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'SUBORDINATED FINANCIALISATION'? THE ROLE OF CREDIT AND DEBT IN EVERYDAY LIVES OF HOUSEHOLDS IN EAST AND CENTRAL EUROPE

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Financialisation of households in the ECE countries: Contexts, connections and consequences

Financialisation: increasing dominance of financial actors, markets, practices, measurements and narratives, at various scales (Aalbers, 2016: 3)
=> **with households as key actors** (Froud et al., 2002)

Key factors: (1) the decline in states' welfare provision and financialisation of housing (2) deregulation of financial services and 'democratization' of credit; (3) stagnating wages and the decline in availability to sustain lifestyle expectations (e.g. Fligstein et al., 2012; Erturk et al., 2007; Martin, 2002)

Households as 'investors' and 'debtors' (and both at the same time) => **debt as part of socio-economic inclusion** (e.g. Guerin, 2014; Guerin et al., 2014; Prabhakar, 2013; Roy, 2101) or **exploitative inclusion** (Sokol, 2013)

Households as ‘debtors’ and ‘investors’

‘Regular’ individuals expected to act as investors (Watson, 2009); importance of the **amount invested/borrowed** BUT also **timing** (Attanasio and Banks, 2001)

Lifecycle model (e.g. Modigliani, 1963): access to credit as crucial aspect for **optimization of cash flows within households** (D’Allesio and Lezzio, 2013; Chmelar, 2013; Falanga, 2015)

Shift towards **asset-based welfare theory**

- **households expected to be self-sufficient** (Doling and Ronald, 2009)
- Increase in lending to households (e.g. Lapavistas, 2009; Stockhammer, 2012)

Home ownership as an important aspect of this shift (e.g. Aalbers, 2008; Doling, 2009; Gonzales, 2015)

Financialisation of everyday life: consequences?

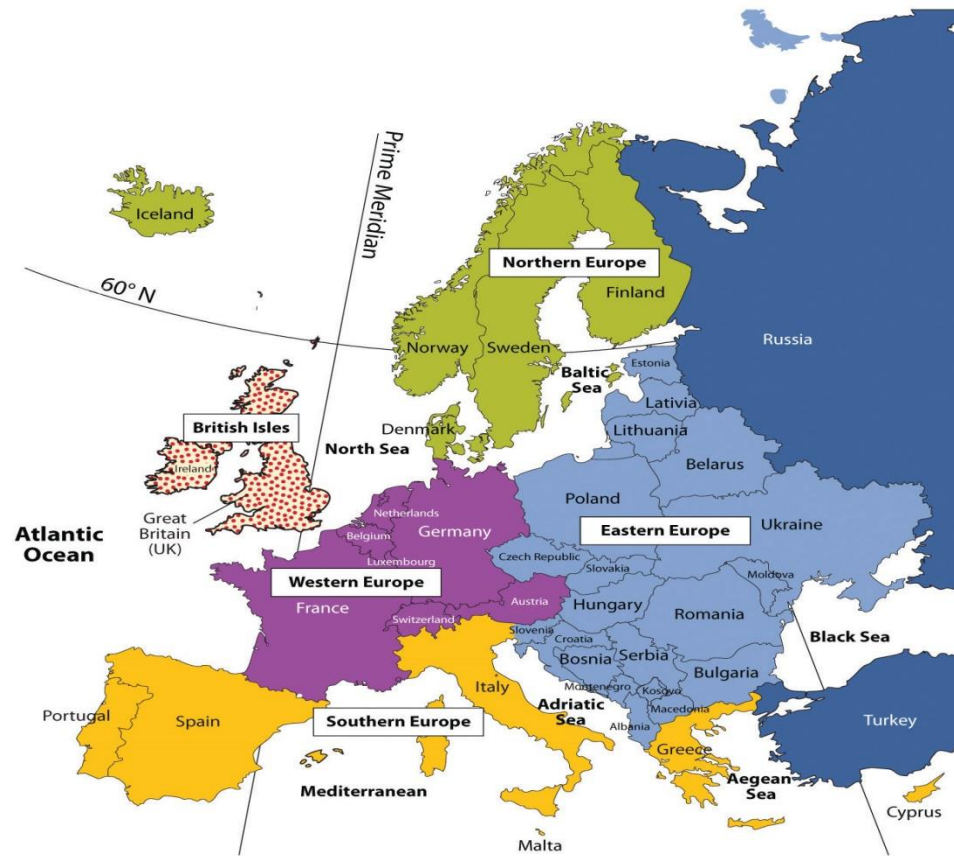
Caring for debt: issue of the **everyday experience** and the impact of indebtedness on individuals, households, and communities (Montgomerie and Tepe-Balfrage, 2016)

- **Psychological challenges** related to the debt-related burden (**objective** and **subjective** measures)
- Importance of **individual circumstances**, e.g. having children, being unemployed etc.

Uneven distribution of over-indebtedness around the EU (EC, 2008)

- **Also:** important inequalities within the states as certain groups more affected by the debt (CPEC, 2013); relative perception of household debt and importance of cultural norms (Georgarakow et al., 2010)

European divisions: East and West, core and peripheries



Analysis mainly focused on Western Europe; ECE countries
- Limited studies; **peripheral character of financialisation**

Financialisation processes in the ECE countries: part of the ‘catching up process’?

Transformation period and possible aim to ‘out-liberalize’ the Old EU (Orenstain, 2008)

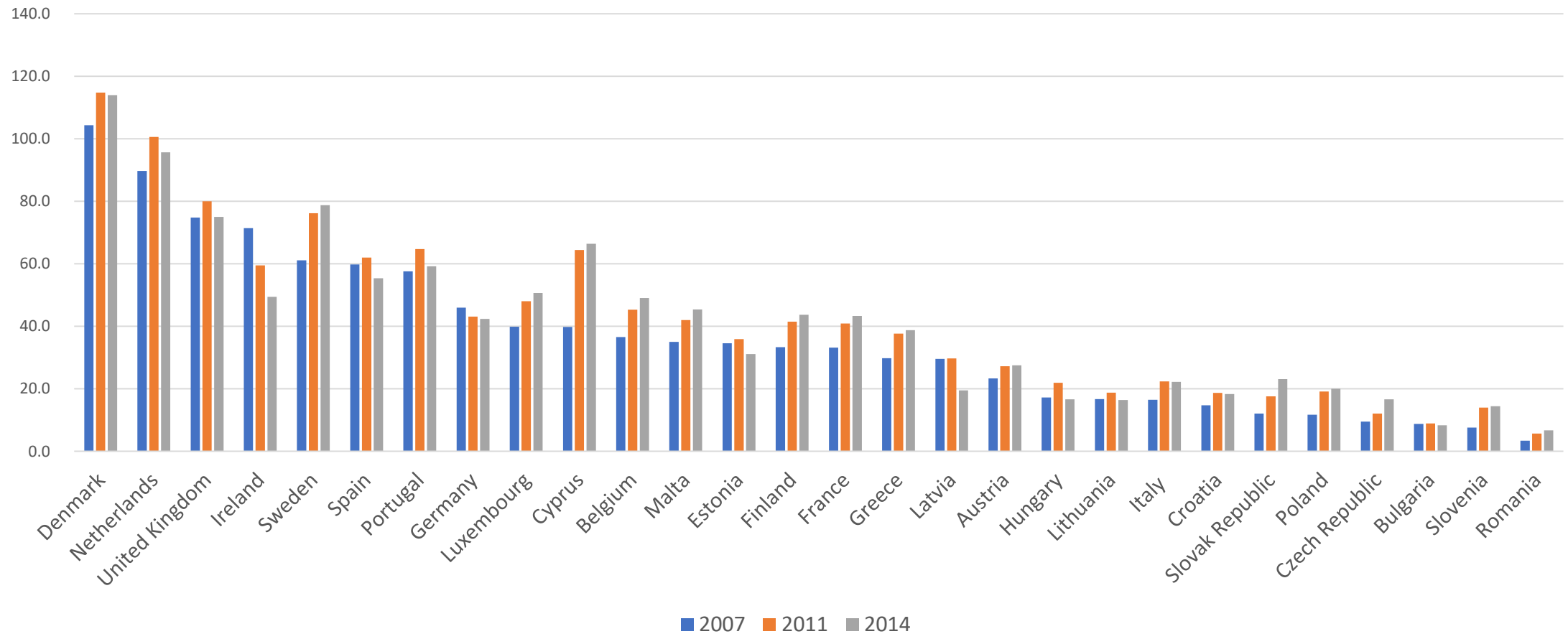
BUT:

Debt to income and residential loans to GDP ratios still relatively low

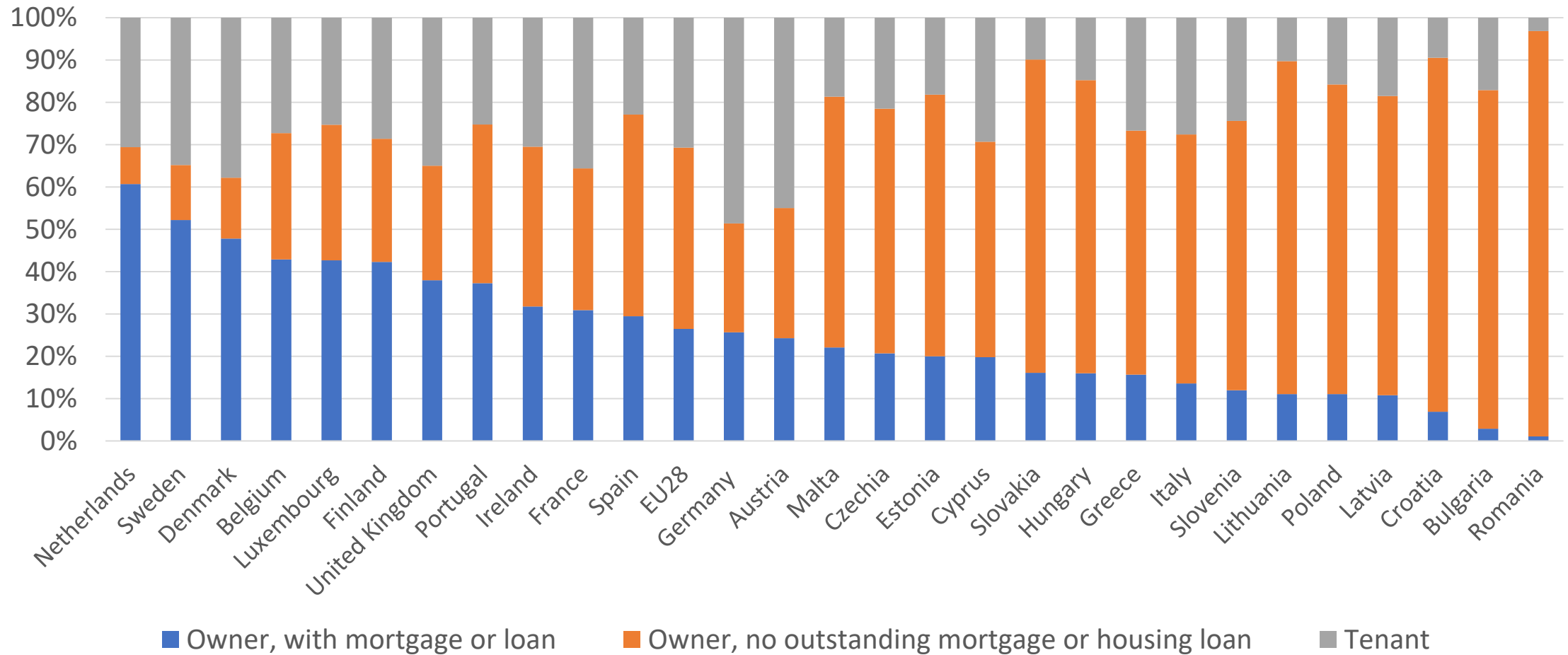
Home ownership rates high but **mortgages** in minority (although growing)

Consequences of debt for households?

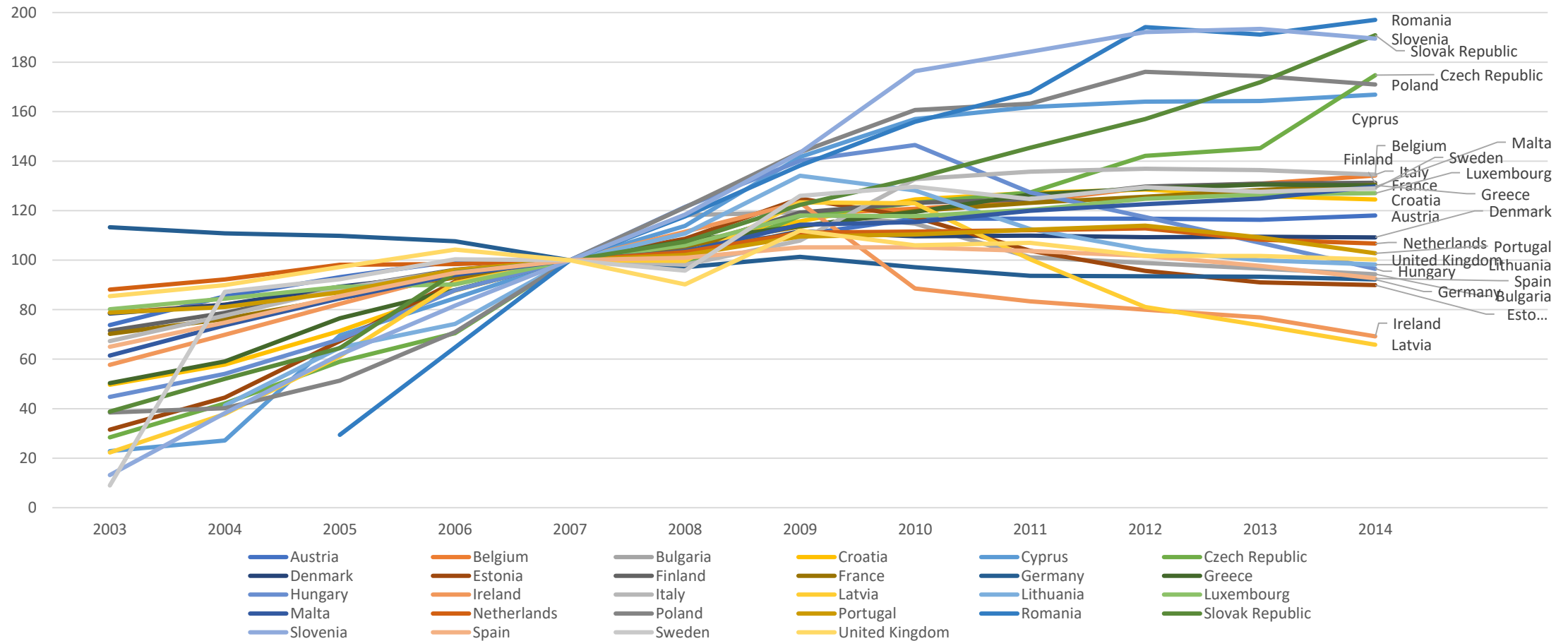
EU: total outstanding residential loans to GDP ratio (2007-2014)



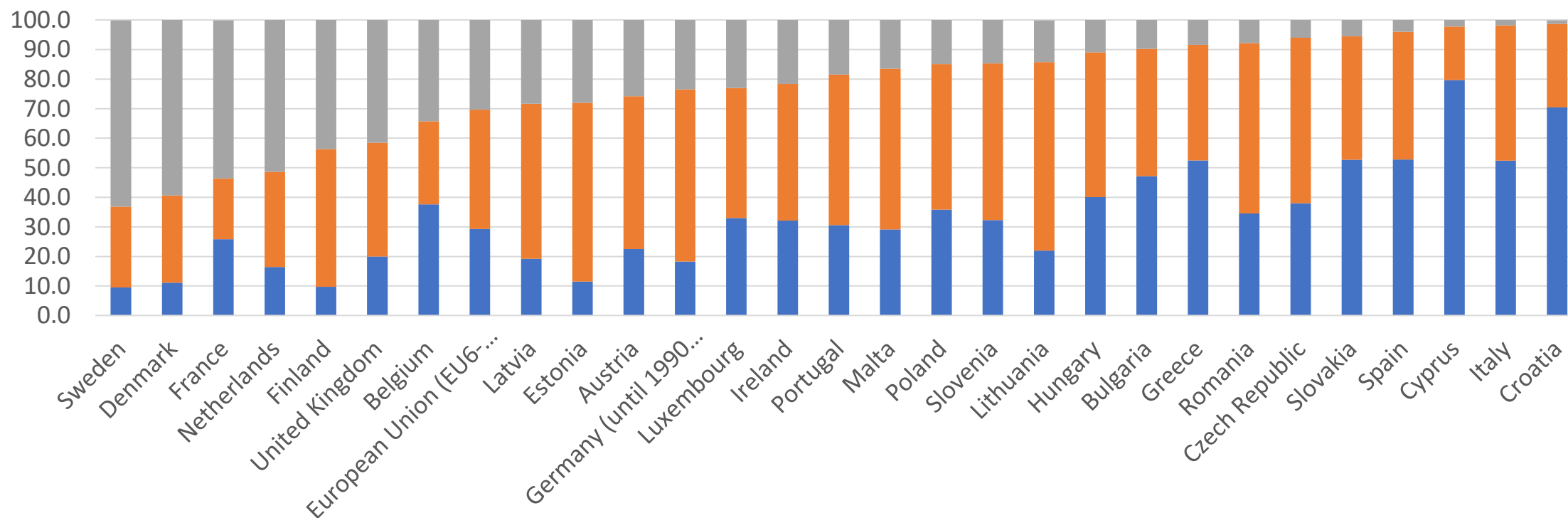
EU: tenure status (2017)



EU: outstanding residential loans to GDP, 2003 - 2014 (Index, 2007=100)



EU: housing payments and financial burden (2015)



- Households without financial burden due to the housing costs
- Households with financial burden due to the housing costs
- Households with heavy financial burden due to the housing costs

Financial literacy; trust in financial institutions

Financial literacy: ‘crucial in times when increasingly complex products are easily available to a wider range of the population’ (Klapper et al., 2015)

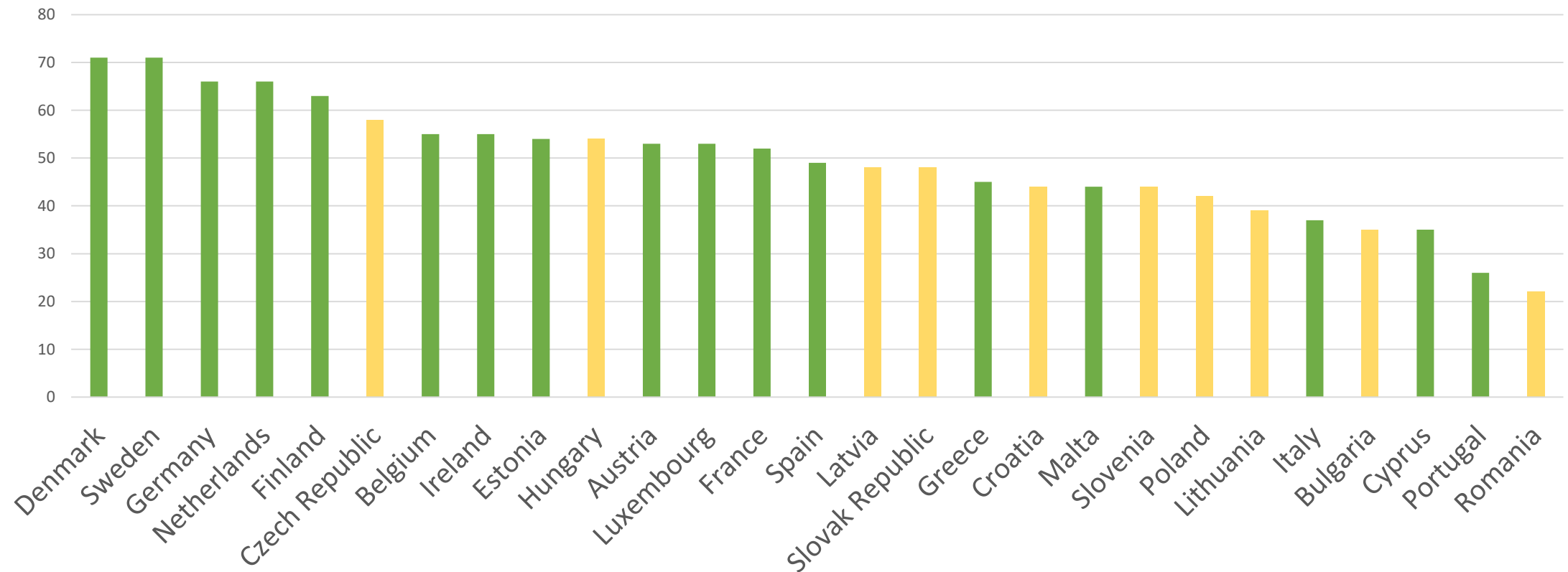
- **Financial crisis:** financial literacy an issue emerging as crucial for policy makers – ‘irresponsible’ banks (EESC, 2016); levels of **understanding among retail clients** (European Parliament, 2015; EESC, 2011)
- **Financial education** as **protection** against complex financial markets and products – various social groups; different national settings (OECD, 2013)

Trust in financial institutions: links with financial inclusion (World Bank and IBRD, 2014)

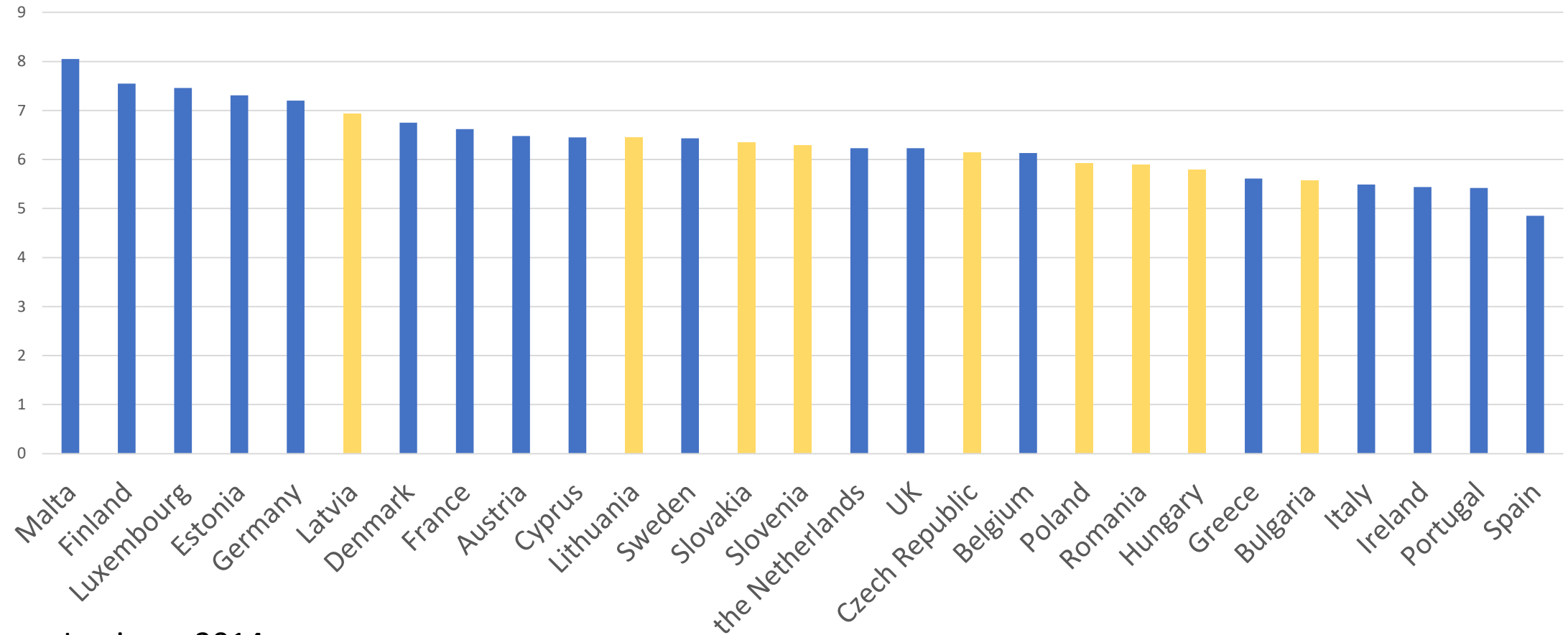
- Crucial role of **trust in local currency** for FX lending (Brown and Stix, 2014)
- Importance of **informal strategies**

Financial literacy in the EU (2014)

Adults who are financially literate (%)

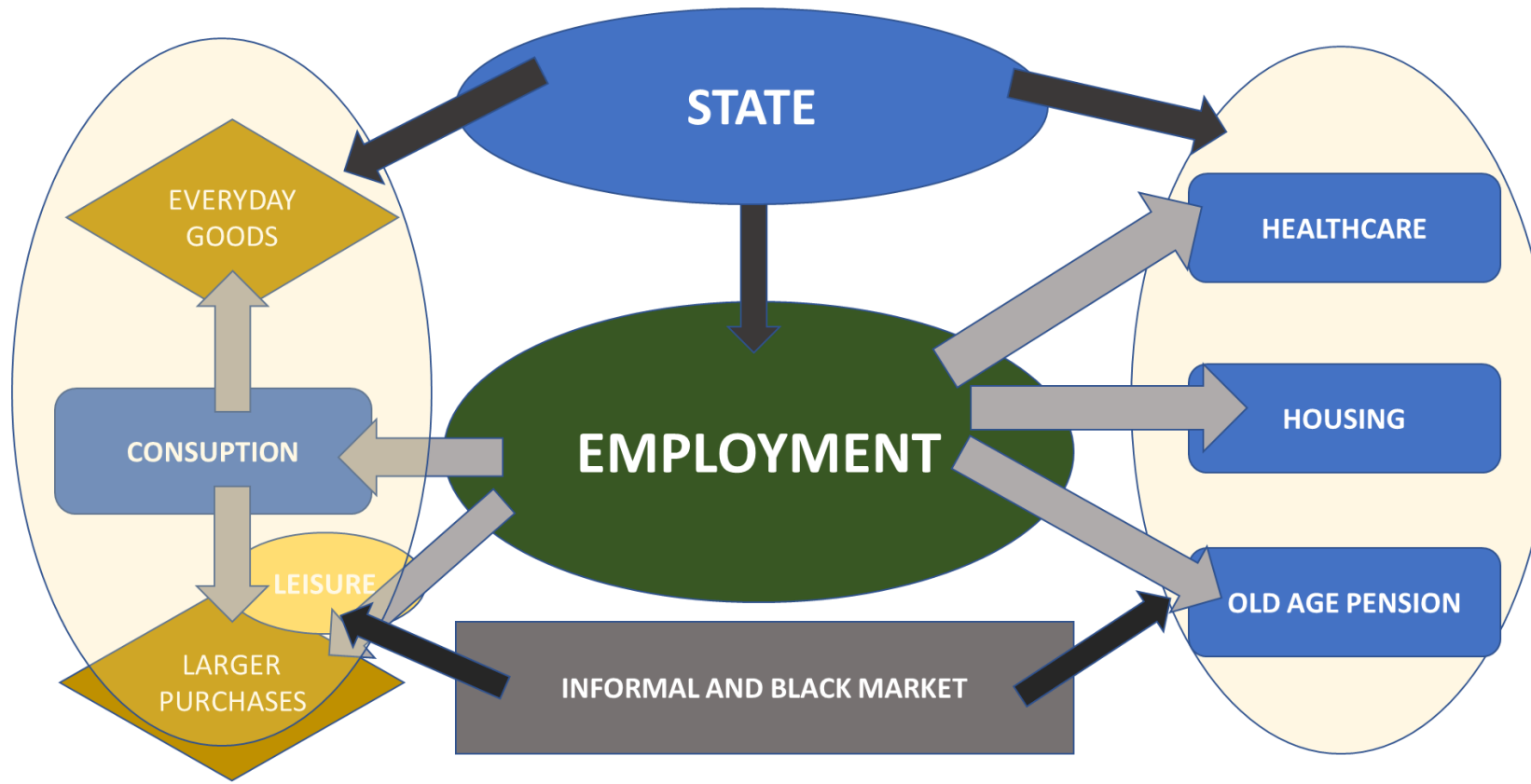


Consumer trust in banking in the EU (2012)

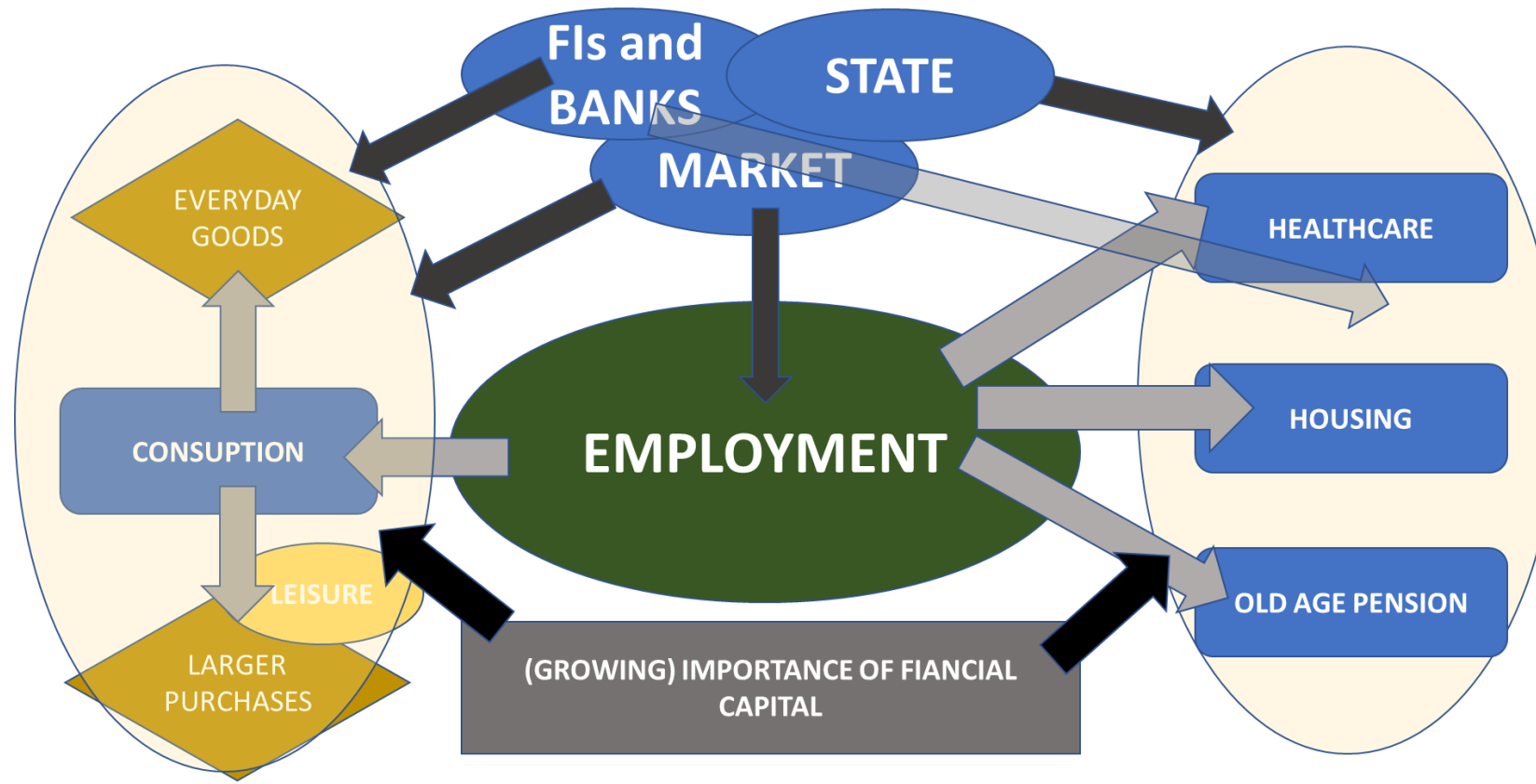


Source: Jarvinen, 2014

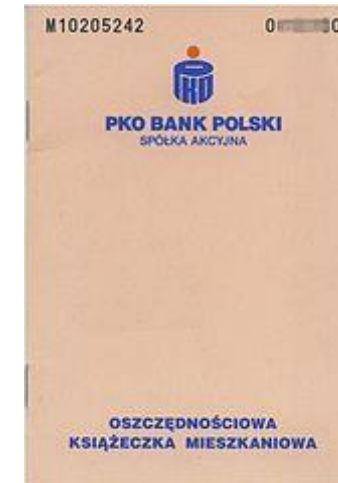
State socialism: welfare and consumption



Post-transformation shifts



State socialism: aspirations versus reality



Post-transformation aspirations (realities?)



Conclusion: dimensions of financialisation (households)

TIME: 'Common trajectories' (Aalbers, 2016)

- financialisation as *process* rather than a *state* – households in ECE region still 'catching up'?

SPACE: Relationship between **global, supra-national, national, regional and local** spaces

- Global finances and national spaces (incl. regulations, welfare state etc)
- Differences within states, regions and localities (e.g. urban/rural dimension)

SOCIAL STRUCTURE: access to financial products and its consequences

- Income, education ('cherry picking'); perception of debt (and ways to deal with it)
- Also important for financial literacy and trust in financial institutions

THANK YOU!

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