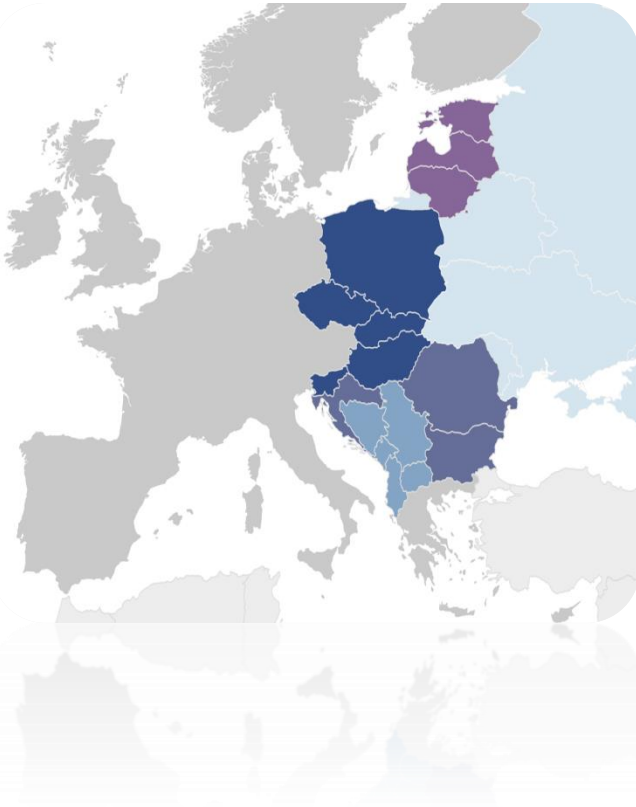


Budapest 2018 Workshop

“The financialization of housing in the semi-periphery”

20-22 July 2018, Central European University (CEU), Budapest, Hungary



Financialisation of housing in the European ‘semi-periphery’: A ‘financial chains’ approach

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Trinity College Dublin
Coláiste na Tríonóide, Baile Átha Cliath
The University of Dublin

STARTING POINT...

“It is well enough that people of the nation **do not understand our banking and monetary system**, for if they did, I believe there would be a **revolution before tomorrow morning.**”

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- Henry Ford

“Western banks in Eastern Europe: New geographies of financialisation”

(5-year ERC project)

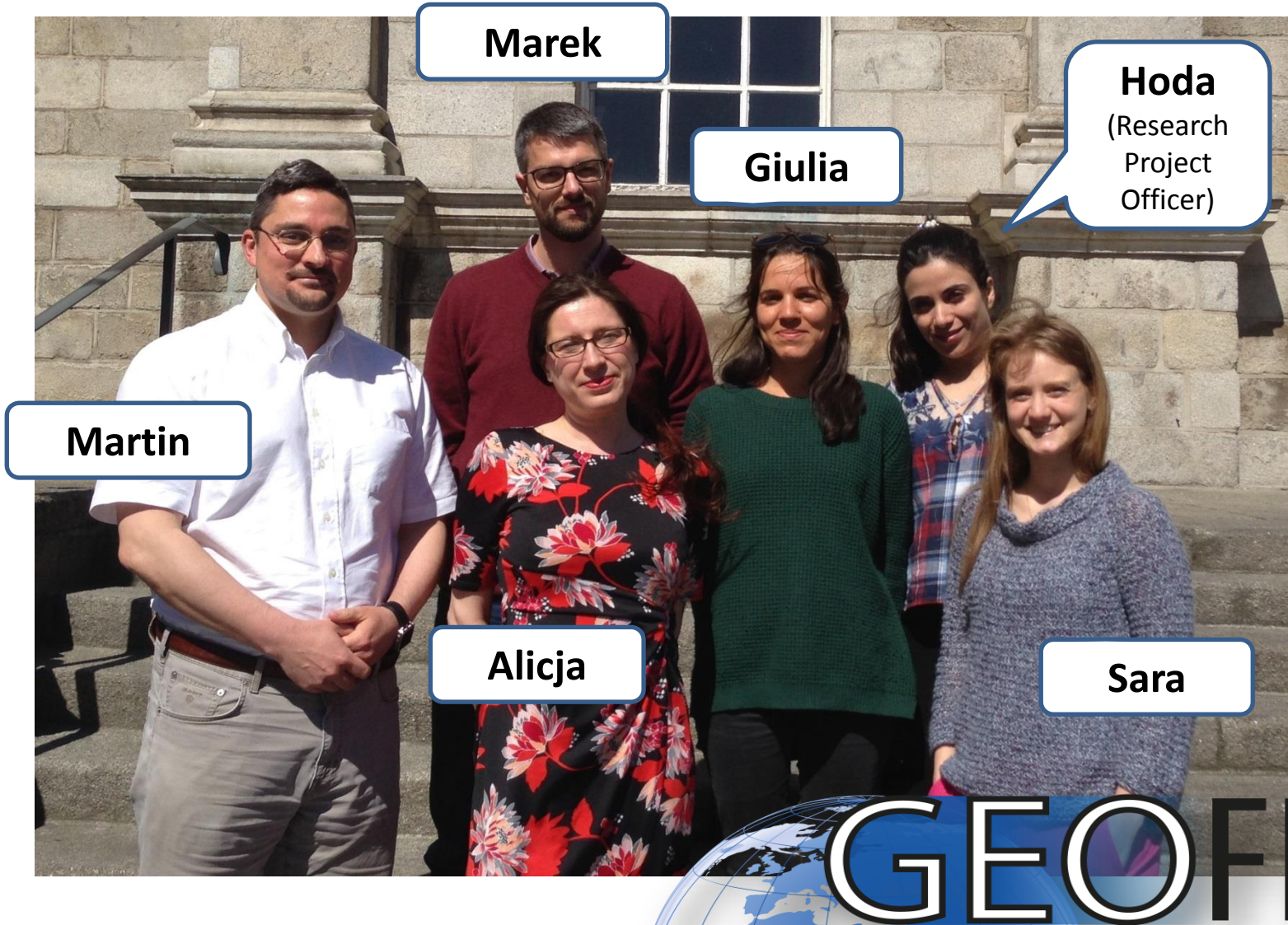
- **Financialisation**, with focus on:
 - Households
 - States
 - Banks
 - debt, incl. residential mortgage debt
- **(Post-socialist) East-Central Europe (ECE):**
 - unique empirical laboratory



European Research Council
Established by the European Commission



GEOFIN RESEARCH TEAM



'FINANCIAL CHAIN' APPROACH

- E.g.: **credit-debt relationships** via **residential mortgages**
(= central element of the financialisation of housing; e.g. see Aalbers)
- Key elements:
 - ① **debt repayment > credit**
 - ② **value transfer AND social relation**
chaining debtors and creditors together (power relations)
 - ③ **time AND space** (geography)

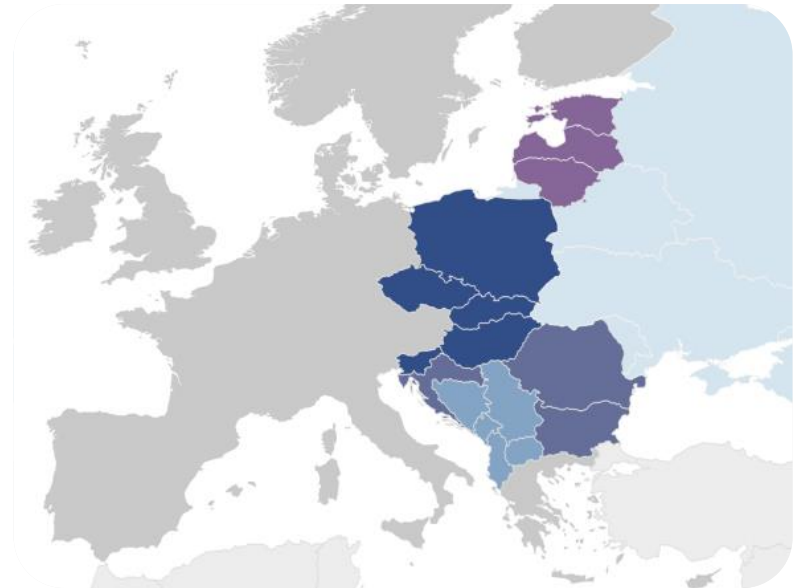


see more in:
Sokol (2017)

FINANCIAL CHAINS

Particular feature of the financialisation of housing in the East-European ‘semi-periphery’:

- the dominant role in ‘financial chains’ played by **West-European banks**
- implications for **uneven development** = ?
(at various geographical scales: EU, national, sub-nat.)



EU SCALE... TWO VIEWS:

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1) Conventional view:

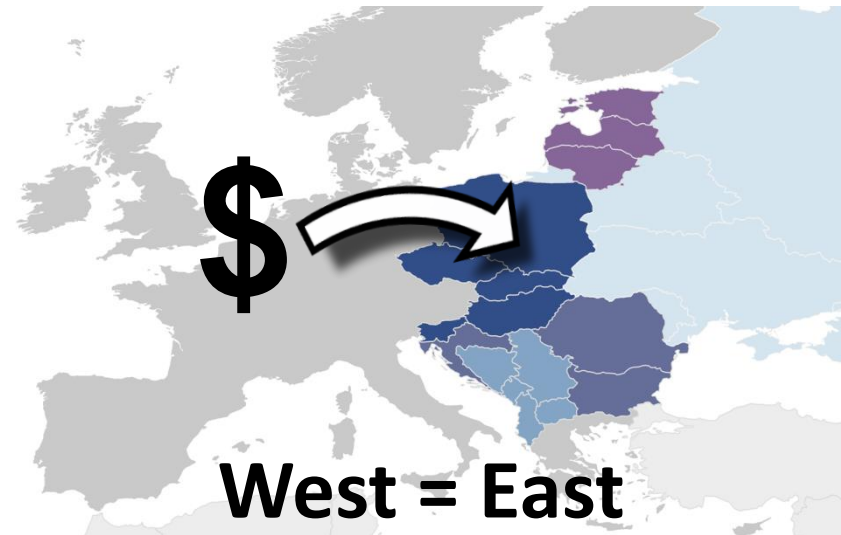
- A 'good' thing:
- Money flows W → E
- The more the better!
- ECE to catch-up with the West



EU SCALE... TWO VIEWS:

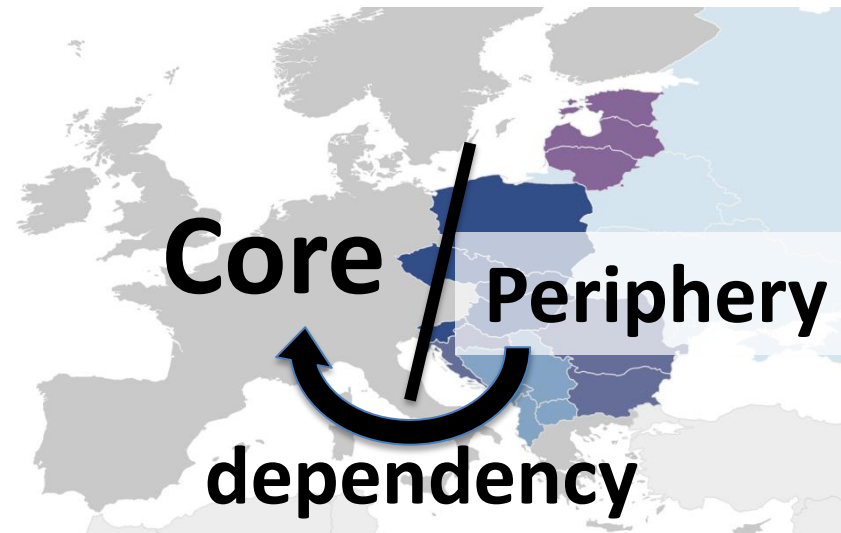
1) Conventional view:

- A 'good' thing:
- Money flows W → E
- The more the better!
- ECE to catch-up with the West



2) Critical view:

- A 'bad' thing:
- Dependency!
- ECE depends on Western capital
- Core/periphery relationship
- perpetuates the gap



MY VIEW: Both views incomplete/incorrect?

MY VIEW:

1) Conventional view:

- Ignores: 'debt repayments'
- Value flows $W \leftarrow E$
- No catching-up!



MY VIEW:

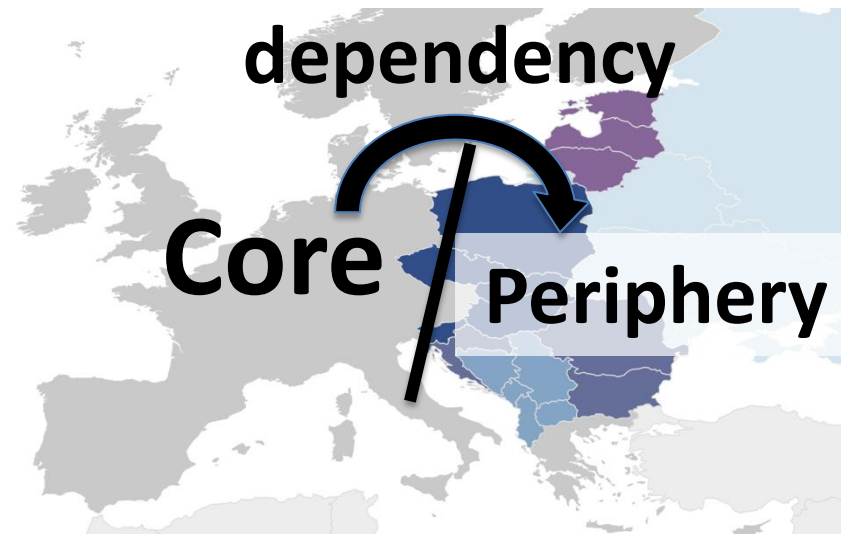
1) Conventional view:

- Ignores: 'debt repayments'
- Value flows $W \leftarrow E$
- No catching-up!



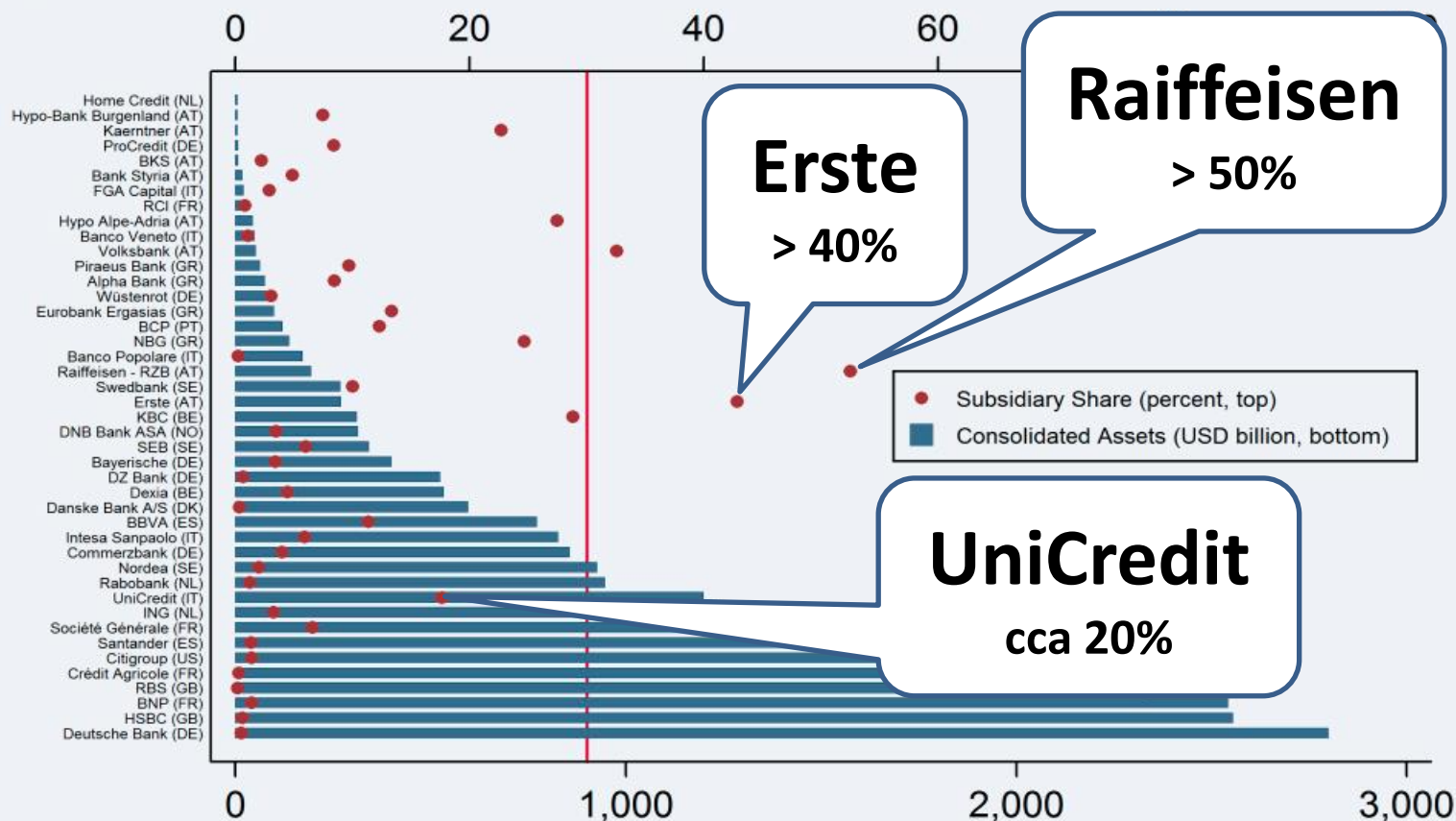
2) Critical view:

- Overlooks:
- Dependency both ways!
- Precisely because $W \leftarrow E$
- Western banking groups depend on profits from ECE



WESTERN BANK DEPENDENCY ON ECE (%)

Figure 13. Share of CESEE Subsidiaries in Parent Consolidated Assets (2011)

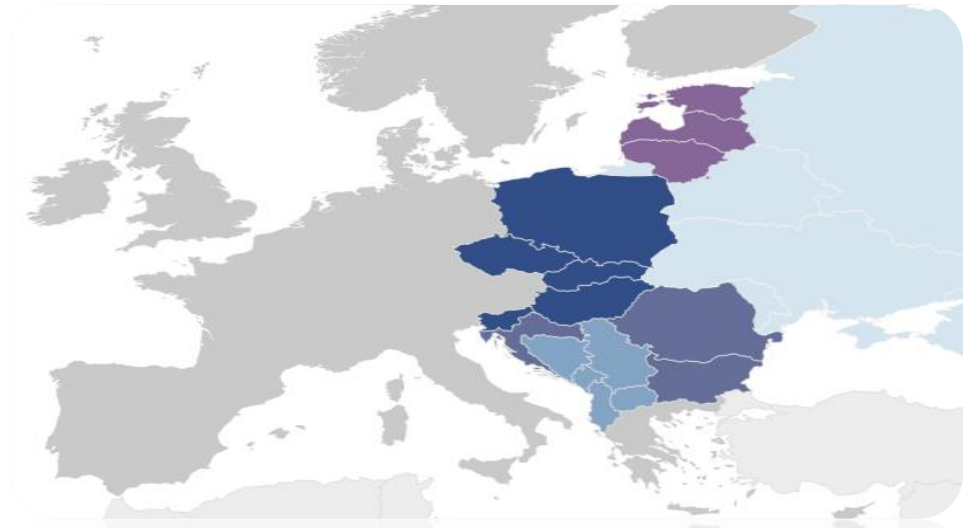


Notes: Bankscope did not contain 2011 data for few small subsidiaries at the time of the download.

Sources: Bankscope and authors' calculations.

CONCLUSION

- This raises questions about the extent to which **Central and Eastern Europe** is indispensable to the **financial viability of West-European financial players**
- – i.e. the extent to which **‘(semi-)periphery’** is in fact central to the operation of the **‘core’**.



Thank you!

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ABSTRACT

Financialisation of Housing in the European ‘Semi-Periphery’: A ‘Financial Chains’ Approach

Abstract:

This paper aims to contribute to a theoretical debate on the nature of financialisation in the European ‘semi-periphery’ and its implications for uneven development, by elaborating on a concept of ‘financial chains’. A prime example of ‘financial chains’ are credit-debt relationships established via residential mortgages – a central element of the financialisation of housing. A ‘financial chain’ is defined here both as a channel of value transfer and as a social relation, chaining a debtor and a creditor together over space and time. A particular feature of financialisation of housing in the post-socialist East-European ‘semi-periphery’ is that the dominant role of creating ‘financial chains’ there has been played by the West-European banks. The implications of this for uneven development at various scales are yet to be fully understood. At a pan-European level, the dependency of Eastern Europe on foreign (West-European) financial capital has often been highlighted. However, less attention has been paid to the dependency of West-European banks on value flows from Eastern Europe. The paper argues that this, in turn, raises questions about the extent to which Central and Eastern Europe is indispensable to the financial viability of West-European financial players – i.e. the extent to which ‘(semi-)periphery’ is in fact central to the operation of the ‘core’.

Key words: Financialisation; Housing; Financial Chains; Eastern Europe; Semi-Periphery.