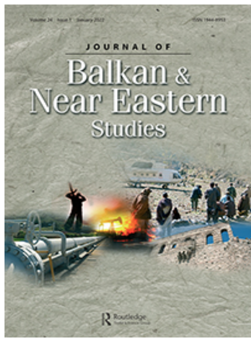

Journal of Balkan and Near Eastern Studies

ISSN: (Print) (Online) Journal homepage: https://www.tandfonline.com/loi/cjsb20

Past and present financialization in Central Eastern Europe: the case of Western subsidiary banks

Giulia Dal Maso

To cite this article: Giulia Dal Maso (2022) Past and present financialization in Central Eastern Europe: the case of Western subsidiary banks, Journal of Balkan and Near Eastern Studies, 24:1, 60-77, DOI: 10.1080/19448953.2021.1992185

To link to this article: https://doi.org/10.1080/19448953.2021.1992185

Published online: 22 Dec 2021.

Submit your article to this journal

Article views: 77

View related articles

View Crossmark data

Full Terms & Conditions of access and use can be found at
https://www.tandfonline.com/action/journalInformation?journalCode=cjsb20

JOURNAL OF BALKAN AND NEAR EASTERN STUDIES
2022, VOL. 24, NO. 1, 60–77
https://doi.org/10.1080/19448953.2021.1992185

ARTICLE

Past and present financialization in Central Eastern Europe: the case of Western subsidiary banks

Giulia Dal Maso

Department of Asian and North African Studies, Ca' Foscari University of Venice, Italy

ABSTRACT
By examining the 'post' financial crisis scenario in Central Eastern Europe (CEE) the paper assesses the role of Western banks in the region and how their penetration and 'resilience' is influenced by their parent and subsidiary structure. While taking stock of the variegated post-socialist transformation in CEE, it employs a genealogical method to explore how the universal bank model and its current 'bifurcation' into parent and subsidiary bank provides a lens through which to investigate a new form of dependency within the uneven geography of Europe. In the light of Rudolf Hilferding's theory of the universal bank and the theorization of financial capital, it illustrates how the present form of bank capitalization overlaps with previous forms of imperial expansion. If on one hand subsidiaries sit at the intersection between the core (home country) and the periphery (host country)— reproducing some of the old spatial hierarchy of capitalism; on the other they also enable new patterns of value extraction that go beyond these relations of dependency. Their autonomy in raising capital and in responding to local host jurisdiction in their "second home market" opens a new financial dimension of extractions that escape the oversight of national and regional regulatory regimes.

Introduction

'The hangover after the party'. With this headline, the German magazine *Der Spiegel* commented on the immediate aftermath of the financial crisis, which hit CEE in March 2009.[1] The columnist portrayed a scenario in which Central Eastern European (CEE) countries had indulged in a process of frantic opening and liberalization and then were on the verge of collapse, witnessing a drastic fall in export demand and in some cases, the devaluation of local currencies. After 20 years of economic reconstruction during which CEE countries were integrated into global financial markets through waves of privatization and deregulation that led to the abolishment of state planning, the international community was alarmed again to see the fruits of their efforts vanishing from the same financial integration in which CEE countries had been called to participate. In February 2009 CEE was labelled a 'subprime region'.[2] The infamous comparison pointed to the imprudent lending and savage borrowing that characterized the banking and mortgage crisis in the US, which later appeared in the region. The narrative suggested that due to

CONTACT Giulia Dal Maso giulia.dalmaso@unive.it
© 2021 Informa UK Limited, trading as Taylor & Francis Group

easy lending practices made by the precarious architecture of investment banks and hedge funds, CEE countries had borrowed beyond their means, driving their populations into a cycle of indebtedness that would have to be paid off. This paper argues that the particular subsidiary form Western banks adopted in CEE played a key role in the process of 'dependent' financialization[3] that spread the contagion of 'subprime' lending across the region.[4] It argues that their role has been crucial not only in shaping the process of financialization of CEE countries, but they are also key to grasping the complex and entangled historical and political background that has characterized CEE countries' EU financial integration and their subsequent process of indebtedness at both the state and household level. As I will suggest, Western banks should not be viewed as simply drivers of financialization, but also as catalysts and incubators of financialization in the region.

Firstly, this paper employs genealogical method to examine the historical and regulatory background that has accompanied the history of banking in CEE. This analysis will highlight how the notion of financial capital, as first advanced by Rudolf Hilferding, finds in the structure of the 'universal bank'[5] a conduit for imperial expansion. Illustrating issues of continuity and disruption with the past, I show how the role of Austrian banks in extracting rent from the semi-periphery has been reinforced through the course of European financial integration and its relative directives and regulations. Secondly, I will highlight how within the deeply variegated landscape of CEE transition to neoliberalism,[6] the transition process entailed a financial and credit-led 'restructuring' that re-defined the two halves of Europe into a creditor and debtor relationship. Western banks played a major role, activating a predatory regime based on large-scale retail activities and risky credit lending, which swallowed CEE households in a mass of debt, which has been reinforced after the global financial crisis.[7] To conclude, the paper suggests that it is thanks to their subsidiary structure that the Western banks' predatory model based on debt proved to be resilient to the boom and bust cycle. By examining the 'post' financial crisis scenario, it emerges that the form of the subsidiaries has not only allowed the parent banks to benefit from the bailout package—confirming the commonly held belief that bailout money goes in only to flow out again; but also that the subsidiaries and their hybrid condition at the intersection of the core and periphery has enabled new patterns of value extraction and valorization that both sustain and exceed the same dependency relation.

In the shadow of imperialism: a genealogy of Western banks in CEE

The current cartography of Western banks in the uneven space of CEE retraces some of the borders of earlier imperial power. In the words of an Austrian banker operating in the region 'Austria had lost its empire in twentieth century but had never lost its banks'[8] As a result of the European process of financial 'integration', the deep penetration of Western banks in the spatial proximity of the core, has reinforced new forms of dependency that substantiate the organization of financial capital extractive operations. As underlined by economic historian Alice Teichova at the eve of the EU process of enlargement, the 'historically and politically amorphous concept of *Mitteleuropa* has been functional to the lingering misconception of the conjured-up images of Central Europe's support claiming to territories east of her borders.'[9] The process of Europeanization, enacted as a force of peripheralization of the region, has sought to erase other social and political alternatives

compelling the subjection of the margins to the centre. In the guise of the *Acquis Communautaire*, the rhetoric of financial integration proposals, such as the banking union[10] and the capital markets union,[11] was imbued with the rationality of 'monotopia'.[12] The untenable principle that the liberalization of financial flows would have levelled out socioeconomic imbalances and erased geographical differences, was in fact inextricably linked to a new financial governmentality aimed at reordering the territory of Europe as an economically homogeneous governable and calculable unit.[13]

Unsurprisingly, the financial crisis exposed a strikingly differentiated and hierarchical space. The imbalance of power reflected in the concentration of financial capital within a few Western banking groups actively exploited the 'underdevelopment' of CEE financial authorities and the weakness of CEE currencies. European Western banks, the vast majority of which have been Austrian,[14] have been involved in a frenzied lending spree that increasingly financialized the region. Supported by the political and legal architecture of the EU, Western banks have proven to be the main channels through which the systemic pressures of global financial capitalism were deployed to the periphery.[15] This translated to imposing a new way of living based on the expectation of convergence and on the rhetoric of the 'catching up'.[16] The logic of financialization and its 'race for assets'[17] brought a new economic rationality grounded in asset-based welfare and home-ownership, turning CEE into a mass debt regime. Coming from a context of declining rates of profitability and saturated mortgage markets in Western Europe,[18] Western banks found in CEE new lands for the global 'wall of money'[19] searching for new yields. As already argued by multiple authors, at the core of the 'dependent financialization'[20] that has characterized CEE, lie deep and systemic spatial imbalances that continue to provide new avenues for capital extractive operations. Inserting in the wider debate on 'dependent financialization:' i.e., 'the re-engineering of local financial systems towards capital markets through a partnership between transnational financial institutions seeking new asset classes/sources of yield and poor countries seeking financial market-solutions to political problems'.[21] In CEE, this involved the development of financial services by external dependency with West European banking network and it involved 'the form of hierarchical command and control functions over CEE financial subsidiaries'.[22] The entrance of financialized global banks came to gain the lions' share, crowding out local credit creation for local development,[23] and leveraging higher interest rates that enabled the spread of a credit fuelling mass indebtedness based on credit lending.[24]

In recent years, accounts on the spatial nature of financial accumulation[25] have provided an important analytical perspective to grasp the modalities through which financialization manifests in its spatial variety. Research on banks' spatial expansion and the selective opening/closure of branches highlights a pattern of financial inclusion/exclusion that divides national territory and exacerbates economic inequality.[26] In identifying geography with territorial division, however, often there is a risk of relying on established macro divisions and nomenclatures of economic space 'with little consideration on the changing dynamics of politics and power *over time*'.[27] Instead, when assessing the spatial nature of financialization, and its repeated crisis, I argue one must start from a genealogical method to illustrate not only how finance is historically grounded[28] but also how it is shaped by geographies of money[29] currencies (FX market) and regulations (EU banking directives) that both exceed and overlap with territorial

boundaries. A genealogical method also points to the necessity of considering financialization as a long-term historical momentum and not as a one-off phenomenon of contemporary capitalism.[30] Mobilizing a history of the present means situating the CEE process of financialization and European geographical configuration 'in the light of contingency with the past'.[31] Specifically, the 'the gesture of putting in motion space within history, considering the space itself as *a subject of* and *subject to* the field of power relations makes the history of the present also a history through and of spaces'.[32] In attempting such a gesture, this paper has by no means the pretence to be historically exhaustive, yet it argues that a scrutiny of today's financialization through the role and trajectories of Western banking groups in CEE should come to grips with the past condition of imperial power and domination.

Rudolf Hilferding has perhaps best investigated the historical relationship between banks and financial capital.[33] His analysis is highly pertinent here not only because he developed one of the first theories of financial capital as it relates to imperial (spatial) expansion, but also because his inquiry was based on the growing activities of Austrian and German banks and their eastwards penetration. He wrote about the burgeoning power of banks' growing activities at the beginning of the last century, in the context of the highly cartelized economy of late Austria-Hungary, where the merging of commercial (merchant) and financial capital appeared to be one of the key features of the competitive phase of capitalism.[34] Hilferding argued that the transition from industrial to financial form of accumulation is key to understanding the imperial nature of capitalism, which finds in the process of internationalization (under the form of imperialism) a way to exceed any limits and boundaries to its process of accumulation. In this process, Hilferding asserted that banks were largely involved in the export of surplus capital to underdeveloped countries, where the organic composition of capital is low and both the rate of profit and rate of interest are high.[35] Thus, he stated that 'capital can pursue no other policy than that of imperialism'.[36] The type of bank that operated in Hilferding's time (one which combined investment and commercial activities) emerged along a process of transition from what in recent years have been defined as market-based activities[37] (traditionally short-term loans related to commercial transactions) to a bank-based[38] system, able to provide long-term investment funds to enterprises by ensuring they had appropriately structured liabilities.[39] The mixed form of the current 'universal bank' played a key role in determining the integration of banks and industry that fostered the advanced form of capitalist development in the form of finance at the start of the twentieth-century Europe. However, Hilferding described and predicted on the historical evolution of financial systems in a bank-based direction 'has not stood the test of time well'.[40] Financial capital has instead developed along a more hierarchical market-based system, ruled by short-term finance and favored by a growing shadow infrastructure that has enabled interest bearing capital recruitment between the two sides of the Atlantic.[41] And yet, the extent to which not only financial capital originates from capital's escape from stagnant and saturated territories and sectors, but also how banks, under their universal structure and through long-term interests played a key role in pursuing mass financialization in a post-crisis scenario, remains relevant.[42]

In the context of EU integration and the banking union, Hilferding's analysis reverberates when considering the extent to which, under a few Western banks' coordination, financial capital has expanded into the periphery pushing [CEE] states' power and

subjects to subordinate their own interests under its own.[43] In this sense, the concession of credit in the semi-periphery became Western banking groups 'core' activities. Although this cannot be generalized, and the diversity of CEE configuration present distinctive cases,[44] as they established a 'second home market'[45] in CEE, Western banking groups engaged in long-term lending and secured a monopoly in the periphery, which in turn helped sustain the existence of their 'first home' market and thus the reproduction of financialization across the uneven territory of Europe.

Historical overview: foreign banks in CEE

As observed by Martijn Konings, despite Europe's distinct financial configuration, as compared to what took shape in the US (where large firms and financial institutions already had a long history of stock market recurrence to gain liquidity), it was Anglo-American financial capital that knocked on Europe's door[46] and rearranged the political economy of European banking practices. US capital penetration sustained a top-down pattern of financialization which, while awarding very real short-term benefit, also triggered a longer-term process of declining autonomy.[47] European financial institutions started chased short terms financial incentives, but they ended up 'retaining little control over key parameters and the ways these refracts the effects of their strategies'.[48] The privatization of the banking system in the EU region via foreign capital removed the distinction between bank-based and market-based banking merging retail and commercial activities with investments. In an opposite way from the one theorized by Hilferding, the contemporary form of the European universal bank has evolved from a 'bank-based' model (that is taught characterizing continental Europe) to a 'market based' one (typical of the Anglo-Saxon model), which has made it vulnerable to the pressure of financialization and short-term lending. In this stream, the new global banking architecture found in the process of banking 'across boundaries' a way of making the sector 'productive' on the balance sheets of home countries.[49]

Under the Lamfalussy governance, the Financial Services Action Plan (FSAP) initiated financial deregulation through First and Second European Banking Directives. The supremacy of the universal banks based on the German (ordoliberal) model of the Bundesbank was declared the dominant model to be emulated across all EU territory,[50] and the EU was turned into an area in which banks could increase their balance sheets through cross-border lending. This 'fostered a convergence conjuncture, "normalising" the rationale of capital expansion from core to periphery'.[51] While still having to respond to host country legislation, subsidiary banks could also operate as legally independent from the parent/home credit institution and thus could perform as agents of internationalization.[52] In their now consolidated, multifarious structure, branches and subsidiaries of the banks, which were given licences of operation in their home countries, had the freedom to set up shop in other host countries.[53] The EU project paved the way for the return of what Italian economist Raffaele Mattioli called the 'monstrous conjoined twinhood' that led to the form of the 'catopleban' creature (the mesh between investments and commercial banking) the universal bank had represented and which had been previously held responsible for the financial crisis of the 1929.[54]

In his genealogy of neoliberalism, economic historian Quinn Slobodian has shown that the development of neoliberal advocacy and the liberalization of capital movement that ensured banks to maintain their power should be traced back to the founding moment of neoliberalism, which occurred in the wake of the First World War.[55] In contrast to mainstream rhetoric that situates the rise of ordoliberal (later neoliberal) doctrine in the 1950s and 1960s, as a response to the Second World War, it should be stressed that 'the movement was born as a passionately conservative reaction to a post-imperial moment amidst the ruins of the Habsburg empire'.[56] In the eyes of von Mises and his allies, the collapse of the Austro-Hungarian dual monarchy in 1918, which birthed democratic nation-states, translated into a threat to foreign and private property among which the financial capital of big banks represented the primary source of credit for the empire. After the First World War, Hayek and von Mises sought to avoid the possibility of a further 'world of walls', by re-evoking the Austro Hungarian 'cosmopolitan' economic and cultural features through which model they sought to recreate an interdependent economic space between Austria and its neighbour countries. According to this vision, the state had to seek for its legitimacy in defending the sanctity of foreign and private property as well as the forces of competition.[57] Specifically, von Mises created alliances among leading economists in the region 'to knit back together the former Habsburg space through the exchange of data, enabling the restoration of market relationships'.[58] Under the predicament of post-imperial Austria, the neoliberal principles served to project 'directed attention outward to neighbouring nations and the world beyond'.[59] 'The pulse of the nation was not enough. What was necessary—Hayek made clear—was the pulse of the region and the pulse of the world'.[60] In the absence of the political Austro-Hungarian *imperium* (governing by law), banks provided corridors of capital to ensure Austrian *dominium* (governing through wealth) to continue.[61]

The banks that brought fortune and industrialization to the Austrian Hungarian monarchy were Viennese universal banks operating through the dual function of traditional financial intermediation and investment banking. As Hilferding wrote at his time 'Austria . . . provides the clearest example of the direct and deliberate influence of bank capital upon cartelization'.[62] Viennese banks controlled about two-thirds of the total capital of all the financial institutions of the Empire. Thanks to their universal structures, they could thus secure a constant share of productivity growth from all the territories of the dual monarchies in the form of rent income.[63] After the disintegration of the Empire, the Austrian economy relied on banks expansion to keep its industry alive. Banks credit financing, however, was provided on a risky model of borrowing short abroad and on relending funds for a longer basis. But, bringing an illusion of prosperity, this credit-led model was camouflaged through 'creative accounting' mechanisms that covered losses and relied on hidden reserves to land further credit.[64] Mergers between banks increased in this context and accelerated during the hyperinflation during the 1920s. Large bank conglomerates were the only to survive the 1929 financial crisis.[65] The main example was the largest Austrian Hungarian *Creditanstalt* which thanks to its expansion into the Successor States to the Empire and a series of forced mergers was rescued by the Austrian government as one of the main historical example of 'acquirer of last resort'.[66]

Fast forward decades later, the very same *Creditanstalt* was the first Western bank to re-establish its presence in CEE.[67] Throughout the transition, this was followed by the entrance of Austrian banking groups such as Raiffeisen ZentralBank (RZB), Erste, and

Austria Bank (which took over *Creditanstalt*) after merging with German bank HVO, later acquired by Italian Unicredit in the region. The process was favored by the European Monetary Union (EMU), which called for a fundamental ownership restructuring through shareholding value, and further consolidated the European banking system through additional merging of pre-existing groups.[68] Western banks sought to maximize their return of equity (ROE) by buying local banks in CEE as these could guarantee higher marking banking markets and asset growth.[69] In this way, post-socialist CEE was conceived as a 'reservation' for Western banks (mainly Austrian) coming from a saturated market to practice cross-border lending and make up for new acquisitions and practices of lending.

Eastwards penetration

In the abrupt transition from a socialist, centrally planned economy to a market economy, CEE regulators had the task of quickly setting up a banking supervisory body from scratch. This process was led by the EU accession process, as the EU Association Agreements called on most CEE countries to implement in-depth economic integration and establish new institutions that support competitive markets. This included anti-monopolistic regulations that favored the entrance of foreign investment and foreign banks.[70] The EU institutionalized neoliberalism[71] imposed on post-socialist countries a paradigm associated with the neoliberal recipe (mantras of monetarism, and disinflation as a panacea) as well as the Washington Consensus creeds (privatization, individual entrepreneurship, market competition). While each of the CEE countries' path to neoliberalism was deeply heterogenous[72] and assessing the region in a common narrative of transition cannot possibly give justice to CEE variegated composition, a common thread can be found in the route CEE countries took towards financial and credit-led 'restructuring' that sought to re-define the two halves of Europe in asymmetrical terms that define the creditor and debtor relationship—and its reworking of social relations.[73] Overall, the accession process was carried out through a kind of carrot/stick swap, whereby new members had to transplant West European decisions and organize majorities in their respective national parliaments under the threat of multiple sanctions.[74]

The banking system of most centrally planned economies was established by the socialist monetary authority called 'monobank', which was organized around three main units: speciality banks (that essentially controlled state monopolies over their core activities), state banks (responsible for collecting household deposits) and foreign trade banks (in charge of all transactions involving foreign currency).[75] Like other enterprises, banks were nationalized, and any financial operations were conducted under state supervision. State-owned banks existed to collect savings; however, these funds were then allocated based on centralized redistributive policy. The process of banking reform started first with a structural intervention, which involved the creation of a two-tier system with commercial and retail activities carved out of the portfolio of the mono-central bank.[76] What followed, were large-scale liberalization and privatization measures to address the sharp decline in production outputs immediately after the dismantling of the planned economy. The liberalization of bank licencing led to the mushrooming of new policies aimed at unleashing credit facilitation, addressed at a range spanning from healthy budgeted firms to subprime individuals. In this sense, the new

credit-facilitation policies recalled the soft budget constraints policy of the previous socialist economy. Allowing reformed banks to lend money to borrowers unable to exhibit sound balance sheets (as the previous socialist soft constraints budgets did) was in fact not a temporary measure to tackle the emergency of transition, but an anticipation of unconventional lending to risky borrowers. Although, under the narrative of reform, much of CEE states appear to lack agency in determining the course of the transition. It is important to highlight the resilience of the traditional banking system where former state banks preserved a condition of monopoly, which in turn signals a degree of incompliance in CEE to the reform agenda.

In fact, the state continued to take part in banks' decision-making process and soft budget constraints still played a role. Furthermore, privatized domestic banks still operated in a 'patient finance' structure[77] and the main customers remained the already nearly depleted state-owned enterprises (SOEs). The uncompleted reform of the banking systems prompted repeated crises, triggered by the enduring state-owned commercial banks (SOCBs) non-performing loans and distorted incentives and the emergence of a severely undercapitalized new private banking sector. While international monitoring agencies pointed to poor lending practices, and 'rent-seeking behaviours',[78] CEE governments resorted to bailouts under the table, i.e., transferring bad assets to government collection agencies (the so-called public 'hospital banks')[79] and to debt recovery agencies.[80] Indeed, resilience to the reforms occurred because these were not implemented in a vacuum or on a *tabula rasa*, but rather reforms were introduced in societies entwined with pre-existing social ties.[81] In the eyes of the supporters of foreign capital inflow into CEE, family savings were initially considered hoarding and blamed for hindering the free circulation of capital. Ultimately, however, they acted as bait for establishing markets that promised thriving business and customer satisfaction.

After a decade of reforms, CEE countries responded to financial integration by selling most of their larger banks to strategic foreign owners, mainly to EU member states.[82] In this process, the role of capital mobility contributed to shifting 'the balance of power away from states and other holders of tangible and immobile assets (e.g., labour) in favour of owners of more intangible and mobile assets'.[83] Big banks could dispose of adequate CAR (capital-to-asset ratios), large-scale M&As capacity, technical equipment to take over previous domestic banking assets, and gradually penetrate across the uneven territory of the region. Encouraged and legitimated by the EU policies of integration, Western banks could proceed in large-scale risk-taking activities and extend their market by tapping into a new pool of clients. As already highlighted, the extent of such unprecedented banking penetration varied across the region. The variation and the effect of foreign landing depended on national institutional reforms, and how local banks' developed their capacity to engage in business lending activities.[84] As importantly highlighted by Bohle and Greskovits, the transformation of East Central European societies reflected 'initial choices of transformation strategies by political and technocratic elites [who set] divergent paths of regime formation'.[85] While the Baltic countries have proven to be most successful in achieving an economic miracle through radical liberalization and a form of institutionalization EU neoliberalism; the Visegrád countries achieved a manufacturing miracle thanks to a foreign-led development path, which supports their export structure. Slovenia, often considered as the exception, managed industrial development thanks to a strong state structure that led to a neocorporatist model. Finally,

southeastern European countries Bulgaria, Romania, and Croatia developed very heterogenly and their development was hindered by weak state structures. Western banks made little contribution to industrial development, mainly because most of CEE was in a drastic phase of de-industrialization. To a certain extent, the level of Foreign Banks penetration followed this pattern.[86] In fact, with the exception of Slovenia, where the state-maintained control over the banking sector, in most Central, Eastern and Southern European Countries, Western banks gained a predominant position. In Estonia, Lithuania and Slovakia, assets share of foreign banks recorded above 90%.[87] In Poland and Hungary, after an initial upsurge in foreign-owned bank assets, governments started to partially re-orient and restrict Western European banks activities counterparts. Furthermore, a few domestic banks, such as the Hungarian OTP, succeeded in crossing borders and expanded into other CEE countries (Slovakia, Bulgaria, Serbia, Romania, and Croatia).[88]

Profit-seeking foreign-owned banks found a highly profitable market in CEE countries compared to the 'over banked' and saturated market in which they operated at home.[89] Thus, the injection of easy foreign credit in semi-periphery CEE countries became the primary driver of an economic growth model later defined as Europe's own 'subprime' market.[90] They provided plenty of consumer credit to cash-strapped CEE households.[91] What accompanied this rush, was a narrative of convergence that translated an uncertain future into a seemingly certain trajectory leading towards the European Union. In the case of Hungary, for example, 'the narrative of convergence allowed actors to interpret growing indebtedness as a sign of "catching up" (*felzárkózás*) to the more developed Europe and precluded scenarios of a crisis originating there'.[92] As these authors suggest, this not only had the effect of simply portraying the future Eurozone accession as a 'smooth' process, it also tackled uncertainty by mobilizing the conventional, developmentalist Westernization narrative prevalent in the region. As I detail below, the analyses developed by mainstream economic institutions rode the wave of such predictions, ultimately leading to the knowledge failures.[93]

Leading up to the crisis

The majority of economic assessments issued by leading economic analysts and economic institutions on the economic 'health' of the region before the crisis describe a positive correlation between foreign banks' penetration and a) private sector development[94]; b) banking system know-how and efficiency[95]; and c) economic growth thanks to foreign banks' ability to borrow from the international market[96] thereby levelling the spread between lending and borrowing rates.[97] In early 2007, however, an IMF report advanced the argument that although the benefits of the CEE credit growth 'remained unquestioned', there were dangers that this growth could be 'excessive'.[98]

Between 2000 and 2005 data showed that household loans accounted for around half of total loans.[99] It became clear that, given financial regulations were still underdeveloped in transition countries, banks granted household loans without requiring much information or, in most cases, collateral. This triggered rapid growth in domestic consumption, which in turn inflated asset prices (especially real estate), leading to demand for more capital.[100] Banks were largely engaged in carry trade activities, profiting from interest rate differentials between loans in foreign and domestic currencies. This meant they

speculated on the low foreign currency interest rates, betting on CEE higher-rate differentials, which led to a surge of un-hedged cross-border investments.[101] This process called for CEE central banks to intervene through to practice 'sterilisation', in order to combat 'inflation' i.e., large-scale operations in which they borrowed from banks in foreign currency, accumulating foreign reserves to buy their local currencies.[102] This whole process became a powerful device for enforcing new financial circuits of valorization as, under the EU ordoliberal tenets, central banks were stripped of their traditional and political role and in one fell swoop states and households were turned into major debtors.

Under the rhetoric of optimism that guided banks' mass advertising campaign, banks claimed that FX loans, especially Swiss franc loans, were by and large the best and cheapest options to access mortgage products and consumer credit.[103] As banks had easy access to foreign currency funding from wholesale markets or their parent banks, households were subsequently tricked into borrowing in foreign currencies at lower interest rates (Swiss franc, euro, or US dollar). But 'assumptions of interchangeability of the euro and franc were disproven as the Swiss franc appreciated due to its "safe haven" status during the global financial crisis'.[104] Because foreign currency-denominated loans are more exposed to global macroeconomic vulnerability[105] and to the exchange rate risks of foreign currency lending, 'a lasting depreciation of the local currency'[106] had its main devastating effect on households, which, in contrast to banks that can hedge against the risk with derivatives such as cross-currency swaps, had little power to hedge against this risk. Predominately relying on revenues (or wages) denominated in their local currency, households were unable to hedge against exchange rate risks in the event of local currency depreciation.[107] In playing the role of 'absorbers of the last resort',[108] CEE households were swallowed up in a spiral of deepening debt, which in many cases, became worse after the financial crisis. As Petra Rodik has shown in the case of Croatia, it was after 2008 that debtors experienced their worst financial hardship, when the franc appreciated by 40% against the kuna.[109] This inflated the outstanding debts as interest rates spiked and monthly repayment increased on average by 50%.[110]

The Vienna Initiative and the post crisis configuration

As soon as the crisis hit European turf, the intense cross-border lending that had characterized Western banks' penetration in CEE was suddenly at risk. The European mega banks holding sub-prime exposures were affected by a drastic reduction in liquidity. Banks were faced with a dilemma: continue rolling out debt in an increasingly unstable, already indebted, and vulnerable region, or 'cut and run', repatriate capital and liquidity to their home markets and abandoning their CEE clients.[111] There seemed to be not only the financial stability of the region at stake, but also a chain of negative spillovers that could further exacerbate cross-border transmission of the crisis throughout Europe.

On 31 October 2008, Paul Krugman's blog opened with, 'Eastern Europe 2008 = Southeast Asia 1997'. Later, *The Times* of London reported with the headline, 'Eastern European crisis may put us all in the Goulash'.[112] Unsurprisingly, the general tendency of banks is to 'cut and run' to avoid a liquidity trap and to renounce their interests in peripheral countries in order to benefit and protect their own base.[113] For

most economic analysts, the comparison with the Asian crisis was immediate as was the alarmist perception (amongst both media and European institutions) of the imminence of Western banks de-leveraging and retrenching in the face of the crises in CEE. According to this narrative, when a bank experiences a loss in one part of its portfolio, it looks to liquidate assets elsewhere in the portfolio to cover those losses. Western subsidiaries were by the very definition 'elsewhere in the portfolio'.[114] Worried about the solvency of their home-based operations in the aftermath of the Lehman crisis, the parent banks let host CEE governments know that they were considering pulling out of their countries to supply much-needed liquidity to their core (home) operations. The crisis made evident how 'Western banks didn't just own [CEE] banks—they owned their money supplies too.'[115]

However, after the first concern about Austrian banks' highly involved role in the crisis were raised, the troika (IMF, EC, and EU) and a forum for collective action composed by Western parent banks (the so-called Big 6: Raiffeisen, Erste, UniCredit, Intesa San Paolo, Société Générale, and KBC), host governments' central banks and international financial institutions including the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB) unified to enforce a series of bailout agreements. Before any Irish or Greek bailout, these institutions committed to the Vienna Initiative (VI), a funding package of EUR 24.5 billion to support cross-border banks. By the end of September 2009, parent banks had received EUR 16.3 billion in the form of senior loans, tier 2 capital, trade finance, facilities for small business loans, and syndicated loans.[116] Given the multiple IMF programmes that were advanced to finance the amounts of foreign currency debt matured during the past years, with this new funding for banks were committed to reinvest in the same debt to ensure an IMF-EU balance of payments programme. A massive refinancing of the Western banks engaged in the region followed governmental decisions to inject bailouts. The Vienna agreement prevented the liquidity crunch as long as conditions of austerity were implemented.

If, on one hand, De Hass et al.[117] demonstrated that the VI was resolute in ensuring 17 parent banks maintained exposure and recapitalized subsidiaries in the 5 most affected countries–Bosnia and Herzegovina, Hungary, Latvia, Romania, and Serbia–via the so-called 'commitment letters;' Epstein[118] and Grittersová[119] instead suggest that foreign banks never had the intention of leaving or cutting exposure from CEE. In this regard, the alarmist perception that Western banks would immediately disinvest in CEE obscured the particular ways in which Western banks were operating in the region. Epstein[120] and Grittersova[121] demonstrate that because foreign banks in the region had developed their operations through subsidiaries rather than branches, they were 'subject to host country regulations, had long time horizons, high toleration for volatility and were pursuing a mass-marketing strategy in host economies (as opposed to just funding corporations from their home markets)'[122] they could not simply abandon what had become their 'second home' market. In contrast to branches, which are just extensions of their parent banks, subsidiaries are legally equivalent to local banks and are entitled to the same state-provided benefits that support local business. In times of financial distress and economic crisis, the subsidiaries can take advantage of local government support and bailouts. The EBRD was reluctant to bail out branches as they did not have any long commitment to the territories.[123] Meanwhile, subsidiaries do not create direct repercussions to parent banks in times of crisis. As a separate legal entity, licenced and supervised

by local regulators, 'the parent bank has no legal obligation to support it if it falls into distress'.[124] In this sense, it is thanks to the subsidiary structure that Western banks could benefit from the VI bailout keeping their business in the 'second home market' by further reinforcing debt, continuing to provide credit (using the bailout money received from the EU).

Most of the literature on subsidiaries describes these institutions as having been the most effective way Western banks could adapt to take over previously state-owned and domestic banks in post-socialist countries through the process of integration.[125] In contrast to branches, which just represent the expansion of a Western bank into a new territory, subsidiaries resulted from merging with local institutions, giving rise to a hybrid bank, independent in so far as it can raise its own capital, and in this capacity perform a range of activities that are no longer prerogative of their parent bank market. Furthermore, subsidiaries were not only advantageous in terms of taxation favoured by local governments, by merging with local banks they could disguise their 'foreign' origin under the cloak of local and domestic banks, gaining the trust of local people whom they could easily access and approach.[126] Subsidiaries' attributes also allowed them to play a crucial role in front of other conduits of Western capital flows, as the leasing companies associated with them came into play.[127]

Subsidiaries typically perform large-scale retail and commercial banking activities.[128] Even if from the mid-2000s the main *modus operandi* of the European banking system was fuelled by increasing fragmentation and de-centralization via market-based sources. Through their de-centralized form, subsidiaries could infiltrate the heterogenous space of the everyday, targeting households' vulnerability, irrespective of their location, status, and composition. Thus, after the crisis struck, Western banks 'could not simply retrench and risk losing the mass-marketing pool they had developed in host economies (as opposed to just funding corporations from their home markets)'.[129] Subsidiary banks were in a way insulated from the high level of exposure they had created, swamping CEE populations with excess credit and an eye on short-term, extra-profits. They had no other way to move forward than to keep credit rolling and encouraging more debt. This eastward expansion has reaffirmed again how much households have proven to be the ultimate frontiers from which capital can be anchored.[130]

Conclusion

This paper has retraced the genealogy of Western banks' expansion in CEE at the start of nineteenth century, to grasp the significance of the relationship of dependency, which links the role of banking to political and economic imperial expansion. In the light of Hilferding's theory of the universal bank and the theorization of financial capital, I have illustrated how the present pattern of Western banks' penetration in CEE, overlaps with previous forms of banks' capitalization in CEE: While the condition of the periphery is preserved as underdeveloped space through its subjection to 'crises', forms of credit-led governmental power have recolonized CEE through the logic of debt and exploitation. In this context, subsidiary banks emerge as the main *dispositif* of financialization in CEE. If, on one hand, the subsidiaries are dependent and easily controlled by their parent companies, their autonomy in raising capital and in responding to local host jurisdiction in their 'second home market' also opens a new financial dimension of extractions that

escape the oversight of national and regional regulatory regimes by requiring them to look beyond their designated spheres of influence. Situated at the junction between the core and periphery, as well in the midst of multiple forms of territorial jurisdiction, subsidiary banks operate within the plasticity of their structure. The paper has highlighted how subsidiaries, thanks to their hybridity, prove to be a crucial player in the process of western-led financialization in CEE.

Notes

1. J. Puhl, "The hangover after the party Eastern Europe's economic crash', *Der Spiegel*, 13 August 2009. Available at: http://www.spiegel.de/international/europe/the-hangover-after-the-party-eastern-europe-s-economic-crash-a-614960.html (accessed 27 May 2018).
2. D. Gabor, *Central Banking and Financialization: A Romanian Account of How Eastern Europe Became Subprime*, Palgrave MacMillan, London, 2011, p. 1.
3. C. Lapavitsas, A. Kaltenbrunner, D. Lindo, J. Michell, J. P. Painceira, E. Pires, J. Powell, A. Stenfors, and N. Teles, 'Eurozone crisis: beggar thyself and thy neighbour', *Journal of Balkan and Near Eastern Studies*, 12(4), 2010, pp. 321–373; B. Boniszi, 'Financialization in developing and emerging countries: A survey', *International Journal of Political Economy*, 42(4), 2013, pp. 83–107; P.G, Bortz and A. Kaltenbrunner, 'The international dimension of financialization in developing and emerging economies', *Development and Change*, 49(2), 2018, pp. 375–393; A. Nölke and A. Vliegenthart, 'Enlarging the varieties of capitalism: The emergence of dependent market economies in East Central Europe', *World politics*, 61(4), 2009, pp. 670–702.
4. J. Crotty, 'The neoliberal paradox: The impact of destructive product market competition and impatient finance on nonfinancial corporations in the neoliberal era', *Review of Radical Political Economics*, 35(3), 2003, pp. 271–279; D. Gabor, 'The road to financialization in Central and Eastern Europe: The early policies and politics of stabilising transition', *Review of Political Economy*, 24 (2), 2012, pp. 227–249.
5. The universal bank is a bank which participates in multiple kinds of banking activities, including commercial bank and an investment bank as well as providing other financial services such as insurance.
6. N. Brenner, J. Peck and N. Theodore, 'Variegated neoliberalisation: Geographies, modalities, pathways', *Global Networks*, 10, 2009, pp. 182–222; D. Bohle, and B. Greskovits. *Capitalist diversity on Europe's periphery*. Cornell University Press, 2012.
7. M. Mikuš, 'Contesting household debt in Croatia: The double movement of financialization and the fetishism of money in Eastern European peripheries', *Dialectical Anthropology*, 2019, pp. 1–21.
8. R.A. Epstein, 'When do foreign banks cut and run? Evidence from West European bailouts and East European markets', *Review of International Political Economy*, 21(4), 2014, pp. 847–877 and p. 862.
9. A. Teichova, *The Rise of Banking from the 16th to the 20th Centuries: International Historical Perspectives*, Cambridge University Press, Cambridge, 1997, p. 1.
10. D. Howarth and L. Quaglia, *The Political Economy of European Banking Union*, Oxford University Press, Oxford, 2016.
11. B. Braun, D. Gabor and M. Hübner, 'Governing through financial markets: Towards a critical political economy of Capital Markets Union', *Competition & Change*, 22(2), 2018, pp. 101–11.
12. O.B. Jensen and T. Richardson, 'Being on the map: The new iconographies of power over European space', *International Planning Studies*, 8(1), 2003, pp. 9–34; M. Van Meeteren, 'European Union financial integration, a geography perspective', *Geography Compass*, 13(4), 2019, p. 1242.
13. Jensen and Richardson, op. cit.

14. German, Italian and Belgian banks have also been involved in this kind of lending, gaining big chunks of the CEE market.
15. C. Hadjimichalis and R. Hudson, 'Contemporary crisis across Europe and the crisis of regional development theories', *Regional Studies*, 48(1), 2014, pp. 208–218.
16. L. Pellandini-Simányi and Z. Vargha, 'Spatializing the future: Financial expectations, EU convergence and the Eastern European Forex mortgage crisis, *Economy and Society*, 47(2), 2018, pp. 280–312.
17. R. Martin, *Financialization of Daily Life*, Temple University Press, Philadelphia, 2002.
18. O. Raviv, 'Chasing the dragon east: Exploring the frontiers of Western European finance', *Contemporary Politics*, 14 (3), 2008, pp. 297–314.
19. R. Fernandez and M.B. Aalbers, 'Housing and the variations of financialization capitalism', *Competition & Change*, 20(2), 2016, pp. 71–88.
20. J. Becker, J. Jäger and R. Weissenbacher, 'Uneven and dependent development in Europe: The crisis and its implications, *Asymmetric crisis in Europe and possible futures*, Routledge, London, 2015, pp. 101–117.
21. D. Gabor, 'Understanding the financialization of international development through 11 FAQs'. Available at: https://us.boell.org/en/2018/11/28/understanding-financialisation-international-development-through-11-faqs (accessed 10 October 2019).
22. Z. Gal. Development of international financial centres in central and Eastern Europe during transition period and crisis. *Studia Regionalne i Lokalne*, 2(60), 2015, 53–80.
23. Gabor, op. cit., 20.
24. Z. Pósfai, G. Nagy, 'Crisis and the reproduction of core-periphery relations on the Hungarian housing market', *European Journal of Spatial Research and Policy*, 2017, p. 22.
25. B. Christophers, *Banking across boundaries: Placing finance in capitalism*, Hoboken, John Wiley & Sons, 2013; A. Pike and J. Pollard, 'Economic geographies of financialization', *Economic Geography*, 86, 1, 2010, pp. 29–51; M. Sokol, 'Towards a newer economic geography? Injecting finance and financialization into economic geographies', *Cambridge journal of regions, economy and society*, 6(3), 2013, pp. 501–515; D. Wójcik, 'Geography stupid! A note on the credit crunch', *Environment and Planning, A* 41, 2009.
26. A. Leyshon and N. Thrift, 'The restructuring of the UK financial services industry in the 1990s: a reversal of fortune?', *Journal of Rural Studies*, 9(3), N. 1993, pp. 223–241; J. S. Pollard, 'Banking at the margins: A geography of financial exclusion in Los Angeles', *Environment and Planning*, A 28(7), 1996, pp. 1209–1232; G. Dymski and W. Li, 'Financial globalisation and cross-border movements of money and population: Foreign bank offices in Los Angeles', *Environment and Planning*, A 36(2), 2004, pp. 213–240.
27. S. Mezzadra and B. Neilson, *The Politics of Operations: Excavating Contemporary Capitalism*, Duke University Press, Durham, 2019, p. 23 (emphasis mine).
28. S. Ouma, 'From financialization to operations of capital: Historicising and disentangling the finance-farmland-nexus', *Geoforum*, 72, 2016, p. 83.
29. S. Hall, 'Geographies of money and finance I: Cultural economy, politics and place', *Progress in Human Geography*, 35, 2010, pp. 234–245.
30. G. Dal Maso. 'The precarious Chinese financial ecology of expertise: discontent in the mix.' *Journal of Cultural Economy* 2020: 1–13; G. Dal Maso, *Risky Expertise in Chinese Financialization, Returned Labour and the State-Finance Nexus Risky Expertise in Chinese Financialization*. Singapore, Palgrave, 2020.
31. S. Fuggle, Y. Lanci and M. Tazzioli (eds), *Foucault and the History of our Present*, Palgrave, Basingstoke, 2016, p. 3.
32. Fuggle, Lanci and Tazzioli, op. cit, p. 7.
33. V.K. Fouskas, 'Neo-liberalism and ordoliberalism: A critique of two forms of imperialism and authoritarianism', *Critique*, 46(3), 2018, p. 402; 1. V.K. Fouskas VK, S. Roy-Mukherjee S. Neo-liberalism, 'Ordoliberalism—One or Two Critiques? An Introduction',' *Critical Sociology*, 45(7–8), 2019, pp. 953–965.

34. Fouskas, op. cit. p. 402; C. Lapavitsas, ‘Hilferding’s theory of banking in the light of Steuart and Smith’, *Neoliberalism in Crisis, Accumulation, and Rosa Luxemburg’s Legacy*, Emerald Group Publishing Limited, 2004, pp. 161–180.
35. J. E. King, ‘Hilferding’s finance capital in the development of Marxist thought’, *History of Economics Review*, 52(1), 2010, pp. 52–62.
36. R. Hilferding, *Finance Capital: A Study of the Latest Phase of Capitalist Development*, 1981 [1910], in: T. Bottomore (ed), London, Routledge & Kegan Paul, pp. ix and 466 and in J.E. King (2010) ‘Hilferding’s finance capital in the development of Marxist thought’, *History of Economics Review*, 52(1), 2010, p. 58.
37. I. Hardie, D. Howarth, S. Maxfield, and A. Verdun, ‘Banks and the False Dichotomy in the Comparative Political Economy of Finance’, *World Politics*, 65(4), 2013, pp. 691–728.
38. J. Zysman, *Governments, markets, and growth: financial systems and the politics of industrial change*. Ithaca N.Y., Cornell University Press, 1983; P. Hall, & D. Soskice. 2001. An introduction to varieties of capitalism. In P. Hall and D. Soskice (Eds), *Varieties of capitalism: The institutional foundations of comparative advantage*: 1–70, Oxford University Press, Oxford.
39. Lapavistas, op. cit., 2004, p. 26.
40. Lapavistas, op. cit., 2004, p. 29.
41. A. Tooze, *Crashed: How a Decade of Financial Crises Changed the World*, Viking, London, 2018.
42. Ö. Sarımehmet Duman, ‘The political economy of the Eurozone crisis: competitiveness and financialization in PIIGS’, *Journal of Balkan and Near Eastern Studies*, 20(3), 2018, pp. 211–229.
43. Hilferding, op. cit., 1981.
44. In Hungary, OTP, the local bank, remained the market leader.
45. R. Epstein, op. cit., 2014, 847–877.
46. M. Konings, ‘European finance in the American mirror: Financial change and the reconfiguration of competitiveness’, *Contemporary Politics*, 14(3), 2008, pp. 263.
47. Konings, op. cit., p. 264.
48. Konings, op. cit, p. 264.
49. D. Bassens, M. Van Meeteren, B. Derudder et al., ‘No more credit to Europe? Cross-border bank lending, financial integration, and the rebirth of the national scale as a credit scorecard’, *Environment and Planning*, A, 45(10), 2013, pp. 2399–2419; Christophers, op. cit., 2013.
50. W. Streeck, ‘Heller, Schmitt and the Euro’, *European Law Journal*, 21(3), 2015, pp. 361–370.
51. Bassens et al., op. cit., p. 2400.
52. M. Gruson and W. Nikowitz, ‘The second banking directive of the European economic community and its importance for non-EEC banks’, *Fordham International Law Journal*, 12 (2–3). Available at: https://ir.lawnet.fordham.edu/ilj/vol12/iss2/3.
53. J. Dermine, ‘European Banking, Past, Present, and Future’, in eds. V. Gaspar, P. Hartmann and O. Sleijpen (eds), *2nd ECB Central Banking Conference on The Transformation of the European Financial System*, ECB, Frankfurt, 2002, p. 5.
54. Overall, the FSAP gave more power to EU institutions in the regulation of financial markets. This not only translated into a more liquid capital market at both wholesale and retail level. It also radically changed the relationship between money markets and central banks. The ECB main form of liquidity transmission became securitized, market-based, and involved the development of a ‘shadow banking’ system, with banks borrowing through ‘repo’ agreement instruments. These loans coupled to repurchases have been later seen as one of the main triggers of the crisis. For banks in particular, the collaterals upon which their loan was made, supposedly an asset (high-quality, frequently sovereign bonds) was then bought back (repurchased) overnight.
55. Q. Slobodian, *Globalists: The End of Empire and the Birth of Neoliberalism*, Harvard University Press, Harvard, 2018.

56. A. Tooze, 'Neoliberalism's world order review', *Dissent Magazine*, 2018. Available at: https://www.dissentmagazine.org/article/neoliberalism-world-order-review-quinn-slobodian-globalists (accessed 10 September 2019).
57. Slobodian, op. cit., p. 59.
58. Slobodian, op. cit., p. 68.
59. Slobodian, op. cit., p. 68.
60. Slobodian, op. cit., p. 68.
61. Slobodian, op. cit., p. 10.
62. Hilferding, op. cit., 1981, p. 231.
63. Raviv, op. cit., 2008, p. 305.
64. A. Teichova, 'Banking in Austria.' In M. Pohl, ed. *Handbook on the History of European Banks*, Edward Elgar, Aldershot, pp. 3–44.
65. Raviv, op. cit., 2008, p. 304.
66. F. Macher, 'The Austrian banking crisis of 1931: a reassessment', *Financial History Review*, 25(3), 2018, pp. 297–321.
67. Raviv, op. cit., 2008.
68. T. Padoa-Schioppa, 'EMU and banking supervision', *International Finance*, 2(2), 1999, pp. 295–308.
69. I. Crowther and I. Erturk, 'Post-crisis bank regulation and financialised bank business models, in I. Erturk and D. Gabor (eds.), *The Routledge Companion to Banking Regulation and Reform*, Abingdon, Oxon; New York, NY, Routledge, 2017, pp. 276.
70. K. Bartlomiej, *How accession to the European Union has affected external trade and foreign direct investment in Central European Economies*, The World Bank, 2000, p. 308.
71. S. Barisitz, *Banking in Central and Eastern Europe 1980–2006: From Communism to Capitalism*, Routledge, London, 2008, p. 79.
72. Brenner et al., op. cit.
73. Lazzarato, op. cit. 2011.
74. J. Habermas, 'Why Europe needs a constitution?', *New Left Review*, 1, 2001.
75. J.P. Bonin, H. Iftekhar and P. Wachtel, 'Bank performance, efficiency and ownership in transition countries', *Journal of Banking and Finance*, 29, 2005, p. 142.
76. Bonin et al., op. cit., p. 141.
77. Gabor, op. cit., 2010, p. 251.
78. Gabor, op. cit., 2010, p. 249; see also Caviglia et al., op. cit.
79. S. Togan and Balasubramanyam, *Turkey and Central and Eastern European Countries in Transition. Towards Membership of the EU*, Palgrave, New York, 2001, p. 207.
80. S. Barisitz, 'Banking transformation 1980–2006 in Central and Eastern Europe-from communism to capitalism', *South-Eastern Europe Journal of Economics*, 7(2), 2009, p. 165.
81. Raviv, op. cit., 2008, p. 6.
82. Z. Kudrna,'Financial crisis: Testing the relationship between foreign banks and the new EU members', *Employment and Economy in Central and Eastern Europe*, 1(1), 2010, pp. 1–19.; see also Barisitz, op. cit. 2009.
83. O. Raviv, 'Europe's mea culpa: A global economy gone mad or a crisis of our own making?' *Global Policy*, 8(2), 2017, p. 161.
84. R. Aguilera., and G.Jackson. 'The cross-national diversity of corporate governance: Dimensions and determinants.' *Academy of management Review*, 28, (3) 2003: 447–465.
85. D. Bohle, and B. Greskovits, *Capitalist diversity on Europe's periphery*, Cornell University Press Ithaca, N.Y., 2012, p. 4.
86. Bohle and Greskovits op. cit., 2012.
87. R. De Haas and I. Naaborg, 'Foreign banks in transition countries: To whom do they lend and how are they financed?', *Financial Markets, Institutions & Instruments*, 15(4), 2006, pp. 159–199.
88. J. Prašnikar et al. 'Disentangling External Flows (External Shocks) and Policy Effects on the Credit Activities of Banks in Three Emerging Countries during the Great Recession.' *Journal of Balkan and Near Eastern Studies*, 2020, pp. 1–23.

89. Raviv, op. cit. 2008.
90. D. Gabor, '(De) financialization and crisis in Eastern Europe', *Competition & Change*, 14(3–4), 2010, pp. 248–270; A. Smith and A. Swain, 'The global economic crisis, Eastern Europe, and the former Soviet Union: Models of development and the contradictions of internationalisation', *Eurasian Geography and Economics*, 51, 2010, pp. 1–34.
91. Blyth, op. cit., p. 220.
92. L. Pellandini-Simányi and Z Vargha 'Spatialising the future: Financial expectations, EU convergence and the Eastern European Forex mortgage crisis', *Economy and Society*, 47(2): 2018, 280–312.
93. D. Bryan, R. Martin, J. Montgomerie et al., 'An important failure: Knowledge limits and the financial crisis', *Economy and Society*, 41(3), 2012, pp. 299–315.
94. G. Clarke et al., 'Foreign bank entry: Experience, implications for developing economies, and agenda for further research', *World Bank Research Observer*, (181), 2003, pp. 25–59; R. De Haas and I. Van Lelyveld, 'Foreign banks and credit stability in Central and Eastern Europe. A panel data analysis, *Journal of banking & Finance*, 30(7), 2006, pp. 1927–1952.
95. M. Arakelyan. *Foreign banks and credit dynamics in CESEE*. International Monetary Fund, 2018; Bonin et al., op. cit.; Fries and Taci, op. cit.; Micco et al., op. cit.
96. Cottarelli et al., op. cit.
97. R. Lensink, and N. Hermes. 'The short-term effects of foreign bank entry on domestic bank behaviour: Does economic development matter?', *Journal of Banking & Finance*, 28(3), 2004, pp. 553–568.
98. Enoch and Robe, op. cit.
99. EBRD, op. cit., 2006, 2007.
100. EBRD, op. cit., 2006, p. 46; Raviv, 2008, p. 309.
101. J. Király and Á. Bana, 'Foreign currency lending: The "flow" and the "stock" problem', Paper presented at the 2nd Research Conference 'Policy Nexus and the Global Environment: A New Consensus Emerging from the Crisis?', Skopje, Macedonia, 2014.
102. W. Bartlett and I. Prica, 'The deepening crisis in the European super-periphery', Journal of Balkan and Near Eastern Studies, 15(4), 2013: 367–382; Gabor, op. cit., 2010, pp. 254–55.
103. Mikuš, op. cit.; Rodik, op. cit.; Pellandini-Simányi L, & Vargha Z, 'How risky debt became ordinary? A practice theoretical approach', *Journal of Consumer Culture*, 20(2), 2019, pp. 235–254.
104. Pellandini-Simányi and Vargha, 2018, p. 293.
105. Kudrna, op. cit.
106. Bohle, op. cit., 2014, 2018.
107. Raviv, op. cit.,2008.
108. Bryan et al., op. cit, 2009.
109. Rodik, op. cit., p. 66.
110. Rodik, op. cit., p. 66.
111. Epstein, op. cit., p 850.
112. Epstein, op. cit., p 850.
113. Epstein, op. cit., 2014, p. 848; Roubini and Sester, op. cit.
114. Blyth, op. cit., p. 220.
115. Blyth, op. cit., p. 220.
116. De Haas et al., op. cit. 2015.
117. De Haas et al., op. cit. 2015, p. 330.
118. Epstein op. cit. 2014.
119. J. Grittersová, *Borrowing Credibility: Global Banks and Monetary Regimes*, University of Michigan Press, Michigan, 2017.
120. Epstein op. cit. 2014.
121. RA, Epstein, RA *Banking on Markets: The Transformation of Bank-State Ties in Europe and Beyond*, Oxford University Press, Oxford, 2017.
122. Epstein 2014: 949.
123. Grittersova op. cit, 2017.

124. Narain et al., op. cit., p. 242.
125. Epstein, op. cit., 2014, 2017; Grittersová, op. cit., 2014.
126. Cerutti et al., op. cit.
127. Pistor, op. cit.
128. Cerutti et al., op. cit.
129. Epstein, op. cit., 2014, p. 849.
130. Bryan et al., op. cit., 2009.

Acknowledgements

Thank very much to Marek Mikuš, Léna Pellandini-Simányi for their comments on the paper. Early research on this piece was conducted under the project “Western Banks in Eastern Europe: New Geographies of Financialization” (GEOFIN), which has received funding from the European Research Council under the European Union’s Horizon 2020 program (grant agreement no. 683197).

Disclosure statement

No potential conflict of interest was reported by the author.

Notes on contributor

Giulia Dal Maso is a *Marie Skłodowska-Curie* Fellow at the Ca’ Foscari University of Venice. She works on financialization in postsocialist contexts, in China and Eastern Europe. She has published in *Journal of Cultural Economy*; *Historical Materialism*; *Social and Cultural Geography*; *South Atlantic Quarterly*, and has a book out on *Risky Expertise in Chinese Financialization: Financial Labor within the Chinese state-finance nexus*.

ORCID

Giulia Dal Maso http://orcid.org/0000-0001-9255-0613