# Global connections between development and finance

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At least since the 1980s, development policies and narratives promoted by institutions such as the International Monetary Fund and the World Bank have been shaped by the idea that development could be better achieved if economic practice and social organization more generally were articulated mainly through markets, relegating states to mere guarantors of the rules of exchange. This imaginary has given a central role to the financial sector, presented as a marketplace in which free investors are able to invest in financial assets, extending credit and monetary resources in a socially optimal way thanks to the mechanism of informational market efficiency. Such rationales were to some extent called into question by the series of financial and social upheavals and meltdowns that occurred in Latin America, Southeast Asia, and Russia between 1995 and 2001. But reasoning of this kind is still very much alive, for instance in the policies fostering the expansion of digital payment and credit systems as a form of "financial inclusion" that could play a central role in reducing poverty (WB 2014), not to mention proposals to allocate the financial sector a central role in environmental protection, on condition that governments permit it to price environmental risk "efficiently" (IMF 2019).

This article explores two ways in which ideas about development have become entwined in financial sector practices, in a global perspective. The first concerns how the financial sector integrates and contributes to reproducing hierarchical relations among states in a manner that combines an understanding of unequal levels of development and the reliability of states as creditors and sources of profit. This entails paying attention not only to power relations between states and the financial sector but also to ways in which the practices of financial professionals help to reproduce power relations and inequalities among states and, within them, among different social groups. Second, I look at electric vehicles in order to problematize the global relations established by financial investment and the contested roles of the financial sector in environmental protection. My focus here is the assemblage of multiple power relations and concerns that contribute to multi-scalar and multifaceted forms of inequality.

## Development, states and finance: Global hierarchical interdependences

Different combinations of state policies and corporate action can have different effects on inequality, production, and distribution. Relations between states and corporations are specific to particular contextual articulations of interests and power relations among variously organized social groups, constituting a plurality of organizational configurations that must be addressed attending to their specificities without subsuming them under a single overarching logic. At the same time, states and corporations operate in global spaces of interaction. Corporations take a geographically complex approach to cost reduction in terms of labor and other resources, their capacity to sell their products and services to segmented groups of consumers, and state regulations, among other things (Tsing 2009). States compete for monetary and other resources. Their relations are organized by multiple hierarchies, including differentials in warfare and technological capacity and the global presence of their currency (Rose and Miller 1992). Global inequalities in terms of per capita GDP or health and education indicators result from interdependent unequal distributions within and across state territories. Definitions of what constitutes development and what does not are thus contested and redefined in these various con-

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figurations of power relations and the unequal distributions they articulate (Bédérracats, Guérin, and Roubaud 2020).

The procedures whereby the financial sector accumulates and allocates money worldwide include a variety of rationales that are partly contradictory. The figure of a maximizing investor has become established as the focus and benchmark of valuation and investment methods for stocks, bonds, derivatives, and other financial assets. Cash flows are analyzed in terms of how much a maximizing investor might be able to appropriate. Prices are considered to be reasonable representatives of the financial gain such an investor can expect to obtain, on the assumption that they result from encounters between maximizing investors in informationally efficient markets. In this theoretical framework, the value of any social activity, considered as an investable financial asset, is determined to be the returns that maximizing investors can obtain, assessed according to the available information.

A mainstream valuation method used in the financial sector, discounting future cashflows at a "required rate of return," establishes a direct relationship between investors and the object of investment. But a concomitant method also used in the sector includes a comparative approach, whereby every asset is valued in relation to the value of all other assets. This presupposes that market efficiency applies to these other assets, so that their prices are representative of their value and can be used to evaluate a comparable object of investment. In this case, particular notions of state sovereignty play a fundamental role. The bonds of some states are deemed "risk-free" because these states are expected always to honor their debts to investors, based on their capacity to extract money from the polity and prioritize debt repayment over other social expenditures (Fourcade 2017). Ratings by rating agencies constitute a prominent representation and reinforcement of a hierarchy among states, in which "risk-free" states pay the lowest returns and all other states and financial assets, deemed "riskier," must pay a "risk-premium." The United States, some European states, and Japan, among a few others, are at the top of this hierarchy. This partly maps the shifting and multifaceted hierarchies established historically in terms of "developed countries" and "underdeveloped countries," which were later known as "developing countries" and, more recently, "emerging markets." The bulk of the money managed by the financial sector in stocks and bonds is allocated to the richest states, with "emerging markets" lagging behind. Thus, sovereignty is defined as a state's capacity to prioritize the maximizing investor, and this definition is used as the basis for determining the financial value of any other asset produced and exchanged in the financial sector (Boy 2015; Ortiz 2021). This contrasts with imaginaries that define the financial sector solely as a site of markets and maximizing investors. State power is an intrinsic part of the notion of financial value, and presuppositions about the stability and temporal continuity of such power, vested in a few states around the world, form the basis of presuppositions about financial stability. But this state power is very unequally distributed worldwide. The positions at the top of the hierarchy result from a history of colonial conquest, world wars, the Cold War and its aftermath. The allocation of money towards these states by the global financial sector thus helps to perpetuate the hierarchy, reinforcing unequal relations between states. Analysis of the financial sector's increasing power in rich states shows that it is diminishing state power, while from a global perspective it is also reinforcing their dominance over other states.

Valuation and investment practices can be put to work for very different interests. In the case of Islamic finance, their meanings and definitions are transformed according to religious imaginaries justifying the prohibition of interest payments, reinforcing the dominant position of religious experts and the states that support them in certain areas of the world (Rudnyckyj 2019). In China, the central government and the Chinese Communist Party (CCP) have reinforced the use of financial methods of valuation and investment as tools to manage state-owned enterprises (SOEs), while loans given by the mainly state-owned banking system are a tool for enhancing and disciplining investment and GDP growth among local governments and both private and public corporations. Accordingly, Y. Wang (2015) shows that financialization, in this case, serves the concentration of power and central government and CCP strategies. Among these, poverty reduction has been deemed one of the most successful worldwide in the past 40 years. Financial professionals partly organize valuation and investment by mobilizing imaginaries of the state to foster identification with the national communities these states are supposed to represent. Studying fund managers in Malaysia, Pitluck (2014) thus shows that they mobilize different expectations depending on whether they identify their counterparty as foreign or as Malay. Ailon (2019) shows how lay traders in Israel who identify as Jewish situate the country with which they strongly identify as occupying a dominated position in a hierarchy at the top of which stands the United States. Forms of national identification thus connect with the way in which financial operators allocate money according to their understanding of global state hierarchies.

Conducting research between 2011 and 2016 among financial professionals engaged in cross-border investment in China, focusing on private equity,

venture capital, and mergers and acquisitions, I was able to observe how they were struggling to situate "China" in this global hierarchy (Ortiz 2023a). The government had embraced the category of "developing country" at the time of its access to the World Trade Organization in 2001. But Goldman Sachs had included China in a new category, BRICS, signaling that it no longer belonged to the more widespread category of "emerging markets." By the early 2010s, its GDP and the assets of its financial sector situated it second only to the United States. Furthermore, China's relatively high GDP growth, at a time when it was low or negative in the EU and the United States, made it a promising source of profit for the professionals I observed. But the dominance of the state in the financial sector and of SOEs in other strategic sectors did not correspond to the notion of "risk-free" that organized the kind of hierarchies established by rating agencies. Some professionals made sense of this tension by taking the view that, in the future, China would simply emulate the US and EU economic and political systems. Others, on the contrary, asserted the existence of a Chinese model that was eventually going to impose itself on the rest of the world, validated by steady profits and GDP growth. For some professionals, these two scenarios could occur progressively, while others predicted increasing conflicts around them. Many of the intermediaries I observed, in line with their position as bridges between China and the rest of the world, preferred to adopt a stance according to which, in the future, a "hybrid" would develop combining features of both sides of the divide. In the process, all these professionals contributed to some of the policies adopted by China's central government, bringing money and technology to the territory in line with government projects to upgrade technology, GDP growth, and geopolitical expansion. Thus, as they attempted to assess how to make profits by purchasing non-listed companies and bringing technology to China, these professionals mobilized various views on how the country would "develop" and what their role in the process might be. They combined this with their own identifications as "Chinese," "European," "American," or "Western," adopting various stances – of approval or rejection – in relation to "their" government and its policies. Situating China in a hierarchy of states, at a time when its position was shifting, was fundamental for the ways in which these professionals assessed profit opportunities and contributed, by applying valuation and investment procedures, to allocate money to SOEs and other companies developing their activities and technologies in the territory.

By observing different configurations of power relations and the ways in which inequalities of monetary distribution occur within and between the territories demarcated by state borders, we can see the differentiated distributive effects of financial sector operations. This is so even though, in all cases, financial professionals mobilize the same kind of procedures, including discounted cash flow analysis and relative valuation. Financial professionals accumulate and allocate money worldwide by mobilizing hierarchies of states that are partly informed by imaginaries of differentiated stages of development, which are partly contradictory and shifting, as exemplified by shifts in labels, such as "emerging markets," "BRICS," and the unstable position of "China." Discourses on development are thus part of how the financial sector is co-constituted with states and contributes to the reproduction and transformation of hierarchies among states in the global space of its operations.

## Multiple connections between development and finance

Focusing on inequalities, Arsel and Dasgupta (2015) remark on the need to combine the study of class relations with an analysis of other power relations, without subsuming the study of development under a single economic theory. This follows long-standing feminist critiques that have shown how descriptive and normative views on development have tended to render gender dynamics invisible, both among the subjects of studies and among researchers (Parpart 1993). Metrics of development that do not address hierarchies in terms of gender, race, age, religion, or nationality, among others, may reinforce these inequalities by leaving them out of policy aims. Conversely, processes of hierarchical differentiation may help to foster development policies that do not challenge them. These insights are useful when thinking about the ways in which financial professionals' profitability assessments are anchored in multiple power relations.

A case in point is the current drive by states around the world to foster general adoption of electric vehicles. The production of electric vehicles has grown rapidly in the past five years, with increasing demand in the EU and China. The lithium for the lithium-ion batteries used in these cars comes from Australia and, increasingly, from Chile and Argentina. Policymakers in Chile, Bolivia, and Argentina consider lithium a driver of development, boosting GDP growth and, potentially, technology transfers that would make these countries central to a fundamental element of a new economic process. Electric vehicles are being presented by states and the companies producing them as key to the fight against climate change, replacing fossil fuel vehicles. Investment in the lithium sector has in-

creased in the past few years, driven by rising prices and growing demand for electric batteries and vehicles. According to the view that market efficiency allows for an environmentally sustainable GDP growth, financial sector allocation of money to the electric batteries sector provides an instance of market pricing serving the optimal allocation of resources. But more detailed consideration of the development of electric vehicles powered by lithium-ion batteries shows that there are multiple power relations at play here, fostered by financial sector investment without subsuming them under a single logic of GDP growth or poverty reduction. I propose to consider three of them: geopolitical relations between states where imaginaries of national sovereignty and superiority play an important role; the conflicting definitions of the environment that are mobilized by actors concerned with lithium-ion battery production; and the gendered relations that sustain household consumption of electric vehicles (Ortiz 2023b).

Electric vehicle production is currently concentrated in China, accounting for over 50% of electric vehicles manufactured for household consumption (IEA 2022a). Electric vehicle demand is concentrated in Europe and China, where, respectively, 2.5 and 3.3 million of the 6 million cars produced in 2021 were purchased (IEA 2022b). The electric component of vehicles situates them as a key component of state policies officially aimed at environmental protection through reduction of fossil fuel use. But electric batteries are also integral to the digitalization of everyday life, entailing a major transformation of sociality, profit-making, and relations between citizens and states. Riofrancos (2023) shows that US and EU governments have adopted a series of policies aimed at creating supply chains for electric batteries that do not depend on China, for two main reasons. On one hand, these governments claim that this is a good way of boosting their commitment to environmental protection. On the other, they consider it imperative to control strategic resources in a geopolitical confrontation that has become increasingly explicit since the 2010s. For its part, the Chinese government has fostered digitalization of everyday practices not only as a form of environmental protection, but also as part of the creation of "digital China" that would become a global leader in digital technologies (Gruin 2019; J. Wang 2020). These policies include subsidies for companies involved in the production of electric batteries and electric vehicles, among others, as well as regulatory support for investment in the sector (De Podestá Gomes, Pauls, and ten Brink 2023). Finally, in the areas where lithium is mined – such as in the "lithium triangle" situated at the conjunction of the territories of Chile, Argentina, and Bolivia – local and national governments present lithium-ion battery production as the object of technological and economic development (Göbel 2013; Obaya 2021). Financial sector investment in electric vehicles is thus co-constituted globally with hierarchical relations among states.

Governments and companies involved in electric vehicle production claim that it will make a major contribution to environmental protection (Riofrancos 2023). This integrates the financial sector in a project that supposedly aims for the greater good of all, while providing investors with profits. The IMF report quoted above (2019) follows that line of reasoning, considering that correct pricing of "environmental risk" by the financial sector will put it in pole position to finance the transformations needed to avert a climate crisis. This understanding of the environment, its crisis and its solution, is one among many, sometimes conflicting, imaginaries about the planet and the place of humanity in it. For instance, it eschews proposals to radically reduce household car use and replace it with public mobility. Studies of lithium mining sites point out these mines' devastating effects, such as the depletion of water resources, affecting the livelihoods and health of nearby residents. They also point to the development of industrial infrastructure for lithium mining, which has its own environmental impacts, which tend to be neglected in these debates (Weinberg 2023). Thus political ecology points out that the definition of environmental protection that promotes household consumption of electric vehicles reproduces a hierarchical view of the global population, in which the consumption, comfort, and environmental surroundings of the wealthiest segments are to be protected to the detriment of poorer populations located elsewhere (Dorn and Huber 2020). These debates are articulated by controversies among experts in the environmental sciences, but also in law or value-chain analysis. Different metrics of development and environmental protection allocate different roles to the financial sector. Defining the sector as a locus of market efficiency asserts it as a node contributing to mutual reinforcement between environmental protection and development. As our analysis has noted, this view hides, and thus helps to reproduce, global inequalities in terms of environmental destruction and the distribution of comfort and supposed solutions to climate change.

Investment in companies related to electric batteries is in part a bet on growing sales of electric vehicles, currently concentrated in the EU and China. There, as many surveys show, household car consumption is intimately related to definitions of masculinity, which are part of broader and complex gender hierarchies. Sovacool et al. (2018) show how, in northern Europe, electric vehicle sales follow a pattern similar to that of fossil fuel cars, the majority of whose owners

are male. In China, cars are also associated with masculinity, in particular in the context of class differentiation in the constitution of kinship ties through marriage. In both cases, household consumption of electric vehicles is organized according to hierarchies that establish a connection between car ownership, maleness, and the income level necessary to afford such items (Kumar and Alok 2020; Zheng 2020). Thus financial sector investment in electric vehicles is premised on gender disparities. At the same time, by funding these companies, the financial sector, in line with the government, which subsidizes or provides regulatory support for this sector, helps to perpetuate the affordability of these markers of gender disparity. Presumably things would be different if, for instance, the public authorities discouraged household ownership of cars in favor of public transport. In this process, the financial sector's accumulation and allocation of money helps to produce an entanglement between a particular set of development policies and the reproduction of gender hierarchies.

These three examples show the importance of looking at the multiple power relations in play in the funding of technologies, production, and consumption practices. Among other things, the expansion of electric vehicles is premised on companies' ability to produce profits for shareholders, the support of states engaged in geopolitical confrontations, the dominance of certain definitions of the environment over others, and social hierarchies articulated in terms of income differentials and gender distinctions. Paying attention to this multiplicity of power relations shows how they could connect differently with different metrics and definitions of development. Differentiations among financial sector professionals are articulated in terms of gender, race, age, nationality, and religion, among others (Chong 2018; Ho 2009; Rudnyckyj 2019; Ortiz 2021). Further research could connect these inner workings of the financial sector to how financial professionals allocate money worldwide, mobilizing similar hierarchies to imagine the stability and transformation of social relations from which they expect to obtain profits.

# Conclusion

This article proposes to explore the role of different concepts of development in the ways in which the financial sector (re)produces global inequalities in the manner in which it accumulates and allocates money. Standardized financial sector procedures of valuation and investment mobilize imaginaries of global hierarchies among states that are partly articulated in terms of unequal stages of development. As they apply these procedures, financial professionals contribute to reproducing and transforming them, in a way that co-constitutes the financial sector with these state hierarchies. Power relations among states are thus sustained by financial sector practices. Looking at electric vehicles, proposed by many states and companies as a means of environmental protection and the fight against climate change, we can see how these conflicting relations among states are only part of the power relations at play in the financial sector's accumulation and allocation of money. Different views on the environment and hierarchies based on gender also play a constitutive role in this global monetary allocation. The notions of development mobilized to justify or criticize the expansion of household electric vehicle production are thus partly premised on these multiple power relations and the inequalities they tend to reproduce.

These analyses may serve as a reminder that financial sector practices, although explicitly premised on the generation of profit for the figure of the investor, are actually sustained by a multiplicity of power relations in which profits are not the sole rationale. In turn, when studying the role of the financial industry in development policies, it is important to remain attentive to how the manner in which it accumulates and allocates money can be anchored in, reproduce, and transform a variety of power relations and inequalities. In all these cases, the financial sector's global operations and the hierarchy of states upon which notions of financial value, risk, and profit are premised mean that, even when we are studying a particular locale, we must remain attentive to its global connections.

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