following points: unit of analysis and target population; the rationales behind the use of mixed methods and the strategy used for combining them; regarding the quantitative enquiry, data sources are listed; regarding the qualitative enquiry, details of the case study performed in Rio de Janeiro are elucidated. Those include characteristics of the sample and sampling strategies, interviews and data analysis.

Chapter 4 sets the stage for the core chapters (5, 6 and 7) by investigating what the adoption of FI as an explicit public policy goal really meant for lower income groups. The chapter lists the main objectives pursued by the government and outlines its practical results. In pointing out which financial products were widespread, the chapter has the function of narrowing the research questions, directing the study mainly to the analysis of consumer credit.

Chapter 5 addresses our first research question, focusing on the structural determinants of consumer credit supply using an in-depth historical research. It tells the story of consumer credit in Brazil, covering four main periods. It starts with the emergence of this type of credit in the retail sector, in the first half of the twentieth century; then moves on to the developmentalist era, from the 1950's to the 1980's, which registered an important trend of growth. The period between the 1980's to the mid-1990's can be considered a transition period between different SSAs, which witnessed a sharp contraction of consumer credit. The last period considered is the neoliberal SSA, from the mid 1990's to the first decade of the 2000's.

Chapters 6 and 7 address our second and third research questions, respectively. The former aims at uncovering the structural determinants of consumer credit demand by low income populations. The latter uses a Minskyan-inspired framework to show how the factors revealed in chapter 6 interact on the demand-side, in the case of developing countries, guaranteeing that the increased credit supply is absorbed. The immediate consequence for consumers is the formation of debt cycles.

Chapter 8 concludes, drawing on the overall thesis to assess the usefulness of FI initiatives according to the context, to comment on policy implications and to suggest future topics of investigation derived from questions that remain unanswered.

CHAPTER 2 : TOWARDS A CRITICAL THEORETICAL FRAMEWORK FOR EVALUATING FINANCIAL INCLUSION INITIATIVES

2.1 Introduction

The main objective pursued by this chapter is to map the main schools of thought that deal with the theme of financial inclusion. We suggest a new mapping, based on the basic demarcation of the assumptions adopted regarding the causes of poverty. On the one side, the market approach adopts a residual assumption - which considers that the cause of poverty is the exclusion of individuals from various markets. On the other side we place the spatial and the financialization approaches, that adopt a relational assumption, which understands that poverty is ultimately caused by being inside markets characterized by unequal structural relations, such as class, gender and race.

Different understandings of the mechanisms that cause poverty are directly related to policy prescriptions. To the market approach, as poverty is a result of being left out of market dynamics, FI is treated as a way to enter the market economy, and therefore a way out of poverty. For the spatial approach, FI policies are not capable of eliminating poverty at its roots, but are capable of eliminating the reinforcement mechanism through which the exclusion from the mainstream financial sector deepens states of destitution.

Financialization scholars are more sceptical of the capacity of FI to eradicate that reinforcement mechanism. As the structural lender-borrower relationship that is created after FI policies are implemented emerges out of structural asymmetric relations, it will be asymmetric as well. Given that this literature starts from the analysis of the changing role of finance in modern capitalist societies (instead of having a narrower focus on the relationship between finance and low income populations, as in the spatial school), its different strands allow us to see the power asymmetries in the emergent lender-borrower relationship and its structural determinants from different perspectives. This literature paves the way to the identification of three types of power asymmetries: Lindblomian's, Hirschmanian's and Gramscian's. The former arises on the supply side, when the state protects the interests of lenders – which are at the center of the accumulation regime – to the detriment of the interests of consumers. A Hirschmanian's type of power arises on the demand side, when the lender-borrower relation emerges out of the borrower's need to fulfil basic needs, due to deficient labour market and welfare institutions. And once inside the relation, the borrower finds significants barriers to exit and to voice. Finally, a Gramscian's manifestation of power arises when prevailing cultural institutions legitimize the use of financial services for various purposes – not just for the fulfilment of basic necessities.

The mapping proposed here offers three main contributions. First, it elucidates how the spatial position is critical of the market approach, whereas most studies do not distinguish between them. Second, it clarifies how financialization studies also offer a critical perspective to the market approach. This literature emerged after the market and spatial schools, and quite independently from them. Many studies do not make any reference to the concept of financial exclusion. Nevertheless, this review shows that this body of literature is crucial to understand recent processes of financial inclusion. Third, it shows how financialization scholars differ from the spatial tradition in terms of scope of analysis, and consequently policy prescriptions. We conclude that because of its broader scope, the financialization literature provides the most effective theoretical framework to critically assess FI initiatives around the world. This critical framework must necessarily investigate the structural determinants of the asymmetries in the emergent lender-borrower relationship. The greater the asymmetries, the less effective FI policies are in combating poverty.

The chapter is organized as follows. After this introduction, section 2.2 contextualizes historically the emergence of the advocacy of FI in international organizations such as the World Bank and the IMF – which is the context of emergence of the neoliberal model of social policy. It also reviews the literature supporting those policies, which we call the market approach to FI. Section 2.3 provides different critical points and focus on the fact that the market approach implicitly adopts a residual view of poverty. The next two sections show how the spatial and the financialization literatures approach the issue of FI while rejecting the residualist assumption and discuss the differences between those two approaches. The last section, in a tone of conclusion, sets out the research questions that should be posed in order to critically evaluate modern processes of FI.

2.2 The market approach to financial inclusion

2.2.1 The emergence of the neoliberal model of social policy

During the neoliberal revolution of the 1980's, the World Bank and the IMF fiercely advocated that the market-based economic reforms based on the Washington Consensus prescribed for countries in crisis would be the best strategy to restore global prosperity. As markets were considered to be the mechanism to secure efficiency, the role of the state was restricted to creating the conditions for markets to work. Therefore, the imperatives of a responsible macroeconomic management involved inflation and public budget control, in addition to the construction of a market friendly environment. This environment was characterized by a state which let go of its (strict) regulatory, productive and social provision functions, not leaving much space for social policies. The latter were mostly regarded as a waste of resources - once the "cake" started to grow again, the improvement of living conditions of the poorest would be the natural consequence (Chang, 2004; Edwards, 1995; Mody and Pattillo, 2006).

But the promised prosperity never came through. In the Global South in particular, the slowdown in economic growth that lasted almost ten years was coupled with a huge boost in unemployment and inequality (Moreno-Brid et al, 2005). The acute deterioration in living conditions strengthened the argument that some sort of social protection was needed, as Chang (2004) points out:

> "they now acknowledge that developing countries may need a 'social safety net' to catch those who fall through the cracks in the process of economic 'reform' based on their programmes." (Chang, 2004, p.246)

Therefore, a neoliberal model of social policy emerged during the 1990's and spread across the globe. Its justification came in two levels – a normative and a positive level[8].The normative level refers to economic analysis as an art, which produce statements related to what the economy "ought to be" based on values and world views of the observer. The positive level refers to economics as a science, and as such, capable of purging ethical positions in order to produce purely objective assessments of what the economy really "is" (Friedman, 1953).

At a normative level, the belief in market efficiency remained intact. Therefore, the market continued to be responsible for distributing economic advantages, as it only produced justifiable inequalities, such as the ones based on individual merit and effort. In other words, the idea was that better-off individuals were more talented and hard working, and the path to success was opened to anyone willing to pursue it. However, it was gradually admitted that some individuals were marginal to market dynamics, justifying the existence of social support aimed at helping those individuals to get integrated in the market economy (Theodoro and Delgado, 2003). The view of poverty as a result of being left out market dynamics is called by development scholars as a "residual" view of poverty (Bernstein et al, 1992; Green and Hulme, 2005; Harriss, 2006; Hickey and du Toit, 2007). Accordingly, targeted and temporary policies were advocated to include low income individuals in the market. The idea was that state support should only exist as long as a situation of deprivation persisted. And ideally, that support would not be provided directly by the state, which was supposed to mainly act as a facilitator for market solutions to reach the ones in need.

At a positive level, a core argument of a neoliberal model of social policy was that, irrespective of one's values, there were different sources of fiscal pressures that did not allow the state to develop universalistic policies (Mkandawire, 2001). In the context of developed economies, Gilbert (2002) points to the growing expenses associated to socio-demographic changes, such as: increased life expectancy and reduction in the average retirement age, which greatly increased social spending on pensions, social assistance and health; and an increased number of extramarital births

[8] even if not explicitly divided that way, the underlying rationales for the support of the model usually came in both levels.

and divorces pressing expenditures for child care and financial assistance. Within a context of scarce resources, the state had to direct those resources to the ones who needed them the most.

In sum, based on normative and positive arguments, the neoliberal model of social policy prescribed targeted and temporary social policies, aimed at including low income populations in the market. Those policies would be ideally provided by market mechanisms after the provision of incentives by the state. Next, we explain why microcredit policies were a forerunner for FI, and how they were the perfect fit for that model of social policy.

2.2.2. Policy prescriptions in the context of the neoliberal model of social policy

The first type of policy promoted in the context of the neoliberal model of social policy was microcredit, which started from the “discovery” of the Grameen Bank. The institution was stablished and began operating in the late 1970’s, and its goal was to give poor Bangladeshi’s access to micro business loans. Instead of tangible collateral, these loans were backed by group solidarity schemes (Aitken, 2013). This way, a temporary, targeted and market-based instrument (business loans) was being used to include low income populations in the financial market, which in turn would release their entrepreneurial spirit, further integrating them to the goods and services market and to the labour market. By becoming micro-entrepreneurs, they would be equipped with the resources to permanently escape from poverty. The Grameen Bank experience represented a paradigm to be pursued across the world (Khandker et al, 1995).

Throughout the 1990’s, the concept of microcredit as production-oriented credit was gradually widening, and eventually the term microfinance emerged (Bateman and Chang, 2009). To Dichter (2007), it became increasingly clear that most of the credit granted did not have a productive orientation but was intended for consumption purposes. But it did not matter, as the new idea was that one must make sure that the poor had access to a wide range of financial products. This wider inclusion in financial markets would promote inclusion in the housing market, for example (IFC, 2014). Access to bank accounts, for instance, would work in conjunction with microcredit to facilitate labour market insertion. And once out of poverty, other credit products would serve as instruments to smooth income fluctuations of a more conjunctural nature – avoiding the loss of the different types of market insertion conquered. Once the concept of microcredit was repackaged into the much broader mantra of microfinance, that is the availability of financial products for the poor, financial exclusion became the enemy to be combated.

In sum, FI policies started to be advocated from the 1990's by powerful international organizations and were by-product of the emergence of the neoliberal model of social policy. The next subsection explores the basic research questions pursued by the literature engaged with the promotion of those policies, and the strategies used to investigate them. We call this literature the "market approach to FI".

2.2.3 The market approach to financial inclusion

As it was believed that promoting inclusion in the mainstream financial sector paved the way to inclusion in various markets, and in so doing being an effective anti-poverty strategy, for FI to take off two questions had to be answered: who is marginal to the financial system, and what is the most effective way to bring them into it?

Firstly, regarding the issue of identification of marginal individuals, the efforts of the FI literature were initially concentrated on spotting regions underserved by the banking sector, with an inadequate infrastructure of branches or any other physical form of banking provision (Beck et al, 2007). Although considered to be an important dimension to be evaluated, this approach came under criticism for not covering inequalities of provision within a region, in such a way that who got access or not remained undefined (Fischer, 2011; Kumar, 2005). In the well-known typology of Kempson and Whyley's (1999), the so-called "geographical exclusion" was mapped as one of several possible types of exclusion, which could be: "access exclusion", which was a product of risk assessments performed by the financial institution; "exclusion condition", which emerged when the individual does not fulfil the prerequisites for the acquisition of a product/service; "price exclusion" for instance derived from the incompatibility between the cost of financial products and services and the client's income level; and "marketing exclusion", that was a result of advertisements directed to specific segments; lastly, "self-exclusion" happened when the client refused to have any banking relationship, due to a lack of confidence in the system or a belief that his/her financial demands would not be met.

As market segmentation practices are not generally disclosed by financial institutions interested in protecting their business strategies, and "self-exclusion" is a non-negligible issue, a consensus concerning the need to look at the demand for financial products to complement the supply-side analysis emerged (Mitton, 2008; Chakrabarty, 2012; Kumar, 2005). Besides investigating different types of exclusion prevailing in a specific context, background information of participants started to be collected, in order to investigate the socio-economic determinants of access (Demirguc-Kunt and Klapper, 2012). This way, class, gender and race for example are treated as individual traits that increase the probability of a person to be found in a state of financial exclusion (Marron, 2013).

Studies investigating the determinants of financial exclusion quickly multiplied, all of them arriving at very similar conclusions. Caskey et al (2006) found that in Mexico City, the unbanked were likely to be less educated, unemployed and have low household income. For Soumaré et al (2016), working on Central and West Africa, access to formal finance was mainly driven by gender, education, age, income, residence area, employment status, marital status, household size and degree of trust in financial institutions. Demirguc-Kunt et al (2013), based on data of 98 countries, highlight the relevance of gender in explaining ownership of accounts and usage of saving and credit products, even when controlling for a range of characteristics. In Brazil, Kumar (2005) found that income, wealth, education and gender were significant in explaining urban access to the financial system, but also that there were important regional variations in access. Some papers jointly analyse demand and supply-side factors, such as Chithra and Selvan (2013) and Wang and Guan (2017). The former found that in India, income, literacy and population were found to have significant association with the level of financial inclusion, along with variables of deposit and credit penetration. The latter argue that for China, while individual income, education and use of communications equipment were important factors driving financial inclusion, financial depth and banking health status were the main determinants of access.

Secondly, the question of what is the best way to bring the poor inside the financial system is the question of the practical ways in which the state can build that bridge through indirect interventions, which can happen in two fronts. Gabor and Brooks (2017), conclude based on their review of the literature that, on the bank's front, subsidies, private-public partnerships and market-making regulations incentivizing mainstream institutions to create products specifically designed to fit the needs of low income clients were the way forward. On the individual's front, the strategy was to create "financial subjects" – individuals with the technical and psychological capacity to navigate through the brand new world that unfolded in front of them. This was to be done via financial education programs, that would equip individuals with the necessary knowledge for them to map the options available, to comprehend financial contracts and to lower the barriers that exist behind self-exclusion (Perry 2008; Braunstein and Welch, 2002; Hilgert et al 2003). This way, they would be better equipped to improve their financial decisions[9].

Once financial institutions have the necessary incentive to include and the poor have the necessary know-how to be included, other difficulties are addressed by the literature, such as how to calculate credit scores for those without credit records (FICO, 2015). But this is considered to be a minor problem, as a series of experiments have been performed on how to use alternative data to score individuals outside formal credit registries. According to Aitken (2017), examples of alternative data are public records, social networking patterns, academic achievement records, mobile phone usage, non-financial payment histories, and, increasingly, psychometric testresults.

[9]The prescription of anti-poverty policies focused on "improving the poor", instead of addressing issues such as income redistribution and power structures, is also compatible with a new tradition in development studies inaugurated by Banerjee and Duflo (2011). Their main innovation is to make a transition from "big questions" to "real problems" (Banerjee and Duflo, 2011, p. 3). It is argued that on the one hand, the discussion surrounding the ultimate causes of poverty were intellectually insoluble; on the other, there was a great scope for poverty alleviation without recourse to changes in the macro-structure. The improvement in the living conditions of the poorest would come through interventions in their decision-making process.

In sum, this section described the emergence of the neoliberal model of social policy, and how the promotion of FI policies was a perfect fit for that model. We also discussed the main questions addressed by the literature backing it. Next, different points of criticism are presented.

2.3 Criticism of the market approach

In a systematic literature review, the UK's Department for International Development concluded that the pro-microfinance evidence was built on "foundations of sand" (Duvendack et al, 2011). In this section, we map different arguments in line with this statement, highlighting various inconsistencies in the microfinance framework, which operate at various levels.

Firstly, microfinance can actually be a hindrance to the pursuit of economic growth at a national level. Although we believe that growth is not a pre-condition for social improvement, the latter is more easily achieved in the presence of the former. When it comes to boosting the supply of microfinance products conditioned to productive purposes specifically, Bateman and Chang (2009) argue that the proliferation of informal microenterprises is stimulated, which was precisely what happened in Bangladesh. The other alternative would be to allocate these resources in the construction of a national project with large corporations, naturally more efficient and technology-intensive - the adoption of the South and East Asian model, which has been more successful than the Bangladeshi case.

Secondly, the microfinance discourse treats all people as potential entrepreneurs (Stewart et al, 2010). In order to be a successful entrepreneur though, besides training, which is usually not properly provided to beneficiaries of microfinance programs, one needs to possess a set of skills and abilities which, at the very least, are acquired with time. And this is true for all entrepreneurs throughout the economy - structural hurdles in developing countries aside. According to Gage (2012), 75% of venture-backed start-ups fail in the US, based on a research of more than 2000 companies that raised at least $1 million from 2004 to 2010. Logically, even though the degree of management complexity between big and micro firms cannot be compared, the task of maintaining a regular and sustainable flow of profits in a micro firm is not trivial. On the one hand, the learning process is key to the entrepreneurial endeavour. On the other, microentrepreneurs cannot afford the costs of failure that usually comes along with that process.

Thirdly, the neoliberal positive claim that targeted policies are the only option given the insufficiency of state resources can be challenged by the argument that the social policy budget is not merely an exogenous constraint. Instead, it is also determined by the macroeconomic management implemented in an economy (Mkandawire, 2001). Ultimately, it can be argued that there is no such thing as value-free economic analysis (Holcombe, 1998). The idea of the economist as a technician serves the main purpose of facilitating the social acceptance of unpopular policies – as they are suggested by allegedly neutral agents who are not at a service of any interest groups.

These three points of criticism challenge the microfinance framework from three perspectives: from its capacity to generate growth, its capacity to fight poverty and its financial feasibility. The fourth point takes a step back and challenges the underlying assumptions regarding the causes of poverty. Even though this point has not yet been directly associated to FI studies, we believe that it is fundamental to understand the nature of the market approach, and therefore to demarcate its opposition to other schools of thought that address FI.

Development scholars advocate that an alternative to the residualist assumption is a relational view (Bernstein et al, 1992; Green and Hulme, 2005; Harriss, 2006; Hickey and du Toit, 2007). The latter sees poverty as being the result of a pervasive inclusion in various markets – instead of being the result of an exclusion from them. The problem is not that people are marginal, but instead, that they are inside various markets, along with many other institutions, occupying disadvantageous positions in structural social relations, such as class, gender, race and others. These institutions preserve and perpetuate these sets of unequal relations. Disadvantageous relations create a situation in which different groups of people have access to different opportunities to develop their abilities. It is not a race in which all competitors start from the same starting point and in which the winner is defined by a combination of innate talent and hours of training. Instead, it is a race in which competitors start from different starting points.

Under the relational assumption, to address the roots of poverty is to address structural power asymmetries. And the most suited to that would be universalistic policies, as they are believed to level the playing field for competition to take place. In other words, these policies enable all citizens to compete on an equal footing in the market. The overreliance on targeted policies is a deficient strategy, as they potentially create stigmatization; and being policies that only benefit the poor, they tend to be poor policies in terms of implementation, resourcing, and so on. This is in contrast to universalist policies which also benefit privileged and politically active segments of society (Kerstenetzky, 2006; Lavinas, 2013).

Most importantly, policies that do not address structural issues are deemed to be too superficial – they are equivalent to throwing lifeguards rather than preventing a boat from sinking. Moreover, regarding the specific FI case, in addition to potentially being innefective, it carries a high risk of accentuating poverty. As Prahalad (2005) points out, there is an enormous profitability potential in doing business with the "bottom of the pyramid". Bateman and Chang (2009) identified the existence of a new wave of microfinance institutions (MFIs) with the following characteristics:

> “This is reflected in the growing commercial presence of major western banking groups in developing countries (e.g., CitiGroup and Barclays in Mexico), and the rising number of indigenous commercial banks ‘downscaling’ into microfinance in their own country (e.g., ICICI Bank in India). These large financial institutions are proving to be extremely adept at harvesting local savings in even the very poorest of communities… Unlike credit unions or financial cooperatives, where community ownership and control largely ensure that the institution remains true to its founding principles of community development and intergenerational solidarity, today’s MFIs are increasingly keen to become businesses themselves” (Bateman and Chang, 2009, p.15)

Having explored and critiqued the market approach, two different literatures that approach the issue of FI while assuming a relational view of poverty are the spatial and the financialization literatures. The next two sections explore them in detail.

2.4 The spatial view of financial inclusion

Mostly developed in the field of geography, the spatial view supports the idea that poverty is a result of structural asymmetric relations. But based on the investigation of the structural dynamics between the financial system and low income populations, it is also argued that a state of financial exclusion reinforces that asymmetric insertion, and therefore poverty, due to a spatially-mediated mechanism. This way, promoting FI would not eliminate poverty, but it would eliminate that reinforcement mechanism.

According to Leyshon (2009), the first academic references to redlining practices date back to David Harvey in the 1970's (Harvey and Chatterjee, 1974). The phenomenon literally refers to:

> "drawing a red line around areas on a map within which borrowers and properties were to be denied funding, because they were deemed either to have too high a risk of default or that the quality of the area was such that the properties that were borrowed against might decrease in value." (Leyshon, 2009, p.153).

The basic idea was that, if access to credit was largely determined by income and wealth, the geography of income and wealth would determine the geography of access. A renewed interest in such issues came in the early 1990's with the work of Dymski and Veitch (1996), two economists interested in the spatial distribution of finance. From this seminal work, a vibrant literature emerged. Using Los Angeles as a case study, the authors investigated the structural causes of the deficient access to mainstream financial institutions in poor communities in the post-World War II period, and its consequences for the population affected. They stressed that the geography of income and wealth was linked to a racial geography. In addition, they argued that a severely regulated institutional environment was largely responsible for the fact that a geography of income/wealth/race determined a geography of access. The relation between those two spheres was circular – in other words, rich areas tended to get richer, while poor areas tended to get poorer due to redlining.

According to Dymski and Veitch (1996), the process of financial deregulation that happened in the 1980's did not decrease exclusion. On the contrary. The deepening of financial disintermediation meant that an increasing proportion of firms sought funds directly in the capital market. As a result, banks lost customers and were forced to look for new business strategies. A way out was found in international lending. In the process, there was a large-scale downsizing of the number of branches to face cost pressures, as under the New Deal big clients implicitly subsidized the small ones. The rationalization of the branch network was aided by at-distance credit scoring technologies and new distribution channels, such as telephone and internet banking (Coppock, 2013). A renewed exclusionary process took place, this time being determined by market dynamics instead of state regulation. This way, the phenomenon of regional exclusion from mainstream financial institutions kept on deepening regional inequalities.

This process was thoroughly documented and analysed by a number of studies in other geographical contexts (Leyshon and Thrift, 1993, 1994, 1995; Pollard, 1996). In this literature, the concept of “financial exclusion” was coined and generalized, referring to a process by which economic agents were denied access to the financial system. The evidence was a wave of bank branches closures sweeping industrialized economies. The UK had 36% of the branches closing its doors between 1989 and 2003, while in Australia the estimate is around 20%, considering the 1981-1998 period (Leyshon et al, 2008). Moreover, the closures were not uniform in space. Rural areas were severely affected. In Canada, for example, 75% of rural communities were classified as moderately or highly vulnerable to withdrawal from banking institutions. And within the urban space itself, the inner-cities were much more affected by the process when compared to affluent suburbs (Leyshon et al, 2004).

Leyshon et al (2004) explain the circular movement of poverty accentuation by theorizing about the coexistence of two "ecologies" within the urban space, namely the affluent suburbs and poor inner cities. The super included suburbs were equipped with a dense financial infrastructure. The main ways in which those areas benefited were through increased banking competition; and privileged access to credit and its spillover effects. Regarding the latter, while residents of inner cities were able to make deposits in banks, they had their credit claims denied much more often. In practice, the consequence was a transfer of resources from poor to affluent regions. This way, the suburbs flourished with incentives to business development; and the continuous flow of resources sustained the market value of properties, by supporting demand and heritage conservation – widening regional disparities.

Another set of studies focused on the strategies used to resist the credit shortage, which Fuller and Jonas (2003) describe as the formation of "alternative financial spaces". These spaces most commonly refer to credit unions (Fuller, 1998; McArthur et al, 1993), community development banks (Barnekov and Jabbar-Bey, 1993; Taub, 1988) and local exchange and trade systems (Lee, 1999; Williams, 1996, Thorne, 1996). Populations that did not have these options available ended up finding themselves greatly exposed to the action of moneylenders and loan sharks, which left an important role for the investigation of their modes of operation (Leyshon et al, 2006).

In terms of policy prescriptions, the use of direct state support to open up a wider space for those alternative financial institutions is a recurrent suggestion (Pollard, 1996). But the use of indirect state intervention to incentivize mainstream financial institutions as a whole to include low income groups is also highlighted. For example, the literature suggests that the state could facilitate cooperation between mainstream and alternative institutions or incentivize the creation of not-for-profit divisions within mainstream financial providers (Leyshon et al, 2004). This latter point approximates the policy prescriptions of geographers to the ones of the market approach, even though these schools of thought start from very different starting points.

In sum, the construction of a more inclusive financial system is supported by the spatial approach – not as a way of eliminating poverty at its roots, but as a way of fighting the feedback mechanism that reinforce the power asymmetries in class and race relations that cause poverty[10]. Therefore, even when relational poverty is assumed, a more inclusive financial system is one of the policy prescriptions. The

[10]Generally, gender relations are not emphasized in that body of research.

financialization literature, in turn, adopts a much more critical vision and shows that modern processes of FI did not eliminate that feedback mechanism. This literature is explored next.

2.5 Financial inclusion and the financialization literature

According to Van der Zwan (2014), since the early 2000's a growing body of research has been investigating how the changing landscape of finance affects the logics of capitalism and the functioning of democratic societies in general – using for that the concept of "financialization". A recurrent definition of the term was developed by Epstein (2005), who states:

> "for us, financialization means the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies." (Epstein, 2005, p. 3)

The financialization literature emerged after the two schools previously studied – and quite independently from them. Many studies do not make any reference to the concept of financial exclusion. This is partly related to the fact that financialization studies have a broader scope of analysis, one that goes beyond the dynamics between the financial sector and the population at the bottom of the pyramid. Because the start point is the changing role of finance in modern capitalism, it allows for a deeper understanding of how the financial sector relates to low income segments. In their different strands, these studies allow us to explore from different perspectives the power asymmetries of the structural lender-borrower relationship that is created after FI policies are implemented. This literature was mapped in different ways, but following Van der Zwan (2014) and Gonzales (2015), we explore three strands: financialization and structures of accumulation; the destitution approach to financialization of households; and the cultural approach to the financialization of households – which are explored next.

2.5.1 Financialization and structures of accumulation

Many authors investigate financialization within a framework that sees economic phenomena as part of a broader regime of accumulation. Those are the authors referenced in this subsection[11]. In particular, a group of these scholars are affiliated to the Social Structures of Accumulation (SSA) school, which starts from the question of how the capitalist system, which is an inherently conflicting and unstable economic order, is able to maintain long periods of stability and growth. McDonough (2011) explains that SSA theorists are rooted in both Marxian and Keynesian principles. For Marx, the productive structure is founded upon class struggle; for Keynes, investments are inherently unstable, as they are determined by the formation of expectations in a world characterized by fundamental uncertainty.

But these problems were treated by the emergence of a set of institutions that mitigated class conflict and stabilized the long-term expectations of capitalists, thus supporting the process of capital accumulation[12].Within that set of institutions, a regime of accumulation operated – understood here as a system of production and consumption that promoted both capital accumulation and economic stability.

Kotz et al. (1994) posit that these institutions were both domestic and international. Amongst the most important domestic institutions were the nature of industrial organization, the financial system, the degree of state's involvement in the economy and the character of the class struggle that takes place in the labour market. Among the international ones were trade, investment, monetary-financial and political environments. Furthermore, not just political and economic institutions were a part of the mix. It was fundamental for a successful SSA to develop cultural institutions that were supportive to the rest of the structure. This way, one SSA became a cohesive whole.

But the growth period was constrained by the limits imposed by the current SSA. After the investment rate was pushed to the limit, a phase of stagnation started. The resumption of the pace of growth required reforms in the institutional context in force, whose implementation was always accompanied by social frictions. The result was the eventual dissolution of the current SSA and a renegotiation of forces that would

[11]Except for Lindblom (1977).

[12] Following Gordon et al (1994), capital accumulation is understood here as the "microeconomic activity of profit-making and reinvestment" (Gordon et al, 1994, pg. 15)

build the new one. The new SSA provided the basis for building a new phase of capitalism. Kotz (2010), for instance, argues that after the Second World War the Fordist SSA was in force in developed countries, which lasted approximately from the late 1940s to 1973. Latin America in turn was under what many authors called a Peripheral Fordist regime (Lipietz, 1982; Amsden, 1990).

Kotz (2010) explains that the Fordist SSA presented the following characteristics: the locus of accumulation was in the industrial sector. The production structure was characterized by monopolistic competition among large corporations; active state regulation in the real and financial sector of the economy; capital-labour alliance, in which workers accepted management imperatives in exchange for rising real wages, which in turn generated a strong increase in the purchasing power of workers. This increase was backed by a state committed to pursuing full employment policies and to granting generous welfare provisions; and existence of an institutional apparatus that guaranteed stability of capital flows at the international level.

According to Gulalp (1988), Peripheral Fordism differed from the Fordist SSA in two main ways. First, it did not have the capital-labour alliance typical of Fordism. Second, it was characterized by a strong dependence on central economies, of a technological and financial nature. When Fordist structures crumbled, Peripheral Fordism quickly followed[13].

Fordism was replaced by a neoliberal SSA in the early 1980s. The productive structure globalized, with the emergence of global value chains; the state largely abandoned its regulatory function and privatized its productive functions; the emergence of the global labour market, associated with deregulation of the domestic labour market, destroyed the Fordist capital-labour alliance, which eroded workers' purchasing power. This process was further intensified by a state committed to control inflation at the expense of promoting full employment, and that substituted universalistic welfare policies by targeted ones. At the international level, the dismantling of Bretton Woods institutions and the floating of exchange rates stimulated inflation control policies (Kotz, 2010; Kotz and McDonough, 2010)

[13] Chapter 5 explains in detail the dismantling of the Peripheral Fordist SSA, for the case of Brazil.

With the emergence of a global labour market, the domestic labour market suffered with declining wages and increasing unemployment. Declining labour costs associated with a massive productivity boost created a surplus that could not be absorbed by consumption and investment (Tauss, 2012). Van der Zwan (1994) explains that according to scholars that study financialization in the context of an accumulation regime, from the 1970's an increasing amount of resources started to be transferred to the financial system. The scenario was one of a stagnating productive sector and progressive deregulation of financial markets. Productivity gains were not being reinvested in the production process but were being distributed to shareholders or used to acquire financial products. Therefore, securities and derivatives markets, along with hedge funds, started to flourish. Therefore, in the neoliberal SSA the locus of accumulation was transported from the real to the financial sector. In Krippner's words, "a pattern of accumulation in which profits accrue primarily through financial channels rather than through trade and commodity production" emerged (Krippner, 2005, p.174).

As previously stated, the structural lender-borrower relationship that emerged with the modern process of FI is based upon an institutional apparatus that holds a set of unequal relationships. The SSA framework adds that this institutional context, precisely for stabilizing unequal relations, serves the purpose of supporting a certain form of capitalist accumulation. This way, the supply of financial products to low income populations work within this institutional context as instruments of support of the current economic order. And what type of support would that be?

At the time of the Fordist SSA, credit provided to households in the context of developed countries supported industrial accumulation in three main ways: it was a source of stability, since the financial system was highly regulated and its ability to take risks was heavily repressed - which dried up resources for dubious debtors; the credit provided to low-risk customers boosted demand for industrial products, giving an extra consistency to the already robust demand; and the facilitation of the purchase that comes with consumer credit, along with housing credit, reinforced the capital-labour alliance (Wolfson, 1994).

In the neoliberal world however, the power of finance in society hugely increased. Here we refer to the ability of a group of capitalists to influence other capitalists and the state. The mechanism is explained by Lindblom (1977) in the following way: in capitalist economies, businessmen are believed to hold the secrets of social prosperity, as they are the ones responsible for making investment decisions. Therefore, the state is endowed with the task of creating an appropriate business environment in order to foment prosperity. According to the SSA in force, the amount of state intervention required in the construction of an “appropriate business environment” varies. When the locus of accumulation moves from industry to finance, the primary role of states becomes to serve the interests of financial markets. At that time, the understanding of what an appropriate business environment was involved minimum state intervention within a neoliberal macro management. If the requirements are not fulfilled, the highly mobile financial capital threatens to fly somewhere else, leaving the country high and dry.

In this context, credit to families in turn progressively changes from an instrument of support of accumulation to one of the main instruments of accumulation – a process explained in detail in chapter 5. The “loose” surplus in search of a locus of appreciation eventually landed in the terrain of household lending after two main processes took place. Firstly, the individualized type of risk assessment that substituted a “pure” form of redlining opened the door to a growing market segmentation. With customers categorized into different risk classes, different products were offered for each segment at different prices. Secondly, the risk that fell on the financial institution, that charged high interest rates to groups already more prone to default, started to be transferred to the market through the advancement of another type of technology, whose main exponent is securitization (Montgomerie, 2009). Thus, banks originated the risk but could purge it from their balance sheets by transforming pools of “bad debt” in tradable assets, and the consequent recapitalization recycled credit supply. Or at least they thought they could, until it became evident the huge dangers associated with normalized processes of risk-locus transformation. The result was an unprecedented expansion of retail financial activities, boosting household access to a wide range of products – including previously marginalized communities.

In sum, this subsection investigated the asymmetries in the lender-borrower relationship by putting the analytical lenses on the power of the strongest part. By doing so, we pointed to the structural factors conditioning the supply of financial products to the poor. Based on a SSA framework, it was argued that the structural labour-borrower relationship emerges from a set of unequal relations preserved by an institutional apparatus that exists to maintain a SSA. This way, the supply of financial products to poor individuals supports the current form of capitalism. In the current SSA, the locus of accumulation is within the financial sector. Once this sector decides to direct a significant part of its investments towards household lending, these credit products become one of the main instruments of accumulation. Therefore, the lender exerts a Lindblomian's type of power, as the state protects accumulation at the expense of the interests of the borrower.

2.5.2 The destitution approach to financialization of households

Another way of verifying the asymmetries in the lender-borrower relation is to move the analytical lens to the weakness of the weak, this way mapping the structural factors underlying demand for financial products to low income populations. The literature that we call the "destitution approach to financialization of households" highlights the existence of various sources of instabilities arising from labour market and welfare institutions that push people into credit use to finance essential needs.

The authors belonging to this tradition draw attention to the increasing vulnerability of the population to financial markets for the provision of basic necessities, related to retirement (Waine, 2006; Langley, 2004), housing (Palomera, 2004; Langley, 2008), health (Mulligan, 2015; Seddon and Currie, 2016) and education (Eaton et al, 2016) in a context of wage stagnation and meagre welfare provisions (Sullivan et al, 2000; Warren and Tyagi, 2003). Sawyer (2014) highlights the support of consumption via credit extensions, in which case the role of credit is to maintain a standard of living that prevailed in a time when the economic order was more sympathetic to the working class – which is structurally coerced to enter the lender-borrower relationship. From then, the classic Hirschmanian's manifestation of power arises. A relationship is created, from which is difficult to exit, given the low and unstable character of the borrower's income; and in which his capacity to voice, namely their capacity to negotiate better terms, is extremely restricted.

In sum, from the moment the lender-borrower relationship emerges from highly deficient labour market and welfare institutions, this relation emerges out of coercion – the individual becomes a borrower because s/he does not have many other alternatives to fulfil essential needs. And once inside this relationship, a Hirschman type of power is exerted over the borrower.

2.5.3 The cultural approach to financialization of households

When it comes to explaining why the increased credit supply to households was rapidly absorbed, an alternative view to the previously presented "defensive consumption" hypothesis (Gonzalez, 2015) is the "consumerism hypothesis". This alternative sees the booming credit used by households not as much as a consequence of material survival. Instead, it is seen more as a result of individuals pursuing status in a society where prestige is attached to the ownership of material goods, and where it is socially accepted to use financial instruments to pursue that prestige (Frank, 1999; Klein, 1999; Schor, 1998). For Ritzer (1995), financial institutions abandoned their historical mission of fostering savings to the exact opposite of this, that is creating an environment conducive to imprudence and excesses. More generally, another group of authors concerned with the so-called "financialization of the everyday life" study how the expansion of finance produces a financialized culture that normalizes the use of various financial instruments to manage life, in its multiple instances (Watson, 2007; Harrington, 2008; Langley, 2007). According to Gonzalez (2015):

> "Scholars indeed focus on how financial discourses shape households as financial subjects by encouraging them to hold a balanced asset portfolio through the purchase of securities, mortgages, credit cards and insurances." (Gonzalez, 2015, p. 785)

Here we would like to go a little bit further, in order to build an interdisciplinary framework that draws on the financialization of everyday life literature, along with SSA (McDonough, 2008) and consumption theories (Veblen, 2005; Douglas and Isherwood, 1996; McKechnie and Tynan, 2006). This framework is specifically used in chapter 6.

Arguably, the defensive consumption and the consumerism hypothesis are not mutually exclusive. The credit being taken by households simply supports different types of consumption. Here, a simple distinction between two types is used – basic and social consumption. The former is associated with expenditures aimed at fulfilling immediate survival needs (such as food, clothing, housing, health), and future survival needs (such as education, retirement). The latter can be divided in three types: status, integrative and conformative consumption.

Status consumption is the one that signals wealth-status, therefore being a source of social recognition and prestige. This is what Veblen (2005) would call conspicuous consumption, which according to the author displays consumers' relative ability to pay and is not restricted to the elite, being in fact spread out through all classes. While subsistence and status consumption have been intensively discussed by economists and sociologists, integrative consumption has been highlighted by anthropologists (Douglas and Isherwood, 1996). It refers to the goods that mediate socialization via social rituals. These rituals refer to weddings, birthday parties, baby showers, Christmas celebrations, among many others.

Lastly, we also consider relevant to include, in addition to the categories discussed in the literature revised, a conformative type of consumption – one that is carried out with the objective of conforming to the current class consumption pattern. For example, when plasma TVs were new in the market, the product was tied to a symbolic dimension of status. But according to Data Popular, in Brazil 67% of slum households in metropolitan areas already had the device (Belo, 2015). Thus, the product is already incorporated into a standard consumption level - so that the acquisition of a plasma tv nowadays embeds a logic of conformation to the practices of a collectivity, in opposition to a logic of rivalry. Conformative consumption also has the role of mediating various forms of socialization, by connecting the individual to his social surroundings. Even though a tv is not strictly necessary to guarantee survival, it plays a very important informative function. Another example would be a cell phone, which is modern society plays a vital communication function.

While basic consumption is more directly determined by survival needs, social consumption is more heavily anchored on the cultural institutions in force[14]. Following the SSA approach stated previously, these cultural institutions also have a structural nature, as they are fundamental components of the SSA in force:

> "The economic, political, ideological, and cultural institutions of any social structure of accumulation are mutually compatible and generally supportive of each other as well as supportive of the accumulation process." (McDonough, 2011, p. 1240)

Cultural institutions emerge out of economic and political institutions – and the social relations they enclose - to give them ideological support. As Gramsci (1992) would explain, cultural institutions are shaped according to the interests of dominant social groups. They operate at a subjective level, creating a "consented domination" regarding the various unequal structural relations in force. According to McDonough (2011), there are various types of cultural institutions, ranging from more "tangible" entities, such as the higher education system, to more intangible ones, such as different systems of belief.

Cynamon and Fazzari (2008) investigate how cultural institutions influence consumption decisions by studying socially stablished norms. The authors reject the assumption of rational individuals of the life-cycle model, whose consumption decisions are based on the desire to smooth consumption throughout a lifetime, given the intertemporal budget constraint. Instead, they argue that people consume according to some set of norms, which are set by the individual's reference group. In other words, there is a standard of consumption, considered to be normal, and this normality is established via social relationships – as people compare themselves to the other, considered similar. A more refined definition of norms is provided by Lapinski and Rimal (2005) who define norms as "prevailing codes of conduct that either prescribe or proscribe behaviour that members of a group can enact".

Consumption norms establish the level of desired consumption. When consumerism is the common base of existing consumption norms, that level of desired consumption tends to detach from current income levels. This paves the way to the emergence of financial norms which support the materialization of social consumption

[14] Basic consumption is also based on cultural institutions, as patterns of essentiality are contextually-dependent. But not to the same extent as social consumption.

needs via credit use. This way, financial norms establish the socially acceptable ways in which those desires can be financed.

Along these lines, if we unite McDonough's (2011) and Cynamon and Fazzari's (2008) approaches to the study of cultural institutions within economic enquiries about consumption behaviour, three points stand out: firstly, cultural institutions are structural entities; secondly, they often manifest in the form of consumption and financial norms; and thirdly, those norms are held by systems of belief, which here we define as socially shared logics (or intersubjectivities).

Together, consumption and financial norms give legitimacy to policies that stimulate the increase in the volume of credit supplied to households. Legitimation however is not a straightforward concept, therefore requiring further explanation. Stanley (2014) explains that much of the literature on legitimacy starts from a critique of the Weberian concept of "belief-in-legitimacy". They reject that legitimation to an emergent value is based on direct justification of its existence. Legitimation comes indirectly when it is compatible with the existent set of cultural institutions, this being the case of "passive legitimation". When this compatibility does not exist, we have a case of "legitimacy gap" (Seabrooke, 2007).

But cultural institutions have a dynamic character, and as such, are constantly amenable to remodelling by powerful agents – the so-called active legitimation. Here we are interested in cases when this remodelling is performed by the financial system. In Watson (2007), for example, we find the thesis that the rise of the logic of operation of modern financial systems was entirely dependent on the transformation of the social perception of risk:

> "The increased flow of savings into financial markets has resulted from a cultural shift in which individuals are encouraged to embrace financial risk, because this means that they are taking responsibility for their own future" (Watson, 2007, p 13)

Watson describes a move from an industrial society to a "risk society". In this risk society, ordinary citizens increasingly behave as traders (Harrington, 2008): by 2001, over half of American households were already included in the stock market (Davis, 2008). And this change of perception manifests itself not only in the adoption of new financial practices, but also in the transformation of the relationship with traditional investments, as is the case of real estate investment:

> "The financialization of home forces more and more households to see acquiring a house not just as a home, as a place to live, but as an investment, as something to put equity into and take equity from" (Aalbers, 2008, p 152)

Aitken (2005), in turn, draws attention to the instruments used in this reshaping of social norms, by studying the advertising material used by the various organizations that worked on incorporating large chunks of the population into financial markets.

When legitimation processes are in place, in order to investigate their type one must uncover the structural relations that the cultural institutions basing this legitimation enclose. Spaces of non-legitimation may persist however, fomenting processes of bottom-up transformations, since agency is not completely subjugated to the structure. We believe that no matter how small it is, the agent preserves a degree of autonomy. Processes of transformation start with a feeling of resistance, that may develop into organized movements, which may or may not succeed in pursuing their demands.

In sum, this subsection continued to analyse the lender-borrower asymmetries by focusing on the vulnerabilities of the lender, this way analysing structural factors conditioning demand for financial products. Based on an interdisciplinary framework that draws on the financialization of the everyday life, SSA and consumption literatures, it was argued that the emergence of the lender-borrower relationship is underpinned by a set of cultural institutions. More specifically, those institutions refer to consumption and financial norms anchored on inter-subjectivities that legitimize the use of credit to materialize social consumption desires. These cultural institutions enclose the interests of the dominant parts of various structural relations, therefore subjecting the borrower to a Gramscian type of power. Some of these intersubjectivities are prior to the emergence of the lender-borrower relation, providing the basis to the "passive legitimation" of credit use. Spaces of non-legitimation are not static, but vulnerable to interferences of the financial system (Seabrook, 2007; Watson, 2007). When the financial system models pre-existing shared systems of beliefs to its favour, we have a case of "active legitimation". And finally, spaces of non-legitimation that persist may become fields for the development of bottom-up reform movements.

2.6 Towards a plan of action for financial inclusion evaluation studies

Most countries went through processes of FI, given the pressure of powerful international organizations, creating a need for studies that critically assess the degree and nature of the financial involvement of the poor at a certain region.

Based on the literature reviewed, we conclude that a critical analysis must adopt a relational view of poverty. In addition, we believe that the financialization approach provides the richest framework for those critical investigations to unfold. Its broader scope of analysis, if compared to the spatial approach, allows us to see from different perspectives the power asymmetries in the lender-borrower relationship that emerges after FI policies are implemented.

A critical assessment of FI initiatives, inspired by strands of the financialization approach reviewed in the previous section, would necessarily involve two research steps, which are followed in this thesis.

The first step is about having a precise understanding of the type of FI that took place, setting out its policies, relevant actors, assessing the degree of financial integration obtained and its main characteristics. The second step is to explore the asymmetries of power in the lender-borrower relation, which can be done by focusing on two different angles: on the power of the lender on the one hand, and on the weakness of the borrower on the other. From these two angles, the following research questions and hypotheses are derived:

> RQ1. What are the structural factors underlying the supply of financial products to low income populations?
>
> H1. The relative importance of the provision of financial products to the poor in the organization of the capitalist system affects the characteristics of that supply. This way, the bigger the centrality of those products in the accumulation process, the bigger the protection given by the state apparatus to the interests of lenders, which tends to directly influence the nature of this supply in a way that adversely affects borrowers.

RQ2. What are the structural factors underlying the demand of financial products by low income populations?

H2. There are consumption and financial norms which legitimize the use of credit to fulfil social consumption needs, stimulating its absorption.

H3. Instabilities in the agents' insertion in the labour market and in their access to welfare generates demand for credit to fulfil basic needs. In other words, there are labour market instabilities that seriously compromise the level and regularity of the income inflow along with weak welfare institutions that do not provide an appropriate cushion against those uncertainties.

Subsequently, one is equipped with enough resources to produce an overall assessment of the consequences of the increased financial involvement in people's lives, which lead us to RQ3:

RQ3. What are the implications of the factors identified in RQ2 in the financial lives of low income populations?

H4. The structural factors identified by RQ2 interact, creating cycles of indebtedness amongst low income households.

The next chapter explains the methodological strategies used to investigate the research questions posed.

CHAPTER 3 : METHODOLOGY

3.1 Introduction

The previous chapters laid out the research questions that are being pursued by this thesis and indicated their affiliations and antagonisms to the different strands of the literature on financial inclusion. Here, we present the methodological strategies used to investigate those questions along with its rationales. Our methodology is based on the philosophy of Critical Realism. This approach to scientific enquiry advocates that the ultimate purpose of science is the indentification of structural factors underlying empirical regularities, along with the use of mixed methods for that task.

This way, the present chapter is structured as follows. Sections 3.2 and 3.3 are about philosophical underpinnings, while sections 3.4 to 3.6 explore the technicalities of mixed methods. Section 3.2 explains why our research proposal is grounded on the epistemological and ontological assumptions of critical realism, and on its understanding of causality. The following section shows how the mixed methods used to develop this thesis are consistent with a critical realist approach. Section 3.4 depicts target population and unit of analysis, while section 3.5 depicts the methods used in chapter 4. The following sections explain the methods used in the core chapters (5, 6 and 7). Section 3.7 concludes.

3.2 The philosophy of Critical Realism

The starting point of critical realists is the debate of whether or not a reality exists independent of human consciousness. For positivists, independent reality exists and is directly observable. For social constructionists, human beings interpret and build their own realities, which are conditioned by their socio-cultural environment. Critical realists (CR) argue that a real world exists independently of human capacity to grasp it. However, this reality is not directly accessible through observation[15]. For Danermark et al (2001):

> “The answer which critical realism provides us with is that there exists both an external world independently of human consciousness and at the same time a dimension that includes our socially determined knowledge about reality” (Danermark et al, 2001, p. 5-6).

Based on that understanding of reality, the CR social research focuses on two ontological strata: the empirical and the real[16] (Sayer, 2000). The former contains collectable data, or observable social facts, always "contaminated" by the preconceptions of the observer. The latter is a deeper dimension, which contains the mechanisms that produce such events – in other words, an ontological interconnection exists. The purpose of the scientific practice would then be to unravel this underlying dimension, since it is inherently associated with observable facts. Epistemologically, the consequence is that all knowledge is flawed and therefore subject to revisions.

Bhaskar (1998) explains in more detail how this philosophical school understands causality. Located at the real layer are social structures, ultimately understood as relationships. Human agency, for instance, observed at the empirical layer, is associated with the underlying social structure by occupying positions in those relations. These structural social relations possess emergent properties, defined as properties of the whole that the parts do not have. They are called emergent properties because they emerge from the relation between the parts – if these parts were organized differently, the properties would not be the same. To exemplify this argument, the literature often resorts to examples from the natural world. Water is a classic example - the properties of hydrogen and oxygen, if taken in isolation, are very different from the properties of water. And different molecular arrangements with the same elements form other substances that have properties

[15] It is worth remembering that the idea of the existence of a reality that does not immediately present itself to our senses and is only revealed after a long exercise of reflection has very old philosophical roots. It was already present in the pre-socratic account of Parmenides and became popular with Plato’s cave myth (Marcondes, 2007).
[16] According to Bhaskar (1998), there are three ontological strata: the empirical, the actual and the real. The empirical is composed by our experiences, while the actual is composed by events, that were experienced by us or not. To Sayer (2000), social research in practice merges the empirical domain with the actual.

which are different from those of water. These emergent properties trigger causal mechanisms that act in the empirical world (Elder-Vass, 2012).

Every empirical event is necessarily caused by a set of multiple interacting causal mechanisms. These mechanisms do not have a deterministic, but tendential nature - wherever they exist, they exert a consistent influence on empirical reality. This means that the fact that a certain set is in operation does not guarantee that the event in question will happen. This is because this set is always subject to the action of countervailing forces that might arise from contingent structural entities or even from agents. A contingent relation is one that is not a pre-condition for an event to happen, but its interference is possible (Easton, 2010). Agents for instance are also considered to have emergent properties. This in practice means that a Weberian methodological individualism is rejected, as social phenomena are too complex to be solely explained by individual behavior. At the same time, it rejects Durkheim's collectivism, where society is treated as a completely autonomous entity to the individuals and endowed with full coercive powers over them.

The theory of human action proposed by Bhaskar, called transformational model of social activity, is summarized by the author as follows:

> "The model of the society/person connection I am proposing could be summarized as follows: people do not create society. For it always pre-exists them and is a necessary condition for their activity. Rather, society must be regarded as an ensemble of structures, practices and conventions which individuals reproduce or transform, but which would not exist unless they did so. Society does not exist independently of human activity. But it is not the product of it." (Bhaskar, 1998, p. 39)

To begin with, we have that society precedes individuals. We are all born in a pre-established social context characterized by particular "structures, practices, and conventions" that allow and constrain human action at the same time. This social context is not determinist, as it only gives possibilities of action. The individual is left with two options: the first is to act according to one of these possibilities, thus reproducing the social context. After all, if it is true that structures, practices, and conventions allow and constraint human action, it is also true that they also depend on human action to persist. The second option for the agent is to act outside the set of possibilities determined by the social setting. And by acting outside a predetermined set of possibilities agents are capable of transforming society. And the bottom-up influence that individuals exert on society consists of this capacity.

As laid out in the previous chapters, our first research step is to obtain a picture of the FI process that took place in Brazil, assessing policy design and the main characteristics of the FI obtained. In other words, that means to map the financial behavior of low income populations after the introduction of FI initiatives. Secondly and most importantly, to investigate the structural asymmetries in the lender-borrower relationship that condition that behavior in the Brazilian case. In a critical realist terminology, the first step obtains a description of financial behavior (the type of involvement of the poor with the financial system) located at the empirical level of reality. The second investigates the causality mechanisms at work at the real layer. More specifically, it explores how the emergent properties of the lender-borrower relation interact with the emergent properties of other necessary structural relations [17] in order to produce causal effects that underpin an empirical reality in which the lender exerts power over the borrower.

3.3 The methodology of Critical Realism

In the natural sciences realm, the tool available to researchers to unravel causal mechanisms is the conduction of experiments, classified by critical realists as artificial closed systems[18]. A closed system exists when the mechanism underlying the phenomenon being studied can be physically isolated. More precisely, Bhaskar (1998) defines two prerequisites for the system to be closed: the object of analysis is not subject to variation, and the relationship between the causal mechanisms and the environment is constant.

For the social sciences this tool is not available. Human beings, endowed with free will, can always act differently in relation to previously adopted behaviours. In addition,

[17] In this thesis, we mostly address class relations. Gender and race are marginally addressed in Chapter 7.
[18] Once closed systems are not spontaneously found in nature.

our actions affect the environment in which we operate in variegated ways. Hence, the two requirements for the existence of a closed system are violated.

According to CR, as the performance of experiments is not available to social scientists, and consequently neither are the modes of inference characteristic of experiments (induction and deduction), the mode of inference available to social scientists is the so-called retroduction. The latter is basically a move from the level of observation and lived experiences to postulate about the mechanisms underlying the phenomenon of interest (McEvoy and Richards, 2006). The process of retroduction involves a double movement – one of abstraction, which is the theoretical isolation of mechanisms; and one of synthesis, responsible for combining the mechanisms identified in order to explain observable events (Brown, 2013). The process of retroduction is also iterative, as the researcher starts with an empirical problem and general ideas about the mechanisms that should be accounted for. As empirical evidence is collected, the researcher proceeds to abstraction and synthesis, which are materialized in the form of loose hypothesis. As new evidence emerges, the investigator ratifies or reviews the theory initially proposed, until contradictory data ceases to emerge (Yeung, 1997). There is a constant back-and-forth movement between data and mechanisms in order to evaluate the coherence of the proposed theories.

Throughout the process of retroduction, multilevel, historical and inter-disciplinary approaches are ideally required. Firstly, the realist ontological interconnection is supportive to multilevel studies. Secondly, history assumes a fundamental role in investigations about the social world. Causal mechanisms are conditioned by particular historical contexts when producing observable events (Easton, 2010). Here we understand a changing historical context as changing contingent relations that surround the core through time. When looking at history, one is able to distinguish if the mechanisms have been persistent or transitory. In the end, it is a matter of evaluating their stickiness at the light of past trends in order to project accurate scenarios for the future (Lawson, 2006). Thirdly, given the diverse nature of different mechanisms which are in constant interaction with each other, a CR methodology encourages inter-disciplinarity. The complexities of the social world are better apprehended when one is not confined to academic boundaries.

When it comes to the nature of empirical data that feeds the process of retroduction CR has been used by various authors as a foundation for the use of mixed methods (Zachariadis et al, 2013; Modell, 2009; McEvoy and Richards, 2006). On the one hand, even though regularities do not strictly occur in the social world, which is considered to be an open system, an assumption commongly accepted is that they emerge eventually. The so-called “demi-regularities” might be associated with particular structural mechanisms which shape them. Quantitative methods play an important role in spotting those empirically observable, temporary regularities in human behavior (Bache, 2003; Downward and Mearman, 2002). On the other hand, qualitative methods help uncover those mechanisms. Arguably, qualitative investigations are more likely to uncover new evidence - processes or mechanisms only partially observable in quantitative data. In a survey for example, the respondent is subject to the rigidity of a priori theoretical assumptions, embedded in the pre-defined set of questions posed and available answers, which restricts his capacity to contribute to the research with a new flow of information, that in turn could have the power to perfect the initial assumptions.

Kaltenbrunner (2017) explains the complementary type of interaction between qualitative and quantitative methods in a CR investigation as follows:

> “This does not mean quantitative methods ‘validate’ qualitative results. Rather, in line with CR ontology, they allow additional insights into the same structured and layered reality (Downward and Mearman, 2007, 2002; Olsen and Morgan, 2005). According to Downward and Mearman (2007), the aim is to construct a nexus of mutually supportive claims of reality, without the presumption of being exhaustive, in which the whole stands distinct from its parts.” (Kaltenbrunner, 2017, p. 6)

Next, we explain our choice of methods and how it fits into the CR framework.

3.4 Target population and unit of analysis

By defining our target population, we define more precisely the “low income population” that the research questions refer to. Our target population is the urban precariat of the Southeast region, which is the share of the precariat with greater access to credit in Brazil. The asymmetries in the interregional credit distribution is an immediate consequence of the geographical concentration of development, very characteristic of the Global South. It is also a vastly documented phenomenon, which is not part of our analytical scope (Crocco et al, 2013; Sicsú and Crocco, 2003; Almeida and Junior, 2007; Reichstul e Lima, 2006).

The term “precariat” increased its visibility with the work of Standing (2011). In a nutshell, Standing understands it as a socio-economic group composed of people who lack different forms of labour security. The nuances of this definition however have been subject to a great deal of academic debate. Here we follow the version of Braga (2016), which diverge from the one of Standing in three main points: definition, relation with the proletariat and temporality (Mauricio, 2013).

Firstly, Braga uses the Marxist notion of relative surplus population as a reference for his definition of precariat. The Marxist concept refers to a “floating” population, composed of workers who are hired and fired frequently by companies. In other words, they have very fluid, practically disposable employment ties; it also refers to a “latent” population, mainly formed by rural workers waiting for an opportunity to settle in the city; a “stagnant” population, composed of workers in underpaid and degrading positions; and the “pauperized” population, formed by those incapable of work due to illness, disability or age, in addition to those who are completely on the margins of the economic system, such as beggars and individuals in extreme poverty contexts.

Braga excludes from his definition of precariat the pauperized population and the portion of the floating population that has a certain level of professional qualification – to better portrait the reality of developing economies. This last point represents an important counterpoint to the concept of Standing, which does not equate the precarious with working poor. For the British author, in contemporary capitalism there is a large number of skilled workers who although earn higher wages when employed, are part of the precariat. This is because they are subject to severe professional instability, which paves the way for the loss of professional identity and for the weakening of community ties; and the severe state lack of protection. In short, their existence is marked by uncertainty.

Secondly, Standing understands that the proletariat and the precariat are different things. He associates the former with the "standard" Fordist worker of the golden age in advanced economies - the worker with professional stability, fixed working hours, protected by strong syndicalism and robust welfare institutions. These conditions were a result of an insertion in a political context where the bargaining power of workers was strengthened (Mauricio, 2013). This individual contrasts radically with the precarious worker of the neoliberal era, which explains Standing's notion that the precariat is a new class. Thus, the condition of the precariat is understood as something that emerges outside the Fordist wage relation.

Braga, who comes from a more Marxist tradition, understands the precariat as part of the proletariat - is the precarious proletarian. For him, the condition of precariousness is intrinsic to the wage relation. In the context of developed countries, Braga recalls that the "standard" worker of Standing did not correspond to the totality of the working class. Generally speaking, the working conditions of female, black, young and immigrants at the time were very different. Moreover, a peripheral Fordism emerged in the context of developing economies, where productivity gains were not redistributed to workers and the condition of precariousness has always existed.

Braga, in understanding the precariat as part of the proletariat, and in being mainly interested in the application of the concept to the reality of the developing world - Brazil in particular – starts his analysis from the 1950s. It is a very different temporality than that of Standing, who, in understanding the emergence of the precariat as a post-Fordist phenomenon, starts his analysis from the 1980s.

After having defined our target population, using for that the concept of precariat, we move on to the unit of analysis. Both the individual and the household are units commonly used in the study of financial behavior of a given population. There are arguments that support the use of both units as on the one hand, the decisions of consumption and of how to finance them are strongly influenced by household dynamics. On the other hand, the contracts to be signed are ultimately individual. Chapter 6 maps shared subjectivities that underlie consumption and financial norms, and subjectivities manifest themselves by definition at the individual level. And in chapter 7, we opted for the construction of a model in which the analysis of the individual largely coincides with that of the household, but leaves open the possibility of a complexification that incorporates the analysis of intra-household dynamics. For this, we adopted as premise a household that has only one economically active individual, who centralizes the management of the budget.

Finally, to identify individuals belonging to the precariat we need to establish a criterion of practical demarcation. Although we strongly agree with Bourdieu's idea that the issue of class delimitation goes way beyond the financial scope, encompassing many other important variables (Bourdieu, 1984), the strong limitation of the available data forced us to use the income proxy as the criterion of demarcation. Whenever the manipulation of data was possible, we adopted as criterion individuals with household per capita income of up to 1 minimum wage per month (excluding the pauperized population), following the one commonly used in publications of IBGE and the Ministry of Social Development (MDS, 2005; IBGE, 2007)

3.5 Obtaining a description of financial behaviour

As stated previously, the first stage of this research assesses policy design and results, which allows for the identification of the financial products that are widely used in low income segments of the population, and its characteristics. In CR terms, this stage aims at identifying demi-regularities of behavior manifested at the empirical layer of reality, and for that descriptive statistics are used. This evaluation is found in Chapter 4, which provides the basis for the main analysis that investigates the structural conditioning of the prevailing financial behavior identified.

The main difficulty encountered at this stage was the unavailability of recent and untabulated data. Regarding data collected from the demand side of financial services, the only database produced by IBGE that includes in its scope the financial behavior of the population is outdated and covers a very limited number of variables. The latest available version of the Brazilian Research on Family Budgets (POF) is the 2009 survey. A new POF that was originally scheduled to be released in 2016 was postponed due to a lack of resources at the Institute, which was affected by the current Brazilian economic crisis. In addition, the 2009 version did not even address the possession of a current account by respondents, and questions about participation in credit markets did not investigate informal sources. Thus, quantitative studies of a national scope on financial exclusion resorted to primary research to overcome such an obstacle (Crocco et al, 2013), such as those carried out by the World Bank (World Bank, 2014a) and FGV (Gonzalez et al, 2013). FGV did not release the microdata, whilst the microdata released by the World Bank does not have important variables, such as the income of respondents[19].

Regarding data collected from suppliers of financial services, as recalled by Crocco et al (2013), information about credit denials and differential costs of services per customer are impossible to obtain through financial reports of financial institutions. Starting in 2014 however, the Central Bank of Brazil launched an effort to improve data on FI in the country, through a project that aimed at making different existing databases compatible and at disseminating indicators divided by income strata, produced from this unified base. These indicators began to be published in the 2015 Financial Inclusion Report and included the volume and categories of credit available to clients of different income levels (Central Bank, 2015). Two previous reports were produced in 2010 and 2011, in which the data divided according to income categories were very scarce (Central Bank, 2010, 2011). The Central Bank does not release the correspondent microdata, so the indicators used in chapter 4 were taken from the report. Therefore, chapter 4 shows a compilation of indicators drawn from various sources (IBGE, FGV, WB and Central Bank).

3.6 Unveiling the structural origins of observable phenomena

[19] The database has a secondary variable, that identifies respondents which are among the 40% poorest.

3.6.1 Methods used to investigate structural conditioners of financial inclusion in Brazil

Chapter 4 concludes that the financial behavior among low income populations is strongly characterized by the consumption of high cost consumer credit and bank accounts. Given the importance of credit use in the management of the household budget, this thesis mainly focus on that financial product. The second and main part of this research seeks to investigate the structural conditioners of consumer credit use.

In CR terms, the aim is to unveil the interacting emergent properties of core structural relations that underlie that “empirical financial reality”, stemming from both the supply and demand of consumer credit. In our particular case, we explore how the emergent properties of the lender-borrower relation interact with the emergent properties of other core relations, which are “locked up” in the institutional environment, in order to produce various causal mechanisms. Those mechanisms condition an empirical reality in which the lender exerts power over the borrower.

Each hypothesis posed in the introduction can be interpreted as a particular mechanism under investigation – except hypothesis number 4, which investigates the interaction of previously identified mechanisms and its effect on the conditioning of the empirical reality. With hypotheses 1 to 3 we are “abstracting” mechanisms, or in other words, we are isolating them theoretically, whilst in practice they are interrelated. Hypothesis 4 in turn represents a “synthesizing” effort, which seeks to explain how the mechanisms are interrelated. The synthesizing effort is also present at the conclusion chapter, allowing for an assessment of the nature of those structural asymmetries in the case of Brazil, and therefore the usefulness of FI as an anti-poverty policy in that context.

The first hypothesis relates to the investigation of a causal mechanism underlying credit supply to the poor. Chapter 5 explores, using a historical approach, the (possible) changing role of that product in the organization of the capitalists system – the more central this role becomes, the bigger is the power of the lender, which strongly affects the characteristics of supply. As previously stated, according to a CR methodology, a historical analysis allows us to evaluate the persistence of a mechanism trough time. The robustness of its historical roots is an important indicator of the relevance of that mechanism in producing the observable empirical phenomena being studied.

The existent literature on the subject is extremely fragmented. On the one hand, many academic papers and government and business reports on consumer credit in Brazil throughout the 20^{th} century have been undertaken; on the other, contemporary authors have explored the credit boom of the 2000s, but without digging into the historical roots of this topic. The principal reason for this neglect is that most of these earlier sources have not been digitalized. Thus, our access to these publications required regular visits to the National Library of Rio de Janeiro. The connection of those fragmentary secondary sources, linking past practices with contemporary studies (including our own), was the methodological base for the analysis developed in Chapter 5.

In chapter 6 we place the analytical lenses on the structural mechanisms shaping demand for financial products. The mechanisms under investigation are the different ways in which this demand is shaped by possible vulnerabilities that are originated within labour market, welfare and cultural institutions. For that investigation, qualitative methods are employed. Chapter 7 in turn makes use of quantitative methods to show how the mechanisms abstracted in chapter 6 interact in order to produce indebtedness cycles at the empirical level.

An extensive literature maps the different strategies that can be used to integrate qualitative and quantitative methods (Creswell and Clark, 2007). The most basic strategies present in all these studies are triangulation, complementarity and combination[20]. A traditional triangulation design involves the cross validation of data through different sources. For example, a study that compares and contrasts qualitative and quantitative data to assess the same research question is making use of triangulation. A complementary design for instance would use different methods to assess different research questions and the result tends to be a report with two clearly differentiated parts. It is the lowest degree of methodological interaction, because there is a great level of independence between the methods. The strategy of combination also has a complementary nature, but there is a bigger interdependence between the methods. Sánchez-Gómez and García (2018) define it as:

[20] Although they might appear with different nomenclatures.

> "Combination additionally integrates one method into another, with the intention of strengthening the conclusions generated by the method considered to be the main one. It is not based, therefore, on the independence of methods so much as it is on their complementing of one another" (Sánchez-Gómez and García, 2018, p. 345).

As stated in section 3.3, the CR rationale accommodates the use of designs with a complementary nature, that gather different insights into the same layered reality. Here the combination strategy is used, as chapter 7 starts from the results of chapter 6.

Combination is sometimes called the embedded or nested design (Caracelli and Greene, 1997), as in this case one type of data is embedded in a methodology framed by other type of data. Naturally, this strategy can be of two types, that Creswell and Clark (1997) calls embedded experimental designs and embedded phenomenology designs, depending on which type of data plays the main and the supplemental role within the overall design. We use an embedded phenomenology design, in which qualitative data assumes the main role.

Chapter 6 abstracts the structural determinants of consumer credit demand using in-depth interview analysis. The use of qualitative methodology was the chosen path for the following reasons: because the perceptions of participants are key to studies that surpass the sphere of 'what people do' to 'why they do what they do'; because perceptions can't be fairly summarized on a single rating scale at one point in time without informational losses (Patton, 2002); because the rigidity of pre-defined response categories of quantitative investigations hinder the identification of the various structural conditioners of existent subjectivities, in contrast to the open-ended character of qualitative enquiries (which also explains the primary role attributed to the qualitative investigation). More technical detail on the interviews performed is given on the next section.

Chapter 7 in turn addresses the articulation of the mechanisms identified in Chapter 6 in producing debt cycles – which have a relatively straightforward quantifiable nature. Descriptive statistics of various sources are used, such as the Central Bank, registries of defaulters and PNAD. Data from PNAD[21] is also the base for the calculus of logistics regressions that assess the role of employment shocks in the cycle.

3.6.2 The qualitative enquiry

All interviewees, except for one, were residents of *Complexo da Penha*, a region of slums located in the northern part of Rio de Janeiro. The other interviewee was a resident of a nearby region – the *Complexo do Alemão*. Residents of poor regions of the city were chosen in order to facilitate the selection of participants who were in accordance with the pre-established income criterion, since income is a variable of difficult investigation.

The sample

In total, 25 people were interviewed, among which 14 women and 11 men. One of the interviews had a distinct nature from the others - it was done with the president of a local NGO. For him, we asked questions related to his perception of the behavior of residents and about the functioning of the community in general, instead of questions related to how he managed his personal finances.

The number of interviews to be performed was not rigorously predefined. In CR tradition, theoretical presuppositions are always confronted with empirical evidence, and the theory has the role of guiding sampling. Since the models produced are always flawed due to the inherent unreliability of all knowledge, the moment to stop is dictated by the point of resources' exhaustion - time and material (Emmel, 2013; Maxwell, 2012).

Regarding sampling strategies, qualitative research in general uses purposeful sampling, an approach which involves selecting units of analysis because they are richly informative about the phenomenon under investigation. To this end, various strategies may be adopted. Patton (2002) lists a few of them, which is an interesting guide to fieldwork, and the author warns that a mix of different practices is highly recommended. We selected two of these practices to be used in this research - maximum variation and snowballing.

[21] PNAD, or National survey by sample of households, collects annual information on demographic and socioeconomic characteristics of the population. The survey is produced by IBGE.

The former seeks to represent various subgroups in the sample, and the selection may be guided by various factors such as gender, age, educational level, among others. The latter is a strategy for recruiting participants, in which existing research units recruit future subjects from among their acquaintance.

With the maximum variation strategy, we seek to gather the experiences of different individuals with the financial sector. Table 3.1 below summarizes the profile of participants. In addition, snowballing is particularly compatible with studies in Brazilian slums because it is a territoriality characterized by strong primary bonds of socialization (Abramo, 2013). In order to get to these participants, we firstly contacted a religious leader of a local church, who played the role of the gatekeeper – the person who makes the connection between the researcher and potential respondents. The gatekeeper indicated the first interviewees, who recommended other people and so on.

Table 3.1 Participants' profiles.

Interview	Participant*	Gender	Age	Occupation	Education	Marital status
1	Amanda	F	32	Cleaner	Secondary, incomplete	Single
2	Bia	F	36	Housewife	Secondary, complete	Married
	Bernardo	M	37	Security guard	Secondary, complete	Married
3	Cris	F	20	Telemarketing operator	Secondary, complete	Single
	Carolina	F	24	Student	Secondary, complete	Single
4	Danilo	M	34	Unemployed	Primary, incomplete	Single
5	Esther	F	67	Retiree	Primary, complete	Married
6	Fabio	M	50	Freelancer	Primary, complete	Married
7	Geruza	F	80	Retiree	Primary, incomplete	Widow
	Gisele	F	56	Nursing assistant	Secondary, complete	Divorced
8	Henrique	M	52	Retiree	Third, complete	Single
	Hugo	M	49	Freelancer	Secondary, complete	Single
9	Ingrid	F	35	Seller	Secondary, complete	Married
	Ian	M	34	Unemployed	Primary, complete	Married
10	João	M	35	Student	Secondary, complete	Single

	Janete	F	61	Unemployed	Primary, incomplete	Single
11	Leandro	M	55	Freelancer	Primary, complete	Single
	Leonardo	M	41	Micro entrepreneur	Secondary, complete	Married
12	Maria	F	41	Freelancer	Secondary, complete	Divorced
	Mariana	F	30	Housewife	Primary, incomplete	Single
13	Nestor	M	63	Community leader	Third, complete	Married
14	Pedro	M	35	Child protection counselor	Third, incomplete	Single
	Patrícia	F	40	Nursing assistant	Third, complete	Single
	Paula	F	55	Retiree	Secondary, complete	Divorced
	Paloma	F	43	Business assistant	Third, complete	Married

* Pseudonyms were used here, to protect anonymity of participants.

The Interviews

The structure of the questionnaire was inspired by Pawson (1996), containing a semi-structured and a structured part. According to the framework of CR, the former part is necessary for giving greater flexibility to the conversation, thus allowing for causal mechanisms initially overlooked by the researcher to emerge. But unlike grounded theory, the realist researcher comes to the field carrying theoretical assumptions derived from past studies. When the structured section, based on this prior knowledge, is put to participants, they interact with that material, offering us their point of view towards it. In practice, this part was designed in the form of statements, and respondents were asked to agree or disagree with them and the reasons for it.

Individuals who were pre-selected with the help of the gatekeeper were firstly contacted by phone or text message, and from then a meeting was arranged. On the appointed day, before the beginning of the work, the researcher informed them with greater detail about what the interview process was going to be like, and they received information sheets. After verbal consent the interview was initiated - this strategy was chosen because the participants were residents of risky areas, with an active presence of drug trafficking, and the formality that emanates from a written consent could lead to a feeling of distrust regarding the real nature of the research.

13 interviews were carried out between July and August 2017, each one lasting on average 40 minutes. 5 of them were one-to-one, and the others were performed in pairs. This round of interviews was the basis for the generation of initial results. Then, one focus group was performed in March 2018, which lasted approximately one hour. The aim of the focus group was to ratify (or reject) that initial assessment, and therefore some questions of the original questionnaire were prioritized, which narrowed down the interview.

Similar to what happened with Highet (2003), the emergence of the paired interview as the predominant method occurred naturally. Whenever participants could choose between a paired or an individual interview, the former was the option preferred. Participants who were interviewed individually did not have that option, due to the specific circumstances of the day.

As the interviews unfolded, a differential of the paired interview stood out - a factor that is frequently pointed out in the literature as an advantage of the method. During that type of interaction, the idea is to create a dynamic environment in which participants interact with each other, which has two effects: the flow of the conversation gets more natural, given that the amount of gaps tend to be reduced (Evens and Houssart, 2007); and if participants know each other well, that creates a safer environment, compared to a situation when the interviewee is alone with the researcher (Amos et al, 2003). This way, they tend to feel more comfortable to share more personal information – as the state of their finances for instance.

Paired interviews also offer practical advantages, such as the rationalization of the amount of data produced; and the ease of transcription compared to focus groups. For the latter, it is common for several participants to speak at the same time, and if the interviews are audio taped, it is common for the transcriptionist to have some difficulty in distinguishing between the voices of participants.

Naturally, as any method, paired interviews also have their weaknesses, among which we highlight the leading participant issue, which is a problem shared with focus groups. In these cases, one participant tends to dominate the flow of the conversation, while the other remains relatively quieter and/or tends to always agree with the leading interviewee, not engaging critically. But in the interview care was taken to counteract this bias. Once the issue was perceived, the interviewer addressed the quieter participant more actively, stimulating his/her engagement in the debate.

Organization and classification of interview results

The interviews were tape recorded and then transcribed. The written material produced was manually coded. The categories created were evaluated according to their internal homogeneity, which attests the similarity of the data under the same classification, and according to their external heterogeneity, which assesses the differences between categories. Both evaluations should be combined in order to ensure that there is no overlap between the categories constructed (Patton, 2002).

3.7 Conclusion

In sum, this chapter explained why a CR perspective was used to frame the research questions posed in this thesis and how the CR approach informs our choice of methods. In particular, a methodological mix that makes use of historical and qualitative approaches, distant acquaintances of many economists, can be subject to critiques of various kinds. But CR challenges the supremacy of quantitative analyses by ratifying its importance, but also exposing its limitations. The redefinition of the role of quantitative methods in social sciences paves the way for methodological variety to be a standard, instead of an outlier research practice. In the next chapter, we start our analysis about FI policies in Brazil.

CHAPTER 4 : FINANCIAL INCLUSION POLICIES IN BRAZIL

4.1 Introduction

Chapter 2 argued that a critical assessment of FI initiatives in a particular context must necessarily investigate the structural determinants of the power asymmetries in the emergent lender-borrower relationship. But the building on this assessment requires a previous step: one of understanding the type of FI process that took place, regarding policy objectives, regulations, policy actors and outcomes. This allows for the analysis to focus on the main financial products – the ones that reached a significant portion of low income populations. This research step is developed in the current chapter.

As discussed in chapters 1 and 2, policy measures aimed at enhancing the economic welfare of socially excluded individuals by encouraging their participation in the formal banking system had been undertaken outside of Brazil long before the beginning of the Lula government in 2003. The political advocacy for FI under the auspices of the most important international organizations flourished throughout the 1990's, reaching a peak in the 2000's. The focus on the promotion of microcredit, understood as the supply of small amounts of credit to micro-entrepreneurs, gradually widened. The promotion of microfinance became the new policy paradigm. The new goal was to ensure that an enlarged base of the population had access to a wide range of financial products.

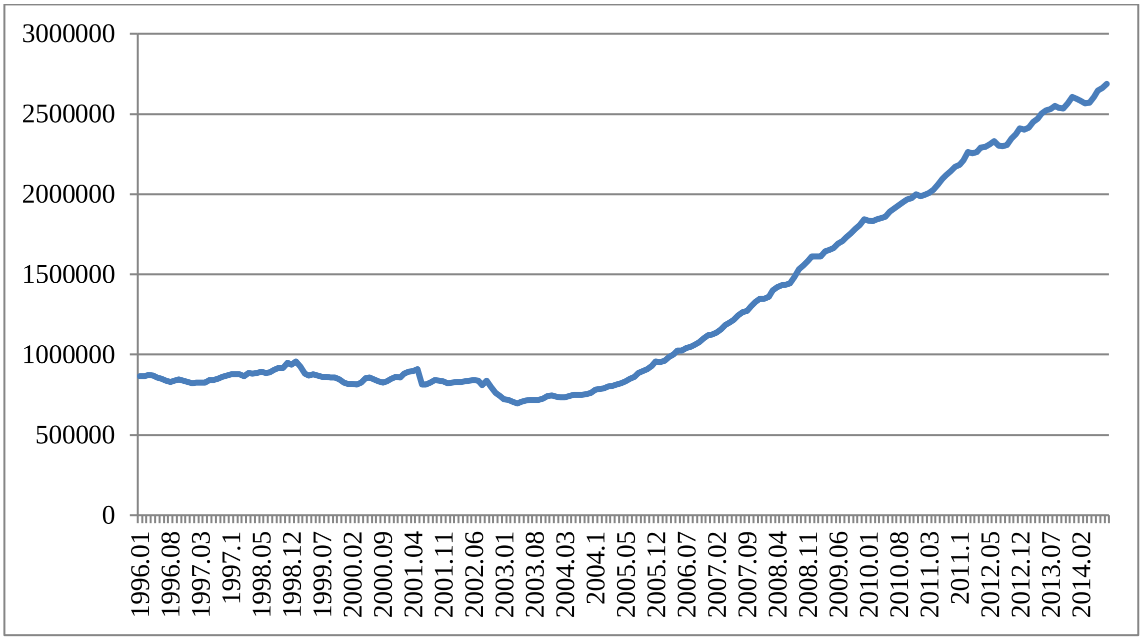
The Brazilian case also follows that timeline. Microcredit policies started to be implemented in the second half of the 1990's, during the presidential mandate of Fernando Henrique Cardoso, who stayed in power between 1995 and 2002. Paixão (2017) highlights the role of BNDES which in 1996 launched the Popular Productive Credit Program and the Institutional Development Program. Together, these programs aimed at creating what the development bank called a "microfinance industry" in the country (Goldmark et al, 2000). Other measures highlighted by Paixão (2017) had a regional reach, such as the creation of the *Banco do Povo Paulista*[22] in 1998 and the creation of a microfinance division at the *Banco do Nordeste* in that same year.

During president Lula's government, between 2003 and 2010, we clearly see a commitment to expand microcredit in Brazil, and moreover, to expand access to various financial products. In other words, we see the consolidation of the microfinance paradigm, which made this an "era of financial inclusion" in the country, justifying the focus of this chapter on this period.

Regarding credit specifically, there is a consensus in the literature that from 2003 an expansive credit cycle took place in Brazil[23](Coelho et al. 2012; Lavinas, 2015; Paula and Leal, 2006; Sbicca et al. 2012). In general lines, this new phase was essentially characterized by three important features: the large increase in the volume of credit to the private sector; the recomposition of these funds, which started to turn towards individuals, in the form of housing credit and other categories of credit to individuals; and both public and private institutions actively participated on the credit boom.

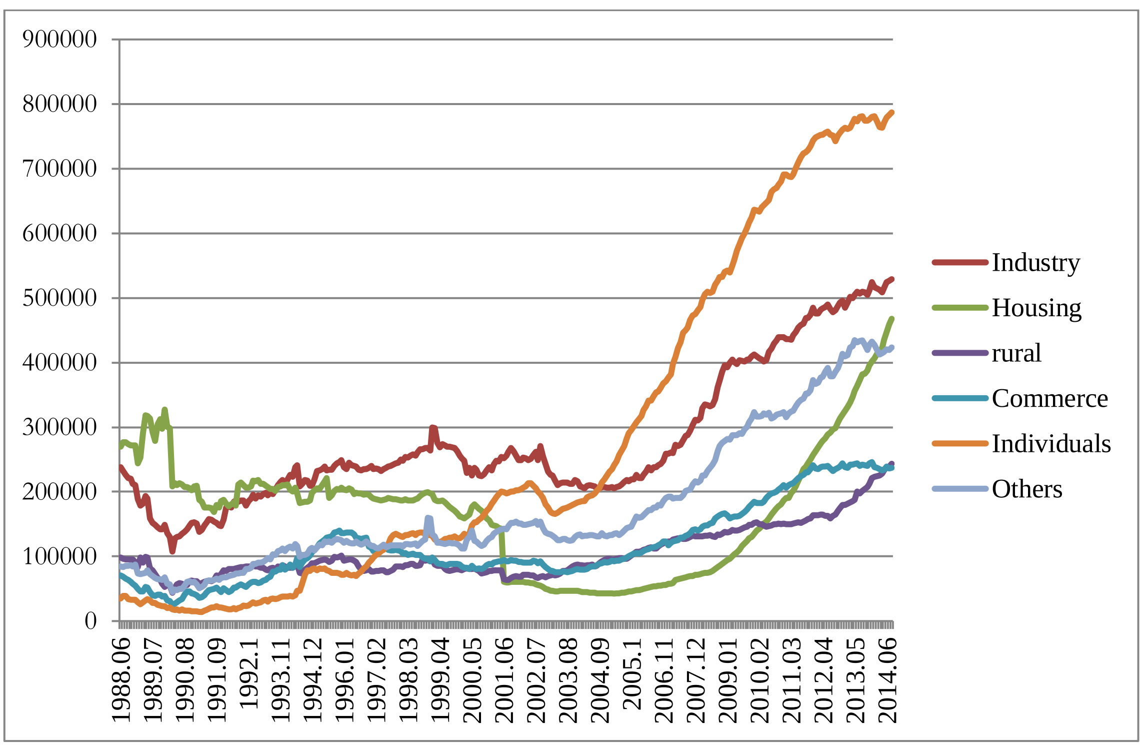
[22] The "Bank of the Paulista People" is the microcredit program developed by the state government of São Paulo.
[23]This expansive credit cycle is an important feature of the consolidation of the neoliberal SSA in the country – which is explained in details in Chapter 5.

Figure 4.1 Total credit to the private sector. R$ (million). Deflated series (IGP-DI, aug 2014=100). January 1991 – August 2014.



Source: IPEADATA. Author's tabulation.

Figure 4.2 Total credit to the private sector, by categories. R$ (million). Deflated series (IGP-DI, Aug 2014=100). June 1988 – August 2014.



Source: IPEADATA. Author's tabulation.

In the table above we can see that with the deceleration of GDP growth from 2011, credit to individuals (excluding housing credit) also slowed down and started to grow at decreasing rates - but it remained at a much higher level than in the previous decade. Housing credit, however, showed no signs of a slowdown until August 2014. According to the Central Bank (2015), it represented almost ⅓ of the credit provided by the National Financial System in 2014, having registered a growth of 229% between 2010 and 2014.

There is evidence that low income clients participated in the credit expansion process. Serasa Experian estimates show the huge increase in credit demand coming from the lowest income category (92.9%), for the period in question. The second largest increase (55%) comes from the second lowest income category. It is important to highlight that the figures below are based on credit requests that were met by financial institutions:

Table 4.1 Variation of credit demand by individuals, by income categories (%). January 2007 – October 2014.

Income categories*	Variation
Upto R$ 500	92.9%
R$ 500 to R$ 1.000	55.0%
R$ 1.000 to R$ 2.000	40.8%
R$ 2.000 to R$ 5.000	43.2%
R$ 5.000 to R$ 10.000	47.2%
above R$ 10.000	45.8%
Total	50.0%

Source: Serasa Experian. *Based on individual, instead of household income.

This chapter deepens this analysis, providing an overview of the microfinance policy objectives – how they were pursued and practical results. It maps what we consider to be the main objectives of the policies implemented in this period, which were: to mobilize the financial system to provide free bank accounts; housing credit; consumer credit via credit categories that were not exclusive to low income clients; and low value credit that could serve production or consumption purposes of low income clients.

This analysis demonstrates that the era of FI in Brazil largely involved increased access to high cost consumer credit and bank accounts. In other words, there was a process of inclusion of marginalized clients by mainstream financial institutions – but a type of inclusion that was very different from the one originally designed by policy makers. Because of its central role in the management of the household budget, the rest of this thesis mainly focuses on the analysis of consumer credit. The following chapters argue that these "unwanted" policy results are a result of the promotion of FI in a context marked by extreme power asymmetries in the lender-borrower relationship.

4.2 Objective 1 – promoting access to free bank accounts

Three pieces of legislation enacted during Lula's government, directly and indirectly, aimed at boosting access to free bank accounts in the country. First, before direct measures were put in place, it was necessary to give geographical scope to the system of provision. The Central Bank Resolution number 3110, dated of July 31 2003, set the rules for branchless banking in the country, which is the delivery of financial services outside the traditional environment of branches. In these cases, commercial institutions, such as pharmacies, supermarkets and local shops, work as mini-branches, in that they were authorized to work as intermediaries between financial institutions and final clients. It was an important measure to tackle geographical exclusion in a country of continental dimensions, because it significantly reduced the cost to banks of supplying financial services in remote areas.

Second, Central Bank Resolution number 3211, dated June 30 2004, regulated the so-called simplified current accounts, intended for individuals who did not possess any other account. Amongst the characteristics that distinguish these accounts from the traditional ones, we can mention: the opening requirements are simpler, requiring only the identity card and social security number; there is a limitation in terms of the balance that can be kept in the account[24] (Barone and Sader, 2008); and it is prohibited to charge fees to open and maintain the account.

Third, four years later Central Bank Resolution n. 3.518/2007 was promulgated. In force since April 30 2008, this resolution determined that financial institutions had to offer a package of free services called "essential services" to clients. Among the services

[24] In 2016, it was R$3000.

included there are: 4 monthly withdrawals, 2 bank statements, 10 check leaves, 2 transfers between accounts of the same institution and unlimited online consultations. While simplified accounts have an increased focus on low income clients, the essential services package reaches all consumers who do not use their accounts much during the month, as it does not require non-ownership of another account and does not impose balance limitations.

Some studies indicate the practical results of the legislation in question (World Bank, 2014b; World Bank, 2015; Lavinas, 2015, Gonzalez et. al, 2014). Using a stratified sample of 1007 people in Brazil, the World Bank estimated in 2014 that 68% of the population had a bank account, a figure which was considerably higher than the Latin America and Caribbean average of 51.4%. As shown in Table 4.2, when we filter for the poorest 40%, the rates drop to 58.5% and 41.2% for Brazil and Latin America/Carribbean, respectively[25] (World Bank, 2014b).

Table 4.2 Adults with an account (%), age 15+. Brazil and Latin America & Caribbean.

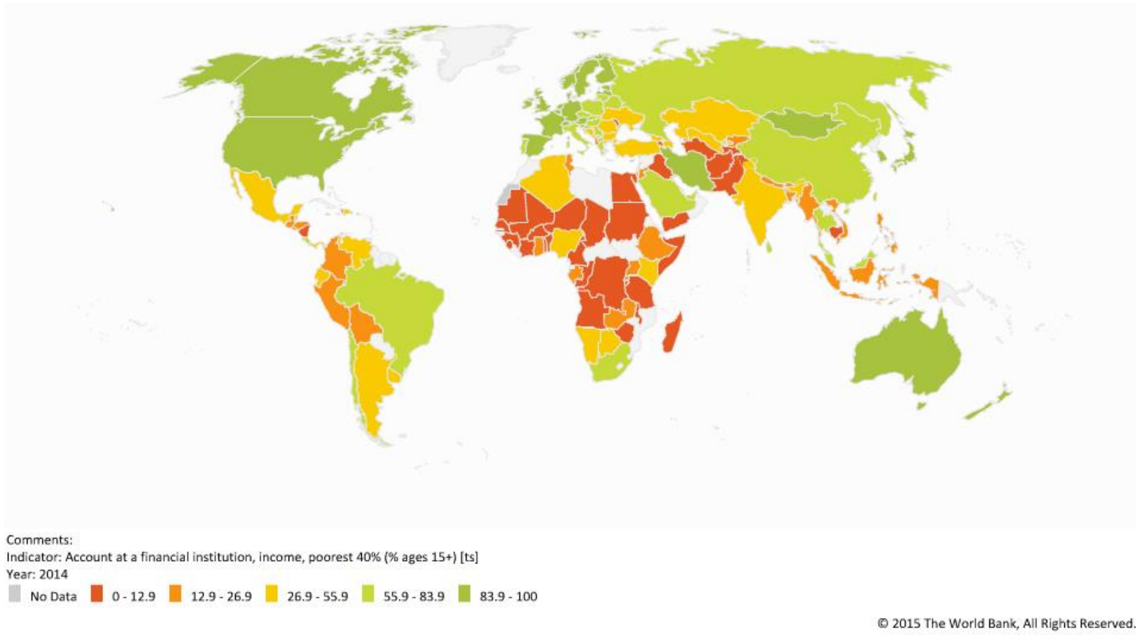
Account (%)	Brazil	Latin America and Caribbean
All adults	68,10%	51,40%
Adults, poorest 40%	58,50%	41,20%

Source: World Bank (2014b)

Still focusing on the poorest 40%, the Brazilian banking rate is not very far from that of developed countries, as illustrated below:

[25] The margin of error is 3.5 percentage points and a 95% confidence level is considered.

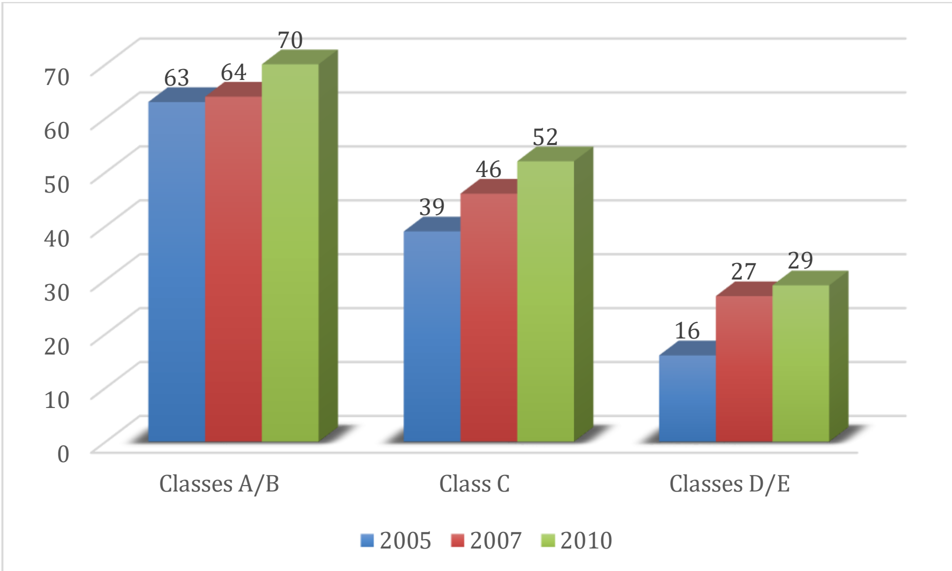
Figure 4.3 Adults with an account in the world (%). 2014.



Source: World Bank (2015)

Central Bank estimates show the percentage of account holders according to social class, for the years of 2005, 2007 and 2010. In 2010, 29% of the members of classes D and E had a bank account. Even tough the Central Bank figures are somewhat outdated, they are important as they indicate a positive trend in the number of account holders over time.

Figure 4.4 Accounts by social classes (%). 2005, 2007 and 2010.

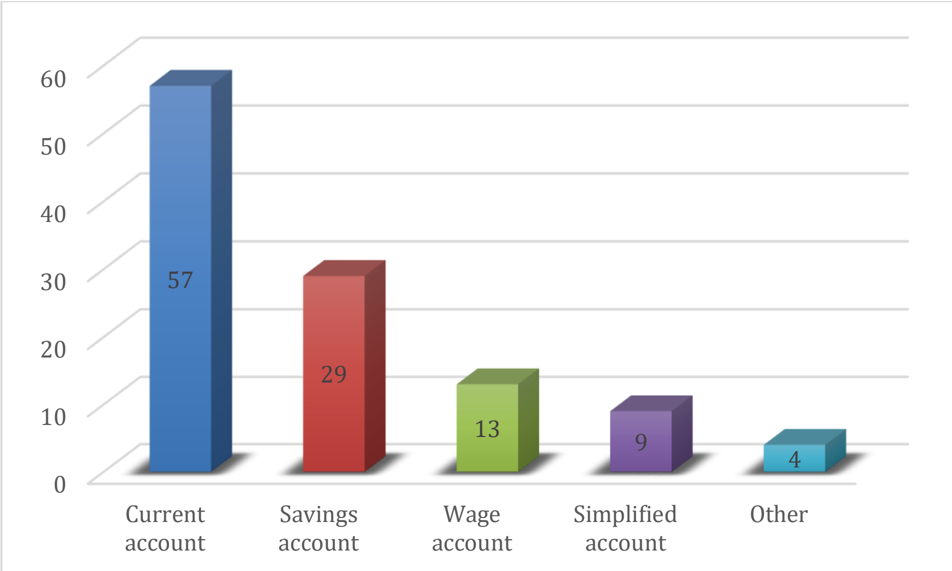


Source: Lavinas (2015), based on Central Bank data. Social classes defined according to household income, measured in minimum wages: class A, above 10 m.w.; class B, from 5 to 10 m.w.; class C, from 3 to 5 m.w.; class D, from 2 to 3 m.w.; class E up to 2 m.w.

The indicators presented so far show positive trends regarding access to bank accounts in the country. However, they do not distinguish between the types of accounts provided. A study produced by the Getúlio Vargas Foundation (FGV) (Gonzalez et al, 2014) with 3.000 people across the country provides evidence of the very low penetration of simplified accounts, both in the general indicator and in the one that separates the extreme quintiles of income[26]. As can be seen in Figure 4.6, amongst the poorest respondents only 6% had simplified accounts.

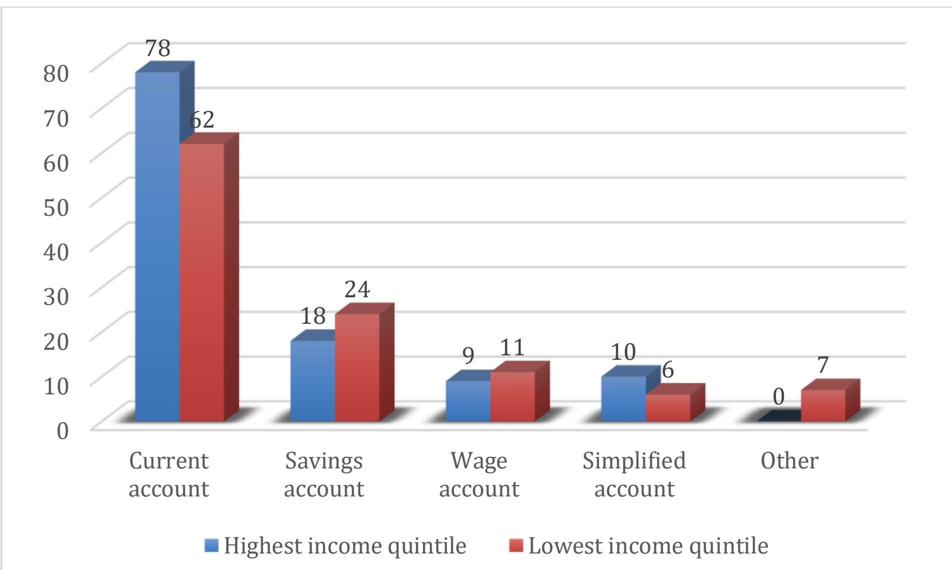
[26] the essential services package was not mentioned.

Figure 4.5. Ownership of accounts, by type of account (%). 2013.



Source: Gonzalez et al (2014)

Figure 4.6 Ownership of accounts, by type of account and income quintiles (%). 2013.



Source: Gonzalez et al (2014)

The studies that try to assess the barriers to the dissemination of basic banking are scarce. An investigation performed by the Institute of Consumer Defense (IDEC) between May and June 2015 evaluated the provision of free accounts by 6 financial institutions. The result was that only three offered the service. And *Banco do Brasil*, which in principle offered the service, denied access to it to the researcher who requested it (IDEC, 2015). This situation is aggravated by the fact that bank employees have a financial disincentive regarding the opening of basic accounts, which are not profitable and therefore do not contribute to the achievement of the targets that set their remuneration. The lack of proper advertisement is another supply barrier that was already mentioned. Although the Central Bank determines the disclosure of bank fees in visible places in branches, the norm is little or no advertising related to basic banking services.

In sum, on the one hand the figures analysed show a positive evolution of access to bank accounts by low-income groups over time. But the studies that distinguish between the types of accounts provided suggest the existence of important barriers to the dissemination of free-of-charge accounts.

4.3 Objective 2 – promoting access to housing credit

Figure 4.1, showed at the introduction of this chapter, suggests that low income clients participated on the credit expansion process. But the table has nothing to say about the type of financial products that low income clients use. In this sense, the IMF estimations below, based on POF's microdata, can give us a hint:

Table 4.3 Lending penetration (financial and other forms of lending, %). 2003 and 2009.

				2009				
Percentile	5	10	25	50	75	90	95	Total
Mortgage[1]	0,9	0,9	1,3	1,9	3,6	6,1	7,4	3,3
Mortgage[2]	0,5	0,4	0,8	1,1	1,8	2,6	2,9	1,8
Creditcard holder[3]	4,8	6,3	10,6	17,5	28,8	44,2	64,4	26,8
Cheque especial holder	1,2	1,4	2,0	4,2	11,6	28,3	57,6	14,4
Loan (financial)[4]	2,7	4,6	8,2	13,1	18,0	23,3	27,1	15,6
Loan (some form of loan)[5]	49,4	52,6	60,7	68,1	75,9	79,8	78,9	69,8
				2003				
Mortgage[1]	0,7	0,9	1,6	3,0	4,8	7,8	9,9	4,4
Creditcard holder[3]	1,9	3,3	4,5	8,6	19,7	36,6	59,9	19,5
Cheque especial holder	0,7	0,7	0,9	2,5	9,6	30,3	61,9	14,0
Loan (financial)[4]	1,6	2,4	3,6	6,1	11,8	20,0	23,5	10,6
Loan (some form of loan)[6]	29,2	36,1	41,9	50,3	58,0	60,8	59,9	51,5

Souce: García-Escribano et al (2012). 1. Home ownership and not yet fully paid; 2. Reporting housing payments and acquisition "a prazo"; 3. Credit card holder but not necessarily with credit card expenses; 4.

Reporting loan payments; 5.Reporting buying durables during 2006-09 with acquisition “a prazo”; 6. Reporting buying durables during 2003-05 with acquisition “a prazo”.

Table 4.3 breaks down lending according to type and across different percentile of the income distribution. If we look at the data above, the very low penetration of mortgages, especially in the poorest 50%, is striking. For this group, the numbers remain stable between 2003 and 2009. In the other percentiles a very slight increase is observed, which is in accordance with graph 4.5.

It was known that the Brazilian financial system had always been unable to provide minimally necessary amounts of long-term credit, which are vital to any development effort (Camargo, 2009). Housing credit was especially problematic - just to give an idea, in 2007 the volume of housing loans in Brazil corresponded to 1.8% of GDP, while in the USA this proportion was 100.3% (Guimarães, 2016). In a scenario where the amount of housing credit supplied is generally insufficient, the task of granting housing credit to low income segments of the population requires intense direct government action - which was what happened. Launched in 2009, the social program *Minha Casa, Minha Vida* mobilized public resources for the provision of credit lines at low interest rates to low-income families that do not own a home and never used federal housing benefits. It also provides subsidies that, depending on the income of the applicant, can amount to 90% (Ferraz, 2011). *Caixa Econômica Federal*[27] was chosen to be the management unit, but in 2011 the Central Bank regulated the participation of private banks in the management of these resources. However, they still remain heavily concentrated in CEF.

As we saw in Graph 4.2, an acceleration in mortgage lending from 2009 is apparent. According to the table below, which shows the volume of housing credit according to income, at the end of 2014, 27% of the total volume of housing credit offered in the market was in the hands of clients whose monthly household income did not exceed 3 minimum wages[28].

---

[27] One of the biggest Brazilian public banks.

[28]Social classes in Brazil are commonly demarcated in terms of monthly income earned by the individual or by all members of the household. And this monthly income is presented having the value of the current minimum wage as a reference. In 2014, the minimum wage was R$725 per month (or around £190, considering the exchange rate in force in June 2014)

Table 4.4 Volume of housing credit by income strata (%). 2012, 2013 and 2014.

	Dec/12	Dec/13	Dec/14
No income	0	0	0
Upto 3 mw	26	25	27
3-5 mw	16	15	14
5-10 mw	21	20	21
> 10 mw	37	40	38
Total	100	100	100

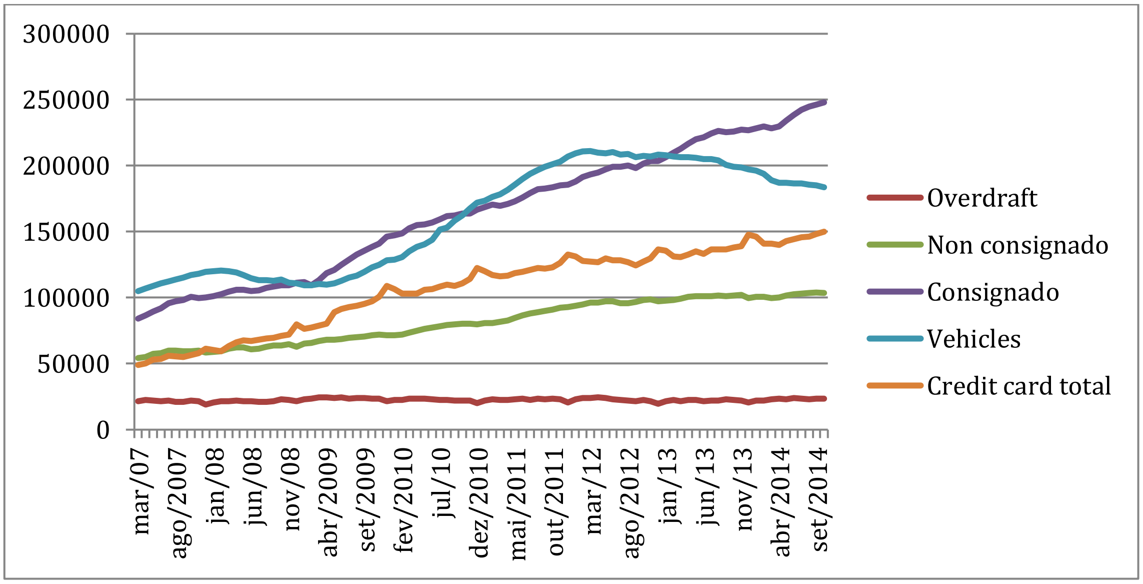
Source: Central Bank (2015). mw = minimum wage

By 2014 the ratio of housing credit to GDP had risen to 8.8%, a large part of this expansion being attributed to *Minha Casa*, *Minha Vida* - a significant growth, however falling well short of what would be necessary to eliminate the Brazilian housing deficit (Ferraz, 2011).

4.4 Objective 3 – promoting access to consumer credit

Disaggregating the volume of credit granted to individuals (excluding housing credit) into different products reveals sustained growth in three categories of credit - *consignado*, credit card and non-*consignado*. *Consignado* is a type of credit that boomed during Lula's administration, in which due payments are directly discounted from the payroll.

Figure 4.7 Balance of credit portfolio with free resources - Individuals - by categories. Deflated (IGP-DI, ago 2014=100). March 2007 – October 2014.



Source: Central Bank of Brazil, time series management system. Our tabulation.

Claimants of *consignado* are formal workers and pensioners of the National Institute of Social Security (INSS) – which makes it very difficult for the poor to access, given the high informality rate in the Brazilian labor market. *Consignado* credit for pensioners was regulated in 2003, through federal Law number 10.820. Since the default risk is practically zero, in this case the interest rates are substantially lower, which is one of the main explanatory factors for the growing popularity of the category. Lower interest rates have even led many clients to take *consignado* as a strategy to escape from more expensive credit lines. In order to prevent excessive use of the product, the value of the installments cannot exceed 30% of the monthly wage of the client. As shown in Table 4.5, despite barriers, the biggest volume of *consignado* credit goes to clients who earn up to 3 minimum wages:

Table 4.5 Volume of *consignado* credit by income strata (%). 2012, 2013 and 2014.

	Dec/12	Dec/13	Dec/14
No income	2	2	1
Upto 3 mw	35	35	36
3-5 mw	19	18	17
5-10 mw	22	23	23
> 10 mw	22	22	22
Total	100	100	100

Source: Central Bank of Brazil (2015)

Regarding non-*consignado* credit, although clients whose household income does not exceed 3 minimum wages do not hold the highest volume, the category appears in second place, only losing to the richest. This is apparent in Table 4.6 below.

Table 4.6 Volume of *non-consignado* credit by income strata (%). 2012, 2013 and 2014.

	Dec/12	Dec/13	Dec/14
No income	1	1	0
Upto 3 mw	22	23	24
3-5 mw	14	13	14
5-10 mw	22	21	21
> 10 mw	41	42	41
Total	100	100	100

Source: Central Bank of Brazil (2015)

If we briefly return to table 4.3, we see that amongst the poorest 50% households, 68.1% reported buying durable goods in instalments in 2009. Furthermore, the proportion of these households which owned a credit card in 2009 was 17.5% - more than double of the proportion registered in 2003. Over the years, credit cards became the main instrument of consumer credit, as they partially replaced the traditional *carnês de crediário*[29] (CNC, 2013). At the end of 2014, clients with a household income of up to 3 minimum wages led in terms of the credit volume granted via credit cards. This can is shown in Table 4.7.

Table 4.7 Volume of credit card- based credit by type of credit and income strata (%). Month of reference: December. 2012, 2013 and 2014.

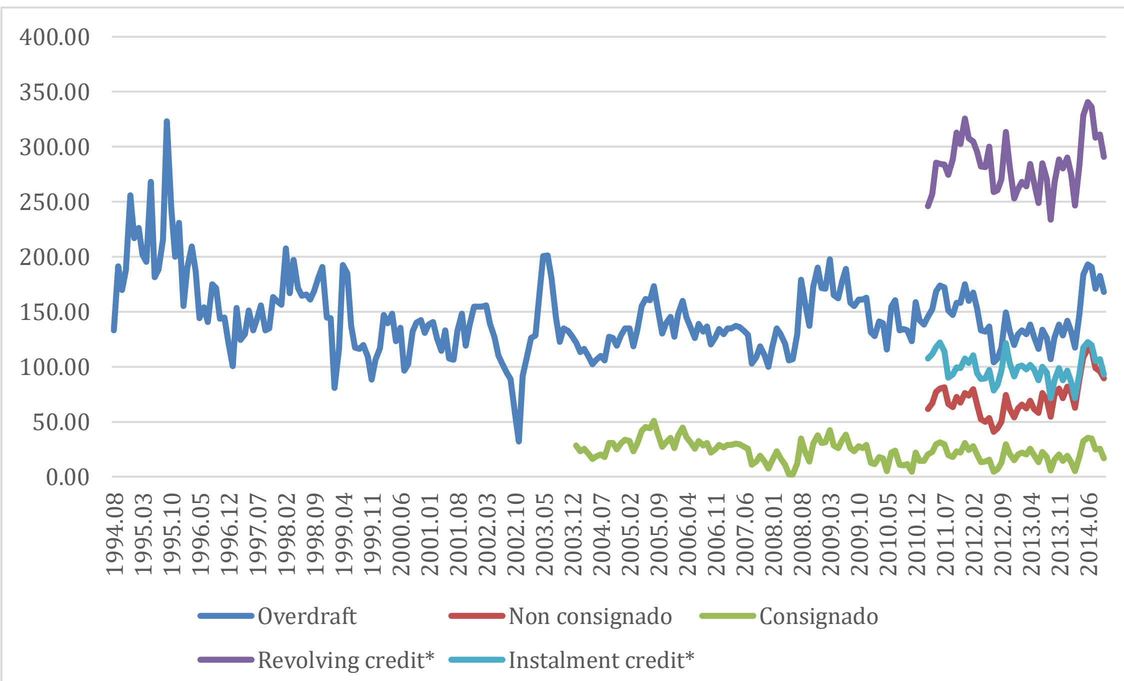
	Installment credit			Revolving credit			Traditional credit		
	12	13	14	12	13	14	12	13	14
No income	2	1	1	3	2	2	4	2	1
Upto 3 mw	40	39	45	39	38	43	28	29	33
3-5 mw	17	17	16	17	17	16	14	14	14
5-10 mw	20	20	19	20	20	20	20	20	19
> 10 mw	21	23	20	21	22	19	33	34	33
Total	100	100	100	100	100	100	100	100	100

Source: Central Bank of Brazil (2015)

[29]Credit line for the purchase of goods offered by retailers, who issue a carnet that must be periodically (usually monthly) paid.

Thus, low-income populations actively participated in the process of expansion of *consignado*, non-*consignado* loans and credit cards – products that were not exclusive to low income clients. However, the cost of this credit is worrying. In October 2014, the average nominal interest rate on non-*consignado* credit operations reached 103.6% per year. The average rate for total credit card transactions was 72.3%, while in the category of instalment credit registered 106.9%, and for revolving credit the number goes up to an incredible 319.7%. Payroll loans in the same month of reference hit a 25.5% average annual interest rate - a low number in relation to other categories, but still high considering that the default risk of the operation is very close to zero. Factoring in inflation, as in Figure 4.8, interest rates for selected types of credit are the following:

Figure 4.8. Real interest rates for selected types of credit to individuals (% p. y.), July 1994- October 2014.



Source: Central Bank of Brazil, time series management system. Author's tabulation. *Credit card-based.

4.5 Objective 4 – promoting access to low value credit

The Law 10.735, dated September 11, 2003 obliged financial institutions to direct 2% of demand deposits to microcredit operations. But the word microcredit in that law was used with the meaning of low value credit (credit below a certain loan size), aimed at low income clients, either for productive purposes or not (Barone and Sader, 2008). This way, the legal understanding of the word “microcredit” was enlarged, in order to also include small sums of credit intended for consumption purposes. The legal text imposed a series of regulations on the interest rates that can be charged[30], on entry fees and on value and terms of transactions.

But in practice, commercial banks preferred not to invest these resources coming from deposits in microcredit - leaving them at the Central Bank without remuneration. According to Costa (2010), in October 2006 the banks had fulfilled only 58% of the application requirements. In the same year, the government raised loan caps[31] in an attempt to boost microcredit operations.

But the measure was far from enough to fight the resistance of the banking sector (Carvalho, 2003). Pimentel and Kerstenetzky (2008) investigated why take-up was so limited through interviews with important executives of the Brazilian microcredit sector. The results pointed to: the high risk of operations, given that banks were unaware of the profile and behavior of potential customers; the low supervision of institutions that could act as intermediaries between banks and the public, such as NGOs and civil society organizations (OSCIPs); and the fact that the low value of transactions yielding low interest rates did not offset the cost of attracting customers, especially when considering the very high interest rates charged in other categories of credit. And moreover, default levels were high (Diniz, 2010). At the end of 2006, with an 18% default rate, Bradesco, one of Brazil’s largest retail banks, completely interrupted microcredit operations (Costa, 2010).

---

[30]Interest is limited to 2% per month, in most cases, and 4% per month, in cases of productive microcredit with technical monitoring.

[31]For loans not aimed at productive purposes, the value limit of each credit operation rose from R$ 600 to R$ 1000. For productive operations, the limit doubled - from R$1.5 thousand to R$ 3 thousand. In cases of productive microcredit with technical monitoring of the project, the limit went from R$ 5 thousand to R$ 10,000, with an interest rate of up to 4% per month.

On September 17 2003, the government enacted the Law n. 10.738, which created the *Banco Popular do Brasil*, a subsidiary of *Banco do Brasil*, whose purpose was to provide microcredit. Banco Popular did offer the low-cost loans that were not mobilized by other commercial banks, and also offered other advantages to clients, such as CPMF exemptions (Peixoto, 2008). However, *Banco Popular* faced high default rates - 22% - and ended up having its operations absorbed by *Banco do Brasil* in 2008, which meant the end of the institution that accumulated losses of R$ 144 million (Cruz, 2008). In the case of *Caixa Econômica Federal*, microcredit resources fed another existing credit line – pawn loans, which registered low default rates, given the existence of collateral (Costa, 2010).

In December 2013, according to the Central Bank (2015), the value of the microcredit portfolio was R$ 5.3 billion - which corresponded to a mere 0.2% of the total value of credit operations and to 0.4% of credit operations of the national financial system. More than 80% of this R$ 5.3 billion was granted by three public banks.

4.6 Conclusion

In this chapter, we saw that during Lula’s presidential term, the government enacted a series of legal determinations aimed at promoting the integration of low income populations into the financial market through different financial products. That legacy was carried on by Dilma Rouseff.

If mobilizing the financial system for the provision of housing loans to the poor was an impossible mission, the government believed that this mobilization would be possible for less ambitious tasks, namely the provision of free bank accounts and microcredit. We saw that despite the increase in “bancarization” over time, there is evidence of significant supply constraints regarding the provision of free bank accounts - despite the law that determines banks to provide the service. The lack of mention of the matter by the Central Bank is also surprising. Not surprising, however, is the impressive volume of fee revenues earned by banks. In the first half of 2015, the 5 largest banks in the country earned R$ 55.2 billion in fee revenues (Dieese, 2015). Microcredit in turn is perhaps the biggest proof of the inefficiency of the legislation. Despite the targeting imposed, financial institutions prefer to leave resources without remuneration at the Central Bank. The result is a negligible volume of loans supplied, with the bulk of existent contracts being provided by three public institutions.

But the failure of microcredit contrasts with the significant participation of low income segments when it comes to other categories of consumer credit. In other words, the consumer credit granted to the poor is supplied at extremely costly rates - this cost being reduced only in cases where the risk of default is practically zero.

In sum, during the process of financial inclusion, the financial products that entered the lives of a significant portion of the Brazilian poor were high-fee bank accounts and high cost consumer credit. Because of its central role in the management of the household budget, this thesis mainly focus on the analysis of consumer credit.

Our task from now on is to argue that those undesired policy outcomes are explained by the fact that financial inclusion initiatives implemented within the neoliberal model of social policy ignore the asymmetries of power that characterize the emergent lender-borrower relation. In the next chapter, by putting the booming consumer credit supply in historical perspective, we see how consumer credit in the 2000's becomes one of the main instruments of financial accumulation, which fuels the power of the lender. The following chapters in turn explore the weakness of the borrower by exploring the labour market and cultural institutions that make demand very vulnerable to the appeals of the increased credit supply.

CHAPTER 5 : THE HISTORY OF CONSUMER CREDIT IN BRAZIL – FROM THE DEVELOPMENTALIST ERA TO LULA

> "History matters. It matters not just because we can learn from the past, but because the present and the future are connected to the past by the continuity of a society's institutions. Today's and tomorrow's choices are shaped by the past. And the past can only be made intelligible as a story of institutional evolution."
> (Douglas North)

5.1 Introduction

In previous chapters, we argued that a critical assessment of FI initiatives must investigate the asymmetries in the emergent lender borrower relation and its structural determinants, which can be done from different angles. One angle addresses the power of the lender by uncovering the structural factors underlying the supply of financial products to low income populations – a task performed in the current chapter.

Chapter 4 highlighted the importance of consumer credit in terms of FI policy results, given its largescale penetration in low income segments of the population. This finding is compatible with an emerging body of literature, comprised of contributions by many authors, that has called attention to the unprecedented expansion of credit in Brazil during the first decade of the 2000s (Mora, 2015; Dieese, 2014; Junior and Guimarães, 2015; Sbicca et al, 2012; Martins and Ferraz, 2011). This new phase was largely characterized by an increase in the volume of credit to the private sector – and a disproportionate share of that trend, in turn, was driven by increased credit flows to individuals, especially for consumer credit. This literature accurately describes the phenomenon of consumer credit expansion. It explores its characteristics in detail, rigorously mapping the volume of credit supplied, the most popular credit categories, the provider institutions, the base of clients, and the riskiness of operations. The causes of this boom and its sustainability in macroeconomic terms are also widely discussed.

But these studies, taken as a whole, have two limitations. Firstly, they focus largely on the quantitative leap in the volume of consumer credit without making any reference to the historical rooting of this type of financial product in the Brazilian society. The reader is left with the false impression that consumer credit in the country is a new phenomenon, product of modern macro and microeconomic dynamics. Secondly, this literature lacks a systemic approach that understands consumer credit as part of a broader accumulation regime. Amongst the schools of thought that consider economic phenomena as part of an accumulation regime, the Social Structures of Accumulation (SSA) is one of the most prominent. To look at consumer credit trough the lenses of the SSA school means to look at this financial product as an important instrument for the consolidation and/or expansion of specific forms of capitalism. And a historical analysis can be an important ally in the identification of the role played by this credit in the capitalist organization, as it allows for the contrasting of the different roles played through time. From this analysis, one can assess whether or not this role structurally impacts credit supply.

This paper aims to address these limitations of the literature cited above. Firstly, it shows that consumer credit in Brazil emerged at the beginning of the 20th century, and that many traces of the modern credit boom are rooted in old practices. Secondly, it demonstrates that by telling the history of consumer credit in a given context one is telling the history of organizations – and reorganizations – of the economic system. Consumer credit has been actively promoted to serve specific purposes at specific times (Hyman, 2008).

Specifically, the history of consumer credit up until the 1980s is the history of the Credit, Financing and Investment Societies (SCFIs), popularly known as *financeiras*. These institutions emerged relatively spontaneously to meet the needs of the retail sector and became the central platform for the largescale creation of consumer credit in the country after the introduction of a series of legal regulations. These regulations came about when the important role of consumer credit in the consolidation of the developmentalist SSA became clear - it created a consumer market for the infant industry in a context of strong income concentration, supporting industrial accumulation. In the neoliberal SSA however, the industry ceased to be an engine of growth and changes in the macroeconomic environment incentivized banks to increase the credit-to-securities ratio, including in the credit expansion process previously marginalized clients – this latter point being strongly influenced by FI policies. This way, consumer credit ceased to play a supportive role. It became one of the main instruments of accumulation, which heavily impacted credit supply.

In order to produce a narrative that incorporated earlier periods, in addition to the general literature, we draw on a range of neglected sources available at the archives of the National Library of Rio de Janeiro, including academic, business and government reports. For the modern era, newspaper articles and Central Bank databases were also consulted.

This paper is structured as follows. After this introduction, Section 5.2 explores the emergence of consumer credit in Brazil within the retail sector during the first half of the twentieth century. The theme of consumer credit in the developmentalist SSA is explored in section 5.3, which details its process of growth from the 1950's to the 1980's. Section 5.4 covers the 1980's to the mid-1990's, which can be considered a transition period between different SSAs, and which witnessed a sharp contraction of consumer credit. Section 5.5 analyses the role of consumer credit within the neoliberal SSA (from the mid 1990's to the first decade of the 2000's). The last section concludes.

5.2. The early days of consumer credit

According to Scalvi (2006), during the nineteenth and early twentieth centuries, Turkish[32] and Jewish merchants were popular figures who circulated all over Brazil with their door to door sales of various products. They were the first ones in the country to sell in instalments. The most famous Jewish merchant was Samuel Klein, whose occupation as a peddler provided a precious know-how that was subsequently used for the construction of *Casas Bahia*'s[33] empire (Awad, 2003).

In São Paulo, immediate payment was the general rule during the first half of the twentieth century. The exception was the use of *Livro do Fiado*[34], very common in small shops. The first institutionalized experience of in-store instalment sales is usually associated with Singer, a sewing machine shop that opened its doors in 1888, in Rio de Janeiro. But this is considered to be an isolated case. It is believed that the generalization

[32] The term "Turkish" was actually a generalization of the Arabic immigrant, coming from different parts of the world.
[33] One of the biggest and most popular retail stores in Brazil.
[34] It was a book that contained the names of all customers who had committed to settle their purchases in the future.

of the practice started from 1926, when Nilo de Souza Carvalho introduced the instalment scheme in his shirt store in São Paulo, *Camisaria A Capital* - a scheme that he had imported from Argentina. In those early days, Carvalho held the patent on the word *crediário*[35], but both the scheme and the word were quickly becoming popular.

Carvalho was also a pioneer in the process of popularization of the instalment sales system. In 1941, he launched another successful business, a shop called *Modas A Exposição Clipper*. The businessman soon perceived the growth of a segment composed by less well-off consumers. This segment was fuelled by the huge influx of Brazilians coming from other states, especially from the Northeast, attracted by the allures of the emerging process of industrialization. In 1944, he expanded his *crediário* system, previously reserved to the richest clients – a moment well captured by the add below. The store's advertising contained the following message: "You just have to be a decent man to have credit at *A Exposição*":

Figure 5.1 Instalment sales' advertisement.

Source: Scalvi (2006), pg. 17.

In the post-World War II period, São Paulo's commerce flourished rapidly. Supermarkets and big retailers offering a wide range of products started to pop up. Among

[35] Credit line for the purchase of goods offered by retailers, who issue a carnet that must be periodically (usually monthly) paid.

these products, the first nationally produced units of home appliances were appearing. Within this context, the practice of selling in instalments was spreading quickly.

But the experience of buying on credit was cumbersome. In order to request credit, an extensive list of documents was required, along with a few commercial references, which were consulted by informants. The informants were employees of stores or banks, whose job was to search for facts and situations attesting (or not) the good reputation of the prospective client. Along the streets and squares they passed, they shared information, originating the famous Brazilian expression of "*estar com o nome sujo na praça*"[36], used in reference to someone who has a bad credit record. With the rapid pace of urban growth that brought about an increasingly anonymized society, informants were replaced by the creation of the Central Service of Credit Protection (SCPC), a unified record of defaulters, based on information given by listed firms. By the time of its opening, SCPC had 36 associated companies and a list of 15.000 defaulters.

At that moment, the main barrier to the growth of consumer credit was financial. In order to finance the *crediários*, retailers depended on their own resources or on a banking system with a strong short-term bias. The latter was a product of high inflation and the Usury Law - which limited nominal interest rates to 12% per year. This way, banks rarely did business with maturities greater than 90-120 days (Neuhaus and Magalhães, 1976). On the assets' side, there was a virtually non-existent supply of funds for longer periods. On the liabilities' side, the resources captured were basically term deposits (Pellegrini, 1990). But retailers needed a way to finance medium-term working capital. And the SCFIs emerged to fill that gap, the first record of which dates back to 1940 (and a few of them were created in the following decade). However, an institutionality that regulated and promoted SCFIs did not exist at the time.

In sum, the emergence of consumer credit in Brazil came about spontaneously in the retail sector to meet the demands of a growing precarious urban population. Funding constraints were the main impediment to the multiplication of such credit. The SCFIs emerged as a promising solution - but it was only after a regulatory process was implemented did they become propellants of consumer credit in the country. This process is the subject of the next section.

[36] Which literally means to have a "dirty name in the square".

5.3. The rise of consumer credit in the developmentalist era

5.3.1 Putting SCFIs on the map

The regulation of the SCFIs came about in 1959, at a time when consumer credit became an important variable in a national development project of Cepalin bases, which obeyed the following fundamental premises: (i) industrialization is a precondition for development - it would increase national income and consequently demand, allowing capital to accumulate; (ii) due to the disadvantages faced by the infant industry in terms of international competitiveness, industrial production must first turn to the domestic market – which is especially feasible in countries with large domestic markets; and (iii) this industry should be protected by import substitution policies. Since the 1940s, this model had acquired an intentional impetus, in the sense of being a product of deliberate government promotion.

This development project culminated in the formation of an SSA that a number of authors called Peripheral Fordism[37] (Lipietz, 1982; Amsden, 1990). According to Gulalp (1988), it differs from the Fordist SSA[38] in two main ways. First, it is characterized by a strong dependence on central economies, of a technological and financial nature - a trait that only became more evident in Brazil around the 1970s. Second, it does not count on the capital-labour alliance typical of Fordism, since the working class does not enjoy a sustained increase in wages and the protection of a robust social welfare system.

Consumer credit became a key variable in the consolidation of the Peripheral Fordist SSA at that particular time because of a combination of factors. First, the consumer durables industry, the one that advanced the most in the period, relied on a repressed demand coming from the richest segments of the population (Pellegrini, 1990). But this market was becoming saturated, as the investments of the Targets Plan[39] matured and installed a productive capacity well above demand (Almeida, 1980). Second, the context

[37] Also known as Developmentalist SSA.
[38] See Chapter 2 for definition.
[39] The "Targets Plan" was an industrialization program put forward by President Juscelino Kubitschek, which resulted in a significant decline of the primary sector, materializing the so longed structural reform. His term recorded a respectable average rate of GDP growth of 7.9% per year, for the 1956-1963 period.

was one of the presidential mandate of Juscelino Kubitschek (1956-1961), which registered a strong inflationary leap[40]. The higher the inflation, the shorter are the maturities in the financial sector. Banks were encouraged to reduce the terms of financing granted as the quicker erosion of the purchasing power of money erodes profitability, ceteris paribus.

Therefore, on the one hand, there was a need to create a market for the nascent industry, in a context of extremely unequal income distribution and lack of political will for the implementation of structural income redistribution policies – an important characteristic of a Peripheral Fordist order. This way, the prices of the goods produced were very high relative to the income of the majority of the population. And on the other hand, mechanisms to finance consumption were virtually non-existent. These settings turned the promotion of instalment sales into a necessary condition for the expansion of the market (Pellegrini, 1990).

The first legal regulation of the SCFIs standardized their general characteristics, rules of operation and powers. Furthermore, it created bills of exchange (*letras de câmbio*), a form of funding that turned out to be a major cause of growth of these societies in the years that followed.

The SCFIs had two main funding sources: investment funds and bills of exchange. The former were similar to the modern investment fund. Investors put their resources in a SCFI which set up a portfolio that originated a flow of resources that remunerated investors and the Society. The latter worked as follows – a company issued bills whose values and terms were equal to the financial commitments created from credit sales, guaranteeing a financial backing for the operation. Then the SCFI accepted the bill, that was subsequently sold at the Stock Exchange by a distributor. The remuneration of the buyer of the bill was given by a discount, ie, it was sold for a price inferior to the redemption price. Besides the discount, which was the remuneration of the buyer, the company that was being financed had to pay for the fees charged by the SCFI, the distributor and the Stock Exchange.

[40] JK, as Juscelino Kubitschek was known, financed public investment with taxation and monetary expansion. Inflation, when associated with the Usury Law, prevented the government to capture resources via issuance of bonds, which ended up having negative profitability and therefore, losing all attractiveness.

As the discount mechanism was not characterized as interest, the SCFIs escaped the Usury Law, offering greater remuneration to investors. As a consequence, the popularity of the bills grew fast. Already in 1964, the funding of the SCFIs was made almost exclusively through the bills.

In sum, the regulation of SCFIs emerged when consumer credit became a key variable in the consolidation of a Peripheral Fordist SSA. The 1959 regulation was the first step toward transforming SCFIs into propellants of consumer credit in the country – as it created the bills of exchange, which improved the funding system of the SCFIs. But the bills only took off after a series of macroeconomic and financial reforms that happened in the 64-66 period, which prepared the basis for the SCFIs to reach their peak from 1967. The 64-66 period is the theme of the next subsection.

5.3.2 The SCFIs and the structural reforms

The macroeconomic and financial reforms carried out between 1964 and 1966 affected the development of SCFIs through three main routes: inflation control, deepening of income concentration and the financial market segmentation project.

Castelo Branco's presidential mandate (1964-1966) had two orthodox economists at the Finance Ministry, Roberto Campos and Octavio Bulhões. Under the auspices of Campos/Bulhões, Brazil witnessed a strong commitment to combating inflation gradually (Bastian, 2013). One of the main pillars in this commitment was to replace JK's inflationary financing of the industrialization process by something else. In its place, the implementation of a fiscal policy that boosted revenues was a strategy pursued. And in order to do this, it was fundamental to recover the attractiveness of public bonds.

As we saw previously, the funding of the state via public bonds was hampered by the combination of high inflation and the Usury Law, resulting in negative real yields for all applications with longer maturities. Another important factor was the existence of the "Golden Clause", which prohibited the issuance of inflation-indexed debt in the country. Thus, in order to increase assets yields, given the gradualist strategy to fight inflation, the solution found was to abolish the Gold Clause. Indexation was firstly introduced in public bonds, the ORTNs, and then it was progressively extended to other financial papers. A second strategy to improve revenues was the increase of indirect taxation.

Another pillar in the fight against inflation was wage policy. It was believed that existing policy fuelled cost-push inflation by granting wage increases which were higher than productivity gains. Consequently, a new adjustment rule was implemented which resulted in significant losses for employees, in real terms. The new wage policy, coupled with the increase in indirect taxation - which is inherently regressive, in the sense that it penalizes the poorest groups - culminated in a strong worsening of income distribution.

Therefore, on the one hand, the gradualist approach to combatting inflation laid the ground for the profitability increase of the *letras de câmbio* in the following period. To Syvrud (1972), real gains for investors only became positive from 1967, when annual inflation was around 25%. The author explains that the nominal rates paid to investors of bills of exchange rose steadily from 1960 to 1964 (amidst a financial environment marked by interest caps) – albeit at a slower pace than inflation rates. It was only after the structural reforms that nominal rates started to fall faster than inflation.

On the other hand, with the deepening of income concentration, the amount of “idle” resources in search of appreciation also increased. The result was the increased investment on bills of exchange - in other words, the increased funding of SCFIs. The ratio between accepted bills and the amount of money in circulation went from 32% by the end of 1967 to 102% by the end of August, in 1969.

At the same time that the funding of SCFIs was increasing, the investments of these institutions were increasingly being channelled towards the financing of consumption. The financial reform implemented during Castelo Branco’s government was inspired by the Anglo-Saxon model, which was based on the segmentation of the financial system. Macarini (2007) argues that commercial banks were confined to the role of remaining in their traditional niche of activity - short-term credit, thus assuming a relatively minor position in the government's project. Investment banks assumed a strategic role in long-term financing. And the future designated to the SCFIs by policymakers involved a progressive specialization on consumer financing[41]. While investment banks had the role of financing the industrialization effort, along with public investment, SCFIs boosted demand.

[41] For a detailed study of the financial reform, see Hermann (2011).

Therefore, in 1966, the most complete regulation of the SCFIs since 1959 came into force. Resolution number 45 (30/12/1966), besides defining the operational scope, created the direct credit to consumer, known as CDC[42] (Almeida, 1980). As the name suggests, the consumer could obtain credit directly from a SCFI. Operations mediated by the retailer continued to exist, which could then be classified as indirect credit. In the latter case, the retailer was responsible for analysing the risk of the operation, since it was the issuer of the bill. The retailer was also the entity responsible for fulfilling the financial obligation with the SCFI. But the advent of the CDC eliminated important sources of risk for the retailer – the one of illiquidity because of a lack of resources to finance an increase in instalment sales and the risk of consumer's default. All of these risks fell on the SCFI (Pellegrini, 1990).

The regulation also established that at least 40% of the SCFIs transactions had to be destined to CDC, paving the way for an increasing specialization of these institutions, which were previously free to also operate with business financing. In the following year, when Delfim Netto became the finance minister, a new rule radicalized the quantitative target to 100%, which was to be reached gradually. The official rationale was to make SCFIs finance consumption, exclusively.

The 1964-1966 reforms prepared the structural basis for SCFIs to become the platform of dissemination of consumer credit in the country. In the next period, known as *Milagre Econômico*, the SCFIs opened a virtually unexplored field of household indebtedness, which in turn opened a new dynamic front of accumulation attached to mass consumption.

5.3.3 The SCFIs and the Miracle

In 1968, the Brazilian economy started a phase marked by strong growth rates, in the order of 11% per year on average, which extended until 1973 - the so-called "Economic Miracle", which can be considered the peak of the Peripheral Fordist SSA in the country (Hermann, 2011). This growth was primarily driven by the durable consumer goods industry, and to a lesser extent by capital goods. Therefore, this was also the golden period of the SCFIs.

[42] In Portuguese, *Crédito Direto ao Consumidor*, or Direct Credit to Cosumer.

By the end of 1969, around 90% of the SCFI's operations in São Paulo were related to the financing of automobiles (Neuhaus and Magalhães, 1976). This way, up to this point, the credit granted by the SCFIs were still mainly about elite consumption. These institutions were not yet completely fulfilling their assigned role in the government project – they were allowing for a further exploration of previously saturated elite markets but were not financing mass consumption of more ordinary domestically produced industrial goods. The access of the masses to this credit started *de facto* when the SCFIs expanded their field of operations to the financing of low value goods, especially home appliances and electronics. And this was possible thanks to two pieces of regulation on the CDC: in 1971, the guarantee scheme was changed; and in 1973, the scheme of *saque grupado* was introduced.

With regards to the guarantee scheme, in the case of indirect credit, in exchange for the acceptance of the bill of exchange, the SCFI required from the retailer the promissory notes originated from the sales, whose maturities were matched to the maturity of the bill (Almeida, 1980). But for direct credit, this was not feasible. In that case, the SCFI was considered the owner of the product being financed, until its payment was completed. In case of default, the SCFI had the right to take the good and resell it to a third party, in order to cover for losses.

But for this guarantee scheme to work, the good had to possess some characteristics, including the existence of a secondary market for resale, a relatively high unit price, which covers judicial and resale costs and also a reasonable lifetime (Almeida, 1980). The products that best fit into these requirements were automobiles, which explains the absolute dominance of vehicle financing in the SCFIs operations whilst that guarantee scheme was in force. Immediately after the elimination of the guarantee requirement[43], the Central Bank estimated that the share of automobiles financing in total consumer financing was around 70%, compared to 90% in 1969. The reduction was considerable, but the relative importance of this segment continued to be very high (Neuhaus and Magalhães, 1976).

[43] First, the requirement of a guarantee was dismissed for the case of goods whose value did not exceed 5 times the value of the minimum wage. In 1974, this ceiling was raised to 10 minimum wages. The correspondent legal texts are: resolution number 198 (30/11/1971) and Resolution n. 273 (10/01/1974).

Along with the elimination of the guarantee, another mechanism that opened the door to the financing of products of low unit value was the emergence of *saque grupado*. In the case of direct credit, the issuer of the bill of exchange was the individual borrower, while the SCFI played the role of a guarantor. The problem was that the investors desired bills with a high face value, so in the case of cheaper goods there was a mismatch between the amount of the loans requested and the amount of the loans that were traditionally granted. The truth was that the investor acquired the bill relying on the SCFI, which assumed the default risk, and not on the issuer. So, given the new framework, SCFIs started to emit the bills themselves, which was named *saque grupado*. The *financeiras* were then allowed to group several small loans and issue a single bill, reducing costs and solving the incompatibility problem - and in a way, operating more like a bank.

The consolidation of SCFIs in financing low value products also brought about "sales promoters"[44]. They were SCFIs representatives who started to operate inside retail stores, granting loans and receiving payments. This was interesting for the SCFIs, because they got closer to current and potential customers. And it was also interesting for retailers, which now could put the management of credit concessions in specialized hands, allowing them to focus on their sales (Sampaio, 1979).

After the elimination of the guarantee requirement and the introduction of *saque grupado*, that together allowed for the CDC to finance low value goods, Almeida (1980) claims that CDC's operations registered an average real growth of approximately 55% between 1970 and 1973. Saboia (1983) argues that the CDC was an important instrument to channel the surplus of wealthy families and corporate profits to finance the sales of durables for families belonging to a wide income spectrum, which got indebted to acquire them. The channeling goes hand in hand with the process of price reduction of those products, coming from the economies of scale arising from mass production. For Saboia (1983) and Wells (1976) there was a massive diffusion of domestic appliances throughout the whole population - some goods could already be found in most Brazilian households, of virtually all income groups, such as stoves, radios and electric irons.

The funding of the SCFIs was not a problem at the time, for two main reasons. The first reason is that, as mentioned previously, as inflation was being controlled, the

[44] Resolution n. 246 (16/01/1973)

bills of exchange were turning into one of the most profitable applications in the country. On the borrower's side, real interest rates charged were increasingly growing, as shown in the tables below.

Table 5.1 Nominal average annual yield of selected financial securities. 1970 to 1973.

	1970	**1971**	**1972**	**1973**
ORTN	24	27.1	19.6	17.1
housing bonds	28.7	32.7	25.1	20
bills of exchange*	30.5	30.3	28.1	24.1
stocks	104.2	225.1	-46	-12.7
IGP-DI	19.3	19.5	15.7	15.5

**Bills of exchange of 6 months maturity, taken in a year rate. After 71, maturity considered is 360 days.
Source: Central Bank Annual Report (1973).

Table 5.2 Nominal and real interest rates on SCFIs loans (% per year). 1960 to 1970.

Year	Nominal interest rates charged to borrowers	Real interest rates charged to borrowers[1]
1960	42.0	9.9
1961	52.0	10.9
1962	60.0	5.5
1963	70.6	-2.8
1964	81.2	-4.9
1965	79.0	14.1
1966	71.5	24.2
1967	49.0	16.1
1968	46.2	17.7
1969	44.2	19.3
1970	44.2	19.9

Source: Syvrud (1972).
[1] Deflated by IGP.

The second reason why the funding of the SCFIs was increasing has to do with their ownership structure. The control of the SCFIs underwent a major change in a small time horizon, as shown by Table 5.3. In 1970, although independent SCFIs predominated in terms of number of establishments, in terms of participation in total acceptances of bills of exchange (a kind of proxy for market share), they held about 25% of the market, against the 31% held by institutions connected to commercial banks. The latter saw their participation gradually reduced to 19% and 14% in the two years that followed, while the ones controlled by commercial and investment banks had more than half of the market in 1972.

Table 5.3 Ownership structure of SCFIs.

Ownership	**1970**		**1971**		**1972**	
	Number of SCFIs	Participation in total acceptances (%)	Number of SCFIs	Participation in total acceptances (%)	Number of SCFIs	Participation in total acceptances (%)
Commercial banks	55	31	39	19	41	14
Investment banks	4	3	-	-	5	4
Commercial and Investment banks	28	28	37	48	36	55
Commercial and Industrial firms	21	13	24	18	20	15
Independent	104	25	68	15	53	12
TOTAL	212	100	168	100	155	100

Source: Neuhaus e Magalhães (1976)

These is strong evidence that Brazil followed the global trend towards financial conglomeration that is consolidated from the 1970s. But while in the rest of the world this is largely the product of a liberalization and deregulation process (Camargo, 2009), in Brazil conglomeration was strongly influenced by the state after a shift of banking policies that took place in 1967. Under the leadership of Delfim Netto, the financial system moved away from the segmentation project created in the previous administration, turning into an oligopolistic system.

This change of orientation in banking policy was intrinsically linked to Delfim's treatment of inflation, based on costs control instead of demand repression. To Macarini (2007), the government considered that for the necessary reduction in financial costs to occur, the high inefficiency of the system had to be attacked. Incentivizing conglomeration was the strategy used, which resulted in a number of measures, such as the suspension of the opening of branches and the imposition of minimum capital requirements.

Macarini (2007) further argues that the increased specialization of the SCFIs', which came with the creation of CDC under Delfim's command, was an incentive to conglomeration, since mass credit required a robust infrastructure of branches – which independent SCFIs did not have. This created a significant pressure for them to merge with larger institutions. In fact, as shown in table 3, the participation of independent SCFIs in total acceptances registered a gradual reduction, going from 25% in 1970 to 12% in 1972. Therefore, already by 1970 almost all the major banks were active in the consumer credit market through associated SCFIs.

In sum, while the 1964-1966 period created the structural bases - in macroeconomic terms and in terms of the architecture of the financial system -, during the Miracle the last two pieces of regulation necessary to transform the SCFIs into diffusers of consumer credit in Brazil were promulgated. In addition, the funding of these institutions improved with the control of inflation and the change in their ownership structure. This way, during the Miracle, SCFIs peaked. Thus, consumer credit finally played its role in supporting industrial accumulation - once it reached the masses, the market for national durables was formed, even in a context of severe income concentration. But from 1974 the complications began, which is explored in the next section.

5.4. The crisis of the developmentalist SSA and the paralysis of consumer credit

5.4.1 The crisis of the Miracle and its effects on consumer credit

From 1968 to 1973, the robust Brazilian growth was accompanied by an increasing external vulnerability (Hermann, 2011). According to SSA theorists, every SSA carries the seeds of its own destruction. And the weakest spot of the Peripheral Fordist SSA in Latin America proved to be the external dependency - regarding the importation of complex industrial inputs, and the external debt that financed a huge part of the industrialization effort. The dismantling of that SSA in Brazil began in 1974. And it brought about the beginning of the dismantling of SCFIs, and consequently of consumer credit in the country.

The large increase in the production of durables increased dependence on imported capital goods and inputs, particularly oil. Thus, the 1971-1972 biennium already registered trade deficits. On the other hand, the Balance of Payments' equilibrium was guaranteed by a massive inflow of foreign capital, enabled by an abundant international liquidity and by a domestic policy that deliberately promoted the entry of these resources. Around the world, this was the time of the blossoming of the Eurodollar market, and a time when the political alignment to US guidelines was a source of many blessings in the context of the Cold War. In Brazil, the failure of the 1964's reform in creating long-term private financing mechanisms turned external funding into a key precondition for the industrial outbreak.

The vulnerabilities of the Brazilian external accounts became evident with the first oil shock in 1973, which had multiple effects. The most immediate one was the strong impact on the trade balance, which moved from an equilibrium in 1973 to a $ 4.7 billion deficit in the following year.

Developed countries reacted by raising interest rates, aimed at curbing the inflationary process resulting from the sudden increase in oil prices. The way Brazil was affected was twofold. Firstly, the pace of exports was reduced, due to a contraction of economic activity in these countries. Secondly, the increase in profitability of foreign government bonds slowed down the inflow of foreign capital, fully compromising the set of conditions that gave sustainability to the balance of payments during the time of the Miracle. The current account deficit was dramatic, and this time the country could not count on a prosperous capital account. The result was what Castro and Souza (2004) described as a "brutal external imbalance".

To reverse this situation, a more mainstream solution would involve a deceleration of economic activity, through restrictive monetary, credit and fiscal policies. But some key factors made Geisel and his finance minister, Mario Henrique Simonsen, opt for an alternative treatment – one that involved taking developmentalism forward, even amid the crisis.

Castro and Souza (2004) argue that a pure deceleration would imply preserving an unbalanced and vulnerable economic structure. Attacking the root of the problem would necessarily involve the expansion of the domestic production of capital goods and inputs. Using the terminology of SSA theorists, the idea was to abandon Peripheral Fordism, in order to build a more autonomous model. Moreover, this was a period in which a large volume of investments made at the time of the Miracle were maturing. A big source of political pressure came from the business community, which opposed the imposition of restrictive policies. On the political side, it is worth remembering that the previous government was marked by the radicalization of the authoritarian regime, regarding the repression of its opponents, and a recession would only reinforce the opposition of civil society to the dictatorship.

Therefore, by the end of 1974, the II PND[45] was launched, lasting until 1979. It was essentially a plan of structural reform, which intensified the growth model based on foreign debt present since the 1960's. The idea was that, once the large exposure to the import of complex industrial goods was eliminated, greater financial independence would follow. After the abrupt reduction in the inflows of external financing, this renewed indebtedness was only possible due to the petrodollars market, composed basically by OPEC's capital in search for profitable investments around the world.

Within this context, two aspects are particularly important to explain the government's attitude towards the SCFIs. Firstly, the industry of durable consumer goods ceased to be a protagonist in the industrial policy[46]. Secondly, the government believed that the growth strategy had to be carefully controlled, as inflation had showed clear signs of acceleration in 1974. The practical implication was the promulgation of a series of measures aimed at restricting consumer credit operations between 1974 and 1977[47].

In 1977, as a relief measure, the government raised the threshold that corresponded to the value of goods that could be financed without the requirement of a guarantee. It also eliminated the requirement of these operations to be linked to a commercial purchase,

---

[45] National Development Plan.

[46] Once surpassed the "light industrialization" phase, based on consumption goods, the next step was to face the bottlenecks found in intermediate and capital goods industries – which would eliminate the country's dependency on imports of the latter.

[47] Resolution 286, 03/05/1974, Decree-law n. 1338, 23/07/1974, Resolution 383, from 21/07/1976, Resolution 450, from 16/11/1977.

which in practice was the creation of "personal credit"[48]. But the effects of the measures adopted in the previous year were intensively felt by the durables industry, which experienced zero production growth in 1977, this being the worst result of the decade (Pellegrini, 1990).

In March 1979, President Figueiredo came to power (1979-1985), reallocating Simonsen to the Ministry of Planning – which became the central command of the economic policy of that government. That year was critical in the Brazilian history, due to the dramatic external situation after the second oil shock. The effects of the second shock were similar to the first one, but much more intense. The country saw a new jump in the value of imports and a new round of interest rate increases in developed countries. This latter multiplied the Brazilian debt, given that it had been taken at floating rates, drained global liquidity and compromised Brazilian exports due to the recession that took place in rich countries (Castro and Souza, 2004). And this time, the "orthodox exit", based on the adoption of restrictive monetary, credit and fiscal policies was the chosen path.

In 1980, SCFI loans shrank by 30.6%, which Pellegrini (1990) attributed to credit restraints implemented by the Resolution 605, dated 02/04/1980. The resolution restricted the expansion of loans granted by all financial institutions to 45% of the level registered in 1979, excluding transactions involving transfers by public institutions to priority sectors and involving external resources. The government's objective was to stimulate foreign capital inflows, discouraged even further after the maxi devaluation of the currency in December 1979. But as the SCFIs did not receive external resources and received virtually no public transfers, these institutions were the most affected by the measure. This was the beginning of the dismantling of these institutions – which was completed in the following period.

5.4.2 The 1980s and early 1990s: the "game over" for SCFIs

In order to understand the process of downfall of the developmentalist SSA, it is important to understand that towards the end of the 1980's, Brazil's industry faced a triple limitation: its sources of external financing dried up after the second oil shock; domestic financing was made unfeasible by rampant inflation; and the same inflation dried up the

[48] Resolution 450, de 16/11/1977.

financing of demand for its products. The chart below shows the downturn in industrial employment beginning in the mid-1980s:

Figure 5.2 Rate of variation of industrial employment, 1971-1997.

Source: Bonelli (1999)

During that period, Brazil's biggest problem was undoubtedly inflation, which took the following proportions over president Sarney’s mandate (1985-1990):

Table 5.4 Evolution of inflation, as measured by IGP-DI, from 1985 to 1989.

1985	242,7
1986	61,0
1987	431,9
1988	1117,9
1989	2012,6

Source: Ipeadata

As part of the attempts to control the inflation spiral, starting from 1985 the most brutal restrictions to consumer financing ever made in the country took place. In 1986, the maximum number of instalments was limited to just 4 months for all durables[49]. And to prevent the intended credit rationing to be bypassed by commercial banks and *Caixas Econômicas*, their operations with individuals were also restricted to 4 months. In

[49] Resolutions 1055, 30/10/1985; 1079, 21/01/1986; 1094, 20/02/1986

addition, the ratio of these loans over total loans was also limited[50]. In 1986, the variable attacked by the government was total loans to individuals, granted by SCFIs, commercial banks and *Caixas*, which had to be reduced by 20% when compared to the prevailing balance in a predetermined date[51]. As a result, the market share of SCFIs went from 73.5 in 1982 to 38.7 in 1988 (Pellegrini, 1990).

As Brazil approached the end of the decade the inflationary situation became more dramatic, surpassing the impressive figure of 2.000% in one year (see table 4). Consumer finance operations were practically unfeasible. The cost imposed to the borrower was very high because pre-fixed interest rates imbedded very high inflationary expectations, and the system as a whole experienced the shortening of financial transactions and a large credit contraction.

The consequence for the population was a radical change in patterns and practices of consumption. O'Dougherty (2002) described in detail the daily life of the Brazilian middle class, which experienced a sharply deterioration of its consumption standards due to rising prices, finding itself forced to eliminate a more superfluous type of consumption that had become part of its reality in the previous decade. The author goes on explaining how the simple task of going shopping had complexified. The constant changes of prices forced consumers to spend more time searching and moving between several different shops. In this sense, the poorest population suffered more intensively as they lacked means to facilitate the search for the best prices, such as cars.

> “The vicious cycle was already complicated and harmful to the middle and upper class. For low-income classes it was devastating. During decades of inflation, the low-income consumer virtually did not exist, except for the consumption of basic goods, that met their minimum physiological needs." (Nardi, 2009, p. 20 – our translation)

Times were tough. But between 1981 and 1987 the profitability of Brazilian banks was record, which was largely due to inflationary gains[52] (Carvalho, 2003; Paula, 1997). In 1992, with inflation over 1000% per year, banks profited 56% more than in the previous year, when inflation was about 475% (Camargo, 2009; O'Dougherty, 2002).

---

[50] The ration was limited to the one registered on 28/02/1986. The rule was instituted by the Resolution 1096, 20/02/1986

[51] Resolutions 1146 and 1147, 26/06/1986.

[52] Carvalho (2003) explains that inflationary gains refer to what banks earn from a situation when, on the one hand, they do not restore real losses of resources deposited there without remuneration, but on the other, include this compensation in the rate charged for loans granted.

In sum, the 1980s and early 1990s represent a time of transition as the Peripheral Fordist SSA collapsed and the center of capitalist accumulation moved away from industrial accumulation (Paulani, 2009). Accordingly, consumer credit, which served as an instrument of support of industry-centered accumulation, virtually disappeared. The institutions that supplied this credit, the SCFIs, lost the prominence they once occupied in the national financial system. In the 2000s, credit reappeared in the context of a neoliberal SSA. This time, as the center of accumulation moved from the industrial to the financial sector, consumer credit left its supportive role and became one of the main drivers of accumulation itself – which is a process described in detail in the next section.

5.5. The modern era of consumer credit

5.5.1 The emergence of the neoliberal SSA in Brazil – a background

While the period that goes from the 1980s until the mid-1990s represent a transition period, from the mid-1990s onwards the neoliberal SSA emerged and was consolidated. In the Brazilian context, that emergent SSA was based on three main pillars: the radical redefinition of the role of the state; the change of the locus of accumulation from the industrial to the financial sector; and by an even greater deterioration in the situation of the working class - which, as we saw, never experienced a robust capital-labour alliance. The table below provides a short summary of the neoliberal pillars in comparison to the developmentalist SSA:

Table 5.5 Comparison between the main pillars of the Peripheral Fordist SSA and the Neoliberal SSA.

Periferal Fordist/Developmentalist SSA	**Neoliberal SSA**
Locus of accumulation is in the industrial sector	Locus of accumulation is in the financial sector
The State plays an important role in the economy	Minimal State
Weak capital-labour alliance	Further deterioration of the capital-labour alliance

Regarding the first pillar, the redefinition of the role of the state starts from the principle that the market with its rational agents is considered the locus of efficiency. Therefore, state’s action is restricted to creating the appropriate conditions for the market to exert its efficiency. From this perspective, two are the imperatives of a so-called "responsible" public administration: the first is guaranteeing macroeconomic stability focusing on inflation and public accounts. The instruments used to pursue stability are the triad: (i) floating exchange rate, (ii) inflation target, which is controlled by adjusting the interest rate and (iii) primary surplus target. The second is to construct a market-friendly environment. This environment is primarily characterized by deregulation, privatization and trade/financial openness (Carcanholo, 2002).

Regarding the second pillar, in Bruno et al (2011) we find a series of indicators that suggest the existence of a process of migration of productive capital to the financial sector, searching for higher yields (Lapavitsas and Powell, 2013). Amongst these indicators there are the tendency of progressive decline of the macroeconomic gross profit share destined to gross fixed capital formation and a tendency of increase in the "financialization rate" – both of which starting from the mid-1970's. Bruno et al (2011) define the latter as the ratio between the total stock of financial assets and the total stock of productive fixed capital.

The strong industrial disarticulation that started after the oil shocks and the debt crisis was reinforced by this macro management. After a sustained process of trade openness, the national industry had to face the competition from imported products in a context of strong exchange rate appreciation. Not only the final consumer exchanged domestic products for imports, but also local producers increased their import coefficient when it came to intermediate goods. The exchange rate appreciation also implied a loss of competitiveness of the Brazilian exporter. The process that followed from there was one of violent productive restructuring.

The new productive structure that emerged in the mid-1990s, in the post-monetary stabilization[53], broke with the alliance of state capital, private national capital, and foreign private capital that sustained the earlier era of industrialization. In this new scenario, on the one hand, national private capital and state capital shrank, and on the other, foreign

[53] Several stabilization plans were implemented in Brazil, aiming at controlling the violent inflationary process that took place during the 1980's and beginning of the 1990's. In 1994, the Real Plan was successful in controlling the monster – that have not shown signs of recovery so far.

capital expanded - notably via privatizations of state owned companies (Miranda and Martins, 2000).

Deddeca (2005) points out that until the 1980s, international companies operating in Brazil had great autonomy in local production processes. But the new wave of foreign companies coming to the country in the 1990s had much closer ties with their headquarters, located in developed countries. The result was an increase in the imports of labour-saving technologies, which had severe impacts on the level of employment – which brings us to the third pillar.

The further deterioration of the condition of the Brazilian worker, if compared to the developmentalist era, can be argued from three main points: the rarefaction of industrial employment and social budget resources, along with the casualization of labour laws.

Regarding the first point, a scenario emerged in which the biggest engine of formal jobs growth in the country shrunk. The most immediate result was a sharp increase in unemployment. The case of the metropolitan region of São Paulo, the largest urban-industrial agglomeration in the country, is very illustrative of this situation – the unemployment rate that in 1989 was 8.7% jumped to 16.6% in 1997 (Mattoso and Pochmann, 1998).

The increase in unemployment was not greater due to the process of sectoral reallocation of employment, which to a large extent moved from industry to services – but not services related to a process of industrial de-verticalization[54], but to household consumption. The result was a sharp decline in the quality of employment, which started to be characterized by formalization rates that were even smaller than the ones registered in the developmentalist period. The result of this process was a continuous decline in the average income of workers from 1996 to 2002, when the immediate positive effects of price stabilization on labour income had already passed (Pereira, 2013).

[54] when industrial firms begin to outsource activities that were once developed by them.

The fall in industrial employment was not only due to a productive restructuring that gave prominence to labour-saving technologies, but also because of the contraction of the industry's share of GDP. According to Marquetti (2002), the manufacturing industry accounted for 31.3% of the value added of the economy in 1980, while in 1998 the figure had dropped to only 19.1%. The phenomenon was also detected by Bonelli (1999) and Feijó, Carvalho and Almeida (2005).

This decline in participation imposed the type of macroeconomic management defended ideologically – a model that one could not escape from. And this model strongly limited the resources available to the social budget. Sarti and Laplane (2002) explain that although foreign direct investment increased the efficiency and competitiveness of backward domestic sectors relative to international production, this was largely due to imports of intermediate goods and technology - which reduced the share of the value added of the industry in the economy. According to the authors, this increase in imports was not offset by an equivalent increase in exports, since foreign companies generally targeted the Brazilian domestic market.

As a result, the trade balance of the country was negative from 1995 to 2000, while the current account balance was negative from 1993 to 2002. Therefore, besides the fact that the interest rate was considered the main instrument to control inflation[55], it became a central instrument to attract foreign capital to finance the balance of payments.

According to Oreiro et al (2003), nominal and real interest rates in Brazil are high because they perform multiple functions. And every time that they rise, the public debt burden is increased. And for the burden to be honoured large primary surpluses must be generated, diverting resources that could be used to finance social spending. Gonçalves (2006) estimates that the average real interest rate rose from 3.8%, in the period of 1980 to 1994, to 12.3% from 1995 to 2004. According to Junior (2002), the federal debt[56] that amounted to R$ 61 billion in December 1994 jumped to more than R$ 624 billion in December 2001. Over the years, the primary surplus grew progressively: from 3.3% of GDP in 1999 it went to 4.6% in 2004.

[55] Via compression of aggregate demand and exchange rate appreciation

[56] Federal public debt in securities, excluding Central Bank portfolio.

But there is still a third factor that contributes to the further deterioration of the living conditions of workers, which is the casualization of labour laws, sold under the nomenclatures of "flexibility" (Krein, 2002). After all, the government is supposed to let go of its regulatory functions, and the labour market becomes a crucial arena for the application of that principle.

In sum, this subsection described the three pillars that structure the neoliberal SSA in Brazil, and how they interact with each other. Once equipped with this background information, we are able to understand how consumer credit fit into this capitalist architecture.

5.5.2 The rise of the financial sector and the role of securities in the neoliberal SSA

So far, when we talked about the second pillar that structures the neoliberal SSA, we talked about the downsizing of the industrial sector without detailing the rise of the financial sector in the post- monetary stabilization period, when inflationary gains waned. On the financial side, the context in 1995 is one of structural reforms. Besides the impact on the system of the disappearance of inflationary revenues, there was a brief resumption of credit supply in the immediate post-stabilization, which was confronted by measures of credit restriction and by an interest rate spike in response to the Mexican crisis. This contributed to the insolvency and liquidation of several banking and financial institutions (Rocha, 2001; Cysne and Costa, 1997).

In order to rescue institutions threatened by bankruptcy, Proer[57] emerged in 1995, regulating and providing resources for mergers and acquisitions. In 1996, under Proes[58] we saw the privatization of most state banks – from the 34 that existed in 1994, 17 remained in 2000, and only 6 at the end of 2002 (Vasconcelos et al, 2004).

Rocha (2001) argues that a great deal of major operations were related to the acquisition of retail banks by foreign institutions. Camargo (2009) argues that until the Real Plan, foreign banks had difficulties in penetrating market niches dominated by large national retail banks, a situation that was further aggravated by the hostile inflationary

---

[57] Stimulus Programme for the Restructuring and Strengthening of the National Financial System.
[58] Incentive Programme for the Reduction of the State Public Sector in Banking.

environment. But after stabilization and the entry by acquisition of established banks, the share of financial institutions with foreign control in credit operations increased from 6.56% in 1993 to 25.16% in 2000.

In contrast to what happened in other emerging countries, domestic banks reacted. To ratify their leadership, they started to lead the process of mergers and acquisitions (Neto and Pauli, 2008). Therefore, there was a direct concentration stimulus from government programs, and an indirect stimulus, arising from the intensification of foreign competition that encouraged the growth of national leaders. A third source of concentration stimulus came from the strengthening of prudential regulations, which imposed greater obstacles to smaller financial institutions, regarding their alignment to an increasing number of requirements[59]. The result was the disappearance of 437 financial institutions between 1995 and 2002. During the same period, the percentage of assets concentrated in the twenty largest banks increased from 75.7% to 79.7% (Cintra, 2006).

In this context, a scarcity of credit prevailed. Not only did it remain at a very low level throughout the decade, but it fell between 1990 and 1999 according to Jacob (2003). The decrease in the credit to GDP ratio from 38.9% to 34.5% is surprising, given that in 1990 the country was plagued by rampant inflation.

The main reason why banks adopted a credit rationing behaviour is simply because investments in the private sector are characterized by a trade-off between profitability and associated risk. The alternative that banks have to the provision of credit is an asset that possesses the very desirable combination of high yields, low risk and high liquidity – federal government bonds. Many of them were LFTs[60], whose profitability was linked to Selic[61]. The period was characterized by a restructuring of the financial system and an unstable macroeconomic environment. Selic increases were the main strategy used to combat capital flights. In addition, as we previously highlighted, the standard practice was to maintain basic interest rates at very high levels, given the fact that they performed multiple functions related to macro stabilization.

---

[59] Rocha (2001) mentions the introduction of minimum capital requirements in line with the Basel agreements, which should initially correspond to 8% of risk-weighted assets. In addition, Resolution 2682, of December 1999, determined that credits had to be categorized according to their risk level, and to each category a certain provisioning level was required, to cover eventual losses.

[60] A type of bond called *Letras Financeiras do Tesouro*.

[61] The basic interest rate.

Therefore, the scenario was one in which instability encouraged liquidity preference. And the increased instability itself was accompanied by an increased profitability of government bonds. The result was a convergence of incentives for an increasing proportion of banking assets to be composed of such bonds, at the expense of lending. Jacob (2003) estimates that the share of securities in total assets of financial institutions was 34% in 2001, compared with 28% of loans, and more than two-thirds of the latter were short-term operations.

In sum, finance-centred accumulation was now based on a new axis. Instead of inflationary gains, which was the case of the period that roughly goes from the 1980s until the early 1990s, the source of profitability started to lie in portfolio allocation decisions. In different macro contexts, this portfolio is constituted by different proportions of loans and securities. During the second half of the 1990s, the main instrument of financial accumulation was securities. But during Lula's presidential term (2003-2010), the regime experienced a shift, to one where private agents were drawn more deeply into financial markets – which is explored next.

5.5.3 The credit boom of the 2000s

The extent to which Lula’s government can be classified as neoliberal is a heated debate. On the one hand we have those who believe in plenary continuity, a "more of the same" type of policy (Carcanholo, 2002; Prates and Paulani, 2007; Gonçalves, 2014). At the other extreme, we have those who argue that the neoliberalism that prevailed in the first three years was replaced by a developmentalist vision from 2006 (Barbosa and Souza, 2010). We join a halfway current, which believes that even though the government was pinned down in a neoliberal SSA there was a process of relaxation of the three pillars permitted by the international scenario (Serrano and Summa,2015; Morais and Saad-Filho, 2011). And that relaxation changed the macro environment, turning credit expansion into a more attractive alternative to financial institutions. In the end, a big deficiency of the neoliberal SSA was addressed – the anemic aggregate demand, a product of the industrial disintegration associated with the further deterioration of the workers’ condition.

Regarding the first pillar that supports a SSA order – the reduction of the role of the state to a "responsible" macro management, which in Brazil transformed the tripod into a sacred principle - we see the loosening of the tripod rules. During the first Lula's government (2003-2006), we see a growth impulse coming from the external sector (Teixeira and Pinto, 2012; Corrêa, 2015). After seven years registering deficits, the trade balance had a surplus in 2001, which can be explained by a mixture of factors: the lagged effect of the currency devaluation of 1999; the new depreciation that occurred during the presidential campaign of 2002; the growth of the world economy, which increased the international demand for Brazilian commodities along with its prices. Not only did exports increase, but also the gross fixed capital formation in the sectors producing raw materials. Moreover, abundant international liquidity fed the Balance of Payments via the financial account. The consequence of this process was an increase in revenues, that did not come about through increased taxation, but through growth.

The relaxation of the macro management tripod came in two main ways: first, through the maintenance of the inflation target regime, but with a progressive reduction of Selic. Enabled by the diminished external constraint, the reduction began at the end of Lula's first presidential term but accelerated during the second term. Instead, the government used non-monetary instruments to combat inflation, such as tax policy, which was contrary to the orthodox prescription that focuses exclusively on interest rates to control prices. Despite the loosening of monetary policy, high interest rate differentials in relation to the rest of the world were preserved, fuelling foreign capital inflow, and appreciating the exchange rate. This helped to dampen the inflationary pressures.

Secondly, primary surplus targets were also maintained but progressively reduced, even though primary surpluses remained high throughout the whole period. This reduction was made possible by the reduction of the net debt of the public sector and by changes in the method of calculation of the surplus, which started to exclude some direct public investments and others made via state owned companies.

The net debt of the public sector fell from 60% of GDP in 2002 to 40% in 2010. Amongst the factors that contributed to the reduction of the domestic debt, besides increased revenues derived from the external push, were the reduced profitability of government bonds indexed to Selic and the shrinkage of the share of the domestic public debt that was indexed to the exchange rate. Furthermore, there was a change in the composition of this debt, which came about with the decline in the proportion of securities indexed to the exchange rate and to the Selic rate at the expense of advancements of the ones indexed to inflation or that are fixed rate bonds (Tesouro, n.d.). Both of the latter types of securities are the most desirable by the Treasury, and had their share in total securities increasing from 14% by the end 2002 to 60% in 2006. This trend of improvement continued and in June 2014, the percentage had already jumped to over 76%, according to Tesouro (2014). The external debt for instance also benefitted from the appreciation of the exchange rate, which coupled with successive accumulations of reserves turned the public sector into a net external creditor.

The dynamics of improvement in tax revenues was fundamental for maintaining both good indebtedness indicators and increases in public spending (Corrêa, 2015; Serrano and Summa, 2015). The latter boosted the dynamism of domestic demand. The increased spending had strong impacts on two fronts: investment and consumption.

When we talk about investment, we touch the second pillar of the neoliberal SSA, which involves the strong contraction in industrial activity. Lula’s government was different from its predecessors for restoring public action in the acceleration of investments, which according to Corrêa and Santos (2013), happened via three main routes: (i) direct state investment in infrastructure, especially after 2006 with the Plan for Accelerated Growth (PAC); (ii) the financing of private investment via BNDES and (iii) conducting consortia for large investment projects. As a result, between 2003 and 2010, the growth rate of total investments was higher than the growth rate in consumption.

But despite the growth in the investment rate, industry was one of the main weak spots of Lula's government. There was no explicit policy to change the Brazilian industrial structure. The external impulse that occurred in the first government was extremely beneficial for manufacturers linked to commodity exports, which Corrêa (2015) defines as “growth via the line of least resistance”. The growth impulse coming from exports, later associated with domestic growth, had a positive initial effect on the industrial production. But in the domestic market, this effect was hampered by the combination of currency appreciation and GDP growth, which accelerated the replacement of the domestic production by imports. In addition, there was a downward trend in manufactured exports not linked to commodities, regarding both high and low technology products, which was closely linked to the aggressive international competitiveness of Chinese industry. The result was that between 2005 and 2008 the growth rate of the industry's value-added remained below the GDP growth rate. And in terms of the trade balance, between 1992 and 2007, the trade surplus in commodities grew steadily, rising from US$ 11 billion in 1992 to US$ 46.8 billion in 2007, while the trade balance in manufactured goods went from a surplus of US$ 4 billion to a deficit of US$ 9.8 billion for the same period (Oreiro and Feijó, 2010). Thus, the industry was far from recovering its position of engine of growth that it had in the developmentalist period.

When we talk about consumption, we touch the third pillar, which is the further deterioration of the living conditions of workers in the neoliberal SSA. Lula's government brought about a measure that had a very important impact on the indicators of income distribution, which was the policy of appreciation of the minimum wage. However, any attempt at structural income redistribution would necessarily involve two actions: strengthening the universal character of social policy and implementing a tax reform aimed at eradicating the strong regressiveness that characterizes the Brazilian tax burden. What we saw instead was an increasing weight of targeted social policies – the most famous one being *Bolsa Família* (Lavinas, 2015).

The financial sector saw the profitability of government bonds reduce through the reduction of Selic and the purchasing power of workers increase, amidst an environment of political stability and economic growth. In this way, the relaxation of the pillars of the neoliberal SSA sowed the seeds for the transformation of consumer credit as financial institutions found in households their pot of gold. Meanwhile, financial inclusion policies promoted access to bank accounts and created facilitated credit categories. The result was that a large chunk of that credit ended up in the pockets of low income groups, which proved to be a fruitful front of expansion. In order to attract this category of clients, according to Cintra (2006) two main strategies were adopted: the acquisition of the remaining SCFIs by large conglomerates and the formation of partnerships with retailers - following the historical pattern. Some of the most substantial operations are summarized in the following table.

Table 5.6 Selected acquisitions and partnerships related to the expansion of credit portfolios of commercial banks.

Year	**CAIXA**
2005	Acquired the *consignado* loan portfolio of the private banks BMG and BMB
	BANCO DO BRASIL
2006	Settled the first partnership with a retailer, for consumer financing and sales of financial products. The agreement was made with Lojas Maia (home appliances and furniture store)
2007	Another partnership settled, this time with Lojas Novo Mundo
2009	The SCFI "BV Financeira" was founded in July 1996 by Banco Votorantim, which aimed at diversifying its activities. In 2009, Banco do Brasil bought part of of Banco Votorantim. The goal was to strengthen the participation of Banco do Brasil in vehicles financing
	BRADESCO
2001	Acquired Banco Continental, traditionally focused on CDC
2002	Acquired Banco Mercantil de São Paulo S/A, a conglomerate that owned the SCFI Finasa. The latter is then renamed as Bradesco Financiamentos
	Started to manage the financing portfolio (CDC) of Ford Credit
2003	Acquired Banco Zogbi, an institution that was created to finance the sales of Lojas Zogbi, but then became a profitable player on the CDC segment
2004	Partnership with Casas Bahia, which guarantees exclusivity on sales financing
2005	In a second phase of the partnership, Bradesco installed kiosks inside the stores, in order to sell financial products to Casas Bahia's costumers, such as cards and insurance
	Acquired Banco Morada, an institution specialized on personal credit and CDC, with acted in Rio de Janeiro
2006	Took over the Brazilian operations of American Express
2007	Acquired BMC, one of the biggest private banks acting on consignado credit to retirees and pensioners
2009	Acquired Banco Ibi, linked to the Dutch retailer C&A
2015	In 2015, Bradesco had partnerships with 24 big retail chains for the issuing of credit cards
	HSBC
2003	Bought all Brazilian shares of Lloyds Bank, which ceases to operate in the country. The most wanted asset of Lloyds was the SCFI Losango
2004	Partnership with the retailer Panashop, which guarantees exclusivity on sales financing
	SANTANDER
2010	Acquired the SCFI Aymoré Financiamentos, that was renamed as Santander Financiamentos
	ITAÚ

2003	Acquired the SCFI Fináustria, which mainly acted on vehicles financing. The institution is renamed as Banco Itaucred Financiamentos S/A
2004	Creates the SCFI Taií. In 2009, after Itaú merged with Unibanco, the company was closed
	Partnership with the retail chain Pão de Açúcar, which created the Financeira Itaú CBD
2005	Partnership with the retail chain Lojas Americanas, which created Financeira Americanas Itaú
2013	Acquired Credicard, the most famous credit card company in the country
	UNIBANCO
2000	Acquired the Financeira Fininvest
2001	Acquired 50% of PontoCred, a subsidiary of Globex responsible for financing the clients of the retailer Ponto Frio
2001	Partnership with the retailer Magazine Luiza
2004	Partnership with Walmart, for the control of Hipercard, the credit card of the retailer
	FOREIGN INSTITUTIONS
2006	The French Cetelem, from the groups BNP Paribas, settled a partnership with the retailer Casa&Vídeo for sales financing and for the issuance of a store card
2014	Leader on the Brazilian e-commerce, the B2W announced a partnership with Cetelem to offer credit cards on the Americanas.com and Shoptime websites

Sources: Folha de S. Paulo (2000, 2002, 2003, 2006, 2009); G1 (2009, 2013); Estadão (2002a, 2002b, 2004a, 2004b, 2005a, 2005b, 2006, 2008, 2009a); IG (2011); O Globo (2007); Hipercard (2017); Exame (2010, 2014); Reuters (2005), Valor (2007, 2009).

The modern partnership with retailers constituted a process of financial innovation (Alves and Menezes, 2007). It started with the so-called private label cards, which provide a line of pre-approved credit to the customer shopping in the store that issued the card. There are three business models behind the private label cards, and the most primitive, in terms of its operational architecture, is the in-house model. In this model, the retailer is responsible for all activities related to the granting of credit, which includes the capture of customer requests, analysis and the processing of such requests. At best, there is an outsourcing of auxiliary tasks such as the management of defaulters. The resources that back the credit granting usually come from retained earnings of these commercial companies or the issuance of debentures. The major weakness of this model is that the internalisation of the above activities requires a major mobilization of the company's management structure, which can be very expensive.

At the other extreme there is the model of outsourcing, where the whole administration of the card is put into the hands of a financial institution. The problematic points then become the loss in retailer's autonomy regarding credit decisions, and the fact that this retailer does not participate in the financial gains arising from the credit card transactions. And halfway between in-house and outsourcing there is the joint venture model, where the retailer and financial institutions come together to create a third entity, which is responsible for the management of the card. Financial profits are therefore shared.

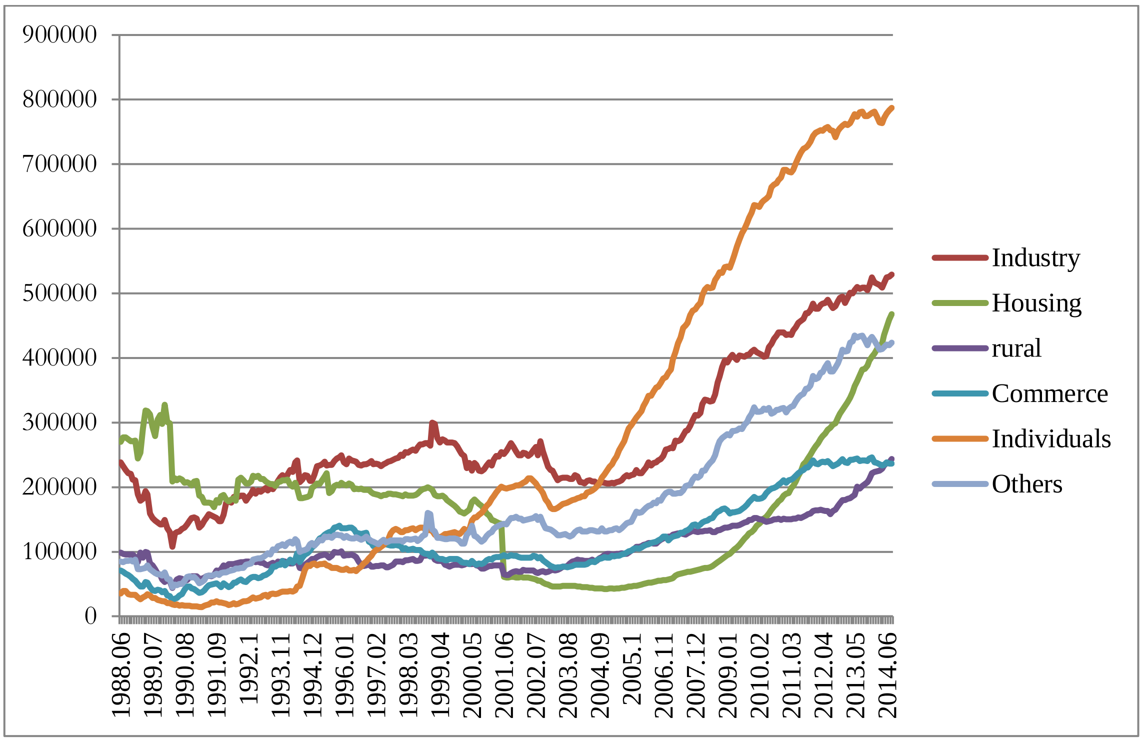
Furthermore, private label cards have also evolved and diversified. Three main variants can be cited: firstly, the non-flagged private label of widespread use, that can be used in all establishments affiliated to the administrator of the card, which as explained previously can be the retailer or a financial institution; secondly, the flagged co-branded card, which can be used in all stores that accept the flag, and can also be used for withdrawals; thirdly, there is the flagged private label, in which case 100% of the credit limit is available for use in the retailer that issued the card, and a fixed percentage of this limit can be used in the stores that accept the flag and for withdrawals. The same retailer can also offer different types of cards for different clients, in which case private labels are usually offered to low income customers.

The result of this process was a huge increase in credit to individuals, as shown by figure 5.3. Consumer credit then becomes one of the main instruments of accumulation.

In macroeconomic terms, the credit boom was one of the big factors responsible for boosting aggregate demand via consumption without addressing structural income redistribution, at a time when investments had lost their dynamism. While growth rates during the peak of the developmentalist era reached an average of 7% per year (from 1974 to 1980), from 1995 to 2004 the average registered was of meagre 2,4% (Gonçalves, 2006; Fonseca et al, 2013). From 2005 to 2010 Brazil grew at 4,3% per year, on average.

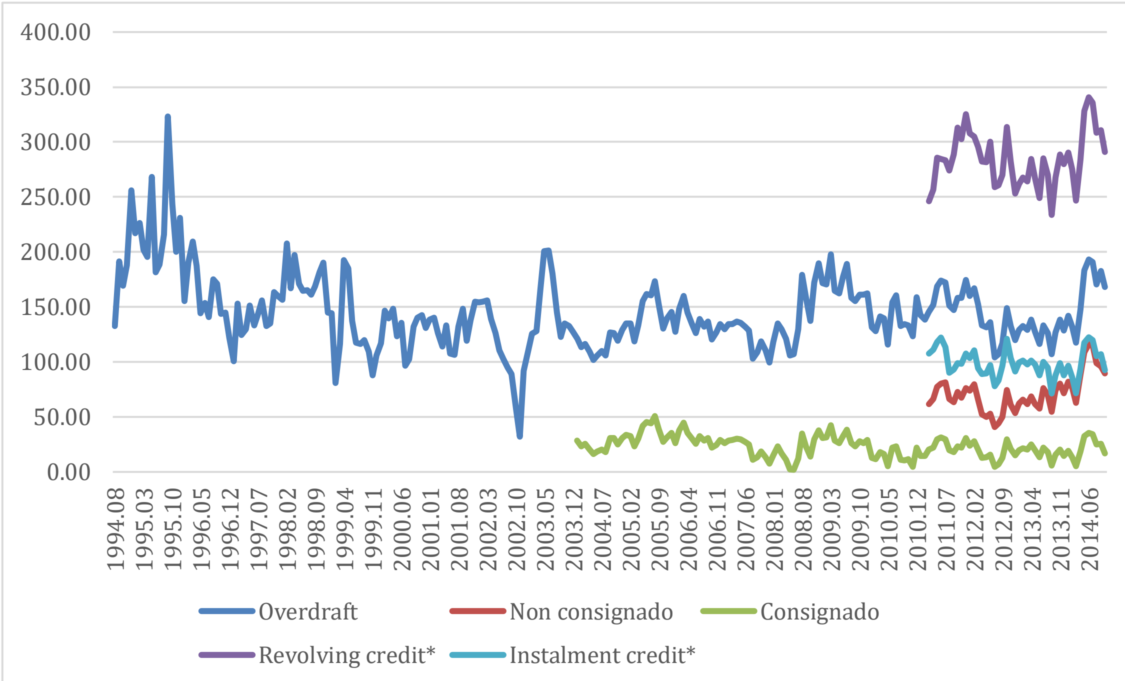
With consumer credit at the apicentre of accumulation, it became much more costly for the borrower compared to the developmentalist era, which we can deduce by comparing table 5.2 and figure 5.4. Between 1960 and 1970, the highest average annual interest rate charged to the borrowers of SCFIs was 19.9%. In contrast, when we look at the neoliberal period we see that in July 2014, the average real interest rates charged on overdraft and revolving credit reached 191% and 336% per year, respectively. Payroll deductible loans (or *consignado* loans), which are currently the cheapest credit categories, reached 34% for that same month of reference.

Figure 5.3 Total credit to the private sector, by categories. R$ (million). Deflated series (IGP-DI, Aug 2014=100). June 1988 – August 2014.



Source: IPEADATA. Author's tabulation.

Figure 5.4 Real interest rates for selected types of credit to individuals (% p. y.), July 1994- October 2014.



Source: Central Bank of Brazil, time series management system. Author's tabulation. *Credit card-based.

As a consequence, profitability rates peaked. During Lula's government, banks profitability rose by 550%, in comparison to Fernando Henrique's mandate (Agência Senado, 2011). And during the entire PT era, from 2003 to 2016, amongst the ten most profitable stocks in the market, five were from banking institutions (Toledo, 2016). This explosion in the cost – and in banks' profitability - clearly shows the government's orientation to protect the centre of accumulation.

5.6 Conclusion

Given the centrality of consumer credit not only for the determination of macroeconomic dynamics but for the organization of daily life, its history has already been accurately told in the cases of developed economies - notably in the US, where it was born and where it reached its greatest development (Marron, 2009; Hyman, 2008;

O'Connell, 2009; Calder, 2009; Gelpi and Julien-Labruyère, 2000; Logemann, 2011). This paper is an attempt at telling the Brazilian history of consumer credit. This history has a dual nature, as consumer credit interlinks movements placed at the business arena and at the cultural arena. The former refers to the conditions of capital reproduction, while the latter to processes of social legitimacy. In the present paper, we focus on the former level of analysis, leaving the latter as a suggestion for future investigations.

By putting the modern credit boom in historical perspective, some of its features are better understood, such as the strategy of forming partnerships with retailer institutions, a practice that emerged in the 1950's. Furthermore, it clarifies the role of consumer credit in the "big picture". During the developmentalist era, the bills of exchange, that funded consumer credit, were a profitable financial investment – but they did not drive accumulation. Consumer credit assumed an auxiliary role, in the sense of helping to create demand for the domestic industry in a context of highly concentrated income, therefore supporting industrial-based accumulation.

When the industry lost its position of engine of growth, the center of accumulation moved from the industrial to the financial sector. In this new context, the main instrument of modern financial accumulation was inflationary gains at first. Right after the currency was stabilized, it became securities. During the 2000s, consumer credit reemerged. The government made marginal adjustments to the neoliberal SSA in force, which altered the macroeconomic environment, creating incentives for banks to increase the credit-to-securities ratio, including in the expansion process previously marginalized clients. Consumer credit then became one of the main instruments of modern accumulation. In macroeconomic terms, the credit boom was one of the big factors responsible for generating growth via consumption, without addressing structural income redistribution, at a time when investments had lost its dynamism.

At this new scenario, consumer credit started to reach a larger base of the population, but also became much more costly for the borrower if compared to the developmentalist era – and the profitability of the banking sector peaked.

Throghout the analysis, we were able to see that the role of the state is vital in explaining the differences in the characteristics of credit supply in the two periods considered. In the first period, the policy apparatus regimenting SCFIs embedded a rationale of keeping credit available and affordable, in order to create markets for industrial goods, therefore protecting industrial accumulation. While in the second period, the desinterest of authorities in controlling the cost of credit evidences the protection of the new accumulation's epicentre. This time, this is equivalent to protecting the interests of lenders, to the detriment of borrowers. This way, compared to the developmentalist era, the power asymmetries between lenders and borrowers were widened.

CHAPTER 6 : STRUCTURAL DETERMINANTS OF CONSUMER CREDIT DEMAND – THE CASE OF *COMPLEXO DA PENHA*

“If we admit that human life can be ruled by reason, then all possibility of life is destroyed.”
(Tolstoy)

6.1. Introduction

The aim of the previous chapter was to investigate the structural determinants of consumer credit supply for low income populations. For that, we put the phenomenon of booming consumer credit in Brazil around the 2000’s in historical perspective. In a nutshell, we were able to verify that its transformation, from a supportive to one of the main instruments of accumulation, was accompanied by profound changes in the amount and cost of credit supplied. The purpose of the current chapter is to unveil the structural determinants of consumer credit demand, using for that the qualitative study performed in *Complexo da Penha*.

The interviews suggested the existence of a double-charactered consumer credit demand – one that emerges from the need to finance social consumption, and another type which emerges from the need to finance basic consumption[62].

The first type of credit demand is heavily influenced by structural cultural institutions. Those cultural determinants refer to consumption and financial norms, which are based on intersubjectivities – here simply understood as socially shared logics. Those norms are compatible with a progressive increase in indebtedness, as they set high levels of desired consumption and naturalize the use of consumer credit to finance them.

Together, those norms give social legitimacy to FI policies that increase credit supply. This process of legitimation can be of two types – active and passive. Passive

[62] So far, we have used a consumption typology composed of two main categories: basic and social consumption. The former is associated to the satisfaction of immediate and future survival needs, while the second was further divided into status, integrative and conformative consumption. See chapter 2.

legitimation happens when these policies are compatible with a set of pre-existing intersubjectivities. Active legitimation happens when the influence of the financial system is big enough to transform pre-existing intersubjectivities of resistance to increased financial inclusion.

This way, our first contribution is to propose a richer understanding of the demand for credit than is found in the economics literature. This demand is normally regarded in mainstream and Post-Keynesian economics as an extension of individual preferences and/or of individuals' or businesses' cash short-falls in the context of utility maximization (Cui, 2017; Deleich, 2018). In particular, this study finds evidence for the existence of intersubjectivities identified by the literature, points to the transformation of others and identifies new ones. In addition, by tracing the structural relations enclosed by these intersubjectivities we were able to conclude that both active and passive processes of legitimation to FI policies took place in Brazil.

It is worth reminding the reader that our focus on the mapping of shared logics with a structural origin, does imply that the countervailing "agency" forces are irrelevant. In other words, the existence of prevailing cultural institutions does not imply an impossibility to act contrarily to them. In line with the Critical Realist philosophy, presented in chapter 3, we believe that a pre established social context does not determine human behaviour. Our research strategy should be understood in the general context of a structuralist thesis – and in particular, in the context of the research question of the chapter, that investigates the structural factor underpinning consumer credit demand.

We also identified a second type of credit demand – this one much less approached by the literature – which emerges from the need to finance basic consumption. This demand can be further divided into two categories. One arises from the need to manage fluctuations of a budget that is very close to the subsistence level, and is commonly met by pre-approved credit sources. And the other is a credit demand that arises from even more serious cases of interruptions or severe reductions in the inflow of income, which brings this income to a level that is well below the minimum of subsistence. The latter type of demand is left largely unattended by the formal financial system.

The need to recourse to credit to finance very basic needs evidences the lack of "cushions of protection" coming from labour market structures and welfare systems. And the fact that this credit is frequently unavailable, in which case there is high vulnerability to to being pushed into informal arrangements to guarantee survival, evidences the deficiency of financial inclusion policies to provide safety nets to these clients.

Along these lines, by drawing attention to the vulnerability to informal arrangements to guarantee survival, another contribution of this study is the detailing of the operation of moneylenders and *caixinhas* within a *favela*. Even though there are some studies that analyze local currencies (Menezes and Crocco, 2007; Freire, 2011), the operation of informal local lending systems in poor communities is still largely unknown.

This chapter is structured as follows. After this introduction, section 6.2 contains a literature review of the Brazilian studies that investigate consumption and financial behaviour amongst low income populations. Section 6.3 addresses credit demand that finances social consumption, presenting the fieldwork findings regarding intersubjectivities shaping consumption and financial norms. The following section connects the intersubjectivities mapped to structural conditioning. Section 6.5 presents fieldwork results regarding the investigation of credit demand that emerges from the need to finance basic consumption. The last section concludes.

6.2 Intersubjectivities shaping consumption and financial norms amongst the Brazilian low income population in the literature

Chapter 2 discussed the idea that a credit demand that emerges from the need to finance social consumption is heavily influenced by cultural determinants. Those cultural determinants were considered to be consumption and financial norms. While consumption norms are socially-determined standards of consumption, which determine the level of desired consumption, financial norms are socially-determined standards of how that consumption level should be financed (Cynamon and Fazzari, 2008). We also suggested that they derive from socially shared subjectivities. This way, this section maps the intersubjectivities present in the Brazilian literature.

The literature that deals with consumption behaviour amongst the Brazilian low-income population is heavily concentrated in the field of business studies (Castilhos, 2007; Mattoso and Rocha, 2005; Barros, 2007; Rocha and Silva, 2008; Barros and Rocha, 2007; Assad and Arruda, 2006; Nogami and Pacagnan, 2011) and to a lesser extent, in the field of sociology (Barbotin, 2014; Sarti, 2011)[63]. These authors investigate the symbologies and meanings associated with various consumption practices, which is compatible to our analysis of intersubjectivities – even though the terminologies used are different. Table 7.1 below summarizes the findings pointed out by this literature:

Table 6.1 Consumption intersubjectivities existent in the literature.

Consumption Typology	Intersubjectivities
Status	Intra-class differentiation
Integrative	Intra-class differentiation
	Display of intra-class equality
	Leisure-consumption
	Extra-class integration

A commonly reported finding of this literature is a subjectivity supporting status consumption - the so-called *intra-class differentiation*. (Assad and Arruda, 2006). Castilhos (2007), explains that the "elite of the poor" wants to be different from the "poor", which in turn do not like to be confused with the "very poor." The first group is formed by local traders, who live in better located and more comfortable houses. The second is constituted by those who lived in simpler houses, but still have the ability to equip it with some electronics and have abundant food, although composed of cheaper products. The very poor form the lower layer, and their state of destitution is pronounced.

Barbotin (2014) explains that although participants generally do not admit the engagement in intra-class differentiation via consumption, this is detected when the

[63] It is interesting to highlight that the emergence of the business literature in particular was strongly influenced by Prahalad (2010), who inaugurated an area of research which called attention to the enormous profitability that could emerge from doing business with the "base of the pyramid". This was becoming increasingly evident with the boom in emerging countries, which in the first decade of the 2000's were assuming an increasingly prominent role as drivers of global growth.

interviewees are invited to talk about the practices of the others. At that moment, these practices become highly visible in the community where they live.

Pinheiro-Machado and Scalco (2012) explain that the status consumption of the Brazilian poor is inspired by the consumption of the elite. But given the abyss that separates them from upper classes, it acquires very particular meanings and must be studied in its own terms. The authors examined the consumption of branded clothing by young residents in the periphery of Porto Alegre – which is an accurate example of intra-class differentiation. Although the use of branded clothes is a symbol of status in society in general, in the context of these young people the specific brand purchased also defined participation in a certain "brand clan" – the "clan" using Nike products was rival to the one using Adidas.

Moving on to integrative consumption, social rituals marked by practices of consumption were also detected by the literature. These rituals refer to weddings, birthday parties, baby showers, Christmas celebrations, among others. While Souza (2009) associates these rituals with a desire for differentiation, that is, a desire to place oneself in a position of superiority over the other person, initially taken as similar – which end up basing integrative consumption on the logic of *intra-class differentiation* -, Barbotin (2014) takes a different perspective. The author argues for the existence of a logic that we coin *display of intra-class equality*. Participation in a ritual in this case signals that one's dispossession is not severe enough to prevent his/her engagement in different locus of socialization. Before taking a position of superiority, there is an intention to take a position of equality in relation to the other.

The act of consuming in itself is also a social ritual. And the norms associated with "ritual consumption" in the revised literature are *leisure-consumption* and *extra-class integration*. Regarding the former, it is highlighted that the ritual of consumption that becomes a leisure activity has the power to alleviate an arduous reality (Lipovetsky, 2007). Therefore, even ordinary purchases, such as shopping for groceries, which is often considered inconvenient for other social classes, are considered pleasurable for less privileged individuals (Veloso et al, 2008; Parente et al, 2005; Mattos, 2007). Regarding the latter, Barbotin (2014) highlights the role played by department stores, that became a space of integration of different social segments in the urban space - an integration mediated by consumption. On the other hand, that positive feeling contrasted with the frustration caused by budget constraints, which prohibited the purchase of many desired items (Parente et al, 2005; Mattos, 2007).

Moving on to the literature that addresses intersubjectivities underlying financial norms specifically related to the case of consumer credit, - business and sociology studies previously mentioned also address this thematic. In addition, another source of publications offers important insights on the subject: government reports in the first decade of the 2000's, which aimed at better understanding the targeted audience of FI policies that were being implemented for the first time in history. While Nichter et al (2002) focus on microentrepreneurs, Brusky and Fortuna (2002) use as units of analysis microentrepreneurs, employees and the unemployed.

Following Brusky and Fortuna (2002), we distinguish consumer credit in two types: instalment credit, referring to consumer credit that is materialized in the form of goods; and cash credit, referring to consumer credit that is materialized in the form of cash. Table 7.2 below summarizes the financial subjectivities pointed out by the literature:

Table 6.2 Financial subjectivities existent in the literature

Financial Product	Subjectivities
Instalment credit	Lack of prospective thinking
	Social rejection of saving
	Naturalness
Cash credit	Non-naturalness
Consumer credit (instalment+cash)	Instrument to strengthen social ties
	Social demarcation Lack of financial education

Regarding instalment credit, the following subjectivities are highlighted by the literature reviewed: the *lack of prospective thinking*; the *social rejection of saving* and the *naturalness of the instalment purchase*.

Firstly, Brusky and Fortuna (2002) start by verifying that interviewees repeatedly used the argument of the impossibility to save due to their low level of income. However, by recounting their life trajectory, it became clear that there were many moments in their lives when participants were able to properly pay for instalment plans acquired. This implies that in these moments they were able to manage their budgets in order to have a surplus of funds by the end of the month, which means that before the instalment plan was acquired there was a limited, but positive, potential to save.

According to the authors, this paradox evidences the existence of a *lack of prospective thinking*, or in other words, a temporality of preferences that prioritizes immediate satisfaction, which in this case is brought about by consumption and denied by the act of saving. The lack of long-term planning in the management of the domestic budget amongst the poor is also highlighted by Barbotin (2014) and Barros (2007). But this is not a unanimous point in the literature. Mattoso (2005), for example, states that his interviewees demonstrated that they plan their future in a concrete and rational way.

Secondly, Barbotin (2014) points to another perspective regarding savings: the case of its *social rejection*. This situation arises when one forgoes from the present consumption of items that are considered necessities for the sake of saving for medium or long-term needs, which is identified as being a greedy attitude. The act of saving is legitimate only when quality of life is not compromised.

Thirdly, Brusky and Fortuna (2002) argue that consumer credit is seen as a natural variation of the prompt payment, and often it is not even associated with a financial transaction, in opposition to a traditional loan. This perception of naturalness is reinforced by the quickness of transactions - once a registration is created in a store, which usually requires a short list of documents, future instalment plans do not need to be approved - and by the flexibility of terms and of the size of instalments. The perception of naturalness is also partially due to the good relationship maintained with retailers, as clients believe themselves to be treated with dignity and respect by these institutions.

Regarding cash credit, *non-naturalness* is the main perception associated with it, according to Brusky and Fortuna (2002). It is associated to bureaucratic transactions that need to be justified, and therefore are associated to unusual circumstances, not associated with daily life, that require an atypical financial mobilization by households. A strong feeling that the poor are mistreated by banks and financial institutions in general was also detected, which helps to reinforce the non-naturalness perception.

Some perceptions can be associated with both types of consumer credit, such *as credit as an instrument to strengthen social ties* and *credit as social demarcation*, both explored by Mattoso and Rocha (2005). A very common practice amongst low income Brazilians is the one of "lending one's name". This is a situation when an individual, unable to access the formal financial system, accesses credit using the name of somebody else. Given the high risks involved in the operation[64], the reason why this is such a common strategy is explained as follows by Mattoso and Rocha (2005):

> "Lending the name may not be seen as an optional favour, but as an obligation to those who belong to the universe of relationships. To refuse to lend the name is to deny the bonds that exist between the particular individual and his network of relatives and friends, admitting, in its final consequences, the rupture of these bonds. It is a gift in all its extension, because it implies donating not only credit, but the identity and social insertion itself. " (p. 13 – our translation)

A spirit of solidarity surely figures as an explanatory factor. However, there is more to it. A need to strengthen the insertion of the individual in his/her micro social ethos is also present. This ethos refers to the set of interactions between individuals and families, and between families, which requires some sort of social maintenance for its perpetuation over time. This perpetuation is seated on an informal institutionality involving actions, norms and rules guided by bonds of trust and loyalty. According to Sarti (2011), the very definition of family in this framework refers to a web of moral obligations. In this sense, being part of the family implies being helped in difficult times and helping others in times of prosperity. There is also a hierarchical dimension involved in the practice of lending one's name, since it involves a privileged part loaning a coveted asset (a "good name") - putting the one who loans in a superior position regarding the one who borrows.

In addition, even though it cannot be considered a subjectivity per se, the *lack of financial education* is considered an important factor underlying financial norms in Brazil. In an OECD survey that measured the level of financial education in 30 countries, Brazil was ranked 27th. The questions covered topics on interest, risk, inflation, management of portfolio, amongst others, and were applied to 1.974 people in the country. The Brazilian average score was 58%, whilst the international average was 78% (Atkinson et al, 2016).

[64] The practice is extremely risky – according to SPC, almost 30% of the 54 million defaulters in the country In 2015, corresponded to people who lent their credit cards, opened a crediário or took cash credit for other people (Andrade, 2015).

In sum, this section listed the intersubjectivities underpinning consumption and financial norms in the literature. On the one hand, these consumption subjectivities are compatible with the existence of consumption norms that set high levels of desired social consumption, as they are associated with multiple social purposes. On the other, the subjectivities underlying financial norms naturalize the use of instalment credit – and not cash credit – to finance those desired levels of consumption. Next, we discuss the results of the qualitative study that took place in *Complexo da Penha*.

6.3 Intersubjectivities underlying consumption and financial norms amongst the Brazilian low income population – the case of *Complexo da Penha*

6.3.1. Intersubjectivities underlying consumption norms in *Complexo da Penha*

Data collected during fieldwork make two points of contribution: first, they increase our understanding of the functioning of an existing subjectivity, and second they identify a new one.

Firstly, regarding the functioning of intra class differentiation, a feeling of recrimination was commonly manifested. It was clear that attempts at social differentiation via consumption were penalized when the person practicing it was perceived as an equal in terms of destitution. This individual was treated as a "social fraud", who through ostentatious consumption – unsuccessfully - tried to hide a reality marked by material precariousness, and hence the recurrence of expressions related to "wanting to be what one is not." And logically, the greater the detachment between social reality and appearances, the greater the social judgment:

> "We have to shop thinking like that, right, about living within our means...so, in my family there are people who don't have the financial means but want to buy things so they can show it off to people, you know? And don't want to live their reality, don't accept it. They try to show that they are something they're not." (Cris)

> "They do it out of greed. They want to be something, want to spend something they can't. Want to have a status they don't have, you know."(Fernando)

> "I know many people who spend more than they should. That can't do those things and are forcing the situation to be something that they can't be, because they don't have the means for it. They want to spend what they don't have." (Lucio)

But ostentatious consumption became legitimate when the other was perceived as someone who actually had the financial means to do so. This became evident when we asked participants if they admired people who owned expensive houses and cars. Most people answered positively:

> "I admire them! If you have those things it's because you conquered them, everything requires a sacrifice, you know. If he got it is because he fought for it. If I want it, I have to fight to have it too, right?" (Cris).
>
> "Oh, I agree yes, because they fought to conquer that. I really admire their struggle to obtain property, a material good that is a car, a motorcycle or whatever." (Danilo)
>
> "I think it's a god thing if they can have it.... I admire it because the person is hard working." (Esther)
>
> "I admire because the person worked to conquer that. I admire it." (Fernando)
>
> "I admire because I think it's cool. Because sometimes the person got there fighting for it, nothing falls from the sky. Nothing happens by chance. He fought, worked and conquered what he has. So, I think it's cool. When it's a product of hard work is cool, that I admire." (Lucio)
>
> "There are people who have them, to the extent that they work hard, but like, I don't care much about these things. We have what we deserve." (Ian)
>
> "I don't admire, I think that if they have it, they earned it. They fought for it, they deserve it. If they got these things, is because they deserve them." (Leonardo)
>
> "If the person has that it's because he did something to deserve it, right. So, I will never envy that. I admire the character of the person in the first place." (Mariana)

Even those who did not define their feeling as one of admiration, as the last three statements, instantly associated possessing expensive homes and cars to individual effort. Therefore, when there was no feeling of admiration towards the owners of these things, there was always the recognition of the individual merit related to the conquest. This points to the ideology of meritocracy, the great legitimator of social hierarchization in modern capitalist societies, which was very apparent during the interviews.

Secondly, we identified the existence of a norm of *intra-class equalization*, which is associated with a conformative type of consumption. It is not necessarily associated with a ritual - and therefore does not necessarily involve the social display of this consumption. Social valuation in this case comes from the feeling of belonging to an inferior social position, but one that has significantly increased its purchasing power over time, as suggested by the following report:

> "Because back in my mom's days, even for me, the poor were really poor. I remember that my mother used to raise chickens ... my mother planted a lot of things. But we had nothing. There was only one bed for us to sleep in, a chair like that, but there was no couch. After a while she was able to buy a tv. But it was all different from the poor I see today. The poor of today have everything in the house."(Janete)

For Janete, the "poor of today" surpassed a state of extreme destitution and now they "have everything in the house". If "having everything in the house" is considered to be the normal state of her social reference group, this creates an impulse to conform. By conforming, she starts to belong to a group of people which has been increasing its economic capabilities over time.

Next, we move on to the investigation of the shared logics that ground financial norms.

6.3.2 Intersubjectivities underlying financial norms in *Complexo da Penha* – the case of instalment credit.

Regarding instalment credit, the results obtained with the case study of *Complexo da Penha* support the existence of *social rejection of savings* and the *naturalness of instalment purchases*. Our conclusion regarding the *lack of prospective thinking* is that this intersujectivity needs to be relativized and critically interpreted.

The act of saving is perceived by interviewees in an ambiguous way. On the one hand, the strategy of saving was universally considered superior to the strategy of instalment payments. But on the other, saving can be associated with greed, revealing a trace of its *social rejection*. This was clear in Carolina's account. If on the one hand she retained a certain admiration for savers, on the other she thinks of them as "stingy":

> "Sometimes I don't know if I congratulate that person for being ... I think it's stingy but they're saving to have things and calculating stuff, right. I wanted to be like that but I don't think it works." (Carolina)

It was also found that the perception of *naturalness of instalment purchases* remains ever-present, which is strengthened by the perception that instalment plans can be interest-free. Participants were asked if they got more motivated to opt for the use of consumer credit when it was announced as "interest free". Most responded positively, among which:

> "Let's say a television, which is a superfluous good. You won't buy one every day. If it is interest-free I think it's ideal! (...) if it's without interest, it could be parceled out because I would able to pay without going broke."(Leonardo)

> "The interest-free instalment - I think that's a good idea. Very good for consumers. Even in relation to self-esteem, to have a conscience that, damn, I'm going to buy it here and it won't overburden me with exploitative interest."(Bernardo)

> "Certainly, it stimulates the person to buy. That affects the metabolism of the person - 'interest-free'."(Fernando)

> "Sometimes the 10 monthly instalments are really interest-free." (Hugo)

Respondents who answered negatively showed an intuition that there is built-in interest despite of advertising, without presenting a more sophisticated knowledge of how the mechanism works, as the selected participants below:

> "- I think the fact is that they already put the value there and put 'without interest' for us to think that it has no interest but it does. It's a trick. But everyone falls for it." (Carolina)

> "Sometimes this 'interest-free' ... the store may have increased the price, as it happens on Black Friday, they increase the product and come up with a false discount." (Henrique)

> "But it always has, they always put interest." (Leandro)

Moving on to the *lack of prospective thinking*, our conclusion was that this intersubjectivity needs to be interpreted very carefully. Just the fact the people sometimes resort to instalment plans at times when they could've chosen to accumulate a stock of savings instead is not enough evidence to prove the existence of a prevailing lack of long-term financial planning in their lives. This way, the interviews were inconclusive regarding the existence of a lack of prospective thinking as a socially shared subjectivity in *Complexo of Penha*, due to three main reasons.

First, when there is a low saving potential, long periods of time are necessary to form the stock of savings necessary to purchase the desired good. It is worth remembering that the themes of this section are norms underlying different forms of social consumption – including the ones that are essential for guaranteeing the social insertion of that individual. Especially in those latter cases, a financial strantegy that guarantees the immediate acquisition of a good, provided that interest is affordable, is more rational. In the interviews, access to instalment credit and credit cards was recurrently considered fundamental to guarantee access to more expensive items:

> "There are people who cannot afford ... because it is very difficult, in a R$ 1.000 radio, you go there, paying at once is crazy ... when you take credit you don't even feel it" (Cris)

> “If instalments didn’t exist, many people wouldn’t have much." (Carolina)
>
> "Because it’s like, there is a product of R$1.000, and I don’t have R$1.000 to buy it, so I need the instalment for me to have that. So the instalment is very good.” (Ingrid)
>
> “Also because sometimes we don’t have the whole money for the product ... it is mandatory, it has to be parceled out, you know."(Ian)
>
> "We barely have the money to buy the product, which usually goes beyond what we earn. But it is essential [consumer credit], because usually everything is so expensive."(Henrique)

Secondly, we live in a fast-paced society, where consumers are daily induced to follow fast moving consumption trends. Taking time to form a stock of savings to purchase a good that migh not even be available in the market anymore at that point in the future may not be a rational strategy either. This way, our consumption practices – and consequently, financial practices – are shaped by manufacturing models and advertising industries that induce all consumers to short term behaviour. And low income consumers are not an exception. In the interviews, a lack of patience, or anxiety, were expressions recurrently used by interviewees to justify the choice of instalments in practice, to the detriment of savings.

> " A lot of people do this [save], I can’t. I’d rather use ... I don’t know if it’s anxiety, but the right thing to do would be that, the person waiting and paying up front.” (Ingrid)
>
> "Usually paying up front is better, but almost nobody has the patience to gather enough money and then buy." (Bia)
>
> "Because of the patience of the person, nowadays ... if he doesn’t have the money he has to go for the instalment." (Danilo)
>
> "- Oh, I choose credit ... I don’t have patience. (Cris)
>
> - I'm also very anxious " (Carolina)

Thirdly, the *lack of prospective thinking* can also be relativized when we analyse it in conjunction with the other intersubjectivities. In a social context where the act of saving can be socially interpreted as individual greed, where instalments are largely naturalized by the population, where interest policies are not well comprehended, and where an instalment contract can be a result of someone else’s request, the option for instalment credit does not necessarily imply a *lack of prospective thinking* by the consumer. Regarding the latter point, besides the type of credit demand explained by the logic of strengthening of social ties, there is also the case when instalment credit works as a disciplining device for the avoidance of conflict within the household. Pedro’s report below exemplifies how the subject might be a source of conflict in the household – as his financial profile appears to be very different from his fianceé's:

> "I have an old mind, I think it's from my father, I keep my envelopes with money at home. I put it there - it's R$50 for this, R$50 to pay for that, R$50 for emergency, R$50 if you need medicine ... I'm going to get married at the end of the year - I'm getting no credit! Then she says [Pedro's fianceé] - but how? She doesn't think like that […] The TV in her room was one of those old ones - she wanted to buy one, I managed to convince her not to." (Pedro)

In sum, the fieldwork performed corroborated the existence of the *social rejection of savings* and the *naturalness* of instalment credit - shared logics underlying the use of instalment credit pointed out in the literature. However, the interviews did not provide enough evidence to support the existence of a prevailing *lack of prospective thinking* in the community studied. Next, we move on to the analysis of cash credit.

6.3.3 Intersubjectivities underlying financial norms in *Complexo da Penha* – the case of cash credit

When it came to instalment credit, our research results mainly expanded on subjectivities that were already pointed out by the literature. But that was not the case for cash credit. In our interviews, cash credit appeared to be much closer to the daily lives of participants. Most affirmed that they had already accessed this credit category themselves at some point, or that somebody else in the household did. In addition to demanding this credit to cover atypical events, such as renovating the house and travelling, and emergencies, reasons such as the purchase of goods and the temptations of the easy access were also cited. This finding is compatible with the analysis of supply-side quantitative indicators presented in chapter 4. It was shown that clients with a household income of up to 3 minimum wages are the ones who get the highest volume of *consignado* credit. The category also comes in second when it comes to the volume of non-*consignado* credit.

Brusky and Fortuna's (2002) study was done in the very beginning of the credit boom. We believe that the process of approximation of cash credit to low income populations, which began with the creation of facilitated forms of credit, has reduced the resistance that these clients previously had towards the use of this type of product. Therefore, in this new scenario, the subjectivities that underpin the use of instalment credit can also, to some extent, be extended to the use of cash credit.

Bernardo and Maria are good examples of the forms that facilitated cash credit has taken. Bernardo took *consignado* credit, but not the most traditional type that is intended for retirees, pensioners and public employees. He worked for a private company that had an agreement with a financial institution, for granting employees a loan whose instalment payments would be directly deducted on the payroll. Maria took a loan directly at the ATM – a practice that has significantly reduced the bureaucracy of accessing cash credit. In this case, the customer gets pre-approved credit after a bank screening and can access it directly at the ATM, without having to personally request it from a manager. This completely eliminates the bureaucracy that according to Brusky and Fortuna (2002) was one of the main reasons that kept the poor away from cash credit. Maria reports that she was easily seduced by the appeals of this novelty:

> “he was like, he said that it was available and there were several values and I could click on them. I just clicked and the money went to my account. In the next month they started to charge (...)
>
> - and why did you choose Caixa?
>
> - because it was easy, it was. I should not have done it because I didn’t even really need the money. But you know how it is, there you go." (Maria)

To Costa et al (2014), loans taken from the ATM can go as high as R$ 40 thousand, depending on the limit calculated for the client. The offer is displayed prominently on the opening screen of ATMs or at strategic times, such as when the customer is about to pay for credit card bills. The practice has been considered exploitative by consumer protection agencies. According to them, most banks omit the interest rates and other charges during the operation. It is also unclear whether the consumer is simulating the operation or formalizing the loan request, which may lead clients to accidentally acquire the product.

Credit cards issued by retailers also started to offer consumers the option of ATM cash credit – extending the facility of obtaining instalment credit via retailers to cash credit. And because of this facility, this credit has been intensely used even for small values, as in the case of Carolina's mother:

> "I've seen my mother talking like that, getting home all happy and 'oh, I got a loan'. I asked her 'how much is the loan?' Then she said 'R$150' (…) She got it from C&A.” (Carolina)

In sum, the interviews suggest that the use of cash credit has become much more naturalized, meaning that the subjectivity discovered by Brusky and Fortuna 15 years ago has been undergoing a process of transformation. We believe that this is a product of the dissemination of facilitated cash credit categories that approximated this financial product to the general population.

6.3.4 Consumer credit and financial norms in *Complexo da Penha*

Regarding the subjectivities underlying consumer credit in general (instalment plus cash credit), we would like to highlight the disruptive nature of the social character of credit demand. While in a first moment the role of credit as *an instrument to strengthen social ties* and *of social demarcation* accurately explains the practice of lending one's name, the fact that arrangements are commonly not fulfilled as stipulated often results in severe damages to social relationships.

The practice of lending one's name was well known to all interviewees. 16 participants reported having had negative personal experiences (their's or of other residents of the same household) related to lending the name, one of which involved a *crediário*, one involved cash credit, one referred to check leaves and the rest of them, credit cards.

The practice entailed a wide range of negative consequences for participants, that ranged from minor impacts on the budget to situations of severe indebtedness and even loss of employment. Here are some examples:

> "He [Cris's father] got a card that was for him to use with another guy, and split the bill. My father always paid for it on time, always paid his bills on time, and the guy did not pay. That is, my father had to pay for the guy's bill, a thousand something, then there was this debt. And this month, my mother lent her card to another person to buy some clothes, to go to the doctor and the person didn't pay ... then we always end up having to bear the losses."(Cris)

> "Oh, it was my aunt. She wanted to buy something for her house and asked for the card, it wasn't even mine, it was my mother's, but I'm an authorized user – that's how you say it, right? Then we were not able to use the card for a while, the card was blocked because of her. Then we decided never to lend it again, because you see, she was family and she did it to us, you know. But then thank God, after a great deal of effort, she paid, and then the problem was solved." (Amanda)

> "I lent [the credit card] to my friend for her to buy trainers. And it's happened already that, like, I arrive at a store and I get there with Cris. I managed to make a card and she didn't. Then the goddam woman said 'Oh, you can put her as an extra'. Then I was like 'Oh yeah, a friend, you can!'. I was the owner, then my bill arrives along with hers – it didn't go to her place. Let's say, she got the card but it was in my name. Everything came to me." (Carolina)

> "It happened to me as well. This thing of 'oh, do you have a card?' 'I do!' 'Do you have a check?' 'I do' 'Man, could you lend me your card, I can't use mine' or 'Man, could you lend me two check leaves?' 'But for what? 'Oh, to buy this and that...' Then I said 'oh, but check, you know how it works, you gotta pay on the right date.' 'No, don't worry' and whatever. The check hit, and where's the money? 'Oh, I didn't get paid' And now what? In the end I was the loser. I lost the checkbook, still managed to redeem the account though, after a while I lost my friend and it was over. I had to bear the losses! "(Leonardo)

> "They have already bought things on my card, but it's not that I gave the card to the person. It was a friend. Most times I lent it was to buy Mary Kay products, that I got other people to sell them with me and I lent the card. Because at the time I had 4 cards. But then I parceled out the debt thank God, paid them and I didn't want them anymore, and I kept one so I didn't get in trouble, and even then I did (…) It was because of those delays that I got in trouble with the cards, because I lent them [Referring to delays in the payment of cards lent to other people]" (Maria)

Among the most serious situations are those of Leandro and Hugo:

> "What I owe is just on the card. Not much, just 18 thousand and something [laughs](…) I equipped a house for a relative, man, put everything on my card! Anything you can imagine, I put it all! That card of mine from Casas Bahia didn't have a limit, man. It had a limit, but it was 10 thousand reais, just the one of Casas Bahia (...) "Leandro

> "With me it happened 1993. I lost my job because of it - with my sister. My sister asked me to get a VCR for her at the time, and she didn't pay. And it was an insurance company that I worked for and we couldn't have a dirty name, couldn't have credit restrictions. And the company, I don't remember which one was at the time, if it was Ponto Frio ... it was a company like that. They started calling my work, then they spoke directly to my department manager, right. And then she scolded me, called me into the room and I didn't know, it was a shock. My sister was pregnant and everything... then I went to her house to know what was happening and all ... then she said 'I haven't paid for a couple of months' and I was like 'you could've warned me, I would've paid! They called my work and I don't know what's gonna happen'. I went there, I solved the problem, I paid it, and a month later I got fired. And we believe that it was because of that." (Hugo)

This way, the interviews suggest that the shared logics that treat credit use as *an instrument to strengthen social ties* and *an instrument of social demarcation* remain ever present, underlying the practice of lending one's name. Our interviews expand on those findings by highlighting the wide range of negative consequences that the practice can have on social and financial lives of interviewees.

6.3.5. The issue of lack of financial education

The issue of *lack of financial education* is common to all financial products considered. It goes far beyond the unfamiliarity with retailers' instalment policies. In these cases, the fact that the client is not aware of information is to a great extent explained by the role played by financial institutions – which are not interested in publicizing the information, or play an active role in publicizing a distorted information.

But the interviews also recorded multiple individual experiences that suggest that financial education amongst the popular classes is still very low. Many participants lacked rudimentary financial notions, and for that reason we devote this entire section to the issue.

Let us start with Amanda's example. The interviewee was unsure about what a debit card was:

> "(Interviewer) - the next theme is debit cards. Do you have one?
> (Amanda) - No ...
> (Interviewer) - Why?
> (Amanda) – debit card...what do you mean exactly?"

Another example came from her sister Carolina, who noticed the presence of an extra amount of money in her current account and assumed it was hers. She did not know about the existence of a credit limit available in the account, the famous overdraft, which is the category of credit to individuals that carries one of the highest interest rates in the market. This lack of knowledge culminated in a *"huge debt with Itaú"*:

> "My first bank account was at Itaú and I have a huge debt with Itaú. I opened it because people suggested. Formerly it was Unibanco, I was 16, then when I went there to open, as I was underage I did not get a checking account, I got a salary account. So when it turned to a checking account the [overdraft] limit showed up, which deceives people, right. I thought it was money that was mine… then they started deducting it from my salary, and I was getting no salary." (Carolina)

The selected part of Danilo's interview below is another example. He had recently left his job at McDonald's. Danilo told us that when he was working, he had a salary account at Bradesco. When asked if he was satisfied with this account, he replied:

> "Satisfied, satisfied I'm not, because they gave me no credit ... didn't even give a credit card. They only gave me the card to withdraw the salary, but no credit card." (Danilo)

In the passage above it is clear that Danilo was not aware of what a salary account was – a very basic account category. As it is intended to receive wages, retirement and pension benefits and other workers' allowances, it has a number of restrictions, such as: the account cannot receive deposits other than the ones made by the employer; it cannot be used freely (only for accessing the salary); it cannot be used to pay bills or to make financial applications; it does not have an overdraft limit. But when Danilo complained about the lack of credit, he was not even referring to the overdraft limit, but to a credit card. He lacks the understanding that bank accounts and credit cards are independent products.

Geruza, when asked about the reasons why she decided to get a *consignado* loan, explained that she did not know what *consignado* credit was. She went to the bank one day and when the bank employee told her she had “the right to get a *consignado*", she thought that this was a government benefit, not a loan. The bank employee in turn, did not properly explain to the Geruza what the product was:

> "The lady, when I went there to get my payment, she said 'oh darling, you have the right to get a consignado.’ But I thought I didn’t have to pay for that! (...) Because I didn’t know this consignado thing. When she said 'consignado' I said 'oh, I think old people have the right to it,' I’m already 80 years old, right. Then I thought I had the right ... I got it and now I have to pay R$212 per month." (Geruza)

The examples go on. But the ones selected above are enough to show the very limited financial knowledge of the population – a factor that cannot be considered a subjectivity per se, but upon which financial norms associated to consumer credit demand are based.

In sum, section 6.3 discussed the results of the qualitative study performed in Complexo da Penha. The study confirmed the existence of intersubjectivities already identified by the literature, pointed to the transformation of others and identified new ones. Overall, we conclude that existing consumption subjectivities are compatible with norms that set high levels of desired social consumption, as they are associated with multiple social purposes. And that financial subjectivities increasingly naturalize the use of various forms of consumer credit to finance social consumption – including the use of cash credit. The next section investigates the structural determinants of the subjectivities mapped, to trace the type of social legitimation of FI policies in Brazil.

6.4. Connecting the intersubjectivities mapped to structural conditioning

As stated in chapter 2, according to IPE scholars, legitimation exists when there is a compatibility between intersubjectivities and the policies under analysis, and can be of two types: passive and active. Passive legitimation happens when these policies are compatible with a set of pre-existing intersubjectivities that derive from pre-existing structural social relations (such as class, gender, race or others). Active legitimation happens when the influence of the financial system is big enough to transform pre-existing shared logics of resistance to increased financial inclusion.

In the present study, we identified the presence of both types of legitimacy to FI policies. Regarding the naturalization of cash credit we have a case of active legitimacy. The other intersubjectivities provide a basis for passive legitimation, since they existed prior to the implementation of these policies, as they to a large extent derive from class relations. By connecting those intersubjectivities to class dynamics, we also show how they are not a product of individual recklessness and negligence.

Intersubjectivities underlying consumption norms/social rejection of saving

The class structural dynamics that originate the subjectivities underlying consumption norms are explained by Sarti (2011). The author argues that in capitalist systems, social valuation is strongly tied to one's consumption capacity. Popular classes are stigmatized because their consumption capacity is extremely limited, which has two effects. On the one hand, it develops a morality which is alternative to typical urban-capitalist values, cherishing family values for example. This alternative morality functions as a source of personal appreciation for the poor within an economic system that subjugates them. On the other, consumerist values are not abandoned - frequently they are not explicitly announced by participants but easily detectable through the identification of common patterns of behaviour. The social rejection of savings can also be associated to this mechanism, as it potentially attributes a negative social judgement to someone who abstains from a more consumerist behaviour.

Intersubjectivities underlying financial norms - The naturalness of consumer credit

The naturalization of instalment credit has robust historical roots. Instalment credit has existed since the developmentalist era. As shown in Chapter 5, it served the macroeconomic purpose of expanding the domestic market to support the development of infant industries, without addressing structural income redistribution policies. In the 2000s, this form of credit started to be used again as an instrument to drive consumption without major income reforms, in a context of industrial shrinkage. This time, as financial capitalism had replaced industrial capitalism, consumer credit gained a leading role in the modern accumulation process. Lending to families was a promising form of investment. Inflationary gains had vanished, the profitability of other avenues had declined, as the same time there was macroeconomic and political stability, and a solid prospect of a rising labour income. The result was an unprecedented consumer credit boom.

By the 2000's, the acceptance of instalment credit as natural was long widespread in society. But in order to boost the volume of instalment credit granted, financial institutions had to deepen their participation among low-income segments, and one of the strategies used for this was the formation of partnerships with retailers. These retailers, by announcing "interest-free" instalments to a public with low financial education, increase the perception of naturalness of the instalment purchase, which at first sight looks more like a variation of a regular purchase than a financial transaction. Therefore, the perception of naturalness is backed by a mix of class relations, a government that does not want this class structure to change and a powerful financial sector.

In addition, the financial sector soon realized that the same channels created to increase the penetration of instalment credit could also be used to boost cash credit. In parallel, payroll-deductible loans were an innovative way of supplying poor households with almost risk-free credit. Unlike consumer credit, the historical insertion of cash credit among the popular classes has always been weak. But the categories of "facilitated" cash credit approximated it to the poorer population, which as documented by the literature, was originally somehow resistant to it.

Lack of financial education

In this work, we detected two different types of lack of financial education. In the first type, the fact that a client is not aware of certain information is largely explained by the lack of interest of financial institutions in disclosing that information. Or it can also be explained by the active role played by these institutions in distorting one piece of information provided. This is a reflection of a social group that has the power to completely ignore legal regiments to obtain significant profits from the collection of fees and from built-in interest in instalment operations, which are advertised as interest-free. The second type of financial misinformation derives from the very primitive level of financial knowledge of the population. This is a reflection of class dynamics that structurally produces low educated individuals. The result is consumers who are extremely vulnerable to the manoeuvres of the financial sector.

Credit as an instrument to strengthen social ties/social demarcation

This perception is intrinsically associated to the model of welfare provision prevailing in the country. According to Chan (1998), welfare relations are the ones that determine the share of responsibility of different social actors towards the fulfilment of social needs. Those actors are, for example, the market, the government, the family and individuals. In addition to determining "legitimate providers", welfare relations also determine "legitimate recipients". In other words, they draw boundaries of entitlement, defining who should and who should not receive support.

It can be argued that Brazil historically descends from a Peripheral Fordist economic context, in which the population never had a universalistic, state-provided welfare protection comparable to developed countries. Furthermore, a neoliberal welfare model has been paradigmatic since the 1990's. The model defends "market justice", and the main welfare providers become the family and the (free) labour market (Chan,1998). The state's intervention plays a secondary role, being only justified when it aims at integrating individuals that are marginal to the market dynamics. Therefore, selectivist policies are advocated, which must be temporary and ideally would be indirectly provided, in the sense that the state must act as a facilitator for market solutions to reach the poor.

In this context, family-reliance and self-reliance become vital sources of social protection in times of need. Thus, family relationships become more complex, since ensuring a good family relationship means ensuring future survival.

6.5. Consumer credit and basic consumption

Another one of the shortcomings of the literature reviewed in Section 6.2. is that it does not emphasize another type of credit demand – one that emerges from the need to finance basic goods. The feeling of extreme insecurity is well exemplified by the following report:

> “We live in a country where today you are working and tomorrow you don’t know if you are employed. So in the general context you have no security, not even at work anymore. Anything can happen…” (Bernardo)

Our interviews suggest that this credit demand can be further divided into two categories. The first arises from the need to manage a budget that is very close to the subsistence level, and is usually met by pre-approved credit sources. That was the case of Ingrid, who resorted to ATM cash credit at a time when she was unemployed and her husband’s payment got delayed. It was also the case of Geruza, who saw her financial state deteriorate after she assumed the responsibility to raise her grandchildren, and resorted to the credit card to finance basic needs.

> “- (Interviewer) So nowadays do you have any kind of debt?
>
> (Ingrid) - I do (...) mine was the ATM that released it. For that card I had it released a thousand and something, but when I checked it was almost 4 thousand that I had to pay. 48 instalments of 75 reais. It was to put things in the house. Because sometimes, where he [Ian] was working, he would be paid on the 5th working day but sometimes it was the 20th day and he had not received yet. Then I got desperate and went there and got it.” (Ingrid)
>
> “I'm paying 321 reais to Casas Bahia, the card, because I raise my grandchildren. Because the mother had but did not raise, and now is on us to raise them. She was not lucky with marriage, separated and had 3 children and lives there at *Paciência* and the children stay at my place. It's school, food, it's shoes, it's backpacks. And I buy it on the card. And there you have it, you have to study. Then it gets very heavy, but we are crawling, God is giving us strength and we are moving, what can you do.” (Geruza)

Throughout the interview, most participants highlighted the importance of having a credit card to deal with small emergencies. We can notice a special worry about medical emergencies. In those circumstances, the use of the credit card comes out of a necessity to finance basic goods:

> “(Interviewer) - So, for example, when you go to the supermarket, what form of payment do you use more often?
>
> (Bernardo) – At the moment is cash (...) We miss it [having a credit card] in this sense, especially when we go to the supermarket. Even medicine, sometimes medicine is needed

> in the house and we, damn, at that moment we don't have the financial resources and we see that a card could be useful at that moment."

> "Cash is alright but sometimes is out of necessity, today I don't have it so I gotta use the card." (Carolina)

> "Credit card is good, because you don't use cash. When the person, like, has a family is even better because you have to wait 'till the end of the month to get your payment, and sometimes your family might be needing something. Something like that, then the person goes and uses the card. It makes things easier." (Fabio)

> "I think it's necessary [to have a credit card] because when emergencies happen sometimes we don't have quick access to the money part. Like, health issues, sometimes you have an emergency, you need to buy medicine." (Henrique)

> "For sure it's a priviledge [to have a credit card]! Because when you need you...it's cash on hand! You won't always have money to buy medicine." (Janete)

The second category is a credit demand that arises from even more serious cases of interruptions or severe reductions in the inflow of income, which brings it to a level that is well below the minimum of subsistence. But as this credit demand is largely left unattended by financial institutions, as these individuals hardly meet lending criteria.

When asked about the strategies used to manage severe shortages of income, getting support from the family and turning to the informal job market were recurrent responses:

> "When the person wants to fight in life, has a kid, is unemployed and needs that money to buy diapers, milk for the children, he has to go the extra mile, can't be picky. He's going to sell candy in the bus, he'll do anything, but he'll get his money." (Danilo)

> "I went to my mom for help. I'd get things from her. Or got small freelancing gigs, would do chores to neighbours. I used to carry sand, take out rubbish, things like that." (Fabio)

> "I've been there already. But then I ... in the age of informality, I worked like, cooking and at the time I was also teaching. I even made more money like that than working in a registered way. But I think what we see a lot in the community itself, every week there is a little stall on the corner, there's not even enough space anymore ... it's a hair salon, it's a food stall, that's the way it is. Unemployment is the monster of our time, but what I have seen is this, it is informal service. It's the way out. (...) I was already like this, I stayed 4 years without work and in those 4 years I made food, snacks, cakes - because my grandmother worked with confectionery - and teaching." (Hugo)

> "(Interviewer) – Now with the two of you unemployed, what are you doing to manage this situation at home?

> (Janete) - I iron clothes, once a month, it's 50 reais that the girl pays me. Then those 50 reais I'm going to spend on food. This daughter of mine helps me a lot, she shops for herself and then she does it for me too, you know. So in terms of food she pays for it. The bad thing is, right now I ran out of gas and I'm shaken ... it's bad the way it is. If I have to buy some clothes, a hair dye then I can't do it. And life goes on like this…"

The interviews also provided a vivid picture of the importance of the operation of informal financial schemes within poor communities. In *Complexo da Penha,* the operation of moneylenders and other local lending systems stood out.

Firstly, the violence with which loan sharks handled their business was well known to interviewees. The reports emphasized that the nonpayment of a debt is accompanied by threats, which range from breaking in the debtor's home, in order to swipe valuable assets, to threatening the physical integrity of the client.

The tone of the threats is made more severe by the perception that a large number of loan sharks are involved with drug trafficking or with police officers – there is a thin divide between the two. The interviews performed proved to be a rich source of information in this regard. As Fernando summarized, getting involved with a loan shark is *"putting a price on your head".* Thus, one usually resorts to loan sharks when other options were tried without success and no other option is available, as in the cases of Leonardo:

> "And then 'oh, that guy lends money'. I was thinking that he was a good guy, when I realized he was seriously involved [with drug trafficking], my brother! Hadn't I paid, you'd see! I doubt I'd be alive! (...) At that time I couldn't go to the bank because I already had debts from the past, then I couldn't ... if I went to the bank, the bank would've rejected it. I looked for several people and they didn't have it [money to lend], and I had to go to the loan shark. I had no choice. The only option I had at that moment was the loan shark!" (Leonardo)

Leonardo's report shows that, despite their bad reputation, if one is in need and no other option is available, that person tends to give the loan shark a go. Especially because the moneylender usually is not a "distant" person, in the sense of being in a larger social circle – someone your friend knows, or something similar. And usually, that first experience will be very negative, creating a strong aversion towards the service.

Even though the moneylender is the last option, 8 respondents reported having had personal involvement with loan sharks, or an involvement of someone else in the household - a surprising result, which suggests that this underworld of loans is much closer to the population in question than we imagined a priori. And among those who denied having had personal experiences, virtually everyone had the story of an acquaintance to illustrate their point of view. Here are some examples. They talked about various issues: the lenders' instability and their criminal involvement; threats received; and the consequences of nonpayment, which may involve extreme actions on the debtor's side, such as having to change jobs and selling their homes.

> "My daughter took some money from loan sharks, she was counting on some money she was about to get in order to pay him. But she didn't receive it and the shark said that he was gonna send a thug to my house. He was going to get everything we had and we have nothing! The only thing we have is a tv in the living room. They wouldn't want the couch because it's old. The chair is second-handed. Girl, I was desperate and I had to get those 2 grand I told you about, from this friend of mine, to pay the shark. And to this day I haven't been able to pay my friend." (Geruza)
>
> "I was unemployed as well, as it was now, and I got R$50 at the time. More than 10 years ago ... the person who lent me the money, she drank a lot. She had everything to be happy about, but she drank a lot. The husband replaced her for a younger girl, and she drank to the point she would lay on the couch and only wake up the next day. And I went there to pay her and she was in that state, and a man there took the money and then she went to my door to collect her money. And on that day I went there to pay her, I wasn't even paying the full amount, I went there to pay the interest, because I got R$50 and had to pay R$15, it was 30%. I even thanked God that I didn't take all the money that day. But I had a hard time with her, she kept sending me messages, saying that she was gonna send the boys [drug dealers] to my door to charge me. There was even an argument. I don't get involved with sharks no more!" (Janete)
>
> "Let's just say that he [Carolina's father] walked with many people calling them friends. Then when he needed it he had to look for this loan shark ... my sister had to leave her job to pay for what my father owed." (Carolina)
>
> "It happens in many cases, at least from what we hear from people, you know. They threat, they want to take everything, they even threat to kill…depending on the moneylender. And many of them, they are mostly policemen too, right. And usually those who make threats like this are the police, to intimidate more the person. Then they come with that violence, to say that they'll kill." (Ian)
>
> "Oh, I'm remembering, people who got very indebted, but he is an addict too, poor guy. He got so lost that he had to sell his house, his own house. That is sad…a backward move." (Bia)

The interest rates charged are astonishing. In addition to Janete, two other people reported that they had to pay a 30% monthly interest to the moneylenders. Making a brief comparison between the costs of formal and informal credit, let's imagine an individual who got a loan for the amount of R$100. At the end of a year, if the loan is related to personal credit (non-*consignado*), the debt will have increased to about R$ 241. If it is overdraft credit, to R$ 428. If it is revolving credit card-based credit, the amount will be R$ 587. If these formal options do not seem very attractive, the informal moneylender option would cost R$2.329,80 - not to mention that in this underworld of loans, debtors are completely deprived of legal rights, and are totally at the mercy of criminal intolerance.

Secondly, another source of informal strategy was the so called *caixinhas*[65]. According to Fernando, they work in the following way:

> "There, people put a certain amount of money every month, let's suppose 20 people. Every month people put in R$100, every month. But the money doesn't stay in the caixinha. Caixinha is a figure of speech. This money goes to the bank. And these people have to make that money circulate, lending it to acquaintances or relatives at low interest rates. Low, but higher than the bank, so let's assume 20%. Then you lend R$100 and the person pays R$120. And at the end of the year this money is shared, as if it was a 13th salary." (Fernando)

Thus, the *caixinha* is a scheme where a group of people makes monthly contributions of a pre-fixed value. The contributors receive what they invested at the end of one year, plus interest. This interest comes from loans made to third parties throughout the year. This way, one can participate in a *caixinha* as an investor, or as a debtor. The *caixinha* is appealing as a form of investment for its flexibility - the contributor who for whatever reason needs to get his/her money back, or at least part of it, can do so in the form of a loan. In that case, the participant becomes both an investor and a debtor, and its net balance will be calculated at the end of the period. Leonardo contrasts this flexibility to the rigidity of investing in bank securities:

> "I would participate again because it is a way of saving some for you to receive at the end of the year and that you can get back anytime, anytime you need you can get a little bit there. If you apply a little something at the bank, let's say, you applied today and in 5 days 'oh, I need that money' and go there to get it, you can't otherwise you're gonna lose your investment. But not with the caixinha – you pay today and in 5 days 'oh, I need the money', then you go there and they give it to you, and then you own it to the caixinha, then put it back on and so it goes." (Leonardo)

The *caixinha* is also appealing as a form of investment because of the interest rate it charges from its clients. In addition to Fernando, three more participants referred to interest rates of 20%. A fourth participant stated that the rate charged varied from 20 to 30%. For Janete, the yields of the application were "very handy", as expressed in the following extract:

> "Caixinha is good! The day someone gets to do it…its good! Any type of caixinha – the yields are very handy! You get good interest. My mom was always involved in it, she used to work at the Oswaldo Cruz Institute and they have it there. All the staff borrowed money, then by the end of the year the caixinha tripled, I think! Very juicy stuff. You could make a Christmas table, buy clothes, buy whatever you needed. If you hear of one [caixinha], darling, let me know!" (Janete)

> "- (Paula) It's a way of having extra money at the end of the year

[65] The literal translation is little box.

> \- (Patricia) It's a form of saving, right – you do it throughout the year, you pay a certain amount that is called 'quota', you pay it during 11, 12 months and then you receive it back with interest, it comes with interest. It's the interest that came from loans and activities that happened throughout the year."

Paula also explains how the investors of a *caixinha* assume an active role in the process of valuation of the money invested. Besides promoting prize draws, the investors are responsible for bringing in clients:

> "Some people buy like, for example, they buy an iron, then they make a draw (…) then the person who is responsible [for the caixinha] promotes some activities – hers is like this, all members have to find people to lend to. For example, let's say, I'm a member, so I have to find people to lend to, to generate interest" (Paula)

The existence of *caixinhas* was pointed out by Brusky and Fortuna (2002). But the study pointed to the existence of *caixinhas* inside companies, as in the case of Janete's mother, as an informal practice among employees. In the present research, we found that the practice also exist outside of business environments, and now is present in poor communities:

> "We have one [caixinha] here in the community. And not just here, there are many others like this." (Danilo)
>
> "(Ian) – there is a lot of that [caixinhas in poor communities].
>
> (Ingrid) - I don't have access, but many people do."

The *caixinha* is appealing to residents seeking a loan because of its lack of bureaucracy. No documentation is required - therefore, it meets the needs of people with credit restrictions and no proof of income -, it is enough to know one of the investors and convince him/her that the debt will be honored. In addition, according to Leonardo and Fernando, the values borrowed are usually low:

> "The caixinha is more [used] because there is no bureaucracy. Because in the bank they'll want a lot of documents, proof of income and everything. In the caixinha usually the value is low as well." (Leonardo)
>
> "Because it's faster, you don't have to go to the bank, you don't need anything. And it's a little money that you can afford to pay anytime." (Fernando)

Thus, the *caixinhas* are used for small amounts, and is a strategy that is preferred to resorting to formal credit which is not pre-approved - even by people who would meet the requirements to apply for this latter. The popularity of the *caixinha* among those who need a loan is highlighted by Fernando:

> "Sometimes the caixinha also runs out of money, you know. From all the lending! Only when it gets to December, you can't borrow no more. November and December. Because this money that is out there in the street has to return all the way to the caixinha in December, so we share this money." (Fernando)

The high interest rates are the price paid for the quick access to the loan. It is no coincidence that two participants naturally linked the *caixinha* to the activity of loan sharks:

> "That's like a loan shark (...) My boss took the caixinha out of there, because it was a very serious problem. He said that this couldn't exist within a company, so it's not legal." (Bia)

> "The caixinha is the same as the loan shark. The difference is that if you are an investor of the caixinha you borrow money, pay interest and at the end of the year you receive interest as well." (Leonardo)

We can conjecture that it consists of a "mild" form of moneylending, if compared to the loan sharks, in the sense that at least there was no mention of threats and violent actions, although the interest charged is equivalent to those of loan sharks. It is worth remembering that charging exploitative interest is considered a crime against the popular economy according to the law n. 1521/51, Article 4.

This way, the interviews suggested that the poor resort to local lending systems on a periodic basis, which impacts their lives in different ways.

The need to resort to credit to finance very basic needs – when that credit is frequently not available, in which case there is high level of vulnerability to informal arrangements to guarantee survival – evidences the lack of "cushions of protection" coming from labour market structures and welfare systems, in addition to financial inclusion policies that fail to provide income-smoothing tools to the vulnerable.

These results are in accordance with the quantitative indicators shown in Chapter 7, which point out to a pro-cyclical credit supply; and to a labour market that structurally generates low levels of income. Low levels of income in turn do not allow for an accumulation of personal savings sufficient to support agents during longer periods of scarcity often caused by high employee turnover rates (even if consumption and financial norms contributed to the decrease in debt levels) – along with a weak welfare system that does not provide adequate state-backed protection.

6.6 Conclusion

Consumer credit demand has a multi-faceted nature, as it can serve multiple purposes arising from the most diverse needs throughout the life of the borrower. Moreover, as credit availability increases, propelled by programs of financial inclusion, the financial product increasingly becomes part of the life of the Brazilian low income population.

Without the intention to be exhaustive, the fieldwork performed pointed to the existence of two main types of consumer credit demand. While one is heavily determined by cultural institutions, the other is largely underpinned by labour market instabilities and deficient access to welfare. In the next chapter we explore the implications of those structural instances in the shaping of financial lives of the poor.

CHAPTER 7 : HOUSEHOLD DEBT CYCLES – A MINSKYAN-INSPIRED APPROACH

"Quanta gente!
Quanta alegria!
A minha felicidade
é um crediário
nas Casas Bahia."[66]
(Mamonas Assassinas)

7.1 Introduction

The aim of the previous chapter was to uncover the structural determinants of consumer credit demand by the precariat. The interviews suggested the existence of consumption and financial norms that legitimize the use of credit to finance social consumption; and of labour market and welfare deficiencies that generate demand for credit, with the purpose to fulfil basic needs. However, the formal financial system, to a large extent, fails to address the latter type of demand. The current chapter investigates the implications of the factors identified in the financial lives of the precariat, using for that a Minskyan-inspired model of indebtedness.

While the vast majority of existing studies that incorporate households into the Minskyan theory primarily assess the macroeconomic impacts of the increasing indebtedness levels of households, we take a different focus. Following Cynamon and Fazzari (2008) and Dymski (2010), we address the very possibility of extending the Minskyan micro-foundations to the analysis of household behaviour – which is considered to be perfectly possible, as long as properly adapted. And following Dymski (2010), we focus on the case of low income households. We follow the argument that a Minskyan framework is a powerful instrument to show how different structural factors interact in

[66] Meaning "How many people/ How much joy/ My happiness/ is a crediário/at Casas Bahia". Mamonas Assassinas were one of the most popular bands in Brazil. As stated in chapter 5, crediário is a credit line for the purchase of goods offered by retailers, that issue a carnet that must be periodically (usually monthly) paid.

order to condition the process of cyclical transformation of financial states in those households.

Our contributions are threefold. First, we propose a model that makes use of an adapted Minskyan typology. “Adapted” because it incorporates in the definition of Hedge, Speculative and Ponzi the capacity of expected income flows to cover basic consumption expenditures, in addition to its capacity to cover financial obligations; and as it adds a fourth phase – the Super Ponzi – which is associated to the existence of exogenous unemployment shocks, considered to be particularly acute in the case of low income households.

Second, the model depicts a household indebtedness cycle that incorporates financial and labour market dynamics which are characteristic of developing economies. Once considered that low income households have cyclical access to the formal financial system, at high costs, there are periods of financial inclusion in which endogenous forces lead to a progressive increase in debt levels. This progressive increase constitutes a Minskyan movement, as units move towards more vulnerable financial positions.

However, these periods are delimited by external abrupt income shocks, to which low income households are much more exposed to, if compared to members of other income strata. These shocks are a “non-Minskyan” trace, product of labour market dynamics, that lead households straight to a Super Ponzi phase. In this state, access to formal sources of finance is severely compromised. Financial exclusion, in addition to a low saving potential and low welfare coverage, in a context of zero or insufficient cash flows, have two major effects on households: they affect the Minskyan cycle, formed after the income flow is restored, as they tend to increase the duration of the Ponzi phase. And most importantly, they constitute a serious threat to household survival – which with the erosion of formal sources, end up being heavily reliant on informal sources.

Thirdly, by applying the above theoretical propositions to the Brazilian reality this paper helps to explain how the country came to exceed the mark of 60 million defaulters, which corresponds to 40% of the adult population.

The text is structured as follows. Section 7.2 maps the gaps in the existing literature; section 7.3 presents our model of household indebtedness, and section 7.4 puts the model through the empirical test of Brazilian data, which supports its existence and *modus operandi*. The last section concludes.

7.2 Minskyan theory and the case of households

Minsky's main motivation in developing the financial instability hypothesis (FIH) was the inability of mainstream economic theory, anchored in neoclassical principles, to explain the credit crunches and financial crises that took place in the US economy from the mid-1960's (Minsky, 1986). Minsky argued that traditional theory builds models based on abstractly defined market characteristics. Within this imagined market, exchanges happen so as to produce an optimal result. This way, markets with self-equilibrating tendencies are depicted, and non-interventionism becomes the most immediate policy prescription.

For the author, the comprehension of the functioning of a capitalist system required overcoming those models - in all their non-informative mathematical elegance - in favour of an analytical apparatus that incorporated financial relations and institutions. The FIH was created to fill that gap, operating in two levels. At the micro level, it describes economic units moving from stable to unstable positions. On the second level, it describes the macroeconomic impact of this movement.

While acknowledging the great complexity of financial relations in contemporary capitalism, the financing of investment occupies the central stage of Minsky's analysis, as “the key determinant of system behaviour remains the level of profits” (Minsky, 1992, p.5). The capitalist productive process is described as an exchange of present money for future money. Thus, in the absence of a financial system, present money pays for investment that produces output. Once traded in the goods market, this output generates a profit that corresponds to the previously mentioned “future money”. When we introduce in this scheme the possibility of debt-financing of capital assets, a liability is created in the balance sheet of the firm. While the capital assets generate future cash flow, the liabilities generate future payments commitments.

Anchored in Keynesian principles, Minsky started from the assumption that the main determinants of the level of investment are the expected profitability and the interest rate. Thus, this system is inevitably marked by a great deal of speculation on the part of producers (and bankers), on future cash flows and financial market conditions. In times of economic growth, profit-seeking producers driven by positive expectations progressively increase the amount of debt, acquired to finance new investment. This process increases the price of capital assets, which in turn increases the borrowing capacity of the firm. At the same time, profit-seeking bankers accommodate this increased demand via financial innovations.

In order to explain this process of transition of the financial position of agents, Minsky used a typology that classifies them in Hedge, Speculative and Ponzi units. For Hedge units, expected cash flows cover principal and interest payments in each period; Speculative units have enough to cover interest, while for Ponzi units the expected inflow of resources is insufficient to cover both principal and interest. Thus, over prosperous periods the financial structure changes progressively from one dominated by Hedge units to one dominated by Ponzi units.

The macroeconomic impact is the transition from a robust financial regime to an unstable one. The economic order is then understood as one in which economic downturns are not caused by exogenous shocks - but with endogenous tendencies that lead it to instability. Minsky explained that in an economy dominated by Speculative agents an inflationary process is formed which, sooner or later, is restrained by monetary authorities. With the interruption of the process of valuation of assets, Speculative agents become Ponzi, and the Ponzi begin to liquidate their assets given the evaporation of their net worth. This collective reaction leads to the collapse of asset prices. This moment became popularly known as the "Minsky moment".

The Minskyan typology is broad enough to encompass other types of agents, beyond firms and banks, as long as they can be analysed from the structure of their balance sheets. In the author's words:

> "In the modern world, analyses of financial relations and their implications for system behaviour cannot be restricted to the liability structure of businesses and the cash flows they entail. Households (by the way of their ability to borrow on credit cards for big ticket consumer goods such as automobiles, house purchases, and to carry financial assets), governments (with their large floating and funded debts), and international units (as a result of the internationalization of finance) have liability structures which the current performance of the economy either validates or invalidates." (Minsky, 1992, p. 4,5)

Thus, although not having given analytical centrality to the role of consumer loans (Palley, 1994), Minsky stated that his framework is extensible to households, given their ability to acquire collateralized debt. Moreover, their inclusion is necessary for an accurate analysis of modern financial relations (Barba and Pivetti, 2008; Büyükkarabacak and Valev, 2010). Given the recent phenomenon of booming consumer borrowing, many authors have taken on the task of mathematizing the FIH (or parts of it), in models that incorporate households as economic units (Eggertsson and Krugman, 2012; Keen, 2009; Palley, 1994; Kim, 2013; Kapeller and Schütz, 2014). This literature can be generally characterized by three features: it is mainly worried about assessing the macroeconomic impacts of the increasing household indebtedness; it treats households as a homogenous group, not distinguishing between income levels; and is based on the context of developed countries.

Eggertsson and Krugman (2012) for example, combined theoretical elements of Minsky, Koo and Fisher to produce a model aimed at assessing the macroeconomic impacts of a sudden reduction in the amount of debt households borrow. The core message of the model is that, when the standards regarding acceptable indebtedness levels are revised downwards, and this revisions force highly indebted units to abruptly reduce spending, a macroeconomic problem of deficient aggregate demand emerges. The mitigation of the problem may require big interest rate cuts, that in practice are unfeasible.

Keen (2009) extended his own model of the FIH developed in Keen (1995) to include household borrowing to finance speculation on asset prices. Based on US and Australia data on household borrowing, the author showed that mortgage debt accumulation mainly inflate house prices instead of financing the construction of new settlements. He concluded that the inclusion of that type of finance increases the instability of the economic system substantially, which goes on to experience more boom/burst cycles, in addition to a higher level of debt – that ultimately goes beyond the cyclical downturn to promote a complete economic collapse.

Palley (1994) combined Minskyan and Kaldorian insights to produce a model that assesses the effects of household debt on economic activity. His main argument was that although higher levels of indebtedness initially boost aggregate demand, posteriorly this demand is supressed by debt obligations, which consequently supresses output as well. The main Minskyan idea introduced in this analysis was the tendency of increasing leverage ratios in times of prosperity. Kim (2013) for instance took Palley's model as a point of departure and provided new empirical evidence that shows that, for the US economy, before 1982 there were no signs that household debt variables negatively affected output – which was not true for the post-1982 period.

Kapeller and Schütz (2014) inserted the Veblerian concept of conspicuous consumption and the FIH into a stock flow consistent model to show that when income inequality increases, household debt follows. As optimistic expectations cause banks to accommodate the increased credit demand, the result is increasing leverage ratios in the household sector. The increased ratios eventually lead to a revision of banks' policies, triggering the downturn.

We can note that these studies do not explore, or explore very superficially, the question of the very possibility of extending the Minskyan micro-foundations to the analysis of household behaviour. Among the literature reviewed, only two studies addressed this question, which are Cynamon and Fazzari (2008) and Dymski (2010).

Cynamon and Fazzari's (2008) paper conveys the message that Minskyan micro-foundations are not automatically extensible to households, as there are a series of points that need to be thought specifically for their case. The most obvious point is that, just as the understanding of deteriorating firm finances necessarily implies the understanding of the determinants of investment, household analysis must be backed by a sound consumption theory.

The authors rejected the assumption of rational individuals of the life-cycle model, whose consumption decisions are based on the desire to smooth consumption throughout a lifetime, given the intertemporal budget constraint. Instead, the authors argued that people consume according to some norms, which are set by the individual's reference group. In other words, there is a standard of consumption, considered to be normal, and this normality is established via social relationships – as people compare themselves to the other, considered similar. Based on the US reality, the authors argued that current consumption standards dramatically changed, if compared to the middle of the 20th century. This is credited to a number of factors, such as the transition from horizontal to vertical consumption standards[67], due to media influence and the insertion of women in the labour market, which increased the disposable income of households.

While consumption norms establish the level of desired consumption, financial norms establish the socially acceptable ways in which these desires can be financed. Financial norms have also changed significantly in the modern world, following the transformations in the credit market in the post 1980's that greatly increased consumer credit supply. Together, changing consumer and financial norms paved the way for the modern phenomenon of progressive increase in consumer debt - which had macroeconomic impacts of global proportions. Cynamon and Fazzari (2008) argued that since the great engine of the American economy has been consumption[68], the locus of financial instability shifted from the sphere of production to that of consumption – an undeniable assertion given the 2008 crisis, anchored on subprime lending and powerful enough to cause a global shakedown.

In Dymski (2010) for instance, besides addressing the theme of Minskyan micro-foundations and household behaviour, we find the only study that pays attention to the specific case of poor households. It is worth remembering that originally Minsky opens the possibility of inclusion of households in his framework because of their capacity to acquire collateralized debt. This in principle excludes the case of poor units, since their liabilities have a much larger proportion of short-term, non-collateralized debt. Dymski (2010) puts forward the idea that Minskyan lenses are a powerful analytical tool for

[67] Horizontal consumption standards refer to spending ambitions which are determined by the immediate neighbourhood and social circle; vertical standards for instance are the ones set by superior classes.
[68] Since the 1980's.

understanding of the financial behaviour of low-income households – provided that a proper adaptation exists.

The adaptation must incorporate the vulnerability of poor households to financial exploitation, due to the non-separation between agent and project, characteristic of these units. A firm with a failed project does not necessarily cease to exist as an agent, for example. But for households, the fact that different economic scenarios compromise survival makes them much more vulnerable to predatory lending, acquired to finance basic consumption needs.

The author incorporated this adaptation in his depiction of the progressive deterioration of the financial position of low income workers in a context of systematic exclusion - meaning workers whose wages are close to the subsistence level and that have no access to formal financial services. These individuals can only access income-smoothing loans from informal providers, which are assumed to charge much higher interest rates. Thus, over time these units move in the direction of a Ponzi state not due to over consumption, but to survival urges.

Following Dymski (2010), this chapter argues that an adapted Minskyan lense is a powerful instrument to the study of the financial behaviour of poor households - as it provides a framework that facilitates the understanding of how structural factors interact in order to condition everyday financial lives, which are marked by cyclical changes. Our additions are twofold. Firstly, we incorporate the separation between agent and project into the Minskyan typology, this way suggesting a “Minskyan-inspired” typology. The traditional definitions of Hedge, Speculative and Ponzi are slightly altered in order to cover the capacity of expected income flows to cover basic consumption expenditures, in addition to its capacity to cover financial obligations. Also, our typology incorporates the increased vulnerability of low income households to labour market dynamics. This is done through the addition of a fourth phase – the Super Ponzi – which is associated to the existence of exogenous unemployment shocks.

Secondly, this typology is used to model a different scenario – instead one of systematic exclusion, we consider a post-financial inclusion context, typical of developing countries. In this new context, access to formal sources of finance is not systematically denied to low income clients, but granted during certain periods – usually the ones in which there is improved labour market insertion.

This way, the first set of contributions of this chapter are at a theoretical level, as it strengthens the argument that Minskyan micro-foundations can be important tools in the investigation of the finances of low income agents. It also offers a contribution at the empirical level, by applying the theoretical propositions to the Brazilian reality.

Regarding the latter point, the Brazilian literature that addresses the financial behaviour of the poor is heavily concentrated in the business field (Castilhos, 2007; Mattoso and Rocha, 2005; Barros, 2007; Rocha and Silva, 2008; Barros and Rocha, 2007; Assad and Arruda, 2006; Nogami and Pacagnan, 2011) and to a minor extent, in the field of sociology (Barbotin, 2014; Sarti, 2011). This way, the only mention of the existence of indebtedness cycles amongst the poor population found is not based on a Minskyan framework. Hubert (2016) speaks of three stages of indebtedness: a functional phase, which is characterized as a "non-problematic" stage; a phase of "problematic indebtedness", arising from a rupture or imbalance; and finally, a phase of over-indebtedness, when financial problems acquire a more chronic character. This chapter brings new evidence which is supportive to the existence of cycles; and shows that, by viewing this evidence through Minskyan lenses, the dynamics of household indebtedness – both the mechanisms of transition between the different phases, and how they are connected to the broader landscape of financial fragility and instability – can be better understood.

7.3 A model of low income household financial fragility

7.3.1 Minskyan-inspired micro-foundations

We propose a Minskyan-inspired typology that differs from the original one in two main ways. Firstly, our definition of Hedge, Speculative and Ponzi encompasses the capacity of expected income flows to cover basic consumption, in addition to its capacity to cover financial commitments. This way, this typology incorporates the fact that the preservation of the household as an agent is constantly at stake - something to be pursued in every period. The pursuit of survival makes households especially vulnerable to financial exploitation in disadvantageous economic scenarios.

In our version, Hedge units are the ones whose expected cash flows cover immediate basic consumption and principal plus interest payments in each period. In addition, there are residual resources that we call "potential to save". In other words, the potential to save refers to the amount of resources left after immediate basic consumption needs and financial commitments are satisfied in a unit of time. We use the word "potential" because not necessarily these resources are saved, as they can be converted into social consumption. When they are saved, there is a positive – although very limited - capacity to face small income fluctuations, or any other minor emergencies. Emergencies are understood as non-planned expenses that cannot be postponed. This way, small income fluctuations or emergencies do not necessarily compromise payments due. For example, if an emergency E is equal to the potential do save X, there is no need for default. Or if X is accumulated over time in a way that a stock of savings S is formed, so that $S=f^{*}(tX)$[69], as long as $E \leq S$ the household can honour the set of payments due.

The Speculative agent, in the original definition, is the one whose expected cash flows always cover interest, and for some scenarios, cover interest and principal payments. We define Speculative households as ones whose expected level of income is always enough to cover basic consumption and interest payments. In some cases, is enough to cover basic consumption and all financial obligations, such as when minor emergencies do not happen. This way, they have a potential to save equal to, or very close to zero.

The Ponzi unit is originally described as one whose expected cash flows do not cover any financial obligations. Here, Ponzi households are described as not being able to honour financial commitments, but whose expected level of cash flows covers immediate basic consumption per unit of time. Thus, by definition their potential to save is negative.

Secondly, our typology is different because it adds a fourth unit – the Super Ponzi. The inclusion of a fourth unit is necessary to better reflect the reality of low income

[69] $0<f<1$; t represents the number of months saved.

households, when it comes to their vulnerability to labour market developments. The Super Ponzi unit is the one whose expected cash flows do not cover either financial obligations and basic consumption. The inability to finance even the most basic expenses is caused by unemployment, which turns the expected cash flow to zero, or something close to it – an event that constitutes a shock that is exogenous to the Minskyan cycle. Low income units are much more exposed to these periodic income shocks when compared to members of different social classes, because they are part of the precariat[70].

7.3.2 The household indebtedness cycle

The model proposed adopts the following set of assumptions. First, households exclusively borrow short-term, as this model deals with the case of low income households[71]. Second, regarding the previously exposed argument that the extension of the Minkyan analytical apparatus to the analysis of households requires a sound consumption theory, we follow Cynamon and Fazzari (2008) in assuming that there are consumption and financial norms which are conducive to the progressive increase in indebtedness levels[72]. In other words, there are socially shared standards of consumption which are incompatible with the average income – in the sense that the average income is insufficient to cover those consumption standards; and there are norms which legitimize the use of various financial instruments to finance them.

Third, we assume households with one economically active individual, who is the only supporter of the unit. This assumption is necessary to exclude from the model issues surrounding intra-household division of expenses and budget management, as discussed by Gonçalves (2016) and Fischer (2002), which are outside our scope of analysis. Fourth,

---

[70] The precariat is the modern term used to design the relative surplus population – workers that, due to their low qualification and flexible labour markets, are subject to low remuneration, low welfare protection and disposable contracts, which makes them especially vulnerable to economic cycles. For details, see chapter 3.

[71] In addition, it is widely known that in Latin American economies the composition of total household debt has a small weight of long-term debt, compared to the debt structure of developed countries. Brazil is an emblematic case, showing a significantly smaller weight even if compared to other Latin American countries (IMF, 2012). As argued in the chapter 4, even after the MCMV program, with its high doses of subsidized housing credit, the country was far from closing its historical housing deficit.

[72] In this chapter we take consumption and financial norms as a given, but the subject is explored in depth in chapter 6.

provided that credit supply in the formal sector exists, this unit has easy access to it in the beginning of the period (t=0), if so is the desire of the head of the household. In other words, there are no institutional mechanisms that prevents credit acquisition, such as the inclusion of that person's data in a register of defaulters. These registries have information about individuals or firms that at some point were not able to fulfil their financial commitments, and that haven't been able to honour their debts since. These databases are commonly used by financial institutions to base their lending decisions.

Fifth, in terms of credit supply, banks' lending decisions are based on their perceived risks regarding the creditworthiness of clients. During periods of economic boom, there is a bias of overestimation of borrowers' economic capacities; and underestimation tendencies during downturns. Lastly, months are taken as units of time.

Now, let us assume a scenario with the following characteristics: there is a relatively constant inflow of income in the household, emerging from formal employment of the head of the household or an increase in demand regularity for informal services. Each month, this income is sufficient to cover basic consumption and a fraction of social consumption[73]. This scenario is also characterized by a zero supply of consumer credit to households.

The social consumption needs of a low income household are represented by Z_i, so that $Z_i = mX$, where m is a certain number of months and X is the previously defined potential to save. Thus, the only way to meet these needs is through the formation of a stock of savings $S = f^*(tX)$, in which $S \geq Z_i$. In this scenario, the accumulation of savings instead of credit use preserves X. In this circumstance, the household does not move out of the Hedge state when an emergence E happens, as long as $E \leq S$. The accumulation of savings originally aimed at satisfying Z_i can be used to cover that emergency. Destabilizing emergencies are those that require a financial mobilization that is well above

[73] As defined in chapter 2 and 6, social consumption was divided into three categories: status, integrative and conformative consumption. Status consumption signals social differentiation, while integrative consumption is a mediator of socialization, being mainly associated to social rituals. Conformative consumption is carried out with the objective of conforming to the current class consumption pattern.

the saving capacity of that individual; or those that, even though are not that costly, come up with bad timing, occurring shortly after an accumulated amount of savings is spent.

But now let us consider a different scenario, one in which there is a relatively constant inflow of income in the household, and the provision of high-cost consumer credit exists, which is a product of large scale financial inclusion policies. This scenario is also characterized by booming economic activity, which leads to abundant credit supply due to banks' bias towards overestimation of borrowers' economic capacities. Given the existence of consumption and financial norms compatible with progressive indebtedness and banks' bias, households absorb the increased credit supply. Therefore, each credit contract settled reduces X, being that a considerable part of X is diverted to interest payments. As more contracts are settled, X gets closer to 0. In Minskyan terms, it means that this household approaches the Speculative phase. Once in that stage, any small emergency or the formation of a small new debt, due to a mismanagement of the budget, leads to a state where the income stream cannot honour the existing full set of obligations. When an outstanding balance is formed, two outcomes are possible: or a solution to adjust the budget is quickly found, such as the successful adoption of temporary measures to increase cash flow or getting support of a third party; or that outstanding balance multiplies in a short period of time, due to the accumulation of fines and interest.

Therefore, in the scenario of abundant credit supply, there are endogenous tendencies that push these units away from the Hedge state, towards Speculative and Ponzi states. In other words, they are subject to a debt cycle characterized by a Mynskian movement.

In addition to traditional vulnerabilities emerging from changes in financial sector prices (e.g. the interest rate), this Minskyan cycle in the case of low income households is affected by a non-Minskyan mechanism, which is determined by labour market dynamics. Let us now consider a new scenario in which there is no income inflow stability, as poor households are subject to periodic exogenous unemployment shocks, much more frequent than what is registered in other income groups. This way, if income falls short, households can demand short-term credit to finance basic consumption. This scenario is also characterized by an economic downturn, which increases the risk of an unemployment shock, and directly affects banking lending criteria, which tend to get stricter.

The event of unemployment, that can happen at any phase of the Minskyan cycle, brings the affected household straight to the Super-Ponzi phase. A Super Ponzi unit gets back to a state of financial exclusion, as the capacity to borrow is disabled by a seriously damaged creditworthiness (Dymski, 1995). The Super Ponzi state evidences the transient nature of financial inclusion, which heavily relies on the employment status. In this state, if some access to formal sources of credit exists, they have a residual character – such as access to pre-approved credit lines, acquired before the event of unemployment, and *carnês de crediário*[74]. This way, this residual credit used by the Super Ponzi in principle can finance immediate basic consumption in the short run – if the income flow is not quickly restored, default dries out those credit sources as well. Moreover, this "residual credit" gets even scarcer in scenarios of economic downturn – as lending criteria get stricter, credit claims that could have been approved during booming times start to be rejected.

Exclusion from the formal financial sector, in addition to the very low saving potential and low welfare protection, causes two complications for the household. Firstly, "old debts", acquired prior to the event of unemployment, start off a "snowball" process. Therefore, it is reasonable to argue that financial inclusion policies that boost debt levels in a context of periodic exposure to severe income shocks have the effect of prolonging the Ponzi state, that takes over after the income flow is restored. This is because the bigger the "snowball", the longer it takes for the household to restore its capacity to liquidate financial obligations in each period.

Secondly, when formal sources to finance basic consumption are inexistent or severely compromised, the survival of that household is severely threatened. This way,

[74] Some retail stores continue to operate with *carnês* in order to reach the market niche of clients who do not have a card, or those with an overused card. Logically, the store charges for the risk premium related to granting credit to these types of consumers. Moreover, in times of economic slowdown, on the one hand the increase in unemployment decelerates the rate of emission of new credit cards and compromises the flow of payments on existing cards. On the other, financial institutions are expected to adopt a pro-cyclical posture, putting a brake on credit expansion. The result is an increased demand for the old *crediários* (G1, 2016). Retailers tend to meet this demand as a way of avoiding a plunge in sales. The result is the expansion of a most expensive type of consumer credit at the time when the poor need it the most.

not rarely recurring to informal arrangements become the only option. Generally, the main source of informal support is the family. However, this support is also threatened by the transient nature of financial inclusion.

The erosion of family support caused by financial inclusion policies is explained as follows. If we drop assumption four, regarding access to credit in the formal sector, an interesting situation arises. Even during periods when there is an income inflow that creates a positive X, a bad credit history of the head of the household prevents this unit from directly accessing the formal financial system. But this access can still be obtained indirectly through the practice of lending one's name[75]. In this case, a credit line that will be used by this household is opened under the name of a member of a different household, who belongs to the extended family of the former.

A process of financial inclusion in which intra-class variations of socioeconomic positions produces a situation where some households have access to financial products and others don't, in principle fosters cooperation. This is because a new front of cooperation opens up, which does not involve the immediate expenditure of resources on the part of the helper. Instead of being asked for R$100 that will be used to purchase a pair of shoes, the helper is asked to give his name in guarantee for the future payment of these shoes. Once the payment is successfully processed in the future, the helper does not have to spend a dime, while his gesture still places him/her in a superior position in the system of gifts and obligations that characterize the dynamics of an extended family.

But this front of cooperation created is extremely unstable, and instead of deepening the ties between two parts, it has the potential to eliminate the existing connection. It is unstable because it is anchored in a promise of payment, which is threatened by the debt cycle of the debtor. By entering the Ponzi phase, financial obligations cannot be honoured. Amongst these obligations may be those made under the name of third parties. A similar thing happens when entering a Super Ponzi phase. Default is a serious threat to the connection between the helper and the helped, which is especially vulnerable to disruption if the parties belong to the outer circle of the extended family.

[75] See chapter 6.

Breaking these connections implies the loss of important sources of support – that are potentially important in the organization of daily life in times when scarcity is more manageable, and moreover, when the household finds itself without any income stream that guarantees its survival.

In sum, this subsection depicted a model of household indebtedness characterized by periods of financial inclusion, in which there are endogenous forces that make households progress towards fragile financial positions. But this Minskyan cycle is delimited by a non-Minskyan dynamics – exogenous unemployment shocks, that bring these units back to financial exclusion. Besides being a serious threat to household survival, these shocks affect the Minskyan cycle that is restored after the shock is passed.

7.4 Household financial fragility in Brazil

7.4.1 Debt cycles and supporting evidence

This section presents four sets of evidence. Once already proved the process of steady credit expansion[76], we start by showing the level of indebtedness of low income groups in Brazil. Then we move to the analysis of the characteristics of this indebtedness – evidence that supports the existence of the Minskyan cycles previously depicted.

Regarding the first set, table 7.1 shows that the higher the income, the lower the average indebtedness level. Thus, borrowers who earn up to 3 minimum wages monthly are the most indebted. On average, individuals belonging to that income category have 73% of the income accumulated in the previous 12 months committed to debt payments. Table 7.2 for instance show that 38.2% of the poorest clients have more than 50% of their monthly income committed to debt - which according to the Central Bank amounted to 13.2 million people.

Table 7.1 Indebtedness in relation to the borrower's annual income, by income strata (%). 2014.

[76] See chapters 4 and 5.

Income strata	Total
Up to 3 m.w.	73%
3-5 m.w.	69%
5-10 m.w.	65%
Above 10 m.w.	54%
Total	64%

Source: CBB (2015)

Table 7.2 Indebtedness in relation to the borrower's monthly income, by income strata (%). 2014.

Income strata	Indebtedness	Borrowers according to share of income committed to debt	
		Below 50%	Above 50%
Up to 3 m.w.	24,1%	61,8%	38,2%
3-5 m.w.	23,7%	64,4%	35,6%
5-10 m.w.	20,9%	66,0%	34,0%
Above 10 m.w.	15,7%	75,5%	24,5%
Total	23,0%	68,3%	31,7%

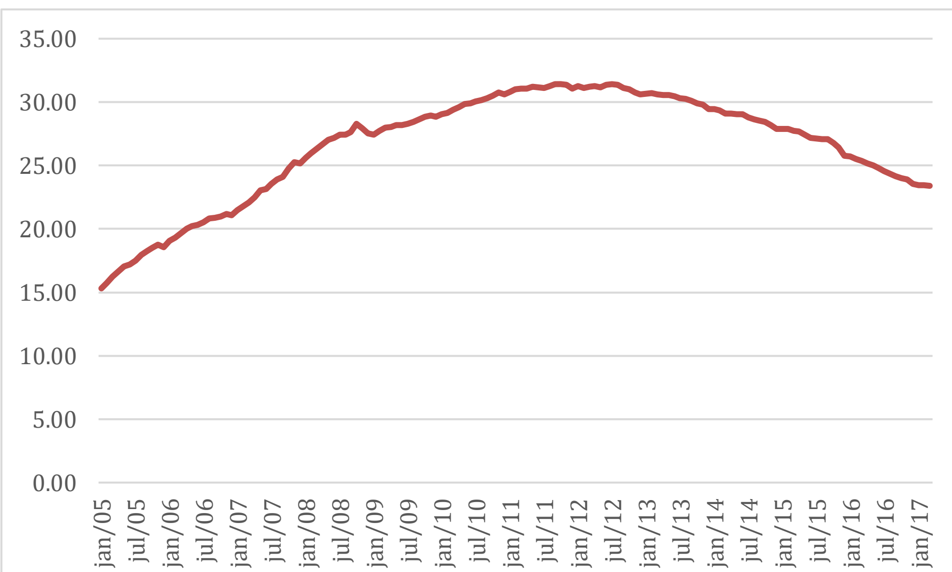
Source: CBB (2015)

In order to further investigate the characteristics of this indebtedness, an informative source are the registries of defaulters, the main ones being SPC, Serasa Experian and SCPC. A study produced by Serasa Experian concluded that 40% of individuals who defaulted and then paid out or renegotiated their debts in 2013 became defaulters again in 2014 – which is an important evidence of cyclicality[77]. The same indicator calculated by SCPC reached 62,7%, for the comparison between 2014 and 2015 (G1, 2015; SCPC, 2015). Default is a phenomenon characteristic of the Ponzi or Super Ponzi phases - if we are to think of it in terms of the model set out. These data show the recurrence of these phases, suggesting the existence of a debt cycle.

[77] As previously explained, these datasets contain information of individuals who defaulted and have not been able to honnor their financial obligations since. As banking institutions commongly resort to those datasets to inform their lending decisions, during the period in which someone's name is listed, his/her ability to access credit in the formal financial system is severely limited. Once debts are paid or renegotiated, the person's name is deleted from the system and the ability to access credit is restored.

The Minskyan dynamics of that cycle can be perceived from different angles. An indicator of the cyclical character of financial inclusion is the (expected) pro-cyclical behaviour of household indebtedness, which reduces with the slowdown of the economy. The graph below shows a steady increase of indebtedness levels until 2012. When the growth cycle shows clear signs of coming to an end, this trend reverses and the indicator goes from 31,40 in October 2012 to 23,38 in March 2017. This shows that the bulk of consumer credit is injected in households in times of increased prosperity, pushing up debt levels – instead of serving the purpose of consumption smoothing when the economy slows down. As pointed out in the previous section, the credit used by households to finance immediate basic consumption during periods of scarcity is residual – in the sense that as unemployment severely compromises the capacity to acquire "new credit", the credit granted to the unemployed is mostly of a pre-approved character.

Figure 7.1 Indebtedness of families with the National Financial System in relation to the income accumulated over the last twelve months (%). January 2005 - March 2017.



Source: Time series management system, CBB.

An indicator of the tendency of progressive deterioration of the financial position is provided by Serasa's estimates. In 2017, the institution denounced a strong concentration of defaulters in low income groups - 77.9% of defaulters in Brazil earned up to two minimum wages (G1, 2017a). Another study conducted in the previous year had found that a "lack of financial control" was the second main reported cause of default, being cited by 17% of defaulters surveyed in the country, and by 20% if we narrow down the results to the Southeast (Serasa, 2015). In terms of our model, these defaulters were in the Ponzi phase.

But the same 2015 study concluded that poor individuals find themselves more often in the Super Ponzi than in the Ponzi state – which is an evidence of the non-Minskyan mechanisms affecting the debt cycle. Unemployment was the main reported cause of default in the survey, cited by 26% of participants (Serasa, 2015). The proportion was higher in the Southeast, where it got to 33%. The situation gets more dramatic in a context of strong economic slowdown. Between the first trimester of 2015 and the first trimester of 2017, the unemployment rate went up from 7,9% to 13,7%. In parallel, the number of defaulters increased from 54.7 million in March 2015 to 59.2 two years later. In May 2017 for the first time the country exceeded the mark of 60 million defaulters, which amounted to 40% of the adult population (Silveira and Cavallini, 2017; IG, 2016; Cury and Caoli, 2015; G1, 2017b).

7.4.2 Exogenous income shocks in numbers

PNAD is an additional source of information about the non-Minskyan dynamics, which is explored from now on. More specifically, they show the increased vulnerability of the poor to unemployment vis-à-vis other income strata; and their low level of protection to face the event of unemployment, given their low saving potential and limited welfare coverage.

In order to measure vulnerability to unemployment, unemployment rates and number of years in the current job are used. The investigation of wage levels constitutes evidence of the low saving potential. Lastly, formalization rates show the limited range of job protection legislation. Besides income, the indicators built were further disaggregated by gender and race, in order to investigate the relative importance of the variable income.

Table 7.3 Unemployment rate, for urban residents in the Southeast, by household income strata, gender and race. 2015.

Gender/Race	Low income	Medium income	High income
Men	18,4%	4,5%	2,2%
Women	24,5%	6,2%	3,0%
White	21,0%	5,2%	2,6%
Non-white	21,3%	5,4%	2,1%
Total	21,2%	5,3%	2,5%

Source: PNAD, IBGE. Author's tabulation. Low income = per capita household income up to 1 minimum wage (exclusive); medium income = between 1 m.w. and 3 m.w.(exclusive); high income = 3 m.w. and above.

Table 7.4 Average number of years in the current job, for urban residents in the Southeast, by household income strata, gender and race. 2015.

Gender/Race	Low income	Medium income	High income
Men	6,4	8,1	11,6
Women	4,7	6,7	9,9
White	6,0	7,8	11,0
Non-white	5,4	7,1	10,5
Total	5,7	7,5	10,9

Source: PNAD, IBGE. Author's tabulation.

The above figures suggest that unemployment is largely an issue of income. While the unemployment rate for individuals living in low-income households was 21.2%, the rate for middle-income households fell sharply to 5.3%. Amongst the high income, the rate further decreased to 2.5%. Thus, low-income individuals recorded an unemployment rate of 18.6 percentage points higher than those of high income.

But intra-class asymmetries of gender and race are also present within all income strata considered. Within the low income group, men registered an unemployment rate 6.10 percentage points lower than women, and whites had a slight advantage of 0.3 percentage points, if compared to non-whites.

In the case of number of years in the current job, individuals belonging to high income households scored an average of 10,9 years, while the estimates for medium and low income are 7,5 and 5,7, respectively. This way, upper income individuals worked, on average, 5,2 years longer at their current jobs at the time of the survey, if compared to the lower income. The intra-class gender gap amongst the poorest was of 1,67, while the race gap corresponded to 0,58 year, with men and whites having stayed longer at their jobs.

Table 7.5 Hourly income obtained on average in the main job, for urban residents in the Southeast, by household income strata, gender and race (R$). 2015.

Gender/Race	Low income	Medium income	High income
Men	11,3	17,9	61,8
Women	9,4	15,2	49,3
White	10,5	17,2	61,0
Non-white	10,4	16,1	41,0
TOTAL	10,4	16,7	56,2

Source: PNAD, IBGE. Author's tabulation.

43.4% of adults in our sample belong to households where the per capita income is less than one minimum wage per month - figures that show the very low level of wages of the Brazilian worker at the base of the pyramid. Another 44.1% are concentrated in the middle range, with per capita household income between 1 and 3 minimum wages, while only 12.5% have income equal to or greater than 3 minimum wages.

Table 7.5 shows the striking wage disparity between low and high-income strata. While the average hourly income of individuals belonging to the poorest households was R$ 10,43, richest households registered an average of R$ 56,16 - a 81.4% difference. Within the less affluent income group, men earned on average 16.7% more than women, while whites earned 0.9% more than non-whites. Once again, the hierarchy between income, gender, and race is repeated, in the sense that the highest recorded gaps refer to income, followed by gender and race.

Table 7.6 Formalization rates, for urban residents in the Southeast, by household income strata, gender and race (%). 2015.

Gender/Race	Low income	Medium income	High income
Men	63,2%	70,1%	67,9%
Women	56,3%	70,6%	73,2%
White	61,7%	71,1%	69,7%
Non white	59,1%	69,4%	72,4%
Total	60,2%	70,4%	70,3%

Source: PNAD, IBGE. Author's tabulation.

Formalization rates[78] for instance indicate the percentage of the working force covered by labour legislation. These workers have a series of rights "around" work (Ebbinghaus ,1998), such as limited working hours under predetermined conditions, vacations and unemployment insurance; and also "after" work rights, as their transition to retirement is also regulated. Table 7.6 informs us that almost 40% of the low-income working population is completely uncovered by these welfare institutions. Among men, this proportion falls to 36.8%, while for women it is 43.7%. And while 38.3% of whites are unprotected, among non-whites this number rises to 40.9%. In the case of formalization rates, the magnitude of the gender gap amongst low income respondents approaches the income gap, but the latter is still larger.

In sum, the comparison of means suggests that income dynamics are the main determinant of labour market instability, but gender and race operate independently to further increase the instability of women and non-whites. In other words, amongst the poor, women and non-whites are more likely to be found in the Super Ponzi phase, in a very vulnerable position. But this method does not unambiguously prove the existence of these effects. This is because the phenomena in question are influenced by a number of other factors, which once included in the analysis may cancel out the explanatory power of the initial effects considered. Thus, the application of a statistical model that incorporates multiple control variables to the data is desirable (Santos, 2009). We opted for the performance of four logistic regressions. Thus, the dependent variables are categorical. In particular, binary models are used, where y assumes the values 0 or 1. Referring to the general model, the equation is:

(7.1) $$\text{logit}\,(p) = \ln\left(\frac{p}{1-p}\right) = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \cdots + \beta_q x_q$$

Where: p = probability of event ocurring and $\frac{p}{1-p}$ = odds ratio.

While multiple regressions predict the value of y using explanatory variables, in logistic binary regressions y needs to be transformed so that the regression process can be

[78] The concept of formal work is based on the definition used by IBGE, which in turn uses the ILO as reference. Are considered formal workers: employees with a formal contract; domestic workers with a formal contract; militaries; statutory civil servants, self-employed workers and employers who contribute to social security (IBGE, 2016).

used. The result is a model that predicts the probability of an event, given the set of predictors. If p is isolated in (1), we have:

$$(7.2) \qquad p = \frac{\exp(\beta_0 + \beta_1 x_1 + \beta_2 x_2 + \cdots + \beta_q x_q)}{1+\exp(\beta_0 + \beta_1 x_1 + \beta_2 x_2 + \cdots + \beta_q x_q)}$$

Table 7.7 summarizes the dependent variables investigated in this section. While unemployment and formalization are naturally binary, turnover and income were transformed into binary variables, as summarized in the table below:

Table 7.7 Dependent variables of logistic regressions.

y_1 = status of employment	if y_1=1, unemployed
	y_1=0, employed
y_2 = years in current job	y_2=1, 3 years or more
	y_2=0, less than 3 years
y_3 = hourly income in main job	y_3=1, more than R$8,21 (median point)
	y_3=0, equal of less than R$8,21
y_4 = job formality	y_4=1, formal
	y_4=0, informal

The independent variables are the following: gender, equal to 1 if the respondent is male and 0 otherwise; race, equal to 1 if the respondent is white and 0 otherwise; person of reference, equal to 1 if the respondent is the head of the household and 0 if not; two regional dummies were also used: one for residents of Rio de Janeiro and other for São Paulo; the age variables consist of 3 dummies categorized by age intervals (15-29,30-44, 45-59 = 1/0 = otherwise), and the group with 60 years old or more is the base category; household income for instance is equal to 1 if the household per capita income of the respondent corresponds to at least one minimum wage; if the participant has at least one child, the variable "children" is computed as 1, and 0 otherwise; education variables are dummies corresponding to intervals of years of schooling (1-4; 9-11; 12+ = 1/0 = otherwise), with the 5-8 interval as the base category; the regression also counts with two interaction terms: gender-race, which is equal to 1 if the person is a white male, and a gender-race-income, which is equal to 1 if besides white and male, the individual belongs to a medium or high income household; and last but not least, there is one dummy for formal jobs, where formal posts equal 1 and informal, 0.

A very similar set of predictors was used in all regressions, with a few adaptations according to the nature of the dependent variables. Therefore, job formality as an explanatory variable was only used in y_2 and y_3; and the variables involving household income were excluded from y_3. Potential multicollinearity between independent variables was assessed through the analysis of the correlation matrix, as suggested by Devlin (2009) and Hair et al (1998). According to these authors, an evidence of problematic collinearity would be the presence of high correlations, usually higher than 0,7. The vast majority of the correlations registered in our exercise were below 0,2, with a few exceptions scoring around 0,5 – these latter concerning the interaction terms.

Let us first analyse the results relative to unemployment and years in current job:

Table 7.8 Logistic regressions for unemployment and years in current job.

Variables	Unemployment N= 48953		Years in current job N= 43432	
	B	Exp(B)	B	Exp(B)
GENDER_MALE	-0,598*	0,550	0,328*	1,389
RACE_WHITE	-0,107*	0,899	0,151*	1,163
PERSON OF REFERENCE	-0,575*	0,563	0,209*	1,232
REGION_RJ	0,170*	1,186	0,159*	1,172
REGION_SP	0,191*	1,211	0,002	1,002
AGE_15 TO 29	0,982*	2,670	-2,449*	0,086
AGE_30 TO 44	0,140	1,151	-1,125*	0,325
AGE_45 TO 59	0,060	1,062	-0,441*	0,644
INCOME_NOT LOW	-1,726*	0,178	0,398*	1,489
CHILDREN	-0,437*	0,646	0,153*	1,165
EDUC_1 TO 4	-0,258*	0,772	0,010	1,010
EDUC_9 TO 11	-0,059	0,942	0,081*	1,085
EDUC_12+	0,012	1,012	0,430*	1,537
GENDER* RACE	0,065	1,067	0,057	1,059
GENDER* RACE* INCOME	-0,023	0,977	-0,092**	0,912
FORMAL	---	---	0,223*	1,250
Constant	-1,143*	0,319	0,706*	2,026

Where * and ** indicate statistical significance at 5% and 10% respectively.

Table 7.9 Likelihood ratio test for model significance.

y	Chi-square	df	Pr>ChiSq
unemployment (y_1)	5332,863	15	<0,000
years in current job (y_2)	7870,404	16	<0,000

Likelihood ratio tests were run to assess whether all independent variables combined significantly contribute to model fit. A p-value of less than 0,05 means that the chosen set of predictors is a significant improvement to a model that only contains the constant – which was the case for both regressions, as shown by table 6.9. The Hosmer and Lemeshow test, another commonly reported goodness-of-fit statistic, is not included here because of its sensibility to sample sizes. According to Yu et al (2017), it does not work when the sample size is larger than 25000. The statistical significance of individual estimated coefficients was tested using the Wald statistic, which is the standard practice for logistic regressions.

Regarding y_1, the model generally predicts 88,7% of observations correctly. Considering a 5% significance level, the significant variables besides the constant were gender, race, person of reference, the regional dummies, age (15 to 29), income, children and education (1 to 4 years of schooling).

Table 7.8 provides two measures of the relative impact of explanatory variables – b coefficients and the exponentiated B coefficients. B coefficients are the slope values of the equation, and can be interpreted in the following way: for every one unit increase in the correspondent x, we expect a B increase (or decrease) in the log-odds of y, holding all other independent variables constant. The sign of B allows the reader to instantaneously assess is y increases or decreases when x increases, but the magnitude of this transformation is difficult to be interpreted as the coefficients are in log-odds units. Therefore, the standard way of interpreting a B is to use its conversion to odds-ratio, which is the correspondent exp (b) statistic. This way, holding all other variables constant, the interpretation of our income, gender and race coefficients are the following:

- ❖ The probability of being unemployed for men was around 45% lower when compared to women;

- ❖ The probability of a white individual to be unemployed was around 10% lower;
- ❖ Individuals belonging to medium or high-income households were around 82% less likely to be unemployed, if compared to the ones of low income households.

Regarding y_2, concerning years in current job, the model in general predicts 70,9% of observations correctly. Gender, race, person of reference, the Rio de Janeiro dummy, the three age dummies, income, children, two education dummies (9 to 11 and 12+) and formal employment were the significant variables at a 5% significance level. At a 10% level, the interaction term between gender, race and income was also significant – and its interpretation is of particular interest. Ceteris paribus, we can affirm that white higher income males are 2.1 times more likely to be in their current jobs for at least 3 years than non-white low-income females. Let us now move on to the next set of regressions analysed:

Table 7.10 Logistic regressions for job formality and hourly income.

Variables	Job formality N= 43432		Income N= 44159	
	B	Exp(B)	B	Exp(B)
GENDER_MALE	0,083*	1,086	0,668*	1,951
RACE_WHITE	0,049	1,051	0,359*	1,431
PERSON OF REFERENCE	-0,004	0,996	0,362*	1,436
REGION_RJ	0,054*	1,056	0,218*	1,243
REGION_SP	0,238*	1,268	0,401*	1,494
AGE_15 TO 29	0,781*	2,183	-1,236*	0,291
AGE_30 TO 44	1,026*	2,790	-0,248*	0,780
AGE_45 TO 59	0,934*	2,544	-0,044	0,957
INCOME_NOT LOW	0,358*	1,431	---	---
CHILDREN	-0,241*	0,786	-0,160*	0,852
EDUC_1 TO 4	-0,216*	0,806	-0,459*	0,632
EDUC_9 TO 11	0,555*	1,742	0,599*	1,820
EDUC_12+	0,660*	1,935	2,256*	9,544
GENDER* RACE	0,007	1,007	-0,026	0,974
GENDER* RACE* INCOME	-0,295*	0,744	---	---
FORMAL	---	---	0,072*	1,075
Constant	-0,799*	0,450	-1,242*	0,289

Where * and ** indicate statistical significance at 5% and 10% respectively.

Table 7.11 Likelihood ratio test for model significance

y	Chi-square	df	Pr>ChiSq
Job formality (y_3)	2722,412	15	<0,000
Hourly income (y_4)	10938,841	14	<0,000

Once again, likelihood ratio tests indicate that the set of variables added constitute a significant improvement to the model that only contains the constant. Regarding y_3, the model predicts around 68,1% of observations correctly. It is interesting to notice that in that case, race was not significant but the triple interaction variable, between income, gender and race, was. Its interpretation is that ceteris paribus, higher income male white workers are 21% more likely to have a formal job than low income female non-white workers. Regarding y_4, the model registers a 70,7% prediction capacity. Gender and race are amongst the variables which are significant at a 5% significance level, with exp(b) statistics interpreted in the following way, once all the other variables are held constant: male workers are around 95% more likely to have an hourly income above the value of the medium point, if compared to female workers; and that percentage for whites is of 43%. Household income was not introduced as an explanatory variable in order to avoid issues of endogeneity.

Therefore, the logistic regressions performed ratified the results suggested by descriptive statistics. This way, income was found to be the main determinant of labour market instability, with gender and race operating across different income strata as well, which creates inequality within the poor.

7.5 Conclusion

The framework developed by Hyman Minsky does not cover the case of low-income households. However, this chapter showed that the Minskyan frame is a powerful tool for understanding households' financial behaviour - provided it is properly adapted. This frame was the base for the development of a typology that was latter applied to a model of debt cycles, formed in poor households of developing countries.

The model was tested using Brazilian data. The limitations of the data available, characteristic of the reality of underdevelopment, impairs any attempts to find unequivocal proof. Scattered data allow us to join together pictures, when showing a movie would be more appealing. However, we believe that the pursuit of "ideals" is the biggest barrier to the multiplication of studies that escape the North America-Europe nexus. And after all, pictures also tell important stories.

In terms of policy implications, the main conclusions we can draw are as follows. Understanding indebtedness amongst the poor fundamentally involves dissecting the articulation between financial, labour market and cultural dynamics. Thus, financial inclusion policies that ignore the condition of extreme instability to which the worker is exposed to, the existence of cultural institutions conducive to debt increases, and the main determinants of bank lending, instead of providing social protection, end up being only an easy way to over-indebtedness.

CHAPTER 8 : CONCLUSION

8.1 A summarizing overview

Largely based on financialization studies, this thesis argued that given that lender-borrower relationships are based on other asymmetric structural relations, locked up in the institutional framework, these relationships emerge as asymmetrical themselves. Therefore, the use of financial inclusion strategies to combat poverty and inequality without the prior treatment of "fundamental" asymmetries, more than being ineffective, ends up deepening the problems it was supposed to fix. A mixture of historical, qualitative and quantitative methods was used to investigate the Brazilian case, which substantiated this argument.

The first step was to investigate FI policy objectives and outcomes, in order to assess the type of FI that actually took place in Brazil. Chapter 4 showed that, although having a diversity of goals, one of the main practical results of the policies was an unprecedented increase in the supply of consumer credit. Also because of the importance of consumer credit in the management of daily lives, this work mainly focused on the analysis of that particular financial product.

We sought to identify the structural determinants of the asymmetries of the lender-borrower relationship from three different angles. The first one, discussed in Chapter 5, focused on the supply of consumer credit. It was demonstrated that the modern provision of consumer credit to the poor plays a central role in the process of capitalist accumulation. The government in turn, in order to protect accumulation, prioritizes the interests of the lender in detriment of the interests of the borrower – which influences the characteristics of credit supply in a way that adversely affects borrowers.

Based on the assumption that capitalism consolidates itself in a variety of ways - or in various SSAs -, in order to investigate the role played by consumer credit supply in the current SSA we used a historical approach. Any contemporary phenomenon is better understood when placed in historical perspective - the contrast of the present function of credit with its past functions allows us to better understand its modern *raison-d'etre*. By using a historical methodology, Chapter 5 was an attempt to tell the story of consumer credit in Brazil. Though the topic has already been well-explored for the case of developed countries, to our knowledge this has been the first attempt to do so in a Brazilian context.

We concluded that consumer credit has existed since the developmentalist era, and that although some characteristics of credit supply persisted through time - the main one being its penetration in low income strata via retailers - others have changed radically. From the 2000s, there has been an explosion in the quantity supplied along with an explosion in its cost. We also concluded that these changes in supply can be explained by the accumulation regime to which this credit is associated.

Within the developmentalist SSA, consumer credit was an accessory instrument of accumulation – in the sense that it existed to create demand for industry in a context of strong income concentration, this way supporting industrial accumulation. But within the neoliberal, financialized SSA, the locus of accumulation shifted from the productive to the financial sphere. Once banks started to direct a significant portion of its resources towards household lending, consumer credit became one of the main instruments of accumulation. In macroeconomic terms, the resumption of credit addressed a systematic deficiency of the neoliberal SSA – it was one of the big factors that boosted aggregate demand via consumption, in a context of deindustrialisation and a tendency of deterioration of the worker's condition. As a consequence, the characteristics of credit supply changed radically. It became much more abundant, but also much more costly to borrowers. The explosion in the cost of credit clearly shows the government's orientation to protect the centre of accumulation – which implies the protection of the interests of lenders to the detriment of borrowers.

After having analysed the supply side of consumer credit and its implications for the asymmetry of lender-borrow relationships in Brazil, the thesis turned to analysing the vulnerabilities of demand to the increased credit supply, which further cemented this asymmetry. In this vein, chapter 6 pointed to two sources of vulnerabilities. The first is a product of cultural institutions, and explains the tendency of increasing indebtedness in times when the material scarcity of the agent is reduced. It was concluded that there is a series of consumption and financial norms that provide a basis for the social legitimation of consumer credit use amongst poor populations. Much of this "legitimation base", largely a product of class dynamics, pre-existed the credit boom. However, during the process of credit boom, consumption and financial norms that opposed the absorption of this credit were altered. The chapter shows that these norms are a source of subtle and powerful social forces that shape decision-making processes regarding budget management.

The second source of vulnerabilities arises from deficient labour market and welfare institutions that, as argued in chapter 5, further deteriorated during the neoliberal SSA. These deficient institutions, that do not provide an adequate cushion of protection during times of increased economic scarcity, underpin a demand for credit that arises from the need to finance very basic needs. In addition, this credit is frequently not available, as agents rarely meet lending criteria. Our interviews depicted the strong vulnerability of agents to informal arrangements to guarantee survival. These informal arrangements expose these agents to high financial exploitation and, even worse, can be a serious threat to their own lives.

Finally, chapter 7 argued that the provision of high-cost credit to a population that is subject to the cultural processes and labour/market institutions depicted in Chapter 6 creates cycles of indebtedness. Inspired by the Minskyan literature, the chapter developed a model that depicts a “Minskyan dynamics” - periods of financial inclusion in which endogenous forces lead to a progressive deterioration in the financial position of agents. However, these periods are affected by a “non-Minskyan dynamics”, as they are delimited by abrupt external income shocks, to which low income agents are much more exposed to, if compared to members of other income strata. In addition, we show how gender and race dynamics operate along with class dynamics to leave women and non-whites in a position of even greater instability.

These shocks lead households straight to a financial state in which access to formal sources of finance is severely compromised. Financial exclusion, in addition to a low saving potential and low welfare coverage, in a context of zero or insufficient cash flows, have two major effects on households: they affect the Minskyan cycle, formed after the income flow is restored, as they tend to increase the duration of the Ponzi phase. And most importantly, they constitute a serious threat to household survival, as this unit ends up being heavily reliant on informal sources.

8.2 Future research

To begin with, the theoretical framework that we put together, which is receptive to historical, multilevel and interdisciplinary studies, can be applied to FI assessments in many other realities.

Chapter 5 in specific, besides being constantly opened to historical updating for the case of Brazil, can be an inspiration to other countries which have not yet told their own histories of consumer credit, which is especially the case for a group of developing countries. And these individual histories can serve as base for in-depth international comparisons.

Chapters 6 and 7 especially open up several lines of research, to be explored in future investigations. Firstly, even though we identified the transformation of shared subjectivities with the advent of the credit boom, the process of transformation was not analysed. This would necessarily involve the study of advertisement - the investigation of which media vehicles were used and which strategies were employed in the promotion of this reshaping. Secondly, the objective of chapter 6, which was to unveil the structural determinants of consumer credit demand, required in principle the use of qualitative methodology, as argued in chapter 3. The next step is to identify which findings can be complemented via quantitative research. We recommend the inclusion of variables that investigate the financial behaviour of the population in national statistics, since the collection of quantitative data by individual researchers in deprived areas is severely impaired by the issue of public security. Given that an electronic collection of data would generate biased samples, since it would select respondents with greater purchasing power and of a younger age, the door-to-door collection should be done in a way that guarantees the safety of the researcher and that incites the trust of the respondent. The existence of a database that includes financial and labour market variables is also central to the improvement of the empirical base that ratifies the existence of debt cycles.

8.3 Policy recommendations

Our objective with this work was not to demonize policies of financial inclusion. In a context of unprecedented technological acceleration where the tendency is of substitution of physical means of payment for electronic ones, not having a bank account is a serious barrier of socialization; the existence of low-cost credit is undoubtedly a prerequisite for the consolidation of a robust microentrepreneurship movement; and low-cost consumer credit can be a genuine facilitator of consumption, if implemented with rigid control mechanisms that prevent the explosion of debt levels.

But the prescription of these policies must come after the evaluation of two main aspects: the provider institutions and their characteristics; and the role of these policies in the fight against poverty - whether they are protagonists or ancillaries.

Chapter 4 made clear that the Brazilian government, to a large extent, tried to create incentives for private financial institutions to be disseminators of free bank accounts and microcredit (productive or not) at controlled interest rates. The result was total failure. There is no regulation which is sophisticated enough to encourage banks to engage in activities that generate low (or even negative) profitability in a context where the central nerve of capitalist accumulation lies in the financial sector. Thus, the leadership of public banks in this process becomes fundamental - especially given the importance of public banks in Brazil.

But the attentive reader will remark that there were initiatives that alocatted this leading role to Brazilian public banks - the most obvious one being the creation of *Banco Popular do Brasil*, which quickly went bankrupt. Why did those public initiatives fail? Chapter 5 revealed the depth of the problem. In a context where the state is completely co-opted by the interests of accumulation, it does not have the strength to act in a way that goes against those interests in any way.

Another reason why public initiatives failed was because policies of financial inclusion were not implemented in parallel with the policies needed to address the underlying asymmetries of class, gender, and race. A refined and coordinated set of efforts are needed to address the later. Here an exhaustive list of what should be done goes beyond the scope of this thesis. But we want to highlight the fundamental actions that need to be put in place and point to the relevant literature.

Firstly, there is the urgent need to restore government spending capacity. In the Brazilian case, this necessarily involves the reduction of the basic interest rate. In 2017, though trending downward, Brazil still had the third highest real interest rate in the world, behind only Turkey and Russia (Época, 2017). Again, this can be explained by the current accumulation regime, since it cannot be explained by the risk premium (since the country has never defaulted) or by the threat of the inflationary monster (given that since the stabilization of 1994, inflation control has not been a big problem). The reduction of Selic in turn requires the introduction of capital controls that prevent a balance of payments crisis.

The importance of restoring spending capacity does not only derive from the restoration of anti-cyclical investment capacity. More importantly, public spending allows a new vision for national development to be pursued. This view must necessarily include a plan to foster industrialization that takes into account how to fit in global production chains in ways that are compatible with national interests. These interests include progressive technological upgrading, understood as the most effective way to increase long-term income generation capacity.

Secondly, the country's highly regressive tax system needs to be reformed, and the allocation of this taxation improved. The Brazilian tax burden is at the same level as that of OECD countries (around 33% of GDP), which shows the poor allocation of these resources, given the poor quality of Brazilian public services. But instead of the neoliberal view that recommends the elimination of state action, we argue for the reform of the institutional apparatus of the state. We need institutional practices that tackle all sorts of inefficiencies – the possibility of corruption being the most important. In addition, Brazil taxes much more than the OECD average for goods and services (18.8 versus 11.6 percent of GDP). Moreover, the country does not tax profits and dividends distributed to shareholders of companies, and implements legal devices that allow the reduction of taxes related to corporate profits. It is uncontroversially the case that the Brazilian tax structure greatly overburdens the poorest (Siqueira et al, 2000; Salvador, 2016; Pintos-Payeras, 2010).

Once financial expenses fall and the quality of revenues improve, the next step is a resumption of the spirit of the 1988 Constitution by supporting universalistic policies - health, education, sanitation, among many others. And these policies must be transversal – which means the incorporation of gender and race perspectives transversally to these initiatives, which is more important than the implementation of specific agendas (Farrah, 2004).

In sum, our main conclusion is that in contexts where fundamental structural relations of class, gender and race are highly asymmetric, as is the case of Brazil, policies of financial inclusion that are implemented despite these asymmetries end up deepening them. This is because the emergent lender-borrower relation becomes fundamentally asymmetric itself. However, in contexts where these policies are not protagonists in the fight against poverty, and where there are financial providers that have incentives to pursue social goals (such as credit unions), they may produce positive effects.

ANNEX 1 - Semi-structured interview guide

0) HOUSEHOLD FINANCES

- Are the financial responsibilities shared between the adults? Or do the adults have separate finances?
- How much do you participate in making financial decisions for your household? A lot, some or not at all?

I) BASIC BANKING TRANSACTIONS

I.1) Do you have a bank account?

For positive responses:

- What bank? Why did you choose this bank? Are you satisfied with the services (including fees charged)?
- What do you think of the opening of branches inside the *favela*?

For negative responses:

- Why don´t have? Does anyone else in the household have it?
- Have you already had it and cancelled?
- Tried to open, but face difficulties to fulfill the requirements?
- Have you heard about simplified current accounts?

I.2) Have a debit card?

- Impressions about life without these instruments (accounts/debit cards)
- Where do you usually make payments? (Banks, lotéricas, etc.)

II) CREDIT

II.1) Impressions about general consumption

- Tell me about your favorite shops and the things you like buying.
- Do you agree with the following statements? Please comment.

a) Going shopping can be a leisure activity for me
b) I admire people that have expensive houses, cars and clothing
c) I think that buying designers clothing is a good investment
d) I think that many people that I know spend too much on shopping
e) I think that many people ‘show off’ expensive things to feel less discriminated in society

II.2) Everyday credit

- When buying food, in which way do you pay for your purchases more often?
- When buying clothes and durables, in which way do you pay for your purchases more often?
- If the answer is 'instalments': Why do you prefer paying in instalments? Do you pay with card? What type? (store card/general) Was it easy to get one? What is the importance of having a credit card?
- Have you ever faced any difficulties to pay the instalments at the end of the month? Where does that difficult come from? (consumption above budget, interest rates, etc.)
- Has the crisis affected you in this sense?
- Do you agree with the following statements? Please, comment.

a) The fact that the instalment plan is free of interest motivates me to choose this payment option
b) To parcel out a purchase is a better strategy than saving and then buying
c) Credit in instalments is essential in the life of the Brazilians
d) To buy in instalments and to get a loan are different things
e) When I am carrying a credit card while I am shopping, I get less worried about having problems at the counter
f) I think that having access to a credit card is a privilege, because many people want to have one but are not allowed to

II.3) Access to credit in emergency situations

- Has it been more difficult to keep one's job in recent years? What is the impact on the family budget?
- In a situation of emergency due to a job loss, what would you do? Would you try to get a loan? Why, why not?
- Have you had to pay for private medical care recently? Was that a source of financial distress?

II.4) Access to long term credit

- Have you ever taken credit to buy a house, or construct?
- Have you ever taken credit to invest in education, yours or for your relatives?

II.5) Credit and social relations

- What do you think of the practice of lending one's name? Have you ever done it?

II.6) Expectations

- Do you have any big plans for next year?

III) OTHER FINANCIAL STRATEGIES

How common are the following financial strategies in your opinion:

- Check
- *Crediário* in stores
- Loans granted by the employer

- Moneylender loans
- Company’s *caixinhas*
- Loans from family and friends
- Fiado
- Sorteio

IV) FINAL CONSIDERATIONS

- Are you satisfied with the financial services that you have access to?
- If someone offered you a loan, with very low interest rates, completely legal, would you accept? What would you do with the money?
- Is there anything else you want to add?

V) DEMOGRAPHIC QUESTIONS/INDIVIDUAL BACKGROUND

- age
- employment status
- marital status
- educational level

REFERENCES

Aalbers, M. 2008. The financialization of home and the mortgage market crisis. *Competition and Change*. 12(2), pp. 148-166.

Abramo, P. 2013. Quatro notas preliminares sobre a teoria econômica da favela: Localização residencial e mercado imobiliário. In: *Encontros Nacionais da ANPUR 9*.

Agência Senado. 2011. Aloysio Nunes informa que bancos lucraram 550% a mais no governo Lula do que na gestão de FHC. *Agência Senado*. [Online]. 28 February. [Accessed 18 January 2019]. Available from: https://www12.senado.leg.br/noticias/materias/2011/02/28/aloysio-nunes-informa-que-bancos-lucraram-550-a-mais-no-governo-lula-do-que-na-gestao-de-fhc

Aitken, R. 2005. A Direct Personal Stake': Cultural Economy, Mass Investment and the New York Stock Exchange. *Review of International Political Economy*. 12(2), pp. 334-363.

Aitken, R. 2013. The financialization of microcredit. *Development and Change*. 44(3), pp. 473–499.

Aitken, R. 2017. 'All data is credit data': Constituting the unbanked. *Competition and Change*. 21(4), pp. 274–300.

Alexandre, M, Lima, G. and Canuto, O. 2008. Determinantes das decisões locacionais da atividade financeira. *Nova Economia*. 16(2), pp. 243-263.

Almeida, D. and Junior, F. 2007. Bancos e concentração no Brasil: Um estudo com dados em painel para os estados (1995-2004). In: *Proceedings of the 35th ANPEC Conference, 4-7 December, Recife*. [Online]. [Accessed 29 March 2018]. Available from: http://www.anpec.org.br/encontro2007/artigos/A07A007.pdf

Almeida, J. 1980. *As financeiras na reforma do mercado de capitais: O descaminho do projeto liberal*. MSc dissertation, University of Campinas.

Alves, A. and Menezes, O. 2007. *Cartão de crédito private label: A arma de crédito na mão do varejo*. São Paulo: Novatec.

Amos, A., Wiltshire, S., Bostock, Y., Haw, S. and McNeill, A. 2004. You can't go without a fag... you need it for your hash - a qualitative exploration of smoking, cannabis and young people. *Addiction*. 99(1), pp. 77-81.

Amsden, A. 1990. Third world industrialization: 'global fordism' or a new model? New Left Review. 182(1), pp. 5-31.

Anderloni, L., Bayot, B., Błędowski, P., Iwanicz-Drozdowska, M. and Kempson, E. 2008. *Financial services provision and prevention of financial exclusion*. European Commission.

Andrade, F. 2015. Milhões de brasileiros ficam endividados após emprestar o nome. *G1*. [Online]. 17 April. [Accessed 17 August 2018]. Available from: http://g1.globo.com/jornal-hoje/noticia/2015/04/milhoes-de-brasileiros-ficam-endividados-apos-emprestar-o-nome.html

Assad, M. and Arruda, M. 2006. *Consumidor de baixa renda: O modelo de dinâmica do processo de compra*. XXX Anpad, 23-27 September, Salvador.

Atkinson, A., Monticone, C. and Mess, F. 2016. OECD/INFE international survey of adult financial literacy competencies (technical report). Paris: OECD.

Awad, E. 2003. *Samuel Klein e Casas Bahia - uma trajetória de sucesso*. São Paulo: Novo Século.

Bache, I. 2003. *Critical Realism and Econometrics*. Oslo: Central Bank of Norway.

Banerjee, A. and Duflo, E. 2011. *Poor Economics: A radical rethinking* of *the way to fight global poverty*. New York: PublicAffairs.

Barba, A. and Pivetti, M. 2008. Rising household debt: Its causes and macroeconomic implications—a long-period analysis. *Cambridge Journal of Economics*. 33(1), pp. 113-137.

Barbosa, N. and Souza, J. 2010. A inflexão do governo Lula: Política econômica, crescimento e distribuição de renda. In: Sader, E and Garcia, M. eds. *Brasil: entre o passado e o futuro*. São Paulo: Fundação Perseu Abramo and Editora Boitempo.

Barbotin, M. 2014. *"Pia! Só quer ser o que não é, e mora na favela"* - *práticas de consume e construção de identidades entre indivíduos de classes populares*. PhD thesis, Federal University of Paraíba.

Barnekov, T. and Jabbar-Bey, R. 1993. Credit and development financing for low-income and minority communities. *The Newsletter of the Regional Studies Association*.188, pp. 4-8.

Barone, F. and Sader. E. 2008. Acesso ao crédito no Brasil: evolução e perspectivas. Revista de Administração Pública. 42(6), pp. 1249-67.

Barros, C. 2007. *Trocas, hierarquia e mediação: As dimensões culturais do consumo em um grupo de empregadas domésticas*. PhD thesis, Federal University of Rio de Janeiro.

Barros, C. and Rocha, E. 2007. *Lógica de consumo em um grupo das camadas populares: Uma visão antropológica de significados culturais*. XXXI Anpad, 22-26 September, Rio de Janeiro.

Bastian, E. 2013. O PAEG e o Plano Trienal: Uma Análise Comparativa de suas Políticas de Estabilização de Curto Prazo. Estudos Econômicos. 43(1), pp.139-166.

Bateman, M. and Chang, H. 2009. *The Microfinance Illusion*. [Online]. [Accessed 10 August 2016]. Available from: http://ssrn.com/abstract=2385174

Beck, T., Demirguc-Kunt, A., and Peria, M. 2007. Reaching out: Access to and use of banking services across countries. *Journal of Financial Economics*. 85(1), pp. 234-266.

Belo, E. 2005. Consumo de moradores de favelas no Brasil supera R$ 68 bilhões ao ano. *Valor*. [Online]. 2 March. [Accessed 10 August 2018]. Available from: https://www.valor.com.br/empresas/3932544/consumo-de-moradores-de-favelas-no-brasil-supera-r-68-bilhoes-ao-ano/

Bernstein, H., Crow, B., and Johnson, H. 1992. *Rural Livelihoods: Crises and Responses*. Oxford: Oxford University Press.

Bhaskar, R. 1998. *The possibility of naturalism*. 3rd edition. London: Routledge.

Bonelli, R. 1999. A reestruturação industrial brasileira nos anos 90: Reação empresarial e mercado de trabalho. In: Posthuma, A. Ed. *Abertura e ajuste do mercado de trabalho no Brasil: políticas para conciliar os desafios de emprego e competitividade*. São Paulo: Editora 34, pp. 87-115.

Bourdieu, P. 1984. *Distinction: A Social Critique of the Judgement of Taste*. US: Harvard University Press.

Braga, R. 2016. On Standing's 'A precariat charter': Confronting the precaritisation of labour in Brazil and Portugal. *Global Labour Journal*. 7(2), pp. 148-159.

Braunstein, S. and Welch, C. 2002. Financial literacy: An overview of practice, research and policy. *Federal Reserve Bulletin*. 88, pp. 445-457.

Brown, A. 2013. Critical realism in social research: Approach with caution. *Work, Employment & Society*. 28(1), pp.112-123.

Bruno, M., Diawara, H., Araújo, E., Reis, A. and Rubens, M. 2011. Finance-led growth regime no Brasil: Estatuto teórico, evidências empíricas e consequências macroeconômicas. *Revista de Economia Política*. 31(5), pp. 730-750.

Brusky, B. and Fortuna, J. 2002. *Entendendo a demanda para as microfinanças no Brasil: Um estudo qualitativo em duas cidades*. Rio de Janeiro: BNDES.

Büyükkarabacak, B. and Valev, N. 2010. The role of household and business credit in banking crises. *Journal of Banking & Finance*. 34(6), pp. 1247-1256.

Calder, L. 2009. *Financing the American dream: a cultural history of consumer credit*. New Jersey: Princeton University Press.

Camargo, P. 2009. *A evolução recente do setor bancário no Brasil*. São Paulo: Unesp.

Caracelli, V. and Greene, J. 1997. Crafting mixed-method evaluation designs. *New directions for evaluation*. 74, pp. 19-32.

Carcanholo, M. 2002. *Abertura externa e liberalização financeira: Impactos sobre crescimento e distribuição no Brasil dos anos 90*. Ph.D. thesis, Federal University of Rio de Janeiro.

Carvalho, C. 2003. *Bancos e inflação no Brasil: Da crise dos anos 1980 ao Plano Real*. [Online]. São Paulo: Associação Brasileira de Pesquisadores em História Econômica. [Accessed 20 January 2017]. Available from: http://econpapers.repec.org/paper/abphe2003/056.htm

Carvalho, F. 2003. *Sistema financeiro, crescimento e inclusão*. In: Brasil em desenvolvimento, ciclo de seminários, Rio de Janeiro.

Caskey, J., Duran, C. and Solo, T. 2006. *The urban unbanked in Mexico and the United States*. [Online]. [Accessed 16 August 2017]. Available from: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=922961

Castilhos, R. 2007. *Subindo o morro: Consumo, posição social e distinção entre famílias de classes populares*. MSc dissertation, Federal University of Rio Grande do Sul.

Castro, A. and Souza, F. 2004. *A economia brasileira em marcha forçada*. 3rd ed. São Paulo: Paz e Terra.

Central Bank of Brazil. *Balance of credit portfolio with free resources - time series management system*. [Online]. [Accessed 9 February 2018]. Available from: https://www3.bcb.gov.br/sgspub/localizarseries/localizarSeries.do?method=prepararTelaLocalizarSeries

Central Bank of Brazil. Indebtedness of families with the National Financial System in relation to the income accumulated over the last twelve months. *Time series management system, Central Bank of Brazil*. [Online]. [Accessed 18 June 2018]. Available from: https://www3.bcb.gov.br/sgspub/localizarseries/localizarSeries.do?method=prepararTelaLocalizarSeries

Central Bank of Brazil. 1973. Annual Report. Rio de Janeiro: Central Bank.

Central Bank of Brazil, 2010. *Relatório de Inclusão Financeira, número 1*. Brasília: Banco Central do Brasil.

Central Bank of Brazil, 2011. *Relatório de Inclusão Financeira, número 2*. Brasília: Banco Central do Brasil.

Central Bank of Brazil, 2012. *Parceria nacional para inclusão financeira - plano de ação para fortalecimento do ambiente institucional*. Brasília: Banco Central do Brasil.

Central Bank of Brazil, 2015. *Relatório de Inclusão Financeira, número 3*. Brasília: Banco Central do Brasil.

Chakrabarty, K. 2012. *Financial inclusion – issues in measurement & analysis*. IFC Workshop on Financial Inclusion Indicators, November, Kuala Lumpur.

Chan, C. 1998. Welfare policies and the construction of welfare relations in a residual welfare state: The case of Hong Kong. *Social Policy & Administration*. 32(3), pp. 278-291.

Chang, H. 2004. The role of social policy in Economic development – some theoretical reflections and lessons from East Asia. In: Mkandawire, T. ed. *Social Policy in a Development Context*. London: Palgrave Macmillan, pp. 246-261

Chithra, N. and Selvan, M. 2013. *Determinants of financial inclusion: An empirical study on the inter-state variations in India*. [Online]. [Accessed 15 August 2017]. Available from: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2296096

Cintra, M. 2006. A reestruturação patrimonial do sistema bancário brasileiro e os ciclos de crédito entre 1995 e 2005. *Política Econômica em Foco*. 7, pp. 292-318.

CNC, 2013. *O Perfil do Endividamento das famílias brasileiras em 2013*. Rio de Janeiro: CNC.

Coelho, C., Mello, J., and Funchal, B. 2012. The Brazilian payroll lending experiment. *The Review of Economics and Statistics*. 94(4), pp. 925–934

Coppock, S. 2013. The everyday geographies of financialisation: Impacts, subjects and alternatives. *Cambridge Journal of Regions, Economy and Society*. 6, pp. 479–500.

Corrêa, V. 2015. Mudanças de cenário, crescimento distributivo e arrocho fiscal: Inconsistências dessa equação. *Revista Política Social e Desenvolvimento*. 13, pp. 18-25.

Corrêa, V. and Santos, C. 2013. Modelo de crescimento brasileiro e mudança estrutural - avanços e limites. In: Corrêa, V. Ed. *Padrão de acumulação e desenvolvimento brasileiro*. São Paulo: Fundação Perseu Abramo, pp. 17-55.

Costa, D, Mendes, K. and Xavier, L. 2014. Crédito: Caixa eletrônico esconde armadilha. *O Globo*. [Online]. 16 October. [Accessed 17 August 2018]. Available from: https://oglobo.globo.com/economia/defesa-do-consumidor/credito-caixa-eletronico-esconde-armadilha-14249377

Costa, F. 2010. *Microcrédito no Brasil*. [Online]. Campinas: IE/UNICAMP. [Accessed 9 February 2018]. Available from:http://www.eco.unicamp.br/docprod/downarq.php?id=1805&tp=a

Creswell, J. and Clark, V. 2007. *Designing and conducting mixed methods research*. 2nd ed. Thousand Oaks: Sage.

Crocco, M., Santos, F. and Figueiredo, A. 2013. Exclusão financeira no Brasil: Uma análise regional exploratória. *Revista de Economia Política*. 33(3), pp. 505-526.

Cruz, N. 2008. BB vai absorver Banco Popular, após R$ 144 milhões em prejuízos. *Folha de São Paulo*. [Online]. 16 May 2008. [Accessed 9 February 2018]. Available from: http://www1.folha.uol.com.br/folha/dinheiro/ult91u402491.shtml

Cui, C. 2017. Cash-on-hand and demand for credit. *Empirical Economics*. 52 (3), pp. 1007–1039.

Cury, A. and Caoli, C. 2015. Desemprego ficou em 7,9% no primeiro trimestre de 2015, diz IBGE. *G1*. [Online]. 7 May. [Accessed 18 June 2018]. Available from: http://g1.globo.com/economia/noticia/2015/05/desemprego-ficou-em-79-no-primeiro-trimestre-de-2015-diz-ibge.html

Cynamon, B. and Fazzari, S. 2008. Household debt in the consumer age: Source of growth-risk of collapse. *Capitalism and Society*. 3(2).

Cysne, R. and Costa, S. 1997. *Reflexos do plano real sobre o sistema bancário brasileiro*. Rio de janeiro: EPGE FGV – Ensaios Econômicos.

Danermark, B., Ekstrom, M., and Jakobsen, L. 2005. Explaining society: An introduction to critical realism in the social sciences. London: Routledge.

Davis, G. 2008. A new finance capitalism? Mutual funds and ownership re-concentration in the United States. *European Management Review*. 5, pp. 11-21

Deddeca, C. 2005. Notas sobre a evolução do mercado de trabalho no Brasil. *Revista de Economia Política*. 25 (1), pp. 94-111.

Deleidi, M. 2018. Post Keynesian endogenous money theory: A theoretical and empirical investigation of the credit demand schedule. *Journal of Post Keynesian Economics*. 41(2), pp.185-209.

Demirgüç-Kunt, A., and Klapper, L. 2012. Measuring financial inclusion: The global findex database. World Bank Policy Research Working Paper, WPS6025.

Demirgüç-Kunt,A., Klapper, L., and Singer, D. 2013. Financial inclusion and legal discrimination against women: Evidence from developing countries. *World Bank, Policy Research Working Paper 6416*.

Devlin, J. 2009. An analysis of influences on total financial exclusion. *The Service Industries Journal*. 29(8), pp. 1021–1036.

Dichter, T. 2007. *A Second Look at Microfinance: The Sequence of Growth and Credit in Economic History*. [Online]. Washington DC: CATO Institute. [Accessed 10 August 2016]. Available from: http://object.cato.org/sites/cato.org/files/pubs/pdf/dbp1.pdf

Dieese. 2014. *A evolução do crédito na economia brasileira, 2008-2013.* Nota técnica n. 135.

Dieese. 2015. *Desempenho dos bancos – 1º trimestre de 2015*. São Paulo: Dieese.

Diniz, E. 2010. *Correspondentes bancários e microcrédito no Brasil: Tecnologia bancária e ampliação dos serviços financeiros para a população de baixa renda*. [Online]. São Paulo: Fundação Getúlio Vargas. [Accessed 9 February 2018]. Available from: https://bibliotecadigital.fgv.br/dspace/handle/10438/13365

Douglas, M. and Isherwood. 1996. The World of Goods: Towards an Anthropology of Consumption. London: Routledge.

Downward, P., and Mearman, A. 2002. Critical realism and econometrics: Constructive dialogue with Post Keynesian economics. *Metroeconomica*. 53(4), pp. 391-415.

Duvendack, M., Jones, R., Copestake, J., Hooper, L., Loke, Y. and Rao, N. 2011. *What is the evidence of the impact of microfinance on the well-being of poor people?* London: EPPI-Centre, Social Science Research Unit, Institute of Education, University of London.

Dymski, G. 1995. The theory of bank redlining and discrimination: An exploration. *Review of Black Political Economy*. 23(3), pp. 37-74.

Dymski, G. 2010. Linking financial globalization with financial exclusion via a Minskyian bridge. In: Tavasci, D. and Toporowski, J. eds. *Minsky, crisis and development*. London: Palgrave, pp. 50-76.

Dymski, G and Veitch, J. 1996. Financial transformation and the metropolis: Booms, busts, and banking in Los Angeles. *Environment and Planning A*. 28 (7), pp. 1233-1260.

Easton, G. 2010. Critical realism in case study research. *Industrial marketing management*. 39(1), pp. 118-128.

Eaton, C., Habinek, J., Goldstein, A., Dioun, C., Santibáñez Godoy, D. G., and Osley-Thomas, R. 2016. The financialization of US higher education. *Socio-Economic Review*. 14(3), pp. 507-535.

Ebbinghaus, B. 1998. *European Labor Relations and Welfare-State Regimes: A Comparative Analysis of their Elective Affinities*. Conference on varieties of capitalism in Europe, North America and Japan, 11-13 June, Cologne.

Edwards, S. 1995. *Crisis and reform in Latin America: From despair to hope*. Oxford: Oxford University Press.

Eggertsson, G. and Krugman, P. 2012. Debt, deleveraging, and the liquidity trap: a Fisher-Minsky-Koo approach. *The Quarterly Journal of Economics*. 127(3), pp. 1469-1513.

Elder-Vass, D. 2012. Top-down causation and social structures. *Interface focus*. 2(1), 82-90.

Emmel, N. 2013. *Sampling and choosing cases in qualitative research: A realistic approach*. London: Sage.

Época. 2017. Mesmo com queda da Selic, Brasil tem 3º maior juro real do mundo. *Época*. [Online]. 26 July. [Accessed 16 August 2018]. Available from: https://epocanegocios.globo.com/Economia/noticia/2017/07/mesmo-com-queda-da-selic-brasil-tem-3-maior-juro-real-do-mundo.html

Epstein, G. 2005. *Financialization and the World Economy*. Cheltenham: Edward Elgar.

Estadão. 2002a. Bradesco compra Banco Mercantil de São Paulo. *Estadão.* [Online]. 14 January. [Accessed 17 July 2017]. Available from: http://economia.estadao.com.br/noticias/geral,bradesco-compra-banco-mercantil-de-sao-paulo,20020114p22973

Estadão. 2002b. Itaú compra BBA Creditanstalt por R$ 3,3 bilhões. *Estadão.* [Online]. 5 November. [Accessed 17 July 2017]. Available from: http://economia.estadao.com.br/noticias/geral,itau-compra-bba-creditanstalt-por-r-3-3-bilhoes,20021105p40406

Estadão. 2004a. Bradesco e Casas Bahia anunciam parceria estratégica. *Estadão.* [Online]. 24 November. [Accessed 17 July 2017]. Available from: http://economia.estadao.com.br/noticias/geral,bradesco-e-casas-bahia-anunciam-parceria-estrategica,20041125p23886

Estadão. 2004b. HSBC fecha parceria com a Panashop. *Estadão.* [Online]. 8 December. [Accessed 17 July 2017]. Available from: http://economia.estadao.com.br/noticias/geral,hsbc-fecha-parceria-com-a-panashop,20041208p24143

Estadão. 2005a. Bradesco paga R$ 80 milhões por rede do banco Morada. *Estadão.* [Online]. 18 April. [Accessed 17 July 2017]. Available from: http://economia.estadao.com.br/noticias/geral,bradesco-paga-r-80-milhoes-por-rede-do-banco-morada,20050418p7212

Estadão. 2005b. CEF compra carteira de empréstimos a aposentados do BMG. *Estadão.* [Online]. 17 January. [Accessed 17 July 2017]. Available from: http://economia.estadao.com.br/noticias/geral,cef-compra-carteira-de-emprestimos-a-aposentados-do-bmg,20050117p5964

Estadão. 2006. BB estima triplicar carteira de financiamento de veículos em 2007. *Estadão.* [Online]. 17 October. [Accessed 17 July 2017]. Available from: http://economia.estadao.com.br/noticias/mercados,bb-estima-triplicar-carteira-de-financiamento-de-veiculos-em-2007,20061017p17352

Estadão. 2008. Unibanco compra três carteiras de consignado por R$ 64 mi. *Estadão.* [Online]. 6 November. [Accessed 17 July 2017]. Available from: http://economia.estadao.com.br/noticias/geral,unibanco-compra-tres-carteiras-de-consignado-por-r-64-mi,273432

Estadão. 2009a. Bradesco compra Banco ibi, da C&A. *Estadão.* [Online]. 5 June. [Accessed 17 July 2017]. Available from: http://economia.estadao.com.br/noticias/geral,bradesco-compra-banco-ibi-da-cea,382785

Estadão. 2009b. Pão de Açúcar e Itaú fazem acordo de R$ 600 milhões. *Estadão.* [Online]. 31 August. [Accessed 17 July 2017]. Available from: http://economia.estadao.com.br/noticias/geral,pao-de-acucar-e-itau-fazem-acordo-de-r-600-milhoes,427178

Evens, H. and Houssart, J. 2007. Paired interviews in mathematics education. *Proceedings of the British Society for Research into Learning Mathematics*. 27(2), pp. 19-24.

Exame. 2010. HSBC compra Lloyds TSB no Brasil. [Online]. 10 October. *Exame*. [Accessed 17 July 2017]. Available from: http://exame.abril.com.br/seu-dinheiro/hsbc-compra-lloyds-tsb-no-brasil-m0059184/

Exame. 2014. B2W firma parceria com empresa do grupo BNP Paribas. *Exame*. [Online]. 12 November. [Accessed 17 July 2017]. Available from: http://exame.abril.com.br/negocios/b2w-firma-parceria-com-empresa-do-grupo-bnp-paribas/

Farah, M. 2004. Gênero e políticas públicas. *Estudos Feministas*. 12(1), pp. 47-71.

Federici, S. 2014. From commoning to debt: financialization, Microcredit, and the changing architecture of capital accumulation. *South Atlantic Quarterly*. 113(2), pp. 231-244.

Feijó, C., Carvalho, P. and Almeida, J. 2005. *Ocorreu uma desindustrialização no Brasil?* São Paulo: IEDI.

Feltrim, L., Ventura, E., and Dodl, A. 2009. Inclusão financeira no Brasil: projeto estratégico do Banco Central. In: Feltrim, L., Ventura, E., and Dodl, A. eds. *Perspectivas e desafios para inclusão financeira no Brasil: visão de diferentes atores*. Brasília, DF: Banco Central do Brasil, pp. 13-26.

Ferraz, C. 2011. *Crédito, exclusão financeira e acesso à moradia: Um estudo sobre financiamento habitacional no Brasil e o Programa Minha Casa Minha Vida*. MSc dissertation, UFRJ.

FICO. 2015. *Can Alternative Data Expand Credit Access? Insights White Paper No. 90*. New York: Fair Isaac Corporation.

Fischer, G. 2011. Access to finance: A functional approach to supply and demand. London: LSE, Asia Research Centre Working Paper 42.

Fischer, I. 2002. *A participação da mulher no orçamento familiar*. XIII Encontro da Associação Brasileira de Estudos Populacionais, 4-8 November, Ouro Preto.

Folha de S. Paulo. 2000. Unibanco assume Fininvest por R$ 480 mi. *Folha de S. Paulo*. [Online]. 20 December. [Accessed 17 July 2017]. Available from: http://www1.folha.uol.com.br/fsp/dinheiro/fi2012200017.htm

Folha de S. Paulo. 2002. Bradesco e Ford Credit fecham parceria para financiamento de veículos. *Folha de S. Paulo.* [Online]. 4 January. [Accessed 17 July 2017]. Available from: http://www1.folha.uol.com.br/folha/dinheiro/ult91u38844.shtml

Folha de S. Paulo. 2003. Bradesco compra financeira Zogbi por R$ 650 milhões. *Folha de S. Paulo*. [Online]. 7 November. [Accessed 17 July 2017]. Available from: http://www1.folha.uol.com.br/folha/dinheiro/ult91u76341.shtml

Folha de S. Paulo. 2006. Bradesco compra American Express no Brasil por US$ 490 milhões. *Folha de S. Paulo.* [Online]. 20 March. [Accessed 17 July 2017]. Available from: http://www1.folha.uol.com.br/folha/dinheiro/ult91u106112.shtml

Fonseca, P., Cunha, A. and Bichara, J. 2013. O Brasil na Era Lula: Retorno ao desenvolvimentismo? *Nova Economia.* 23(2), pp. 403-428.

Frank, R. 1999. *Luxury fever: Money and happiness in an era of excess*. Princeton: Princeton University Press.

Freire, M. 2011. *Moedas sociais: Contributo em prol de um marco legal e regulatório para as moedas sociais circulantes locais no Brasil*. Ph.D. thesis, UNB.

Friedman, M. 1953. *Essays in positive economics.* Chicago: University of Chicago Press.

Fuller, D. 1998. Credit union development: Financial inclusion and exclusion. *Geoforum.* 29(2), pp. 145-157.

Fuller, D., and Jonas, A. 2003. Alternative financial spaces. In: Leyshon, A., Lee, R. and Williams, C. eds. *Alternative economic spaces*. London: Sage, pp. 55-73.

G1. 2009. Banco do Brasil compra parte do banco Votorantim por R$ 4,2 bilhões. *G1*. [Online]. 9 January. [Accessed 17 July 2017]. Available from: http://g1.globo.com/Noticias/Economia_Negocios/0,,MUL949226-9356,00-BANCO+DO+BRASIL+COMPRA+PARTE+DO+BANCO+VOTORANTIM+POR+R+BILHOES.html

G1. 2013. Itaú Unibanco anuncia a compra da Credicard por R$ 2,8 bilhões. *G1*. [Online]. 14 May. [Accessed 17 July 2017]. Available from: http://g1.globo.com/economia/negocios/noticia/2013/05/itau-unibanco-anuncia-compra-da-credicard-por-r-28-bilhoes.html

G1. 2015. Sobe número de inadimplentes que limpam o nome e fazem novas dívidas. *G1*. [Online]. 19 November. [Accessed 15 August 2018]. Available from: http://g1.globo.com/bom-dia-brasil/noticia/2015/11/sobe-numero-de-inadimplentes-que-limpam-o-nome-e-fazem-novas-dividas.html

G1.2016. Crise aumenta procura por crediário em lojas. *G1*. [Online]. 2 April. [Accessed 18 June 2018]. Available from: http://g1.globo.com/economia/noticia/2016/04/crise-aumenta-procura-por-crediario-em-lojas.html

G1. 2017a. Maioria dos inadimplentes ganha até 2 salários mínimos, diz Serasa. *G1*. [Online]. 6 July. [Accessed 18 June 2018]. Available from: https://g1.globo.com/economia/seu-dinheiro/noticia/maioria-dos-inadimplentes-ganha-ate-2-salarios-minimos-diz.ghtml

G1. 2017b. Número de brasileiros com o nome sujo rompe a marca de 60 milhões, diz pesquisa. *G1*. [Online]. 9 June. Available from: https://g1.globo.com/economia/seu-dinheiro/noticia/numero-de-brasileiros-com-o-nome-sujo-rompe-marca-de-60-milhoes-diz-pesquisa.ghtml

Gabor, D. and Brooks, S. 2017. The digital revolution in financial inclusion: International development in the fintech era. *New Political Economy*. 22(4), pp. 423-436.

Gage, D. 2012. The Venture Capital Secret: 3 Out of 4 Start-Ups Fail. *The Wall Street Journal*. [Online]. 20 September. [Accessed 16 August 2017]. Available from: https://www.wsj.com/articles/SB10000872396390443720204578004980476429190

García-Escribano, M., Pereira, J., Dilts, K., Badía, M. Segura-Ubiergo, A. and Park, J. 2012. *Brazil: selected issues paper*. Washington: IMF.

Gelpi, R. and Julien-Labruyère, F. 2000. *The history of consumer credit: doctrines and practices*. New York: St. Martin's.

Gilbert, N. 2002. *Transformation of the welfare state: The silent surrender of public responsibility*. New York: Oxford University Press.

Goldmark, L, Pockross, S and Vechina, D, 2000. *A situação das microfinanças no Brasil*. Rio de Janeiro: BNDES

Gonçalves, A. 2016. *Conjugalidade e gestão do orçamento doméstico: Descrição e análise de aspectos psicológicos e relacionais dos casais entrevistados*. MSc dissertation, Universidade Estadual Paulista.

Gonçalves, R. 2006. Desestabilização macroeconômica e dominação do capital financeiro no Brasil. In: Basualdo, E. and Arceo, E. eds. *Neoliberalismo y sectores dominantes. Tendencias globales y experiencias nacionales*. Buenos Aires: Clacso, pp. 207-236.

Gonçalves, R. 2014. Balanço crítico da economia brasileira nos governos do Partido dos Trabalhadores. *Revista da Sociedade Brasileira de Economia Política*. 37, pp. 7-39.

Gonzales, F. 2015. Where are the consumers? *Cultural Studies*. 29(5-6), pp. 781-806.

Gonzalez, L., Diniz, E. Nascimento, E. and Guimarães, R. 2014. *Inclusão financeira e correspondentes bancários*. [Online]. São Paulo: Fundação Getúlio Vargas. [Accessed 9 February 2018]. Available from: http://bibliotecadigital.fgv.br/ojs/index.php/gvexecutivo/article/view/21427/0

Gordon, D., Edwards, R. and Reich, M. 1994. Long swings and stages of capitalism. In: Kotz, D. et al. eds. *Social structures of accumulation: The political economy of growth and crisis*. Cambridge: Cambridge University Press, pp. 11-28.

Gramsci, A. 1992. *Prison notebooks*. Vol 2. New York: Columbia University Press.

Green, M. and Hulme, D. 2005. From correlates and characteristics to causes: Thinking about poverty from a chronic poverty perspective. *World Development*. 33 (6), pp. 867–879.

Guimarães, D. 2016. *Crédito às famílias no Brasil (2004-2014): Uma análise descritiva e um estudo de sua sustentabilidade*. BA dissertation: UFRJ.

Gulalp, H. 1988. Capital accumulation and the state. In: Williams, M. ed. Value, social form and the state. London: MacMillan Press, pp. 134-154.

Hair, J., Anderson, R, Tatham, R. and Black, W. 1998. *Multivariate data analysis*. 5th ed. Upper Saddle River, NJ: Prentice-Hall.

Harrington, B. 2008. *Pop finance: Investment clubs and the new investor populism*. Princeton: Princeton University Press.

Harriss, J. 2006. *Bringing politics back into poverty analysis: Why understanding social relations matters more for policy on chronic poverty than measurement*. CPRC Workshop on Concepts and Methods for Analyzing Poverty Dynamics and Chronic Poverty, 23-25 October, Manchester.

Harvey, D., and Chatterjee, L. 1974. Absolute rent and the structuring of space by governmental and financial institutions. *Antipode*, 6(1), pp. 22-36.

Hermann, J. 2011. Reformas, endividamento externo e o "milagre" econômico (1964-1973). In: Giambiagi, F. et al. eds. *Economia Brasileira Contemporânea*: 1945-2010. 2nd Ed. Rio de Janeiro: Elsevier, pp. 49-72.

Hickey, S. and du Toit, A. 2007. Adverse incorporation, social exclusion, and chronic poverty. In: Sheperd, A. et al. eds. *Chronic Poverty*. UK: Palgrave Macmillan, pp.134-159.

Highet, G. 2003. Cannabis and smoking research: interviewing young people in self-selected friendship pairs. *Health Education Research*. 18(1), pp. 108-118.

Hilgert, M., Hogarth, J. and Beverly, S. 2003. Household financial management: The connection between knowledge and behavior. *Federal Reserve Bulletin*. 89, pp. 309-322.

Hipercard. 2017. *Hipercard website*. [Online]. [Accessed 17 July 2017]. Available from: https://www.hipercard.com.br/pf/a_hipercard/nossa_historia.html

Holcombe, R. 1998. The foundations of normative public finance. In: Thompson, F. and Green, M. eds. *Handbook of Public Finance*. New York: Marcel Dekker, pp. 1-42.

Hubert, S. 2016. *O tonel das danaides: Consumo a crédito, superendividamento e a espoliação dos vulneráveis no Brasil contemporâneo*. MSc dissertation, Federal University of Rio Grande do Sul.

Hyman, L. 2008. Debtor nation: How consumer credit built post-war America. *Enterprise & Society*. 9(4), pp. 614-618.

IBGE. 2007. Homem mais escolarizado tem maior participação nas tarefas domésticas. [Online]. 17 August. [Accessed 29 March 2018]. Available from: https://censo2010.ibge.gov.br/noticias-censo.html?view=noticia&id=1&idnoticia=954&busca=1&t=homem-mais-escolarizado-tem-maior-participacao-tarefas-domesticas

IBGE, 2016. *Síntese de indicadores sociais: Uma análise das condições de vida da população brasileira*. Rio de Janeiro: IBGE.

IDEC, 2015. *Bancos ainda praticam venda casada e outras irregularidades, mostra pesquisa do Idec*. [Online]. 24 July. [Accessed 9 Febryary 2018]. Available from: https://www.idec.org.br/o-idec/sala-de-imprensa/release/bancos-ainda-praticam-venda-casada-e-outras-irregularidades-mostra-pesquisa-do-idec

IFC, 2014. *Financial inclusion - creating opportunity through financial services in South Asia*. New Delhi: International Finance Corporation, World Bank Group.

IG. 2011. Santander eleva o lucro em 34%, para R$ 7,4 bilhões. *IG*. [Online]. 3 February. [Accessed 17 July 2017]. Available from:http://economia.ig.com.br/mercados/santander-eleva-o-lucro-em-34-para-r-74-bilhoes/n1237981921680.html

Ipeadata. *Total credit to the private sector – time series*. [Online]. [Accessed 9 February 2018]. Available from: http://www.ipeadata.gov.br

Jacob, C. 2003. *Crédito bancário no Brasil: Uma interpretação heterodoxa*. Ph.D. thesis, University of Campinas.

Junior, G. and Guimarães, D. 2015. Impacto do ciclo expansionista de crédito à pessoa física no desempenho da economia brasileira, 2004-2013. *Revista do BNDES*. 43, pp. 119-159.

Junior, P. 2002. Vulnerabilidade externa da economia brasileira. *Estudos Avançados*. 16 (45), pp. 173-185.

Kaltenbrunner, A. 2017. Financialised internationalisation and structural hierarchies: A mixed-method study of exchange rate determination in emerging economies. *Cambridge Journal of Economics*. bex081, https://doi.org/10.1093/cje/bex081

Kapeller, J. and Schütz, B. 2014. Debt, boom, bust: a theory of Minsky-Veblen cycles. *Journal of Post Keynesian Economics*. 36(4), pp. 781-814.

Karacimen, E. 2012. *Political Economy of Consumer Debt in Developing Countries: Evidence from Turkey*. Ph.D. thesis, University of London.

Karacimen, E. 2014. Financialization in Turkey: The case of consumer debt. *Journal of Balkan and Near Eastern Studies*. 16(2), pp. 161-180.

Keen, S. 1995. Finance and economic breakdown: Modelling Minsky's financial instability hypothesis. *Journal of Post Keynesian Economics*. 17(4), pp. 607–35.

Keen, S. 2009. Household debt: the final stage in an artificially extended Ponzi bubble. *The Australian Economic Review*. 42(3), pp. 347–57.

Kempson, E. and Whyley, C. 1999. *Kept out or opted out? Understanding and combating financial exclusion*. Bristol: The Policy Press.

Kerstenetzky, C. 2006. Políticas sociais: focalização ou universalização? *Revista de Economia Política*. 26(4), pp. 564-574.

Khandker, S. , Khalily, M., and Khan, Z. 1995. *Grameen Bank: performance and sustainability*. Washington DC: World Bank Publications.

Kim, Y. 2013. Household debt, financialization, and macroeconomic performance in the United States, 1951-2009. *Journal of Post Keynesian Economics*. 35(4), pp. 675-694.

Klein, L. 1999. *It's in the cards: Consumer credit and the American experience*. Westport, CT: Praeger Publishers

Kotz, D. 2010. Financialization and neoliberalism. In: Teeple, G. and McBride, S. eds. *Relations of Global Power: Neoliberal Order and Disorder*. Toronto: University of Toronto Press, pp. 1-18.

Kotz, D., and McDonough, T. 2010. Global neoliberalism and the contemporary social structure of accumulation. In: Kotz, D., McDonough, T. and Reich. M. eds. *Contemporary capitalism and its crises: Social structure of accumulation theory for the 21st century*. Cambridge: Cambridge University Press, pp. 93-120.

Kotz, D., McDonough, T. and Reich, M. 1994. Introduction. In: Kotz, D. et al. eds. *Social structures of accumulation: The political economy of growth and crisis*. Cambridge: Cambridge University Press, pp. 1-8.

Krein, J. 2002. A reforma trabalhista de FHC: análise de sua efetividade. *Revista Trabalhista: Direito e Processo*. 2, pp. 133-164.

Krippner, G. 2005. The Financialization of the American Economy. *Socio-Economic Review*. 3(2), 173–208.

Kumar, A. 2005. *Access to financial services in Brazil*. Washington, DC: World Bank.

Lana, T. 2013. *Exclusão financeira e sua relação com a pobreza e desigualdade de renda no Brasil*. Ph.D. thesis, UFMG.

Langley, P. 2004. In the eye of the 'perfect storm': the final salary pensions crisis and financialisation of Anglo-American capitalism. *New Political Economy*. 9(4), pp. 539–558.

Langley, P. 2007. Uncertain subjects of Anglo-American financialization. *Cultural Critique*. 65 (1), pp. 67–91.

Langley, P. 2008. Securitising suburbia: The transformation of Anglo-American mortgage finance. *Competition and Change*. 10(3), 283–299.

Lapavitsas, C. and Powell, J. 2013. Financialisation varied: A comparative analysis of advanced economies. Cambridge *Journal of Regions, Economy and Society*. 6(3), pp. 359–379.

Lapinski, M. and Rimal, R. 2005. An explication of social norms. *Communication Theory*. 15(2), pp. 127-147.

Lavinas, L. 2013. *Latin America anti-poverty schemes instead of social protection*. Berlin: International Research Network on Interdependent Inequalities in Latin America, Working Paper Series 51.

Lavinas, L. 2015. A Financeirização da Política Social: O caso brasileiro. *Politika*. 2, pp. 35-51.

Lawson, J. 2006. *Critical realism and housing research*. London, New York: Routledge

Lee, R. 1996. Moral money? LETS and the social construction of local economic geographies in southeast England. *Environment and Planning A*. 28(8), pp. 1377-1394.

Lewis, B. 1982. Credit unions: Past, present and future. *European Journal of Marketing*. 16(3), pp. 54-62.

Leyshon, A. 2009. Financial Exclusion. In: Kitchin, R. and Thrift, N. eds. *International encyclopedia of human geography*. London: Elsevier.

Leyshon, A. and Thrift, N. 1993. The restructuring of the U.K. financial services industry in the 1990s: A reversal of fortune? *Journal of Rural Studies*. 9 (3), pp. 223-241.

Leyshon, A. and Thrift, N. 1994. Access to financial services and financial infrastructure withdrawal: Problems and policies. *Area*. 26 (3), pp. 268-275.

Leyshon, A. and Thrift, N. 1995.Geographies of financial exclusion: Financial abandonment in Britain and the United States. *Transactions of the Institute of British Geographers*. 20 (3), pp. 312-341.

Leyshon, A., Burton, D., Knights, D., Alferoff, C., and Signoretta, P.2004. Towards an ecology of retail financial services: Understanding the persistence of door-to-door credit and insurance providers. *Environment and Planning A*. 36(4), pp. 625-645.

Leyshon, A., French, S., and Signoretta, P. 2008. Financial exclusion and the geography of bank and building society branch closure in Britain. *Transactions of the Institute of British Geographers*. 33(4), pp. 447-465.

Leyshon, A., Signoretta, P., Knights, D., Alferoff, C., and Burton, D. 2006. Walking with moneylenders: The ecology of the UK home-collected credit industry. *Urban studies*. 43(1), pp. 161-186.

Lindblom, C. 1977. *Politics and Markets.* New York: Basic Books.

Lipietz, A. 1982. Towards global fordism? New Left Review. 132 (1), pp. 33-47.

Lipietz, A. 1986. Behind the crisis: the exhaustion of a regime of accumulation. A “regulation school” perspective on some French empirical works. *Review of Radical Political Economics*. 18(1-2), pp. 13-32.

Lipovetsky, G. 2007. *A felicidade paradoxal: Um ensaio sobre a sociedade do hiperconsumo*. São Paulo: Companhia das Letras.

Logemann, J. 2011. Americanization through credit? Consumer credit in Germany, 1860s-1960s. *The Business History Review*. 85(3), pp. 529-550.

Macarini, J. 2007. A política bancária do regime militar: O projeto de conglomerado (1967-1973). *Economia e Sociedade*. 16 (3), pp. 343-369.

Marcondes, D. 2007. *Iniciação à história da filosofia: dos pré-socráticos a Wittgenstein*. 13rd ed. Rio de Janeiro: Zahar.

Marquetti, A. 2002. Progresso técnico, distribuição e crescimento na economia brasileira: 1955-1998. *Estudos Econômicos*. 32(1), pp. 103-124.

Marron, D. 2009. *Consumer credit in the United States: a sociological perspective from the 19th century to the present*. New York: Springer.

Marron, D. 2013. Governing poverty in a neoliberal age: New labor and the case of financial exclusion. *New Political Economy*. 18 (6), pp. 785-810.

Martins, D. 2015. Mais de 54 milhões de brasileiros estão inadimplentes, aponta SPC. *Valor*. [Online]. 13 January. [Accessed 18 June 2018]. Available from: http://www.valor.com.br/financas/3857908/mais-de-54-milhoes-de-brasileiros-estao-inadimplentes-aponta-spc

Martins, N. and Ferraz, C. 2011. A expansão do mercado de crédito brasileiro no período 2004-2009: determinantes, condicionantes e sustentabilidade. *Cadernos de Desenvolvimento*. 6(9), pp. 269-289.

Marx, K., and Engels, F. 2002. *The communist manifesto*. London: Penguin.

Mattos, M. 2007. *O consumidor de baixa renda e suas relações com as marcas no processo de decisão de compras de refrigerantes e sabão em pó*. MSc dissertation, PUC-Rio.

Mattoso, C. and Rocha, A. 2005. *Significados associados às estratégias para solução de problemas financeiros dos consumidores pobres*. XXIX Enanpad, 17-21 September, Brasília.

Mattoso, J. and Pochman, M. 1998. Mudanças estruturais e trabalho no Brasil. *Economia e Sociedade*. 10, pp. 213-243.

Mauricio, F. 2013. For a sociology of the precariat: The contributions of Guy Standing, Giovanni Alves and Ruy Braga. *Revista Trabalho e Sociedade*. 1(1), pp.89-105.

Maxwell, J. 2012. *A realist approach to qualitative research*. London: Sage.

McArthur A., McGregor A. and Stewart R. 1993. Credit unions and low-income communities. *Urban Studies*. 30(2), pp. 399-416.

McDonough, T. 2011. Social structures of accumulation: A "punctuated" view of embeddedness. *American Journal of Economics and Sociology*. 70(5), pp. 1234-1247.

McEvoy, P. and Richards, D. 2006. A critical realist rationale for using a combination of quantitative and qualitative methods. *Journal of research in nursing*. 11(1), pp. 66-78.

McKechnie, S. and Tynan, C. 2006. Social meanings in Christmas consumption: An exploratory study of UK celebrants' consumption rituals. *Journal of Consumer Behaviour*. 5, pp. 130-144

MDS. 2005. *Ministério do Desenvolvimento Social e Combate à Fome*. [Online]. Brasília: Governo Federal. [Accessed 19 March 2018]. Available from: http://www.planejamento.gov.br/secretarias/upload/arquivo/spi-1/publicacoes/antigas/rel-anual-de-aval/2005/05_ppa_aval_programas_mds.pdf

Menezes, M. and Crocco, M. 2009. Sistemas de moeda local: Uma investigação sobre seus potenciais a partir do caso do Banco Bem em Vitória/ES. *Economia e Sociedade*. 18(2), pp. 371-398.

Minsky, H. 1986. *Stabilizing an unstable economy*. New Haven: Yale University Press.

Minsky, H. 1992. *The financial instability hypothesis*. New York: Levy Economics Institute.

Miranda, J. and Martins, L. 2000. Fusões e aquisições de empresas no Brasil. *Economia e Sociedade*. 14, pp. 67-88.

Mitton, L. 2008. *Financial inclusion in the UK: Review of policy and practice*. York: Joseph Rowntree Foundation.

Mkandawire, T. 2001. *Social policy in a development context*. [Online].Geneva: UNRISD Programme Papers on Social Policy and Development (7). [Accessed 10 August 2016]. Available from: http://www.unrisd.org/80256b3c005bccf9.nsf/0/c83739f8e9a9aa0980256b5e003c5225?OpenDocument&cntxt=42D9B&cookielang=fr&Click=

Modell, S. 2009. In defense of triangulation: A critical realist approach to mixed methods research in management accounting. *Management Accounting Research*. 20(3), pp. 208-221.

Mody, A. and Pattillo, C. 2006. Can public policies lower poverty? An overview. In: Mody, A. and Pattillo, C. eds. *Macroeconomic policies and poverty reduction*. London: Routledge, pp. 3–13.

Montgomerie, J. 2007. Financialization and consumption: An alternative account of rising consumer debt levels in Anglo-America. Manchester: CRESC, The University of Manchester.

Montgomerie, J. 2009. The Pursuit of (Past) Happiness? Middleclass Indebtedness and American Financialisation. *New Political Economy*. 14(1), pp. 1-24.

Mora, M. 2015. *A evolução do crédito no Brasil entre 2003 e 2010*. Rio de Janeiro: IPEA.

Morais, L. and Saad-Filho, A. 2011. Da economia política à política econômica: O novo-desenvolvimentismo e o governo Lula. *Revista de Economia Política*. 31(4), pp. 507-527.

Moreno-Brid, J., Caldentey, E. and Nápoles, P. 2005. The Washington consensus: A Latin American perspective fifteen years later. *Journal of Post Keynesian Economics*. 27(2), pp. 345-365.

Mulligan, J. 2016. Insurance accounts: The cultural logics of health care financing. *Medical anthropology quarterly*. 30(1), pp. 37-61.

Nardi, S. 2009. *A nova era do consumo de baixa renda: Consumidor, mercados, tendências e crise mundial*. Osasco: Novo Século Editora.

Neto, J. 2017. País tem 59,4 milhões de inadimplentes, mostra pesquisa. *O Globo*. [Online]. 22 August. [Accessed 18 June 2018]. Available from: https://oglobo.globo.com/economia/pais-tem-594-milhoes-de-inadimplentes-mostra-pesquisa-21731927

Neto, J. and Pauli, R. 2008. O setor bancário no Brasil: Transformações recentes, rentabilidade e contribuições à atividade econômica. *Economia e Tecnologia*. 12, pp. 121-134.

Neuhaus, P. and Magalhães, U. 1976. *Crédito ao consumidor: Uma análise econômica*. Rio de Janeiro: Instituto Brasileiro de Mercado de Capitais.

Nichter, S., Goldmark, L. and Fiori, A. 2002. *Entendendo as microfinanças no contexto brasileiro: Programa de desenvolvimento institucional*. Rio de Janeiro: BNDES.

Nogami, V. and Pacagnan, M. 2011. *Consumo da base da pirâmide: Uma análise bibliométrica do estado da arte na produção acadêmica no Brasil*. XXXV Anpad, 4-7 September, Rio de Janeiro.

O Globo. 2007. Bradesco compra o BMC, um dos líderes do crédito consignado. *O Globo*. [Online]. 24 January. [Accessed 17 July 2017]. Available from: https://oglobo.globo.com/economia/bradesco-compra-bmc-um-dos-lideres-do-credito-consignado-4238581

O Globo. 2015. Endividamento: 62,7% retornam à inadimplência um ano após pagarem dívidas em atraso. *O Globo*. [Online]. 10 July. [Acessed 18 June 2018]. Available from: https://extra.globo.com/noticias/economia/endividamento-627-retornam-inadimplencia-um-ano-apos-pagarem-dividas-em-atraso-16723232.html

O'Connell, S. 2009. *Credit and community: Working-class debt in the UK since 1880*. Oxford: Oxford University Press.

O'Dougherty, M. 2002. *Consumption intensified: The politics of middle-class daily life in Brazil*. Durham: Duke University Press.

Oreiro, J. , Sicsú, J. and Paula, L. 2003. Controle da dívida pública e política fiscal: Uma alternativa para um crescimento auto-sustentado da economia brasileira. In: Feijó, C., Filho, F. and Carvalho, F. eds. *Agenda Brasil: políticas econômicas para o crescimento com estabilidade de preços*. Barueri/SP: Editora Manole, pp. 117-152.

Oreiro, J. and Feijó, C. 2010. Desindustrialização: Conceituação, causas, efeitos e o caso brasileiro. *Revista de Economia Política*. 30(2), pp. 219-232.

Paixão, M. 2017. *Acesso ao crédito produtivo pelos microempreendedores afrodescendentes – desafios para a inclusão financeira no Brasil*. Banco Interamericano de Desenvolvimento.

Palley, T. 1994. Debt, aggregate demand, and the business cycle: An analysis in the spirit of Kaldor and Minsky. *Journal of Post Keynesian Economics*. 16(3), pp. 371-390.

Palomera, J. 2014. How Did Finance Capital Infiltrate the World of the Urban Poor? Homeownership and Social Fragmentation in a Spanish Neighborhood. *International Journal of Urban and Regional Research*. 38 (1), pp. 218–235.

Parente, J., Barki, E. and Kato, H. 2005. Consumidor de baixa renda: Desvendando as motivações no varejo de alimentos. In: *Encontro Annual da Anpad, Brasília*. Brasília: Anpad, pp. 1-16.

Patton, M. 2002. *Qualitative research and evaluation methods*. California: Sage Publications.

Paula, L. 1997. Dinâmica da firma bancária em alta inflação. *Revista de Economia Política*. 17(1), pp. 136-142.

Paula, L. and Leal, R. 2006. Custo do Crédito no Brasil: Uma avaliação recente. *Indicadores econômicos FEE*. 34(2), pp. 91-102.

Paulani, L. 2009. A crise do regime de acumulação com dominância da valorização financeira e a situação do Brasil. *Estudos Avançados*. 23 (66), pp.25-39.

Pawson, R. 1996. Theorizing the interview. *The British Journal of Sociology*. 47(2), pp. 295-314.

Peixoto, F. 2008. Prejuízo do Banco Popular gera debate sobre modelo do microcrédito. *Exame*. [Online]. 9 October 2008. [Accessed 9 February 2018]. Available from: https://exame.abril.com.br/economia/prejuizo-do-banco-popular-gera-debate-sobre-modelo-do-microcredito-m0080935/

Pellegrini, J. 1990. *O financiamento ao consumo como instrumento de política econômica no Brasil*. MSc dissertation, University of São Paulo.

Perry, V. 2008. Is ignorance bliss? Consumer accuracy in judgments about credit ratings. *The Journal of Consumer Affairs*. 42(2), pp. 189-205.

Pimentel, V., and Kerstenetzky, C. 2008. *Microcrédito: Por que os bancos privados não bancam (texto para discussão 242)*. [Online]. Rio de Janeiro: UFF. [Accessed 9 February 2018]. Available from: http://www.uff.br/econ/download/tds/UFF_TD242.pdf

Pinheiro-Machado, R. and Scalco, L. 2012. Brand clans: Consumption and rituals among low-income young people in the City of Porto Alegre. *International Review of Social Research*. 2(1), pp. 107-126.

Pintos-Payeras, J. 2010. Análise da progressividade da carga tributária sobre a população brasileira. *Pesquisa e Planejamento Econômico*. 40(2), pp. 153-186.

Pollard, J. 1996. Banking at the margins: A geography of financial exclusion in Los Angeles. *Environment and Planning A*. 28(7), pp. 1209–1232.

Prahalad, C. 2005. *A riqueza na base da pirâmide*. São Paulo: Artmed Editora.

Prates, D. and Paulani, L. 2007. The financial globalization of Brazil under Lula. *Monthly Review*. 58(9), pp. 32-38.

Reichstul, D. and Lima, G. 2006. Causalidade entre crédito bancário e nível de atividade econômica na região metropolitana de São Paulo: Algumas evidências empíricas. *Estudos Econômicos (São Paulo)*. 36(4), pp.779-801.

Reuters. 2005. Itaú cria financeira em parceria com Lojas Americanas. *Reuters*. [Online]. 28 February. [Accessed 17 July 2017]. Available from: https://noticias.uol.com.br/economia/cotacoes/ultnot/2005/02/28/ult29u39228.jhtm

Ritzer,G. 1995. Expressing America: A Critique of the Global Credit Card Society. US: Pine Forge Press.
Sawyer, M. 2014. What is financialization? International Journal of Political Economy. 42 (4), pp. 5–18.

Rocha, A. and Silva, J. 2008. Inclusão social e marketing na base da pirâmide: Uma agenda de pesquisa. *RAE-eletrônica*. 7(2).

Rocha, F. 2001. Evolução da concentração bancária no Brasil. *Notas Técnicas do Banco Central do Brasil*. 11, pp. 1-40.

Saboia, J. 1983. *As causas da difusão da posse dos bens de consumo duráveis no Brasil*. Rio de janeiro: Programa Nacional de Pesquisa Econômica.

Salvador, E. 2016. O regressivo sistema tributário brasileiro. *Carta Capital*. [Online]. 4 April. [Accessed 16 August 2018]. Available from: https://www.cartacapital.com.br/economia/o-regressivo-sistema-tributario-brasileiro

Sampaio, R. 1979. *Financeiras – a experiência brasileira*. Belo Horizonte: Comunicação.

Sánchez-Gómez, M. and García, V. 2018. Convergence between quantitative and qualitative methodological orientations: mixed models. In: Reis, L. Sousa, F., Moreira, A. and Lamas, D. eds. *Computer supported qualitative research*. Springer, pp. 341-357.

Santos, J. 2009. A interação estrutural entre a desigualdade de raça e de gênero no Brasil. *Revista Brasileira de Ciências Sociais*. 24(70), pp. 37-60.

Sarti, C. 2011. *A família como espelho: um estudo sobre a moral dos pobres*. 7th ed. São Paulo: Cortez.

Sarti. F. and Laplane, M. 2002. O Investimento Direto Estrangeiro e a internacionalização da economia brasileira nos anos 1990. Economia e Sociedade. 11(1), pp. 63-94.

Sayer, R. 2000. *Realism and social science*. London: Sage.

Sbicca, A., Floriani, V. and Juk, Y. 2012. Expansão do crédito no Brasil e a vulnerabilidade do consumidor. *Revista Economia & Tecnologia*. 8(4), pp. 5-16.

Scalvi, F. 2006. *Uma história de crédito*: 50 anos do SCPC. São Paulo: Associação Comercial de São Paulo.

Schor, J. 1998. *The Overspent American: Upscaling, Downshifting, and the New Consumer*. New York: Basic Books.

SCPC. 2015. 62,7% dos consumidores retornam à inadimplência um ano após pagarem suas dívidas em atraso, revela estudo da Boa Vista SCPC. *Boa Vista SCPC*. [Online]. 10 July. [Accessed 15 August 2018]. Available from: https://www.boavistaservicos.com.br/noticias/indicadores-economicos/627-dos-consumidores-retornam-a-inadimplencia-um-ano-apos-pagarem-suas-dividas-em-atraso-revela-estudo-da-boa-vista-scpc/

Seabrook, L. 2007. The everyday social sources of imperial and hegemonic financial orders. In: Hobson, J. and Seabrooke, L. eds. *Everyday Politics of the World Economy*. Cambridge: Cambridge University Press.

Seddon, J. and Currie, W. 2017. Healthcare financialisation and the digital divide in the European Union: Narrative and numbers. *Information & Management*.

Serasa Experian. *Economic indicators* - *credit demand by individuals*. [Online]. [Accessed 9 February 2018]. Available from: http://noticias.serasaexperian.com.br/indicadores-economicos/demanda-do-consumidor-por-credito/

Serasa. 2015. Desemprego é a principal causa da inadimplência dos brasileiros, aponta pesquisa inédita da Serasa. *Serasa*. [Online]. 9 December. [Accessed 15 August 2018]. Available from: http://www.anfac.com.br/v3/informativos-noticias.jsp?id=1380

Serrano, F. and Summa, R. 2015. *Aggregate Demand and the Slowdown of Brazilian Economic Growth from 2011-2014*. Washington: Centre for Economic and Policy Research.

Sicsú, J. and Crocco, M. 2003. Em busca de uma teoria da localização das agências bancárias: algumas evidências do caso brasileiro. *Economia*. 4(1), pp. 85-112.

Silveira, D. and Cavallini, M. 2017. Desemprego fica em 13,7% no primeiro trimestre de 2017 e atinge 14,2 milhões. *G1*. [Online]. 28 April. [Accessed 18 June 2018]. Available from: https://g1.globo.com/economia/noticia/desemprego-fica-em-137-no-1-trimestre-de-2017.ghtml

Siqueira, R., Nogueira, J. and Souza, E. 2000. Os impostos sobre consumo no Brasil são regressivos. *Economia aplicada*. 4(4), pp. 705-722.

Soederberg, S. 2013. Universalising Financial Inclusion and the Securitisation of Development. *Third World Quarterly*. 34(4), pp 593–612.

Soumaré,I., Tchana, F. and Kengne, T. 2016. Analysis of the determinants of financial inclusion in Central and West Africa. *Transnational Corporations Review*. 8(4), pp. 231-249.

Souza, J. 2009. *Ralé brasileira: quem é e como vive*. Belo Horizonte: Editora UFMG.

Standing, G. 2011. *The precariat: the new dangerous class*. London: Bloomsbury.

Stanley, L. 2014. We're reaping what we sowed: everyday crisis narratives and acquiescence to the age of austerity. *New Political Economy*. 19(6), pp. 895-917.

Stewart R., van Rooyen C., Dickson K., Majoro M., de Wet, T. 2010. *What is the impact of microfinance on poor people? A systematic review of evidence from sub-Saharan Africa. Technical report*. London: EPPI-Centre, Social Science Research Unit, University of London.

Sullivan, T., et al. 2000. *The Fragile Middle Class: Americans in Debt*. New Haven: Yale University Press.

Syvrud, D. 1972. Estrutura e política de juros no Brasil-1960/70. *Revista Brasileira de Economia*. 26(1), pp. 117-140.

Taub, R. 1988. *Community capitalism: The South Shore Bank's strategy for neighbourhood revitalization*. Boston, MA: Harvard Business School Press.

Tauss, A. 2012. Contextualizing the current crisis: Post-fordism, neoliberal restructuring, and financialization. *Colombia Internacional*. 76, pp. 51-79.

Teixeira, R. and Pinto, E. 2012. A economia política dos governos FHC, Lula e Dilma: Dominância financeira, bloco no poder e desenvolvimento econômico. *Economia e Sociedade*. 21, pp. 909-941.

Tesouro Nacional (n.d.). *Tesouro Nacional website*. [Online]. [Accessed 17 July 2017]. Available from: http://www.tesouro.fazenda.gov.br/gestao-da-divida-publica-faq

Tesouro Nacional. 2014. *Relatório Mensal da Dívida Pública Federal*, Junho 2014. Brasília: Tesouro Nacional.

Theodoro, M. and Delgado, G. 2003. Política social: Universalização ou focalização – subsídios para o debate. *Políticas Sociais − Acompanhamento e Análise*. August, pp.122-126.

Thorne, L. 1996. Local exchange trading systems in the United Kingdom: a case of reembedding? *Environment and Planning A*. 28(8), pp. 1361-1376.

Toledo, L. 2016. As 10 ações mais rentáveis durante o governo do PT. *Exame*. [Oline]. 13 September. [Accessed 18 January 2019]. Available from: https://exame.abril.com.br/mercados/as-10-acoes-mais-rentaveis-durante-o-governo-do-pt/

Valor. 2009. Itaú vai fechar as 135 lojas da financeira Taií. *Valor*. [Online]. 14 April. [Accessed 17 July 2017]. Available from: https://economia.uol.com.br/ultnot/valor/2009/04/14/ult1913u104990.jhtm

Valor Econômico. 2007. BB inicia emissão de cartões de crédito em parceria com Lojas Novo Mundo. *Valor Econômico*. [Online]. 21 July. [Accessed 17 July 2017]. Available from: https://oglobo.globo.com/economia/bb-inicia-emissao-de-cartoes-de-credito-em-parceria-com-lojas-novo-mundo-4187863

Van der Zwan, N. 2014. Making sense of financialization. *Socio-economic Review*. 12(1), pp. 99-129.

Vasconcelos, M. et al. 2004. O todo e as partes: Uma análise da desigualdade de crédito entre os estados brasileiros e os determinantes do crédito bancário com a aplicação de dados em painel. *Economia e Sociedade*. 13(1), pp. 123-149.

Veblen, T. 2005. *The theory of the leisure class: An economic study of institutions*. New Delhi: Aakar Books.

Veloso, A., Hildebrand, D., Daré, P. and Campomar, M. 2008. A criança no varejo de baixa renda. RAE eletrônica. [Online]. 7(2). [Accessed 17 August 2018]. Available from: http://www.scielo.br/scielo.php?pid=S1676-56482008000200003&script=sci_arttext&tlng=es

Verdélio, A. 2015. Inadimplência do consumidor cresceu 3,76% em março de 2015. *Agência Brasil*. [Online]. 13 April. [Accessed 15 August 2018]. Available from: http://agenciabrasil.ebc.com.br/economia/noticia/2015-04/inadimplencia-do-consumidor-cresce-376-em-marco

Waine, B. 2006. Ownership and security: Individualised pensions and pension policy in the United Kingdom and the United States. *Competition and Change*. 10(3), 321–337.

Wang, X. and Guan, J. 2017. Financial inclusion: Measurement, spatial effects and influencing factors. *Applied Economics*. 49(18), pp.1751-1762.

Warren, E. and Tyagi, A. 2003. *The two-income trap: Why middle-class parents are going broke*. New York: Basic Books.

Watson, M. 2007. *The Political Economy of International Capital Mobility*. New York: Palgrave MacMillan.

Wells, J. 1976. Subconsumo, tamanho de mercado e padrões de gastos familiares no Brasil. *Estudos Cebrap*. 9(17), pp. 5-60.

Williams, C. 1996. Local exchange and trading systems: A new source of work and credit for the poor and unemployed. *Environment and Planning A*. 28(8), pp. 1395-1415.

Wolfson, M. 1994. The financial system and the social structure of accumulation. In: Kotz, D., McDonough, T. and Reich, M. eds. *Social structures of accumulation: the political economy of growth and crisis*. Cambridge: Cambridge University Press, pp. 133-45.

World Bank. 2014a. *Global financial development report – financial inclusion*. Washington: The World Bank

World Bank. 2014b. Adults with bank accounts – Findex indicators. [Online]. [Accessed 9 February 2018]. Available from: http://datatopics.worldbank.org/financialinclusion/

World Bank. 2015. Account at a financial institution, income, poorest 40% - Findex indicators (maps). [Online]. [Accessed 9 February 2018]. Available from: https://data.worldbank.org/indicator/WP_time_01.8?view=map

Yeung, H. 1997. Critical realism and realist research in human geography: A method or a philosophy in search of a method? *Progress in Human Geography*. 21(1), pp. 51-74.

Yu, W., Xu, W., and Zhu, L. 2017. A modified Hosmer–Lemeshow test for large data sets. *Communications in Statistics-Theory and Methods*. 46(23), pp. 11813-11825.

Zachariadis, M. et al. 2010. *Exploring critical realism as the theoretical foundation of mixed-method research: Evidence from the economics of IS innovations*. Cambridge: Cambridge Judge Business School, Working Paper Series 3/2010.