

## FINANCE AND FINANCIALIZATION II: STATES AND TERRITORIES

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### *Session*

#### **Finance and financialisation in post-socialist Central and Eastern Europe**

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Financialisation is recognised as a major force that is shaping contemporary capitalist societies and economies, as well as being a leading cause of the recent Global Financial Crisis. There is also growing evidence that financialisation plays a crucial role in (re)producing and exacerbating social and spatial inequalities at various scales. Financialisation thus could be seen as one of the key drivers of the dynamics in an unequal world. However, despite the pivotal role financialisation plays in contemporary economies (and the explosion of literature about it), our understanding of this phenomenon remains limited in many aspects. For one, much of the financialisation research has so far focused on the most advanced (and presumably the most financialised) Western capitalist economies. As a result, we know much less about how financialisation unfolds in other contexts and how these different contexts are interlinked with each other and how this reflects patterns of uneven development and/or economic dependency. Financialisation in Central and Eastern Europe represents a significant lacuna in this regard. Yet, the post-socialist context offers a unique opportunity to study financialisation and its social and spatial implications. Indeed, former state-socialist economies were previously built on a completely opposite logic to that of financialisation. The collapse of state-socialist regimes was followed by a dramatic re-organisation of the entire financial infrastructure and significantly shaped by the involvement of West European banking groups. The post-socialist context thus gives us a chance to study financialisation from a different perspective and to reveal its logics, and its implications, in an alternative light. This session welcomes both theoretical and empirical papers that will help to build a picture of financialisation in post-socialist Central and Eastern Europe and its implications for Europe and for the global political economy more broadly.

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#### ***Finance and financialisation in post-socialist Central and Eastern Europe I***

##### **Dependent financialisation and uneven development of the housing market in Central and Eastern Europe**

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The notion of dependent financialisation describes the peculiarities of financialisation in the European semi-periphery. Financialisation of the periphery was characterized by external capital dependencies and fragile financialized interconnectedness orchestrated by the foreign banks entered the region. The paper analyses the production of spatial inequalities on various scales on the European semi-periphery through the case of housing, which is one of the important forms of a spatial fix in financializing European economies. It mobilizes the notion of dependent financialisation in order to empirically support this argument through the case of the Hungarian housing market - examining the articulation of the dependent financialisation of housing first on a European, then on a national and finally on a local scale. The financialisation-based consumption model of CEE relying on short-term credit flows were reoriented towards households and had a limited role in corporate finance and economic development goals. It argues that the transfer of wealth does not only happen in terms of social class, but also in terms of spatial core and periphery, and that financialisation also inherently carries a logic of uneven spatial development. It argues that financialized housing regimes in CEE which unfolded in the years preceding the crisis channelled the resources of the periphery into the core and meanwhile pushed risks and shocks stemming from the financial system's logic to peripheral economies/spaces. The paper concludes that increasing inequalities and reinforced structures of dependencies on various spatial scales (European core/periphery; metropolitan/non-metropolitan; urban/rural; global/local) led to the loss of local control over local resources and contributed to the erosion of household assets accumulated under socialism.