
Dollarization Persistence Puzzle and Peripheral Financialization in Georgia

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Résumé

If any issue has troubled most of the Georgian families in the last few years, it has definitely been debt in foreign currency (mostly US Dollar). Foreign currency household debt has been increasing since 2005 and the level of dollarization has been remaining persistently high (more than 60%, 2018). The currency crisis, that started in 2014, made foreign currency loans even heavier burden for debtors, as they mostly earn in national currency. Protests, hunger strikes and suicide attempts by debtors finally let the dollarization Gini out of the bottle and shifted the historical but ignored issue of foreign currency loans to the public and political spotlight. However, the development of the financial sector has been considered as a success story of economic transition and praised by international institutions. Over time the key financial institutions – commercial banks - have turned out in foreign ownership and the dependency of the financial sector on foreign capital has reached 80%.

The paper argues that the development of the financial sector in Georgia has been accompanied by the process of peripheral financialization. Furthermore, this process has encouraged and strengthened financial dollarization in the country. Peripheral financialization is analysed across three main dimensions: financialization of accumulation process, monetary policy and daily life. However, most of the developments in these spheres cannot be understood without the role of the state apparatus, as the government enabled the process of financialization partly through deregulation of legal framework and partly by not doing anything against certain trends. Thus, on the one hand, the paper explains the process of financialization across the dimensions mentioned above and on the other hand it shows the linkages of each aspect with dollarization persistence.

Mots-Clés: Peripheral financialisation, dollarization, Georgia, foreign currency loans, monetary policy

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