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Pécs, Hungary, 24th-26th May, 2010**

Gateway: Financing regions: the global financial crisis and beyond



Co-ordinated session:

"After the Global Financial Crisis: Cities, Regions, and Sectors
in East-Central Europe and the former USSR"

Post-socialism in crisis: forgotten geographies of finance?

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Introduction

Global financial and economic crisis (FEC)

exposed the weaknesses of:

- post-socialist neo-liberal economic development model in East-Central Europe (ECE) – post-socialism in crisis
- post-socialist studies in general and the **geographies of post-socialism** in particular

Last two decades:

- Impressive breadth and depth of geographical research of post-socialism

Introduction / 2

BUT inadequate attention has been paid to:

- **finance, financial capital and financial services**
- the way in which they partake on the processes of social and economic transformation

e.g. Slovakia

Yet, it is perhaps the financial dimension of the transformation process that has important implications (directly and indirectly) for keys issues related to the process.

Introduction / 3

We would like to argue for:

a fuller (mutual and mutually beneficial) engagement
between

post-socialist studies (geographies of post-socialism)
AND
geographies of finance

STRUCTURE

- Post-socialism in crisis?
- Slovakia in crisis?
- Post-socialism, crisis and geographies of finance

Post-socialism in crisis?

Post-socialism in crisis?

- The fall of state-socialism 20 year ago:
 - hope: quick economic catch up with the West;
 - abandoning centrally-planned economy and embracing market capitalism
 - capitalist paradise for everybody

Post-socialism in crisis?

- Two decades of painful transformation
- KEY ISSUES:
 - overall **economic progress** / decline (catching up or falling behind?);
 - growing **regional inequalities** (East/West; within East; within individual countries);
 - growing **social inequalities**, exclusion poverty (heavy social price);
 - questions over the **transformation** process as such

Post-socialism in crisis?

Current global **financial and economic crisis** (FEC):

- Most devastating economic dislocation since the fall of state-socialism/'transitional recession'
- Massive implications for all **KEY ISSUES**:
 - Overall **economic recession** (except PL 'miracle'; wiping out previous gains?)
 - **Geographically differentiated** impact (Baltics, Hungary, Ukraine – IMF bailouts; + sub-national level);
 - Sharp deterioration of **social wellbeing** (possible exacerbation of social inequalities);
 - **Transformation?**

Post-socialism in crisis?

World Bank (2009) *Crisis Hits Home*:

- “The global financial crisis is having a **devastating impact on families** in emerging Europe and Central Asia”
- “the risk of the region giving back a fifth of the poverty reduction gains of the past decade”
- “10 million *more* poor people”
- “close to additional 25 million *more* who were almost middle class but now just above the poverty line ... with the potential of losing their homes, jobs, and basic services”

Post-socialism in crisis?

EBRD (2008) *Transition Report*:

- “There is now some concern that economic reforms may be reversed” (Foreword by Erik Berglöf, Chief Economist)

EBRD (2009) *Transition Report*:

- **“Transition in crisis?”** – chapter 6
- “The lack of an anti-reform backlash...”
- “... a new round of new reforms ... appears unlikely”
(Executive summary, page v)

Post-socialism in crisis?

All fine then?

- **Post-socialism in crisis / where to go next?**
- **Post-socialist studies / geographies of post-socialism:**
 - (so far) little attention to **finance, financial capital, financial services, financial processes**
 - and the way in which these partake, directly or indirectly, on the processes of **social and economic transformation:**
 - Economic development/decline
 - Uneven regional development
 - Social inequalities, exclusion and poverty
 - Overall understanding of the transformation processes

Slovakia in crisis?

Slovakia in crisis?

- **Slovakia = a useful laboratory** to study transformation processes
- Uniqueness (certainly)
- BUT also some **shared general trends**:
 - Economic development/decline
 - Uneven regional development
 - Social inequalities, exclusion and poverty
- AND (with one or two exceptions) **the (total) lack of geographers' engagement with the issue of finance** and the way it shapes the above processes

Slovakia in crisis?

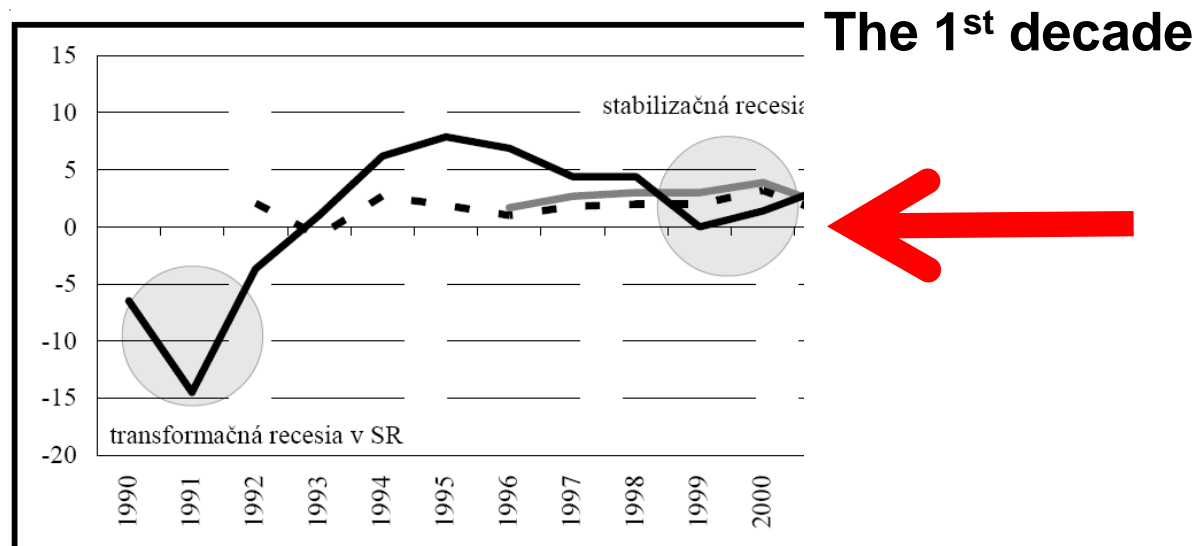
Slovakia: economic development/decline

Slovakia in crisis?

Slovakia: economic development/decline

Graf 1

Tri obdobia nepriaznivého vývoja reálneho HDP v SR (medziročná zmena reálneho HDP v % v SR a v externom prostredí)



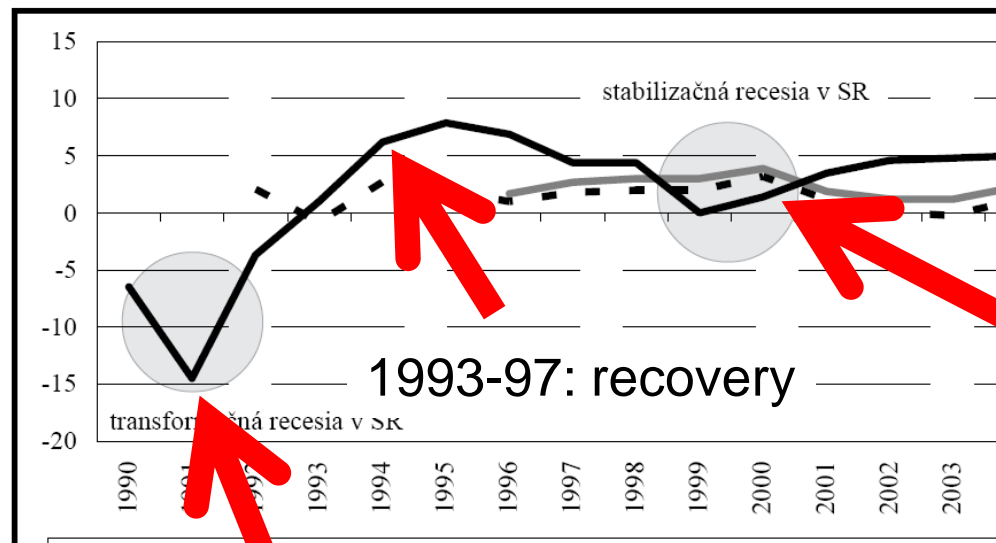
Source: Morvay, 2010

Slovakia in crisis?

Slovakia: economic development/decline

Graf 1

Tri obdobia nepriaznivého vývoja reálneho HDP v SR (medziročná zmena reálneho HDP v % v SR a v externom prostredí)



Bumpy ride:

1998+: austerity measures

1999: **'stabilisation recession'**
(Morvay, 2010)

2001: Unemployment 19% (!)

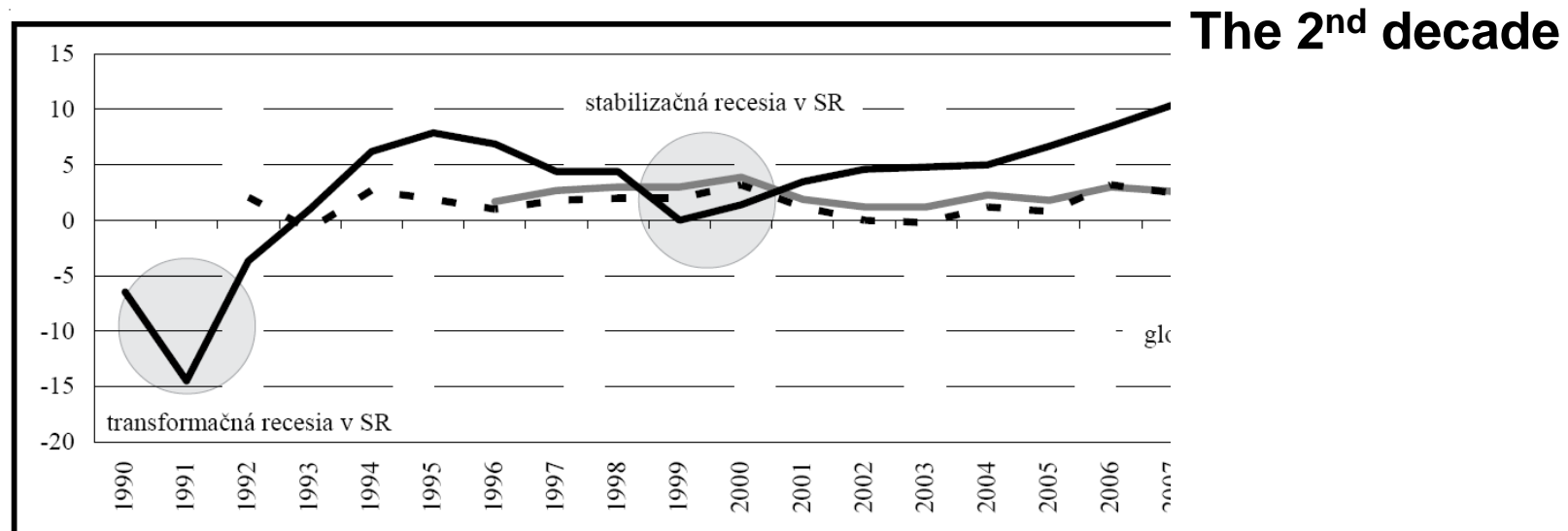
1990-92: deep **'transformation recession'**

Slovakia in crisis?

Slovakia: economic development/decline

Graf 1

Tri obdobia nepriaznivého vývoja reálneho HDP v SR (medziročná zmena reálneho HDP v % v SR a v externom prostredí)



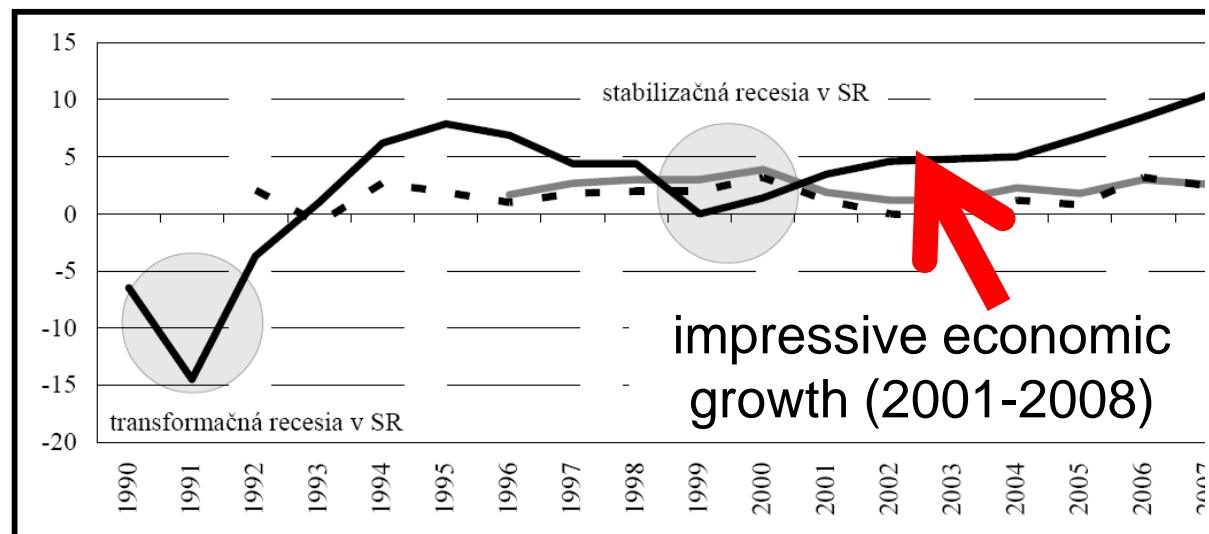
Source: Morvay, 2010

Slovakia in crisis?

Slovakia: economic development/decline

Graf 1

Tri obdobia nepriaznivého vývoja reálneho HDP v SR (medziročná zmena reálneho HDP v % v SR a v externom prostredí)



'star performer':

EU GDP per capita
50% (2000)
72% (2008)

Unemployment :
19% (2001)
10% (2008)

2009: EURO membership

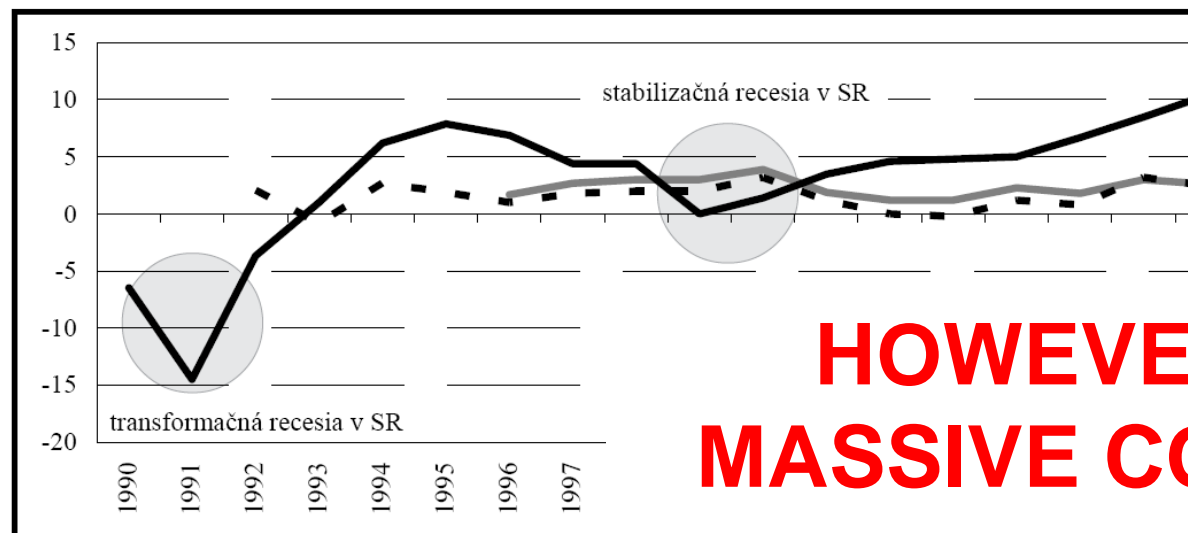


Slovakia in crisis?

Slovakia: economic development/decline

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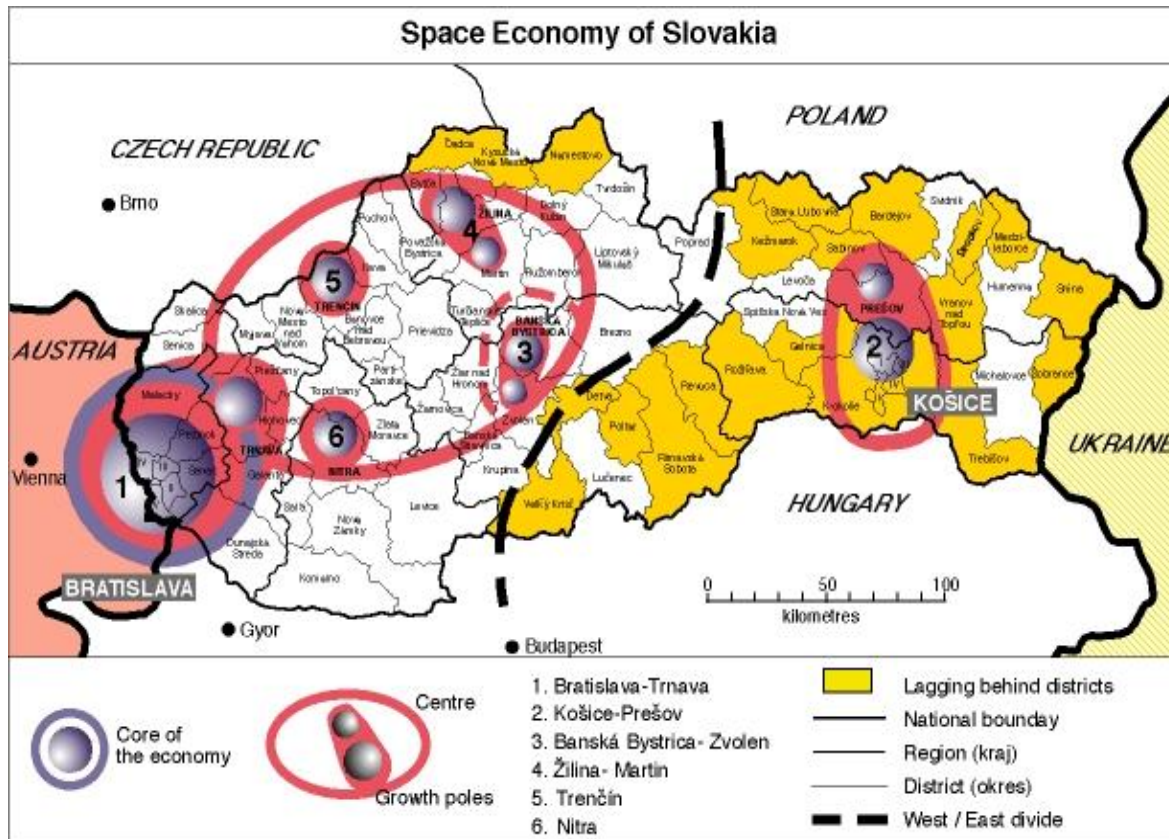
**HOWEVER:
MASSIVE COST...**

Slovakia in crisis?

Slovakia: uneven regional development

Slovakia in crisis?

Slovakia: uneven regional development



Massive regional inequality:

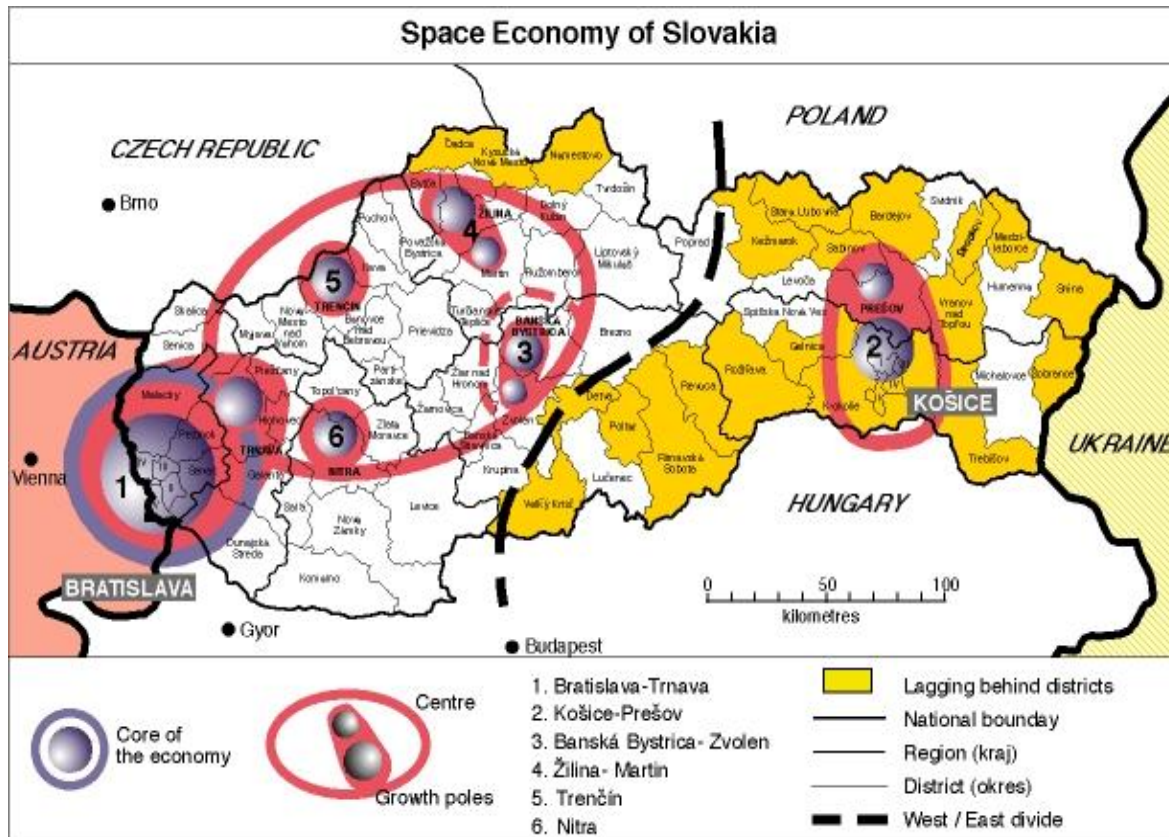
EU GDP per capita
Bratislava = >100%
Eastern SK = 40%
(Kosice)

Unemployment (2005):
Bratislava = 2.6%
Kosice = 17.5%

Source: Sokol, 1999

Slovakia in crisis?

Slovakia: uneven regional development



Massive regional inequality:

EU GDP per capita
 Bratislava = >100%
 Eastern SK = 40%
 (Kosice)

Unemployment (2005):
 Bratislava = 2.6%
 Kosice = 17.5%

**BUT: even in Bratislava:
 'working poor' / poverty**

Source: Sokol, 1999

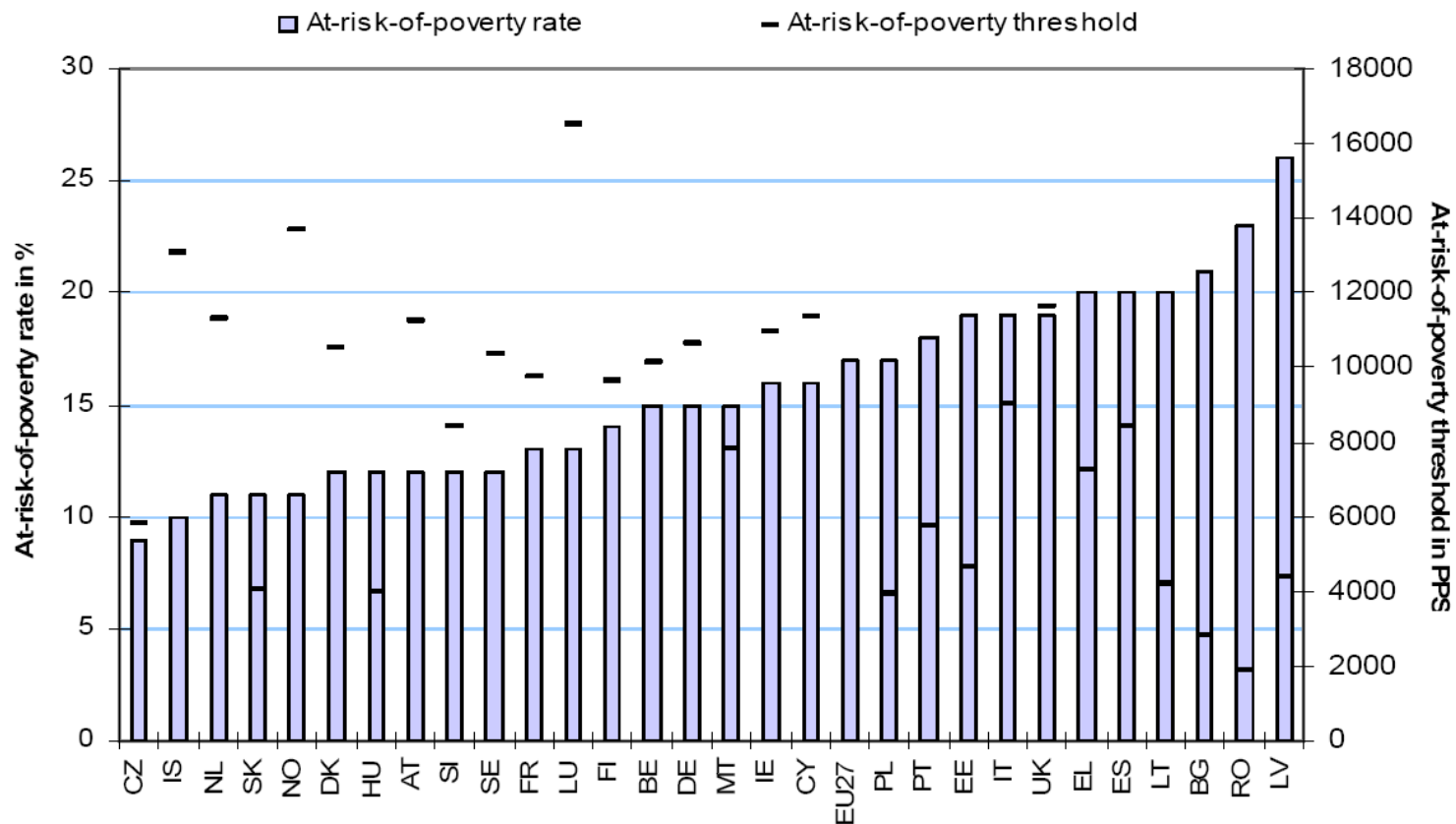
Slovakia in crisis?

Slovakia: social inequalities, poverty and exclusion

Slovakia in crisis?

Slovakia: social inequalities, poverty and exclusion

Chart 1: At-risk-of poverty rate (%) and At-risk-of-poverty threshold (PPS), 2008



Note: provisional data for UK

Source: Eurostat, 2010

Slovakia in crisis?

Slovakia: social inequalities, poverty and exclusion

Gini coefficient:

Tabuľka č. 1: Hodnoty Gini koeficientu a distribúcie príjmov (S80/S20) na Slovensku od 90. rokov po rok 2005

	1992	1996	2002	2004	2005
Gini koeficient	0,19	0,25	0,31	0,26	0,28
S80/S20	2,4	3,2	5,4	3,9	4,1

Zdroj: Mikrocenzus 1992, 1996, 2002, EU SILC 2005, 2006

Slovakia in crisis?

Slovakia: crisis hits home...

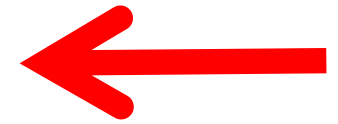
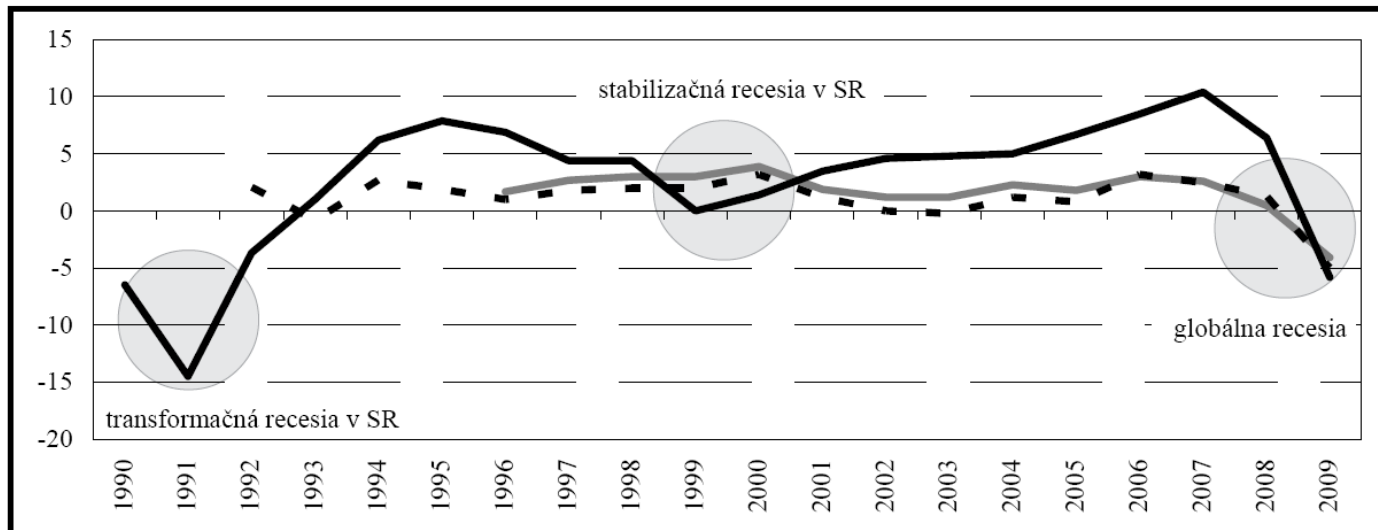
... 2008

Slovakia in crisis?

Slovakia: crisis hits home...

Graf 1

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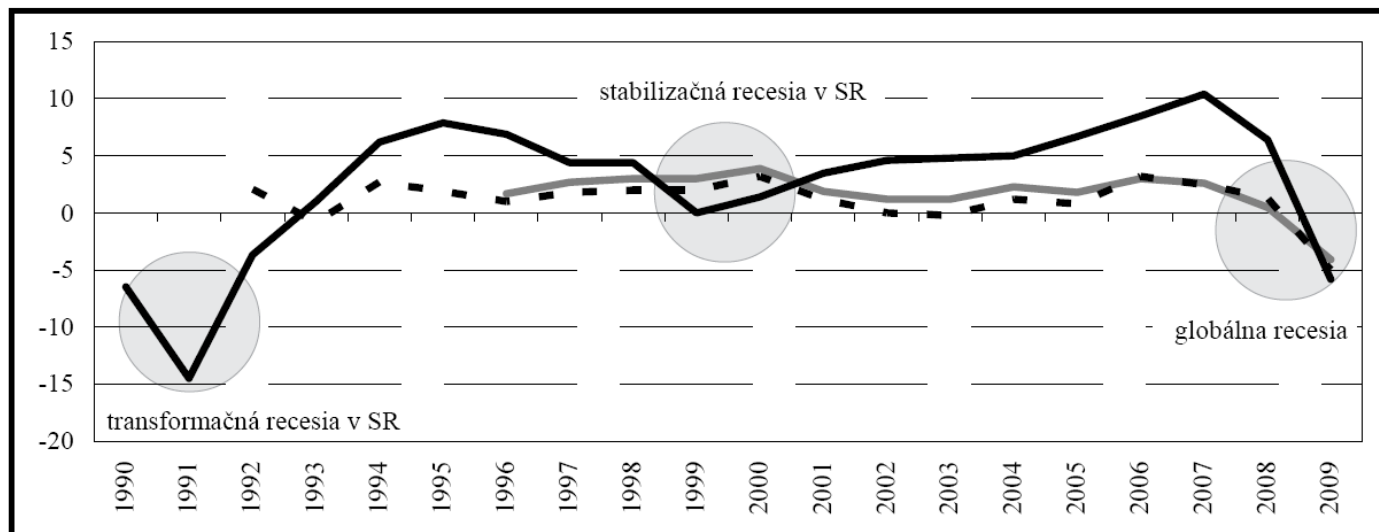


Slovakia in crisis?

Slovakia: economic development/decline

Graf 1

Tri obdobia nepriaznivého vývoja reálneho HDP v SR (medziročná zmena reálneho HDP v % v SR a v externom prostredí)



sharp GDP fall

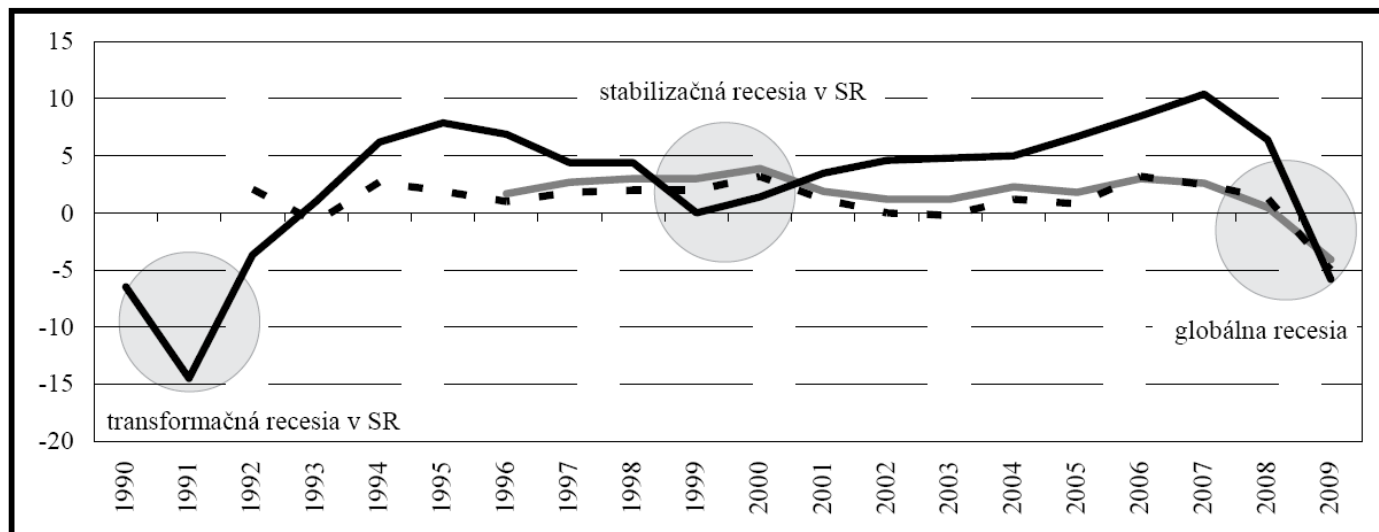
Unemployment :
10% (2008)
13.7% (Jan '10)

Slovakia in crisis?

Slovakia: economic development/decline

Graf 1

Tri obdobia nepriaznivého vývoja reálneho HDP v SR (medziročná zmena reálneho HDP v % v SR a v externom prostredí)



sharp GDP fall

Unemployment :
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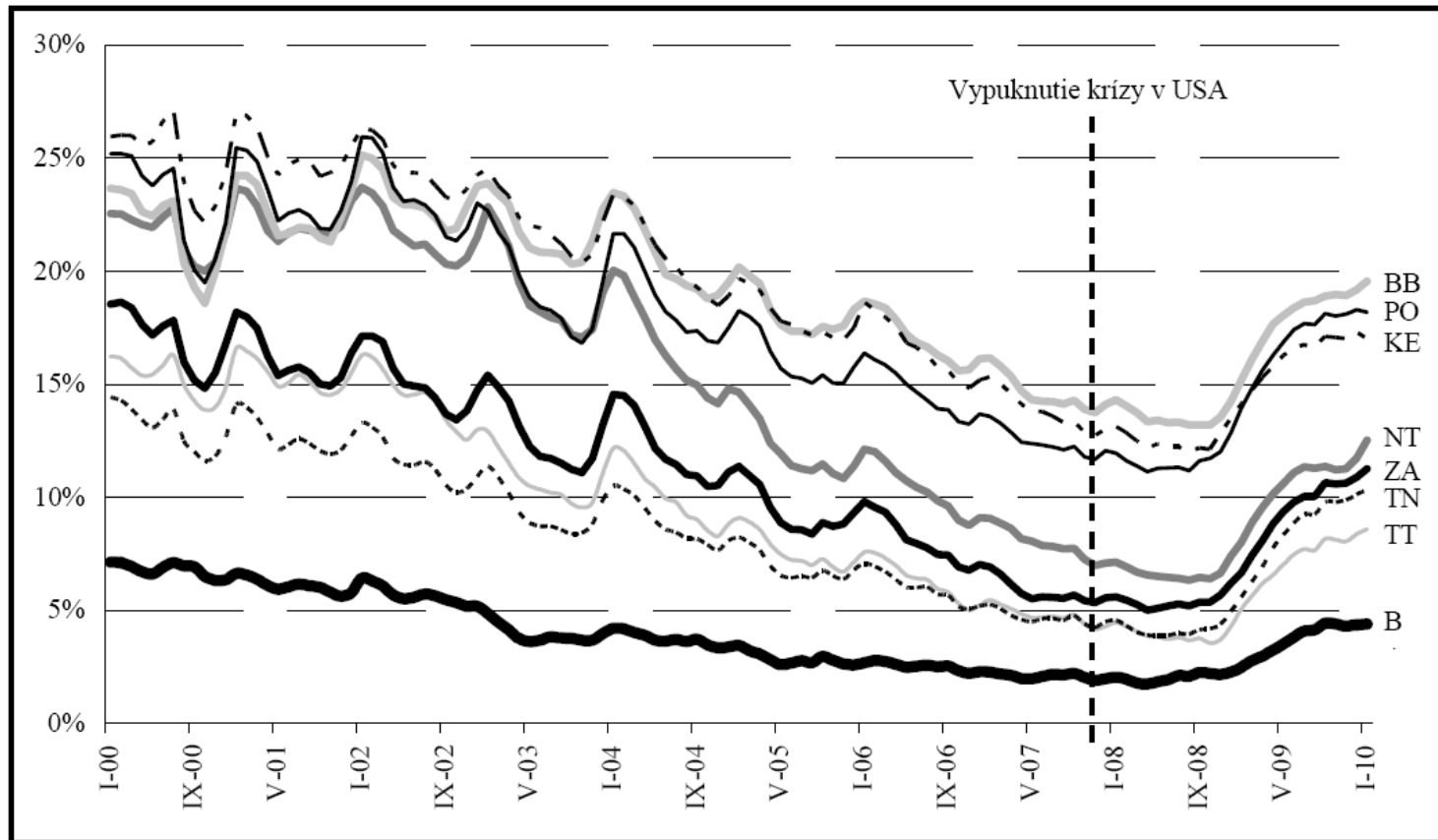


+ EURO crisis



Slovakia in crisis?

Slovakia: regional unemployment



Slovakia in crisis?

Slovakia: social inequality, poverty & exclusion

AWAITING DATA...

BUT expectation:
social inequality, poverty & exclusion
will grow

Slovakia in crisis?

Geography: nearly total lack of engagement with the issue of finance!

- (a) geographical causes and consequences of the current financial and economic crisis;
- (b) financial processes more generally, the way they impinge on the economy, uneven regional development and social inequality/poverty

One or two EXCEPTIONS...

Stenning, Smith, Rochovská and Świątek (2010)

Credit, Debt, and Everyday Financial Practices: Low-Income Households in Two Postsocialist Cities. *Economic Geography*, **86**(2), 119-145:

“post-socialist societies have been at the forefront of the extension of financial products and services”

“monetization of daily transactions”

“commodification of daily life and everyday practice [in post-socialism]”

“households insert themselves more and more into circuits of global capital” [in various ways]

“differentiated financial landscapes” / uneven financial practices

“unevenness of access to financial institutions and products”

coping strategies / diverse household economies

BUT:

Much more needs to be done

- Households
- Firms
- Government (national, regional, local)
- Whole economy

Post-socialism, crisis and geographies of finance

Post-socialism, crisis and geographies of finance

- BUT: on the whole, post-socialist geographies displayed very limited interest in finance*
- (PLEASE SEND US ANY PAPERS YOU HAVE TO PROVE THE OPPOSITE!!!)
- For this reason: post-socialist geographies currently ill-prepared to cope with the fallout of the global FEC.

* Stenning et al paper = a by-product...

Post-socialism, crisis and geographies of finance

HOWEVER:

The current FEC = **opportunity**:

- To mobilise intellectual potential (of post-soc geographies)
- To search for alternative theoretical (and policy) approaches for post-socialist East Central Europe and former USSR

Post-socialism, crisis and geographies of finance

ONE WAY OF DOING IT:

- Full(er) engagement between **post-socialist studies (geographies of post-socialism)**
AND geographies of finance
- **OVERCOMING BARRIERS** (and widespread mutual ignorance) between the two
- finding mutual **AND** mutually beneficial engagement between them (e.g. this session)

Post-socialism, crisis and geographies of finance

BOTH 'GEOGRAPHIES':

- Major advancement in the last 2 decades
- BUT none of them is complete (still gaps in both)
- + none of them is complete without each other!

Post-socialism, crisis and geographies of finance

Post-socialist geographies:

- Recognition:
- **Transformation** = not only a complicated transformation from '*state-socialism*' to '*market capitalism*',
- BUT ALSO: The nature of '*market capitalism*' itself has been transformed in the last 2 decades or so (**financialisation**)

Post-socialism, crisis and geographies of finance

Geographies of finance:

- Need a better grip on the nature of 'market capitalism' transformed by **financialisation**
- Recognition: The transformation of Western capitalism through the process of financialisation may have, in part, been influenced/shaped by the **collapse of state-socialism** in the East.
- Implications for global financial capital, financial processes and financial products

Post-socialism, crisis and geographies of finance

Post-soc. geographies + geographies of finance = better understanding of:

- economic development/decline, overall economic stability of the post-socialist East-Central Europe;
- uneven regional development (regional inequalities);
- growing social inequalities, social exclusion and poverty in the region;
- the **post-socialist transformation** process itself;
- the **‘new financial capitalism’**.

Conclusion

Conclusion

Post-socialism in crisis?

The dialogue between post-socialist geographies and geographies of finance:

- Better understanding and perhaps re-conceptualisation of **post-socialism** and the **new financial capitalism** alike
- Geographers better placed to intervene in the debates over the future of East-Central Europe, enlarged Europe and beyond.

Conclusion

Debate?

EBRD (2009) *Transition Report* (Executive summary, page iv):

“Financial integration ... has been an integral part of the ‘development model’ of transition countries (particularly in Europe)”

“...financial integration cannot and should not be reversed”

Thomas Mirow, EBRD President (cited in FT 14/05/2010, p.26 – Central & Eastern Europe: Banking & Finance: A Special Report):

“CEE should not change their market orientated growth models, but pursue them ‘with more caution and more astuteness’”

End of the session or a new beginning?

**Informal network of researchers
dialogue between
post-socialist studies and geographies of finance**

Email: m.sokol@qmul.ac.uk

Thank you

Thank you

Post-socialism in crisis: forgotten geographies of finance?

- Martin Sokol, Queen Mary, University of London
- Alena Rochovská, Comenius University, Bratislava

Abstract:

This paper argues that the global financial and economic crisis not only exposed the weaknesses of the post-socialist neo-liberal economic development model in East-Central Europe, but also the weaknesses of post-socialist studies in general and the geographies of post-socialism in particular. While the breadth and depth of geographical research of post-socialism in the last two decades has been impressive, inadequate attention has been paid to finance, financial capital and financial services and the way in which they partake on the processes of social and economic transformation. Yet, it is perhaps the financial dimension of transformation that has important implications not only for the economic stability of the post-socialist East-Central Europe, but also for the processes of uneven regional development, growing social inequalities, social exclusion and poverty in the region.