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Post-socialist housing meets transnational finance: Foreign banks, mortgage lending, and the privatization of welfare in Hungary and Estonia

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ABSTRACT

This paper asks how public policies have shaped the build-up of crisis-prone housing finance markets and whether they have mitigated or reinforced the associated risks for citizens i[illegible] busts in Hungary [illegible] matter too much fo[illegible]eholds had to face. [illegible]e non-exist[illegible]inance, while t[illegible]ave provided the supp[illegible]oth countrie[illegible]nd have by-and-large [illegible] the global

financial crisis, however, policies started to sharply diverge. While the Estonian government has relied on market mechanisms and private market actors to cope with the crisis, the Hungarian government engaged in far-reaching interventionist policies to unmake some of its devastating consequences for indebted house-owners. The paper explains its findings by the combination of different welfare state traditions and patterns of party competition.

KEYWORDS: Financial crisis banks mortgages welfare state Eastern Europe

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Notes

1. Un… ss franc. Since th… n very volatile.

2. The Visegrad countries are Hungary, Poland, and the Czech and Slovak Republics.

3. János Kádár was communist leader and General Secretary of the Hungarian Socialist Workers' Party from 1956 until 1988.

4. While housing could be purchased as early as 1969 in Hungary, many restrictions made it unattractive to do so (Hegedüs and Szemzö, 2010).

5. MDF (Hungarian Democratic Forum) was FIDESZ junior partner.

6. In Hungary, the role of commercial and other special banks are distinct. Mortgage banks underlie strict control, but they also have access to special privileges. There are three mortgage banks: OTP Jelzálogbank, then FHB which was set up by the government, and the Unicredit mortgage bank (Molnár, 2010: 14–17).

7. For Hungary, a study finds that: 'Between 2001 and 2007, households' exchange rate exposure changed by almost 10 per cent of GDP, as they assumed the majority of the foreign exchange exposure arising from the growth in external debt. In fact, they are the real foreign currency risk-takers' (Király et al., 2008: 230).

8. From 2001–2008, Hungary pegged its currency with a flexible band to the euro. After that, it turned to a floating exchange rate regime.

9. For instance, while Prime Minister Férenc Gyurcsány already back in 2005 issued a warning on his blog that it would not be good if foreign currency lending increased because of the exchange risk attached to it, opposition leader Viktor Orbán announced in the public TV in 2006 that while it is true that there are risks attached to foreign currency lending, he thinks this should not be of concern for the government, as it was a decision made by the Hungarian people (Free Hungary, 2011).

10. This interpretation is offered by the parliamentary subcommittee on the causes of indebtedness (Committee… of the Hungarian Parliament 2012).

11. It is i … clared war
on trans … d a 10 per
cent red … n declared
that … robably not
by ch … cent study
by Tarki … payment of
utility bi …

12. I borrow this title from Kattel and Raudla (2012).

13. This argument runs somewhat against the influential thesis of Timothy Frye that party polarization on the left–right space hinders economic reforms (Frye, 2011). Further research is needed to establish whether my argument indeed holds in the area of macroeconomic and welfare policies.

Additional information

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Dorothee Bohle is an associate professor in the Department of Political Science at Central European University. She is the author of Capitalist Diversity on Europe's Periphery (Cornell University Press, 2012, with Bela Greskovits) and Europas Neue Peripherie: Polens Transformation und Transnationale Integration (Muenster, Westfaelisches Dampfboot, 2002). Her recent work has also appeared in Capital and Class, Studies in Comparative International Development, West European Politics, Competition and Change, Journal of Democracy, and European Journal of Sociology.