

GEOFIN Blog #7 - 'Subordinated Financialisation'? The Role of Credit and Debt in Everyday Lives of Households in East-Central Europe (by Alicja Bobek)

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The issue of household financialisation, and financialisation of everyday life, has gained increased interest over the past few decades. It has been argued that financialisation of households is part of a broader socio-economic transition, which involves an overall growing importance of financial institutions and logics. At the core of this shift is the withdrawal of the state provision of welfare, especially in relation to housing. This consequently results in the financialisation of home ownership and expansion of mortgage markets (Aalbers, 2008). Furthermore, in line with some of the classic theoretical accounts, debt has become an inevitable part of the life-cycle (e.g. Ando and Modigliani, 1963) and access to credit constitutes a crucial aspect of the optimization of cash flows and well-being of households (Beck and Brown, 2012). However, it has also been argued that over-indebtedness can have negative effects on individuals, households and communities (e.g. Montgomerie and Tepe-Belfrage, 2017).

Quite importantly, while the impact of these processes on individuals and households is relatively well documented in 'Western' societies, literature on financialisation of households in East-Central Europe (ECE) remains rather limited. Yet, households in this region may increasingly be a subject of what was termed 'subordinated financialisation' (Lapavitsas, 2013), which has a significant impact on everyday lives, especially in relation to commodification of services previously provided by the state.

In this paper (Bobek, 2019), which I presented at the 17th Polish Sociological Congress in Wroclaw (10-14 September 2019) I further explored the issue of the household financialisation in the ECE countries. As discussed in this paper, financialisation in ECE region is often regarded as part of the 'catching up' process with the West (Andre, 2015; Chmelar, 2013; Sainsot, 2015). I argued, however, that this view may be over-simplistic. First, the levels of households' financial debt in this region remain relatively low. This is especially the case of the mortgage-related debt, as most homeowners in ECE countries have no outstanding mortgage or loan (Fig. 1). Nevertheless, household debt in most of these countries has been growing over the past few decades (see Fig. 2). In this case, financialisation should be analysed as a *process* rather than a social fact. The impact of debt on households can also have different consequences compared to households in Western Europe. This can be further problematized in the light of so-called 'financial literacy' and trust in financial institutions. Finally, processes and the effects of financialisation in the ECE region can also be 'uneven' and need to be scrutinized in relation to geographical locations and to social structures. In particular, regional differences, as well as rural-urban divisions, should be further examined.

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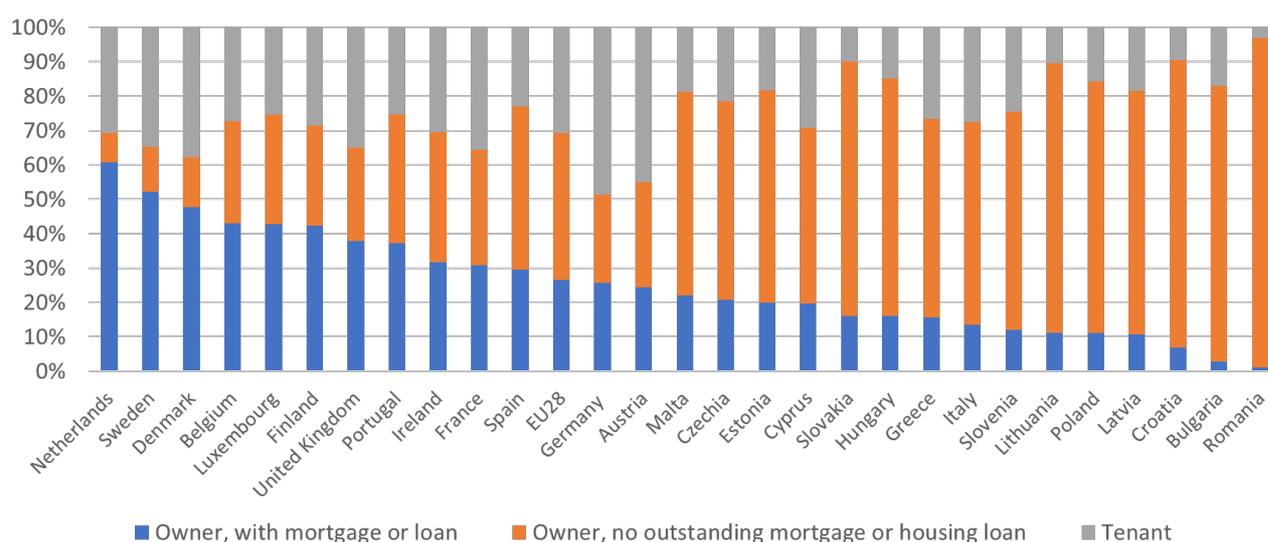
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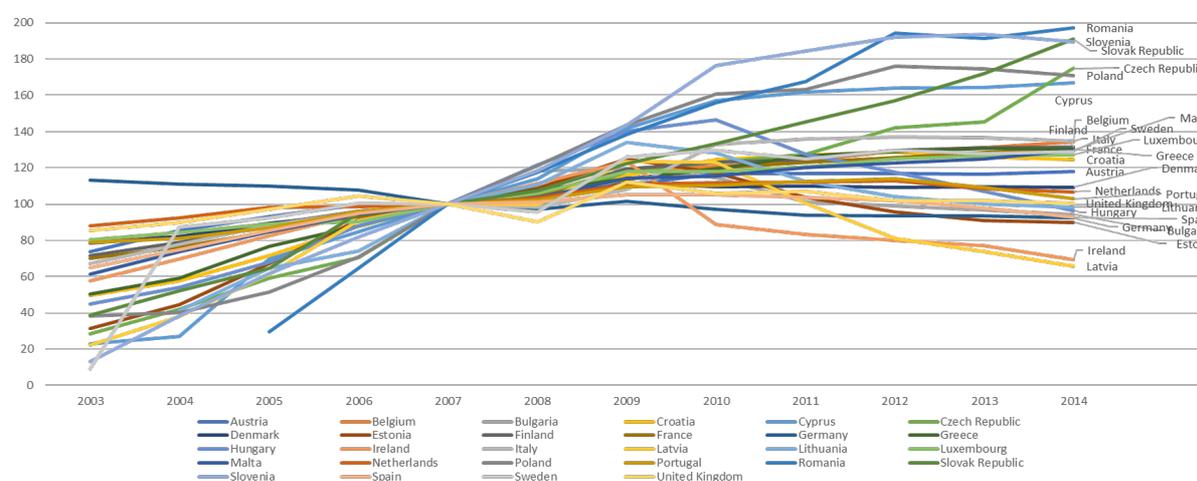
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Fig. 1. Tenure status in the European Union (2017)



(Author's elaboration; Data source: Eurostat (2018))

Fig. 2. Outstanding residential loans to GDP ratio, European Union (2003-2014), Index (2007=100)



(Author's elaboration; Data source: European Mortgage Federation, (2015))

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