

# THE PRICE OF GOLD IN A FINANCIALIZED WORLD

## Gaps in the Literature

### The present conjuncture

Extractive industries are experiencing record levels of investments alongside rising prices in commodities.

The emergence of new powerful financial actors and instruments that have gained interest in investing in extractive commodity markets (and gaining substantive control of these markets) and extractive companies raises new questions on its power implications within firms and on resource exploration, production, and access as a whole.

### Focus on the firm

There is a shortage of studies in mining that treat the firm not as a monolithic entity but as the site of contestation and cooperation of different actors and of different factions of capital.

Despite the vast literature on mining, little has been done to shed light on the internal dynamics of the corporation.

### Recasting the relationship of extraction, capital and finance capital

Analyses that point to the globalizing tendencies of such developments like financialisation must be tempered by showing how these are ultimately bound and co-evolve with locally-based systems of extraction and production (Bunker 1985).

There is a need to recast the relationship between productive and finance capital. Finance is often dismissed in the realm of abstraction, which leads us to miss out on how it has permeated areas beyond the realm of money. At the same time, treating finance and productive capital as working in opposition loses sight of the historical evolution of the relationship between finance and productive capital.

## Aims and objectives

The research aims to explain how financialization is transforming extractive practices in the gold mining industry and its socio-ecological implications.

It will seek to:

- map out and unbundle the empirical markers of financialization within mining companies by a) identifying the instruments and actors that enable financialization and b) the activities through which financialization has taken place
- uncover the effects of financialization on the extractive process
- investigate the ecological implications as gold mining becomes increasingly mitigated through financial markets and not just markets.

## Research questions

Central to the study is the investigation of the effects of financialisation for practices of extraction in the gold mining industry.

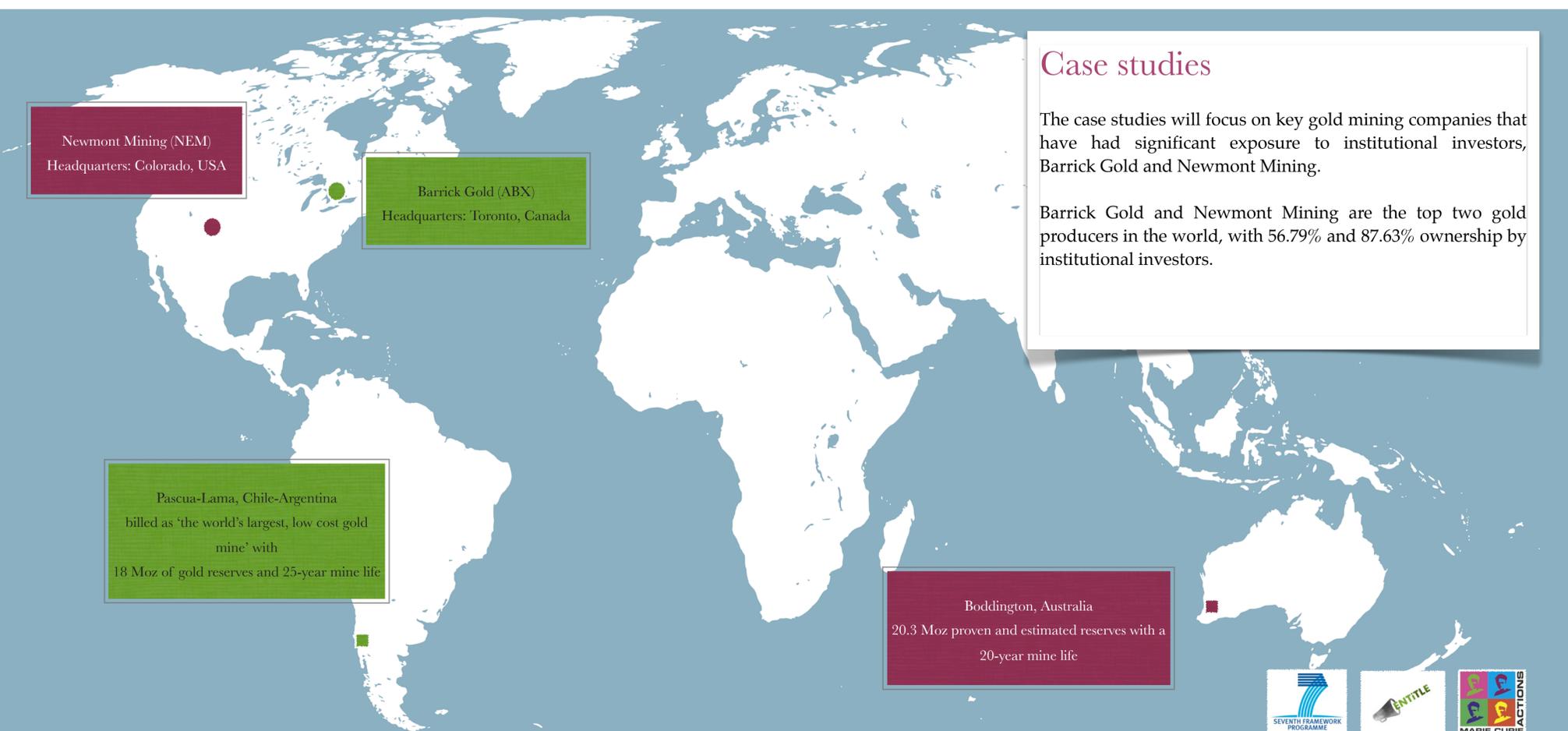
Concretely, it asks:

1. To what extent has financialization taken place? Through which instruments and by which actors?
2. Does the entry of new financial actors and intermediaries impact resource extraction activities and the behavior of companies engaged in such activities? In what ways?
3. What are the impacts on the environment? Are national/local/corporate environmental regulations and initiatives altered by these new imperatives?

## Case studies

The case studies will focus on key gold mining companies that have had significant exposure to institutional investors, Barrick Gold and Newmont Mining.

Barrick Gold and Newmont Mining are the top two gold producers in the world, with 56.79% and 87.63% ownership by institutional investors.



## The literature and conceptual framing

To shed light on the internal dynamics of the corporation, the research will draw from the *shareholder governance literature* which studies corporate decision-making and re-organisations that came with financialisation within the firm. To date, it stands as the sole body of work that reveals crucially how financial interest has become a guiding principle in the conduct of the firm.

The shareholder governance literature, in turn, needs to be incorporated in *systemic explanations of financialisation* which provides historical and political complement to firm-level analyses. Systemic explanations consider the search for equilibrium between 'finance' and 'production' as a recurrent feature of the capitalist system (Arrighi 1993) and the current equilibrium as but a reflection of what is necessitated by a particular stage in the process of capital accumulation (Harvey 1999).

To avoid finding the ecological in the economic, the local in the global, requires a more integrated approach on how we consider financialisation and ecological transformations as part of the same process. The *political ecology literature* points to how the materiality and the physical attributes of nature has as much influence on the production process and on the pace and manner by which capital accumulation proceeds. *Mining*, given its spatial fixity, is well-situated to show the integration between ecology and local processes with 'global' phenomena like financialisation.

The research will build on the strengths of the *shareholder governance* and *systemic financialisation literature* to provide a robust account of financialization, while remaining sensitive to the peculiarities of mining and attendant to the interlinkages between ecology and financialisation. These linkages and sensitivities must be attended to as we consider changes in the way capital works as an organising force for the production, appropriation and control of nature.

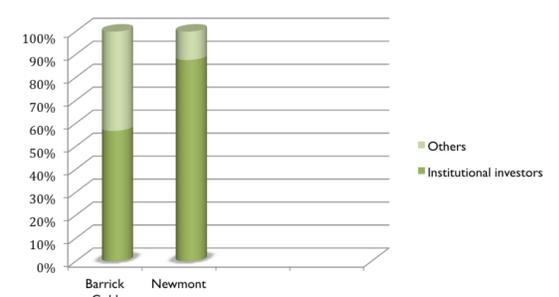


## Why gold mining?

The top gold mining companies are now largely owned by institutional investors. Appreciation in gold prices has renewed investor interest in the metal. Ownership of mining stocks provides one means of gaining exposure to higher gold prices.

Possible impact of 'financialization' in firm-level strategy:

- on production*, less emphasis on being the biggest producer in favor of more streamlined operations;
- on operations*, with focus on developing core assets with high reserves and longer mine life;
- on site selection*, with preference to low-risk environments that can generate faster turn-over of capital



## Methodology

Field work will be conducted in Toronto and Colorado where the headquarters of Barrick Gold and Newmont Mining are located. This will be followed by *site visits* in their operations in Pascua-Lama mine in Chile-Argentina and Boddington, Australia (core assets) and other select peripheral assets. Also, there will be *semi-structured interviews* with government officials, policy makers, firm executives and employees, non-governmental organisations and the local communities. The research will rely both on primary and secondary sources. Documents to be collected include: copies of state legislations, policy documents, development strategy papers by the governments of Australia and Chile-Argentina and by local governments; company reports/annual reports by Barrick Gold and Newmont Mining; reports from research institutes, NGOs, civil society organisations, and environmental groups.