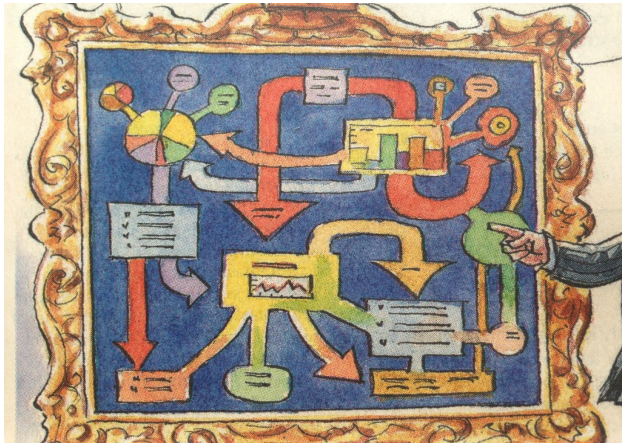


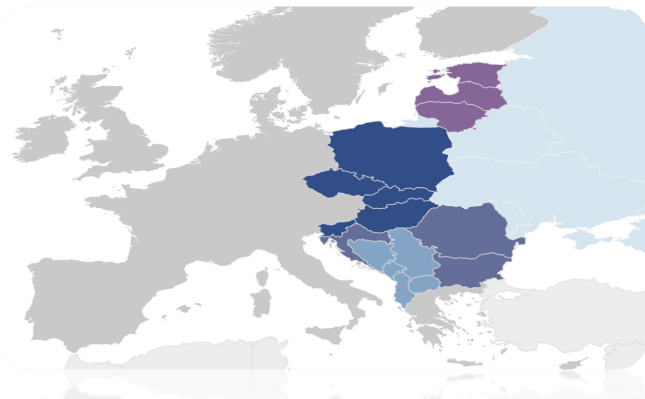
GCEG Cologne 2018

## Fifth Global Conference on Economic Geography 2018

24-28 July 2018, University of Cologne, Cologne, Germany



# Financial chains and new geographies of financialisation in East-Central Europe



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**GEOFIN**  
Western Banks in Eastern Europe:  
New Geographies of Financialisation



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

# STARTING POINT...

Financialisation in/of East-Central Europe:

- **Fascinating**, yet still relatively **under-researched**:
- Both **operation** and **geographical** implications

The collapse of state-socialism:

- dramatic **financial change**
- **Western (European) banks**
- **new geographies of financialisation**

GEOFIN research project

- financialisation of **households, states and banks**
- **'financial chains'** concept

(Sokol, 2017)



**Western Banks in Eastern Europe:  
New Geographies of Financialisation**



European Research Council  
Established by the European Commission

# STARTING POINT...

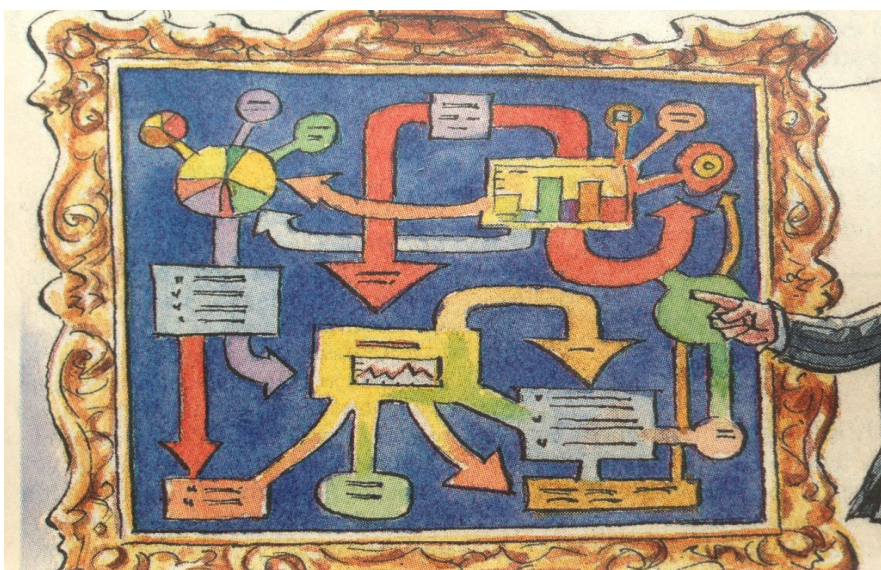
Contribution to the debate on:

- **‘dependent’ financialisation** (Gabor, 2013)
- **‘peripheral’ financialisation** (Becker et al., 2010)
- **‘subordinated’ financialisation** (Lapavitsas, 2013; Kaltenbrunner & Paineira, 2018)
- **financialisation in emerging economies** (Bonizzi, 2014; Karwowski & Stockhammer, 2017)
- **finance & financialisation in post-socialist economies** (Bohle, Gal, Posfai, Gagy, Jelinek, Karreman, ...)

BUT ALSO:

- **‘anaemic geographies of financialisation’** (Christophers, 2012)
- **flows of finance/circulation of capital...**  
(...in financialising/debt economies)

# Flows of finance / circulation of capital



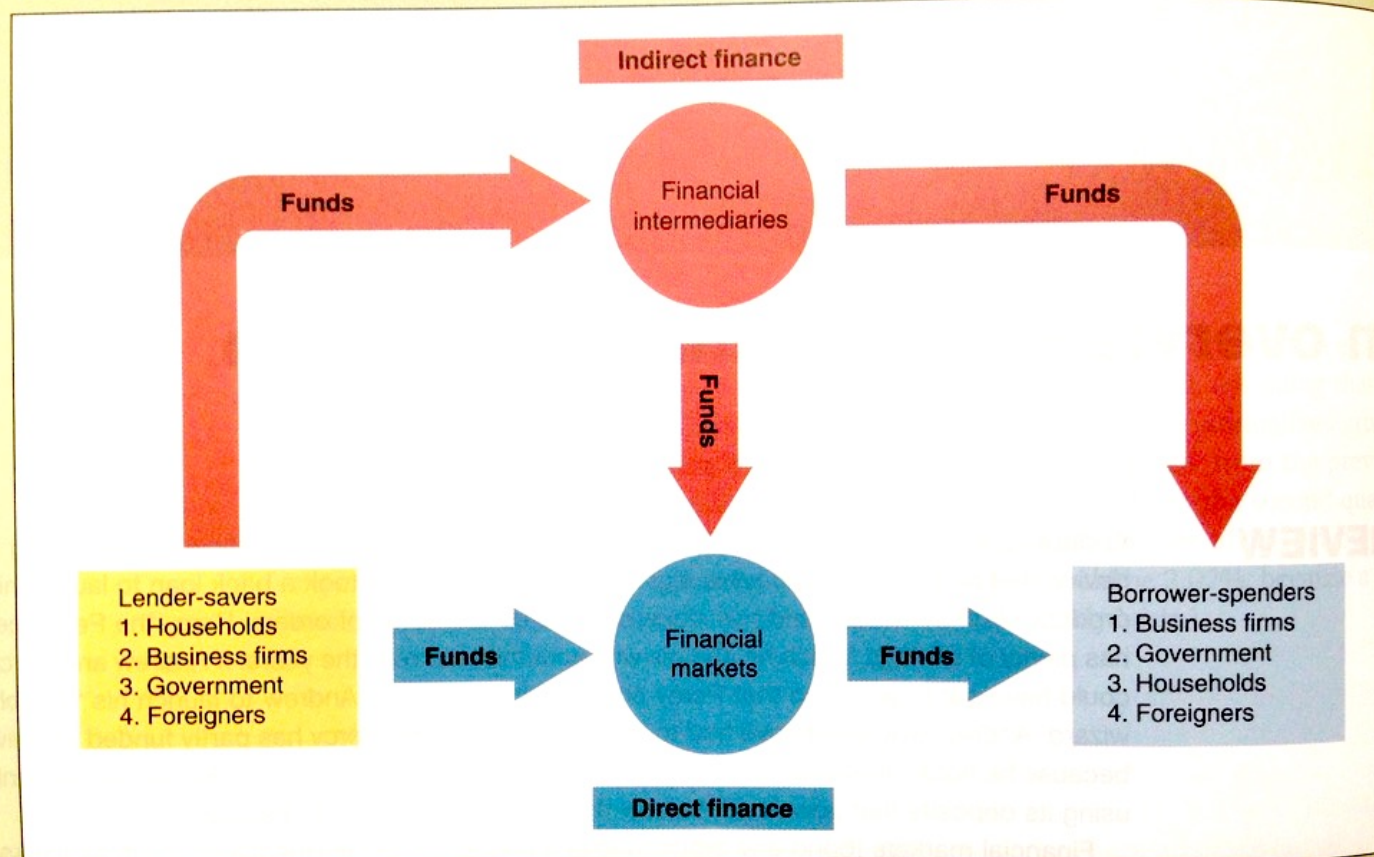
3 views:

- **Mainstream economics**
  - **Marxist**
  - **Post-Keynesian**
- 
- Strengths / weaknesses
  - Towards a **‘financial chains’** approach



# A MAINSTREAM ECONOMICS VIEW

FIGURE 2.1



Flows of funds through the financial system

Source: Mishkin et al. (2013, p. 24, Fig 2.1)

# A MARXIST VIEW

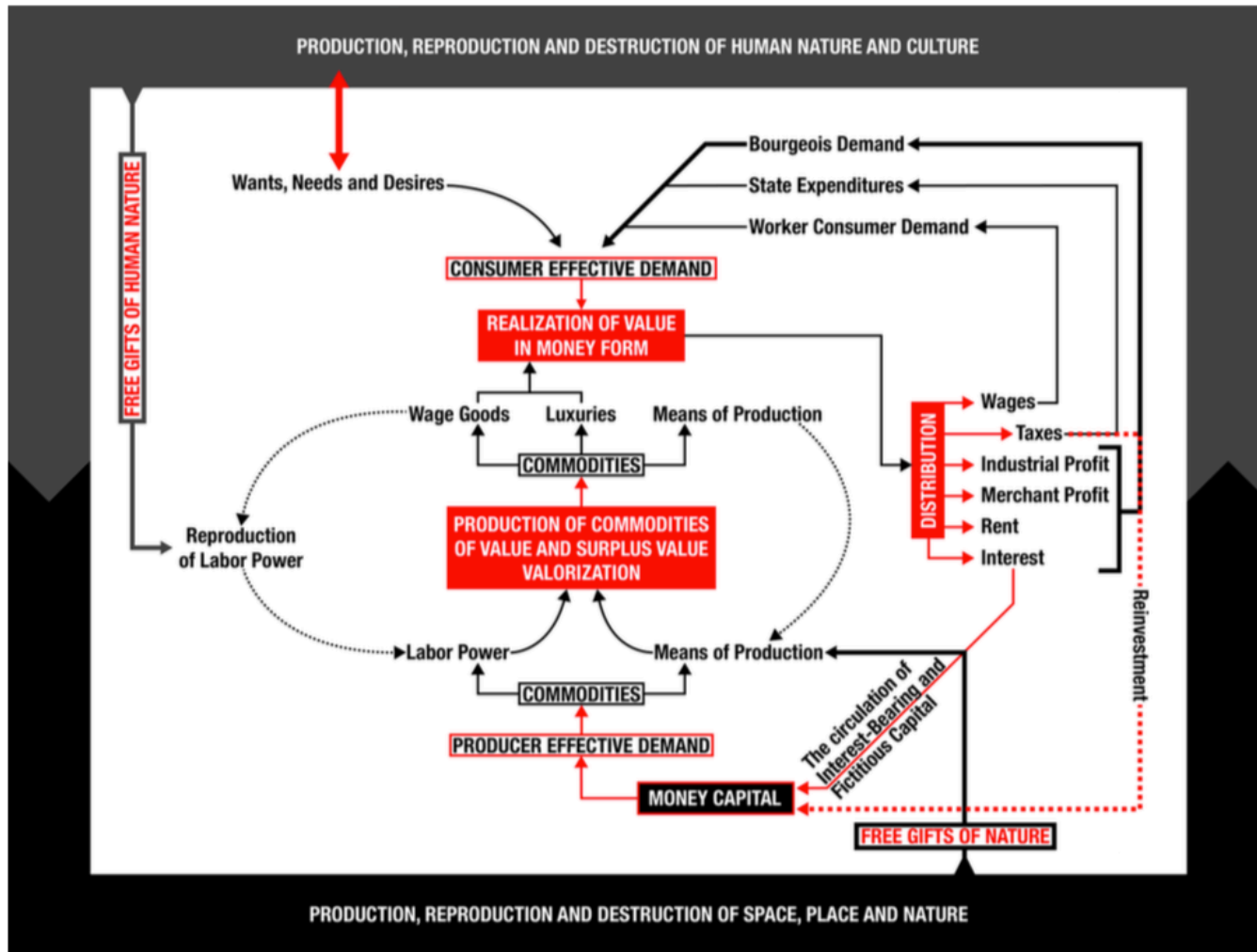
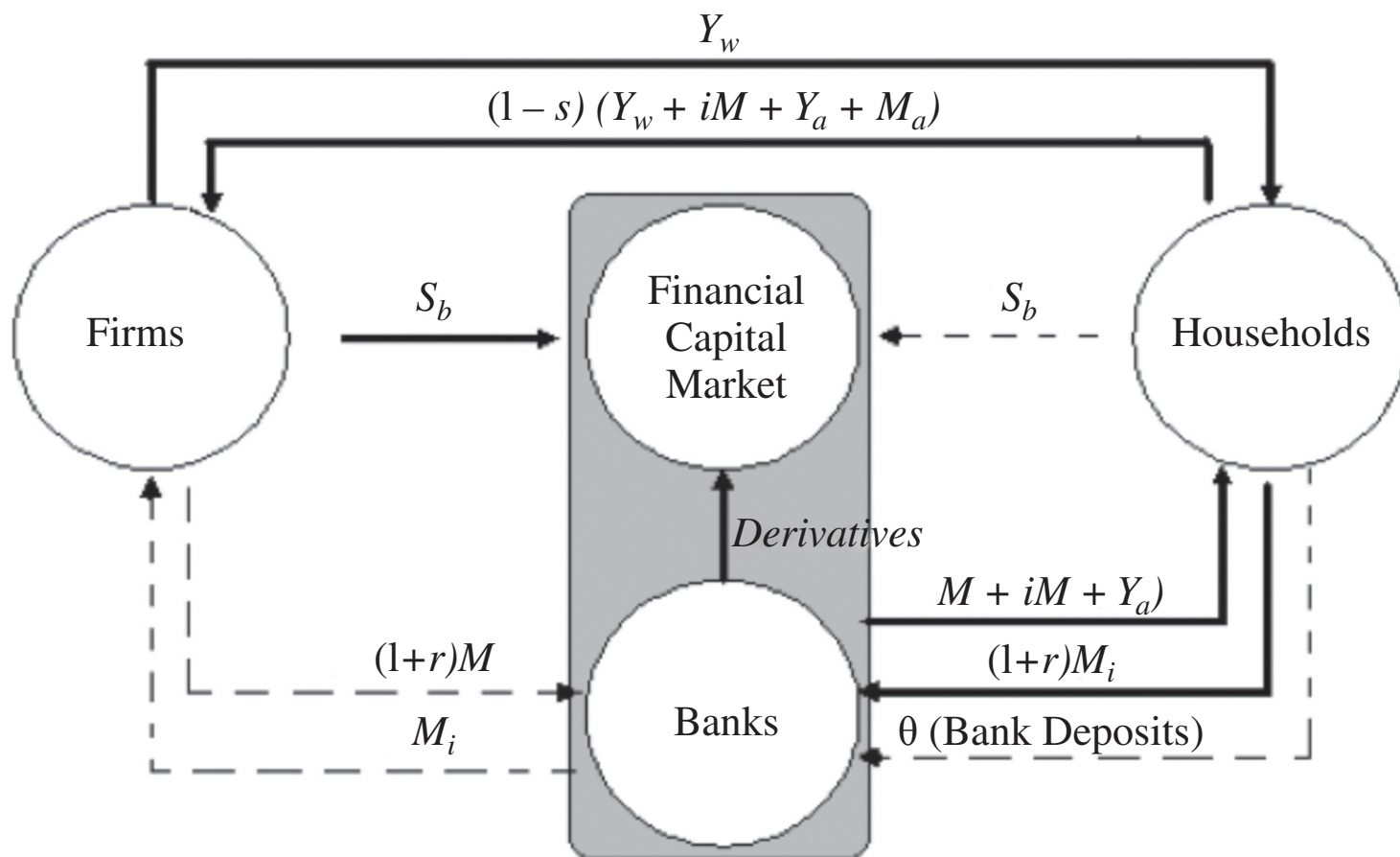


Figure 1: The circulation of capital as a whole

Source: Harvey (2018, p. 433, Fig. 1)

# A POST-KEYNESIAN VIEW

**Figure 3** Strategic role of banks during the financialization era



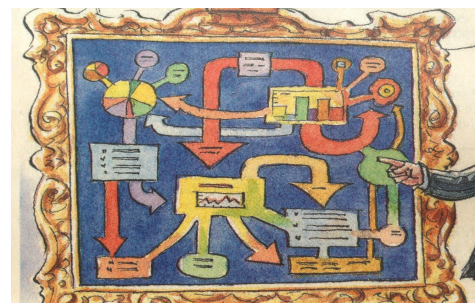
Source: Seccareccia (2012, p. 284, Fig. 3)

# Flows of finance / circulation of capital

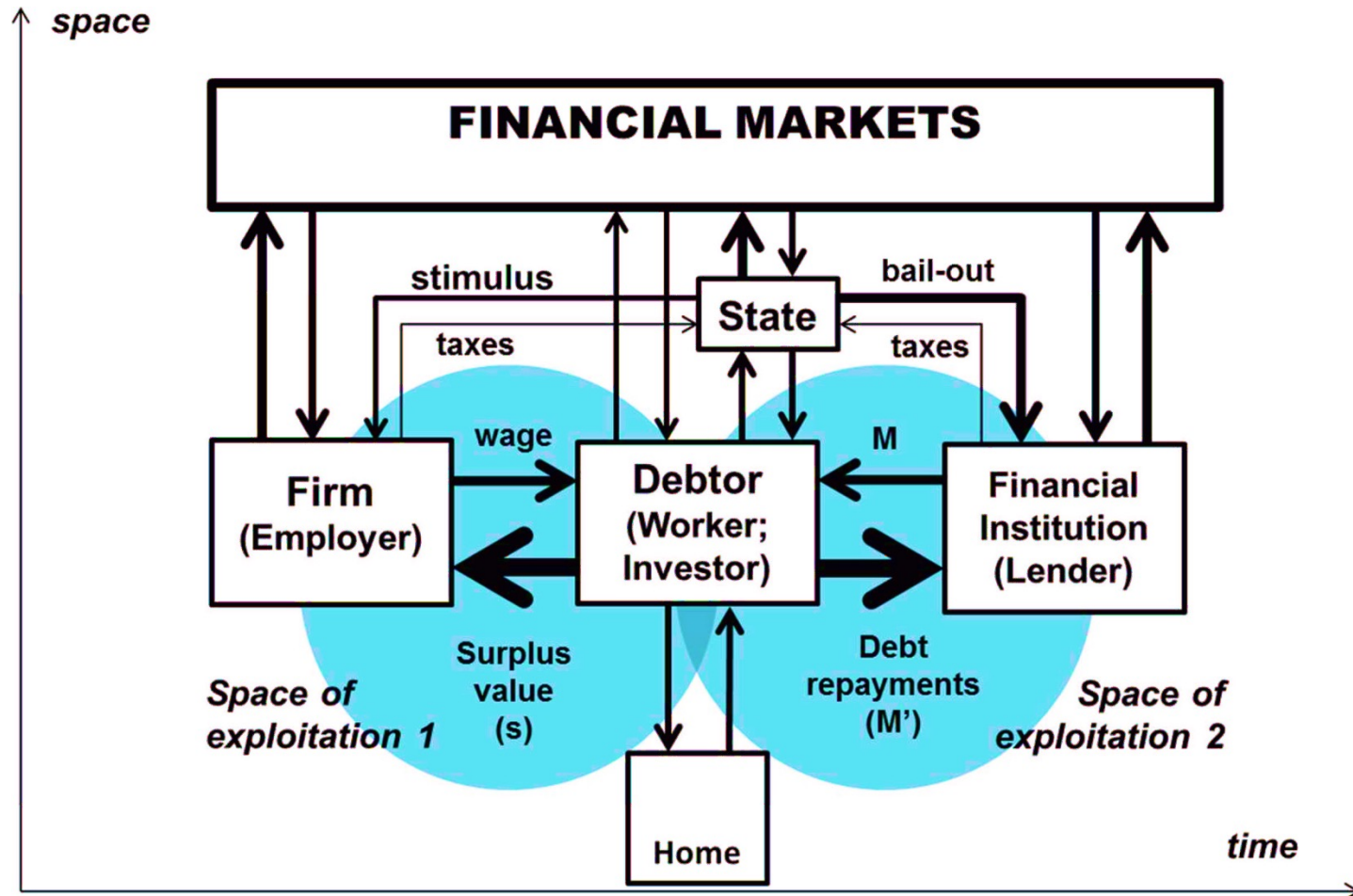
## Key points:

- **Reverse flow** of value (debt repayments)
- Direct engagement of **workers/households**
  - ‘financial exploitation’/‘expropriation’ (Lapavitsas)
- **Creation of money:** central banks AND private banks
- Flows of **value** AND **social relation**
- Over **time**
- Over **space** (geography!)
- East-Central Europe: strong West/East-European dimension

→ Towards a **‘financial chains’** approach



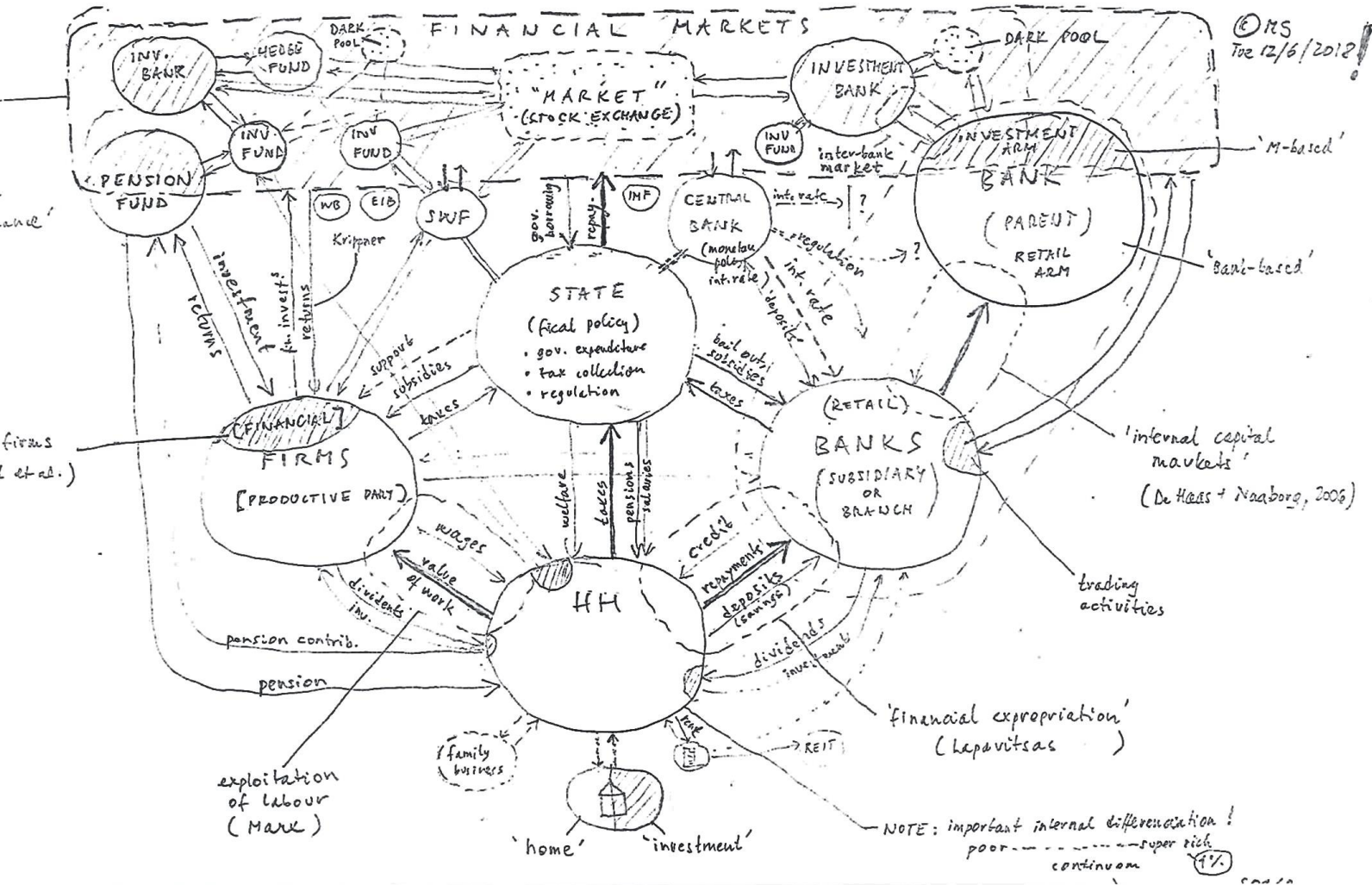
# 'FINANCIAL CHAIN' – Version 1.0



Financial chains in the debt economy (Source: Sokol, 2013)

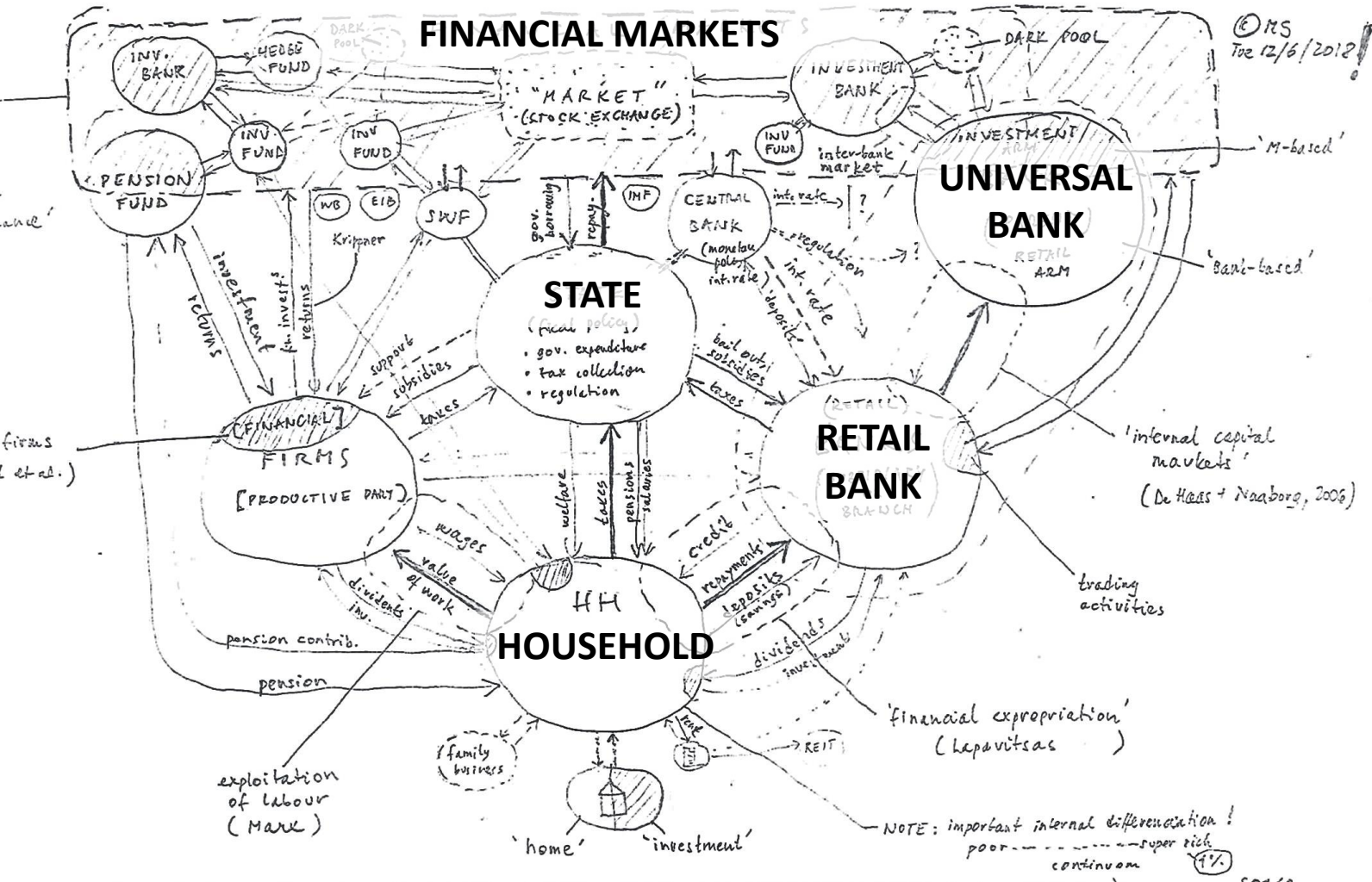


# 'FINANCIAL CHAIN' – Version 2.0\*



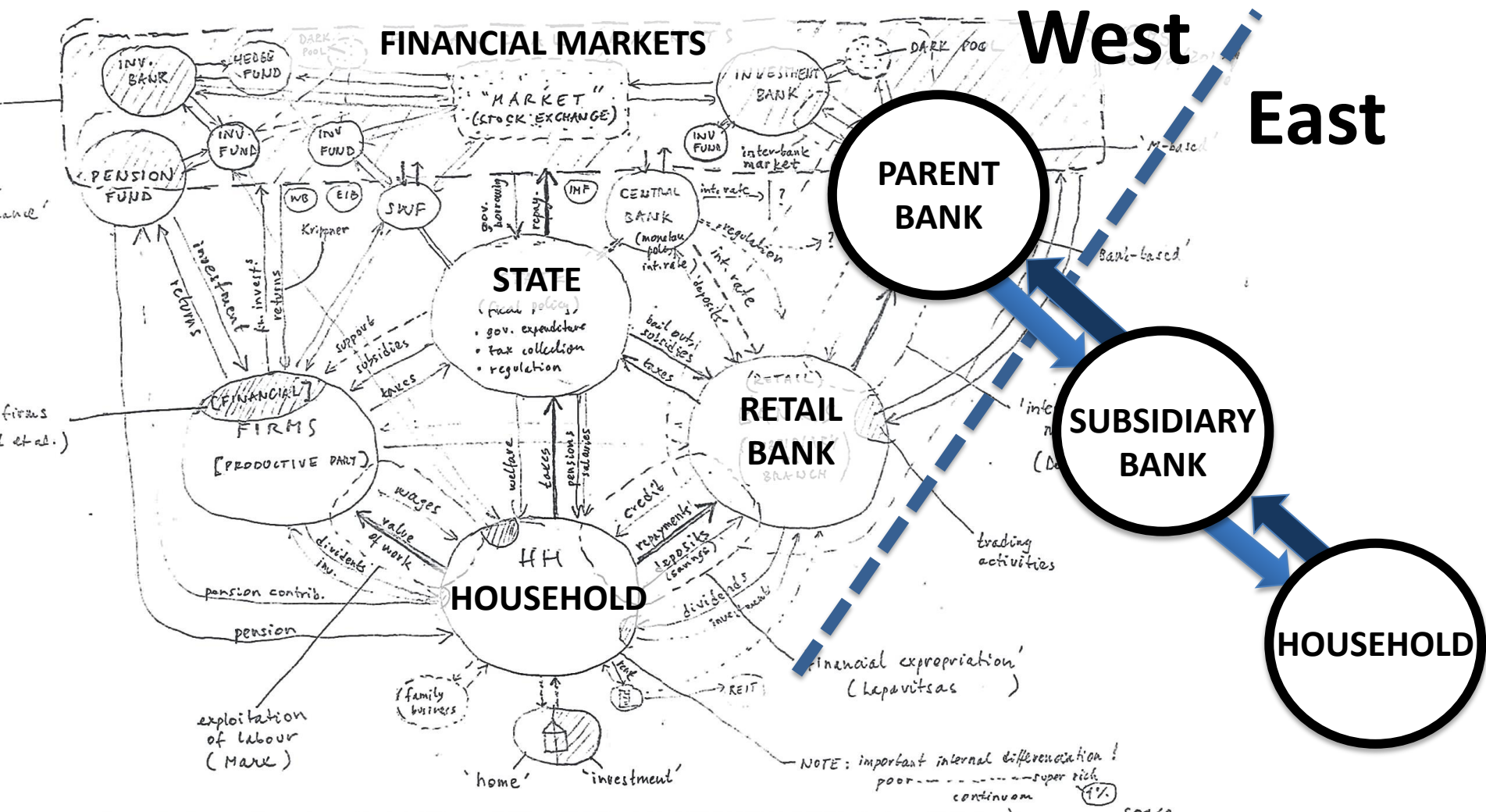
\*under construction. Source: Author (2018)

# 'FINANCIAL CHAIN' – Version 2.0\*



\*under construction. Source: Author (2018)

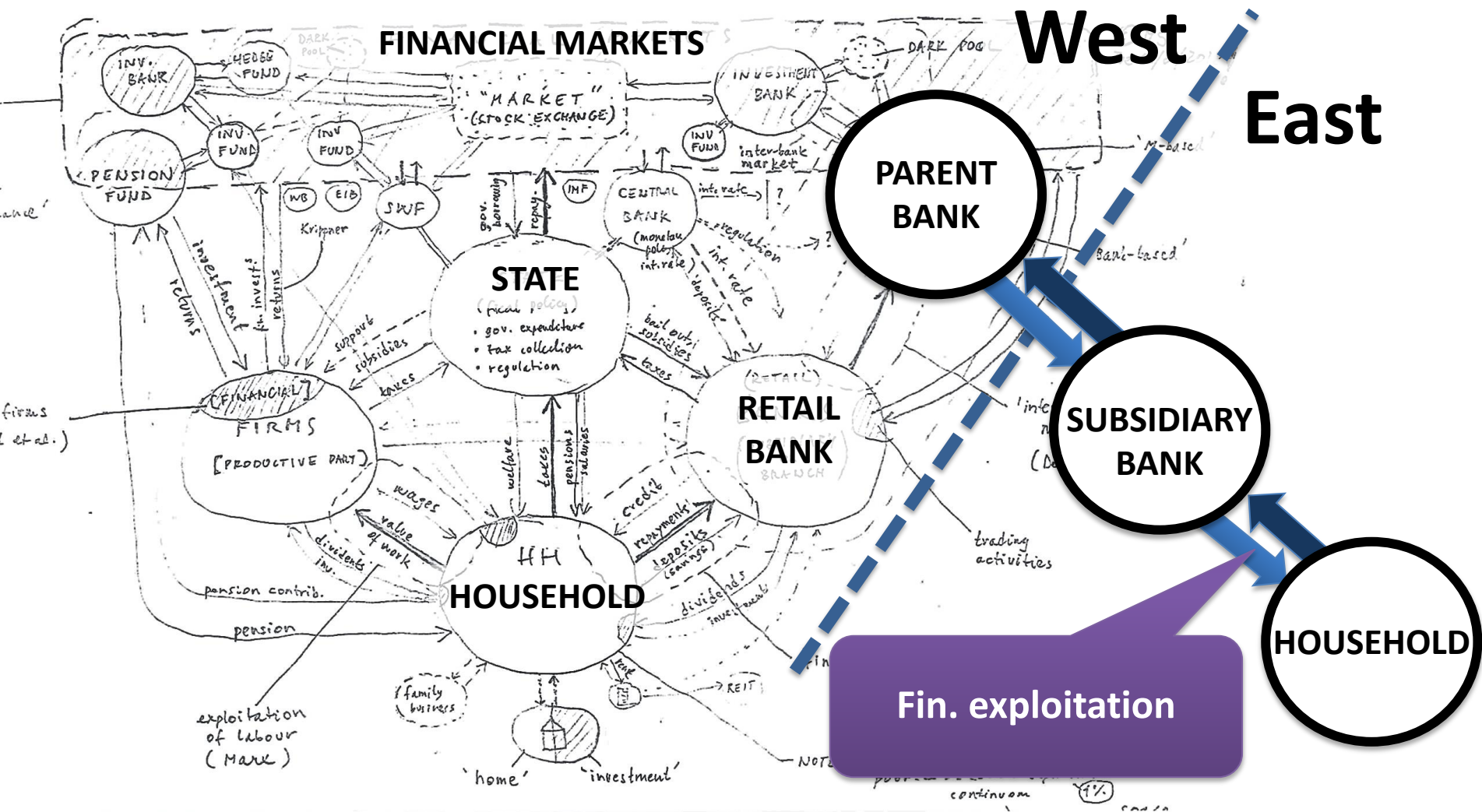
# 'FINANCIAL CHAIN' – Version 2.0\*



\*under construction. Source: Author (2018)

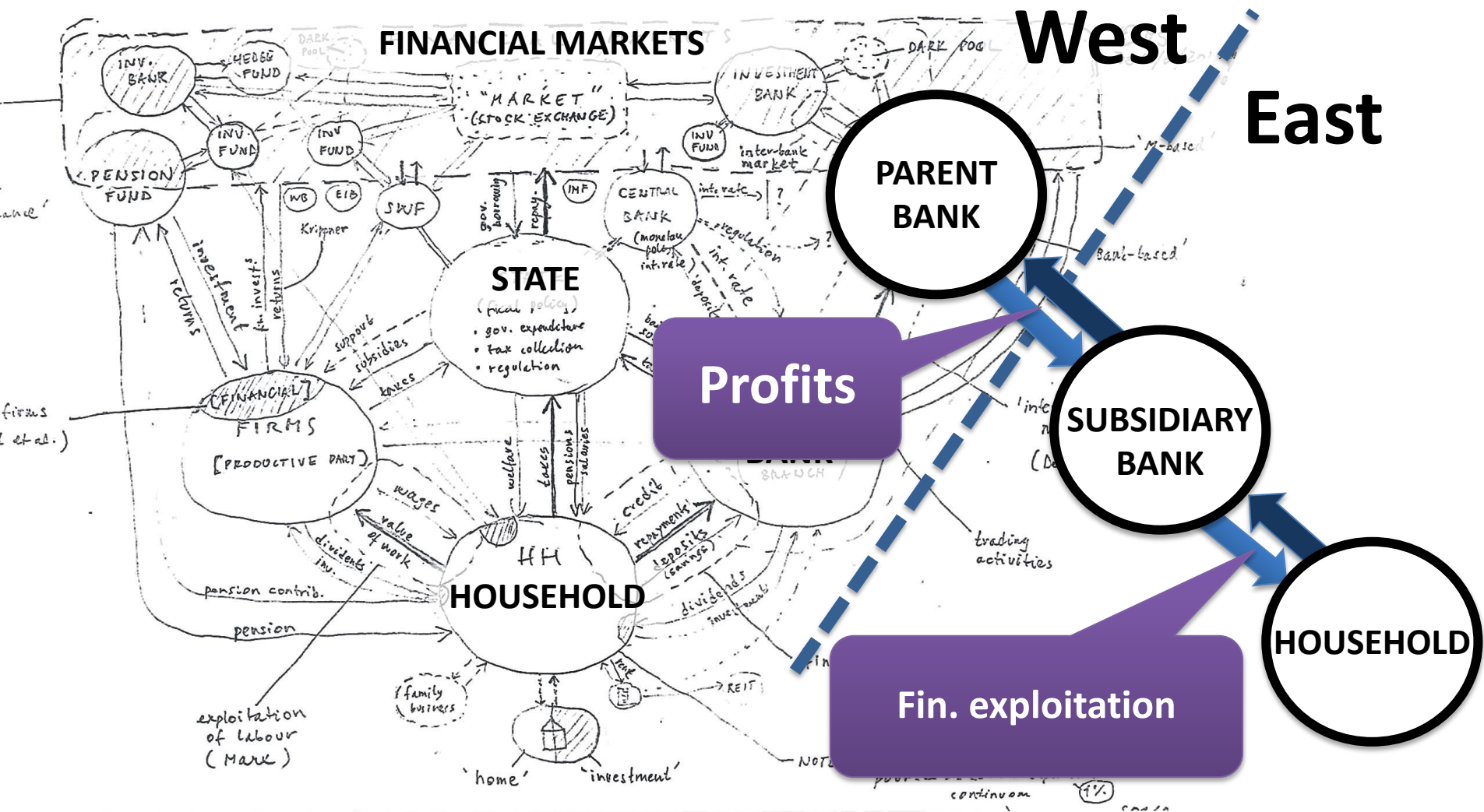


# 'FINANCIAL CHAIN' – Version 2.0\*



\*under construction. Source: Author (2018)

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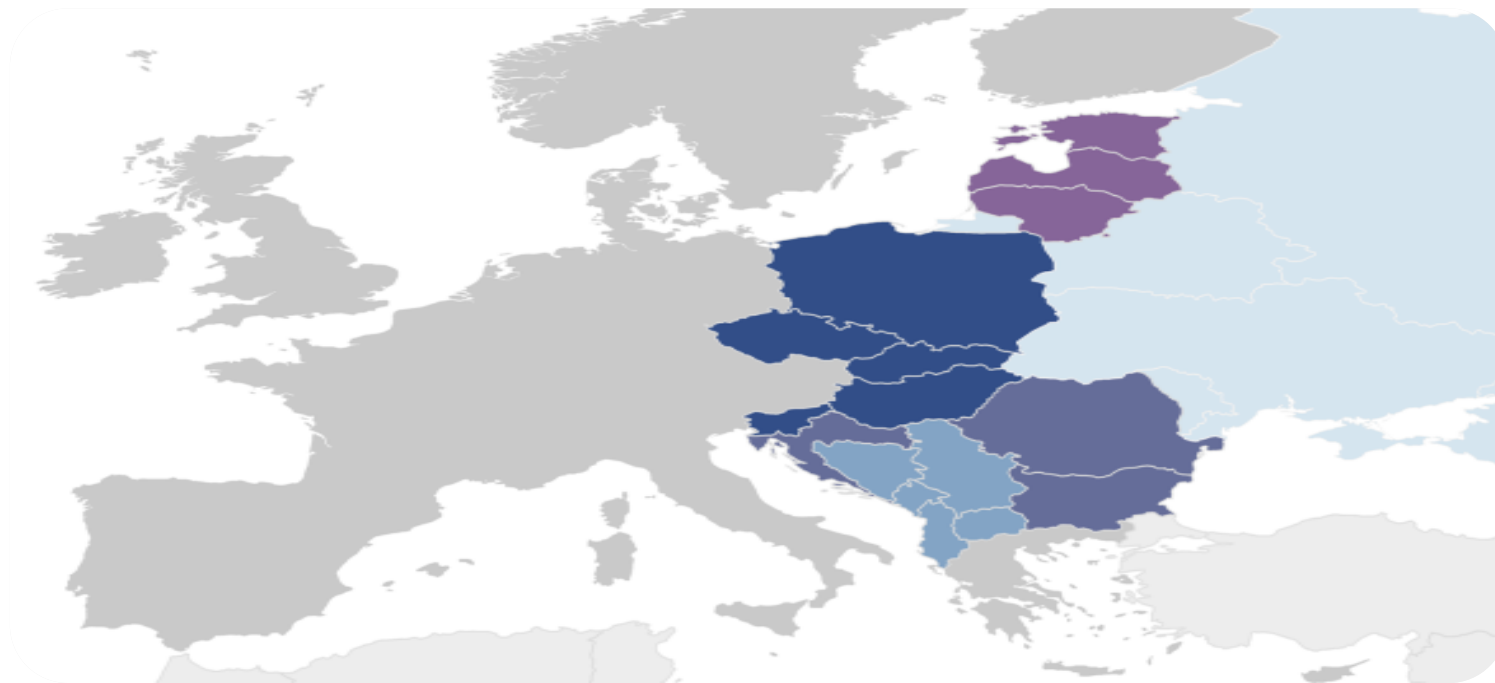
# FINANCIAL CHAINS in ECE



## East-Central Europe:

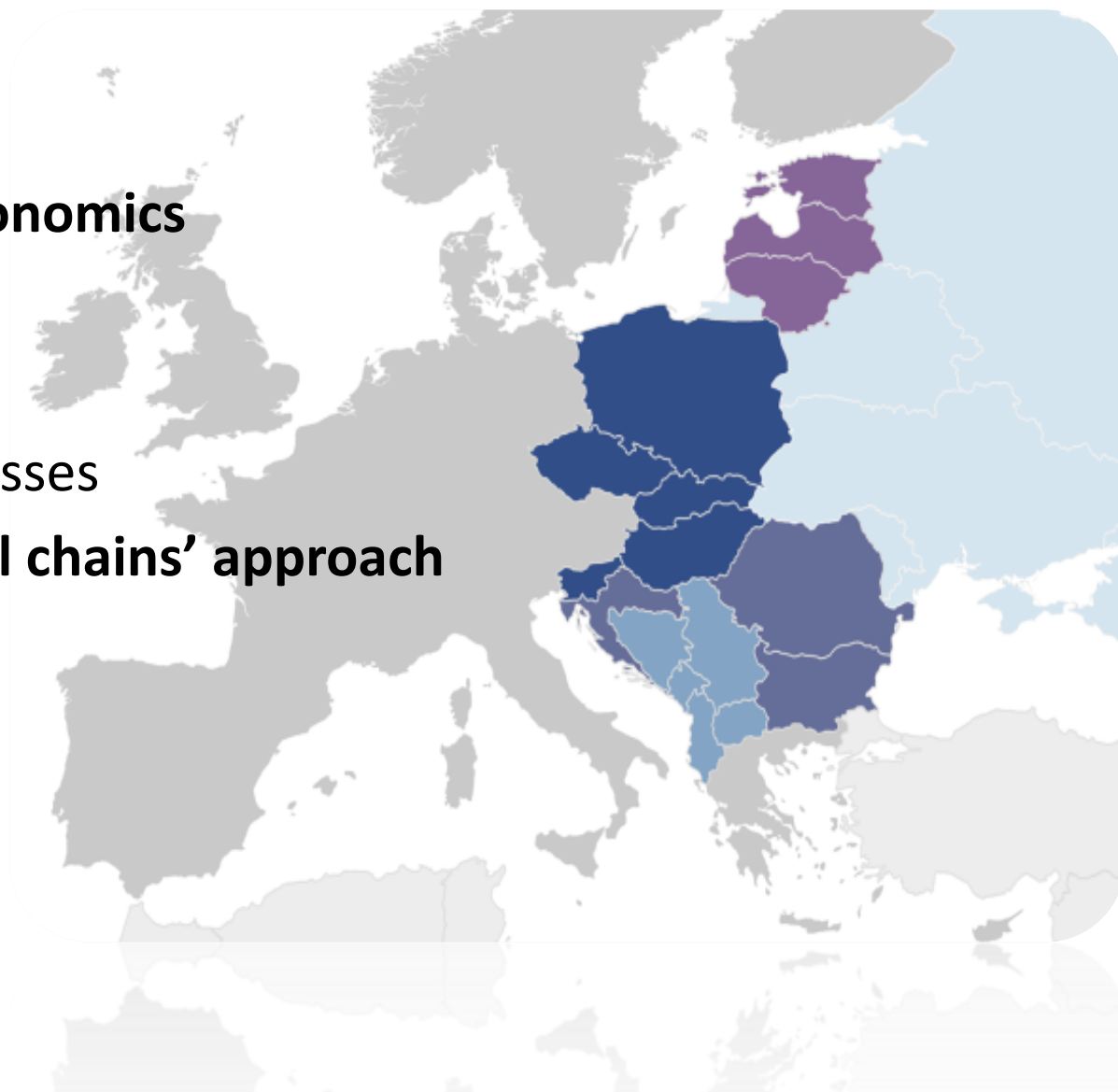
- the dominant role in 'financial chains' played by **West-European banks**
- implications for **uneven development = unclear**

(at various geographical scales: between W/E; within East)



# CONCLUSION

- 3 views:
  - **Mainstream economics**
  - **Marxist**
  - **Post-Keynesian**
- Strengths / weaknesses
- Towards a **‘financial chains’ approach**



# Thank you!

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# ABSTRACT

Martin SOKOL

## **Financial chains and new geographies of financialisation in East-Central Europe**

### **Abstract:**

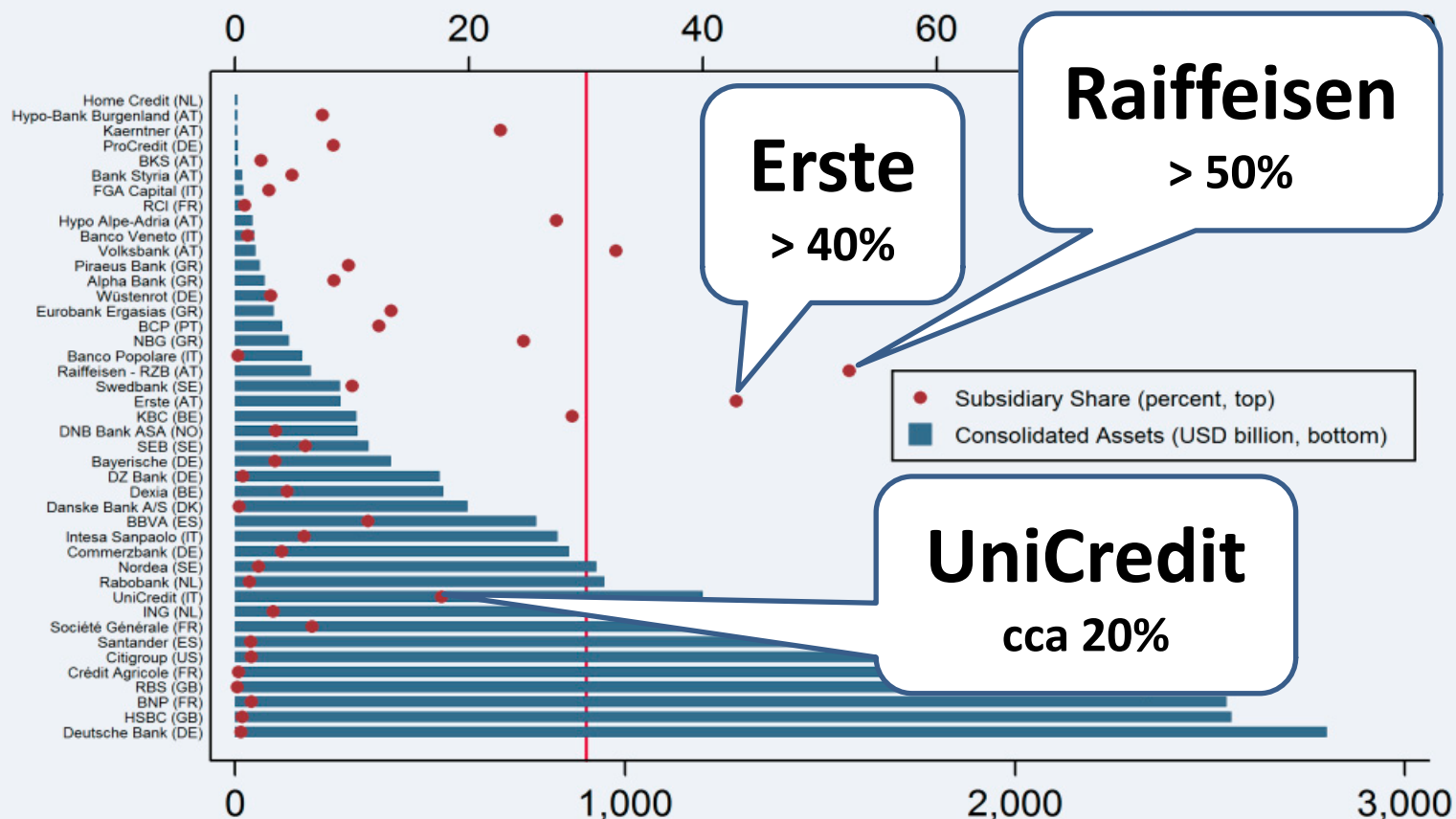
One of the most fascinating, yet still relatively under-researched, aspects of financialisation is its operation and geographical implications in East-Central Europe. Following the collapse of state-socialism, a dramatic financial change occurred there. Spearheaded by Western European banks, the role of finance in post-socialist societies has been transformed. This paper aims to elaborate on the concept of 'financial chains' as a way of approaching new geographies of financialisation and uneven development both between the East and the West and within East-Central Europe itself.

**Key words:** Financialisation; Financial Chains; East-Central Europe; Geography.



# 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.