METU Studies in Development, 41 (December), 2014, 277-296

Financial crisis in Southern Europe in comparison with Eastern Europe

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Abstract

This paper examines the recent financial crisis in Southern Europe in comparison with Eastern Europe. The findings of the paper are as follows: (i) Firstly, the economic space of the EU can no longer be taken as homogeneous, and the core-periphery structures must be examined more thoroughly; (ii) Second, while the crisis is seen everywhere in Europe as it is attested by the low growth rates in the 2000s, the fates of Eastern and Southeastern Europe have diverged from each other, for they have different ways of articulation with the European and German productive core.

Keywords: Financialization, Southern Europe, Eastern Europe, economic crisis, spatial economics

1. Introduction

Since the financialization (or Americanization) of the global economy with the Volcker era[2], the new international financial system has increasingly become volatile and the crises have turned out to be more contagious and frequent. In the crises such as those observed in Mexico 1994-5, East Asia 1997-98, Russia 1998, Brazil 1999, Turkey 1999 and 2001, and the dot.com bust in 2001, even if the recession hit deep, the bounce-back was always around the corner and the growth

[1] I would like to thank Prof. Dr. Oktar Türel and the anonymous reviewers who contributed much to this article.

[2] After the collapse of the Bretton Woods system and turning the dollar into fiat money, the series of serious crises started in 1974 with the closure of Franklin National in the US and Herstatt Bank in Germany (Eatwell and Taylor, 2000: 97). Together with the Volcker Shock in 1979-82, financialization and Americanization in the globe radically started. For Volcker Shock, compare Panitch and Gindin (2004: 80; 2008: 30) and Brenner (1998: 182).

recommenced soon. Also, since these crises affected the semi-periphery the most, it was possible to put the blame on "'corrupt' governments of crony capitalism, with their over-interference with the market rationality" (Yeldan, 2009: 1).

When the crisis showed its face in Greece in 2008, and quickly spread to other Southern European countries, as well as Ireland, initially the same blame-game was played. Especially the Greeks were pilloried for having long siestas, though annually an average Greek worker devoted 2033 hours to work in 2012, whereas Germans worked only 1396 hours (OECD data).[3] The traditional austerity recipes were offered as usual, even if they were to no avail and could not prevent Greek crisis' turning into a bottomless pit. 2013 will be the sixth consecutive year of crisis and net real growth rate of the country between 2002 and 2013 is in the red. In other words, the crisis devoured everything the Greek economy achieved in its rosy 2000s, after Greece made its entry into the list of advanced capitalist countries of the Eurozone.

The Eurozone neither found a solution to the Greek crisis, nor it could prevent the contagion to Italy and Portugal, which also had negative growth between 2003 and 2013. Growth rates of Croatia, Cyprus, Denmark, France, Netherlands and Spain in the same period fell short of 1 % annual growth. Austria, Belgium, Finland, Hungary, Germany, Ireland, Slovenia and the UK could only slightly pass the same threshold. Among the members of the EU, only Eastern European countries with the exception of Hungary and Slovenia reached growth rates around or more than 3 % average annual growth (see Table 1).

[3] It was not only populist tabloids such as *Das Bild* (2010) that printed inventive headlines such as "Sell your islands and the Acropolis you broke Greeks". Politicians such as Merkel conducted the chorus by saying "It is also about not being able to retire earlier in countries such as Greece, Spain, Portugal than in Germany, instead everyone should try a little bit to make the same efforts - that is important. We can't have a common currency where some get lots of vacation time and others very little. That won't work in the long term" (Kotarski, 2012:15-6). The writer adds that average retirement age in Germany is 61.8 against that of Greece's 61.9.

Table 1
Real GDP Growth Rate, 2003-13, %

geo\time	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2008-13	2003-13
Austria	0.9	2.6	2.4	3.7	3.7	1.4	-3.8	1.8	2.8	0.9	0.4	2.0	16.8
Belgium	0.8	3.3	1.8	2.7	2.9	1.0	-2.8	2.3	1.8	-0.1	0.1	1.2	13.6
Bulgaria	5.5	6.7	6.4	6.5	6.4	6.2	-5.5	0.4	1.8	0.8	0.5	-2.2	33.7
Croatia	5.4	4.1	4.3	4.9	5.1	2.1	-6.9	-2.3	0.0	-2.0	-0.7	-11.5	8.2
Cyprus	1.9	4.2	3.9	4.1	5.1	3.6	-1.9	1.3	0.4	-2.4	-8.7	-11.1	9.1
Czech R.	3.8	4.7	6.8	7.0	5.7	3.1	-4.5	2.5	1.8	-1.0	-1.0	-2.3	27.3
Denmark	0.4	2.3	2.4	3.4	1.6	-0.8	-5.7	1.4	1.1	-0.4	0.3	-3.4	5.4
Estonia	7.8	6.3	8.9	10.1	7.5	-4.2	-14.1	2.6	9.6	3.9	1.3	1.7	33.4
Finland	2.0	4.1	2.9	4.4	5.3	0.3	-8.5	3.4	2.7	-0.8	-0.6	-4.2	13.2
France	0.9	2.5	1.8	2.5	2.3	-0.1	-3.1	1.7	2.0	0.0	0.2	0.7	10.1
Germany	-0.4	1.2	0.7	3.7	3.3	1.1	-5.1	4.0	3.3	0.7	0.5	3.2	13.9
Greece	5.9	4.4	2.3	5.5	3.5	-0.2	-3.1	-4.9	-7.1	-6.4	-4.0	-23.1	-10.5
Hungary	3.9	4.8	4.0	3.9	0.1	0.9	-6.8	1.1	1.6	-1.7	0.7	-5.2	8.4
Ireland	3.7	4.2	6.1	5.5	5.0	-2.2	-6.4	-1.1	2.2	0.2	0.3	-4.9	13.9
Italy	0.0	1.7	0.9	2.2	1.7	-1.2	-5.5	1.7	0.5	-2.5	-1.8	-7.5	-2.6
Latvia	7.7	8.8	10.1	11.0	10.0	-2.8	-17.7	-1.3	5.3	5.2	4.0	-6.4	33
Lithuania	10.3	7.4	7.8	7.8	9.8	2.9	-14.8	1.6	6.0	3.7	3.4	-1.6	38.7
Luxembourg	1.7	4.4	5.3	4.9	6.6	-0.7	-5.6	3.1	1.9	-0.2	1.9	0.9	23.1
Malta	0.7	-0.3	3.6	2.6	4.1	3.9	-2.8	3.3	1.7	0.9	1.8	4.9	20.2
Netherlands	0.3	2.2	2.0	3.4	3.9	1.8	-3.7	1.5	0.9	-1.2	-1.0	-3.5	10.0
Poland	3.9	5.3	3.6	6.2	6.8	5.1	1.6	3.9	4.5	1.9	1.3	13.9	48.1
Portugal	-0.9	1.6	0.8	1.4	2.4	0.0	-2.9	1.9	-1.3	-3.2	-1.8	-7.2	-1.3
Romania	5.2	8.5	4.2	7.9	6.3	7.3	-6.6	-1.1	2.2	0.7	2.2	-2.8	35.2
Slovakia	4.8	5.1	6.7	8.3	10.5	5.8	-4.9	4.4	3.0	1.8	0.9	5.0	49.1
Slovenia	2.9	4.4	4.0	5.8	7.0	3.4	-7.9	1.3	0.7	-2.5	-2.7	-10.9	13.3
Spain	3.1	3.3	3.6	4.1	3.5	0.9	-3.8	-0.2	0.1	-1.6	-1.3	-6.7	8.6
Sweden	2.3	4.2	3.2	4.3	3.3	-0.6	-5.0	6.6	2.9	0.9	1.1	6.3	22.4
UK	3.9	3.2	3.2	2.8	3.4	-0.8	-5.2	1.7	1.1	0.3	1.3	-1.0	11.2

Source: Eurostat.

All crises come up with valuable lessons. For example, according to Eatwell and Taylor (2000: 97-8), the crisis of 1982 taught us that “the financial systems of the developed economies were not only vulnerable to shocks within their collective borders, they could also be brought down by events in developing countries”. The stock market crash taught the world about contagion. The 1997

Asian crisis taught that financial liberalization does not benefit all, as the mainstream wisdom preached until then (Eatwell and Taylor, 2000: ix). So, what is to learn from the crisis of 2008?

The paper will propose that one of the valuable lessons of the crisis with reference to Europe is that the over-optimistic discourses of the European integration that used to be explained with terms such as deepening, widening and convergence cannot hold anymore. Even the term variable geometry that entered into circulation in the 1990s seems like a euphemism, which is inadequate to explain the rising inequalities within the European space. While consumption-led growth oiled by seemingly endless finance created an illusion of Europe-wide convergence in mid-2000s, it is now fully realized that, while European capitalism as a whole (and indeed the global capitalism) is in trouble, the fates of Southern and Eastern Europe diverge from each other. Moreover, concepts such as cores and peripheries that were thrown out when business was fine came back to academic circulation with a vengeance.

In the following pages, first the return of the core and periphery in Europe and in social sciences in general will be examined. Then, the literature on financialization will be critically discussed. Finally, the differing performances of Southern and Eastern Europe will be analyzed.

2. The return of the core and periphery

One of the things that the crisis has changed for good is how social scientists interpret the capitalist space.[4] Before the crisis, interpretations abound, such as those of the network theorists who argued that globalization should be understood through "an energized network space marked by, first, the intensification of mixture and connectivity as more and more things become interdependent (in associative links and exclusions)" (Amin, 2004: 395). These writers wanted to do away with any conception of 'centers' so much so that they wrote: "We want to move on into a world in which centers are no longer quite so important because political power has been not so much devolved (which still assumes the presence of a centre) as dispersed (which does not)" (Amin *et al.*, 2003: 3).

For Castells (2000: 408), a new spatial logic, i.e. the space of flows, was replacing the "historically rooted spatial organization of our common experience," the space of places. In this new world there were no longer cores and peripheries, as flows overtook places, but nodes and hubs of the emerging larger network.

[4] Gabor (2013:248) catches another change with reference to foreign (largely Eurozone) banks in Eastern Europe. While at the beginning of the transition period, these banks were hailed "for bringing a much needed improvement to obsolete practices inherited from socialism", after the 2008 crisis they were handled with more circumspection, to say the least.

These views that proposed a ‘flatter view’ of capitalist space became so influential that Smith (2005: 896) quipped that we should expect that the press releases from the next geography conference should read “GEOGRAPHERS DISCOVER THE EARTH IS FLAT (emphasis belongs to Smith).”[5]

The equivalent of this flat ontology in European studies that discarded any understanding of cores and peripheries was seen in the integration literature. This literature created a new language that revolved around widening and deepening (and both at the same time) of European integration, which was assumed to go hand in hand with more convergence (or regional cohesion as preferred by the European Commission). While the majority of the studies optimistically waited for convergence to occur among European regions and their main complaint was the slowness of this convergence (Corrado *et al*., 2005: 134), some studies argued that increasing growth rates in European periphery did not end up in convergence. Moreover, even though per capita GDP rose in the periphery, this came at the cost of rising regional polarization in all of these countries (Petrakos, 2000: 44; Smetkowski and Wojcik, 2012: 924).

In other words, critical convergence studies attracted our attention to the fact that there was neither convergence within peripheral nations, nor convergence with the European core. Even if peripheral regions and countries had higher growth rates, which is not the case after the crisis, this was not enough to render them part of the Western European core (Melachroinos and Spence, 2001: 1681; Melachroinos, 2002: 2032; Petrakos *et al*., 2000: 30). Despite positive expectations, the core regions were unable to provide any ‘trickle-down’ impact to the periphery.[6]

Besides the critical convergence literature that observed that there was no convergence among regions at all, other writers started to register that the nations in the EU did not converge with the core countries. Petit (2006:126) observed that “the catching-up mechanisms have been moderate in the last decade: the expected catching up of Spain did not materialize, Portugal has been deceptive and Greece has even stagnated.” He also warned that the accession of new member states in 2004 would only exacerbate the situation.

The 2008 crisis irretrievably reintroduced core and periphery into social sciences. Becker and Jäger (2012: 169) argue that “(t)he crisis has shown the

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5 Not only was the network literature full with these ideas. For similar ideas that discarded cores and peripheries, see Swyngedouw (1992: 43) and Scott (2001).

6 According to Dunford (2000: 80), even the core countries, with the exception of West Germany, could not escape from a core-periphery pattern: “The most marked regional imbalances are in Italy where there is a deep-rooted north-south divide, followed by France where the major cleavage is the divide between Paris and the rest of the country, Spain with its gap between the north-east and Madrid and the rest of the country, and the United Kingdom where the major division is between Greater London and the Home Counties, on the one hand, and the rest of the country on the other.”

ruptures between core and periphery in Europe". They also allege that while there was polarization between the export-oriented core countries and the import-dependent periphery before the crisis, this was rather unnoticed as financial flows closed current account deficits (Becker and Jäger, 2012: 177).[7]

Tsoukalis (2011: 25-6) thinks that current account imbalances between the north and the south in the EU, as well as the rapid rise of the sovereign debt of the southern countries and perception of the Wall Street and the City of London that the EU lacked the means to solve the problem were at the root of the current crisis. Fouskas and Dimoulas (2013: 115-6) contend that "(b)efore the crisis, the issue of German financial/monetary supremacy *within and outwith* Europe could somehow be covered-up under the façade of a 'French-German axis', European elections and pan-European institution-build-up". After the crisis, however, the reality came to the fore with clarity, i.e. the euro was nothing but "an imperial currency dominated by Germany's monetary/material economic base."[8]

The differing performances of countries in the EU attest to the need for examining the cores and peripheries in Europe and in the world. The European economic geography is comprised of core(s) and at least two types of peripheries[9] (Aygül, 2011; Tsoukalis, 2011: 23). Western Germany, as well as adjacent parts in France, Italy, Austria, Netherlands and England make the core. As for the peripheries, Southern European countries, most of which became EU members in the 1980s, are different from Eastern European countries that became members in 2004 and 2007. As it is known, the single currency was devised in order to prevent currency speculations that led to the demise of the European Monetary System (EMS) in 1992 and, as the theory goes, Europe would be stronger in unison. Nevertheless, Europe stands as divided. At the moment, core Europe as well as Southern Europe that is part of the Eurozone is in deep trouble, while Eastern Europe that is not part of the zone has another story. It seems that the Euro, which was devised to get financial autonomy from the US, did not do much good to Southern Europe. In the remaining of this paper the differing fates of the two

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[7] According to Vlachou (2012: 173), Greece was able to attain high growth rates in the initial years of the euro, because of "1- High private consumption backed by a rapid expansion of household credit after financial market liberalization, and 2- A major reduction in borrowing costs due to the low interest rates in the Eurozone, boosting public and private consumption as well as indebtedness."

[8] The crisis laid bare the formation of a core/periphery dichotomy not only within Europe, but also globally. Antoniades (2013: 216-7), by way of examining the global roots of the current crisis, argues that "(f)or the first time in modern economic history, surpluses are moving from 'emerging' to 'advanced' economies, i.e. the 'periphery' is bailing out the 'centre'".

[9] Lipietz (1996: 133) has the merit to say that cores and peripheries are here to stay as early as 1990s. He wrote that together with the crisis of Fordism, "the world will organize itself into three continental blocs, and within each there will be a division of labour between the centre and periphery based on different combinations of the basic paradigms of post-Fordism".

peripheries in the EU will be examined. Before doing this, however, first we need to discuss finance a bit more.

3. The financial crisis

Before the 2008 crisis, several scholars, such as Brenner (1998), Arrighi (2008) and Panitch and Gindin (2004; 2008) had important contributions to the debate on crisis. Brenner argued with full clarity that the main reason of the global turbulence boiled down to the crisis of the real economy, which was unable to remedy the fall of profits since the late 1960s. Emphasizing "vertical relationship between capital and capital" Brenner argued that any sign towards growth in the US, Germany and Japan was nothing but the result of the fall in exchange rates of these countries. Therefore, the so-called economic revival in the US seen in the second-half of the 1990s was achieved at the expense of Germany and Japan, whose currencies were revalued which did not bode well for their exports. In other words, finance was the name of the game, in which these powers struggled to let others feel the brunt of the crisis in the real economy.

According to Arrighi, crisis was the result of "chronic and acute crisis of American hegemony over the core", whereas Panitch was rejecting that there was any structural conflict between capitalist cores. Gowan (2013: 5), taking a third position wrote that there were structural sources of conflict between core capitalisms, yet these conflicts had not yet amounted to "a terminal hegemonic decline of the US." The significance of this discussion was that Arrighi was of the opinion that financialization was the indicator of the decline of the hegemonic power.[10] As opposed to that, for Panitch and Gindin (2008: 19), financialization could not be taken as a sign for weakening of the American empire; "It is an American empire strengthened rather than weakened by its financialization that we need to confront".

European integration in the 1980s was seen as some sort of a challenge to the US supremacy, and as such the rivalry between the US and Europe was acknowledged. However, at the same time it was frequently mentioned that this rivalry was realized through the adoption of American values, not the least those pertaining to finance. Gill (2004: 40) stated that while Europe sought to create relative autonomy from the US, at the same time it gradually moved towards "US-style financial liberalization and corporate governance based on shareholder value." In doing so, it further promoted disciplinary neoliberalism throughout

[10] Fouskas and Dimoulas (2013: 122) are of the opinion that the 1970s crisis was the 'signal crisis' of the US hegemony and the 2008 crisis was nothing but the 'terminal crisis' of the US-led system of accumulation. Arrighi himself, however, had different episodes in mind, which were not confined only to the economy; for him the signal crisis was the Vietnam war and the terminal crisis was the war in Iraq (Arrighi, 2008: 163, 191; see also Panitch, 2010: 81).

Europe. Ryner (2007: 7) argued that European integration since the 1980s had been realized “within a relationship of structural subordination to US-led globalized financial capital.” For him, while “a distinctly European configuration congealing around German capital” could be discerned, at the same time, it did not compete on the basis of an ideologically distinct “Rhineland capitalism,” but rather on the basis of Anglo-American neoliberal strategies (Ryner, 2007: 12). The creation of EMU created a “macro-economic framework locked into a mode of competitive austerity” (Ryner, 2007: 16).

After the crisis, finance attracted even more attention among European scholars as it might be expected. While the need to re-regulate financial sector was repeatedly pronounced, Talani (2011: 11) is of the opinion that “(b)y no means did the crisis result in a decrease of the hegemonic power of the City of London.[11] Instead, it confirmed its capacity to influence the decision-making process of the British government in favour of its preferences.” Even in Germany, elites of which were in shock to see that they were not isolated from the vagaries of the financial crisis, calls for the re-regulation of finance could not be realized much (Zimmermann, 2012: 484).

One of the terms that come to the fore after the 2008 crisis was financialization. Gabor (2010: 229), in her well documented work, shows the novelty, as well as the ambiguity, of this term. It seems that she prefers Crotty’s definition, in which financialization is taken as a shift to short-term and erratic search for profits, i.e. impatient finance, rather than long-term lending for production.[12] Writers such as Becker *et al.* (2010: 225) argued that the current crisis proved that highly financialized regimes of accumulation are “extremely crisis-prone.” In the same article they acknowledge that financialization might take different forms in time and space, and “there is no single indicator that universally defines a financialized accumulation,” though high current account deficits and a rising external debt are good indicators for peripheral financialization (Becker et al., 2010: 231).

In another piece, Becker and Jäger (2012: 5) differentiate between productive *versus* financialized accumulation, the basic distinction being “whether accumulation focuses on the productive sectors or on the accumulation of fictitious capital.” The writers argue that “financialization is closely related to structural

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[11] “In 2007, London hosted 250 foreign banks, with branches or subsidiaries almost double the number of those in New York. London had also been the fastest-growing market for asset management, with $400 billion of assets under management at the end of 2007. This accounted for 80 % of hedge funds managed in Europe and 20 % of the world’s hedge fund assets” (Talani, 2011: 22).

[12] Actually Keynes was not very far when he criticized speculation: “Speculators may do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes the bubble on a whirlpool of speculation. When the capital development of a country becomes a by-product of the activities of a casino, the job is likely to be ill-done” (Keynes, 1973: 159).

blockages in the productive sector and is very crisis-prone" (Becker and Jäger 2012: 6). They mention that financialization is characterized by a "large share of the financial sector in GDP, high rates of stock market capitalization and high and increasing debt" (Becker and Jäger 2012: 7-8). Europe, for them, has been characterized with two distinct type of countries; one with a marked financialization, such as the UK, Ireland, the Benelux countries, Spain, and to an extent, France, Portugal and Scandinavian countries such as Denmark (Becker and Jäger 2012: 7-8); and the economies of Germany, Italy and Austria were characterized by strong export-orientation, though they also showed characteristics of financialization (Becker and Jäger 2012: 11).

While this approach is laudable for its effort to examine European space with an emphasis on the differentiation of the cores and peripheries, and their endeavor to discern the role of finance in the 2008 crisis, there are several points to criticize. First, the difference between financialized countries and those that prioritize productive economy is not clear. If the latter group is said to be also financialized, what is the measure to quantify the difference of financialization between these groups? If the difference is the export success of the latter group, financialization as a concept does not add anything to a study that examines exports, as I will do in the following pages. Second, taking government deficits as a sign for financialization is not reliable. As seen in Table 5, the countries with highest current account deficits in 2012 are Cyprus, the UK, Poland, Romania and Greece. In 2007, however, the top-five were Bulgaria, Latvia, Estonia, Greece and Lithuania. This concept does not differentiate between Eastern and Southern European states and in each case the reasons for the deficits might be different.

Moreover, how is Italy, as a country affected seriously from the crisis, can be taken as a country belonging to the productive group? Also, the financialized countries did not do this on their own and not all the blame could be put on them. As Tsoukalis (2011: 27) mentions, "German banks had been allowed to play a big role blowing into the bubble for years by translating German savings into loans to other countries." Last but not least, as the writers emphasize the national scale, they neglect the European scale, i.e. the lack a common fiscal policy stance in Europe, though the countries have a common currency.[13] If, as Stockhammer

[13] Carchedi criticizes taking the Euro as a purely monetary operation. When discussing the 1994-95 crisis, he wrote that the sudden eruption of monetary crises are generally attributed to "purely speculative capital movements" or the "lack of fiscal discipline" by some members (Carchedi, 1997: 85). For him the crises cannot be the result of speculative capital movements, because after every speculative monetary storm, new exchange rate parities settle around new levels. So, he thinks that new parities are mostly the result of "deeper structural laws of movement" (Carchedi, 1997: 95). The other oft-cited explanation, that is, the lack of the fiscal discipline is also used in the 2008 crisis. Carchedi provides an alternative explanation which makes more sense considering that the monetary integration in Europe is not backed up by European-wide fiscal policies. In his system both in EMU

(2012: 122) writes, there is a complementarity between the two types of growth models under neoliberalism, i.e. debt-led and export-led growth models, how could we accept the mainstream idea that the crisis is of the former only?

4. Regional unevenness

As seen in Table 1, the most important effect of the 2008 crisis was that GDP growth in Southern European countries dropped so much that it is no longer possible to talk about any convergence in Europe. As mentioned above, Greece, Italy and Portugal were hit so much that 2003-13 period was a 'lost decade' for them. In the same period, however, Poland grew by 48.1 %, Slovakia 49.1 %, Romania 35.2 %, Lithuania, 38.7 %, Latvia 33 %, Estonia 33.4 % and Bulgaria 33.7 %. Although comparatively meager than these, Hungary grew by 8.4% and Slovenia by 13.3 %. What needs to be emphasized is that while Southern and Eastern Europe have differing fates, the performance of the core is not much to brag about. Germany grew only by 13.9 %; only slightly better than France's 10.1 % and the UK's 11.2 %.

If we visualize the data with reference to Germany, Greece and Poland, as in Figure 1, while Poland and Greece grew more than Germany until 2008, and gave a sense that European convergence was taking place, after the crisis, the fates of Poland and Greece diverged from each other. Poland continued to grow even if with diminished rates, and Greece entered into a serious recession.

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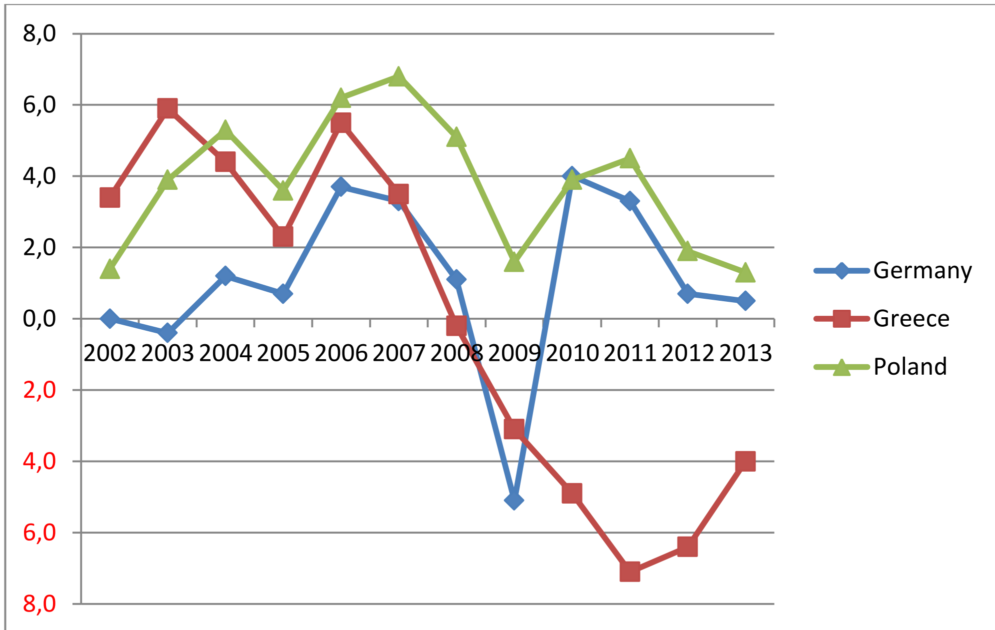
and its precursor EMS, monetary structure forces the technological laggards (in his system he takes Italy as a laggard as opposed to Germany) to adopt the monetary policies of high-technology producers. Being the leading high-technology competitor in Europe, Germany aims to prevent inflation no matter what the consequences. Technology-laggards can only compete by way of devaluation and inflation, which in turn reduces real wages and increase the rate of profits and the rate of surplus value (Carchedi, 1997: 97). Yet under the EMS devaluations are discouraged even if since the EMS was introduced in 1979, the DM was revalued and the Italian lira was devalued 6 times. There is not a single case in which the former was devalued and the latter was revalued. The EMU prohibited national devaluations altogether. Under the EMS the only solution to the crises was to leave the ERM (Exchange Rate Mechanism) (Carchedi, 1997: 99). Under the EMU, the only way out, for example for Greece, is either to go out or to further the integration and include fiscal policies, which politically is a non-solution for Germany, which has to pay for the fiscal transfers.

Figure 1

GDP Growth Rate in Germany, Greece and Poland, 2002-2013



Source: Eurostat.

Table 2 includes per capita GDP data of the EU countries in purchasing power standard. It shows that from Eastern Europe Poland, Lithuania, Latvia, Bulgaria, Estonia, Romania, Slovakia and Hungary continued to converge even after 2008 (but not the Czech Republic and Slovenia). The postions of Greece, Cyprus, Spain, Portugal, Netherlands, Finland and the UK deteriorated. The other countries that perform better in 2012 compared to 2008 are Germany, Austria, Belgium and Malta. Here, it is necessary to add that convergence is towards the EU-28 average, which might decline in times of crisis.

Table 2
Per Capita GDP as of EU28 average, PPS

GEO/TIME	2006	2007	2008	2009	2010	2011	2012
EU28	100	100	100	100	100	100	100
Austria	125	123	124	125	127	129	130
Belgium	117	116	115	118	119	118	119
Bulgaria	38	40	43	44	44	46	47
Croatia	58	61	63	62	58	61	61
Cyprus	93	94	99	100	96	94	92
Czech Republic	80	82	81	82	80	80	79
Denmark	124	122	124	123	128	125	125
Estonia	66	70	69	64	63	68	70
Finland	114	117	119	114	113	114	113
France	108	107	107	109	108	108	107
Germany	115	115	116	115	118	121	122
Greece	92	90	92	94	87	79	75
Hungary	63	61	64	65	65	65	65
Ireland	145	146	131	128	128	130	129
Italy	104	104	104	104	101	100	98
Latvia	53	57	58	54	54	58	62
Lithuania	57	62	64	58	61	66	70
Luxembourg	269	274	263	252	262	265	262
Malta	78	78	81	84	87	87	86
Netherlands	131	132	134	132	131	130	128
Poland	52	54	56	60	62	64	66
Portugal	79	78	78	80	80	78	75
Romania	38	41	47	47	47	47	49
Slovakia	63	68	72	73	73	73	75
Slovenia	87	88	91	86	83	83	81
Spain	104	104	103	103	99	96	95
Sweden	122	125	123	120	123	126	128
UK	122	118	114	112	112	110	110

Source: Eurostat.

It might be the case that the relative success of Eastern Europe derives from the process of articulation with the productive core areas. Since Germany is the most important core country in Europe, in this study the economic relations of Germany will be examined. Table 3 shows the export figures of Germany with European countries and some other significant countries, the USA, the BRIC, Japan, Korea and Turkey. German exports to the EU countries fall after 2008, with the exception of Luxembourg and Slovakia. In the table, European countries are ordered according to the decline of exports after 2008. Here, again the drastic

decreases are seen in Greece, Spain and other Southern European countries, whereas, Eastern Europeans did not decline as much.

While the performance of the German export engine was magnificent in the 2000s, the share of German exports that go to the EU countries in total German exports fell from 64% in 2008 to 56.6% in 2012. Though it could not prevent a decline in total exports, Germany managed to partially cover the fall of exports towards Europe by way of increasing its trade with the countries given at the bottom of the list. German exports to China increased 71.3 % after 2008; exports to the BRIC countries (i.e. Brazil, Russia, India and China), Korea, Japan and Turkey were also satisfactory.

Table 4 shows Germany's imports from all EU countries as well as the other ones in the previous table. Although German exports to almost all European countries declined after the 2008 crisis, the same is not true for German imports. It is seen in the table that, while all Southern European, as well as the rest of the core countries had lower exports to Germany, all Eastern European countries increased theirs. As for the other countries, while India, China and Turkey increased their exports by 20.6, 16.9 and 1.4 % respectively in the 2008-12 period, the performance of all others deteriorated.

The reason for increasing exports of the Eastern European countries cannot only be the fact that they can devalue their currencies for they are not members of the Eurozone. According to the IMF, Polish zloty appreciated by 12% and Czech koruna by 15% between 2004 and 2014. Therefore, the answer to that must be sought in the productive linkages between the firms of the core and Eastern Europe. It seems that, while German export engine competes well in the world, in doing so, it also increasingly uses cheaper inputs from Eastern Europe. The end result of such a policy is that in both the core, and the Eastern and Southern peripheries, the only viable option for the time being is more of the austerity for people.

Table 3
German Exports (million Euros)

	2002	2008	2012	2002-08	2008-12
World	615997.4	1466137.4	1416184.2	138.0%	-3.4%
Greece	4619.9	12151.1	6029.8	163.0%	-50.4%
Spain	27456.9	64743.6	40063.1	135.8%	-38.1%
Portugal	6295.2	12153.0	7979.7	93.1%	-34.3%
Croatia	1703.2	4328.7	2866.9	154.2%	-33.8%
Ireland	3639.4	8388.5	5960.8	130.5%	-28.9%
Finland	6181.9	14636.4	10417.1	136.8%	-28.8%
Belgium	28707.1	76139.8	57296.5	165.2%	-24.7%
Italy	43911.3	94457.6	72000.3	115.1%	-23.8%
Cyprus	404.9	1119.7	855.3	176.5%	-23.6%
Slovenia	2218.8	6453.8	5023.3	190.9%	-22.2%
Malta	238.6	518.6	408.7	117.4%	-21.2%
Hungary	10494.5	26059.4	21023.4	148.3%	-19.3%
Denmark	10381.8	23728.9	19367.3	128.6%	-18.4%
Lithuania	1416.9	3498.9	3060.7	146.9%	-12.5%
Bulgaria	1091.6	3981.6	3487.9	264.8%	-12.4%
Sweden	12553.4	30494.3	27258.2	142.9%	-10.6%
UK	50056.5	98710.7	89288.0	97.2%	-9.5%
Latvia	817.2	2047.7	1861.0	150.6%	-9.1%
Poland	14991.5	59180.5	54211.5	294.8%	-8.4%
Romania	3071.0	12885.3	11817.0	319.6%	-8.3%
Estonia	579.4	2242.2	2060.3	287.0%	-8.1%
Austria	31258.9	79230.3	74347.1	153.5%	-6.2%
France	63786.5	142630.5	134257.6	123.6%	-5.9%
Netherlands	36352.5	96715.1	91193.8	166.0%	-5.7%
Czech Republic	14632.6	41003.5	38892.2	180.2%	-5.1%
Luxembourg	2681.3	7348.7	7378.3	174.1%	0.4%
Slovakia	3829.3	13121.8	13378.9	242.7%	2.0%
EU total	383372.3	937970.1	801784.8		
EU/world	62.24%	63.98%	56.62%		
China	13711.0	50173.9	85943.8	265.9%	71.3%
Korea	5140.2	13047.4	17243.1	153.8%	32.2%
Brazil	4582.0	12761.2	15101.1	178.5%	18.3%
Japan	11628.5	18848.2	22186.3	62.1%	17.7%
Turkey	6938.4	22383.2	25910.0	222.6%	15.8%
India	2228.0	12002.4	13396.7	438.7%	11.6%
USA	63377.3	105211.5	112085.7	66.0%	6.5%
Russia	10633.5	47580.0	50120.5	347.5%	5.3%

Source: International Trade Center, http://www.trademap.org/

Table 4
German Imports (million Euros)

	2002	2008	2012	2002-08	2008-12
Lithuania	567,73	1701,04	2307,78	199,6%	35,7%
Bulgaria	548,70	2045,85	2730,66	272,9%	33,5%
Romania	2165,48	8175,99	10762,25	277,6%	31,6%
Latvia	353,88	751,13	967,24	112,3%	28,8%
Slovakia	3764,26	14178,51	17178,29	276,7%	21,2%
Malta	216,26	389,41	459,07	80,1%	17,9%
Estonia	359,76	631,92	722,82	75,7%	14,4%
Czech R.	15442,12	44867,60	48937,34	190,6%	9,1%
Ireland	6362,98	8959,32	9676,65	40,8%	8,0%
France	44216,50	86841,53	91548,46	96,4%	5,4%
Portugal	4565,46	6878,58	7172,34	50,7%	4,3%
Poland	13209,20	43104,49	44741,11	226,3%	3,8%
Slovenia	2560,90	5524,47	5729,17	115,7%	3,7%
Spain	14466,82	29361,38	29935,17	103,0%	2,0%
Netherlands	53348,20	133509,60	134526,81	150,3%	0,8%
UK	32544,12	52330,14	52046,68	60,8%	-0,5%
Austria	23407,09	52068,02	49677,03	122,4%	-4,6%
Italy	34988,87	68975,47	62333,47	97,1%	-9,6%
Hungary	12162,08	28909,33	25719,28	137,7%	-11,0%
Sweden	8316,94	19083,57	16515,79	129,5%	-13,5%
Croatia	611,74	1518,13	1269,88	148,2%	-16,4%
Greece	1077,32	2680,43	2234,65	148,8%	-16,6%
Denmark	10012,18	19877,96	16359,57	98,5%	-17,7%
Belgium	40235,87	94946,53	77807,53	136,0%	-18,1%
Luxembourg	2103,99	4643,95	3767,62	120,7%	-18,9%
Finland	5123,47	8761,59	6159,18	71,0%	-29,7%
Cyprus	25,86	91,16	42,25	252,5%	-53,7%
Total EU	332757,74	740807,07	721328,06	122,6%	-2,6%
India	2030,03	5915,16	7133,76	191,4%	20,6%
China	11371,85	59208,95	69212,73	420,7%	16,9%
Turkey	5835,21	12951,33	13132,22	122,0%	1,4%
USA	26627,67	54672,14	48354,85	105,3%	-11,6%
Japan	14121,79	23955,46	20796,62	69,6%	-13,2%
Brazil	2539,96	8850,81	7277,06	248,5%	-17,8%
Russia	8059,30	33187,25	24039,17	311,8%	-27,6%
Korea	4287,14	10522,59	7509,69	145,4%	-28,6%

Source: International Trade Center, http://www.trademap.org/

Table 5
Current Account Balance (% of GDP)

Country Name	2005	2007	2008	2012
Cyprus	-5.71	-8.38	-15.31	-6.93
UK	-2.56	-2.49	-1.53	-3.83
Poland	-2.38	-6.23	-6.60	-3.73
Romania	-8.60	-13.63	-11.61	-4.42
Greece	-7.59	-14.60	-15.02	-2.48
Latvia	-12.42	-22.33	-13.34	-2.47
Czech Republic	-0.93	-4.40	-2.12	-2.41
France	-0.48	-1.03	-1.76	-2.19
Portugal	-10.33	-10.15	-12.66	-2.05
Estonia	-9.97	-15.93	-9.32	-1.81
Finland	3.98	5.40	3.29	-1.49
Bulgaria	-11.58	-27.16	-22.91	-1.44
Belgium	2.04	1.53	-1.40	-1.38
Spain	-7.37	-10.03	-9.70	-1.14
Italy	-1.67	-2.42	-2.83	-0.40
Croatia	-5.49	-7.29	-8.74	-0.35
Lithuania	-7.05	-14.56	-13.35	-0.24
Austria	2.05	3.52	4.86	1.62
Hungary	-7.47	-7.32	-7.21	1.68
Slovakia	-6.53	-4.88	-6.32	2.24
Slovenia	-1.91	-4.26	-5.42	3.28
Ireland	-3.53	-5.34	-5.79	4.39
Denmark	4.31	1.42	2.91	5.95
Sweden	7.13	9.37	9.18	6.07
Luxembourg	11.71	10.16	5.55	6.54
Germany	5.07	7.48	6.24	7.03
Netherlands	7.30	6.71	4.37	9.45
Turkey	-4.44	-5.84	-5.54	-6.15

Source: World Bank.

5. Conclusion

2008 financial crisis arose as the financial markets stopped rolling over the debt of Southern European countries. After the introduction of the Euro, these countries for some time witnessed fully turned-on credit faucets. Stimulation of consumption enabled by easy credit created an illusion of convergence with the core countries in Europe. The 2008 crisis, however, clearly showed that Southern European periphery did not converge with the core.

Yet, we have more than one type of periphery in Europe. The history of European integration has always been the history of uneven development. The countries that became members of the EU in the 1980s are different from those that became members in the 2000s. Peripheralization in the accession of the Mediterranean countries was relatively smooth, as these countries did not have any significant heavy industry at the time of accession. East and Central European countries were, however, different; as, despite the existence of serious problems, they were equipped with a fairly strong base in heavy industries. The socialist heritage of industrialization made peripheralization more accentuated and arduous.

After the 2008 crisis Southern and Eastern European countries had diverging economic performances. While almost all of the Southern countries had decreased growth rates, Eastern Europeans had higher growth rates. At the same time, Eastern European countries increased their exports to Germany. Germany, on the other hand, witnessing a decreasing export performance within Europe, took recourse to increasing its exports to the USA, Japan, BRIC countries and Turkey. The reasons for such an outcome need to be examined further.

The 2008 finance crisis showed the fragility of the neoliberal financialization in Europe. Also, as Arrighi argues, financialization might be a sign for the decline of an economic system. Besides problems in quantifying financialization, we need to develop an approach in which financialization and crisis are examined in their relations with the crisis in the productive economy in the capitalist world as a whole.

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Özet

Doğu Avrupa ile karşılaştırmalı olarak Güney Avrupa finans krizi

Bu makale Güney Avrupa'da yaşanmakta olan finans krizini Doğru Avrupa ile karşılaştırmalı olarak incelemektedir. Makalenin bulguları şunlardır: Avrupa Birliği'nin ekonomik uzamının homojen olarak ele alınması kriz sonrasında artık olası değildir ve merkez-çevre yapılarının daha fazla incelenmesi gerekmektedir. İkinci olarak, 2000'li yıllardaki düşük büyüme oranlarının gösterdiği gibi kriz her yerde yaşanmakta ise de, Doğu ve Güney Avrupa'nın gelişmeleri birbirlerinden giderek artan oranda farklılaşmıştır. Bunun nedeni iki bölgenin Avrupa ve özelde Alman üretken merkezi ile farklı eklemlenme biçimlerinde aranmalıdır.

Anahtar kelimeler: **F**inansallaşma, Güney Avrupa, Doğu Avrupa, ekonomik kriz, uzamsal ekonomi.