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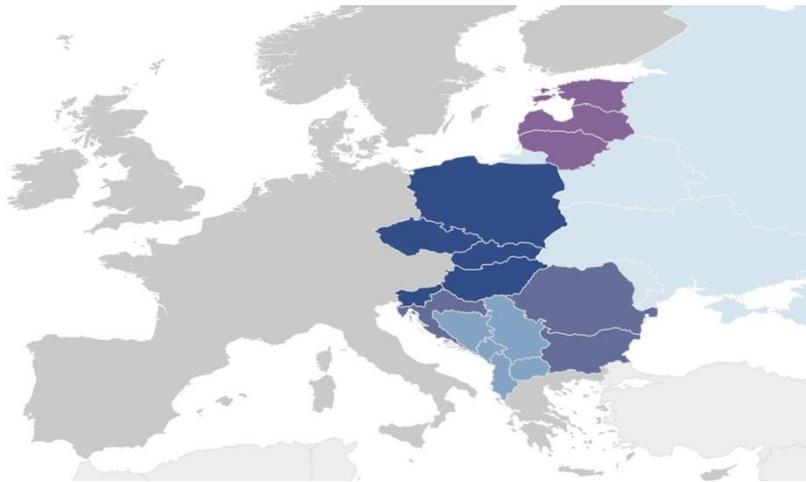
**Financialization of the state in
postsocialist East-Central Europe:
conceptualization and
operationalization**

Marek Mikuš

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Financialization of the state in postsocialist East-Central Europe: conceptualization and operationalization

Marek Mikuš

Abstract:

This working paper presents a conceptual framework for GEOFIN's analysis of the financialization of the state in eleven European Union member states in postsocialist East-Central Europe (ECE-11) and operationalizes it for the purposes of analysis of internationally comparable secondary quantitative data. The first half of the paper develops a systemic, processual and spatial approach to the financialization of states. The second half of the paper identifies key dimensions of state financialization processes, their forms that scholarship discussed as prevalent in East-Central Europe and/or (semi-) peripheries, and their potential indicators in secondary quantitative data. The following dimensions of state financialization are covered: monetary and fiscal policies (including sovereign debt); public-service provision; lawmaking and regulation; and investment policy.

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1. Introduction

Literature on financialization has grown considerably in recent years in a number of social science disciplines, including heterodox economics of different persuasions, sociology, human geography and anthropology (for literature reviews, see Erturk et al. 2008; van der Zwan 2014). While the dramatic rise of the concept of financialization has led to concerns over its overuse and loss of its analytical precision (Christophers 2015b), its first occurrences and discussions of the phenomena it describes in scholarly literature go back to the 1960s and 1970s (Kalb 2013; Lapavitsas 2013: 15–18). Clearly, then, financialization is more than a vogueish concept of our era: it is a meaningful and evocative, if not unproblematic, instrument for theorizing the fundamental and highly apparent transformations of global capitalism in recent decades (Aalbers 2015), characterized most of all by an unprecedented expansion of the scope, power and complexity of finance and its penetration of various social realms.¹ Though there is a wide range of concepts, foci and methodological approaches in this literature, most authors share a broad view of financialization as a finance-led or finance-centric process of economic transformation that is summed up in its probably most often quoted definition as “the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies” (Epstein 2005: 3). More recently, Aalbers (2017: 3) offered an expanded version of this definition of financialization as the “increasing dominance of financial actors, markets, practices, measurements, and narratives, at various scales, resulting in a structural transformation of economies, firms (including financial institutions), states, and households”.

While the two definitions share the core assumption of an increasing role/dominance of finance, Aalbers’s version adds a reference to states (as well as firms and households) as objects of financialization along with economies. This takes financialization out of the narrowly economic realm and hints at its relevance also for the formation of contemporary states. Later in the same chapter Aalbers (2015: 9) goes on to note that the state is not only subjected to financialization but may be also its key agent, as described and analysed in detail by Helleiner (1994) and Krippner (2011), among others. However, despite this major

¹ In this paper, I focus almost exclusively on contemporary financialization, i.e. transformative processes that are widely believed to have been visible in advanced capitalist economies since the 1970s. Unlike Christophers (2015b: 191–94), however, I do not believe that this means that the usage of the financialization concept has to be necessarily ahistorical. Given the long-term continuities of capitalist uneven development, there are also empirically observable and theoretically significant parallels and/or continuities between the current and past episodes of state financialization, including in East-Central Europe (see especially Dyson 2014). At the same time, however, I agree with Aalbers (2015: 216) that contemporary financialization is both quantitatively and qualitatively different from its previous iterations.

double relevance of the state, most literature on financialization so far has treated the role of the state as a kind of background assumption. Even authors who described in detail some of the recent shifts in the state-finance nexus typically did not seek to elaborate their systematic, comprehensive description and analysis to the extent that their primary focus lied elsewhere (Fastenrath et al. 2017: 276; Hendrikse and Lagna 2018: 2; Sokol 2017a: 680–81). This gap in scholarship is, as could be expected, only so much greater in postsocialist East-Central Europe, one of the parts of the world that were generally marginalized in the financialization literature with its dominant focus on capitalist cores, in particular the US, the UK and Western Europe (Gonzalez 2015: 782–83; Lai and Tan 2015: 76; Sokol 2017a: 682).

Still, an incipient study of the financialization of the state in postsocialist Europe is today able to draw quite directly on at least two burgeoning lines of enquiry within the financialization scholarship. First, the emergent literature with an explicit empirical and theoretical focus on the financialization of the state (Fastenrath et al. 2017; Hendrikse and Lagna 2018; Lagna 2016; Schwan 2017). Second, the work on the geographic and historical variegation of financialization and its dependent, subordinate and (semi-) peripheral forms, including in East-Central and South East Europe (Becker et al. 2010; Bohle 2018; Gabor 2010, 2011, 2012; Lapavitsas 2013; Lapavitsas and Powell 2013; Radošević and Cvijanović 2015; Rodrigues et al. 2016; Sokol 2017a). The former theorizes, operationalizes and empirically studies specific modes, mechanisms and manifestations of state financialization, but so far in other contexts than postsocialist Europe; there is therefore a scope for testing its toolkit under construction in this particular context. The latter literature offers a wealth of findings about financialization in various (semi-) peripheral contexts (including some of the studied countries) as well as theoretical suggestions about (semi-) peripheral financialization in general. However, it has not yet attempted a systematic and comparative analysis of the financialization of states in postsocialist Europe. This working paper is intended as a first step toward such an analysis in the group of eleven EU member states in postsocialist East-Central Europe (“ECE-11” from now on).² It is devoted to a conceptualization of the financialization of the state and its operationalization for the purposes of initial, exploratory steps in GEOFIN’s empirical research, which will be based on descriptive and comparative analysis of secondary quantitative data (see GEOFIN Working Paper 4 - Mikuš 2019b).

² Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia (see Sokol 2017b for justification).

2. Conceptualizing the financialization of the state

2.1. *Financialization, its limits, and space*

This working paper on the financialization of states in East-Central Europe adopts a systemic, processual and materialist approach to financialization as a structural transformation of contemporary global capitalism. While I do not engage in a discussion of the root causes of financialization, the emphasis in such an approach (or family of approaches) on financialization's core tendency – the “increasing role/dominance” of finance in the wider economy and society – suggests its proximity to theories that see financialization as a shift to finance-led accumulation regime (Boyer 2000; Stockhammer 2008) or as a process of capital switching in an attempt to “fix” (in fact, displace in space and time) a crisis of capital overaccumulation (Aalbers 2016: 82–85; Harvey [1982] 2006). While strong explanatory and predictive propositions about financialization continue to be contested, a minimum assumption inherent to a concept of financialization as a structural transformation of capitalism seems to be that it has systemic effects: it brings about mutually supportive, integrated and cumulative changes in the practices, strategies and interrelationships of social actors (Lapavitsas 2013: 36–37). It follows that a broad empirical referent of the “financialization of the state” corresponds to changes in the practices and modes of operation of the entities constituting “the state”, their mutual relationships and relationships with non-state entities. At the same time, it is necessary to qualify this logically derived assumption in several crucial respects.

First, it is important to avoid imagining that financialization unfolds teleologically – as a “linear, uninterrupted, ineluctable process” (Christophers 2015b: 194) with a pre-defined end-point. Here, this end-point would presumably correspond to a fully financialized capitalism with no “real” production or other services, which intuitively is a very unlikely scenario (Christophers 2015b: 195–96). Capitalist finance has developed in a relationship of mutual interdependence with real accumulation and the circuits from which it extracts value are located in the spheres of production and increasingly also consumption and social reproduction (Bryan et al. 2009; Lapavitsas 2013: 36–39, 121–23; Roberts 2016), which suggests that it is defined by a need for an “outside” to which it relates in a predatory or parasitic manner.

Second, getting rid of teleology means making room for the internal and external limits of financialization, including the possibility of its partial or complete reversal – de-financialization (Bieling 2013; Christophers 2015a; on de-financialization in ECE, see Gabor 2010, 2011). Financialization processes may be slowed down, halted and/or reversed as actors respond to changing conditions and interventions of states and other governance

actors. Such actors may seek to manage the detrimental effects of financialization but also respond to its contestation by wider social forces – a consideration that has been so far relatively neglected in the financialization literature. More broadly, this literature has so far privileged “underlying structural political-economic dynamics of the rise of finance” over “concrete actions and decisions (or non-decisions)” (Nölke et al. 2013: 210). Obviously, issues of politics and agency are particularly relevant for a study of the financialization of the state.

Third, to the extent that contemporary economies, societies and states are complex, multidimensional and multiscalar, such are necessarily also the processes of their financialization (Aalbers 2017; Hendrikse and Lagna 2018). An awareness of scale is part of a larger notion of financialization as a spatial process, which is being developed by the aforementioned literature on variegated financialization and geographic work on financialization more broadly (French et al. 2011; Pike and Pollard 2010; Sokol 2017a). Key considerations include core-periphery relations and geographies of uneven development (in reference to both financialized and productive accumulation) as well as varied and intersecting regulatory environments and markets at multiple scales.

2.2. The concept of the state

At this stage, it is useful to make more explicit the concept of the state that informs analysis in this paper. One general observation that follows from the previous subsection is that the spatial character of financialization as well as various forms of rescaling (“denationalization”, “internationalization” etc.) of the state in recent decades (e.g. Cox 2009; Jessop 1999; Keating 2013) imply that we need to avoid the frequent automatic equation of the concept of the state with the nation-state. While the nation-state is the main unit of analysis in this working paper, reflecting the dominant focus in the existing literature and the methodologically nationalist nature of most of secondary quantitative data, effort needs to be made to bring in as much as possible local, regional and inter-, trans- and supra-national (in our context especially EU) state apparatuses, practices, representations and state-society relations, in particular in future research in the GEOFIN project.

Beyond this general consideration, I find particularly insightful the critical realist and “strategic relational” concept of the state developed by Jessop (1990, 2008). His discussion begins from a “rational abstraction” of the state as “a distinct ensemble of institutions and organizations whose socially accepted function is to define and enforce collectively binding decisions on a given population in the name of their ‘common interest’” (Jessop 2008: 9). This is, in part, a functional and materialist definition of the state as a specific form of political

organization corresponding to an “ensemble of institutions and organizations”. This point is methodologically important, as state agencies are thereby defined as actual entities as well as entities rendered visible in statistics and hence covered by a variety of data, at least in aggregates labelled as “general government”, “central government” or “local government”.³ At the same time, the definition is more critical than conventional formal and functional definitions of the state in that it emphasizes its constitutive interrelationship with the wider society from which it derives its specific form of power and legitimacy. What is more, Jessop (2008: 9–11) immediately qualifies his rational abstraction of the state and specifies a number of its limits in practice: the problematic, uneven and ideological integration of the ensemble of state organizations; their mutual permeation, rather than distinct boundaries, with the society, including in the form of governing micro-processes of the kind emphasized by Foucault; the dependence of particular state forms on social forms in which they are embedded; and the discursively constructed and hence always partial and contestable character of the “society” and its “common interest” that the state purports to represent. With such a “critical realist” conceptualization synthesizing mainly Marxist/Gramscian and Foucauldian approaches to the state, Jessop (2008: 15) proceeds to specify his relational notion of the state as a “social relation ... the site, the generator, and the product of strategies”. These are political strategies of various social forces operating in and beyond the terrain of the state and seeking to capture state power. Since the current state form is an institutional sedimentation of the outcomes of previous political strategies, it is more open to particular types of strategy than other types, which is captured by the notion of the “strategic selectivity” of the state (Jessop 1990: 260–61).

These ideas are important in decentring the formal apparatuses of the state and emphasizing their mutually constitutive, dynamic, and deeply political relationships with wider social forces. In this paper, I use this conceptualization of the state to avoid equating the state as such a complex, relational and socially constructed phenomenon to its positivist notions in statistics and much of economics, which posit the state as a monolithic entity clearly distinguished from the society. While GEOFIN Working Paper 4 (Mikuš 2019b) will perform an analysis of secondary data in which such notions of the state are implicit, I seek to combine them with relevant qualitative insights to develop a more critical view of the data, its biases and gaps in knowledge. An analysis of macroeconomic data cannot be seen as sufficient to fully understand the financialization of the state since the underlying methodologies take the nature of the state as given. Qualitative methods such as

³ At the same time, it should be remembered that a focus on (formal) state organizations rather than, say, state processes, which can ensue from reliance on available statistical data, has its epistemological limits and should be balanced with use of other optics.

interviewing, ethnography and discourse analysis will be essential to develop an exploratory and inclusive perspective sensitive to transformations of state practices, meanings and representations that are beyond the field of vision of quantitative approaches. The overall objective of this research stream of the GEOFIN project is to gradually develop an understanding of the financialization of the state in postsocialist East-Central Europe as constituted by a multitude of transformations of specific institutions, organizations and practices that make up the “state”. As such, these transformative processes involve potentially quite distinct social forces, political strategies, and obstacles and resistances to their realization, while some processes identified in one spatiotemporal context may prove irrelevant or impossible in another context.

3. Dimensions of state financialization processes

Several recent contributions attempted to elaborate the concept of the financialization of the state by suggesting analytical axes along which its variations, dimensions and components might be specified. Such classifications and typologies, if treated as analytical rather than ontological, are useful as guides for mapping various potential aspects and dimensions of state financialization as a complex process. Of course, their relevance for the studied geographic and historical context will have to be determined empirically. More generally, usage of existing typologies should not prevent us from a systematic focus on the relations and processes that encompass or cut across several classes of phenomena and from developing new, more empirically valid or theoretically productive typologies.

Aalbers (2017) recently proposed a binary distinction within the financialization of the state, which is itself part of his longer list of “themes” in research on financialization. The first of the two themes is the “financialization of the (semi-) public sector: that is, government, public authorities, education, health care, social housing, and a range of other sectors becoming dominated by financial narratives, practices, and measurements” (Aalbers 2017: 3). The more detailed discussion of this theme later in the same chapter focuses on the increasing subjection of states or particular public sectors to financial metrics (such as credit ratings) and narratives, which results in their management as financial assets (Aalbers 2017: 8). The second dimension is the “financialization of public policy: that is, the financial industry’s concerns becoming increasingly privileged in the policy domain” (Aalbers 2017: 3). Here Aalbers thinks in particular of how governments created and promoted new kinds of financial markets through a combination of commodification/privatization and de-/re-regulation, often under the direct influence of the financial capital lobby (Aalbers 2017: 8–9). While Aalbers (2017: 3) claims that these two themes “separate two quite different processes underlying the financialization of the state”, in my view their empirical referents in

fact overlap to a significant degree. At the first sight, the distinction seems to correspond to the two articulations of the state-finance nexus under financialization to which I alluded in the introduction: the state as an object of financialization (passive role) and as its subject (active role). However, public sector organizations and entire states presumably do not become subjected to financial metrics and logics entirely spontaneously but, at least in part, as a result of specific public policies. At the same time, states (or rather social actors controlling state power) did not necessarily promote financialization out of their purely autonomous will but also, as Aalbers himself recognizes, in response to the power of financial capital. Peripheral states may be also compelled to do so by financialized core states or international/supranational governance actors. These overlaps between the two dimensions reflect the broader relational character of the state and its porous boundaries with the wider society, which render any assumptions about either “state” or “society” (“economy”, “market”) as possessing full agency and autonomy from each other reductionist and simplistic. Still, Aalbers’ distinction is useful in reminding us that the role of the state (or specific state actors) in financialization may be more active or passive in particular moments or in particular contexts that we may choose to emphasize for analytical and theoretical purposes.

In a recent paper, Hendrikse and Lagna (2018) provide two analytical typologies of the dimensions of state financialization. The first typology reflects the authors’ own analytical emphasis on the multiscale nature of the state and hence its financialization, and the potential of the latter to contribute to a rescaling of the state. Accordingly, they identify three categories of state financialization:

First, *internal* state financialization describes the market-oriented transformation of state functions that was accompanied by the downscaling of authority to the subnational level. Second, *external* state financialization entails the market-oriented reshaping of state functions that co-existed with the upscaling of authority to the supranational level. Third, *executive* state financialization describes the pro-market renovation of central state functions (Hendrikse and Lagna 2018: 3, their emphasis)

However, these definitions seem in need of a more precise phrasing. Rather than *market-oriented* transformations, which really describes marketization, we should look for transformations oriented to *financial* markets and actors, relying on financial technologies and techniques, and/or guided by financial logic and narratives. In addition, it is not necessarily the case that internal state financialization is “accompanied by” a downscaling of authority to the subnational level; it may also follow such downscaling with some delay, presumably as subnational authorities first explore other ways of meeting their new roles. In a sense, the references to “internal” and “external” transfers of authority divert the attention

away from financialization and seem to take it for granted that pre-financialization, state authority is inherently national, even though sub- and supranational state forms have arguably been around for a while. Moreover, the typology is not logically consistent as internal and external state financialization can be simultaneously forms of executive state financialization to the extent that sub- and supranational state forms possess executive functions. I therefore suggest relabelling the three dimensions as subnational, supranational and national state financialization such as to make explicit and consistent their anchoring in (arguably conventionally conceptualized and debatable) spatial levels at which state power manifests. At the same time, I suggest dropping assumptions of a necessarily close temporal association (simultaneity) between, on the one hand, financialization of the state, and on the other, its denationalization or internationalization. The two kinds of processes may be contemporaneous and/or interrelated, but they can also occur at different points and at least partly independently of each other. Established non-national state forms may be also financialized; for example, European countries have had local state forms (such as municipalities) for centuries before they started to use derivatives.

The second typology that Hendrikse and Lagna (2018) introduce is used to organize their state-of-the-art of the literature on state financialization. While less elegant than their first typology, which can be understood as cutting across it, its grounding in “core state functions” (Hendrikse and Lagna 2018: 5) makes it a better choice for the purposes of structuring and organizing empirical analysis, since the identified state functions correspond to relatively discrete (also institutionally) and internally coherent clusters of empirical phenomena. Accordingly, I use a slightly modified version of this typology to organize the remaining section of this section in which I review literature on the phenomena identified by Hendrikse and Lagna and consider how this work operationalized the financialization of particular state functions and what indicators it employed to detect and measure it, with a particular emphasis on the data to be analysed in the next step: internationally comparable secondary quantitative data.

Hendrikse and Lagna (2018: 5) identify five state functions that scholars have discussed in relation to financialization: “sovereign power in domestic and foreign affairs; monetary and fiscal intervention; public-service provision; lawmaking and regulation [and] the state as an economic actor”. Their discussion of the financialization of the first function highlights how the globally hegemonic sovereign power of the United States was deployed to extend, through learning, emulation and competition (or, one might wish to add, imposition), its own forms of financialized arrangements, institutions and practices to other national contexts (Hendrikse and Lagna 2018: 5–6). However, this is simultaneously too generic and too particular as a definition of “state function”. On the one hand, sovereign power of the

state is *the* defining characteristic of the state in general and hence inevitably relevant also for the other state functions in Hendrikse's and Lagna's typology, which implies that this item is not sufficiently distinguished from the remaining four items. When it comes to financialization, states clearly had to deploy their sovereign power in domestic affairs in order to financialize their monetary and fiscal policies or their provision of public services. The generic nature of this function also makes it difficult to envisage its operationalization and specific indicators. On the other hand, the discussion intended to illustrate this function emphasizes the unique position and capacity of one state (United States) in the interstate system and global economy, which begs the question of the applicability of this category to other states. In what follows, I therefore omit this item of Hendrikse's and Lagna's typology (sovereign power) and instead seek to build considerations of both external and internal exercise of state power into an elaboration of the financialization of the remaining state functions: monetary and fiscal policies; public-service provision; lawmaking and regulation; and the state as an economic actor, which I relabel as investment policy.

3.1. Monetary and fiscal policies

Monetary and fiscal policies are two key policy domains in which states, in particular nation-states (or federations) with their tendency to monopolize monetary policy and much of fiscal policy, engage with the constitutive phenomena of financialization – money and finance. Unsurprisingly, then, much of the existing scholarship on state financialization focuses on various aspects of monetary and fiscal policies, such as liberalization, inflation-targeting, exchange rate regimes, fiscal consolidation (austerity) and public debt.

3.1.1. Monetary policy under (peripheral) financialization

Monetary policy is the key instrument of the state, today mainly in the hegemonic but historically particular form of “independent” central banks, for manipulating the supply and price of money - the quintessential capitalist commodity that serves as the universal equivalent and as the material basis of finance (Lapavitsas 2005, 2013: 69–105). It is through monetary policy, then, that the state can promote financialization and keep it on track at critical points through provision of liquidity to the financial sector. In her influential work, Krippner (2011) has shown how increasingly market-oriented monetary and fiscal reforms in the United States, which started as policymakers' effort to resolve social tensions arising from economic stagnation in the 1970s, initiated and propelled financialization of the US and, by extension, global economy. She traced three key stages in this transformation. First, the deregulation of domestic financial markets in the 1970s, which resulted in rapid

credit expansion. Second, drastic increases of policy interest rates from the early 1980s in an effort to keep the credit boom in check, which in turn attracted massive foreign capital inflows. This imperial capacity of the US to draw in surplus capital of the rest of the world, connected also to the status of the US dollar as world money, is one of the defining moments of contemporary financialization (Kalb 2013; Lapavitsas 2013; Varoufakis 2011). The final stage in Krippner's chronology is the adoption of the policy of "transparent" inflation targeting in the 1990s. The Federal Reserve Board sought to depoliticize monetary policy and its own role through neoliberal arguments such as that attempting to govern markets was counterproductive and central bank intervention should be limited to managing expectations and "signalling" to markets; effectively, following rather than leading markets. With hindsight, it is clear that this stance was directly complicit in the credit bubble that resulted in the 2007–8 financial crisis.

In the European context, there are parallels between Krippner's account and recent work on the European Central Bank's (ECB) active support for the expansion of European repo and securitization markets and the development of new entanglements between them and the eurozone member states (Braun 2016; Braun and Hübner 2017; Gabor 2016; Gabor and Ban 2016). However, the specificity of this case of market-based central banking is the way in which European policymakers sought to harness the financial markets they were producing to devise "financial fixes" for the asymmetrically developed European state (monetary and market union without fiscal union). Indeed, one key mechanism was to support the emergence of the European repo market by striking an alliance with European private banks in which central banks provided a suitable regulatory framework and collateral for repo transactions in the form of government bonds while private banks agreed to treat bonds of all eurozone states as equivalent, thereby "Europeanizing sovereign collateral" (Gabor and Ban 2016: 623–25). This, of course, was the mechanism that allowed the peripheral states of the eurozone such as Greece, Ireland, Italy, Portugal and Spain to access abundant cheap credit during the pre-crisis credit bubble of the 2000s. However, this has not only deepened the structural asymmetries and vulnerabilities of their economies but also created new financialized state-market relations, as reflected in the ECB's use of repo market-based collateral practices such as mark-to-market, margin calls and haircuts during the European debt crisis (Gabor and Ban 2016: 627–28). As a result of these new linkages between repo and sovereign bond markets,

the standing of a sovereign in financial markets now hinges on the collateral quality of its debt, which in turn depends on (shadow) banks' expansion strategies, their vulnerability to short-term funding shocks, the portfolio decisions of resident and non-resident bondholders, the collateral policies of

private repo actors and central banks. In this new environment, European sovereigns' access to finance moves with the cyclical rhythms of (shadow) banking (Gabor and Ban 2016: 632).

The degree to which this mechanism of state financialization matters to a particular nation-state is most intuitively measured by the extent to which repo markets participants employ its bonds as collateral.

Another set of links between state financialization and monetary policy of particular relevance to postsocialist Eastern Europe is the local variants of the association between monetary policy and capital inflows that Krippner identified in the US context. Several studies discussed this nexus in the context of what has been variously termed subordinate, dependent or (semi-) peripheral financialization, including in postsocialist Eastern Europe (Becker et al. 2010; Bohle 2018; Gabor 2010, 2011, 2012; Radošević and Cvijanović 2015; Rodrigues et al. 2016; Sokol 2017a). Peripheral financialization is generally understood as extraverted and dependent typically on capital inflows, through structural outflows may be also present in particular cases (Becker et al. 2010: 229). The dependent nature of peripheral financialization implies that the dynamics of inflows and outflows is likely to follow financialized boom and bust cycles and exhibit a high degree of volatility. Turning to public policy, an obvious basic precondition for peripheral financialization defined in this manner was external financial (capital account) liberalization, which most countries in ECE conducted as part of their internationally guided postsocialist restructuring. In addition, national monetary policies such as the neoliberal orthodoxy of inflation-targeting (in the region promoted/imposed by international financial institutions as well as EU integration), high interest rates, and overvalued and rigid exchange rates were crucial for attracting foreign interest-bearing capital and providing guarantees against its depreciation (Becker et al. 2010: 230; Gabor 2010: 256, 2011: 114–16).⁴ In Eastern Europe, scholars identified fast and, in some countries, near-complete foreign privatization of banking sectors (Ćetković 2011; Claessens and van Horen 2014: 46; Cull, Martinez Peria and Verrier 2017: 47–48) as another important enabling condition for these capital inflows and defining feature of dependent financialization in the region (Gabor 2010: 249–51). After their take-over by banks from Western Europe (those from Austria, Italy, Germany and France acquired the largest shares of assets in the region), Eastern European banks imported large quantities of capital borrowed in open money markets or from their mothers.

As a particularly financialized dimension of this externally funded credit bubble, Gabor described the banks' strategy of "carry-trade", that is, speculative profit-making on

⁴ However, Becker et al. (2010: 230) note that "financialization may also be based on low (real) interest rates in the context of fixed exchange rates and lead to substantial inflows of capital and soaring private debt".

cross-currency interest rate differentials through short-term instruments, which she traced in the 1990s and 2000s in her primary case of Romania (Gabor 2011) as well as in the wider Eastern European region (Gabor 2010). Central banks became directly complicit in this practice. In an uneasy effort to maintain the neoliberal policy priorities while also preventing unchecked appreciation of national currencies due to the capital inflows caused precisely by those policy priorities, they engaged in large-scale sterilization operations (borrowing in foreign currency from the banks, thereby accumulating large foreign reserves) through which they defended the currency peg and ultimately secured the speculative gains of the banks (Gabor 2010: 254–55). The latter perfected their carry-trade practices by introducing FX loans as a form of single-currency carry-trade, which still benefited from interest rate differentials while at the same time, in combination with hedging by means of derivatives, shifting the exchange rate risk to debtors, especially households (Gabor 2010: 257).

The abstract model of peripheral financialization assumes that lower interest rates on FX loans provide an incentive for residents to incur debts in foreign currency. Since their income is in the national currency, the government find itself pressured to maintain the overvalued exchange rate to prevent devaluation and banking and social crises (Becker et al. 2010: 230). A devaluation of national currency as an instrument of monetary policy thereby moves further out of reach. However, in ECE-11 countries, this assumed mechanism might have been present in the case of euro lending (to the extent that some of these countries had or still have fixed/managed exchange rates with the euro, often as a stage in their integration into the eurozone), but it definitely was *not* in the case of Swiss franc lending, prominent especially in Croatia, Hungary, Poland and Romania. The exchange rates of these countries' national currencies and the Swiss franc were floating and the governments were unable or unwilling to prevent the massive appreciation of the franc after the crisis. Nevertheless, the suffering and activism of debtors resulted in various ad hoc interventions and regulatory reforms (e.g. in the fields of consumer finance and consumer protection) by some of the governments (Bohle 2014, 2018; Csizmady and Hegedüs 2017; Mikuš 2019a; Rodik and Žitko 2015).

An overall macroeconomic effect of these processes was, of course, soaring external (public and private) debt and deepening current account deficits. Peripheral financialization is modelled as an inherently contradictory and crisis-prone process: once the external imbalances become enormous, capital inflows dwindle or capital flight occurs (Becker et al. 2010: 229). This has been certainly the case in postsocialist Eastern Europe, which has experienced its own “subprime moment” (Gabor 2010: 249) during the global financial crisis, even if the fears that Western European banks would abandon the region turned out exaggerated (Epstein 2014). At the same time, even in crisis conditions, peripheral

governments may find it difficult to reverse the established policy orientation due to their continued dependence on foreign financial capital. This assumption resonates with the post-crisis experience of Romania that, unlike for example Hungary or the Czech Republic, chose to stop the “sterilization games” (by drastically curtailing domestic liquidity) and thereby reverse the financialization of wholesale banking and currency markets (Gabor 2010: 263, 266–67, 2011: 197–215). The price to be paid was a fourfold increase of Romanian public debt service costs (Gabor 2010: 266). In their response to the credit crunch and the crisis of FX loans, some countries, such as Estonia or Latvia, prioritized the defence of currency pegs (necessary for euro adoption as well as disinflation) even at the cost of drastic internal devaluation and cuts, thereby essentially preserving the established monetary environment (Bohle 2014: 937–39; 2018: 211). Other governments, for example in various stages in Romania and Hungary, made or claimed to have made more efforts to transform that environment and reverse the mechanisms of peripheral financialization, though the extent to which they have succeeded in doing so is an open question (Bohle 2014: 935–36, 2018: 208–209; Gabor 2010: 263, 266–67, 2011: 197–215; Johnson and Barnes 2015). These comparative insights remind us that national trajectories of financialization, even in the same region and/or under comparable conditions, can be highly divergent depending on, inter alia, the agency of states. This makes it necessary to combine a synchronic comparative analysis with a careful diachronic reconstruction of national-level developments in their close relationships with policy changes and government interventions in order to understand the overall political economic logic behind indicators at any particular point in time, which, however, is a project beyond the scope of this paper.

The following quantitative indicators of these patterns of the financialization of monetary policy in Eastern Europe can be identified in the literature:

- capital account surpluses and current account deficits (suggest a presence of capital inflows);
- structure of capital account balance (higher share of loans and derivatives in relation to direct and portfolio investments indicates debt-creating inflows);
- cross-currency interest rate differentials, growing volume of foreign exchange trading, high share of derivatives in foreign exchange transactions, high share of non-residents in derivative transactions, high share of short-term maturity instruments in derivative transactions (indicate carry- trade activity targeting the given national currency);
- central banks’ net debtor position in relation to banks, growth of foreign reserves (indicate sterilization operations that secure the profitability of carry-trade);
- high degree of capital account liberalization;

- low and stable inflation (suggests the adoption of the neoliberal monetary orthodoxy and creates one of the key preconditions for capital inflows);
- stable or appreciating exchange rate (indicates an exchange rate regime supportive of peripheral financialization).

3.1.2. Fiscal policy and public debt

While I noted in the previous subsection that growing external debt is one of the outcomes of capital inflows characteristic of peripheral financialization, I did not discuss the level and characteristics of public debt as its constitutive aspects in that context. The reason for that is that these are a whole set of complex issues in their own right and many are part of fiscal rather than monetary policy to the extent that they pertain to government revenue and spending. In the aftermath of the crisis, there has been a massive surge of interest in the phenomenon of credit/debt in general, which is a reflection of its major importance in contemporary individual and collective life. At one level at least, credit/debt relations can be conceptualized as an instance of “financial chains”, that is financial relations that operate as channels of value transfer between people and places and their attendant social relations shaping wider socio-economic processes (Sokol 2017a: 679, 682–83). As such, the study of credit/debt relations is highly appropriate for the kind of spatial approach to financialization taken here.

Public debt is one of the most obvious, significant and lasting articulations between states and finance (Dyson 2014). Some accounts of contemporary financialization put a special emphasis on the growing levels of public indebtedness as its central mechanism, which was particularly prominent in eurozone sovereign debt crises (e.g. Bieling 2013; Lapavitsas et al. 2012; Overbeek 2012; Streeck 2013, 2014). This argument pivots on the understanding that the impact of public debt on overall fiscal policy goes far beyond the immediate requirements of debt servicing. Increasing costs of debt servicing (themselves responding to growing government bond yields) work as an important channel of “market discipline” through which financial markets may seek to punish states and reverse changes in fiscal and other policies of which they disapprove (Rommerskirchen 2015: 753). In a series of works, Streeck (2011, 2013, 2014) traced a strengthening of these tendencies in a broad historical sequence of transformations of advanced capitalist states since the 1970s. First, broadly along the lines of Krippner’s account, there was a transition from a “tax state” to a “debt state” as states turned to borrowing to compensate for shortfalls in government revenues due to neoliberal tax cuts (Streeck 2014: 72–75). Second, in particular since the global financial crisis, the temporary stopgap of the debt state gave way to a full-blown “consolidation state”, in which a more or less permanent austerity policy (in particular cuts to

discretionary spending and spending on welfare, education and other public services) is employed to satisfy financial markets and keep costs of debt servicing and future borrowing low (Streeck 2014: 117–24). However, the resulting inability of governments to respond to the demands of citizens and meet their own mandates completes the neoliberal de-democratization of capitalism and threatens the survival of “democratic capitalism” as we know it. As Streeck’s argument suggests, it is in particular in crisis situations in which the power of financial markets over fiscal policy and more broadly state and public sovereignty manifests, once again pointing to the importance of diachronic and contextual analysis.

It is an open question to what extent an emergence of a consolidation state can be directly and primarily explained by financialization; for example, the kinds of trends noted by Streeck are often associated also with the concept of neoliberalization, which arguably overlaps with the one of financialization but cannot be simply reduced to it. Focusing on more immediate points of connection between states and finance seems necessary to shed more light on this relationship and substantiate causal claims. In the ECE-11 context, it is crucial to recognize that the consolidation state developed largely from the top down and as an aspect of supranational integration, though still working through the apparatuses of nation-states. The EU’s Economic and Monetary Union (EMU) has developed as a regime of “disciplinary neoliberalism” (Gill 1998), consisting of commitments to low inflation, fiscal discipline (low government budget deficit or ideally surplus and low government debt), and exchange and interest rate stability. It has taken the form of a series of intergovernmental treaties that progressively reinforced the disciplinary nature of the regime. Qualitative data on the ECE-11 states’ adoption and ratification of these agreements, the most recent and radical of which is the 2012 European Fiscal Compact, and their (non-) compliance with their provisions is thus of major importance for an assessment of their convergence with the EMU consolidation state and potentially state financialization, to the extent that the two can be demonstrated to be connected. When it comes to the Fiscal Compact, for example, there is a striking degree of variation in convergence within the ECE-11 region. Czechia is the only EU member state (along with the UK set to leave the union at the time of writing) that has still not signed the treaty. Croatia, Hungary and Poland signed the treaty but chose not to be bound by the key fiscal provisions, which they were allowed to opt out as a non-eurozone countries. Bulgaria and Romania, also non-eurozone countries, chose to opt in voluntarily, along with Denmark. The remaining ECE-11 countries (Estonia, Latvia, Lithuania, Slovakia and Slovenia), as eurozone countries, are bound by the treaty by definition (European Commission n.d.).

Despite this monetary and fiscal convergence, the EU members states’ experiences of public indebtedness have by no means become homogeneous. In her analysis of data on

27 EU member states in 1992–2007, Rommerskirchen (2015) found that markets generally punished states for their rising levels of indebtedness by means of increasing their debt servicing costs. However, market punishment was weaker in eurozone than in non-eurozone countries, suggesting that financial market actors perceived debts of eurozone states as inherently less risky (pointing to a perceived guarantee of bailout by the rest of the Euroland). At the same time, government responsiveness to market discipline, which Rommerskirchen estimated through the extent of restrictive fiscal policy changes, was higher in the eurozone, which complicates the conventional narrative of the EMU as leading to debtor moral hazard in peripheral eurozone countries. This further suggests that while higher debt levels and debt servicing costs are not irrelevant to the level of market discipline to which a particular state is subjected, the relationship is by no means simple and linear but rather influenced by a number of other factors.

In addition, there are several important methodological issues to consider. First, while Rommerskirchen's analysis uses data on general government debt, we may wish to also compare the dynamics of national and subnational government debts in order to consider the relative degrees to which these drive the overall public indebtedness. In further stages of research, we might also check the availability of financial measurements, in particular credit ratings, for local or regional governments to gain a qualitative sense of their exposure to financialization. Second, in addition to measures such as the GDP shares of debt, government bond yields and debt servicing costs, we should also look at the maturity composition of public debt, since a higher share of short-term debt makes a debt portfolio more sensitive to current changes in borrowing conditions. Another useful proxy of the debt burden of a state is its Credit Default Swap (CDS) spread; however, high-detail time series are not freely available. Third, Rommerskirchen (2015: 770–71) used her own computations of changes in structural government budget balance relative to the previous period to measure the extent of restrictive fiscal policy changes. Unfortunately, structural budget balance estimates published by the European Commission are available only for the years since 2013. Following Streeck (2014), we could look at secondary data on public spending on welfare and education, which were among the major targets of austerity policies in the aftermath of European sovereign debt crises, and compare the timeline with the one of public debt levels and/or servicing costs. However, without the kind of robustness checks used by Rommerskirchen and/or additional (especially qualitative) evidence, which is beyond the scope of this paper, any observations about the relationships between sovereign debt and such fiscal policies would remain inconclusive.

In a recent article, Fastenrath et al. (2017: 274) argued that an analysis of the techniques and practices of sovereign debt management – the manipulation of the structural

composition of public debt – enables a particularly focused understanding of the financialization of the state. Indeed, there is a fast-growing scholarship that documents various ways in which sovereign debt management (and closely related sovereign debt markets) has been financialized in recent years (Dutta 2017; Hardie 2011; Lagna 2016; Lemoine 2016; Livne and Yonay 2016; Massó 2016; Preunkert 2017; Trampusch 2015), including at the local level (Hendrikse and Sidaway 2014; Lagna 2015; Løding 2018). However, while not dealing exclusively with capitalist cores (see for example Hardie 2011; Livne and Yonay 2016), this literature has yet to take stock of postsocialist Eastern Europe. Fortunately, there is some invaluable literature with different analytical foci that nevertheless covers historical as well as more recent experiences of some of the ECE-11 states with indebtedness, in particular those that have experienced major sovereign debt crises – Hungary, Poland, Romania and former Yugoslavia (Ban 2012; Dyker 1990; Dyson 2014; Gabor 2011; Woodward 1995).

Developing the concept of the financialization of sovereign debt management, Fastenrath et al. (2017: 274) first differentiate its two general dimensions: “(1) the reliance on the market as a governance mechanism and (2) the adoption of a sense-making framework grounded in financial economics”. The preceding discussion already contains one illustration of the first mechanism: the entanglement of European sovereign bond and repo markets. Broadly speaking, the reliance on the market as a governance mechanism means that while interest rates on government bonds used to be politically determined in the past, now they are determined by market forces. Fastenrath et al. (2017: 277) adopt the following six indicators to measure this dimension of the financialization of sovereign debt management, of which only the first three can be considered quantitative variables (the remaining three indicators are nominal variables):

- the share of marketable debt in total government debt;
- the share of marketable debt held by non-residents;
- the share of marketable debt in foreign currency;
- the introduction of sovereign bond auctions;
- the introduction of primary dealer systems;
- and the introduction of index-linked bonds.

The authors found evidence of an increase in all indicators except the share of marketable debt in foreign currency in their sample of 23 OECD countries in 1980–2000. Still, the share of marketable debt in foreign currency (or, if this data is unavailable, the share of FX debt in total government debt) remains potentially relevant in the ECE context since it indicates the degree of euroization/dollarization, which is theorized as characteristic of peripheral financialization and as a factor that intensifies its defining tendencies.

The second dimension relates to ideational changes in the practices of sovereign debt management. Fastenrath et al. (2017: 227) argue that non-financialized sovereign debt management was based on classical macroeconomics and seen as an instrument that could be used to affect the economy – an “extension of monetary policy”. In contrast, financialized sovereign debt management takes monetary policy as given and instead models debt management on financial economics. Public debt is thus treated as a “portfolio” with a focus on detecting and minimizing the underlying risks and optimizing the servicing costs (Fastenrath et al. 2017: 228). The authors use the following three nominal indicators to measure this dimension of financialization of sovereign debt management:

- the use of derivatives in debt management (to hedge against risks);
- the introduction of accruals accounting (supportive of the detection of risk in debt portfolios);
- and the creation of professional debt management offices (which marks the institutionalization of financialized sovereign debt management, since previously central bankers or civil servants in finance ministries and treasuries would have been in charge).

The indicators of the level of state indebtedness and financialized debt management can be complemented with indicators of the financialization of government bond markets, which can both result from and promote the financialization of public policy-making. In his comparative study on Brazil, Lebanon and Turkey, Hardie (2011) attempted to assess the financialization of government bond markets by looking at the volume of trading in bonds of particular sovereigns, on assumption that there is more trading in markets in which trading is easier. He operationalized the easiness of trading and hence the financialization of bond markets as the degree of ability of market actors to exit or short. In practice, he measured the volume of trading with two types of aggregates: absolute volume of outstanding bonds and turnover relative to the market’s size (Hardie 2011: 146). However, there seems to be a lack of comprehensive historical data on ECE-11 countries that could be used as approximations for the aggregates analysed by Hardie. The European Banking Authority (EBA) publishes data on total sovereign bonds emissions by European countries, including all ECE-11 countries, but only since 2016. The Association for Financial Markets in Europe (AFME) publishes Government Bond Data Reports that include data on sovereign bond turnover ratios, but Hungary, Poland and Romania are the only ECE-11 countries included and even for these countries the time series begin only in 2004, 2005 and 2013, respectively (AFME 2018: 19).

3.2. Public-service provision

As we saw in the introduction to the section 2.3., Aalbers (2017) identified the financialization of public or semi-public sectors as one of the two key themes in the study of the financialization of the state. While he included “government” in his list of branches of the public sector, Hendrikse and Lagna (2018) limit their narrower category of the financialization of public-service provision to public sectors in fields such as pensions (Biondi and Sierra 2018; Dixon and Sorsa 2009), education (Beverungen et al. 2014; Eaton et al. 2016; Engelen et al. 2014), health care (Mulligan 2016; Vural 2017) and housing (Aalbers 2016; Fernandez and Aalbers 2016; Fields and Uffer 2016), to which we might add also the financialization of utilities (Bayliss 2014; Bresnihan 2016; Løding 2018). Overall, the literature on this dimension of state financialization is much more limited than the literature on the financialization of monetary and fiscal policies. Those of the relevant studies that draw on quantitative data tend to do so in a single national setting. For example, Eaton et al. (2014) measure the financialization of US higher education by returns and costs across four types of financial transactions of key importance for the sector. Other studies use quantitative data to a limited or no extent and privilege qualitative methods such as interviewing or ethnography, sometimes as part of a case-study design (e.g. Mulligan 2016; Vural 2017). This suggests a lack of relevant quantitative secondary data that could be used for international comparative analysis, at least in the ECE region. Indeed, Eurostat database lists the category of financial expenditures on student loans (defined not very usefully as gross outlays for such loans in the given year, i.e. without taking into account repayment) but the database does not actually contain any data for this indicator (Eurostat 2018a, 2018b).

Some relevant and internationally comparable quantitative indicators may be nevertheless identified for the financialization of pension systems. This is data on total investment in (typically private) funded pension arrangements in national pension systems measured as a share of GDP, which is available in the OECD’s Global Pension Statistics database from 2007 onwards (OECD n.d.). Such pension arrangements are closely associated with the financialization of pensions to the extent that the “finance-driven mode of pension management favours an individual savings model and the establishment of funded pension-related investment funds” (Biondi and Sierra 2018: 792). The individual savings model creates a “pool of earmarked and dedicated assets” (OECD 2005: 31), some of which may be highly financialized, with returns to such investments then being used to fund individual pension benefits. This is contrasted to (typically public) unfunded, i.e. “pay-as-you-go”, pension schemes (OECD 2005: 15), which are collective and redistributive rather than individual and commodified and in which current pension benefits are funded from employees’ current contributions.

3.3. Lawmaking and regulation

Hendrikse and Lagna (2018) identify “lawmaking and regulation” (later in the article “financial regulation”) as the fourth in their typology of “core state functions”, the financialization of which has been explored in the literature. In my view, this item of the typology has a similar logically problematic relationship to the remaining items as the first item on the list, which I chose to omit – state sovereignty. As I argued, sovereignty is the socially validated form of power that enables the state to intervene in social life. In a similar manner, lawmaking and regulation can be seen as a general referent for the key form of practice through which sovereign state interventions are accomplished. While some form of rule-making and enforcement is likely to be found in most, if not all political systems (Lewellen 2003), it could be argued that one of the distinguishing features of the state is “the institutionalization of law and legal discourse as the authoritative language of the state and the medium through which the state acquires discursive presence and authority to authorize” (Hansen and Stepputat 2001: 8). That is, lawmaking and regulation is the medium through which states accomplish their actual roles, including in areas pertinent to finance such as monetary and fiscal policy, public-service provision or investment policy. This dimension of Hendrikse’s and Lagna’s typology of state financialization overlaps with Aalbers’ dimension of the financialization of public policy.

However, I opted for keeping lawmaking and regulation, unlike sovereignty, in my adapted version of Hendrikse’s and Lagna’s typology. This is because I see it as methodologically useful: it highlights the difference between particular policies or policy domains, on the one hand, and the key “media” through which the state *does* those policies, on the other hand; in other words, the difference between the visible outcomes (resulting policies) and the often less visible, backstage processes of their making (consultations, negotiations, drafting of all kinds of documents etc.). This is also reflected in the nature of the studies that Hendrikse and Lagna discuss under this heading. In general, these are mostly qualitative studies of regulatory change and/or decision-making and rule-making processes, either at the global level (Tsingou 2015; Underhill 2015) or in key national and supranational jurisdictions in the capitalist core, in particular the US, the UK and the EU (Bell and Hindmoor 2015; Bieling 2014; Engelen et al. 2011; Gabor 2016; Kalaitzake 2017; Posner and Veron 2010; Quaglia 2017). The overall qualitative orientation of these studies reflects the nature of what the authors generally hold to constitute the financialization of lawmaking and financial regulation: its domination, as a process, by financial actors, their interests, ideologies, characteristic forms of knowledge, devices etc. Of course, this is something very difficult to quantify. A rate attempt to do so is the work of Pagliari and Young

(2016) that uses quantitative data on participation (through comment letters) of various kinds of public actors in financial regulation processes of key global, US and EU regulatory institutions. It is possible that similar data could be collected from national regulatory institutions in ECE-11 countries, but one should note that this particular index of participation in regulatory processes actually tells us very little, if anything, about the influence of various kinds of stakeholders on those processes. Our main focus for future research in this area should be therefore on qualitative methods.

At the moment, there is very little relevant literature on this aspect of state financialization in the ECE-11 context. An important recent book by Johnson (2016), while not explicitly concerned with the concept of financialization, traced highly relevant transformations of central banks and central banking in postsocialist Eastern Europe and former Soviet Union – namely, the institutionalization of central bank independence and the adoption of the policy primacy of price stability and low inflation, both of which, I have already argued, can be seen as linked to and indeed conducive to financialization. The key case studies examined in the book include three ECE-11 countries: Czechia, Hungary and Slovakia, in addition to Kyrgyzstan and Russia. Johnson described the highly varied extent to which such a project of transformation was accomplished in the region, with the Visegrád Group states and Slovenia considered to be top achievers and those in post-Soviet Central Asia the opposite. She further demonstrated the key role of transnational central banking community in shaping these processes through a combination of material aid, political and symbolic support, and epistemic influence on central bankers in the region, while also noting the importance of the latter's own interests and strategies. Unfortunately however, Johnson does not go beyond her focus on central bank independence and inflation-targeting to also consider regulatory processes of even more direct relevance to the processes of financialization in the region, such as the under-regulation that enabled the high-risk household and corporate credit booms in the 2000s (e.g. Bohle 2014, 2018; Burton 2017; Mikuš 2019a; Rodik and Žitko 2015). At the moment, there is a sense that we understand relatively well the nature and effects of relevant public policies and regulatory frameworks, but we know relatively little about how they came about and the agency and relationships of particular regulatory actors and stakeholders. Some important information can be extracted for example from works of investigative journalism, such as Schneider's (2011) detailed account of the infamous case of high-level money-laundering and clientelistic crediting by the Austrian-owned Hypo Alpe Adria Bank in Croatia. In general, however, this is a major gap in scholarship that our future research should address through interviewing and archival research.

Another issue that Hendrikse and Lagna discuss under the rubric of lawmaking and regulation is the one of offshore centres, which are key resources for financial market actors' strategies and practices (Fernandez and Wigger 2016; Fichtner 2016; Haberly and Wójcik 2017; Palan 2003; Rixen 2013; Wainwright 2017). They could be seen as a potential form of the financialization of lawmaking and regulation through their provision of an extraterritorial basis for avoiding or reducing the impact of onshore regulation, thereby pushing states to accommodate the interests and expectations of financial actors more (e.g. through deregulation, liberalization, targeted benefits or exceptions) in hope that the former will not feel the need to avoid such more "market-friendly" regulation. Such an influence of offshore jurisdictions could go beyond financial regulation narrowly understood to policy issues such as, for example, taxation. Beyond qualitative methods necessary for describing actual linkages between offshore centres and regulation, we can use some internationally comparable quantitative secondary data to establish at least the degree of capital outflows or inflows (measured as FDI positions) between ECE-11 countries and offshore centres. Another issue is the extent to which some of the ECE-11 states potentially also operate (or used to operate) as offshore centres. Even though none of these countries could be characterized as typical small-state tax haven, Latvia, for example, has appeared on by now somewhat dated IMF list of offshore centres (Zoromé 2007) and is reportedly known for hosting a large number of "offshore banks and companies" with offshore "investments" from elsewhere in Eastern Europe (Gaidelys 2016: 512). To gain at least an initial sense of the degree to which a particular economy might serve as a kind of offshore jurisdiction, however, we would require data on the share of non-resident deposits in total bank deposits and no sufficiently complete data set on ECE-11 appears to be available.

3.4. Investment policy

The last item of Hendrikse's and Lagna's typology of state financialization is labelled as "the state as an economic actor", here labelled for the purposes of clarity as investment policy. Based on the number of references in this section of Hendrikse's and Lagna's paper, this is by far the least developed part of the literature on state financialization. In general, this body of work focuses on how states increasingly invest in financial assets and/or employ financial techniques to manage their public investments as a part of reserve hoarding, insulate the national economy from external shocks, or carry out developmental strategies; essentially, how states seek to harness financialization for their own purposes. One emerging focus is therefore on sovereign wealth funds (Cumming et al. 2017; Fini 2011). However, none of the ECE-11 has to date established such a fund. Other studies have focused on, for example,

the financialization of state asset management and public investment in the statist Chinese context (Wang 2016) or the Mexican government's use of derivatives to hedge against various risks, such as those related to agricultural production and commodity prices (Munoz Martinez 2016). To gain an initial comparative sense of this aspect of state financialization in ECE-11, we might analyse data on the structure of government-owned assets and its change over time.

4. Conclusions

In this working paper, I sketched the contours of a systemic, processual and spatial approach to the financialization of states in East-Central Europe and elaborated its possible operationalization for the purposes of analysis of internationally comparable secondary quantitative data. Drawing on the literature on the financialization of the state, dependent and peripheral forms of financialization, and strategical-relational approach to the state, I suggested that state financialization may be usefully understood as transformations of the practices and modes of operation of the entities that constitute "the state" understood as a specific form of political organization. At the same time, I underscored the need to be aware of the potential limits of financialization, including political ones, and to study the state as much as possible as a complex socially constructed phenomenon, for which future qualitative research will be crucial. After presenting the broad conceptual framework, I discussed the relevant multidisciplinary literature to provisionally identify key dimensions of state financialization processes and their potential indicators for further empirical study in the GEOFIN project, with an emphasis on secondary quantitative data analysis and forms and patterns of (state) financialization that existing scholarship recognized as prevalent in East-Central Europe or (semi-) peripheries more broadly. The relevant dimensions of state financialization encompass: monetary and fiscal policies (including sovereign debt); public-service provision; lawmaking and regulation; and investment policy. Among these, various aspects of monetary, fiscal and investment basis are most suited for study on the basis of existing secondary quantitative data (see more in Mikuš 2019b).

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