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# Towards a territorial reconfiguration of financial systems?

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# A territorial approach of the financial industry and of financialisation

- *Liquidity* is a convention of mobility about securities (*financial* convention).
- *Finance* is the activity that builds and exploits the *mobility / liquidity* of property rights of capital (securities) from the *global city*.

➔ ***Space (mobility and distance) is the heart of the understanding of finance***

# Financialisation is a de-contextualisation of companies and places

1. The financial industry makes shares mobile within the financial space and allows distant, more or less anonymous control.
2. Assessment of the firm is restricted to two quantitative criteria: *financial* return and risk.
3. The constitution of diversified portfolios, independently of entrepreneurial real conditions.

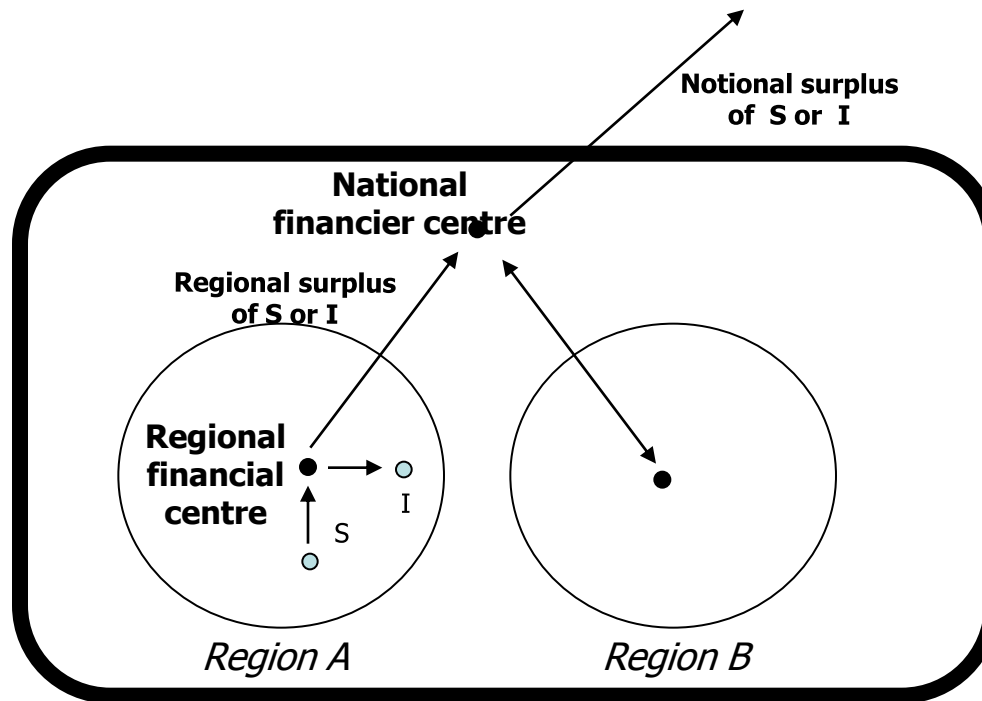
**→ Financialisation allows an abstract, quantitative and bi-criteria comparison between companies and (indirectly of) their territorial contexts (labour markets, training and research, taxation policy, sustainability of resources, etc.).**

# Comparison of investment criteria between the real and the financialised economy

	Real Economy		Financialised Economy	
	Basis of calculation	Spatial and temporal factors	Basis of calculation	Spatial and temporal factors
<b>Return (Yields)</b>	Expected future project returns	Time horizon for real project, accumulation; place where project is located	Comparison with market indices (over- or under-performance).	Instantaneous and comparable profitability in a globalised, financialised space
<b>Risk</b>	Industrial or technological risk or one linked to market for goods and services	Linked to where project takes place	Can be given a probability and be reduced through diversification among uncorrelated asset classes and countries	Creating an area mix with uncorrelated patterns and trends and which is financialised

Source: Corpataux, Crevoisier and Theurillat 2009

# Accumulation spaces before 1990: the financial industry is embedded in the spaces of savings and of investments

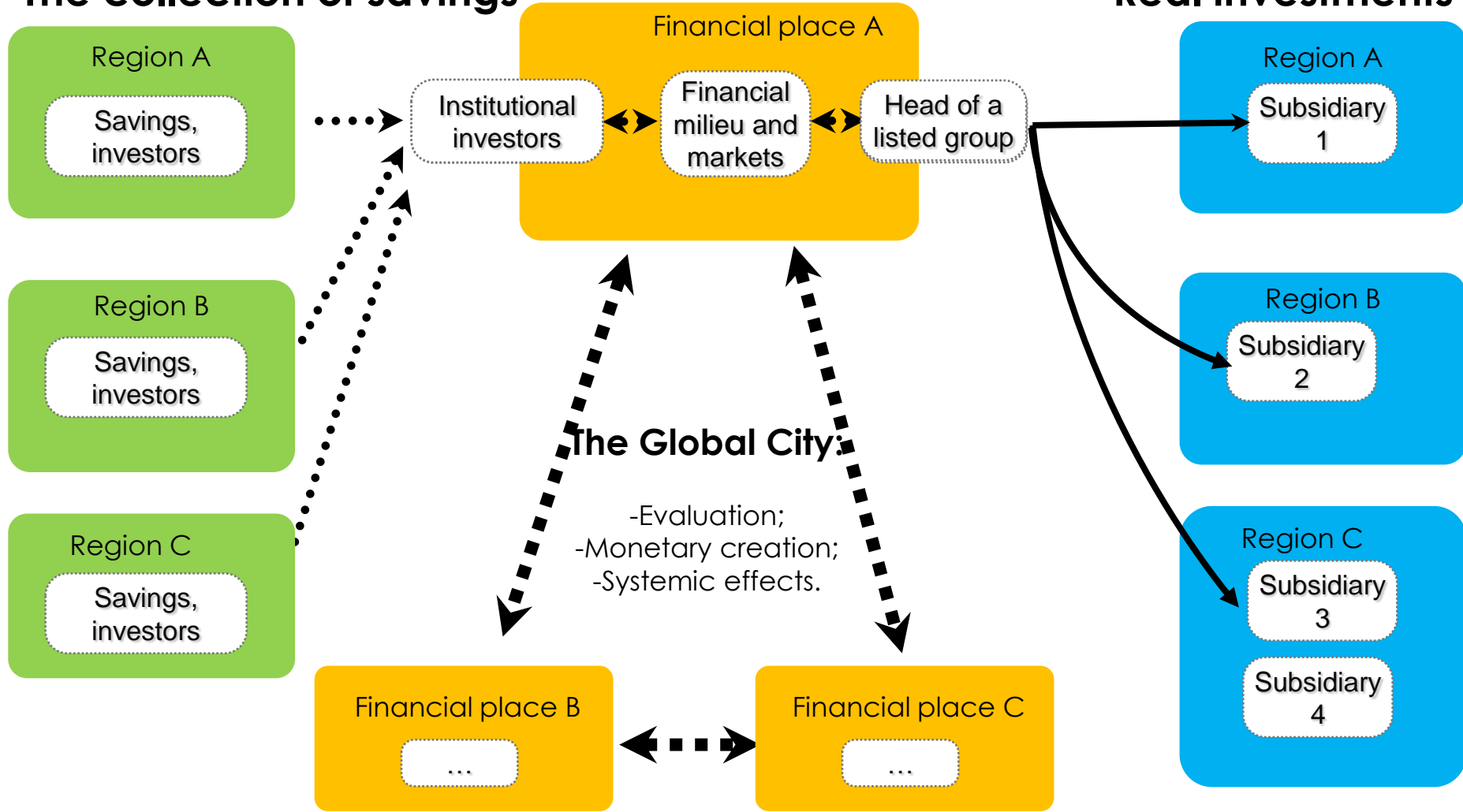


***Profit of the financial sector :***  
***difference between  $i$  of creditors and  $i$  of debtors***

*i*: interest rate; S: savings; I: investments

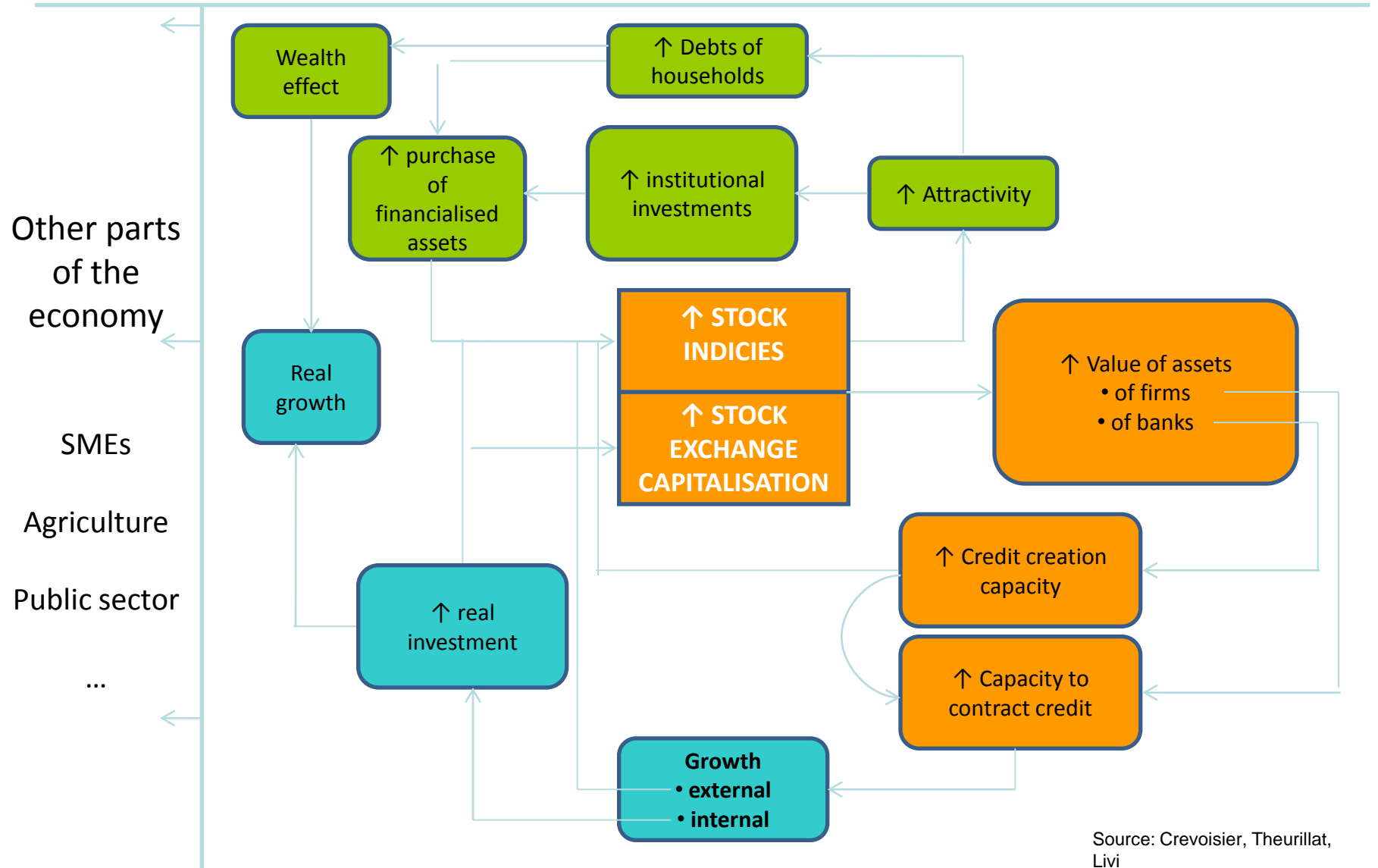
# The collection of savings

# Real investments



.....➔ Circulation of savings      ➔ Investments      - - - - ➔ Flows of capital

# FINANCIAL ACCUMULATION REGIME (1990-2010)



Source: Crevoisier, Theurillat, Livi

# The autonomy of the financial industry: the case of Swiss pension funds

→ Theurillat,  
Corpataux  
and Crevoisier 2009

External  
dynamic

The shaping of  
institutions (laws, etc.)

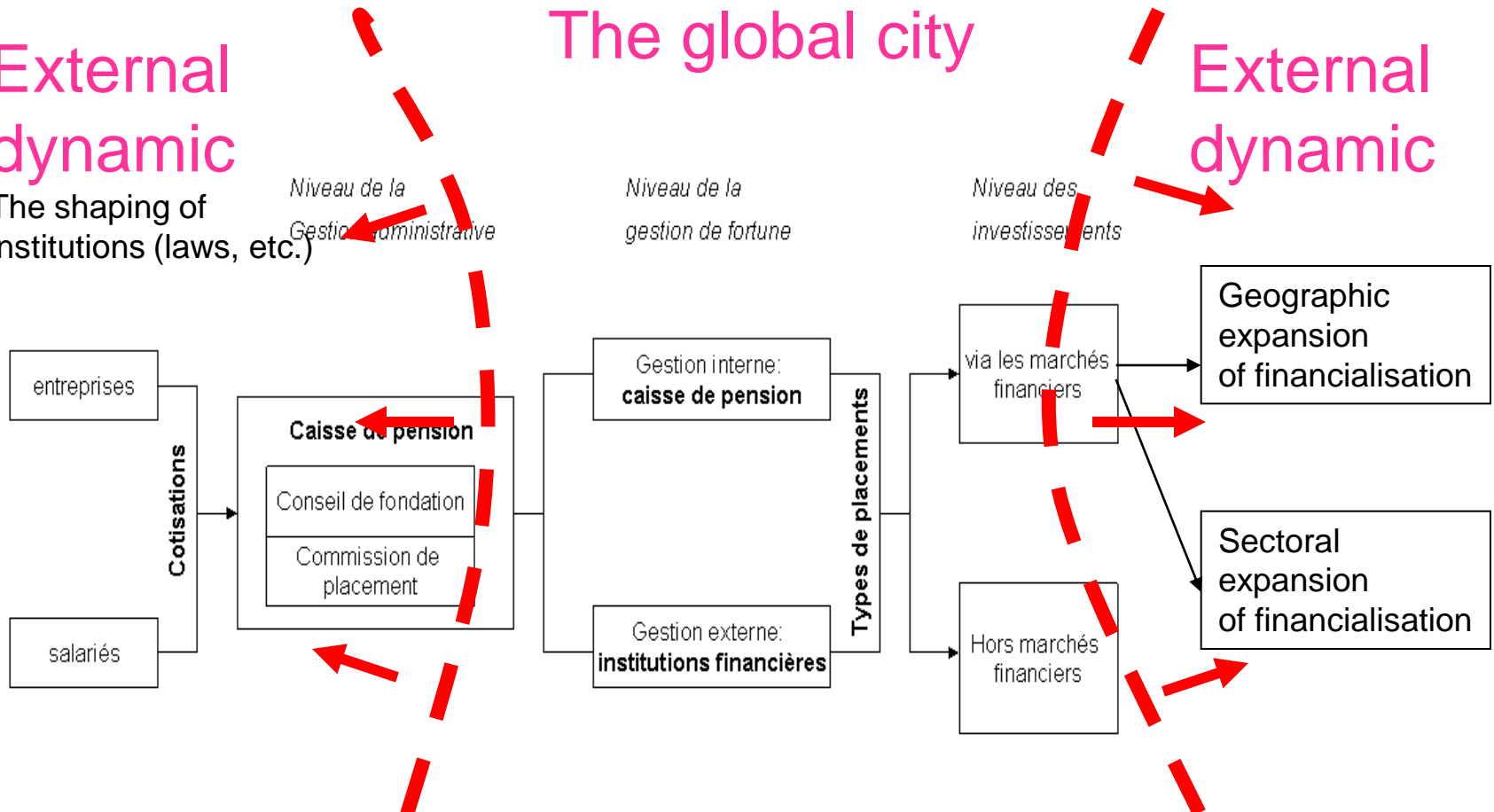
Niveau de la  
Gestion administrative

The global city

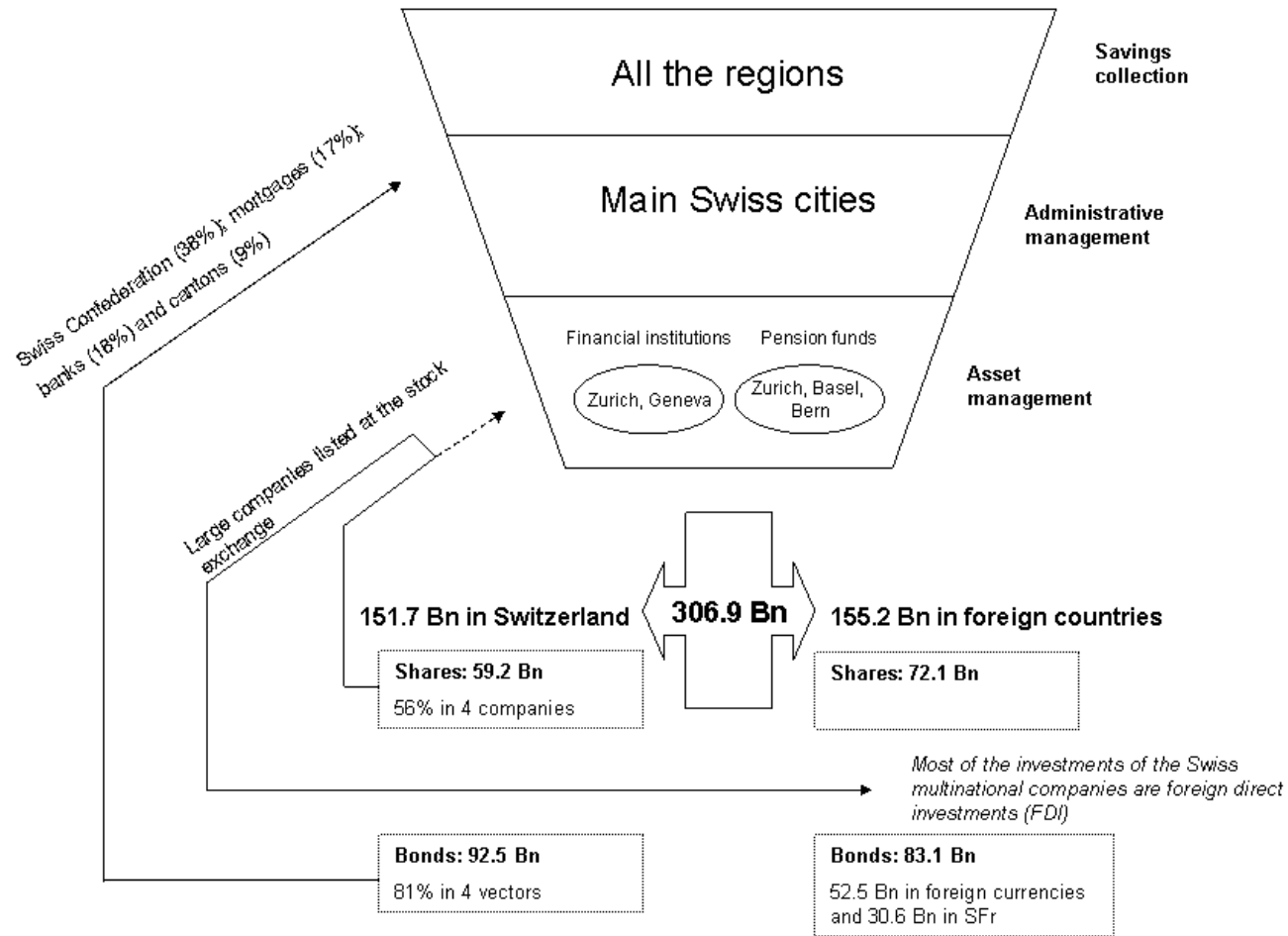
Niveau de la  
gestion de fortune

External  
dynamic

Niveau des  
investissements

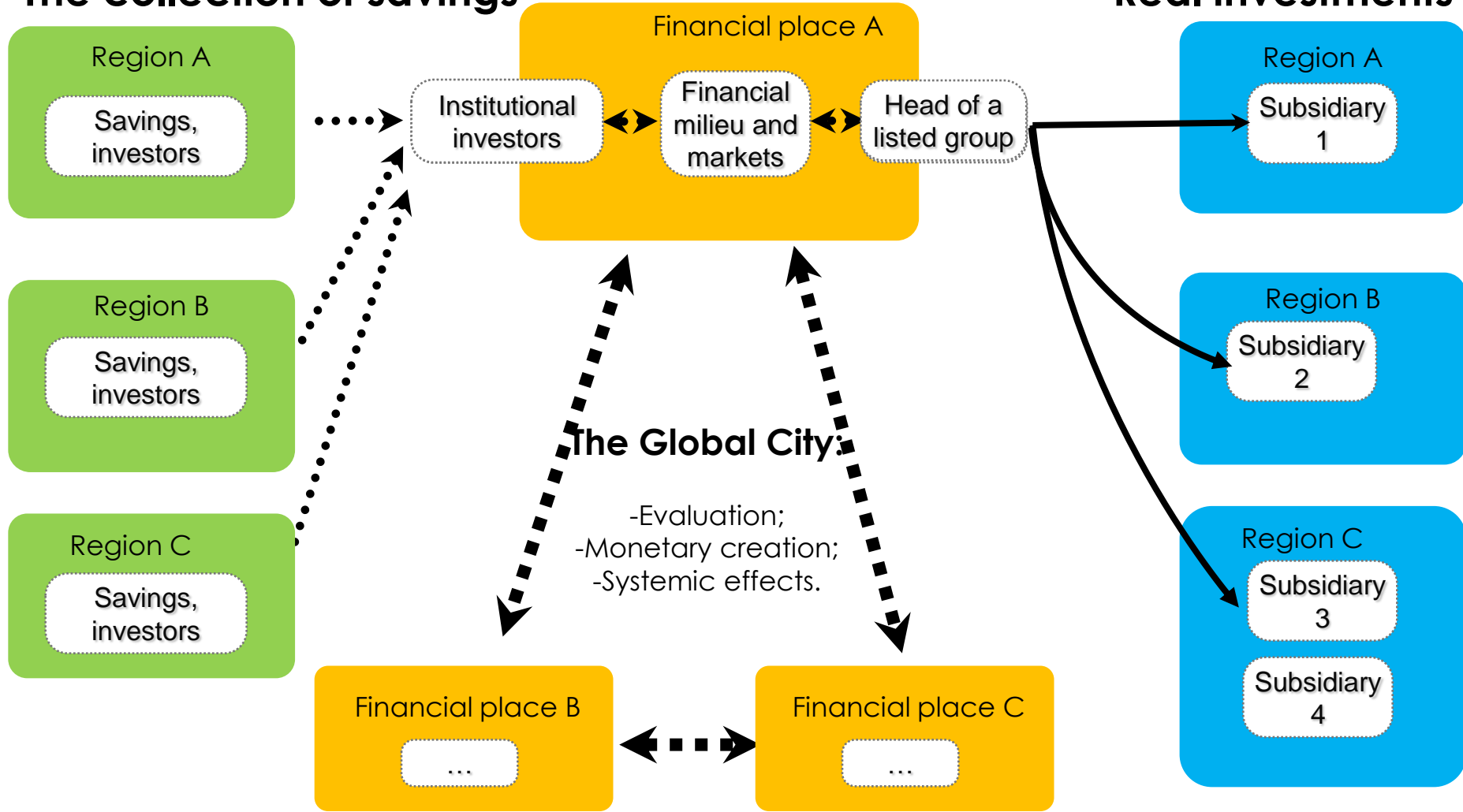


# The geography of the filière of investment



# The collection of savings

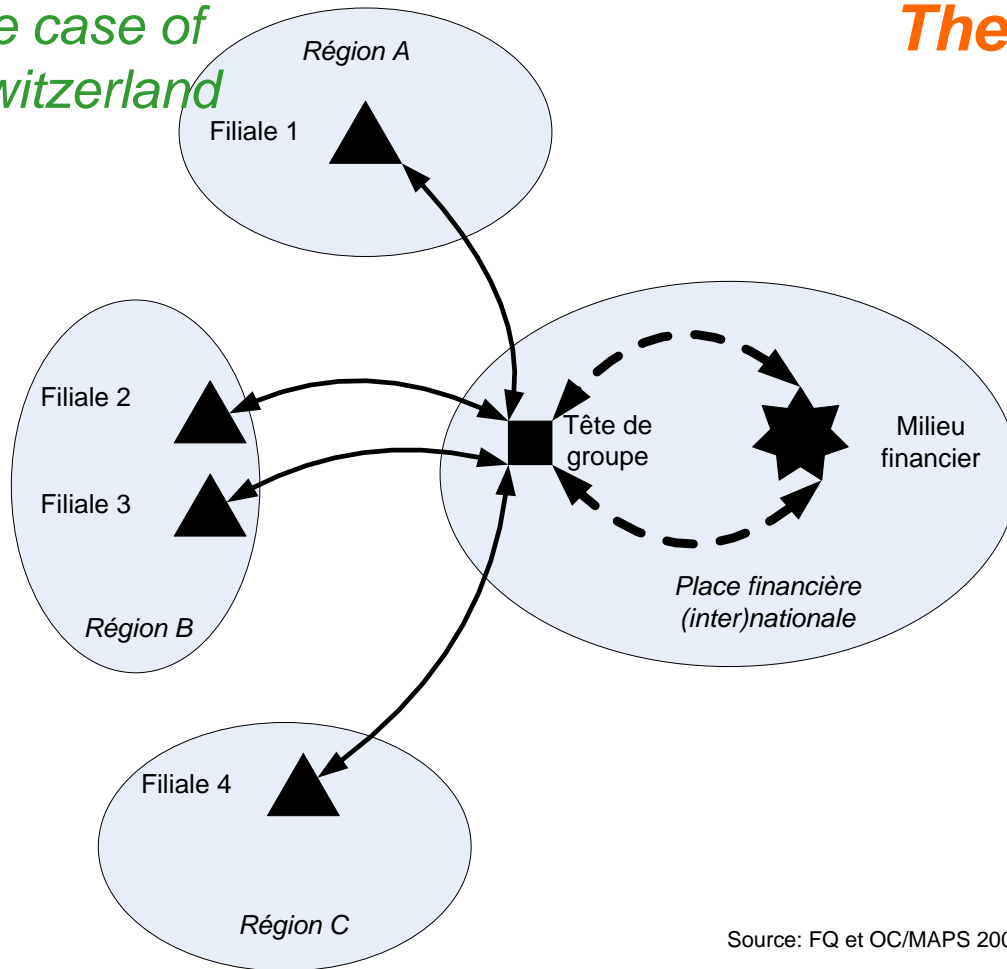
# Real investments



.....➔ Circulation of savings      ➔ Investments      - - - - ➔ Flows of capital

→ **COST A17:**  
*Inter-regional corporate ownership and regional autonomy: the case of Switzerland*

## The subsidiarisation of SMEs (M&A)



### The consequences:

- **Players:** from local firms/industrial groups to subsidiaries of financial groups
- **Spaces of accumulation:** from regions/nations to the financialised space
- **Economic success:** from real production to the attraction of investors

Source: FQ et OC/MAPS 2005

# Financialisation as a hierarchical relation between the *global city* and productive regions

- Ever longer distances between the savings and the investment...
- A paradoxical growth of transparency and opacity...

# Transparency and opacity

*The financial industry is based on transparency (the comparison of returns across places). Nevertheless, between S and I, the increase...*

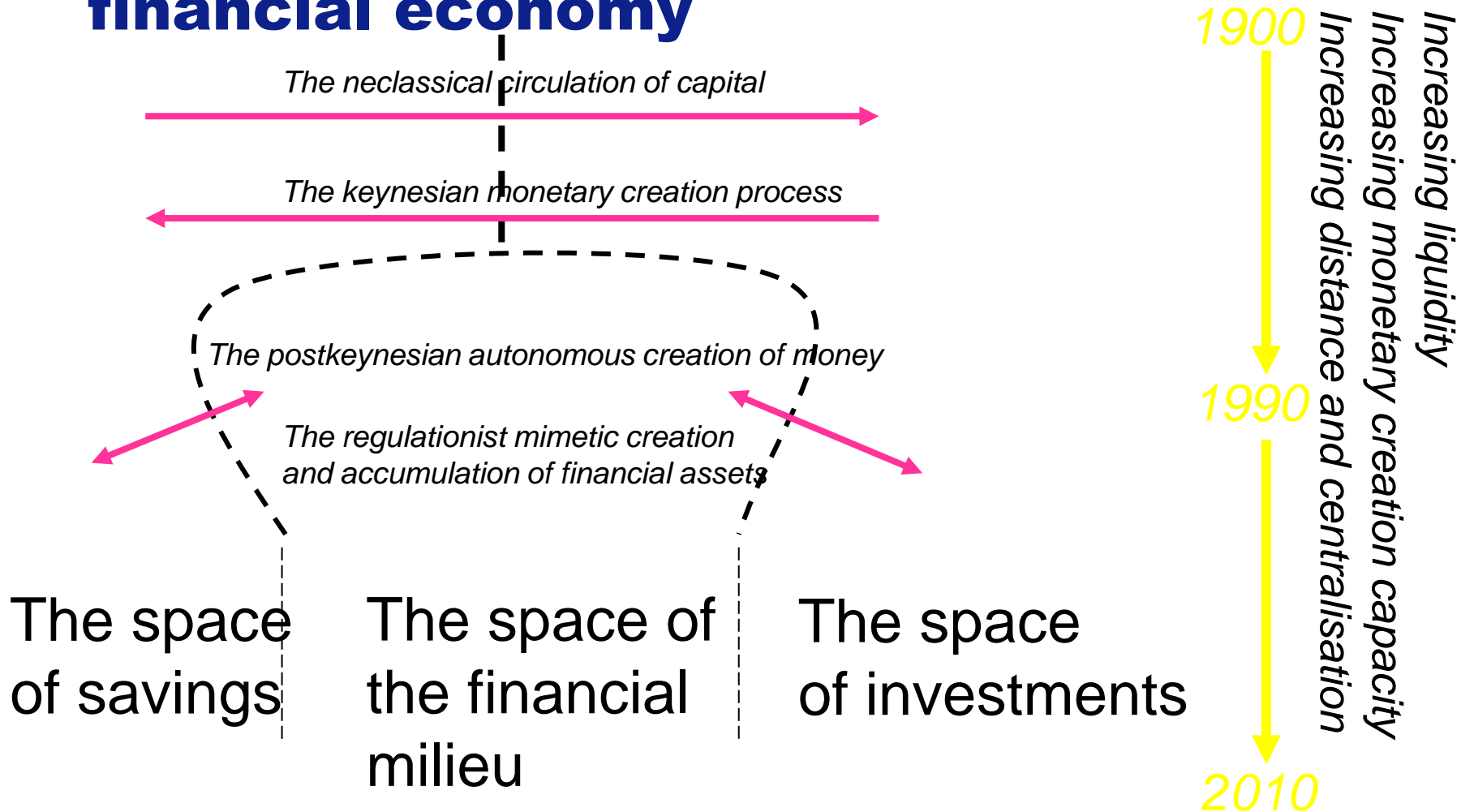
- *Of the distance and of geographical diversity,*
- *Of the number and the diversity of sectors,*
- *Of the number and types of investment vehicles,*
- *Of the number and the types of intermediaries*

***... make investors completely short-sighted!***

# Financialisation as a hierarchical relation between the *global city* and productive regions

- Ever longer distances between the savings and the investment...
- A paradoxical growth of transparency and opacity...
- ... put the *global city* in a dominant situation (see the theories of corporate governance) towards
  - ...productive regions (no more necessity to take care of labour markets, training, research, natural resources, etc.)
  - ... and regions where savings are collected!

# The main theories and spaces of the financial economy



**Players:** from local firms/industrial groups to subsidiaries/multilocal listed groups  
**Spaces of accumulation:** from regions/nations to the financialised space  
**Economic success:** from real production to the capacity to attract financial investors

# **The crisis of the financial accumulation regime brings new questions**

**→ a first scenario: finance get reformed on the basis of sustainability**

# Two a priori contradictory phenomena

	Market finance	Sustainable development
<b>Environment of action</b>		
Universe of action	One-dimensional and abstract	Three-dimensional et concrete
Criteria of analysis	Financial returns and risks	Multi-criteria, qualitative and quantitative
<b>Organisation of action</b>		
Actors	Shareholders	Stakeholders
Governance	Liquidity/mobility (exit)	Participation and negotiation (voice)
<b>Territories of action</b>		
Time	Instantaneous temporality	Intergenerational horizon
Space	The financialised space	Existential spaces based on territorial equity

Source: Theurillat 2009

- ➔ Financial players are tempting to adapt the financial system to contemporary social demands (sustainability,...).
  - ➔ From the very beginning, this is a limited answer as sustainability criteria always come in second rank. The investor has to choose an suboptimal solution because the universe of investment is restricted).
  
- ➔ This scenario is conform to the expectations of the finance industry.

# **The crisis of the financial accumulation regime brings new questions**

**→ a second scenario: the fragmentation of financial circuits**

# A second scenario: the fragmentation of financial circuits

➤ Today, the advantages of the liquidity are balanced with the instability of markets. The virtues of the *voice* and of the *loyalty* are rediscovered.

- A probable (partial?) exit from institutional investors.
- A probable exist from companies.

## ➔ ***Today's development of "dark pools":***

- *Fragmentation of the places of negotiation;*
- *Absence of transparency in how prices are determined (before or after the negotiation);*
- *The uniqueness of price is challenged.*

# A central question:

*On what basis could trust between investors, entrepreneurs and financial intermediaries be rebuilt?*

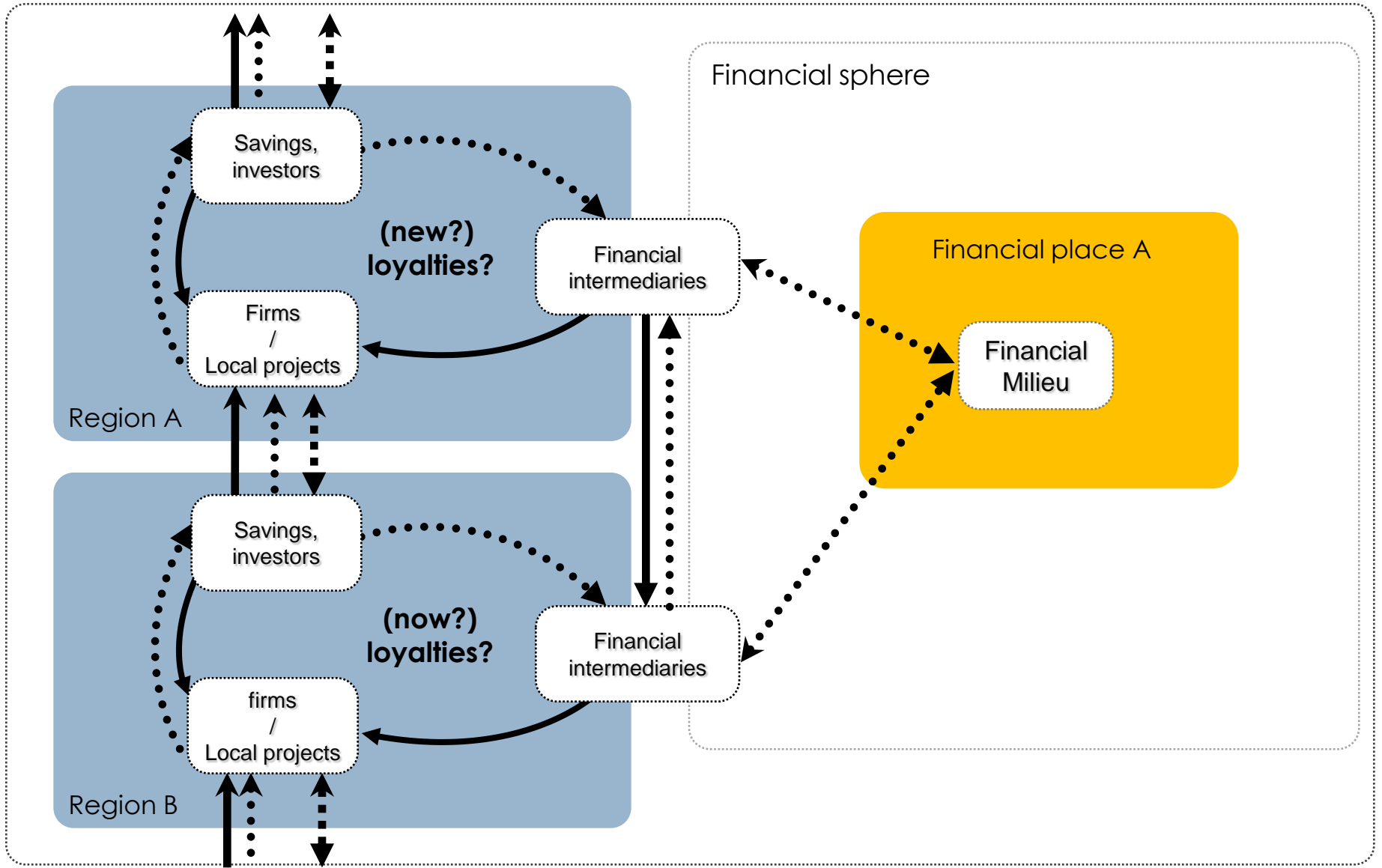
**→ Territorial anchoring as a possible answer:**

→ *Example 1: The rescuing of banks by the nation states.*

→ *Example 2: The Swiss market of urban infrastructures (Theurillat 2009).*

→ *Example 3: How will public debts be treated?*

→ ...



.....➔ Circulation of savings      ➔ Investment      - · - · - · ➔ Participation and negotiation

# A second scenario: the fragmentation of financial circuits

- New temporalities and spatialities (both real and financial).
  - ➔ Negotiation of horizons of profitability of exit modalities (what kind of mobility/liquidity?);
  - ➔ Necessary agreements about real criteria, multiple and qualitative, between investors, entrepreneurs and other stakeholders.
- Is it still possible (desirable?) to maintain the uniqueness of financial markets and of the price?

➔ *As the mobility / liquidity drops,  
how can anchoring be rebuilt?*