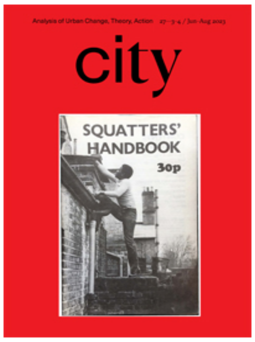

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Introduction: boom, crisis and politics of Swiss franc mortgages in Eastern Europe: comparing trajectories of dependent financialization of housing

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Special Feature: Boom, crisis and politics of Swiss franc mortgages in Eastern Europe: Comparing trajectories of dependent financialization of housing

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Introduction: boom, crisis and politics of Swiss franc mortgages in Eastern Europe: comparing trajectories of dependent financialization of housing

Agnes Gagyi and Marek Mikuš

This Special Feature is the first regional and holistic comparative study of Swiss franc (CHF) mortgages in Eastern Europe from the mid-2000s up to now. We examine this form of lending as a critical mechanism of the dependent financialization of housing in the region and look at its political and class-based repercussions in the four most significant national cases: Croatia, Hungary, Poland and Serbia. This introduction reviews and connects the so far largely separate threads of research on CHF lending (on its political economy, partisan and movement politics, and debtors' experiences), summarizes the case studies, and draws out their key comparative insights. While lending waves originated in the same macrostructural relations and produced similar booms and crises, the management of the crises diverged significantly, depending on macroeconomic conditions, the projects of political elites, and debtors' class background and modes of contestation. The two main openings

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for contestation were litigation and political pressure, with varied limitations and results across national contexts. While delivering some important achievements, the politics of debtors' movements remained limited to a single-issue and legalistic contestation of specific predatory lending practices, which ultimately defended mortgaged homeownership from excessive financial predation. This reflects middle-class debtors' position in the multi-scalar hierarchies of dependent financialization, and the fact that litigation was the main state infrastructure available for their contestation. We argue that more progressive reactions to housing financialization would require movement infrastructures that are able to address the multiple scales of dependent financialization, and forms of cross-class local organization that are able to pursue agendas beyond available state infrastructures.

In the past ten to fifteen years, the financialization of housing and its impact on individuals, societies and urban geographies has come to the center of social struggles and research as a crucial aspect of contemporary capitalist transformations and conflicts (Aalbers 2016; Aalbers, Fernandez, and Wijburg 2020; Rolnik 2013; Walks and Soederberg 2021). In an effort to understand the drivers, processes and consequences of housing financialization as a globally uneven process, a substantial literature has examined the macro-economic and institutional variegation of housing financialization, developing an increasing focus on its initially less visible dependent and subordinate forms in global (semi-) peripheries (Fernandez and Aalbers 2016; 2020; García-Lamarca and Kaika 2016; Mikuš and Rodik 2021; Pereira 2017; Schwartz and Seabrooke 2009; Soederberg 2015; Wijburg and Aalbers 2017). While most of this literature inspected the aftermath of the 2007–8 Global Financial Crisis (GFC), including new lending booms fueled by ultra-loose monetary policies, the effects of the global liquidity crunch developing since 2022 might generate debt crises above post-GFC levels in financially dependent regions. Revisiting the economic and social politics of the last major debt crisis can thus offer significant lessons for a near future likely to be marked by similar concerns.

This Special Feature contributes to this strand of research by presenting a comparative analysis of four cases of a distinctive instance of dependent housing financialization: Swiss franc (CHF) mortgage lending in postsocialist Eastern Europe from its 2000s boom through the post-GFC bust and crisis management to the ongoing after-effects. Although CHF lousing loans were part of a larger wave of foreign-currency (FX) lending, we focus on them due to their especially negative implications for debtors and the ensuing social and political struggles. Despite this significance of CHF loans in Eastern Europe, nearly all critical research to date (some of which was published in local languages) has looked at single national settings (e.g. Halawa 2015; 2017; Pósfai 2018; Rodik 2019) while the few comparative analyses tended to focus solely on financial economics and banking aspects of the story (Brown, Peter, and Wehrmüller 2009; Dübel and Walley 2010; Fischer and Yeşin 2019; Krogstrup and Tille

2016; Orszaghova 2020). There have been no comparative studies linking the political economy of CHF lending to its institutional aspects (banking systems, consumer finance regulation and housing policies), its political aspects (party politics and social movements), and debtors' practices and experiences. More broadly, the lack of research bridging analysis of structural changes in housing provision and social movements is increasingly recognized as a shortcoming of the literature on housing financialization (Celik 2020).

In this Special Feature, we make three major contributions to the understanding of housing financialization in Eastern Europe. First, we present holistic and critical analyses of the four most significant national cases of CHF lending in Eastern Europe—Croatia, Hungary, Poland and Serbia. Our approach is distinguished by a focus on *relations* between macroeconomic, institutional and political levels and the previously underdeveloped dimension of class. Our second main contribution is the comparison between the regional cases that had originated in the same macro-structural relations of dependent financialization, yet their national trajectories of the build-up, crisis and regulation of CHF loans differed significantly. Third, by presenting a comparative view of complex relations between macroeconomic, political and movement aspects, we expand the debate on social mobilizations in response to housing financialization, which has so far predominantly focused on paradigmatic cases of emancipatory, progressive and radical activism in the Global North. The East European debtors' movements display complex and often contradictory political frames, strategies and alliances that distinguish them from progressive housing movements in the West. Rather than dismissing these forms of debtors' politics as deficient compared to 'fully developed' anti-capitalist housing activism, we propose to adopt a critical realist attitude to engage with them as actually existing pathways for the politicization of financialization that reflect its specific dependent forms in global semi-peripheries. By mapping how debtors' politics relate to politico-economic, institutional and class-based aspects of financialization, we aim to contribute to a better understanding of the complex strategic field in which tensions of the current capitalist crisis unfold.

The first section of this introduction maps the separate strands of research on CHF loans in Eastern Europe that we seek to bring together and juxtaposes this research with scholarship on the politics of housing financialization in the Global North. The second section summarizes our case studies and the third section presents their comparative discussion. Conclusions draw out the key empirical and political lessons.

CHF loans in Eastern Europe: connecting threads of research

The first body of work that we build on is the substantial scholarship in political economy that discusses FX housing lending in Eastern Europe as part of a wider process of peripheral and dependent financialization in the region, marked by cross-border capital inflows, dominance of Western-owned banks, currency carry-trade strategies, and speculative lending and housing booms (Ban and Bohle 2021; Becker et al. 2010; Bohle 2014; 2018; Büdenbender and Lagna 2019; Gabor 2010; Radošević and Cvijanović 2015; Raviv 2008). Their analyses focused mainly on transnational processes of financial accumulation and their articulation with Eastern European national political economies, which have been themselves integrated into the European and global economy in a subordinated position as part of their postsocialist transformation. Together with political scientists (Johnson and Barnes 2015), this work also looked at the roles of national governments, central banks and political elites in enabling the booms, (mis-) managing the busts, and narrating the experiences in ideological and self-serving ways.

An important point in political economy accounts that situates these postsocialist transformations in global dynamics of financialization is the link between the 1980s debt crises of non-core import-substitution industrialization projects, including state-socialist ones (Walton and Seddon 1994), and postsocialist privatization of housing and banking as part of the subsequent global wave of capitalist restructuring. Wholesale privatization of socialist public housing in Eastern Europe, mostly to sitting tenants, and the liberalization of housing markets in the 1990s created 'super-homeownership' housing regimes with very high rates of owner-occupation (Stephens, Lux, and Sunega 2015; Tsenkova 2009). This meant that homeownership became the main route to secure housing, which most households, lacking sufficient savings, could access only by taking out a loan. This housing regime set the scene for mortgage and housing booms from around 2000 up to late 2008 when the GFC hit the region (Bohle 2014; 2018; Büdenbender and Lagna 2019).

Further enabling conditions were the equally across-the-board privatization of local banking sectors by Western European groups, resulting in some of the highest rates of foreign bank ownership in the world, and policies of external and financial liberalization and monetary stabilization tied to European integration (Bohle 2014, 924; Raviv 2008, 301–304), as Eastern Europe was integrated into European political economy in the position of a regional periphery exploited by core economies to compensate for their own secular stagnation (Becker, Weissenbacher, and Jäger 2020). During the FX credit boom of the 2000s, Western banks, which had easy access to funding from their mother companies and interbank money markets, imported large amounts of capital to profit from higher interest rates than in the already saturated Western European markets. They funneled the capital largely to lucrative housing and consumer lending to households (Becker et al. 2010, 236–241; Raviv 2008, 308–309). In the eleven postsocialist member states of the EU (CEE-11),[1] household liabilities grew by a whopping 38% a year on average in 2000–8 (Eurostat 2021b). House prices in eight CEE-11 countries[2] also increased by 16% a year on average in 2002–6, with the growth in Bulgaria, Lithuania and Estonia (in the range of 24–36% annually) assessed as 'unseen in the industrial world' (Égert and Mihaljek 2007, 4).

Another distinctively peripheral financialized feature of these booms was the significant component of FX lending to households. In 2009, the share of FX loans in household loans exceeded 60% in the Baltic countries, Croatia, Hungary and Romania, while in Bulgaria, Poland and Slovenia it was in the 15–40% range (Steiner 2012, 8). These FX loans represent a form of financialized banks' 'carry trade' activity, which is based on the principle of borrowing in a low-yield currency (the world money or a core currency) to invest in a high-yield (peripheral) currency with the expectation of speculative profits from the interest rate differential. After Eastern Europe's financial integration and the introduction of the euro, high-yield currencies in the region became frequent targets of banks' carry-trade activities and parallel speculative attacks, while the policies of regional central banks defending domestic currencies from depreciation validated these strategies. As carry trade traditionally employs short-term investment instruments, FX housing lending can be understood as its 'innovative' extension to long-term instruments—mortgages—which however introduced maturity mismatches between banks' short-term funding sources and long-term investments (Gabor 2010).

The practical link between the source and target currencies was provided by the loans' feature of currency denomination/indexation. As even regional central banks use the terms 'CHF-indexed' and 'CHF-denominated' inconsistently when describing CHF loans, we suggest that most CHF mortgages in Eastern Europe are more appropriately characterized as CHF-indexed: while the principal and the repayment installments were determined in the CHF, the installments were to be paid in the domestic currency according to current exchange rates, which can be understood as a form of indexing of debt repayment to a variable parameter (repayment can be similarly indexed for example to inflation).[3] The financialized, speculative nature of these loans is visible from the fact that they did not even involve initial CHF funding, only a subsequent hedge (Krogstrup and Tille 2016, 11) achieved through off-balance-sheet transactions such as intragroup and interbank swaps (Brown, Peter, and Wehrmüller 2009, 176, 177; Dübel and Walley 2010, 28). By entering suitable derivative relationships, the banks also protected themselves against the exchange rate risks of these loans and left the debtors, unable to make use of such instruments, to bear those risks entirely on their own.

Some authors emphasized competition between banks as a driver of FX lending; junior entrants into the region's credit markets introduced FX loans as a means of expanding their market shares through offering cheaper products and relaxing lending standards, and more established actors typically followed suit (Dübel and Walley 2010, 24–25). Poor regulation of retail finance, part of the wider postsocialist wave of deregulation, also played into their hands and increased the overall profitability of Eastern European markets. Policymakers and regulators generally overlooked the risks of these loans and intervened to limit their spread only late in the boom, if at all. They sought to pander to both the banking sector and the public, which generally welcomed the expanded access to credit that FX lending afforded (Bohle 2014, 927–932; Büdenbender and Lagna 2019, 116–117). Governments fuelled the ongoing mortgage booms even more through programs of mortgage subsidies and tax deductions for mortgagors (Bohle 2014, 925–927).

In the event of a financial crisis, peripheral Eastern European currencies were structurally prone to depreciate against core currencies due to capital flight and speculative attacks. However, in this regard there was a crucial difference between the two main funding currencies of this wave of FX lending, the euro and the Swiss franc: while the exchange rates of Eastern European currencies with the euro were managed or outright fixed (not least as a stage of euro adoption), their exchange rates with the franc were fully floating. This exposed franc debtors to a much higher level of exchange rate risk than euro debtors. The risk materialized after the GFC as the franc appreciated against the euro and Eastern European currencies by about 40% in 2008–11, followed by a rapid increase of about 20% after a sudden change in Swiss monetary policy in January 2015 (see Krabbe, this issue). This led to a corresponding surge of CHF debtors' outstanding principals and repayment burden. Already during the first three years of franc appreciation, their installments grew by an average 60% in Hungary (Bohle 2014, 933) and by 50–100% in Croatia (Rodik and Žitko 2015, 63). Since these were, as a rule, variable interest rate loans, the increases in repayment resulted also from the simultaneous hikes of active interest rates.

CHF lending was most pronounced in our four case studies: Hungary, Poland, Croatia and Serbia, where the share of CHF loans in total loans to non-banks in 2007 reached 31%, 17%, 16% and 8%, respectively (Brown, Peter, and Wehrmüller 2009, 171; Orszaghova 2020, 384). This was predominantly lending to households, unlike in several Western European countries such as Germany and Luxembourg, where banks extended CHF loans to non-resident companies (Brown, Peter, and Wehrmüller 2009, 174–177). Other than the small and hyper-financialized economy of Iceland, the only exception to the latter pattern was Austria, where CHF lending to households was pioneered in regions bordering Switzerland in the 1980s (Beer, Ongena, and Peter 2010, 2203). Austrian-owned banks, which controlled the largest shares of the Croatian and Hungarian banking sectors and the second largest share in Serbia by the late 2000s (Dimić and Bajraktarović 2017, 97; Maechler and Ong 2009, 15), played an important role also in introducing CHF loans in Croatia and Hungary (Dübel and Walley 2010, 25; Rodik and Žitko 2015, 62). However, CHF mortgages in Austria had a distinctive profile that distinguished them from those in Eastern European countries. They were typically interest-only loans linked to a euro-denominated repayment vehicle supposed to repay the principal at maturity, taken out by households that were wealthier, more educated and more risk-prone than average (Beer, Ongena, and Peter 2010, 2208–2211; Dübel and Walley 2010, 16–17, 25).

The crisis of CHF loans building up since 2009 manifested at multiple levels. The increasing repayment burden put debtors under major financial stress and pushed them towards insolvency. The banks also faced a collapse of foreign currency swap markets on which they depended to refinance their foreign currency exposures, implying a potential for a banking sector crisis (Bohle 2018, 208; Dübel and Walley 2010, viii, 37–39). A wave of analyses by central banks, economic analysts and lawyers (both in local languages and English) has addressed the CHF debt crisis as a banking sector or legal system issue to be resolved with conventional means of the given domain (CNB 2015a; 2015b; Dancsik 2015; UKNF 2016). Economic and political economy analyses mainly focused on the effects of regulatory interventions from the perspective of the banking sector (Dübel and Walley 2010; Fischer and Yeşin 2019; Orszaghova 2020, 388–389), with the exception of Hungary where debt management was described as part of the ruling regime's broader strategy of 'financial nationalism' (Johnson and Barnes 2015; Karas 2022). A recent strain of political economy scholarship has compared regional modes of debt management in terms of local attempts at 'national-neoliberal' projects (Ban and Bohle 2021; Ban, Scheiring, and Vasile 2023). Elsewhere, we combined micro, macro and comparative perspectives to explore how retail credit markets in five Eastern European countries continued to evolve in the aftermath of the early 2010s credit bust and crisis management, noting how consequences of FX (including CHF) lending informed the successive lending wave of the late 2010s (Gagyi and Mikuš 2022).

While the aspects of debtors' housing situations or their strategies on the ground are missing from the political economy literature, the second body of scholarship we draw on, mainly by anthropologists, geographers and sociologists, has investigated precisely these meso- and micro-dimensions of the CHF loans story—constitutive practices and interactions of creditors and debtors in various stages of the mortgage process, debtors' experiences and rationalities, and their social movements (Dolenec, Kralj, and Balković 2021; Florea, Gagyi, and Jacobsson 2022; Gagyi et al. 2021; Halawa 2015; Mikuš 2019; Molnár 2016; Pellandini-Simányi and Vargha 2018; 2020; Pellandini-Simányi, Hammer, and Vargha 2015; Pósfai, Gál, and Nagy 2017; Rodik 2015; 2019; Rodik and Žitko 2015; Szabó 2018; Žitko 2018). These studies documented debtors' housing backgrounds and borrowing motives, the construction of CHF mortgages as a form of predatory lending, as well as debtors' struggles with the consequences of debt, from migration or precarization to breakup of families and deteriorating health. Some studies pointed out how local mortgage crises relate to geographic patterns of financial extraction (Gagyi et al. 2021; Pósfai, Gál, and Nagy 2017), while others compared the politicization of CHF loans with other debt- or housing-focused movements (Dolenec, Kralj, and Balković 2021; Florea, Gagyi, and Jacobsson 2022; Mikuš 2019) or discussed the internal ideological contradictions of debtors' movements (Szabó 2018).

The characteristics of debtors' struggles in Eastern Europe that this literature describes differ significantly from two main strands of critical literature on housing financialization: the focus on the effects of financialization through gentrification-led displacement (Lees, Slater, and Wyly 2010; Walks and Soederberg 2021), and the one on emancipatory and progressive anti-capitalist housing activism in North America and Western Europe (Di Feliciantonio 2017; Fields 2015; 2017; García-Lamarca 2017; Maeckelbergh 2012; Martinez 2019; Suarez 2017; Teresa 2016). While the CHF mortgage boom in Eastern Europe was part of the broader process of housing financialization that the gentrification literature also addresses, its direct effects (later contested by debtors) played out in an individualized manner, and not in ways that could be grasped as transformations of neighbourhoods. Mortgages had a broader effect on real estate valuation and thereby contributed to urban social displacement, but this effect played out indirectly, mixing with other factors, and did not come to constitute an interface for direct political conflict. In terms of movement politics, while CHF debtors address the same basic conflict between housing needs and financial extraction as progressive Western movements do, their analysis and agendas do not correspond to that of critical scholarship as in the former case.

This collection presents forms of resistance to CHF mortgage debt that are situated in structural specificities of Eastern European housing financialization and have developed according to opportunities offered by local political constellations and debtors' varying capacities for organizing. These responses involve heterogeneous, sometimes outright conservative messages and alliances. Instead of explaining them away as ideologically and strategically deficient, we propose to take them seriously in terms of what they reveal regarding potential pathways for the politicization of the global crisis. In this regard, we emphasize how the politics of Eastern European FX debt was crucially shaped by the relationship between the two simultaneous positions of debtors as (potential) political subjects—the one of victims of predatory lending at the scale of transnational finance, and the other of middle-class citizens calling on local states to defend their interests. Since it was the latter position from which debtors actually politicized FX debt, to a great extent likely due to the weakness of ideational and institutional frameworks for an effective contestation of transnational finance, the politics of this form of debt has largely set aside its constitutive transnational logic and was instead narrowed down to demands by mortgaged homeowners for a protection of their assets through local state capacities, which their opponents criticized as demands for regressive redistribution from the poor to the middle class or even the rich. We conceive of this conservative tendency in the politicization of FX debt not merely as an ideological choice (which could be sufficiently tackled by ideological critique), but as a structural characteristic of the globally hierarchical politics of financialization that constitutes a key material condition faced by strategic organizing towards progressive housing politics.

The case studies: Croatia, Hungary, Poland and Serbia

This Special Feature brings together four cases of CHF housing mortgage booms, crises, and their aftermaths in Croatia, Hungary, Poland and Serbia. Analyzing the process and the politics of the FX housing loan crisis in Croatia, Petra Rodik and Marek Mikuš bring together politico-economic, institutional and ethnographic levels of analysis and apply the concept of moral economies to discuss the social embedment of the politico-economic process. After reviewing key transformations of Croatia's postsocialist housing regime in Croatia resulting in the dominance of homeownership and financialized market provision, Rodik and Mikuš place CHF lending in the context of the 2000s lending boom and debtors' middle-class social positions. Tracing the actors, events and unfolding of the CHF mortgage crisis, including policy and political developments after the 2015 conversion of CHF loans, they show that the politics of the crisis was framed around the moral economy of homeownership, connected to imaginaries of successful middle-class status. This has been the case on the side of debtors' movement as well, which centered arguments based on expert legal and financial discourses and did not engage in radical arguments and openly political conflicts. Overall, this perspective has supported a preservation of the established housing regime, subject only to technical reforms such as tightening of credit regulations. Even then, the debtor movement's successes in legal, political and media domains brought about a 'slow and gentle shift' in the moral economy of housing, which is reflected in a partial denaturalization of financialized homeownership and growing demand for more diversified housing policies.

Looking at similar connections between macroeconomic, political and movement levels, Ágnes Gagyi's paper shows that the politics of the CHF debt crisis in Hungary has been embedded in a broader post-crisis reorganization of Hungary's world-economic integration. The rolling out of FX mortgages reflected a match between the interests of Western banks and neoliberal political elites seeking to compensate for their legitimacy crisis through debt-based consumption. The regulatory treatment of the crisis of FX loans was part of post-2010 conservative governments' reorganization of the local accumulation regime that strove to carve out a larger maneuvering space for national capital. In this context, debtors' movements that started to organize after 2009 were first embraced by conservative political propaganda and then rendered invisible as soon as the government declared the issue of FX debt resolved. The Hungarian case shows that anti-debt activism can have explicit right-wing vocabularies and alliances while still expressing the structural tension between debtors and financial capital. It further points to structural cracks within such alliances as an aspect of localized debt politics that progressive movements can engage with.

In the case of Poland, Mathias Krabbe traces the boom, bust and aftermath of CHF lending with a particular attention to mortgagers' middle-class belonging and its effects on post-2008 public debates. Krabbe shows that the concentration of risky CHF mortgages among young, educated, urban middle-class debtors allowed for a strong representation of their cause in debates following 2008. However, the new conservative government's disinterest in this electorate, and a public understanding of this strata as benefiting the most from housing policies in general allowed for a political rejection of mortgagors' cause. In consequence, the debtors' struggle was entirely channelled towards individual litigation. This route proved relatively successful, yet it also created a burgeoning market for law companies, which in turn became an important interest group promoting what may be called a marketized version of the debtors' struggle in the public sphere.

Ana Vilenica, Milan Škobić and Nemanja Pantović analyze the dynamics of CHF housing loans in Serbia—a setting where only a minority of loans was denominated in CHF, yet inflated repayment obligations, high unemployment and low wages contributed to a severe wave of foreclosures through a novel institution of private 'public bailiffs.' The authors put the politics and imaginaries of debtors' activism into a broader perspective on the transformations of housing and class relations since Yugoslav socialism, including the boom and bust of the 2000s lending cycle. Their analysis likewise points to the dominance of legal arguments in CHF debtors' advocacy. While they note the emergence of an anti-eviction struggle organized by a coalition of leftist organizations—which resisted debt-based evictions on the basis of the right to home having priority over the legal regulation of debt—these activities unfolded with limited to no cooperation and coordination with the CHF debtors' movements, in a manner similar to their equivalents in Croatia and Hungary (Dolenec, Kralj, and Balković 2021; Florea, Gagyi, and Jacobsson 2022; Mikuš 2020).

Comparative lessons

Our case studies reveal that the financial mechanisms and political economic logic of CHF housing loans in Croatia, Hungary, Poland and Serbia were remarkably similar and conditioned by similar characteristics of postsocialist privatization and re-integration into European and global capitalism in a subordinated position. The expansion of these loans occurred in the same short period—ca. 2005–8, the peak years of the global credit boom just before the GFC. This suggests that Eastern European banks emulated the introduction of these loans from each other as a tool of lending and market share expansion in the same increasingly competitive stage of the credit cycle. Notably, subsidiaries of the same Western European banking groups, such as the Austrian groups Raiffeisen and Erste and Italian groups UniCredit and Intesa Sanpaolo, were among key players in multiple markets, with especially strong ownership connections between Hungary, Croatia and Serbia. The extensive foreign privatization of banks in the 1990s and early 2000s, along with financial liberalization, enabled banks to import massive quantities of foreign capital that they used to fund the credit booms. An apparent under-regulation of consumer finance—at the time, regulatory institutions responded to CHF loans with recommendations or feeble media warnings while policymakers ignored them altogether—further allowed banks to introduce CHF loans as a predatory form of household lending specific for the region. The same strong similarity between the cases applies to their postsocialist housing policies and the broader political context of mortgage lending. Mass privatization of public housing, conditioned by these countries' similar trajectories of postsocialist world-market integration, resulted in super-homeownership regimes that channeled the new demand for housing towards mortgage loans. Public policies supported this trend by subsidies for mortgaged homeownership.

The construction and marketing of CHF loans was likewise similar in the four countries, with some variations. They were mostly housing loans advertised as the most affordable alternative at the time, which was supposed to be reflected in their lower initial interest rates. Debtors universally cite the expectation of lower and more manageable repayment, along with bank clerks' recommendations and more favorable creditworthiness criteria for CHF loans, as their reasons for taking out these loans. Their creditworthiness assessments benefitted from an arbitrary assumption of constant exchange and interest rates over the entire repayment period, which served to systematically underestimate the actual risks of the loans. While they came with variable interest rates in all four countries, the rates in Poland were indexed to interbank (LIBOR) CHF interest rates whereas banks in the remaining three countries offered them with contracts that essentially allowed them to adjust the rates as they pleased. This mitigated the overall increase of debtors' repayment burden in Poland and possibly factored into the apparently greater ability of Polish governments to avoid interventions in CHF loans of the kind seen in Croatia, Hungary and Serbia.

As financial statistics also imply, the expansion of CHF loans was the most extensive in Hungary. Here, a unique constellation of growing Hungarian forint (HUF) interest rates, the scrapping of former state subsidies for HUF mortgages, and a particularly intense risk-based competition between foreign- and domestic-owned banks resulted in a deeper penetration of CHF mortgages into lower-middle and working classes than in the remaining three countries. Many of these debtors took loans to cover basic social-reproductive needs, and would have run into arrears even without the currency shock. Indeed, the share of population in arrears on mortgage or rent payments in the post-boom period peaked at 7.3% in Hungary (in 2014) while the maxima in Croatia and Poland were only 1.7% and in Serbia 1.6% (Eurostat 2021a).[4] In Croatia and Poland, CHF mortgages remained more concentrated among middle and upper-middle classes while implicating their significant portions, which made it possible to frame their predicament as an issue of national significance. Vilenica, Škobić and Pantović (this issue) characterize the effects of CHF loans in Serbia as a declassing of debtors who came from the ranks of both middle-class professionals and blue-collar workers. This suggests that although these loans were the least widespread in Serbia in both absolute and relative terms, they targeted middle classes as well as the remnants of the Yugoslav working class with its relatively extensive social rights and protections. In the postsocialist Serbian context of rampant unemployment, informalization and wage arrears, the latter were eligible for inclusion in mortgage finance simply on account of their relatively stable and high salaries at the time. These differences in the class composition of the debtor population led to differences in debtors' organizing and their influence on the political management of the CHF mortgage crisis.

While negative impacts on CHF debtors were essentially the same everywhere, the national trajectories of CHF loans started to diverge more after the boom, chiefly as the result of governments' different responses to the loans crises. These responses shared a utilitarian logic but each was embedded in a different political and institutional context. The response in Hungary was the most interventionist and the most centralized under the control of the national government. The mass conversion of CHF loans came earliest here and unlike in Croatia and Serbia, it was forced rather than an option available to debtors. Government interventions offered some compensation for better-off debts while the issues of poorer debtors, especially those in default, remained unsolved and were gradually silenced. The judiciary validated the government's solution to the crisis and closed off debtors' access to an additional remedy through individual litigation. Overall, the ruling nationalist-conservative Fidesz party used its temporary alliance with franc debtors for electoral gains and to legitimate its restructuring of the banking sector to the benefit of state-backed domestic capital.

In the other three countries, the judiciary played a more autonomous and pro-debtor role, albeit only unevenly and slowly. In Croatia and Serbia, this helped push the governments, which were reluctant to upend their cosy laissez-faire relationships with banks, to ultimately intervene. The legal challenges from debtors were the most serious in Croatia, where the 2013 first-instance ruling in a collective customer rights lawsuit in favor of debtors was a real game-changer. These legal victories, continued franc appreciation, and debtors' protests ultimately pushed the unpopular government led by the Social Democratic Party to adopt a mass conversion in 2015 in a (unsuccessful) bid to win upcoming elections. The conversion was more favorable to debtors than in Hungary on account of using exchange rates at the time when the loans were issued rather than at the time of conversion, thereby wiping off more of debtors' losses and banks' gains due to the franc appreciation. Croatian CHF debtors also succeeded in entering party politics, but their participation in the parliament in 2016–20 did not result in any significant additional gains. Such an opening was not available in Serbia, where the ruling Serbian Progressive

Party has been building an increasingly authoritarian regime since 2012. Faced with the government's reluctance to intervene, the debtors focused their efforts on litigation. Indeed, it was only after the 2019 Supreme Court ruling nullifying the loan agreements that the government finally moved to adopt a law on conversion as well, apparently motivated by a wish to reduce the costs for the banks rather than a concern for the debtors.

Poland is the only of the four countries where the government avoided a mass conversion of the loans. In the run-up to the 2015 presidential and parliamentary elections, the nationalist-conservative Law and Justice (PiS) party made a temporary political alliance with CHF debtors while blaming the liberals in power during the boom for the spread of these risky loans. After winning the elections, the PiS backtracked on its promises, apparently on a basis of a calculation that CHF debtors do not belong to its primarily rural and poorer electoral basis. This has left individual litigation as the debtors' only potential path to compensation for their incurred losses and prevention of future ones. Law firms responded to this significant market opportunity, resulting in an increasing commodification of resistance to CHF loans.

While debtors' organizing also included protests, public communication campaigns and attempts at political lobbying, their main form of contestation in each country became litigation. This emphasis reflected the immediate interface through which debtors met the machinery of financial extraction—individual enforcement processes—and through which they could contest their situation by using existing institutional frameworks. Direct action interventions, political protests and party politics remained tools used to emphasize legal claims, often framed by debtors as a channel they turn to when normal solutions fail to work. Litigation also corresponded to the status of the leaders of debtors' organizations who typically belonged to the professional middle class, and sought to find solutions where debtors' situation could be ameliorated through expert contestation using existing institutional means. More broadly, it is mainly relatively well-off debtors who are likely to engage in litigation as they can afford the upfront costs and are willing to bear the risk of having to cover the court fees in case of a loss. Debtors' situation of individual homeowners threatened by enforcement also created a tendency towards maintaining the ideal of homeownership and referring to consumers' rights and legal arguments about unfair business practices instead of voicing a broader critique of housing commodification or financial extraction. Such broader critiques and the idea of a disillusionment or loss of trust in the state and banks remained an undercurrent of debtors' discourses, just like direct action interventions such as anti-eviction chains or occupations, or like ideas about more far-reaching political and economic transformations.

Corresponding to the main role of litigation, debtors' movements coalesced around organizations that mainly facilitated communication and cooperation in lawsuits, but also took on secondary functions to represent debtors in the public sphere and party politics. The example of the Franc Association in Croatia is the most successful in this respect, as an organization that was founded with a clear strategic and organizational agenda, gathered above 20,000 members, conducted the successful class-action lawsuit, and had a significant influence on the relatively favourable outcome of the crisis management. As already noted, attempts at political bargaining were less successful in Poland and Serbia and litigation remained the major route of contestation. In Poland, this led to a good success rate and a market of specialized legal services developing on the basis of a populous and relatively affluent client base. In Serbia, a stronger polarization took place between better-off debtors able to use legal services and worker households internalizing their losses and sinking deeper into precarity. In Hungary, debtors' organizations remained fragmented into a host of smaller groups gathered around individual leaders and characterized by high degrees of informality. It was only after the Supreme Court decisions closed off the path of litigation that the groups gathered into a single organization in the hope of political pressure-making—however with little mobilizing power among the masses of debtors who by this time receded into the silent struggle of household-level solutions to debt-induced losses.

Conclusions: a multi-scale crisis negotiated by local homeowners' movements

This Special Feature offers the first regional comparison of CHF mortgage crises in Eastern Europe as well as one that integrates the aspects of dependent financialization, institutional-political contexts, class composition of debtor populations, and debtors' struggles. We found that the major factors of crisis build-up were similar across the region: a high demand for loans due to the super-homeownership housing regimes and pro-mortgage policies intersected with expansionary and compensatory strategies of Western capital in the 2000s credit boom, which was channeled through the deregulated and foreign-dominated banking systems in the region. Swiss franc mortgagors were often unaware of the exchange rate risk that they were assuming. While they were mostly (white-collar) middle class, in Serbia workers with stable salaries and in Hungary a broader segment of the precarious lower-middle class were also included.

The trajectories of debt management after 2008 diverged significantly across countries due to differences in macroeconomic exposure and governance capacity (as already emphasized by Ban and Bohle 2021 and Ban, Scheiring, and Vasile 2023) as well as in political projects of governing elites, class aspects of mortgage penetration and the dynamics of debtors' struggles. In addition to litigation, debtors organized to pressure politicians to get them to intervene. These two major routes of contestation were not available in the same degrees and ways in the respective countries. In Hungary, debtors met a centralized response of the government, which harnessed an ostensible alliance with debtors, but ultimately served the project of reorganizing the banking system to the benefit of domestic players. Better-off debtors were helped, the rest were 'cleared' from banks' slates, and the route of litigation was blocked. In Serbia and Croatia, the route of litigation was more open and eventually contributed to the governments' decisions to intervene. This brought better results in Croatia where the debtors' movement was stronger and succeeded in using, on top of the successful collective lawsuit, an electoral opening provided by a weak, outgoing social-democratic government. In Poland, the PiS promised help but turned debtors down once in government. Litigation remained the main route of contestation, commercialized by specialized law firms.

In spite of variations of local management (including shifts of bank ownership in the Hungarian case), CHF lending in Eastern Europe has generally functioned as a particular wave of financial extraction whose costs were successfully externalized to the population. Instead of sparking resistance framed as a conflict between social needs and global financial extraction, its political effect was dispersed and muted by local constellations of party politics, varying degrees of compromises accommodating mainly better-off debtors, and silent material coping, especially by poorer households. Debtors' politics focused on the most directly available institutional means of contestation—litigation over the contracts through which extraction was performed (making legal means of contestation necessary at the individual level), and pressurizing governments to enact alleviating measures. While the influence of foreign banks and banks in general was questioned, a broader disillusionment with the political and economic system, otherwise present in debtors' ranks, was kept subdued, with debtors' representatives keeping their argumentation as close as possible to existing institutional channels. This also acted as a brake on wider political alliances, instead keeping debtors' organizations focused on the single issue of FX loans. Such a strategy was motivated both by these representatives' higher socio-economic status (based on which they could expect better gains through institutional channels than poorer debtors) and debtors' structural position as vulnerable homeowners in an environment where homeownership constitutes the only path to secure dwelling. While the more successful debtors' organizations managed to forge broader cross-class coalitions of debtors, institutional agendas of better-off debtors remained dominant, with those less capable of using them sinking into political silence. What debtors' organizing did achieve were different degrees of alleviation of their situation, a stronger regulation of retail lending, and a public awareness of the risks of household loans, which nevertheless did not hinder the next wave of credit expansion after 2015 visible in Eastern Europe more broadly (Gagyi and Mikuš 2022).

To sum up, our analysis foregrounds the central relationship between the local politics of the CHF crisie and the transnational hierarchies of dependent financialization. Within the latter, Eastern European middle classes requiring mortgages to access homes were the main target of CHF loans—a particularly intense form of financial extraction that exploited the region's financial dependence and peripherality and the fact that local super-homeownership housing regimes made mortgages the main route to housing. After the crisis, middle-class debtors in positions of relative privilege within their societies were the ones most able to organize, mobilize, and demand state help, which they received to varying degrees, unlike lower-income debtors who were more prone to defaulting and resorting to household-level coping strategies (or individuals not included in mortgaged homeownership at all). At the local level, then, their story is one of privileged middle-class homeowners mobilizing for an essentially conservative aim of defending their property. Zooming out to the transnational scale, however, reveals a more complex picture of the politics of financialization in which the same debtors occupy the position of a victim of transnational hierarchies of extraction. Considered together, the two positions reveal a dynamic in the politics of FX debt where transnational extraction is not addressed politically, and contestation revolves around the stakes of local redistribution of losses by the state (in favour of better-positioned middle-class homeowners) without questioning the housing system that conditions mortgage bubbles. This double position of middle-class mortgagers could be seen as a continuation of a longer trajectory of semi-peripheral middle classes acting as key local intermediaries of global connections and hierarchies. Relevant accounts in world-systems scholarship (Silver and Slater 1999; Gagyi 2021) show that experiences of subordination in global hierarchies lead semi-peripheral middle classes to mobilize for concessions from the state, yet instead of revolutionary consequences, these mobilizations solidify the relations of global subordination and shift their costs onto other, politically weaker social groups. In addition to our focus in this Special Feature—the manner in which the CHF loans crises were managed—we can see this logic operating in the increasing bifurcation of Eastern European retail credit markets into more regulated and publicly supported mortgage segments for the better-off and riskier and more exploitative non-mortgage segments for the poor, which has been implemented after the 2010s loan crises as an ostensible prevention of a repeat of the experience (Gagyi and Mikuš 2022).

Building on these findings, our analysis suggests that the task of building a radical countermovement to the commodification and dependent financialization of housing would require more than discursive interventions to convince debtors of the desirability of adopting more progressive frames. In particular, it would require building movement organizations with two sets of strategic goals and matching capabilities—to scale up contestation to the transnational relations of financial dependence and exploitation, and to build alliances across classes and housing tenures to push for socially just transformations of local housing systems, beyond the particularistic interests of middle-class mortgaged homeowners. Both tasks require building capacities for political struggles targeting structures that are not necessarily accessible for citizens' demands through existing institutional interfaces, thereby going beyond the ever-narrower state redistribution mechanisms that were available for debtors' contestation but only allowed for selectively reducing the losses of more privileged debtors, which cemented the already unequal distribution of the costs of CHF loans. As the daunting task of exploring the possibilities and paths to such strategies is beyond the scope of our contribution, its key political lesson rests in what we hope is a clear-sighted diagnosis of the inherent limits of debtor politics marked by their absence.

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Notes

1 Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.
2 Without Latvia, Romania and Slovakia.
3 In Poland, the term 'indexed' denotes CHF loans where the contract expressed the principal in the zloty but the bank then converted this to the franc to determine the repayment installments, while denominated loans skipped this step and expressed the principal in the franc. In both cases, however, the entire

cash flow (the issuance and repayment of the loan) was in the domestic zloty (Żywicka 2018, 11). Both types were common (UKNF 2016, 30). In Hungary, Croatia and Serbia, 'denominated' loans as per the Polish terminology dominated, but while they are described as such in Hungary, the term of choice in Croatia and Serbia is 'indexed'.

4 This data is only available from 2010 onwards for Croatia and from 2013 onwards for Serbia.

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