

What is GEOFIN about? (GEOFIN blog by Martin Sokol)

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GEOFIN is a 5-year research project funded by the European Research Council (ERC) and titled “Western Banks in Eastern Europe: New Geographies of Financialisation”. As its name suggests, the project is concerned with ‘financialisation’ – a process that can be described simply as a growing power of finance over societies and economies. Financialisation is increasingly recognised as the key feature of contemporary, inequality-ridden capitalism and a main cause of the recent global financial crisis. Better understanding of financialisation is therefore crucial if we want to achieve a more stable and more equitable financial system in Europe, to the benefit of all its citizens.

In order to research financialisation and its consequences, GEOFIN focuses on post-communist societies of East-Central Europe. Specifically, the project is interested in the ways in which Western European banking groups penetrated the region and how they established their operations in a completely new context. The context of East-Central Europe (ECE) is extremely interesting and quite different from any other context in the world. Indeed, societies and economies in post-communist Eastern Europe were previously built on principles that were the very opposite to those associated with financialisation. In the communist utopia, the needs of people were supposed to be catered for by a caring collectivist society and the role of money would disappear. However, following the collapse of the state-socialist regimes, East-Central Europe witnessed a dramatic turnaround of values and principles. The speed and scale of the transformation was unprecedented in modern history. Practically overnight, pro-market economy reforms introduced individualistic competition where money is (nearly) everything. It is in this context that Western banks entered Eastern Europe and started offering services – many of which were previously virtually non-existent in the region. These Western banks (that are, almost exclusively, Western European banks) were thus able to build their commercial operations to their liking. In doing so, they have created new patterns of financialisation. A key manifestation of this has been an explosion of availability of credit products, leading to a dramatic increase in debt in general and household debt in particular. Growing indebtedness in East-Central Europe appears to mirror similar processes in financialised Western societies, but in a sharply different context.

GEOFIN thus uses East-Central Europe as a laboratory to study financialisation in this unique, yet under-researched, terrain. The key objective is to examine how states, banks and households in post-socialist contexts have been financialised and to consider what implications this has for the societies in question and for Europe as a whole. Key questions that GEOFIN aims to explore are:

- To what extent is the process of financialisation in post-socialist East-Central Europe different from financialisation in the West and what role have state-socialist legacies played in this?
- How have Western banks managed to ‘penetrate’ post-socialist East-Central Europe and how is this linked to wider processes of financialisation in Europe?
- How have post-socialist states in East-Central Europe been inserted into the circuits of Western finance and with what implications?
- How have households in post-socialist East-Central Europe engaged with the new financial system?
- What role has geography (space, place and scale) played in the above processes? What implications does this have for the theorisation of financialisation?

- What lessons can be learnt from the East-Central European experience in the search of sustainable financial futures in Europe that would be compatible with the EU's commitment to economic, social and territorial cohesion?

In exploring these questions, GEOFIN also attempts to pilot a novel approach based on the concept of 'financial chains' (Sokol, 2017). In simple terms, 'financial chains' could be described as financial links through which money (and value) flows between key actors in the economy (e.g. households, states, banks and firms), chaining them to each other in the process. A specific focus of GEOFIN is on 'financial chains' created via the advancement of credit and the repayment of debt (e.g. mortgages for households) and how such 'financial chains' vary in different geographical settings. Geographically, GEOFIN research focuses on 11 post-communist countries of East-Central Europe that have joined the European Union (EU). These are the post-communist countries that have fully liberalised their financial systems as part of their EU accession process and are therefore most open to Western banking capital. For the purposes of our study, these countries are split into three groups: 'Central Europe' (Poland, Czechia, Slovakia, Slovenia and Hungary); the Baltics (Estonia, Latvia, Lithuania); and 'South-East Europe' (Romania, Bulgaria, Croatia) (Fig. 1).

Besides providing an in-depth analysis of financialisation of states, households and banks of these countries, GEOFIN aims to elucidate the ways in which this is linked to wider financialisation processes in Europe and how this contributes to uneven geographical development in the EU. In doing so, GEOFIN research will also stimulate debate on the future role of finance in Europe.

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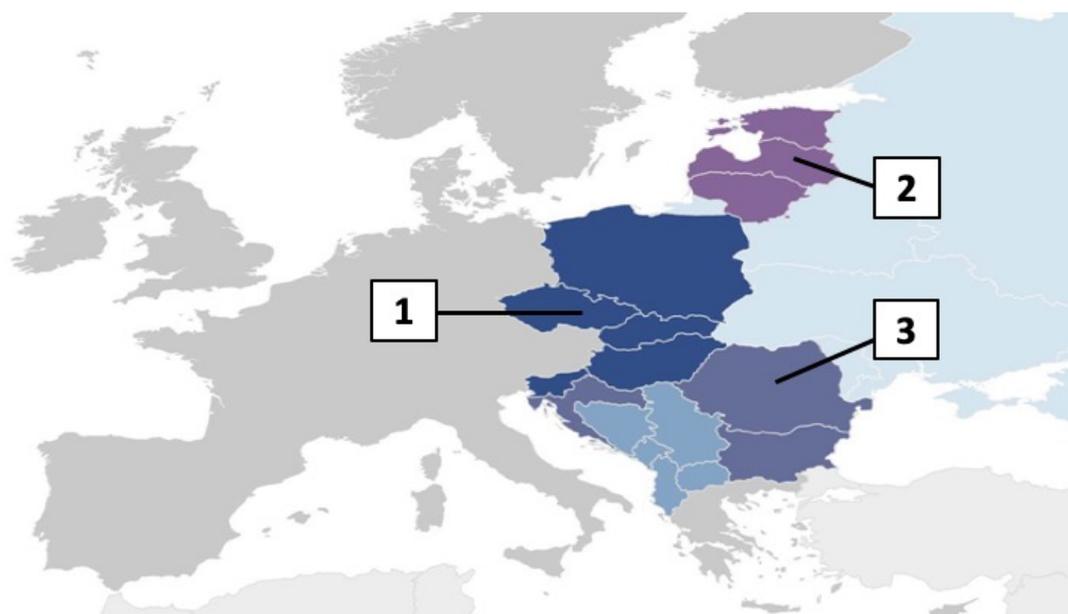


Fig. 1: East-Central Europe: (1) Central Europe, (2) the Baltics, (3) South-East Europe.