

# Peripheral financialization in the context of transition economies

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The case of foreign banks in the post-socialist Croatia

# What is financialization?

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“Financialization refers to the increasing importance of financial markets, financial motives, financial institutions, and financial elites in the operations of the economy and its governing institutions, both at the national and international levels.”

- **Gerald Epstein, 2001**

“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”

- **Manuel Aalbers, 2016**

# What else is understood under the term of financialization?

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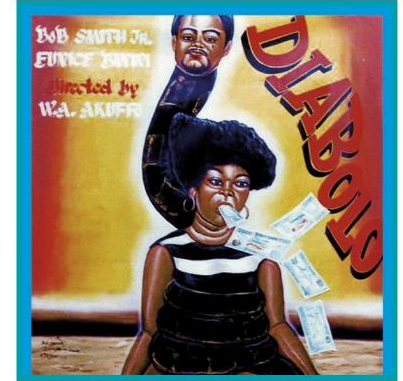
**From production to finance: "Profiting without producing" (Lapavitsas, 2013)**



**Form of accumulation that works through dispossession and enclosure of commons (Harvey, 2003; Hardt & Negri, 2005)**



**Varieties of financial capitalism (Hall & Soskice, 2001)**



**Financialization as a cultural process (Martin, 2002; Haiven, 2014)**

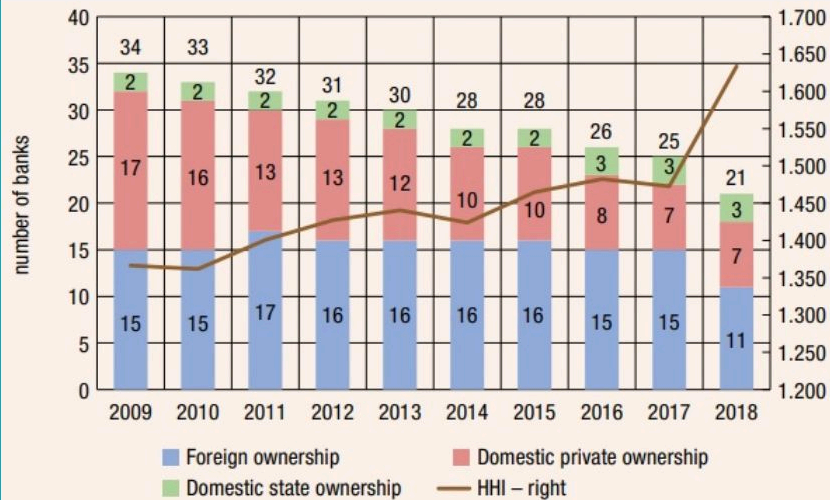
# Financialization of Croatia and the Great entry of Western banking groups

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GRAFITTI OF ROJS AND HIS FAMOUS  
DEAD-ON HISTORIC ELABORATION  
OF CROATIAN PRIVATIZATION.

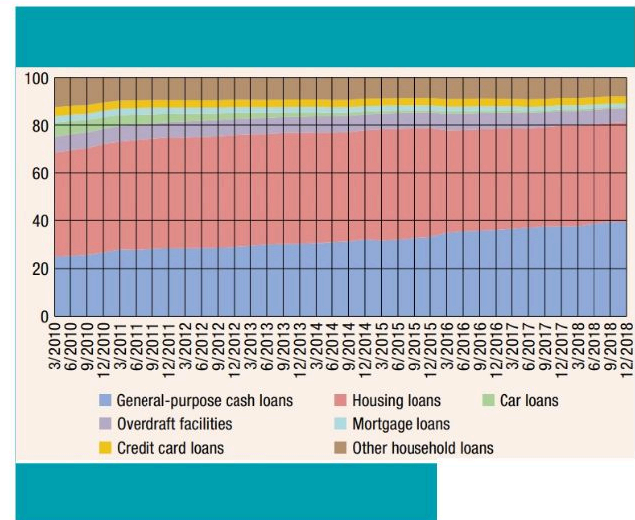
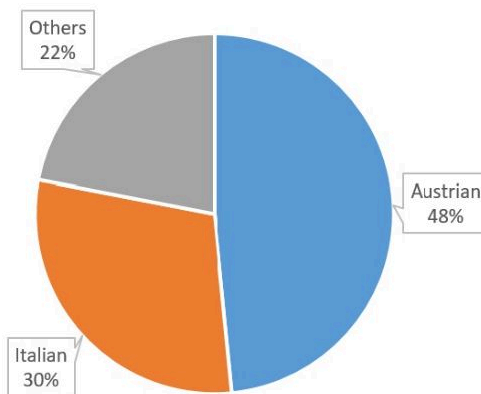
- Croatia was the first country in the region where foreign banks entered on a massive scale
- Big financial institutions did not develop organically by growing, but through different consolidation processes. In other words, foreign banks entered by acquiring already existing domestic banks
- Consolidation, concentration, economies of scale and scope: large foreign banks dominate Croatian financial sector



	Dec. 2016		Dec. 2017		Dec. 2018	
	Number of banks	Share	Number of banks	Share	Number of banks	Share
Domestic ownership	11.0	10.3	10.0	9.9	10.0	9.8
Domestic private ownership	8.0	4.0	7.0	3.7	7.0	3.6
Domestic state ownership	3.0	6.3	3.0	6.1	3.0	6.2
Foreign ownership	15.0	89.7	15.0	90.1	11.0	90.2
<b>Total</b>	<b>26.0</b>	<b>100.0</b>	<b>25.0</b>	<b>100.0</b>	<b>21.0</b>	<b>100.0</b>



Foreign owners



# The making of Croatian financial system

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## Privatization

- Two privatizations: 1989 & 2000, one accounted for, the other without a firm legal basis, one following the Yugoslav financial crisis, the other following the Croatian financial crisis

## Accummulation by dispossession

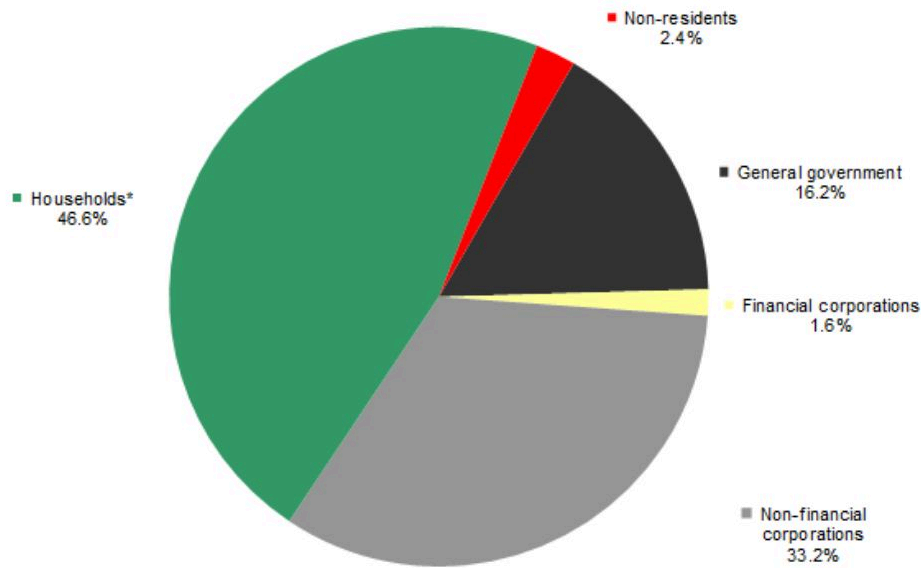
- The Log revolution 1991 and the economics of crisis: banks moving with crises
- 1998/1999 banking crises

## Foreignization

- Croatia as the great frontier: 'unused crediting potential, large interest rate margins'
- Limited authority of HNB: price stability imperative: Treaty on the functioning of the EU (131) + Bohle

## Accummulation by repossession

- Managerial loans
- FINA, 'Blokirani' (the 'Blocked'), and home repossessions



## The key difference: From production to extraction

Or, from producing goods, services,  
& wealth, to claims on goods,  
services, and wealth

- **Consumer credit doesn't generate income**

Bank profit earned from asset and  
consumer price inflation

- **Feudal model: An economy based increasingly on rent extraction by the few and debt buildup by the many**

# Regional differences, European integration and cohesion

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- **Subnational level:** “We identify relatively homogeneous groups of counties based on sets of indicators of: economic environment, financial development and infrastructure and, at a more detailed level, the deposit and credit policies of banks.” (Kristo and Mandac, 2015)
- **Regional level:** Integration into European Union as a fundamentally unequal process; “Almost-but-not-quite-European” (Dzenovska, 2013)

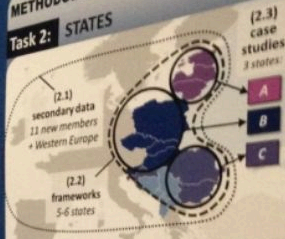


# GEOFIN Western Banks in Eastern Europe New Geographies of Financialisation

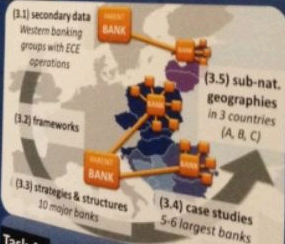
Burton Smith, Trinity College Dublin, Ireland



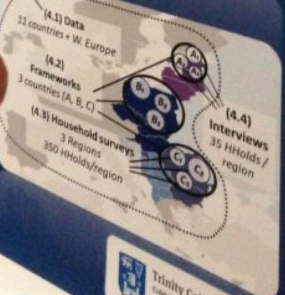
## METHODOLOGY: Task 2: STATES



## Task 3: BANKS



## Task 4: HOUSEHOLDS



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