Limits to Financialization? Locating Financialization within East Asian Exportist Economies[1]

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Abstract

There is a diverse and growing literature on financialization within and outside geography, however, little of it deals with regions outside of Europe and North America. This paper discusses how financialization might fit as a problematic suitable for exploring changes to East Asian political economies such as South Korea. To this end, we review some of the existing conceptual and analytical approaches to financialization and discuss how these might be modified to better take into account how financialization, as a process, challenges existing patterns of capital accumulation in exportist economies. The paper concludes by arguing that if modified to address the variegated and multiscalar institutional geography of East Asian export economies, the problematic of financialization can compliment and perhaps enrich existing empirical research projects being undertaken by Korean and other East Asian geographers into geographically uneven development, urban restructuring, and political economic strategy.

Keywords: Financialization, Korea, East Asian political economy, geography, regulation theory, exportism, varigated capitalism

Introduction

Even before the sub-prime crisis in the United States began, geographers had begun turning their attention to the transformative effects of finance on economic geographies. The development of racialized credit markets (Wyly and Holloway 2002), processes of pension reform (Clark 2003a), the culture of finance industry (Thrift 2001; Macdowell 1997), and the gentrification of inner cities created by flexible accumulation (Harvey 1989) were all key topics for geographers before the crisis. In their different ways, they argued that finance was altering established spatial relationships within diverse economies. Pressures for shareholder returns were reconfiguring older industrial networks and place-based relations; predatory lenders were using securitization to provide credit to formerly financially excluded and racialized populations in a manner that led to dispossession; and, in the places of finance, cultures of economic calculation and masculinity were encouraging the particular culture of risk required for expanding a firm's presence within financial markets.

Since the global financial crisis began in 2008, the geographical literature on financialization has only grown, converging at times with larger trajectories of research from political economy, economic sociology, and critical accounting studies (see, for example, the special issue on financial geographies in the *Journal of Economic Geography*, 2009 Vol. 9 Issue 5). Collectively, this broader effort has been able to provide a counterpoint to much of the mainstream commentary on finance and economic crisis by providing an analysis of financialization that attempts to address the spatial variability and relational complexity of financial processes and their uneven outcomes. This work implicitly suggests that there are many ways to address financial crisis and that these can and should be geographically variable, putting them against what often appears to be a one size fits all approach among policymakers, who seem to favor global austerity

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as the solution to the present crisis (or, at best, a dual solution of austerity in the core and increased consumption and declining trade imbalances/appreciating currencies in export-oriented periphery). It seems, then, that geographers have a vital stake to play in engaging with processes of financialization, particularly at the present time.

This potential goes for places inside the North Atlantic, where most of the literature is focused, as well as in places outside of it, like East Asian export-oriented economies and other regions that are connected to the dominant sites of financialization through processes of trade, production and financial intermediation. These other places have witnessed an increase in financial activities over the past decade and a half but have not received the same level of scholarly attention. And yet they should: in Korea, the empirical focus of this paper, previously restrictive financial policies associated with the industrial policies of the Korean state have been significantly restructured since the 1997 crisis. Once having opened up the borders for various new types of foreign capital inflows, Korea underwent significant bank and corporate governance restructuring, engaged the competitive bidding for a financial hub in East Asian, and witnessed the emergence of speculative bubbles in stocks, credit lending, and real estate. These changes have reshaped relationships between finance, government, and business firms, dis-integrating the corporatist state-bank-conglomerate nexus that underpinned previous periods of rapid economic growth. Meanwhile, international financial markets have become an integral part of Korean macro-economy and its economic geography. We believe that financial restructuring Korea provides an opportunity for us to broaden the literature on financialization.

GEOGRAPHIES OF FINANCIALIZATION

Financialization is usually defined as a shorthand for the increasing prominence of financial motives and financial actors in the economy, including stock markets, shareholders, institutional investors, financial instruments, and macroeconomic policies that benefit financial capital (cf. Epstein 2004; Lee *et al* 2009). Some scholars prefer to tightly define it in terms of a system where a greater bulk of profits are accrued through financial activities (Krippner 2005) though there is disagreement as to the sources of this profit. For example, Lapavistas (2008) tends to see the increase of financial profits as symptom of the expropriation of workers income in the sphere of circulation. Whereas Fine (2010) prefers to see it as a larger structural transformation induced by the extension of interest-bearing capital across the institutional structures (firms, governments, households) of capitalist economies in general: a process that includes both expropriation of earnings and exploitation at the site of production (both of which are seen as contributing to an eventual slow down of capital accumulation). Geographers have contributed to this literature by arguing, as does Christophers (2011), that the increase in financial profit and financial activities is not merely the result of a structural change within national economies, but the symptom of the uneven development of capitalism at an international level. Finally, other scholars prefer a broader sense of financialization as a process denoting the (geographical) expansion of financial activities and intermediation, but remain agnostic on whether or not the realization of higher profit should be the key criteria are realized (Stockhammer 2008).

In the next section, we briefly explore how financialization has been explored by financial and economic geographers. As more detailed reviews of the geographic literature on financialization already exists (cf. Pike and Pollard 2010; French, Leyson, Wainwright 2012), our purpose here is merely to point out some of the general concerns within this literature before moving on to some of the specific analyses of financialization within geographical political economy and regulation theory that we feel can be used to more specifically address how this process has occurred within the Korean context. In the second half of this paper we put some of this literature in tension with the financial changes that occurred in South Korea.

Financial Geography

As Pike and Pollard (2010) point out, financialization is a process that is "broadening and deepening the array of agents, relations, and sites that require consideration in economic geography and is generating tensions between territorial and relational spatialities of geographic differentiation" (29). As the social networks and patterns of interaction among these actors change, so does the relational space between them. This in turn affects how economic resources are allocated and distributed. These changing relational spaces thus also have a strong effect on how physical space is produced, as changes to the economic landscape are coordinated to better suit new practices of financial calculation. With this geographical reshuffling, financialization destabilizes and reconfigures older *place*-bound relations among firms, governments and other stakeholders with new sets of global standards, corporate governance, or sources of capital. Financial geographer argue that economic geographers have a stake in exploring this transformation, and believe that by doing so they can bring some nuance to accounts of financial space that assert homogenous convergence of financial processes. Although it may try to create a smooth space of financial activity, financialization is not a homogenous process, but involves divergent practices that exist even within markets with similar institutional frameworks. This fact should alert us to the variegated and uneven nature of financialization, and spur us to think of how economies are connected and interact through a variety of different scales and processes.

Looking at how geographers have approached financialization to date, Pike and Pollard (2010) identify three analytical themes in the literature: the proliferation of financial intermediaries; the heightened risk, uncertainty, and volatility of financialized capitalism; and the extending social, spatial, and political reach of financialization. They argue that economic geographers require a better understanding of "the machinations of financial actors and intermediaries that are reshaping the landscapes of contemporary capitalism" (30). They stress the 'integral role of finance in connecting subdisciplinary geographies of the social, cultural and political" (31) and warn against the risk of 'functional, political and spatial disconnections' in other literatures, especially the geography of money (cf. Clark 2005) and the 'end of geography' literature popular in the business press. Their critique resonates with the criticism of Roger Lee *et al* (2009) that before the crisis financial geography (particularly its British variant) had come to neglect finance as the circulation of value between production and consumption, focusing too heavily on studies of culture of particular firms and the complexity of financial instruments.[2] Too narrow a focus, they complained, can lead to a sense of finance as a somehow floating above the rest of the economy and give it a sense of historical inevitability, reifying the market in ways that disavow geographical difference (for an interesting exchange on market reification see Clark 2003b; Engelen 2003).

Leyshon, French and Wainwright (2012) argue that the lack of an integral perspective within the geographical literature on financialization may be due to the bifurcation of the literature between activity-centered and accumulation-centered perspectives. Much of British economic geography, for example, has been largely, but not exclusively, concerned with the activity-centered perspective. It tends to focus on financial practices in particular firms, sectors, or cities and describe changes to discourses of governance or to relationships among institutional actors across physical space. As such, it is a largely empirical and descriptive literature (cf. Journal of Economic Geography 2009). French, Leyshon, and Wainwright (2012) suggest that, in particular, the financialization literature lacks concrete analysis of the international financial system and at the integration of international and domestic financial systems. While some work within the activity-centered perspective does deal with this phenomenon (cf. Clark, Dixon, et al 2008; Journal of Economic Geography 2009), it tends to gloss over the generative political and economic mechanisms involved in capital accumulation in favor of a focus on particular practices of risk management and information flow at various geographic scales, but particularly at the firm level. On the other hand, geographical political economy and regulation theory have been concerned with a more accumulation-centered analysis, and thus tend toward macro-level analysis of the social forces affecting the circulation of capital within the global economy, a perspective that can sometimes lose out of the strategic nature of financial activities at more micro-scales.

In response to these dilemmas, Pike and Pollard (2010) advocate a more social treatment of the economic geographies of financialization: in order to "avoid any sense of the disconnection of a more sophisticated and technocratic financial system from its political and regulatory context" (36). We concur with both Pike and Pollard (2010) above and with French, Leyshon and Wainwright (2012) that there is a danger within financial geography of putting too much emphasis on the diversity of financial activities, complexity of financial instruments, and diversity of risk management strategies - to the point that complexity, information and risk seem to become causal agents in their own right – and that a more social treatment of financial activities is in order if we are to avoid producing 'anaemic' geographies (cf. Christophers 2011; Engelen 2008) that hesitate to chart the substantive geographic and structural transformations that underpin financial reform. In contrast to Christophers (2011) and Engelen (2008), however, we feel that that what makes the geographic understanding of financialization anaemic is not so much the definition of the term *per se* as much as it is in the way in which the process is situated in relation to the wider geography and capital accumulation and the political and economic struggles that inform it.

For our purposes, we feel that a definition of financialization as denoting the increasing valorization and expansion of financial actors and financial motives across the

[2] On the other hand, British scholars outside of geography have been very active in accumulation-centered analyses of financialization, particularly in the journals *Competition and Change* and *Historical Materialism*.

economy (whether or not a greater share of profit is accrued to financial activities) is useful so long as it is executed in a contextual manner that interrogates how this process interacts with and transforms pre-existing patterns of capital accumulation. We feel that this is the best way to avoid a functional separation between finance and the rest of the economy. To this end, we feel that both scholars working within geographical political economy and regulation theory offer an account of financialization that is more sensitive to the role of finance in relation to broader structures of accumulation and, thus, provide us an entry point into how financialization has shaped strategies of capital accumulation in the context of export economies such as South Korea.

Overaccumulation and Financialization

Our entry point into the geographical political economy literature on financialization begins with David Harvey's geographic theory of overaccumulation. For Harvey (1982), capital's attempt to overcome multiple crisis tendencies (wage squeezes, overproduction, underconsumption, destructive competition, as well as external crises) through extending credit leads to new spatial and institutional geographies that clash, coordinate and compete with one another. Harvey urges geographers to intervene in the study of credit and finance to show how the solutions to capital's problems are always spatialized, producing unevenness in the economic landscape that lead to variations in the geography of capitalism, particularly the built environment. Solutions to tendencies of overaccumulation will always take place somewhere and have an effect on geography as a spatial condition: whether be a geography of work, employment, built environment, or geopolitical relations and social protest, or even a structure of more diffuse geographical perceptions and representations such as that found in personal, literary, or filmic depictions of place and space.

For many Marxist political economists, financialization is not an automatic or self-contained process, but rather one that develops upon previous trajectories of development and accumulation, and with varying actors, institutions and urban frameworks supporting it in different places. This unevenness is both an outcome and a dynamic aspect of capital accumulation. As various capitals attempt to overcome spatial limits on profitability, they attempt to find new sources of value in the economic landscape: these may be in built environments, existing circuits of capital that can expanded or opened up, or in other activities that draw in revenue based on the expanded reproduction of capital through investment and productive consumption. However, capital can also seek to restore value through forms of accumulation by dispossession that work through more coercive, predatory, or extra-economic means (cf. Harvey 2003, etc.). This process is not merely confined to particular places but shapes the global economy as whole, albeit in an uneven manner. For example, Giovanni Arrighi (1994), whose work exhibits a strong overaccumulationist emphasis, has shown how financialization facilitates the migration of capital across space, facilitating major transitions in core and peripheries in the world economy, leading to bubbles in some places and productive investment in others.

Likewise Smart and Lee (2003) regard the regulation of finance as a series of fixes that are the result of multiple strategies and improvisations that often contradict and clash with each other. The relational spaces in which this takes place in is as much a geography of international capital, financial instruments, and ratings agencies as it is about international organizations, political ideologies and domestic class relations. Financialization is thus also a political process that includes multiple actors and alliances within the world economy, and involves a reconfiguration of domestic as well as core and peripheral relationships. This shift of resources that financialization facilitates is not something that is simply automatic but requires the rearrangement of a variety of social relations of production and consumption, state-society relations, and is embedded in social and political struggles at a variety of scales (Arrighi, 1994; Bellamy-Foster, 2008; Harvey, 2003; Sweezy & Magdoff, 1987). Thus, the analysis of financialization needs to flexible enough to situate the process in relation to the strategic landscapes in which it is embedded. Unfortunately, much overaccumulationist work can often remain at a fairly abstracted theoretical distance from the everyday, strategic terrain on which many financial activities take place. The work of the regulation school, on the other hand, provides a more meso-level thematic stylization of financialization that we shall explore in the next section.

From Fordism to Financialization

The regulation school, we believe, offers a more meso-level look at the effects of financialization within national economies that is complimentary to geographical political economy analyses and that can provide some insight into financial processes in East Asian economies like South Korea. As Sum (2001) points out, 'there are some conceptual tools developed by the regulation approach that could… bring out more clearly the complexities of the interconnections between production and finance in the East Asian mode of growth"(146) (cf. Cho 2000).

A key distinction for the regulation school is the distinction between a finance-led and finance-dominated accumulation regime. This was a topic that animated early understandings of financialization. As Aglietta (2001) discusses, Boyer's concept of a *finance-led accumulation regime* is one in which "overall demand and supply are driven by asset price expectations, which create the possibility of a self-fulfilling virtuous circle. In the global economy, high expectations of profits trigger an increase in asset prices that foster a boost in consumer demand that in turn validates the profit expectations. The dynamics of this growth regime are far removed from those of the Fordist growth regime in respect of the macro-economic relationships between demand, supply and income distribution" (153). This is a rather optimistic hypothesis that has not stood the test of time, and which in many ways resonates with many of the 'end-of-business-cycle' boosterism of mainstream economists and market players before the crisis. This is perhaps why other regulation theorists like Stockhammer (2008) have argued that an macro-economy can still be affected by financial processes even if growth is not finance-led.

> "The term *finance-dominated* rather than finance-led is used to highlight that financialization is shaping the pattern of accumulation (or put in another way: the composition of the components of aggregate demand and their volatility…) An accumulation regime is defined as finance-led if an increase in the financial norm, that is, the hurdle rate set by financial markets for investment projects, leads to an

> increase in growth. No presumption of this sort is made here. Rather, it is argued that a finance-dominated accumulation regime should be defined in such a way that financialization can positively or negatively affect growth" (Stockhammer 2008, 185).

Unfortunately, many regulationist models of finance-led or finance-dominated accumulation tend to list generic features of financialization as if they were generalizable across national economies. While many of their characterizations do apply to the Korean case, some do not, while others need to be nuanced to better take into account geographical differences between the Korean economy and other national economies. Following Peck and Theodore (2009), we regard national economies not as containers of social processes but sites of variegated economic practices and relations that exceed beyond national space and incredibly varied even within it. While our analysis of financialization is focused on Korea, we regard the forces shaping financialization as ontologically diverse and active at a variety of geographic scales. Thus analysis, even of national economies, should try to situate financial processes in a multiscalar manner sensitive to varying institutional contexts of development, patterns of corporate governance, transnational connections and other political and economic relations that take place within and across scales.

LIMITS TO FINANCIALIZATION?

It is our opinion that a study of financialization in the context of an economy South Korea needs to better take into account the institutional features of exported oriented economies. In this way we might be able to see that there are comparable limits to the extent of financialization within and between economies that are related to pre-existing patterns of development as well as to pertinent structural features of the economy (such as lower rates of domestic demand, orientation of the financial and corporate governance systems, etc) that limit the extent of financial practices. What follows then is an attempt to interrogate the Korean experience of financialization in light of some of the theoretical traditions analyzed above, particular overaccumulatist readings of uneven development and regulationist stylizations of accumulation regimes: two perspectives that we feel can best bring out the strategic aspects of the financialization of note for scholars, social movements, and policymakers trying to address questions of growth and inequality in Korea and within the world system. First, however, a brief survey of some of the major changes to Korean finance is in order.

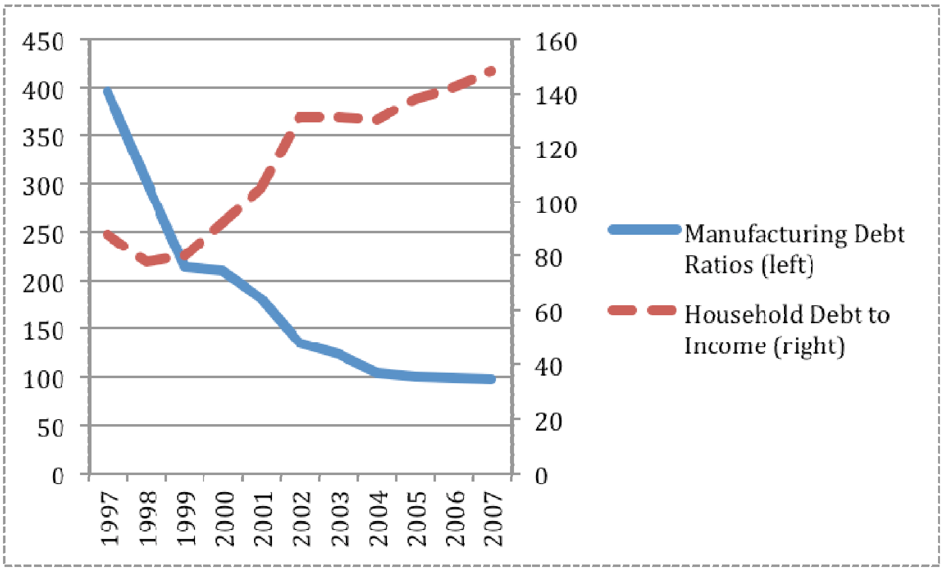
From rapid development to financialization

During the industrial push of the 60s and 70s capital was scare so financial resources, in particular foreign currency, was tightly controlled. With favored access to the US market and military contracts (Glassman 2011), the Korean state confidently directed credit to industrial development. Firms were encouraged to compete on the world market and were guaranteed monopolies in the home market so as to forestall destructive competition. Revenues were also continuously recycled into new investment with new at discounted rates, which meant that even though Korean firms had enormous returns on investment, they maintained high debt-equity ratios throughout the 1980s and 90s. But this ceased to be a problem for overall economic performance during the heyday of state-led, bank-leveraged industrial development.

Korea's journey from a rapid development to financialization can be related, somewhat, to the decline of support for the post-war developmental project and the emergence of the Washington Consensus. The longer duration of the cold war on the Korean peninsula relatively shielded Korea from the pressure to financialize that was seen in other countries before even the end of the cold war (such as Chile, Mexico, etc.). It wasn't until after the decline of the Soviet Union that the Washington Consensus began to be applied to Korea and efforts made to liberalize its financial system, as a way to find new outlets for overaccumulated capital from the core. This pressure was matched by internal pressure for liberalization from both the domestic conglomerates (the family-led firms known as the *chaebol*) and domestic political forces seeking to distinguish themselves from the old conservative regime after the 1987 transition to electoral democracy. Kim Young Sam's *Segyehwa* (globalization) reforms in 1993, which liberalized interest rates for short-term borrowings, created something of a transition away from the Korean developmental regime of industrial planning and bank-based policy loans. This reform allowed conglomerates to borrow internationally on short-term credit markets and to invest in sectors under excessive competition in the mid-1990s that led to a drag on profitability. Samsung's investment in automobiles and Daewoo's investment in semiconductors is a prime example of this (cf. Shin and Chang 2003). During the Asian crisis, this source of cheap credit dried up and short-term debts were rapidly called in, crisis spread to even in the more viable sectors of the economy.

The restructuring that resulted led to a temporary fix for both foreign capital and the largest domestic conglomerates, as they were able to benefit from accumulation by dispossession as distressed firms were sold off for fire sale prices. Citing the Chaebol's over-investment as a moral hazard, rather than the deregulation that facilitated it, the IMF along with domestic reformers engineered a solution that saw recapitalized banks privatized and sold off, in most cases to speculative capital and foreign funds. Limits were also placed on domestic lending to the industrial sector to lower their debt-equity ratios. As corporate debt levels shrank, mortgage and consumer credit markets were expanded, fuelling local bubbles in consumer credit, stock, and real estate markets (cf. Crotty and Lee 2005). This has led to historic growth in stock market capitalization and the financial profit rate (Jeong 2007). However, it is also based on a historic rise in consumer debt. In many ways, the high debt leverage of the corporate sector, which was tightly regulated during the prior phase of industrial growth has been replaced with high but poorly regulated leverage by households, see Figure 1.

Figure 1: Debt shift.



Source: Bank of Korea; IMF

This financial regime change has led to a difficult dilemma for domestic reformers. On the one hand, financial restructuring has allowed them to restructure the older institutional nexus between the state, banks, and conglomerate sector – a nexus that is strongly associated with dictatorship politics. On the other hand, the financial instability and lower rates of industrial investment associated with financial reform have made it difficult for these reformers to address demands for social equality and social welfare. Instead of pursuing industrial policy through the large-scale coordination of investment, they are left pursing industrial policies oriented towards generating growth from a more haphazard financial system. This has led to shift in the geographical development strategies of the Korean state towards a more indirect control over investment decisions. Instead of policies aimed at increasing domestic conglomerate investment in industrial production through performance targetting and condition loans, the state has encouraged foreign capital to undertake these investments through incentives such as free economic zones (cf. Park 2005), a policy that has not been as successful. Furthermore, the economic sectors that have seen the highest rates of growth following financial reform are also, by chance, some of the most speculative. For exapmle, the explosion of mortgage lending has been accompanied by large real estate projects (dubbed New Cities) that have sprung up across the country. Major urban infrastructure projects have been launched to make Seoul a financial hub for northeast Asia, with designation of a new financial district in Seoul's Yeouido Island. However, the advent of the 2008 crisis and ensuing withdrawal of speculative money from these real estate development plans led to numerous bankruptcies for participants. Table 1 summarizes some of these elements as well as changes that we will be discussing further below.

TABLE 1. Elements of Korean Financialization

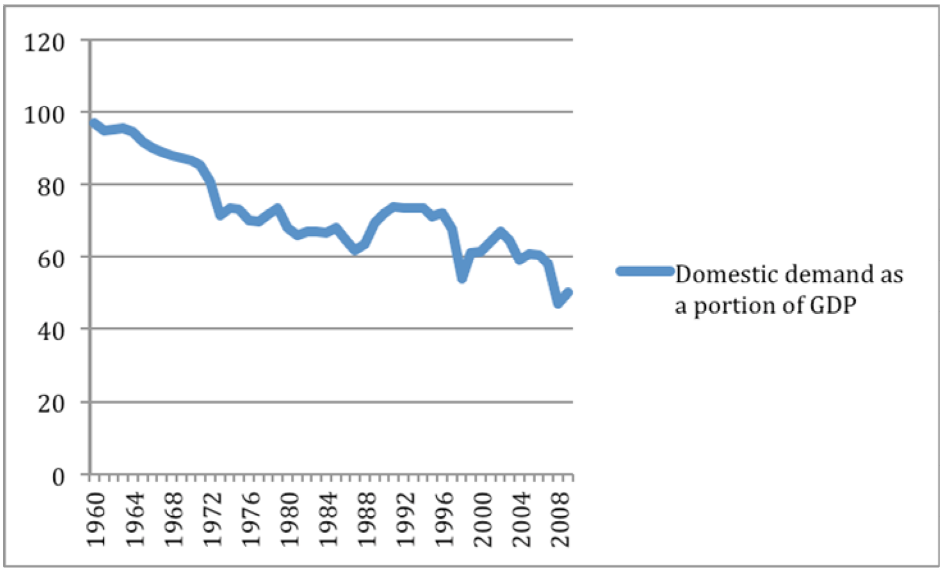
Emergent Areas	Real estate bubbles fuelled by mortgage and consumer credit
Structural Features	Expanding geographical reach of corporate investment and borrowing; Increased ownership by foreign firms; Stock market as strategic field for Chaebol and foreign capital
Corporate Governance	From bank-firm nexus to majority shareholder regime
Geopolitical context	Cold War project of development to Washington Consensus
Urban contours	New city developments, international financial center and free economic zones
Macroeconomic stability	Increased exposure to international shocks; Greater volatility in foreign exchange rates and export performance
Accumulation regime	From developmental state to finance-dominated accumulation regime in an export economy

Finance-dominated but export-led?

There are many similarities between the regulationist accounts of financialization discussed above and the Korean experience. Both Stockhammer (2008) and Aglietta (2000; 2005) argue that the deregulation of financial markets leads to an increase of capital flows and, as a consequence, volatile exchange rates, increasing uncertainty and leading to increased currency crises, which emanate from international (foreign exchange) or domestic financial markets. In the Korean context, currency crises have followed financial restructuring quite closely. We might add that there is an recursive dynamic to such crises on the global economy. Governments hold massive reserves to protect themselves from runs on the currency and these reserves are re-invested in US treasuries and other assets that help maintain cheap credit in the core, which in turn is a source of demand for products from exporting countries. In this way, a pathway is created from currency crisis to export shock when demand falters in the US market. While Stockhammer (2008) argues that a major characteristic of the finance-dominated model is that consumption expenditures tend to be a driving force for economic growth, this is an insight that is more tailored to the North Atlantic than to export-based economies, a point that Stockhammer concedes in a recent working paper (2010) but has not yet elaborated on at length.

While the restructuring of the Korean banking system has led to increased access to credit for Korean households, but it has not led to the same general wealth effect on aggregate demand as it did, momentarily, in the US and the UK. This is primarily because the overall share of domestic consumption remains lower in export-centric economies such as South Korea. Other regulationist have been more sensitive to the particular aspects of East Asian export regimes. For example, Sum (2001) has argued that "exportist logic is more or less uncoupled from domestic consumption; instead it links production to (re-) investment. More specifically, the exportist cycle proceeds from investment (for exports), actual production, effective realization of profits, to reinvestment; consumption itself is flexible and subject to the accumulation regimes's capacity to export and international terms of trade" (146). Though there have been brief expansions of domestic demand that parallel financial reform, the secular trend has been towards a decline in domestic demand in return for greater export dependence, see Figure 2. Though there has been considerable domination by finance on the types of investments that are now pursued, exports are still the major source of demand for the Korean economy. This was reinforced by the financial and labour restructuring in the wake of the 1997 crisis. These reforms slowed wage growth and led to higher rates of unemployment and irregular work that has lowered labour's share of overall income.[1] The contadiction here is that under financialization, Korea's export dependence has deepened, even though industrial investment in these sectors has slowed with a preference toward investment in the financial sector.

FIGURE 2 KOREAN DOMESTIC DEMAND



Source: OECD

As witnessed in Korea, in a finance-dominated regime, industrial investment tends to be sluggish and that increased financial profits (documented in the Korean case by Jeong 2007) do not translate into higher industrial investment. Aglietta (2000) and Stockhammer (2008) have argued that this is primarily due to shareholder value orientation among firms – a point further elaborated in regulationist studies of shareholder value which argue that he constant pressure on firms to show profitability leads to disincentives toward patient investments (cf. Aglietta and Breton 2001; Aglietta and Roberieux 2005). While in Korea rates of industrial investment in Korea have certainly decreased, but it is hard to say whether this is due primarily to a shareholder orientation or to the end of bank-based policy loans for industrial expansion. In the Korean context, firms, especially chaebol, increasingly finance investment from retained earnings rather than though bank loans or policy loans. Certainly, there is now an increased pressure to raise capital or cash on equities unlike in the past when meeting industrial policy performance targets was more important for securing funds. The retention of earnings and the increased geographic mobility of domestic capital has led to fall-off in domestic investment; however, the nexus between firms and shareholder value is quite different in the Korean context from the models provided by regulationists like Aglietta and Breton (2001).

Instead of seeing a universalized shareholder value regime of corporate governance, financialization in South Korea has led to an uneven economy with some sectors more prey to shareholder power from foreign financial funds engaging in asset stripping and strategic sell-offs, while others have merely used stock ownership as a means to strengthen the control of family-led firms, or *Chaebol*. In other words, there has not been complete transformation to a market for control ruled by minority shareholders and the whims of the stock market, but rather to a majority shareholder system where ruling families retain control of their firms and use the stock market to reinforce it through legal practices such as circular ownership as well as less legal practices such as corporate tunneling, internal finance and illegal transfer of assets (cf. Baek, Kang, and Lee 2006; Kim 2004). Similar trends exist in other exportist economies, such as in the case mutual shareholding among Japanese Keiretsu firms (cf. Okabe 2002; Hong 2004). In a way, a circular or familial structure of ownership, though not necessarily virtuous, might possibly prevent some of the financial practices associated with a stock market system based on shareholder value from emerging in the industrial sector, as there is less of demand for asset stripping and other means of inflating share value to show profitability – practices that can lead to chronic over-valuation of an economy, dragging down rates of industrial investment (as capital is reserved for dividends, or retained to pay down debt). On the other hand, investment by the Chaebol in real estate can also fuel devastating bubbles, so it is important not to associate the persistence of mutual shareholding and family ownership as a necessarily virtuous or crisis-resistant formula.

It appears then, that when it comes to corporate governance, Korea does not exhibit the idealized market finance that regulationists like Aglietta and Breton contrast to bank-based finance, but retains a more a hybrid and variegated system where the large conglomerates that dominate the export economy retain significant control within a more liberalized financial system in which bank lending has been redirected away from industrial investment. We should discern from this hybrid framework that the process of financialization is uneven and has particular limits that are historically and geographically contingent on past frameworks of development, and the power relations that underpin them. Financialization should not be seen as a homogeneous one-size-fits-all model based on ideal-types, but rather be seen as a process that modifies existing trends and trajectories within particular locations of economic activity. Modifying existing work on financialization towards such a perspective then might entail the creation of new concepts to study the nexus between institutional configurations and financial processes. Gibin Hong (2004), for expample, has argued that the concept of the Capital Control Complex is a useful means for grasping the institutional variability of financial relations and their strategic and relational characther. Hong argues that this complex is based on a tripod of historical bloc (social and political forces), ownership structure, and financial system. As Hong (2004) states, "the way in which those three elements (historical bloc, ownership structure, and financial system) are combined does not have to be limited to either a Japanese or American way, especially under the current circumstances of the globalized financial market." This is a sentiment by Peck and Theodore their advocacy of the term variegated capitalism to describe the diverse institutional features of contemporary capitalist economies. The Korean experience seems to show that such a flexible analysis is necessary as it exhibits characteristics of a liberalized financial system combined with majority shareholder control, and a political bloc of diverse democratic forces that have unwittingly found themselves implementing financial restructuring (cf. Doucette 2010a; 2010b). Hong's CCC concept, then, might provide a new direction towards reinvigorating regulationist analyses of East Asian capitalism that, as Lee and Wainwright (2010) point out, often lack a conjunctural analysis of political blocs.

Strategic analysis, while illustrating the strategic political and institutional relations that finance is contingent, can also strongly complement existing analysis from a more overaccumulationist ontology by showing how varigated institutional ensembles and political coalitions offer different spatio-temporal resolutions to crisis tendencies. The Korean export shock during 2008 put a large squeeze on effective demand, forcing the newly-elected conservative government to enact a series of stimulus packages to keep domestic-oriented sectors like construction and real-estate development industries afloat through financial intervention and infrastructure projects. Three years into the crisis these sectors still threaten the economy with gluts of unsold apartments, non-performing loans and historic debt to equity ratios. Meanwhile, speculation has led to volatile financial market, witnessed last November when in a single day the Korea's KOSPI stock market index dropped nearly 3% due to speculation on its liberalized options market (Financial Services Commission 2011). These shifting pressures put stress on existing institutional arrangements and political coalitions and set the stage for newer manifestations of economic crisis, especially when capital accumulates but fails to realize its profit due to lack of effective demand and the limited capacity for absorption of excess capital. Ironically, in an export economy the greatest limit on financialization might perhaps be finance itself as the pressure for neoliberal reforms to finance and labour undercuts domestic demand, facilitates overseas investment, and set the stage for larger export shocks if the global and domestic imbalances involved in this uneven development are not addressed.

Conclusion

While we've tried to show how financialization is a worthwhile problematic for interrogating the restructuring of the Korean economy – with the condition that it be modified to take into account the uneven geography of the global economy and the institutional features of exportist economies – we'd like to conclude arguing that such a problematic might be useful for expanding the existing research projects of Korean and

East Asian geographers interested in social-spatial restructuring and the political economy of development. Indeed, there seems to be room for this problematic at a variety of geographic scales. Micro-level studies of particular financial practices and their implicit politics (cf. Roy 2010) are needed to compliment the more macro-level analyses of long-term capital accumulation.

Further to our discussion of financialization in the context of export economy, there is room for a much wider empirical project documenting the effects of financialization on the exportist dynamics of East Asian political economy. A better analysis of the key players, practices, and networks involved in shaping and contesting the allocation of capital would entail more careful interventions into the this topic in the future. Pertinent questions are: does financialization have the potential to move East Asian political economy toward a more autocentric accumulation regime, or is it simply deepening dynamics of uneven development in the global economy (Glassman 2011) Will financialization deepen economic crises or is there a way for it to be modified to generate a more sustainable and equitable form of development? What are the geographical divergences of financialization within and between formerly developmental states? How do regional political and class coalitions affect financial policy (Mann 2010)? Is financialization provoking an urban model based on the enclosure of space into special administrative zones (Ong 2006; Park 2005; Choi 2011) or is it merely hastening inter-city competition and rural-urban divide (Douglas 2006). How does financialization affect production networks between East Asian countries and between regions (cf. Peck and Miyamachi 1994)? How is financialization changing the culture of firms and financial markets in East Asia (Lai 2009; Yeung 2007). Are these spatial and institutional features common among exportist economies or do they diverge greatly?

At the urban level, the particular role of finance in countries where mortgage capital is under-developed or newly developing also seems like a major empirical research project. The role of financial markets in suddenly moving from a residential deposit-based, or key-money, system to a mortgage-backed seems to have produced large-scale debt dynamics in a number of former developmental states, thus a study on the effect of the role of mortgage capital and other financial products, such as project finance, in the creation of new debt and crisis dynamics in developmental states is a site of research with pressing importance, and is the topic of our own work. There is a room here for a Polanyian comparative economy that looks at the divergent ways in which land, labour and capital are commodified (Peck forthcoming) under a financialized regime and that can create opportunities for geographers to intervene in debates that are also shared among economic sociologists (Block 2003; Burawoy 2003; Zelizer 2011). This research can be expanded to include a focus on everyday life and practices, i.e. it can be opened up to study the changing discourses of residency and urban citizenship that have accompanied this financial shift and have created new sets of perceptions, gendered practices, and social conflicts. In other words, there is a wealth of directions that this research could go toward a more situated examination of financialization.

Finally, there is also room here to expand on the literature of alternatives to financialized capitalism. Though we've painted a picture of a variegated financialization (cf. Dixon, 2011; Peck & Theodore, 2007), there is perhaps one generalizable feature across financial contexts. And that is that, often, if granted too much power, finance becomes the limit to financialization, and, quite often, to maintain productive consumption, the expropriators must be expropriated. As Harvey (1982) pointed out in *Limits to Capital*: "The realization of fixed capital depends upon enhanced productive consumption which, in the long run, generates ever more capital to be absorbed. The realization of capital in the consumption fund depends upon the expansion of future revenues to cover indebtedness on present purchases. In both cases, the prospect of indebtedness looms if the proper conditions are not fulfilled" (236-7). This can result in crises where capitals liquidate and appropriate one another, preparing the ground for a haphazard spatial fix, or it can involve a more rational expropriation based on a variety of regulatory and popular policies that more effectively govern the market and, at the same time, create a framework for expanding public goods. While it was an authoritarian system with terrible social and environmental consequences, the logic of control within Korea's older developmental state framework was one that governed finance in a way that created high employment and rapid development. It should not be a model that we desire to return to, but one that we can learn from if only to think of what more democratic and environmentally sustainable models of financial governance might be. Perhaps the most egalitarian alternative yet has been Sweden's Meidner Plan (cf. Blackburn 2002) of the 1970s. Meidner proposed a system where finance was effectively governed in a way that reconciled market organization with state capacity, social solidarity *and* democratic practice. While it was only partially implemented, it provides something of a ruin in the history of social democratic economic planning: a democratic state-market hybrid.

Advancing towards such a system will also be a variegated path, one formed from the existing economic geographies of various economies. In the Korean context, proposals for more redistribution, progressive taxation, and oversight of government spending through social partnership, not to mention strategic industrial policy, form the background for an alternative, but its political future is contingent on a variety of relations in the both the domestic and international political economy that we do not have the time or space to explore here. Suffice to say that whatever the solution to the current crisis (whether it is a democratic alternative, or further financialized spatial fix), it will be built upon existing trajectories of uneven development at a variety of scales.

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[1] Following both Fine (2010) and Lapavistas (2008), financialization in South Korea can thus be said to involve the expropriation of worker’s income in the sphere of exchange

through the expansion of credit, as well as through increased exploitation of the wage relation