



**DIOSCURI Research Project**

**Eastern Enlargement – Western Enlargement  
Cultural Encounters in the European Economy and Society after the Accession**

Janos Matyas Kovacs (ed)

**State of the art report**

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# I. Introduction

The specific targeted research project “*DIOSCURI -- Eastern Enlargement - Western Enlargement. Cultural Encounters in the European Economy and Society After the Accession*” (CIT2-CT-2004-506024; 7<sup>th</sup> Priority: Citizens and Governance in Knowledge-based Society) is currently in its field-work phase. Before embarking on the field-work, the Consortium completed this comprehensive literature review.

The primary objective of the DIOSCURI project is to explore the dynamics of cultural exchange between “East” and “West” in the European economy. It also identifies the main types of cultural encounters between the two halves of Europe during and after the Enlargement, maps the major cultural gaps and strategies to bridge them, and describes the fields in which the new entrants can contribute to the rejuvenation of economic cultures in the Union.

DIOSCURI focuses on three research fields: entrepreneurship, governance and economic knowledge. The Consortium expects to find a great variety of lasting cultural hybrids in economic and social behaviour, instead of a simplistic scheme, in which the "strong Western" culture devours the "weak Eastern" one. Thus, in an unprecedented way, Eastern Enlargement is studied in conjunction with its neglected counterpart, Western Enlargement.

The research is carried out in four East-Central European countries (the Czech Republic, Hungary, Poland and Slovenia) and in four countries of Southeastern Europe (Bulgaria, Croatia, Romania and Serbia/Montenegro). The project is co-ordinated by Viola Zentai (Center for Policy Studies at the Central European University, Budapest), and supported by the Principal Researcher, Janos Matyas Kovacs (Institute for Human Sciences, Vienna). For the members of the Consortium, see [www.dioscuriproject.net](http://www.dioscuriproject.net). Meanwhile, its Czech member has been replaced. The national state-of-the-art report of the Czech partner is being revised, and will be added to the overall report soon.

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This international report consists of three parts. The first one contains preliminary thoughts about studying economic culture in Eastern Europe after 1989. Most of these thoughts were included in our original project proposal made in 2002/2003. The members of the Consortium were asked to carefully test them by reviewing the relevant literature in their own countries. In the first phase of testing, they engaged in large-scale mapping to discover the main research themes, discourses, concepts, genres, etc. in economic culture studies *without* striving to build precise classification schemes, making comparisons with other countries and drawing critical conclusions about virtues and vices of the respective research communities. As with all multi-national mapping procedures, the size and the structure of the reports vary in the initial phase of research, like the style of the notes and references do. These exploratory reviews are collected in the second part of the volume. Some of them needs additional copy-editing if published in a printed volume.

The third part includes the first reactions by the principal researcher of the DIOSCURI project to the national state-of-the-art reports. These reactions were made with a view to launch the second phase of reviewing the literature. In that phase, the Consortium members will jointly decide about narrowing down the scope of the reviews, following common methodological considerations in order to deepen the study of certain topics, sharpen the conclusions and make the national reports comparable by the end of the project period.

This document will be a subject of ongoing revision. While doing the field-work and the media reviews, the members of the Consortium will have the chance to suggest changes in the national state-of-the-art reports whenever they discover new sources of literature or an interesting way of interpreting the old ones.

## II. Researching Economic Cultures in Eastern Europe: Preliminary Thoughts from 2002/2003

The researcher who ventures to examine post-communist economies in a European context from the perspective of economic culture is lucky because he/she will find abundant literature on the individual components of the research theme. At the same time, he/she is also unlucky because these components have not yet been assembled and probably do not fit together well. In other words, one may indulge in the vast literature provided by *three strands of research*: European integration, "transitology"<sup>1</sup> and Cultural Studies. However, what has thus far been produced from these parts is a set of fragmented empirical research projects made in the new member states and the candidate countries during the past decade on the values and belief systems of the population, attitudes to corruption, the new elites, popular expectations about the Accession, motives of migration, etc.<sup>2</sup>

As regards the first strand of research, the literature on Eastern Enlargement is dominated by short-term research programmes on burning issues of the Accession. „Why should one cross the bridge before reaching it?“, the economists ask, and continue to examine the current growth rates, wage levels, etc. of the new and future member states, the cost-benefit ratio of the integration, the migration potential of the candidate countries, and to compare the institutional and policy aspects of the present Accession process with earlier ones.<sup>3</sup> As far as sociologists are concerned, they frequently conduct "what do you expect from the Accession?"- type opinion surveys on both sides of the former Iron Curtain or study "Western cultural invasion"<sup>4</sup> and nationalist reactions to it. With the exception of migration research, the prospects of an "Eastern export" of economic cultures are systematically ignored. Undoubtedly, however, many of these studies are not only timely endeavours but also apply sophisticated scientific methods and provide useful practical conclusions.<sup>5</sup>

Fortunately, this kind of research has begun to be complemented by studies of post-Accession coexistence of the old and the new member states. Some of these studies are

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<sup>1</sup> On the methodological dilemmas of transition research, see Michel Dobry (ed), *Democratic and capitalist transitions in Eastern Europe. Lessons for the social sciences*, Kluwer, 2000 (especially the papers by Bela Greskovits and Valerie Bunce).

<sup>2</sup> Undoubtedly, the most impressive research programme among them is the *European Values Study* that reached its third wave in 1999/2000. Unfortunately, it does not focus on economic behavior explicitly. Cf. Stephen Harding, David Phillips and Michael Fogarty, *Contrasting Values in Western Europe. Unity, Diversity and Change*, MacMillan, 1986; Loek Halman et al (eds), *The European Values Study: A Third Wave*, Tilburg, 2001. For studies on corruption, see e.g., the Local Government and Public Service Reform Initiative (LGI) of the Open Society Institute, Budapest. On the new elites, see John Higley & György Lengyel (eds), *Elites after State Socialism*, Boulder, 2000; I.Szelenyi, E.Wnuk-Lipinski, D.Treiman, "Circulation of Elites ?" Old and New Elites in Post Communist Societies, *Theory and Society* 24 (October 1995). For migration studies, see, e.g., Rainer Münz (Hrsg.), *Ost-West-Wanderung in Europa. Rückblick und Ausblick*, Böhlau, 1998.

<sup>3</sup> A special genre of Enlargement studies is building game theory models of Accession (see, e.g., Mike Burkart and Klaus Wallner, Club Enlargement: Early versus Late Admittance, *CEPR Discussion Paper* No. 2600, London, November 2000).

<sup>4</sup> For a recent large public opinion survey, see *Perceptions of the European Union*, Brussels, June 2001. For contrasting views on cultural imperialism, see Krystyna Romaniszyn, Towards Cultural Diversification in Poland, in: Janina Dacyl & Charles Westin (eds), *Governance of Cultural Diversity*, Stockholm, 2000; and Janos Matyas Kovacs, Rival Temptations – Passive Resistance. Cultural Globalization in Hungary, in: Peter Berger & Samuel Huntington (eds.), *Many Globalizations*, Oxford UP, 2002.

<sup>5</sup> Cf. Francois Baldwin and Richard Portes, The Costs and Benefits of Eastern Enlargement, *Economic Policy* 1997/1; F. Breuss, Macroeconomic Effects of EU Enlargement for Old and New Members, *WIFO Working Papers* 2001/143, Wien; Stanley Fischer, Ratna Sahay and Carlos Vegh, How Far is Eastern Europe from Brussels, *IMF Working Papers*, 1998/53; Janos Gacs (ed), *Macroeconomic Developments of the Candidate Countries with Respect to the Accession Process*, IIASA, Luxemburg 1999.

initiated by the Commission itself, which has recently realized the utmost importance of building consensus around concepts such as „European values”, the „European Social Model”, etc. in the framework of writing the Constitution.<sup>6</sup> At this point, these studies are still in a deliberative, reflective stage that needs to be supported by real-time empirical research programmes. DIOSCURI is meant to be one of these.<sup>7</sup>

As regards the second strand, „transitology”, it is just about to incorporate Enlargement studies but these have not yet dismissed the logic – to put it in lofty terms – of the “Transformation Narrative” that focused on most recent legal/organizational achievements in the economy rather than the historical potential and long-term evolution of economic cultures. Today, the „good” and „bad” transformers are being distinguished by means of a relatively culture-free interpretation of the *acquis* and the Copenhagen criteria. Cultural analysis is often replaced by pointing to old divisions in symbolic geography between „East”, „West” and the „Centre”.<sup>8</sup>

Finally, the Cultural Studies community seems to be either extremely uninterested in, or hostile to, the problem of cultural cohabitation in the enlarged Union. It is hard to understand why the growing economic sociology/culture literature on the analogous case of German reunification has not yet affected research on Eastern Enlargement.<sup>9</sup> Culture as such seems to be handed over to cultural sociologists and opinion researchers who still prefer to focus on ethnic identity, communist nostalgia or the spread of junk culture rather than on popular attitudes to money, fair business practices or management habits. The main exceptions to this rule (such as the increased interest in corruption, social polarisation, migration, etc.) can primarily be explained by the logic of Accession negotiations. At the other extreme, one finds a radical critique of Enlargement which borders post-colonial discourse and concentrates on unequal cultural exchange between the present and future member states and the dependent position of the latter. This approach excludes *ab ovo* the possibility of making by the „core” countries other than imperialist gestures towards the „periphery” and ignores the chances for cultural

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<sup>6</sup> See, e.g., Giuliano Amato and Judy Batt, *Final Report of the Reflection Group on "Long-term Implications of EU Enlargement: The Nature of the New Border"*, Robert Schuman Centre, European University Institute, Florence, Forward Studies Unit, European Commission, Brussels, 2000; *The Political Dimension of Enlargement – Looking Towards Post-Accession*, The Dehaene Report on Enlargement, European University Institute, RSC, Florence 2001. For other exceptions, see Hans-Jürgen Wagener, Rückkehr nach Europa, *FIT Discussion Papers*, Frankfurt/Oder 1999/16.; The Welfare State in Transition Economies and Accession to the EU, *RSC Working Papers* 2001/1, Florence). Unfortunately, however, most of the “culturally sensitive” works deal with the transformation period (see, e.g., Laszlo Bruszt and David Stark, *Post-Socialist Pathways*, Cambridge, 1998; P. Hare, J. Batt and S. Estrin, *Reconstituting the Market. The Political Economy of Microeconomic Transformation*, Amsterdam, 1999; Hans-Hermann Höhmann (Hrsg.), *Kultur als Bestimmungsfaktor der Transformation im Osten Europas*, Bremen, 2000; Andrew Janos, *East-Central Europe in the Modern World*, Stanford, 2000; Eckehard F. Rosenbaum, Culture, Cognitive Models and the Performance of Institutions in Transformation Countries, *FIT Discussion Papers*, Frankfurt/Oder 1999/1).

<sup>7</sup> Among the research projects supported by the 5th Framework Programme one finds only few studies that touch upon similar concerns as ours, e.g., “Cultural Patterns of the European Enlargement Process” (CULTPAT); “Value Systems of the Citizens and Socio-Economic Conditions. Challenges from Democratization for the EU-Enlargement” (DEMOCRATIC VALUES).

<sup>8</sup> Cf. the special section in *Transit* 21/2001 on „Westerweiterung? Zur symbolischen Geographie Osteuropas”; Maria Todorova, *Imagining the Balkans*, New York, 1997; Jozsef Böröcz, The Fox and the Raven. The European Union and Hungary Renegotiate the Margins of „Europe”, *Comparative Studies in Society and History* 2000/4; Lorant Ambrus-Lakatos and Mark Schaffer (eds), *Coming to Terms with Accession*, London, CEPR, 1996.; Graham Avery and Cameron Fraser, *The Enlargement of the European Union*, Sheffield, 1998; Joze Mencinger, Convergence? A Skeptical View from the East, *Transition Newsletter*, World Bank.

<sup>9</sup> See e.g., J. Huinink et al, *Kollektiv und Eigensinn*, Berlin, 1995; Detlev Pollock, Wie modern war die DDR?, *FIT Discussion Papers*, Frankfurt/Oder, 2001/4.; Helmut Wiesenthal (Hrsg.), *Einheit als Privileg*, Frankfurt, 1997; Birgit Müller, *Die Entzauberung der Marktwirtschaft. Ethnologische Erkundungen in ostdeutschen Betrieben*, Campus, 2002.

compromise.<sup>10</sup> Uninterestedness and hostility bring the same result: a lack of empirical research on actual cultural encounters between the East and the West.<sup>11</sup>

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<sup>10</sup> See Jozsef Böröcz & Melinda Kovacs (eds), *Empire's New Clothes: Unveiling EU Enlargement*. E-book, *Central Europe Review*.

<sup>11</sup> The research programmes initiated by sociologists and social anthropologists such as Michael Burawoy, Chris Hann, Martha Lampland, Katherine Verdery and others are important exceptions to the rule. See e.g., Michael Burawoy and Katherine Verdery (eds), *Uncertain Transition. Ethnographies of Change in the Postsocialist World*, Boston, 1999; Ruth Mandel and Caroline Humphrey (eds), *Markets and Moralities. Ethnographies of Post-Socialism*, Berg Publishers, 2002; Chris Hann (ed), *Postsocialism. Ideals, Ideologies and Practices in Eurasia*, Routledge, 2002.

### **III. Mapping Research on Economic Cultures: the Country Cases**

- III.1. Bulgaria
- III.2. Croatia
- III.3. Czech Republic
- III.4. Hungary
- III.5. Poland
- III.6. Romania
- III.7. Serbia/Montenegro
- III.8. Slovenia



## **III.1 Bulgaria**

**Tanya Chavdarova, Petya Kabakchieva, Georgi Ganev**

This text presents the state of research in Bulgaria from the point of view of two main DIOSCURI fields: Entrepreneurship and governance. The text is organized in three parts. The first part is reviewing the research on the transformation of Bulgarian socio-economic culture (by Tanya Chavdarova). The next two parts cover the area of governance: research on the European integration issue (by Petya Kabakchieva); and on corruption (by Georgi Ganev). We decided to include the topic of corruption, because the corruption issue appeared both from the point of view of economic culture and from the point of view of the specific Bulgarian administrative culture.

### **1. Research on the Transformation of Bulgarian Socio-Economic Culture**

This survey is organized by scientific disciplines and research areas. The approach is that of chronological review of the main topics in the broad field of the transformation of socio-economic culture. Only literature by Bulgarian authors published since 1989 is considered. In some cases unpublished manuscripts and manuscripts in press that seem to play an important role in developing the respective research fields are also reviewed.

The present survey does not claim to be exhaustive. Its goal is to outline general trends in the development of research on socio-economic culture by representatives of four disciplines in the social sciences.

#### **Sociology**

The interplay between economy and culture has been the subject of many different research studies over the last 15 years.

In the 1990s, a research team from the Institute of Sociology at the Bulgarian Academy of Sciences carried out three empirical surveys. The first one studied the attitudes towards private property and private business in Bulgaria. It was done as a panel survey in 1991 and 1993, which allowed the changes in these attitudes to be explored (see Draganov, 1994). The second survey (1995) adopted a social-psychological perspective and its aim was to outline the basic personality profiles in the private sector in Bulgaria (see Draganov, 1997). And the last one (1999) was an attempt to consider the crisis both as a factor in, and a condition of, the establishing of private businesses and for the transformation of the values that govern economic life (see Draganov, 2001). This sequence of research studies provides insights about the shifts in economic values such as money, labor, economic freedom and professionalism. In particular, T. Nedelcheva (in Draganov 1997; 2001) demonstrates the drastic decline in the years from 1993 to 1999 of the value of money and labor as basic values in human life and the rise of such values as health, family, and private initiative. She also examines the differences of value ratings depending on the business size and argues that there are important differences in the understanding of economic roles and functions between the representatives of large businesses and those of small and medium size businesses. The latter are closely tied to their families and friends and hence they value family and human relations highly and give surprisingly low value ratings to labor, whereas in the group of the large businesses higher value ratings are attached to labor and professionalism.

In recent years, the behavior of entrepreneurs and the results of their activities in Bulgaria have attracted considerable interest. Starting in 1991, a number of sociological surveys have been conducted in order to study the socio-economic conditions for entrepreneurial activity in Bulgaria. Most of them have adopted a political-economic approach to studying the obstacles businesses face and have tried to draw conclusions about the economic and social policy implications (for a typical case, see USSG, 1996). In the first years of the transformation period, research work on the norms and values that supported the entrepreneurial endeavor was scarce. One of the first representative surveys of the entrepreneurial group, which tried to sketch the value attitudes governing the Bulgarian private sector was done in 1991 and was repeated using an identical methodology by T. Davidkov in 1997 (2002a). This research can help outline the primary tendencies in the development of entrepreneurship in Bulgaria. The data gathered address topics like attitudes to wealth, work, competition, social (in)equality and justice, risk taking and innovation. Unfortunately, the published data are not supported by a detailed analysis; rather they are presented in database format.

In 1994, a team from the Institute of Sociology at the Bulgarian Academy of Sciences researched "Household Strategies of Economic Activities." One of the major purposes was to explore how the various forms of capital (physical, social, and human) the household possessed influenced its investment and saving strategies, including the decision to start one's own business (see Todorova et al., 1994). The analysis revealed that the majority of the households followed a strategy of survival and they relied heavily on their relatives. Those that embraced stabilization and accumulation strategies relied primarily on the network of their friends and colleagues.

In 1995, T. Davidkov, D. Kolarova, R. Minkovski, and O. Velichkova carried out a survey on *Culture of Organizations in Bulgaria* which for the first time in Bulgaria implemented the instrument of G. Hofstede as published in his book *Culture's Consequences* (Hofstede, 1980). The research findings are published in a number of papers in the *Economics* journal in March–December 1996. Davidkov replicated the survey with identical methodological tools in 2000–2001. Both surveys are unrepresentative. In a similar vein, data were published as a database (see Davidkov, 2002b). Indexes of Hofstede's four dimensions of culture: *power distance, uncertainty avoidance, individualism vs. collectivism, and masculinity vs. femininity*, were calculated according to his methodology.

In the last few years, some textbooks on organizational culture have been published but they are not based on studies of Bulgarian organizational culture (see Paunov, 1996).

Value dilemmas in the Bulgarian transition period were studied in 1997 through a national representative survey by Vladimirov (see Vladimirov et al., 1998; Vladimirov, 1999). This study showed a frequent significant discrepancy between the stated ideological or moral attitudes and people's real everyday practices. The contradiction was perceived as a clear manifestation of social anomie. The questionnaire included a group of indicators of the individual value system in terms of success strategies: (1) the dilemma of explicit individualism and pragmatism or collectivism; (2) the dilemma of observing social norms and obeying the law or seeking success at any cost; (3) the dilemma of alienation or reaching out to other people; value distance between oneself and others. The analysis revealed that the major integrating value was money, being perceived as the most important thing in life, through which one can accomplish everything. The second group of values provided moral self-justification for adopting an active strategy or for the frustrated passivity. The individual attitudes of withdrawal and disillusionment with the official institutions and their staff as well as disappointment with the unethical interpersonal relations predominated. This attitude revealed a deficit of positive values, which generated either aggressive behavior (to succeed at every cost without paying attention to other people's interests and needs) or passive withdrawal to a marginal position, the justification being that the powerful others are corrupted, bureaucratic and self-interested. An individual who wanted to succeed while

complying with the fundamental moral and social norms would subscribe to a third group of values. In this line of reasoning authors classify moral attitudes into three groups. First is the adoption of an active and goal-directed position. These people (60%) set clear and attainable goals, they are not squeamish about morals and principles; they rely on the power of money and believe it can buy everything. In these terms, they have an instrumental attitude to people around them. The emergence of this moral type is perhaps the most significant fact that social changes in Bulgaria have brought about in the last seven years. The second major position in the moral assessment of everyday behavior is that of disappointment, which leads to passivity and/or resignation; the powerful others think only of themselves; the ordinary person does not have the say. The third characteristic stance involves optimism and the aspiration to creatively integrate oneself into the new conditions.

Research on *Indigenous and Western Cultures in the Emerging Key Political and Economic Institutions in Bulgaria: a Comparison with Germany* was accomplished by H.-J. Daheim, P. Kabakchieva and the author in 1996-1998. P. Kabakchieva and the author carried out a nation-wide survey on institutional culture in Bulgaria in 1998, which was representative of adult Bulgarians. R. Muench's four-dimensional scheme for comparing national cultures (*individualism vs. collectivism; activism vs. passivism; universalism vs. particularism; rationalism vs. irrationalism*) was applied as a theoretical framework. Bulgarian culture was found to be very particularistically orientated, more collectivistic and passive, with specific situational rationality (see Chavdarova and Kabakchieva 1998). A historical comparison of the traditional institutional culture of countries with different religious background (Germany, Taiwan and Bulgaria) was also undertaken. In accordance with the methodological discussion of indigenization and with the propositions of G. Hamilton and C. Wei-an, a specific methodological framework of analysis was constructed. It covered some common factors existing in the three societies and related to social change, particularly to the change of societal structures under the impact of modern globalizing capitalism (see Daheim, Chang, and Chavdarova, 2001).

C. Stoyanov explores the national economic culture's personification in the figure of the prominent Bulgarian character Bai Ganyu. His basic assumption is that both the mainly agrarian social structure of Bulgarian society and its degree of marginalization determine a type of culture that the author names "As-if culture." It is the culture of imitating the outer, ideologically symbolic and/or institutional forms of an advanced model. The imitation of the external model is more apparent than real because its copies are always incomplete or flawed: half-professionalism, half-intelligence, half-workers, etc. (see Stoyanov, 2000).

In 2000, Ivanov et al. (2001) conducted another survey in Bulgaria, this time with highly qualified top managers. It used, for the first time in the country, the Trompenaars and Hampden-Turner methodology (see Ivanov et al., 2001) to study Bulgarian managers' corporate culture. The authors assume that there is no universal economic culture (as orientation) that could be imported in order to "fix" things. The blind belief that when Bulgaria adopts the EU legislation, it will move forward to this universal economic culture can be disastrous. From this point of view, there is no single corporate culture that can claim to be most effective. There are, instead, many economic cultures that color differently the spirit of private economic initiative in each country and that can be equally effective. According to the authors, in the case of mixed cultures, however, the artificially created mixed teams experience difficulties in their work. In their book, they analyze the essence, elements and models of corporate culture, as well as the connection between firm's economic strategy and culture. Their conclusions are related to the strategic development of the Bulgarian economy. In this respect the obstacles stemming from cultural specificities are the outer business motivation, which governs a reactive and not a pro-active economic behavior, short-term thinking and lack of compliance with law.

In 2001, the methodologies of Hofstede and Trompenaars & Hampden-Turner were adapted for the Bulgarian socio-economic conditions by H. Silgidzhiyan, S. Karabeliova, and E. Gerganov (2003). On the basis of the adapted standardized interview instruments, in 2001 Y. Genov and S. Karabeliova conducted a representative national survey for studying the differences in Bulgarians' value orientations, which underlay national culture. As far as I know, this was the first time these two instruments were simultaneously applied so that they could be compared. Research demonstrated that among the dominant Bulgarian values were strong uncertainty avoidance and resistance to change, a "feminine" type of values, combined with behavior based on exceptions, and a large power distance. The authors' conclusion is that a society with predominant value orientations of this type is an unsuitable base for the creation of a productive corporate culture and wealth. A base of this kind strongly obstructs the application of management theories and practices which have been devised in the Anglo-Saxon countries and successfully work in many other advanced nations around the world (Genov and Karabeliova, 2001).

B. Kolev, in 2002, published a book devoted to a historical exploration of Bulgarian economic culture. Using as background the classical research of M. Weber and W. Sombart, Kolev traced economic culture's development from the pre-Liberation period, through the first capitalist period (1878-1944), which the author called "stotinka"<sup>12</sup> capitalism, and up to the socialist economic culture. B. Kolev embraced the chronological approach in order to describe the metamorphoses throughout history of some "axes" typical for the Bulgarian economic culture. The axes were economy in-kind, collectivism, state intervention in economy, paternalism, and egalitarianism (see Kolev, 2002).

Many specific dimensions of national culture have been explored, among them the perception of income inequality, the impact of the informal personal connections on the household's strategies of economic activities; the formality-informality dimension of economic culture; the tax morality of the households depending on their economic situation – survival, stabilization, or prosperity (see Chavdarova, 1994, 1996, 2001, 2002).

In 2002, a cross-national survey, which was representative for the group of the small entrepreneurs in the capital cities was carried out in Sofia and Skopje (see Chavdarova, 2002). The design of Bulgarian-Macedonian survey applied two theoretical and methodological schemes: that of G. Hofstede and that of F. Trompenaars and C. Hampden-Turner. The same design was used in the August 2001 survey of Genov and Karabeliova (2001a, 2001b) and this fact made comparisons possible.

In 2003, Genov and Karabeliova carried out another survey entitled: *Entrepreneurs' Work Motivation during the Transition to Market Economy in Bulgaria*, this time with an entrepreneurial sample only (see Genov and Karabeliova, 2003). Its major goal was to compare the data from the representative 2001 survey with the ones obtained from the entrepreneurial sample and to bring to light the significant correlation between the dominating value systems and work motives. Another purpose was to single out the leading motives and values which were dominant in the orientation to entrepreneurial activities and company success. To achieve this purpose a methodology was used which measured entrepreneurs' work motivation, behavioral locus of control, proactive behavior and value orientations. Methodologically, the goal of survey was to create a useful method for evaluating the dominating motives and values in Bulgarian entrepreneurs' behavior.

In 2004, the results from the After the Accession-project have been published in a book in English (Kabakchieva and Avramov 2004). Additionally, a paper that represents the basic findings of that project in the entrepreneurial field has been published in Bulgarian academic journal *Soziologicheski problemi* (Chavdarova 2005). In the same year, a conference of the Balkan sociologists devoted to the problems of economic culture on the Balkans took place in Sofia. Papers from Bulgaria, Romania, Serbia, Croatia, Greece and Turkey have been

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<sup>12</sup> *Stotinka* is 1/100 of the national currency, the *lev*.

presented which varied from the legacy of the past-research to the contemporary developments in the sphere of economic culture. The conference proceedings are being preparing for publishing as a special issue of *Sociologicheski problemi* in English (Chavdarova 2005).

It should be emphasized that the results of the above mentioned various surveys lead to some similar conclusions. All of them identify the rise of individualistic attitudes both in the Bulgarian population and the entrepreneurial/managerial subgroup. The data from the surveyed entrepreneurial sample in Bulgaria are not much different than the data from the representative survey. An interesting fact was revealed in the 2003 survey: power distance, individualism, and long-term orientation are valued higher by the entrepreneurs. Uncertainty avoidance is less important for entrepreneurs, while masculinity vs. femininity remains at approximately the same level. The dominating work motives for the surveyed sample of entrepreneurs are autonomy and independence. The assumption that the motives will be differentiated according to gender, age, and education was partly confirmed. It turns out that age is not a factor of significant influence in the variability of motives categories. The survey data reveal that 75% of the entrepreneurs have an internal locus of control. This result is diametrically opposed to the results from the 2001 representative survey, according to which less than 25% of Bulgarians have internal locus of control. On the one hand, this result reveals that a large part of Bulgarian population is helpless to deal with the challenges of the market economy. On the other hand, it shows the basis of success of those who have successful entrepreneurial activities. Individuals who are comparatively tolerant to uncertainty have turned to the entrepreneurial field. Significant differences can be found in relation to long-term orientation, too. Among the surveyed entrepreneurs, the index is 16 points higher in comparison with the national sample and this means that entrepreneurs are significantly more long-term oriented. No statistically significant differences were registered with respect to the other dimensions. The power distance index among entrepreneurs, however, is 8 points higher than the average for the country. This result confirms that it is precisely the people who accept power and wealth inequality that strive to gain power and wealth through entrepreneurship.

### **Psychology and Social Psychology**

Value structure dynamics and understanding values are a well-explored research area in psychology. The recognition of new motives and values as an adjustment to a new situation has been the focus of Stoitzova's (1992) research on the subjective significance of the socially legitimate values and of Baichinska's study on value priorities in the transition period (see Baichinska, 1996b).

Patzeva and Momov (1998) have carried out an empirical psychological survey of young people's value orientations and their change during the transition period. With the tools of experimental psychology (the Rockeach method of rating values) and the psycho-linguistic methods (associative tests) they trace the dynamics of young people's value rating according to their place of residence (big city vs. small town) and their economic activities. The authors discover essential value differences between the young people in big cities and those living in small towns. The former are more individualistically oriented and more proactive than the latter.

Very special attention has been paid, in Bulgarian scholarship, to the values of individualism and collectivism. One of the 1996 issues of the *Sociologicheski problemi* journal was devoted to individualism and collectivism. The surprising fact was that most of the contributions there were by psychologists. Three of the papers published in that issue are reviewed here.

Gerganov et al. (1996) have developed the so-called *Bulgarian individualism/collectivism (BIC) scale*. It adopts a psycho-semantic approach: the words "individualism" and "collectivism" are taken as points in a multidimensional semantic space, on the hypothesis

that these two concepts determine one of the dimensions of this space. In their study the IDV dimension was measured in four separate consecutive studies. First, a set of words, closely related to individualism/collectivism, was elicited through unfinished sentences. Then the semantic matrix of the words obtained through free associations was analyzed by means of non-metric multidimensional scaling. In each of the emerging dimensions individualism and collectivism were placed on the two extremes of a continuum (the highest values were -.81 and +.88). Finally, the hidden continuum of collectivism/individualism in the subjects' semantic space was revealed through seven words: traditionalism, order, co-operation, justice, self-confidence, success, and wealth (Gerganov et al., 1996). The BIC scale was defined as a more general measure, pertaining to social values and norms; it was not designed to measure IDV on an everyday behavioral level.

Topalova's comparative analysis of the 1990, 1991, and 1993 data aims at portraying the changes in the IDV dimension at a national level. Her survey data provide no sufficient evidence of statistically significant changes over this period in the degree of individualistic-collectivistic orientations, which were measured in terms of social attitudes. The mean indicator characterizes the total population as slightly more individualistic than collectivistic in the three successive surveys (see Topalova, 1996).

K. Baichinska (1996a) suggests that the essence of the value transition process refers first of all to the change from collectivism to individualism. The main hypothesis is that social groups differ on IDV and hence they have different patterns of value transition. It was confirmed on the basis of a 1995 survey of four social groups: theology students, teachers, businessmen and unemployed. The results showed that these groups had contrasting patterns of value transition in terms of their IDV and hence of value crises, value priorities and subjective well-being.

E. Paspalanova (1999) has offered a profound psychological study of individualism. She has found that the social desirability of the meaning of individualism has changed historically from something very negative to something more positive. The level of education and the type of occupation proved to substantially influence individualism. The latter was negatively correlated with the need for social approval and positively correlated with authoritarianism, self-monitoring and the tendency to control and manipulate others.

Rusinova, Vasileva, Ziljova and Andreev (see Rusinova et al., 1999) have made a cross-cultural comparison of some occupational stress parameters and work values in a group of managers. They compare five countries: Bulgaria, Romania, Ukraine, Great Britain and Japan based on the theoretical framework of C. Cooper's model of occupational stress and G. Hofstede's theory of work values. The results indicate significant differences between Bulgarian managers and those from other countries on most of the occupational stress parameters and also on some dimensions of work values like *individualism*, *power distance*, and *masculinity*. These differences are explained via cultural peculiarities as well as the changing social conditions in Bulgaria.

In 2004 Y. Genov, a president of a Bulgarian software company, published a book with the title "Why We Can Not Succeed More?" in which he analyses the specificity of the Bulgarian mentality and economic culture using the results of Hofstede's survey made in Bulgaria.

## **Economics**

In his research on the 20th century capitalist development in Bulgaria, R. Avramov portrays some of the fundamental features of Bulgarian economic mentality (see Avramov, 1998; 2001). He argues that the cooperatives developed as a parallel, "alternative" world to capitalism. Their dense network operated according to the rules of "soft" credit, their structures were repeatedly bailed out, their banks extended substandard loans and the weak cooperative units became "schools" for bad governance. The cooperativism instilled collectivist values deeply into the society and molded everyday behavior patterns that

eventually flourished during the communist regime. The Bulgarian cooperatives' success story was a clear example of how poverty (and legitimate discontent) was digested through egalitarian, corporatist, populist and even autocratic ideologies. The author showed how *étatisme* and collectivistic rationality developed as a much more consensual economic ideology than liberalism, tainted alternatively with corporatist, populist and/or totalitarian nuances. The roots of this intellectual landscape could be traced, in his opinion, to the specific and indistinct Bulgarian social fabric. Entire social strata were missing. Middle class and liberal professions were extremely weak – the State had been systematically stronger than the Citizen. Thus the national bourgeoisie (as well as the “intellectuals”) developed a close, opportunistic dependence on the State. A by-product was the never-ending pressure for special economic privileges. The State had accommodated those pressures by establishing a “circular” dependence. Economic actors and public power were no longer opponents – they built a network of soft mutual dependence. R. Avramov also analyzed the widespread pseudo-individualism in everyday “personal economic ideology”. While opposing (verbally) the State, individuals never refused to siphon out public resources or to transfer risks and responsibilities to the government. Bulgarians were individualist when it came to appropriating gains or collective wealth, but they were fierce collectivists when distribution of losses was the issue.

R. Avramov considered the intellectual encounters between East and West and in order to explain them he introduced a concept of conditionality. In his view, it occurred through two different channels. The main one (the “hard way”) was foreign creditors' conditionality. The more delicate link (the “soft way”) was through the education and training of opinion leaders, decision-makers and the academic community. Conditionality was perceived as a complex texture of financial, administrative and legal links between creditors and the debtor country. But there was also an intangible dimension of conditionality. It comprised the “mentality gap,” i.e. the differences between behavior standards in a mature market and in a transition (whatever that meant) economy (see Avramov, 2003a). The problem became really acute with the fundamental differences between “imported” and local economic values. The clash between the dominantly liberal (Anglo-Saxon) societal model of the enforcers of conditionality (advisers, creditors' representatives) and the traditionally strong *étatiste* (French-style) and collectivist Bulgarian economic mentality was a major conflict all through the century. At the junction of foreign conditionality with local policy was the key figure of “the IFI's man” in the host country. This person was typically the privileged interlocutor of foreign money doctors, the main vehicle of their messages, and the translator of the confronting positions to a common conceptual language. In a paper devoted to the problems of the connection between advising, conditionality, and culture, R. Avramov stresses that finding the right counterpart to foreign money doctors among the small Bulgarian “convertible” elite has not always been an easy task. The more successful Bulgarian negotiators have been professional bankers, converted (for a period) into civil servants, and/or positivist-minded experts. The bargaining position of the country dramatically weakened when it was represented by unconvincing and unprepared political figures (see Avramov, 2003b).

Based on a representative survey in 2000, Ganev and Stamenova (2000) distinguish between two groups of values: personal ones – risk aversion, trust, and religious beliefs, and social ones – the idea that the economy is a zero-sum game, the merits of change and growth, and the importance of cooperatively working together. The authors examine the connection between personal and social values and, through factor analysis, they develop two indexes: cooperative thinking and market- vs. state-oriented thinking. Ganev and Stamenova conclude that the vast majority of Bulgarians do not have a cooperative thinking and are oriented towards the State. They classify the Bulgarian population into four groups: the largest one (57.1%) is of conservative people, the second one (22.8%) represents those who are fully

dependent on the State, the third one (15.3 %) encompasses those “cautiously trying out” the market and the smallest one (4.8%) consists of individuals who are fully open to the market and to working cooperatively together. Based on the above mentioned indexes and on the assumption that values influence growth through changes in institutions rather than directly through personal motivations, Ganev and Koford (2003) have undertaken an analysis of the issue of how value attitudes influence Bulgarian institutions. They have developed a model in which the independent variables are religiousness, urban residence, entrepreneurship, education, workplace, social group, and age, and the dependent variables are (non)cooperative thinking and market- vs. state-oriented thinking. With the help of regression analysis the authors determine the influence of each independent variable.

Corporate culture has also been studied from the economic point of view. K. Todorov is the pioneer of research on corporate culture with reference to the economic effectiveness of the small and medium-sized businesses in Bulgaria. In his work on the foundations of small businesses in Bulgaria, the author tries to conceptualize the newly emerging entrepreneurial culture in Bulgaria in the context of some classical and contemporary concepts of entrepreneurship (see Todorov, 1992, 2000). J. Alkalaj (1995) considers corporate culture from management’s point of view. He studies managers’ ability to govern cultural changes in their firms. The research of Licheva (2000) is devoted to some more general trends in corporate value changes.

### **Ethnology (Anthropology)**

Entrepreneurship is becoming an important topic in anthropological research. C. Giordano and D. Kostova have studied the social impact of land reform in Dobrudzha – the region with the largest-scale agriculture in Bulgaria. They employ a “trans-local” and “de-territorial” point of view, thus diverging from the standard anthropological approach. In their paper, the authors argue that there is a gap between the legal framework and the social practices, which is an ample indication of socially produced mistrust between public institutions and society. It is interpreted as one of several circumstances that perpetuate the age-old divide between state legality and legitimacy of norms, institutions and social actions. The authors provide evidence that the Land Reform Act has been interpreted by the majority of social actors in agriculture as the project of an illegitimate state. The social production of mistrust is regarded as the adequate response to the pernicious effects of the new public institutions. According to the authors, the situation in Bulgarian agriculture demonstrates that the passage from a collective to an individual social and economic order has been successful. At the same time, in the countryside the gap between state “legality” and cultural “legitimacy” is widening (see Giordano and Kostova, 2000, 2002).

I. Petrova has conducted some of the most interesting studies in this discipline. She has studied the festivities in socialist enterprises (2003) and their adaptation in private firms in Bulgaria (2001, 2002). In a series of papers the author has concentrated on exploring one of the important elements of corporate culture: the way holidays are celebrated by employees. The subject of her 2001 study is an ex-state enterprise with a 35-year-long history. Similarities and differences in festivities are outlined through comparisons of holiday culture in the socialist and the private company (see Petrova, 2001). The author examines the way corporate policy is demonstrated through holidays. I. Petrova also analyses the perceptions of employees and managers of celebrating as a way to make employees embrace the managerial goals. The role and the place of celebrations in the everyday labor routine and the meanings ascribed to them by the firm’s owners and by the employees are analyzed in a family business in the small town of Belogradchik (see Petrova, 2002). I. Petrova shows the significant role of celebrations for developing the company’s identity. Her most recent research is devoted to Bulgarian employees’ adaptation to the requirements of work in an international enterprise in



the case of Herbalife (see Petrova, 2004). I. Petrova stresses the efforts of Herbalife's distributors to work in a "European" manner, i.e. to be punctual in their work. At the same time they employ traditional Bulgarian cultural models, e.g. the mixture of private and public as a means for doing their job. The author demonstrates how the distributors pressure their friends and relatives to attract them as the firm's clients, thus converting emotional relations into a professional instrument.

The social and personal price of the success of the entrepreneurs is an issue explored by H. Alexandrov (2001). Through participant observation of entrepreneurs and firms from the legal as well the shadow private sector, the author traces the complicated and often contradictory processes of developing the identity of a new social layer of entrepreneurs. H. Alexandrov concludes that feelings of anxiety and threat, intra-personal conflicts and cultural conflicts with the social environment are the price entrepreneurs pay for their success. They develop social and cultural identities *ad hoc* and reality starts slipping out of the range of individual consciousness and personal control.

Such issues as clientelism, corruption and kinship in Bulgaria have been studied from an ethnological perspective by M. Benovska-Subkova (2001). In her book on the political transition and everyday culture, the author studies the evolution of clientelism from the socialist period onwards and emphasizes the increased number of cases when it is converted into petty corruption in the transition period. The analysis compares clientelism in rural and urban areas, as well as in Bulgaria, Yugoslavia, and Greece. Kinship in the Bulgarian case is seen as one of the most important sources of clientelism. The social territory of kinship is narrowing in the second half of the 20th century. M. Benovska-Supkova outlines the contradictory character of the interplay between kinship and clientelism. On the one hand, clientelism could strengthen kinship, but on the other hand nowadays clientelism too often corrupts kinship.

Most of the cultural studies on the Bulgarian national culture are based on the assumption that culture is static and foreseeable. They aim at understanding culture as it is and not at how it could be changed. A typical example of the cultural approach to studying cross-cultural differences is that of M. Minkov. The author analyzes the influence of socialism on our national culture and draws the conclusion that its worst consequence is the behavior governed by the so-called "outer causality". The outer locus of control in particular is regarded as a result of power misuse and the ideological pressure to conform (see Minkov, 2002).

## **2. The State of Research in the Field of Governance: European Integration Process**

Bulgaria has several information centres and institutes dealing with the problems of the European integration. All these institutions, however, have been created in the past few years, their main purpose being to popularize in Bulgaria European documents, as well as books reflecting on European institutions and the history of the European Communities and Union. The Bulgarian authors working on the subject are also concerned primarily with popularizing those processes and institutions, as well as with presenting the basics of the *acquis* (Ivanova, 1998, Shikova, Zaharieva, 2000, Popova, 2001.). As a whole we can state that there is no consistent independent research in the field of European integration.

We can distinguish four main fields in the reflection of the problems of the European integration.

## Public Polls

Public opinion polls on Bulgaria's EU membership are conducted regularly and invariably show strong support – around 70 %- 80% of respondents are supporting our future membership in the EU. At the same time these surveys show that a few Bulgarians know anything about the consequences of our future membership for everyday life (see for instance [www.aresearch.org](http://www.aresearch.org)). Euro barometer public opinion surveys are also conducted on a regular basis and they draw similar conclusions: Bulgaria is among the 5 first countries in its strong support for the EU – 70% support; and is on the bottom with its highest percentage of ignorance about the frame and structure of the EU (percentage varies between 41-43% “Don't know” answers). Concerning national/European identification, most of the Bulgarian respondents identify themselves as having both national and European identity (44% - end of 2003 survey) showing relatively weaker sense of national identity compared to the other countries – 37 % declare that they have only national identity. Bulgarians define as the most important priority of the EU “fighting poverty” – 84 %.

So, the public opinion polls confirm that for the Bulgarians the EU has a high symbolic value, but this is not informed public opinion. That is why one of the most urgent priorities for the BG government became developing a good communication strategy and this process is going on.

## Discourse of National Political Elites, Experts, Local Elites

Since 1999, a team of Bulgarian researchers from the University of Sofia's departments of Sociology, Cultural Studies and European Studies have been conducting a series of qualitative research on political, media and expert discourses concerning the processes of Bulgaria's European integration.<sup>13</sup> Those investigations have included in-depth interviews with 50 persons professionally involved with European integration – politicians, experts and government officials engaged in the EU accession policy; analysis of the two election campaigns – parliamentary and presidential – in 2001 (analysis of party campaign platforms, content analysis of media messages in the campaigns; TV debates between candidates; websites of the main political actors); and three case studies conducted in three Bulgarian district centres and designed to identify how local elites (local government, NGO leaders, intellectual elites) perceive “Europe” and the “European integration process.”<sup>14</sup>

All studies conducted to date have established the high symbolic value of “Europe” and the EU, which are seen as the ultimate standard or norm towards which we are aspiring. (Ditchev, 2000, Guentcheva, 2000, Kabakchieva 2000). Here is how Europe and the EU are discussed in the parties' campaign platforms (notably, the closer the particular party is to state political power, the more it speaks in terms of “we are following/we shall follow the European directives in the sphere of..., etc.”): “We are introducing/implementing/fully accepting/adopting European standards”; “We are observing European norms”; “We must reach European levels”; “We are applying the European social/educational model in our practice”; “We are implementing the European Charter of Local Self-Government or the European Charter for Youth Participation ”; “In accordance with the common principles of the Common Agricultural Policy we shall utilize the European structural funds and pre-accession financial instruments.” etc.(Georgieva 2002)<sup>15</sup>

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<sup>13</sup> This long-term research project is implemented by a University of Sofia team which includes Prof. Georgi Dimitrov, Prof. Ivaylo Ditchev, Assoc. Prof. Petya Kabakchieva, Assist. Prof. Milla Mineva and students.

<sup>14</sup> The results of those studies are presented in the references below.

<sup>15</sup> In parenthesis, it is interesting to see in which contexts Europe is not mentioned at all and in which it is mentioned most frequently. There is no mention of the EU in the context of tourism, IT, telecommunication markets; social insurance; science, media. The most frequent references to the EU are in the spheres of foreign policy, national security, agriculture (the Common Agricultural Policy) education, and the economy. Probably this division could be interpreted as a division between global-universal spheres and spheres of development directly related to the EU.

The study of political and expert elites (conducted in 2000) found that for them EU membership has no alternative, and that Europe is again perceived as the high symbolic place. The degree of Bulgaria's readiness for EU accession is evaluated from an external perspective, i.e. in terms of the criteria set by the EU; however, when referring to barriers to this process, those barriers are thought of as many-layered, at different levels and in different spheres, and their surmounting is presumed to depend on both Bulgaria and the EU. Yet when referring to the agent of European integration – which are the actors and institutions on which the EI process depends – only two of the respondents said that this is a complex process which depends on both Brussels and the Bulgarian side; all others located the agents within Bulgaria itself. There were only two options: the elite – either the political elite (the Government, the state, the Union of Democratic Forces, Ivan Kostov, NGOs, but not MPs) or the intellectual, modern, enlightened young elite; and the whole of society, the ratio being 2:1 in favour of the elite as the only agent. The actors from the EU virtually disappear in this context, and it turns out that “we” – the Bulgarian society and particularly the Bulgarian elite – are the one and only agent of European integration. In other words, the EI process turns out to be a one-actor process or, figuratively speaking, a one-man show. Let us try to explain this paradox.

Due to the high symbolic value of Europe – “Europe is the centre of world development,” the sacred place – European institutions simply disappear and, consequently, the European integration process comes to be regarded as an interrelation between the highest Norm, i.e. “Europe” (which serves as a role model and sets the pattern for the constitution of Bulgarian society, with the European Commission serving as the supervisor making sure that this pattern is followed) and Bulgarian society, mainly the Bulgarian elite, which performs the rituals necessary for achieving the Norm. The EI process is actually actor-less and agent-less on both sides – there is the Norm and there are the followers, but there is no communication, real interaction or political involvement.

According to the pattern set by “Europe,” the so-called “whole society” – the exact phrase used by some of the respondents, which, *inter alia*, implies that people are perceived just as human material – must be changed quickly. The main tool for this change is the adoption of the *acquis*. In a way, this perception of European integration resembles the old communist ideological constructs: there is the bright future, i.e. “civilizational choice”; the constituent norm, i.e. the *acquis communautaire* which, however, is now institutionalised in the European Union (before it was in the Soviet Union...); the political elite bravely changes the old world on the way to the bright future; people are crude human material which must be cultivated. We have deadlines again – “We have to make it until 2004,” “We have to make it until this Commission is in power,” “At the latest by 2006” – just like the communist five-year plans (*petiletki*), and we shall accomplish in five years everything for which other nations have needed centuries... There is no political articulation of different political – even bad – scenarios, of concrete political action for EU accession (“political” understood as a complex public interplay of different articulated interests).

The national elites are really in a very strange position. They are trying to change the society and “the human material” on the model of nation-building – top down, yet at the same time delegating their political responsibilities to a higher Peak. They are in this ambivalent position of governing by following, taking decisions which are already taken; trying to play the role of national politically responsible elites and efficient anonymous intermediaries between the EU norms and standards and Bulgarian reality. They must pose as the main political actors, while in fact being cultural translators only. Thus, they have a problem with their elitist identity. And the problem is solved in two different ways.

The first way is by keeping the myth of Europe both as a myth and mysterious rituals. This means presenting the EI process as a secret sacred process for a chosen few who are responsible for this mysterious opening and closing of different chapters – therefore the

workings of European integration are not an object of discussion. For public use, the myth of Europe is understood as a symbolic incarnation of collective wishes (Cassirer) presented either as a return to a natural state (we are natural-born Europeans); or as a way to the Promised Land. In both cases there is no need of articulation, debates or politization of the process – this is a teleological process, a kind of natural predetermination. The consequences of this could be very bad – nurtured in this Euro-myth, people will suddenly wake up one day in a newly created European environment and will start asking why they can't go on producing their home-made rakiya (brandy), why their dairy farm will be shut down, etc. This lack of public debate on the EI process could provoke Euro-scepticism on the very eve of Bulgaria's accession.

The second way is by using “doublespeak” – for the audience abroad and for the so-called “people.” (Ditchev, Mineva, 2001). This doublespeak was very obvious in the 2001 presidential campaign. When the presidential candidates appeared in the media and before a wider audience, they made no mention of the EI process. But their websites, especially those in English, abound in references to Europe. Addressing the public the Bulgarian political elites started speaking in terms of “we are the only national responsive elites”; “We will make Bulgaria a good home for its citizens”; “We are the persons who care most for the Bulgarian people, especially for the disadvantaged and the poor”; “European integration is a means of well-being, and not an end in itself.” And the discourse of “we are following European models,” “we are introducing/implementing/accepting/adopting European standards” was left for a closer circle of people who read political programmes, for Western ambassadors and European Commission officials. In the first language the main role is that of the national responsible political actor; in the second – the role of the follower. And those two languages do not overlap. Yet “implementing, adopting etc.” also presupposes changing the social milieu, whilst national responsible policies presuppose a strategy for this change – and if this strategy concerns European integration it must be discussed publicly, along with all arguments in its favour. But this means redefining national elite's real political responsibilities and prerogatives, and taking responsibility for the existing political and social practices.

Thus this study shows clearly that for the moment, the national political elite is in an ambivalent position – they have to be a personification of national political responsibilities while, at the same time, delegating their responsibilities to external agents perceived as a norm. This ambivalent position is solved by not problematizing the existing Bulgarian practices and EU institutions, by keeping to the myth and keeping the status quo – automatically accepting the *acquis* and all the requirements of the EU, and not trying to change the existing social milieu.

## **Public Debates**

Recently, albeit slowly and still at an elitist level – visions of the EU's future and of the relationship between national institutions and European structures have started appearing in the Bulgarian public sphere. OSF launched in July 2002 a discussion about the changes in the Bulgarian constitution from the point of view of the future European Integration.

In mid-October 2002 the Bulgarian weekly *Kultura* (Culture) launched a discussion on the variants of the future European Constitution. On 1<sup>st</sup> November 2002 the first Bulgarian commentary appeared – a paper by Alexander Arabadjiev, constitutional law expert called “Europe's Constitutional Moment.” In which he comments on Robert Badinter's draft European Constitution. The paper presents Badinter's positions, implicitly or explicitly disagreeing with some of them. Arabadjiev assumes that for Badinter the question of institutions is at the core of all European problems, therefore Badinter is looking for a strict institutional regulation of those problems. The thesis of the Bulgarian lawyer is the opposite: “The agenda of the debate about the future of Europe is rather determined by the maxim that

tasks determine institutions, and not vice versa.” According to Arabadjiev, instead of risky formulation of powers in a constitutional treaty, it is more important to define the scope and scale of EU powers in spheres in which they are necessary so that member states can pursue their common objectives. Europe is indeed at its constitutional moment, Mr. Arabadjiev argues. But this last should also cover the slowly emerging common public sphere of debate in the EU, which is in its turn a prerequisite for building a European demos. Hence the absence of provisions advancing the so-called participatory democracy is another deficiency in Badinter’s European Constitution, although it may be argued that this deficiency is offset by the increased role of the European Parliament. “The future Constitutional Treaty will take the legal form of a treaty between states... Europe will preserve its unique way of exercising powers – in some cases at the EU level, and in others as a result of inter-governmental cooperation. And its unique nature of a Union of nations and states, in the sense of a hybrid of the inter-governmental and the super-national.” In my opinion that final sentence of Mr. Arabadjiev summaries in a good way the essence of the expert positions on the future architecture of the EU.

There are no other specific Bulgarian debates on the draft of the future European Constitution, then the cited Arabadjiev’s paper.

February – March 2004 a hot discussion was going concerning the pluses and minuses of a possible referendum about our future membership in the EU. Both the proponents and the opponents of the referendum are Euro-enthusiasts (there is no political party or experts who openly oppose our future membership in the EU), but paradoxically enough, the opponents of the possible conduction of a referendum defend the thesis that the referendum could be used in the political game and what if suddenly the Bulgarian people vote against Bulgarian membership in the EU ( I am repeating that the support for our membership is between 70 and 80%...).

### **Research Concerning the Appearance of Euro-Regions and Problems of National Identity**

Two researches on the established Euro-regions had been made – on the Bulgarian- Greek Euro-region Smolyan-Xanthi (Kabakchieva 2002) and on the Bulgarian – Romanian Euro-region Vidin –Kalafat (Djamdieva at al 2003), drawing different conclusions. The first one showed the weakening of national identity and the appearance of something which could be called “eurolocal” identity. The second one showed the low symbolic value of the Euro-region and the strengthening of the national identity.

In their recent investigations Dichev and Mineva are studying the possible presentations of local and national identities in the EU context. Mineva’s book “Take it easy” (Mineva 2003) is an interesting attempt to propose a contemporary version of possible presentation of Bulgarian national identity.

As a whole, we can conclude that the process of European integration is still waiting for a serious research and reflection. It is still perceived more as a normative process, then as a complex ambivalent social process. From that point of view DIOSCURI project is unique because it looks what is happening on everyday level “integration” between the so called “Western” and “Eastern” cultures in the field of business and administration, explicating possible problems and solutions.

### 3. The State of Research on Corruption

The topic of corruption is among the most popular in Bulgarian media and public debates. However, it does not enjoy the same amount of analytical coverage of academic quality. Most of the publications are centered around two non-government organizations with a mission to combat corruption – Coalition 2000, and the Bulgarian branch of Transparency International. A total of 35 titles have been published on the topic of corruption over the period 1998-2003, and they cover a wide range of aspects of the phenomenon.

The variety of publications allows for categorization based on the goal of the respective publication and on the type of knowledge it creates. From this point of view, the titles listed below fall in four broad categories.

The first category of corruption-related publications in Bulgaria is corruption and anti-corruption policies description, measurement, monitoring, and reporting. This is the broadest category and encompasses nearly half of all the publications. It includes publications by the Center for the Study of Democracy (items No. 2 and 3), all publications by Coalition 2000 (items No. 6 to 15), as well as publications by Open Society – Sofia (item No. 26) and by the Bulgarian branch of Transparency International (items No. 28, 29, 32). These reports describe the phenomenon of corruption in Bulgaria from various angles and can serve as basis for substantive analyses and hypotheses testing.

The second category of corruption-related publications are policy recommendations, based on the various observations of corruption. They include a publication by the Center for the Study of Democracy (item No. 1), and publications by the Bulgarian branch of Transparency International (items No. 30, 31, 33-35). Most of the policy papers and recommendations are based on observations and on analysis of incentive structures of corruption in Bulgaria, and not on formally tested hypotheses about causal relations.

The third category of publications includes analyses of various social phenomena which are related to the issue of corruption in Bulgaria and thus cover this topic as well in an analytical manner. These include mainly studies of the informal/shadow/gray economy in Bulgaria, performed by Chavdarova (item No. 5), by the Center for Social Practices (item No. 16), and by the Institute for Market Economics (item No. 18). Other analyses which include analytical discussion on corruption in Bulgaria are the analysis of transaction costs by Gancheva (item No. 17), and the assessment of the microeconomic environment by the Institute for Market Economics (item No. 19). A common feature of these analyses is that they explicitly focus on causal links between incentives, corruption, and its consequences, but they are naturally concerned with their central topics and the discussion about corruption is logically dominated by this concern.

Finally, the fourth category of publications related to the topic of corruption, is analytical works attempting to theoretically and empirically analyze the phenomenon. These studies are performed by the Bulgarian branch of Transparency International (item No. 27), by Chavdarova (Item No. 4), and by Krastev in a series of publications (items 19-25). Chavdarova presents an analytical overview of corruption in Bulgaria, and analyses its fundamental social context in light of the measurements of the Corruption Perception Index for Bulgaria by Transparency International. The in-depth analysis prepared by the Bulgarian Branch of Transparency International includes 11 chapters, which deal with various aspects of the phenomenon of corruption in Bulgaria, including modeling its effects and attempts to empirically estimate them. The points of view in the analysis are interdisciplinary – from the fields of sociology, political science, law, anthropology, economics. The series of publications by Krastev often go beyond Bulgaria as a focus of the analysis, and attempt to formulate and test hypotheses about the general context of the phenomenon, including the historical emergence of present-day attitudes and policies towards combating corruption and possible deficiencies in the resulting dominant approaches to dealing with corruption. Inasmuch as

most of the inferences are based on the Bulgarian experience, they represent an attempt to generalize this experience into globally relevant policy inferences.

## **Conclusion**

As a conclusion we can state that the problems of economic culture, in its various aspects are relatively well presented in social research in Bulgaria. The most popular methodology used is that one of G. Hofstede and that of F. Trompenaars and C. Hampden-Turner. In the last years there is a tendency to look at the differences in the economic culture of different social groups - entrepreneurs, businessmen, ordinary people and it turns out that they are quite significant.

What is new in the DIOSCURI approach?

First, the methodological approaches of G. Hofstede, F. Trompenaars and C. Hampden-Turner are constructed from a Western point of view and they are looking for quantitative data. This hinders them to go deeper into the specificity of national cultures and cultures of different social groups.

Next, the complex reconstruction of the economic culture is unique – asking partners from Western and Eastern countries to evaluate their cultural traits turned out to be very productive and to overcome different clichés. And this leads us to the

Third, very important characteristics of the DIOSCURI approach – it gives an opportunity to create a complex symbolic map of characteristics of economic culture, situated in spaces, defined in different ways: “West”, “Europe”, “South Europe”, “Mediterranean culture” “North”, “Central Europe”, “Post communist”, “Orient” etc. This could throw light upon the diversity of different cultures in Europe, their mix and oppositions, as well as upon the perception of the “European identity”.

Fourth, nobody who studied economic cultures until now, has put it explicitly in the context of European enlargement and more concretely as a result of cultural encounters. Usually European integration process is perceived as a top down political process and not as a result of horizontal everyday “integration” by cultural encounters.

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### **Research and Education Institutions Dealing with Economic Culture in Bulgaria**

There are no research programs or institutions dealing specifically with the problems of economic culture, but there are persons (as it is seen in the literature review) who have specific interest in that topic. Here are the institutions and persons interested in the problems of economic culture:

Sofia University “St Kl. Ohridski”, Department of Sociology. Sofia, Tzarigradsko Schossee Blv. 125, Bl. 4

Associate Prof. Tanya Chavdarova, lecturer on economic sociology, has done a lot of comparative research in the field. She has proposed a course on the problems of economic culture (*Managing Economic Cultures – a Comparative Perspective*) in the Masters program at the Department of Sociology “Labor Markets and Human Resource Development”.

Associate Prof. Petya Kabakchieva deals with the change of Bulgarian institutional culture in the process of European enlargement. In her course Sociology of the European Integration at the Department of Sociology most of the Bulgarian and comparative investigations in the field of European enlargement are presented.

Sofia University “St Kl. Ohridski”, Economic Department, Sofia, Tzarigradsko Schossee Blv. 125, Bl. 5

Associate Prof. Jelio Vladimirov – several investigations on economic culture

Associate Prof. Tzvetan Davidkov – a longitudinal research on entrepreneurship, as well as on organizational culture with G. Hofstede’s methodology.

Institute of Sociology, Bulgarian Academy of Science, Sofia, Moskovska str. 13 A  
Dr. Dobrinka Kostova – study on economic elites, rural economic culture  
Dr. Velina Topalova – social-psychological study on individualist/collectivist dimension of culture

Center for Liberal Strategies, Sofia, Rakovski Str. 125, A; [www.cls-sofia.org](http://www.cls-sofia.org)  
Dr. Roumen Avramov – several researches on economic mentality and on the specific relations between Western economic institutions and Bulgarian ones during 20<sup>th</sup> century  
Dr. Georgi Ganev – entrepreneurial behavior, corruption  
Ivan Krastev – institutional culture, corruption  
Dr. Daniel Smilov – corruption, administrative culture

Institute for Market Economy, Sofia, Dondukov Blv 82 A; [www.ime.bg](http://www.ime.bg)  
Dr. Krassen Stanchev – research on business behavior, corporate culture, business organizations, migration

University of National and World Economy, Economic Sociology Department  
Dr. Blagoi Kolev – historical reconstruction of economic culture



## **Research and Education Institutions Dealing with the European Integration Process**

Bulgaria has several information centres and institutes dealing with the problems of the European integration. The oldest one is the Centre for European Studies, already incorporated in Ministry of Foreign Affairs; and there is also an European Institute, an Information Centre of the European Union at the Delegation of the European Commission to Bulgaria, and a EU Documentation Centre at the National Assembly.

There are two European Studies departments – one at “The Sveti Kliment Ohridski” University of Sofia, opened in 1999 and covering Bachelors and Master’s degrees with 3 Masters programs; and one at the Technical University – Rouse. There is a Master’s program on European Integration at the New Bulgarian University – Sofia.

## III.2 Croatia

### Vjeran Katunarić

In this paper, three different approaches to the social- cultural prerequisites of transition within a body of economic, sociological and political literature in Croatia are analyzed: reductionist/neo-liberal, contextual/neo-institutional, and relativist/'third way'. Due to several important reasons, mostly economic authors have been observed here.

The first approach either ignores social-cultural facts or re-interprets them narrowly in terms of *homo oeconomicus* of the rational choice theory. The second approach includes a variety of interpretations of social-cultural values (from a modified rational choice version to a constructionist approach). The third approach (where 'relativism' epitomises an extreme version of the neo-institutional concept of 'path-dependency', and the 'third way' means an idea of socialist market economy) has no broader support in mainstream economics in Croatia.

Concurrently, the sociological approaches to transition are articulated more evenly in terms of neo-institutionalism and in terms of the 'third way', whereas virtually no work exists in support of the economic reductionism approach; and the political science approach articulates its own variety of neo-institutionalism, with an aim at explaining the adaptation of institutions of liberal democracy to the cleavage of traditional and modern values in the Croatian society.

The author concludes that this constellation of the approaches by the three disciplines reflects not merely their theoretical and topical differences, but also the fact that economic models are highly applicable mainly due to their economic reductionism.

### 1. Introduction

We start this paper by describing a broader political context, in which economic thought is created in Croatia. The selection and classification of economic studies on transition are described in the second part and explained in three different interpretative modes. Selected economic studies are analysed in the third part of the study. In the fourth part, certain sociological and political science works on transition are analysed by analogy and in a more concise manner. Principal interpretations are outlined in the final chapter, with regard to the socio-cultural dimension of transition.

The reason that more consideration is given to economic literature is based upon the fact that economic thought has a bigger and more direct impact on the ongoing transition policy in Croatia, both at state and company level and leaves its mark on the relationship between science and politics. After all, the same applies to other countries as well. The Nobel Prize is just another proof of the priority of economics as compared to other "soft" sciences. If the trust in economics could be compared to the trust in other social sciences, then it would look somewhat like trust in medical doctors compared to the one in medical herbalists. Politicians are recruited from among social sciences experts probably in the same measure as those chosen from among economists. However, economists-politicians are often politicians-practitioners, whereas in case of social scientists the situation is just the opposite. In other words, when they engage in politics or entrepreneurship, "humanities persons" tend to quit in order to continue their scientific career.

Economists in non-academic positions, including positions in government, are more recognized for their competence. A relatively stronger public authority reaching into other areas of "soft" sciences derives from such a professional authority of economists.

If the question is raised: "What working, business and management values or behaviours prevail in the Croatian society?", although sociologists would be more qualified to make a judgment on the issue, their opinion is less recognized. Better to say, it is recognized exclusively if it corresponds with already defined patterns of economic knowledge and economic policy. Usually, they have a scarce knowledge of economics. The situation is, regarding the sociological knowledge, in fact, similar in the study of economics. However, politics, public administration and entrepreneurship forgive experts their sociological, rather than economic amateurism.

It would be too extensive and inappropriate to present some thirty themes in academic and related literature regarding transition. Besides, it wouldn't contribute to a better, or least of all, systematic understanding of the correlation between theoretical ideas and transitional practices. As an alternative, the review of three guiding principles of interpretation of relations between economy and society in transition aims to answer the crucial question of this research - how the patterns of understanding socio-economic culture in Croatia differ regarding the main theoretical models in economy, sociology and political science.

## **2. Economic – political context**

After 1990, economic policy in Croatia, as in most countries of the former East Bloc, was to abandon theoretical ideas of Marxism and the socialist planned economy. However, the former Yugoslav equivalent of this economic ideology contains certain market elements. Yet, a quasi-market compromise, called "consensus economics", was agreed on in the shadow of state socialism. The new economic idea and economic policy rejected this formula adopting the principles of market economy. However, the transformation was not complete. The principles of market economy were not applied in all areas equally. The crucial question of the state's role in economy seizes back to the socialist era. As a matter of fact, a certain number of economists had criticized "planned economy" as a hindrance to economic development even before the breakdown of socialism. It was regarded as a deterring factor to free entrepreneurship and innovativeness. In this respect, they emphasized the advantages of market economy, naturally with due caution towards the established doctrine.<sup>16</sup>

Although the discussions on economy in socialism developed significant political overtones, they were overshadowed by the crisis of the Yugoslav Federation. Pro-liberal or pro-market economists and conservative or pro-state socialist economists had their own allies among the factions of the political elite, that is in the Communist Party, and in the state apparatuses of the Federation, Republics and provinces. Although the main political conflict between the nationalist and the centralist factions in the Yugoslav Federation was underway during Tito's lifetime, it gradually inflamed even more after his death in 1980. Still, the relations between the political factions and the liberal and the statist economists were not so unambiguous. Both among the pro-liberal and the pro-statism economists there were those leaning to a Croatian option on the one hand and those to a Yugoslav one on the other.

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<sup>16</sup> See: J. Županov, "Tržište rada i samoupravni socijalizam". *Naše teme*, Year 27, No 3, 1983; M. Korošić, *Jugoslavenska kriza*. Zagreb: Naprijed, 1988.

This crucial controversy survived the disintegration of Yugoslavia. Similar economic arguments took hold, to some extent, in the political context of independent Croatia, as well. The economists supporting the free market model and those supporting a more influential role of the state in economy are now confronting each other in the shadow of a political antagonism between the Right and the Left. The old paradox concerning the issue of state sovereignty is being revived. The proponents of a neo-liberal economic policy (more specifically - of a free international sale of Croatian companies), who are present among former communists, nowadays social democrats, rather than the national Right, are regularly labeled, by the latter, as the protagonists of dismantling national sovereignty.<sup>17</sup> However, the concepts were mixed up in this case as well. Not only are left-of-centre politicians inconsistent in their support of free sale or a company's privatization, but also in reducing imports of industrial goods and increasing exports. The policy of growing imports and relatively small exports of industrial products and services characterized both the economic policy of the Croatian right-conservative government during 1991-2000 period and the left-liberal one from 2001 onwards. The export-oriented experts support the unfreezing of the exchange rate and a significant devaluation of the national currency. On the other side, there are those certainly not "less professional" economists, who support the status quo and think that pursuing the export growth model would result in a number of incalculable and harmful consequences. Moreover, a number of liberal economists hold that, in fact, open and free market presents an excellent chance for Croatia and not something the state should be defended from by protectionist measures.<sup>18</sup> Thus, they cannot be credited with holding anti-Croatian views a priori. And vice versa, not all protectionism supporters among economic experts are necessarily wedded to nationalism or right populism. There are examples among them, yet rare, of proponents of the social market and workers' participation in management and self-management.<sup>19</sup>

Anyway, the issue of national sovereignty in economy is a major and valuable question. It represents an exclusive socio-cultural aspect in analyses of transition in many economic works on transition, in the first place, in macroeconomic ones. Other aspects, for instance, the ideas of collectivism, authoritarianism or non-participation within the tradition of Croatian political and organizational culture, are less present in economic literature. Yet, if they are present, they are never related to the sovereignty issue.

### 3. Types of interpretation

The following selection of published works by Croatian economists is divided in three groups regarding the interpretation of the socio-cultural dimensions of economic development and transition. They differ in their basic theoretical or methodological approaches and related political-economical orientations, still with an important note that this relation is not unambiguous and consistent in all cases.

a) Economic reductionism and (neo)-liberalism. The socio-cultural dimension is reduced in these works in favour of absolutism of one specific, most frequently, neo-liberal transition model which defines transition outcomes so far, and/or normatively sets conditions for the success of transition.

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<sup>17</sup> Obvious example is a debate in Croatian Parliament at the end of July about selling of a share in national oil company INA to a hungarian company MOL, when a conservative opposition accused a government of coalition (central left) for a "greatest robbery in the history of Croatia".

<sup>18</sup> D. Mihaljek, "Prilog izradi dugoročne strategije privrednog razvoja Hrvatske". *Financijska teorija i praksa*. Year 24., No 4, 2000.

<sup>19</sup> B. Horvat, *Kakvu državu imamo, a kakvu državu trebamo?* Zagreb: Prometej, 2002.

b) Contextuality and (neo)-institutionalism. Socio-cultural dimension carries causal or co-determining significance which regards, first of all, the comprehension of institutional roles. This proves, as well, that economy is rooted in culture-society and that an economy can develop successfully by taking this into account.

c) Relativism and "The Third Way". The socio-cultural dimension has a priority, whether through explaining the limited range of transition effects so far, and sharing doubts about the possibility of considerable changes in the near future or through suggesting an alternative direction of conducting transition policy, e.g. towards a more social-oriented or solidarity-based model of economy-society, a presumably closer one to the basic values and norms of (Croatian) society.

Such classifications of economic interpretations are legitimate for a number of reasons. First, it is complementary to David Held's distinction of three theoretical solutions for challenges of globalisation: "globalism", "transformationism" and "scepticism".<sup>20</sup> For, transition is nothing else than an attempt to catch up with global trends. Thus, a "globalistic" answer, according to Held, would be that a vast majority of countries or societies would sooner or later be assimilated as a result of globalisation mechanisms, either economic or political and cultural, which would, in the end, lead to a general westernisation of the world. Economic reductionism would be in line with this theory. "Transformationism", i.e. that society and culture selectively adopt changes brought by globalisation would be in line with the interpretation by "contextualists", i.e. "institutionalists" in this case. The proponents of the third answer to globalisation, "scepticism", raise suspicion of a possible successful adaptation of most non-western societies to the globalisation process. In this paper, this would be in line with the "relativistic" viewpoint.

Apart from this, the classification mentioned above is, to a large extent, defined within a scientific discipline framework. Economic interpretations on transition, at least in the Croatian case, pertain mostly to the first, more rarely to the second and most rarely to the third group with education being the actual cause. Most economists rarely visit sociological, cultural and other related fields. Usually, this shortage is compensated by interdisciplinary cooperation between economists and sociologists. Yet, this situation arises infrequently.<sup>21</sup> Therefore, economic reductionism is rather a sign of limited knowledge of non-economic facts (which effect economic activities), than the original theoretical position or a firm belief in favour of neo-liberal solutions in the "shock-therapy" manner.

Furthermore, there are differences, sometimes significant, among "reductionists", "contextualists" and "relativists" respectively. However, when it comes to comprehending the relations between economic and other processes, in the context of Croatia particularly, the differences tend to diminish.

It is known that economic reductionism is related to neo-liberalism, a neo-institutionalist comprehension of economy to modern social democracy and relativism to neo-socialism/neo-communism, ecologism and similar orientations. However, as it was emphasized before, the disciplinary framework of economics obscures this relationship. The connection with a particular policy model is not unambiguous, even in the cases of theoretically more developed interpretations. Some authors, for instance, are sceptical about the effects of a broader public engagement, on both the economic and political level, following a typical positivist principle

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<sup>20</sup> D. Held, et al., *Global Transformations*. Cambridge: Polity Press, p. 15.

<sup>21</sup> See: M. Meštrović and A. Štulhofer, ed., *Sociokulturni kapital i tranzicija u Hrvatskoj*. Zagreb: Hrvatsko sociološko društvo, 1998.

of value neutrality. Therefore, they rather tend to relativise then optimise the practical aspects of economic theories and models.

Ultimately, a broader context should be taken into account, as well. From the beginning of 1991 until the middle of 1995, Croatia was engulfed by war and aggression. The war caused grave economic damage and severe political consequences for the country, what, as compared to the neighbouring Slovenia for instance, significantly slowed down the process of integration into the European Union. In many works on transition, particularly in the first half of the 1990s, this was considered to be the main impeding factor for transition. Accordingly, the reductionist approach and neo-liberalism are a rare case. However, among the majority of economic experts and other experts as well, the idea that the government policy caused more damage than the war itself became popular over time. Actually, the government used the state of war for imposing and implementing a questionable privatisation model in the economy. Simultaneously, the war deadened public sensibility to economic hardships. Companies were shut down and established against all economic logic. According to a reductionist interpretation, these interventions represented a false liberal policy, which served, in fact, as a screen for paternalisms and clientelism policy.<sup>22</sup>

#### 4. Work Analysis

The following analysis is of a strictly descriptive character. This implies that the presented interpretations would not be evaluated with regard to their explanatory and predictive power nor to their moral-practical or political values. The goal of the entire project, in the first place, is to find more adequate interpretative frameworks. Another one is to define the extent to which they include sociological aspects of transition. Until then, paraphrasing Emile Durkheim, "heart beats" should be disregarded.

##### 4.1 Economic Reductionism and (Neo-)Liberalism

Nevenka Čučković and her work on ownership structure in Croatia<sup>23</sup>, does not represent a typical, least of all, an average example of economic reductionism in Croatia, since she uses non-economic terminology and facts more often than the majority of other economic analysts. Therefore, she is not "ignorant" in her reductionism. Her chief arguments, as well as the manner they are presented, are typical for this orientation, in both Croatia and the world, and could be considered as representative. This applies to the theme of her work as well, since it comprises relevant features of economic transition, the impact of the ownership structure on the quality of conducting business policy in companies. She proves that only a specific ownership model would be adequate for efficient management. This could, on no account, be an ownership model resembling or deriving from a pre-transition state, for instance from self-management in Croatia. With regard to this, the author distinguishes three different ownership models, which would be in line with progressive evolution in transitional countries. At the same time, she refers to a series of empirical research projects.

The first ownership model is a majority (internal?) ownership or share ownership. This is the earliest, but the least efficient ownership model because, as the author says, majority owners

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<sup>22</sup> See "‘Liberalizam’ u vodenju ekonomske politike", in: M. Meštrović, ed., *Globalizacija i njene refleksije u Hrvatskoj*. Zagreb: Ekonomski institut, 2001, p. 149-164.

<sup>23</sup> N. Čučković, "Utjecaj postprivatizacijske vlasničke strukture na kvalitetu korporacijskog upravljanja u Hrvatskoj", in: D. Čengić, I. Rogić, ed., *Upravljačke elite i modernizacija*. Zagreb: Institut društvenih znanosti Ivo Pilar, 2001, p. 213-240.

"rarely opt for dramatic costs cuts by fall and reorientation in production and employment decrease, much less for an in-depth and proactive market restructuring...". Another ownership structure includes the majority owners coming from outside the company. This model produces poor results, mostly due to heavy progress payment imposed on new owners. The third model, where a foreign investor dominates in the ownership structure, appeared to be the most successful one. It "often introduces the greatest innovations in the improvement of managing such companies, introduces new code of corporative business conduct, new business and ethical norms, financial discipline and alike. However, the major improvement was in a more precise defining of business policy and the idea of restructuring policy..."

Naturally, the advantages of a strategic foreign investor could be discussed only within microeconomic framework, and exclusively in certain segments. Other external effects of measures, like dismissal of a number of employees, are not necessarily of positive qualification. Čučković knows it, yet holds it to be a macroeconomic policy problem, social as well, and a problem of series of other policies within the competence of the government. In line with the neo-liberal approach, she expects that the spread of foreign strategic private investors will lead to an overall employment increase and, in this way, to a higher living standard and social security of the population. Besides, according to the author, the state should not interfere in that, presumably, spontaneous growth and development process by assuming any managing authority in the economy. Indeed, the state should privatise the economy, as soon as possible, in line with the third pattern of ownership.

During the first rule of the Croatian Democratic Union (HDZ), a narrow circle of new private owners, better known as "tycoons" was established. Even worse, they got hold of a great ownership share, in most cases, without initial capital and in an irregular way. At the same time, even after ten years of privatisation, the state's residual portfolio of companies was relatively large. Besides, the state mismanaged its companies, like the new owners also managed theirs badly. For the author, this proved to be another justification of the neo-liberal thesis that the state is a bad "businessman" and "a major cause to start with...the privatisation process". Čučković provides successful examples in Croatian telecommunications, banks and insurance companies where a good or considerable part of shares is in control of foreign owners. Still, there are relatively few cases of such kind.

She mentions various sociological works where it is suggested that the general public thinks unfavourably of the privatisation process. She blames Croatian authorities for this due to the wrongly chosen privatisation model. Therefore, she recommends "a better institutional organization and transparency of further privatisation measures", and most significantly, "the elimination of all obstacles to a larger foreign owners' participation". Regarding the measures for development of various kinds of markets, she puts the measures for "a further capital market development, as an essential factor in monitoring, evolution and redesign of post-privatisation ownership structure" first. That is, the main idea of the author, which is extracted from the analogy of the successful examples of privatisation in other transition countries, mainly Hungary, so this procedure may be considered a homological argumentation, too. The reason for that is that the author is convinced that under the same or similar institutional conditions (economic policy measures included) the chosen forms of privatisation of business through foreign strategic investors (and owners) have proven highly optimal in the economy.

In this group of works, two articles of Velimir Šonje certainly belong to the theoretically updated ones. One of them deals with the relationship between economy and sociology. Therefore, it will be less dealt with in this work, only in as much as it is needed to

comprehend the author's main orientation. The second work exposes what the author considers to be the quasi-liberalism of Croatian economic policy.

In the first article<sup>24</sup>, the author emphasizes the fact that Croatian economic policy has serious scientific deficiencies, which are related not only to theoretical frame but also to methodological techniques, particularly deficiencies in interest and competence for interdisciplinary dialogue and research. However, he considers the first results in that field to have been reached. Due to the cooperation between economists and sociologists, there has been a step forward in the comprehension of "socio-cultural capital" as "a group of informal norms which influence the individual choice and which are influenced by the individual choice reversibly...". Nevertheless, the author seeks only arguments that can reinforce the thesis of the essential advantages of the liberal economy compared to the economies controlled by the state or the self-governing collective from the era of Yugoslav socialism.

In the second article<sup>25</sup> Šonje proves that the disruptions on the path of spreading liberal economy - theft, bank collapses, corruption, mistakes in privatisation, feeble export results - "cannot be related to the introduction of the free market and political democracy". In contrast, he claims that disruptions are a result of the survival of non-liberal or anti-liberal forms of the economic and political regime. It can be assumed that it is similar to the old habits, i.e. socio-cultural capital based on paternalism and group cohesion that favours nepotism all the way to ethnic and national exclusion. It is therefore obvious that the author ascribes a certain ideal purity to liberalism.

Šonje described the Croatian experience of transition, particularly in fiscal policy, in the same way: as a result of increasing public consumption opposed to employment, private initiative, investment and economic efficiency in general. He therefore notes the John Stuart Mill's axiom: the power or capacity of the state must be as limited as possible. The example of Croatian trade policy illustrates that very precisely. During 1990s Croatia had a typically "small and closed economy" which compared to other countries (Slovenia, Bosnia and Herzegovina, Hungary and Austria) had the highest level of protection. The same attributes mark almost every other economic area, labour market included. The level of regulation of labour market in Croatia exceeded that of all other countries that have actually or declaratively implemented liberal standards. There are some exceptions in banking and the monetary market. Nevertheless, their liberalization has not been transferred to other areas. Accordingly, the author concludes that a liberal programme is yet to be introduced in Croatia. That conclusion places the author among those with a reductionist approach to transition, which implies, that all sectors of economy, state and society should support economic liberalisation. The still not liberalized parts of the whole system, i.e. the public sector in general, should be reduced to a minimum, actually to a function, which directly or indirectly supports the liberalisation of economy, while anti-liberal ideas and forms of behaviour that derive from collectivism and similar characteristics of the socio-cultural matrix of Croatian society, should be reduced or gradually replaced by individualism, competitiveness, risk-taking and similar characteristics.

An extensive article by Dubravko Mihaljek "A contribution to a long term strategy of the development of Croatia", published in 2000<sup>26</sup>, is the very peak of interpretation in a manner of

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<sup>24</sup> V. Šonje, "Trebaju li ekonomisti i sociolozi razgovarati o ukusima?", in: M. Meštrović i A. Štulhofer, ed., *ibidem*, p. 143-156.

<sup>25</sup> See note 6.

<sup>26</sup> See note 3.



economic reductionism because it indicates what kind of social and human capital is needed to secure a minimum adjustment to the principles of the "Washington Consensus".

According to him, crucial weaknesses of Croatian economy are unclear priorities of development policy (i.e. whether economic growth or employment and social consensus is in the foreground), too many interest groups, lack of management skills, poor demographic trends, obsolete production and information, small share in private sector and undeveloped market institutions. His other claims are general and drawn from development successes and failures throughout the world. There has been a number of certified solutions on a way to a successful development, from the determined political leadership to the development of natural factors such as human capital (with an emphasis on the education of talented individuals), technology and institutions; comparative advantages have been restricted to a component production, more financing has been done by securities and shares, the labour market has been deregulated and made more flexible (collective contracts are diminishing in favour of individual wage contracts); and finally, macroeconomic stability, legislative security in the context of deregulation, and privatisation through foreign investors and growth of a new private sector was achieved.

What characteristics of social capital are required to perform such a development leap? The author quotes works (Fukuyama, Landes, Adelman, Wade, Putnam and others), which indicate the correlation of social trust and economic growth in traditional social settings inappropriate, except in Southeast Asia, since they tolerate clientelism and corruption. In contrast, Western societies have built a civic culture - that is primarily related to overlapping group identities and memberships in organisations - which favours social and spatial mobility and mental openness towards new information and new knowledge, and at the same time efficiently diminishes corruption and crime. Such social capital goes hand in hand with dynamic distribution and specialisation of knowledge and work abilities.

Mihaljek cites works which describe the characteristics of social capital in developed and undeveloped countries, without analysing their genesis, and offers, as Alejandro Portes comments, tautological explanation - civic and uncorrupted relations are such because they are such.<sup>27</sup> Mihaljek offers two other explanations and one advice for the existing policy action in Croatia. The first explanation is quasi-sociological and it states that in Croatia the size of the middle class is too small in comparison with Western societies. He describes it as a heterogeneous class that cannot accept a common development concept. He derives the second explanation from the results of the research of a Croatian sociologist Aleksandar Štulhofer, which indicate a low level of confidence of Croatian citizens in the legal system and the Government. In this example Mihaljek's explanation is not circular as that of Putnam, but is in a way endogenous. He claims that following a not too long period of time, the legal system can be made (more) efficient, and the Government a more reliable executor of legal norms and decisions.

The author states that the process of change should be initiated in order to make it self-sustaining. Changes in the judiciary, the inspection control of public companies and institutions and similar legal measures are necessary but not sufficient to reach success in economic terms. Therefore, at the same time, the old economic organism should be cut down. The author recommends many actions simultaneously, three of which are most important: to reduce work expenditure, to transfer part of the health care expenses from companies to the population, and to bring a number of measures to stimulate the development of the financial

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<sup>27</sup> A. Portes: "Social Capital: Its Origins and Applications in Modern Sociology". *Annual Review of Sociology*, Vol. 24, p. 1 – 24.

markets. He illustrates rewarding effects of such measures with the examples of Ireland, Great Britain, Denmark, Canada, U.S.A, Poland and Hungary.

Although such argumentation opens a discussion on a number of issues, including reliability of such comparison, evaluations of such kind do not belong to this discussion. The conclusion to be made is that Mihaljek's article presents an overall contribution to the reductionist economic view of transition in Croatia.

The most ambitious answer so far, perhaps even the most feasible one from the economic policy point of view - although not necessarily the most successful one - is provided by this interpretation of economical transition. First of all, its authors consider that there is a unique scale of development, from the traditional economy-society to the modern economy-society. The second postulate states that lagging behind on that scale can be compensated in an innovative way, since there are no different or, as Mihaljek puts it, "idiosyncratic" ways of development, least of all some "national" invention of the successful development. Third, Croatia is on the lower half of that scale of development. Fourth, it should institutionally in "look up" to the countries, which are ahead of it on the scale.

This mode of interpretation adequately rounds the proceedings under the title *Croatian Accession to the European Union – Economic and Legal Challenges*, edited by Katarina Ott. They include some of the above authors (Mihaljek and Šonje)<sup>28</sup>. The notion of economic reductionism, i.e. neo-liberalism, was to a great extent illustrated by the editorial of the volume. In answering the question: "what are the virtues and what are the faults of the transition process?", Ott concludes: Croatian advantages include the chance for long-term economic growth and investment efficiency, low rate of inflation, a stable currency, a good banking as well as taxation system. A relative advantage is a large agricultural land, although it is fairly fragmented and uncultivated. Finally, there has been a great deal of cooperation between the Government and the NGO's lately.

However, there are many more shortcomings: a low percentage of the private sector in GNP, high budget deficit, huge public debt, undeveloped market of securities, rigid monetary policy, dependence of the economy on state subsidies, high external trade deficit. However, the greatest shortcoming of the Croatian economy is its general non-competitiveness compared to international economy. A great number of regulations, most of them obstructing entrepreneurship and innovations, especially foreign investments, are contributing to that.

Although there is no such conclusion in the Proceedings, a conclusion imposes itself that the faults of the Croatian economy are deeply rooted in inadequate institutional surroundings, first of all state bureaucracy and luxury, which illustrates an old socio-cultural background, i.e. collectivism, authoritarianism, and anti-individualism respectively. Contrary to that, the individual initiative and entrepreneurship have been partially liberated due taxation policy on one hand, and by non-governmental activities on the other.

#### **4.2 Contextuality and (Neo)Institutionalism**

Vojmir Franičević examines possible limits of economic reductionism. He refuses economic reductionism as "economic imperialism". Franičević also uses the abstract term of an

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<sup>28</sup> K. Ott, ed. *Croatian Accession to the European Union. Economic and Legal Challenges*. Zagreb: Institute of Public Finance, Friedrich Ebert Stiftung, 2003.

"economic man" and supports "economic institutionalism"<sup>29</sup>. Along with that, he points out the main problem of neo-classical economics to be the "reduction of context", since it selects only normatively presumptive or "the best conditions" while neglecting the other, real conditions. Therefore, the author emphasises uncertainty and the need of "adapted rationality", so precedence goes to institutions instead of calculating individuals. He also assesses, referring to the works of Geoffrey Hodgson and Mark Granovetter, that more than ever before, the engagement of sociology, psychology, anthropology and other knowledge in culture and society is needed in order to understand the business of institutions. Franičević relates the meaning his criticism with the transition approach, inviting the economists to a dialogue with the scientists in humanities in order to elaborate "post-social reality" and "formulate the policy of post-social societies".

An approach of a similar kind, named "an evolutionist institutional approach", was elaborated by Maja Vehovec.<sup>30</sup> This approach "stands for the harmonised action of formal and informal institution, using the (flexible) existing institutions and developing (actively, but not aggressively) new institutions". The author illustrates that statement with the example of China, while the countries of Eastern Europe mostly acted according to the Washington Consensus which came down to "shock therapy". However, that consensus modified as time went by, thus many countries rejected such a rigid formula. First to do so among transition countries was Slovenia.

Vehovec goes on proving how disrespect of the institutional rules does not reduce, but instead increases entrepreneurial risk, transaction costs and bad economic probabilities. For that reason, she emphasises the importance of "informal institutions". These are rules which originate from the "sense of duty, compassion, tradition, religious beliefs... ". She also notes that the "the society, in which the changes of the formal rules have been in compliance with the dominating informal rules, managed to decrease transaction costs and vice versa". In order to clarify the difference between the "friendly" and "non-friendly climate" towards entrepreneurship (since, e.g. illegal activities can also be done with minimum transaction costs, the author takes the example of China and East-European countries again. In the first case, the entrepreneurs precipitate with new investments, while in the second they give up. As far as Croatia is concerned, the author finds that young people have a more sceptical attitude towards the world of business than elderly entrepreneurs. She explains the attitude of young people with the ten years of experience in transition, which is mostly negative. Out of all this, she draws an empirical conclusion that "success of entrepreneurship is a result of interactions between formal and informal institutions". Such conclusion clashes with the neoclassical approach and economic reductionism, since the latter neglects the actual experience in establishing a relationship between the business world and the social community.

Small countries in general, and small transition countries in particular, can reach comparative advantages in the global economics. However, finding an appropriate market niche brings them into a great risk. With this general statement, Ivan Teodorović begins his analysis of economic behaviour of Croatia in global context.<sup>31</sup> He states that Croatia compared to other transition countries had a better opportunity to accelerate the transition, but she missed that chance. Only partially did the war have an impact on that, he claims. He sees the first reason in the triumphant behaviour of the first party winning the free elections (HDZ), it's ignoring

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<sup>29</sup> V. Franičević, "Problemi s racionalnim čovjekom: prema institucionalističkoj rekonstrukciji ekonomske teorije", in: Meštrović and Štulhofer, ed., p. 37-60.

<sup>30</sup> M. Vehovec, "Evolucijsko-institucionalni pristup razvoju poduzetništva", in: D. Čengić, M. Vehovec, ed., *Poduzetništvo, institucije i sociokulturni kapital*. Zagreb: Institut društvenih znanosti Ivo Pilar, 2002.

<sup>31</sup> I. Teodorović, "Tranzicijski proces u globalnoj okolini", in: M. Meštrović, ed., p. 133-148.

the "European standards", which led to a conflict with the international community, isolation, disobedience to the Law, corruption, nepotism, etc. The second reason for the transition delay is a non-persistent economic policy, its biggest mistake being a privatisation formula, which was not only insufficiently planned before it was implemented, but also had a non-transparent legal application.

The worst consequence of that was the transformation of profitable business into "problem companies", while big public companies (owned by the state) were at the same time protected from the structural changes. That created an illogical and morally problematic economic situation. The author also notes the great discrepancy between relative poverty, measured at 10% (according to the standards of World Bank), and subjective poverty (80% of Croats considering themselves to be poor). Teodorović claims that the citizens expressed their discontent with the economic policy of the transition in the elections of 2000. When HDZ lost. He suggests a "social pact between the trade unions, employers and the government in order to continue the reform under the conditions of social stability. Furthermore, he considers business reconstructing according to the rigid criteria of competitiveness as inevitable as the painful increase of unemployment and relative poverty. However, he claims that it has to be temporary or as short as possible since the social costs of transition are essential for each political barometer, successful economic development is unthinkable without a social balance, i.e. righteously distributed burden of transition.

The main idea of Zvonimir Baletić's article, dedicated to the critique of the "liberal doctrine"<sup>32</sup> is a dispute about who makes a greater contribution to devastation of economy and growth of poverty: economic liberalism or its opponents in economic policy. The author gives the example of Croatia, in which the destiny "debt economy" repeats itself constantly. Croatia accepted the liberal doctrine of the free market, actually "a simple model" full of controversy and inconsistency, which turns a blind eye to the real life of economy and society, i.e. economy in society. The author also speaks of "the forgotten Keynes" and all the other easily forgotten in the wave of liberal anti-statism. The consequence of that is that Croatia was unprepared when it entered the insufficiently transparent world of great market powers and networks of interest. In other words, the greatest sin of economic transition policy in Croatia is its liberalism. However, there is still an unanswered question whether a statist economy would have better results and what specific ways would obtain that.

### **4.3 Relativism and "The Third Way"**

Ivo Bićanić starts off by saying that Croatia was stagnating for twenty years and is exhausted by reforms and transformations, while its "public was not aware how demanding these processes have been"<sup>33</sup>. He also claims that economists often do not differentiate between "integration" and "convergence". In order to clarify the difference between these two processes, the author introduces the distinction between the "real" and the "nominal". The real convergence of the less developed economies with highly developed economies needs a "point of discontinuity", in other words a powerful takeoff to a higher orbit. Usually, there is no such thing or there has not been one for a long time. Thus, in the last ten years or more, there has not been any convergence between the economies of the Southern and Eastern Europe economies with those in the EU and OECD (Turkey not included). Croatia has been in

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<sup>32</sup> Z. Baletić, "Pogrešna koncepcija stabilizacije", in: M. Meštrović, ed., p. 185-200.

<sup>33</sup> I. Bićanić, "Einige Probleme und Grenzen nominaler und realer Konvergenz der kroatischen Wirtschaft", in: B. Weber, S. Dvornik, Hrsg., *Kroatien ein Jahr nach dem Umbruch – erste Bilanz*. Fachtagung. Berlin, 23. bis 25. Februar 2001, Dokumentation. Zagreb: Heinrich Böll Stiftung, 2001, p. 33-44.

a similar situation. In the last 100 years its growth rates have been low or negative, with the exception of relatively short periods when the growth rate was approximately 5%. "All things together, the development scale of Europe shows that Croatia was at the same place on that scale 130 years ago i.e. around the year of 1870 as it is now". Its economy is not open, the investments in human resources are poor, its share of investment in GDP is small and it has a relatively high percentage of budgetary expenditure.

On the other hand, nominal convergence pertains to subjective matters, i.e. the political goal of development, and the attempt to bring the institutional system of its implementation closer to those in the developed countries of Europe. Bićanić takes the *acquis communautaire* of the European Union as an example and warns that the application of these regulations presents a true shock for the economy.

What is more, within the same package, there is a multitude of "soft variables" which cannot be precisely measured in economic terms, compared or evaluated, such as "social capital", "establishment of institutions", "rule of law", "absorption capacity", etc. Finally, the most important thing is that neither economists nor anybody else knows "the secret of the economic miracles", i.e. ways in which the country should be pulled into or pushed towards a higher orbit of development, or, according to the author, how to translate nominal convergence into real? His conclusion is a sceptical one. It is hard to say how realistic it is, but it must be relativistic in the sense that it reminds the reader of the centre and periphery theory. However, it has nothing to do with Marxism, but with a sceptical, and, to a certain extent, pessimistic kind of neoclassical theory. Unlike neo-liberal optimism, this interpretation is based on "hard" facts. In a more general sense, it can be identified as multi-directional evolutionism. Nonetheless, as opposed to the relativistic aspect of evolutionism that, above all, refers to historical types of societies and cultures, this one deals with future in a not at all consoling way, both in economic sense as well as in ethical one.

The only author who draws an optimistic conclusion from multi-directional economic evolution is, at the same time, the most renowned Croatian economist Branko Horvat. Nowadays however, unlike in the 1970s and 1980s, he stands alone. The success and popularity of his concept, both in ex-Yugoslavia and the rest of the world, could be explained by the support he had not only among the ranks of the communist party, but also by the fact that a form of self-governmental economy did exist then, and, as Bićanić said, was "nominally" very promising.

What does Horvat's theory of "self-governmental market economy" represent today, taking into consideration the collapse of former Yugoslavia and the controversial political and economic reality in Croatia? What Horvat's opinion of the transition in Croatia is and how he connects it with his main theoretical concept is evident in his book from 2002 entitled *Kakvu državu imamo, a kakvu državu trebamo? (What State Do We Have, What State Do We Need?)*<sup>34</sup>. It is worth mentioning that the author's theoretical works written during the last ten years, including two books in English,<sup>35</sup> were published abroad.

The present effects of transition are regarded as a failure by the author. First of all, this refers to privatisation and an overall concept of transformation into a capitalist economy. According to him, Croatia is presently further away from Europe than it was in 1989. As for the primary orientation of economic policy of the government of Croatia towards "foreign capital entering

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<sup>34</sup> B. Horvat, *Kakvu državu imamo, a kakvu državu trebamo?*. Zagreb: Prometej, 2002.

<sup>35</sup> B. Horvat, *The Theory of Value, Capital and Interest*. Aldershot: E. Elgar, 1995; B. Horvat, *The Theory of International Trade*. London: Macmillan, 1999.

the country", Horvat perceives it as demagogic, because during socialism Croatia was developing more rapidly than the majority of developed European countries. Nowadays, however, when the almost entire banking capital is foreign-owned, says Horvat, no part of it is being reinvested into the country's development. At the same time, following the path of "market fundamentalism", Croatian external trade deficit has been increasing, the overvalued currency has been destroying domestic production, as well as decreasing the standard of living, increasing unemployment and restricting social rights.

These diagnoses coincide a great deal with the diagnoses of neo-institutional economists. This, of course, does not apply to capitalism, since Horvat, unlike neo-institutionalists, perceives it as not only an unjust but also an ineffective economic system. What significantly distinguishes Horvat from them are his proposals about what needs to be done concerning economy policy? He gives numerous suggestions, two of which seem crucial, setting him apart from other renowned economists, in both Croatia and the countries of former Yugoslavia. The first refers to economic integration with the neighbouring countries, that is former Yugoslavia, Bulgaria, Romania and Albania. It is an old concept of Horvat which, however, never fell on fertile ground in this area. He deems that a customs union and a common market on the Balkans would solve many economic problems these countries have.

His idea is based on the assumption that Croatia will not become a member of the EU even within the next 20 years, so it is preferable to create new unions which would be more prosperous if both Croatia and Zagreb are concerned (he calls Zagreb "the new Bruxelles in the Balkans"). Second, he proposes a drastic devaluation of national currency in order to stimulate exports. In order to decrease hazardous consequences of such a turning point, including high inflation, he suggests a revitalisation of economic planning which would resemble that under Yugoslav socialism. In short, Horvat dismisses as a dogma the notion that private economy is definitely more efficient than the state economy. As an example he provides Renault, supporting the rehabilitation of the category of "public property" which he regards, contrary to the prevalent doctrine, as the main form of property ownership of companies. Finally, he supports a socialist market, in which ownership and management rest on economic democracy, which he regards to be the best way to correct market failures.

Such interpretation obviously implies the superiority of the collectivist socio-cultural pattern, contrary to the reductionist or neo-liberal interpretation in which it is the biggest socio-cultural shortcoming of transition.

#### **4.4 Macroeconomic Strategy**

Croatian macroeconomic strategy for the period 2001-2015 coordinated by Željko Lovrinčević was adopted both by the Parliament and the Government of the Republic of Croatia<sup>36</sup>. The document has been singled out here for two reasons. Firstly, it gives a more definite shape to the main bulk of economic expertise in Croatia. Secondly, it represents a compromise between neo-liberal and neo-institutional approaches.

The compromise is reflected in a number of suggested measures. Some of them contradict, by their very nature, other kind of measures. However, not a single kind of measures is given absolute priority over another, which is, by all indications, deliberately made. This is best shown in the chapter on the measures to be taken in the labour market, where it is stated that

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<sup>36</sup> *Hrvatska u 21. stoljeću – Makroekonomija*. Ed. Ž. Lovrinčević. Zagreb: Ured za strategiju razvitka Republike Hrvatske, 2001.

Croatia has a relatively high cost of labour. Therefore "the increase in real wages should be smaller than the increase in labour productivity". The experience of the Netherlands and Ireland is taken into consideration in this matter. It proves that such a wage policy can also be adopted through social consensus among the trade unions, the employers and the government on the national level. On the other hand, if it is impossible to reach such agreement, the government should take control over the sum-total of wages in the public sector. It would be "desirable that the private sector is also governed by the principle, according to which the increase in wages would be slower than the increase in productivity".

The macroeconomic strategy document is of special interest for this literature review because it indicates the results of sociological research about "socio-cultural barriers" and "socio-cultural advantages" of Croatia. Barriers include a tendency towards egalitarianism, state paternalism, low level of civil participation and high level of opportunism (e.g. towards tax evasion and corruption). Advantages include regional differences concerning development and culture, "triumphant self-confidence" which came as a result of the recent experience of war, and work as well as professional experience of Croatian emigrés.

Even though the socio-cultural advantages are formulated less clearly than the shortcomings, there also exists an obvious effort of strategic thought to achieve balance and compromise between perceived oppositions. The fact that the result is eclectic on analytical and normative, i.e. applicative level, may not seem strange or be regarded as substandard. At present, not only economic thought, but also interdisciplinary, socio-economic thought has not given better results. Finally, economic policy practice in Croatia and in other transitional countries, shows a multitude of inconsistencies, making so many compromises that cannot be absorbed and organised into a coherent conception. This particularly refers to strategic application of past experience and knowledge. According to Popper, there is too much historicism disguised as comparativism, which is, as well as historicism, full of unreliable analogies (about transitional or developmental success and failure).

## **5. Sociological and Political Science Literature on Transition**

The theoretical frameworks of sociology and political science in Croatia have undergone a change similar to the one economic frameworks experienced with the change of the political regime. In the majority of works, Marxist frameworks, influenced by the official ideology of self-governmental socialism, were abandoned and replaced by other comparably heterogeneous theoretical frameworks: functionalist, phenomenologist, rational choice-oriented, and, of course, by the ideology of liberal democracy. In addition to that, similarly to economic literature, in social sciences there is no consistent approach towards the question of national sovereignty. Sociological literature answers that question in two ways: value neutrally - influenced by objectivism which makes a clear distinction between analysis and practical policy measures, and contrary to that, with a certain value orientation advocating either comparative models of development or new visions and solutions (especially when it comes to ecological/environmental issues. Literature on political science, however, uses theories and practices of Western democracies as a model for political transition.

### **5.1. Some Insights from a Sociological Perspective**

In this period sociological reflection serves the explanation of changes in society, rather than the application of knowledge or expertise with a purpose of policy action aiming at reform of institutions, whose goal is to influence (through media and education) the transformation of

activities in society towards civility, democracy, righteousness and other values of a contemporary European community. Even though, for example, some sociologists mentioned below participated in the creation of The Strategy of Development of the Republic of Croatia, issued by the Government of the Republic of Croatia, especially in drawing up the document's preamble and sections on social and cultural policy<sup>37</sup>, this long-term framework of development remains incomplete and inconsistent, while current policy goes on, governed by its own short-term logic.

From the overall supply of sociological and political science literature, works closely related to the theme of socio-economic culture have been chosen for this analysis. Due to the fact that this theme is under-represented in works on political science, their presentation will be shorter compared to sociological works.

Among Croatian sociologists, Aleksandar Štulhofer is the one dealing most with the theme of socio-economic culture. At the same time, he is most inclined towards economic reductionism, even though he primarily perceives it as an appropriate form of methodological individualism and exactness. He finds an important methodological advantage of economic reductionism in the theory of rational choice, as opposed to functionalist and other sociological theories oriented towards normativism or institutionalism. From this standpoint, he discussed the notion of socio-cultural capital in his book *Nevidljiva ruka tranzicije - ogledi iz ekonomske sociologije (The Invisible Hand of the Transition: Essays in Economic Sociology)*, especially regarding the transitional economy of Croatia.<sup>38</sup>

Applying a less orthodox variant of the theory of rational choice which acknowledges the influence of institutions and cultural codes on human behaviour, Štulhofer devised a model for analysis of the "evolution of socio-cultural capital", relying on Putnam's conceptual framework. In that way, he makes a distinction between "horizontally" and "vertically institutional socio-cultural capital". The former one prompts willingness to cooperate, reciprocity, solidarity (in the sense of 'civility'), high confidence in institutions and participation in public policy, institutional stability and economic efficiency, while the latter results in unwillingness to cooperate, distrust, cynicism, authoritarianism and force. He does not explain, like Putnam, how to get from the latter circle (which he denotes as "magic") into the first circle of development. Warning that for evolutionary analysis there is no point of reference in longitudinal research, Štulhofer conducted instead a comparative analysis of socio-cultural capital in Croatia, Slovenia, Hungary, Poland, Romania and Bulgaria. The results show that the average level of socio-cultural capital in Croatia is approximately the same as in the other countries, but still substantially lagging behind developed European countries. What is most important, 'civility' is under-developed in Croatia among the majority of population, particularly among senior citizens. As a result, the majority of population has a negative attitude towards the results of transition. Nevertheless, the author concludes that "negative evaluation of transitional achievements should be ascribed to situational factors, i.e. reaction to transitional reality and policy which shapes it, and not to cultural inertia (legacy of the past system)"<sup>39</sup>.

The author suggests several measures which would encourage a stronger 'production' of propensity to civility in Croatian society and discourage cynicism and opportunism. These

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<sup>37</sup> See: <http://www.hrvatska21.hr>.

<sup>38</sup> A. Štulhofer: *Nevidljiva ruka tranzicije – ogledi iz ekonomske sociologije*. Zagreb: Hrvatsko sociološko društvo, Zavod za sociologiju Filozofskog fakulteta u Zagreb, 2000.

<sup>39</sup> Also, p. 128.



include: objectivity and independence of media, media campaign against corruption, partial revision of privatisation, professionalization of public administration, transparency of political decisions concerning the economy and consistently giving prominence and sanctioning personal and hierarchical responsibility for malpractice. Naturally, most of these measures are contained by the pre-election programs of most political parties with no further result.

A leading Croatian sociologist Josip Županov explains such an outcome, as a consequence of the activity of "the elite of deindustrialization" in the last ten or so years, which has been turning enterprises into an "empty shells".<sup>40</sup> A business unit is legally registered, while economically degraded or disabled for production. In that way, instead of *profit-seekers*, *rent-seekers* are in the foreground. Furthermore, the elite becomes "de-scientified", since the "great coalition" of the political elite with tycoons and their managers makes science as well as similar intellectual services needless. At the same time, the administrative system has been "balkanised", which means that "the great coalition" is corrupt to a great extent, providing administrative service to power-wielders and new rent-seekers. After all, society is being "retraditionalised": thanks to the "spiritual revival" and desecularization campaign, the religious (Roman-Catholic) elite regains its strong public influence, while in diffuse pores of society, a rural, *Gemeinschaft*-type of social networks is being restored. On the other hand, according to Županov, the wave of technological modernisation constitutes a positive change in Croatian transition, which primarily means broad acceptance of new information technology, upsurge in individualism and acceptance of liberal and democratic values in general.

Unlike Štulhofer, Županov does not propose any policy measures aiming to improve modernisation in Croatia, but sticks to scepticism. He says that "only high-quality management elite", having more experts than it has now, "and well-thought moves in economy and other domains of politics", can bring society to a higher level of development, noting that he is not sure whether the new elite (after the elections of 2000) possesses those qualities<sup>41</sup>.

Drago Čengić conducts a thorough research of management elites' qualities in the Croatian economy. Županov's assumptions are largely substantiated by the results of his study of managers and members of supervisory boards in businesses undergoing the process of transition. According to these results<sup>42</sup>, the majority of Croatian managers are trying to increase their ownership stakes in companies. Their next preference is a rigid proprietary model of corporation. However, the work of managers is often controlled by supervisory boards, but a personal union between the owner and the leadership of the supervisory board is also in practice. Nevertheless, the worst findings of Čengić's study refer to attitudes of the majority of owners and members of supervisory boards towards remuneration, stating that it is not supposed to depend on the financial success of the enterprises. In addition, in analysing the relationship between the degree of concentration of ownership and financial success, the author finds that successful businesses are not necessarily the ones with a small number of owners. On the other hand, only a small number of managers think that a larger concentration of ownership contributes to management and conducting business. Despite that, in successful businesses the ownership structure is being stabilised. However, it should be emphasised that, according to Čengić's analysis, the least successful businesses are publicly owned, i.e. their supervisory boards for the most part consist of the representatives of state, while there is only a small number of representatives of banks and other companies. Moreover, the state has

<sup>40</sup> J. Županov: "Industrijalizirajuća i dezindustrijalizirajuća elita u Hrvatskoj u drugoj polovici 20. stoljeća", in: D. Čengić, I. Rogić, ed., p. 11-36.

<sup>41</sup> Also, p. 33.

<sup>42</sup> D. Čengić: *Vlasnici, menadžeri i kontrola poduzeća*. Zagreb: Institut društvenih znanosti Ivo Pilar, 2001, posebno p. 145-156.

selectively, been protecting certain companies and supporting the strategy of managers who, deliberately devaluing the property of a company, reach an acceptable price.

If the state has been withdrawing from economy, will its withdrawal from other sectors, including social welfare and protection of environment, also follow? At the moment, this seems unlikely. To a certain extent, social policy may be perceived as the remnant of the formerly prosperous socialist system, but also as the last trump played by the political elite in order to keep its popularity and its chances to hold on power under the conditions of "stormy privatisation" and reduced funding of public administration. According to research insights of Vlado Puljiz<sup>43</sup>, Croatia has been, along with the transitional crisis, characterised by high unemployment rate, a large wave of refugees and displaced persons due to the war. They constitute 7.5% of population with a low economic status. Even though there are less poor people in Croatia than in most post-socialist countries, it is indicative that the range of income inequality is one of the largest in post-socialist society. That can be explained by additional income in 'grey economy' whose size is estimated as high as one quarter of GDP.

Does this make the image of social vulnerability less dramatic? It is hard to say, since the unofficial sources of income are not constant, and useless for state policy (because they are exempt from taxation). On the other hand, Puljiz emphasises, social consumption has a high share in national income, mostly as consequence of war. Strong internal pressure for classic state interventionism, however, is at odds with imperatives of globalisation and reduction of social expenses of the state. That is why the three-pillar reform of social insurance system has been introduced in Croatia: the basic one funded by the state, the social pillar funded by the labour force and the private pillar funded on individual and voluntary basis. Even though there was no other way out or no better model, Puljiz warns that all three pillars are vulnerable. Consequently, he particularly emphasises the importance of social capital activation, i.e. informal and formal networks of voluntary solidarity and civil society cooperation. This brings the question of socio-economic culture back to the beginning: is it able to withstand or compensate for either imperfections of the market or inadequacies of the country's administrative policy?

According to the analysis by Siniša Zrinščak<sup>44</sup>, in both Croatia and the entire Eastern Europe, one of the main culprits for population's maladjustment to transitional conditions is, along with inadequacy and ruthlessness of the new economy, a slow, extravagant and patronising system of social policy inherited from the former socialist system. Nevertheless, despite the threat of collapse of the old social regime, which could result in a grotesque version of liberal (American) social regime, Zrinščak regards it is more likely that in the countries of South Eastern Europe, including Croatia, the social regime will acquire characteristics typical for the leading countries of the European Union.

Unlike social policy, the future form of the environmental regime is much more clearly defined - as far as preferences (whose research was conducted by Ivan Cifrić)<sup>45</sup> are concerned. The population expresses the greatest preference by far (in 70% of cases) towards social-market environmental regime. Statist regime is the next (28%) and market regime is the last (2%). In addition, most respondents are optimistic concerning not only the future situation in ecology, but also in other fields (politics, economy, science, education, etc.) in Croatia. A sizeable stock of secular optimism represents an interesting quality of the population's social

<sup>43</sup> V. Puljiz: "Hrvatska: od pasivne prema aktivnoj socijalnoj državi". *Revija za socijalnu politiku*. Vol. 8, No 1, p. 1-18.

<sup>44</sup> S. Zrinščak: "Socijalna politika u kontekstu korijenite društvene transformacije postkomunističkih zemalja". *Revija za socijalnu politiku*, Year 10, No 2, p. 135-160.

<sup>45</sup> I. Cifrić: "Percepcija razvoja i okoliša", in: Ivan Cifrić et al., *Društveni razvoj i ekološka modernizacija. Prilozi sociologiji tranzicije*. Zagreb: Hrvatsko sociološko društvo, Zavod za sociologiju Filozofskog fakulteta u Zagrebu, 1998, p. 109-136.

capital. On the other hand, as Krešimir Kufrin warned,<sup>46</sup> this does not say anything either about the profile of future protagonists of the protection of environment or what specific programmes will be socially and ecologically disputable. Cifrić, however, in his theoretical works<sup>47</sup> advocates a unifying world ethos of development, based on economic and ecological sustainability, bioethics and aesthetically rich experience of landscape, the implication being that Croatia offers the possibility of attaining such a development pattern.

Vladimir Lay starts with similar premises in his analysis of the "ecological awareness" of Croatian political, entrepreneurial and cultural elites.<sup>48</sup> He does not give them a passing grade and calls for the introduction of systematic education for a sustainable development in Croatia, concluding that ecologically uneducated politicians and entrepreneurs "cannot survive in political and commodity markets on a long-term basis". Cifrić's and Lay's contributions to sociology of transition belong to the circle of works where the vision of the third or the new way of Croatia's development becomes prominent.

From this circle of works, an interesting and extensive essay by Ivan Rogić is worth mentioning. It is dedicated to "the third wave of Croatian modernisation" (within the last 150 years) that coincides with the current transition<sup>49</sup>. He considers that a great part of the agenda of transition in Croatia is imposed from outside, under the pressure of the Western forces, rather than rooted in the Croatian society. First of all, Croatia as a state emerged from the turbulences of war and at the moment is clinched with the international political pressures, mainly through the "Hague tribunal". Further, economic transition is taking place under the pressure of neoliberal model, obviously also imported and clumsily implanted into a domestic economic and socio-cultural tradition. Reaction to the failure of economic modernization from above is expressed in demoralization of the inhabitants and an unhidden longing for emigration to more developed countries. After all, this process strengthens the model of "peripheral capitalism" in Croatia.

As far as modernization from below is concerned, Rogić sees an array of flaws. The first flaw is a repulsive attitude towards politics or "the abstract denial of any power", mostly its rational, bureaucratic hierarchy, that leads to a preference for a charismatic leader as a "prophet-martyr". This syndrome has its roots in unsuccessful attempts in the 19th century to form an independent state. The next flaw is lack of competent experts in important areas, ranging from international relations to development programs, which makes the political elite inclined to voluntarism, clientelism and forming of parastate and parabureaucratic mechanisms. Finally, an array of flaws of inner modernisation sum up, in the author's words, in "stormy privatisation", performed selectively in relation to the various social groups, especially when it comes to the distribution of stocks and risks, with problematic bank loans and management with bad reputation and controversial competence. Therefore, he concludes, Croatia stopped in the middle of developing as a modern state, with its identity still burdened with old references: its relation towards Serbia, exclusive Catholicism and the pathos of the victim of international politics.

Solution to the problem of these regressive changes Rogić sees in a possible new wave of modernization of the country, whose premises are post-modern (primarily life) politics, distinctive cultural identity, ecological preservation, excellence in competence in scientific

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<sup>46</sup> K. Kufrin: "Zaštita okoliša u novom društvenom kontekstu: akteri i koncepcije ekološke modernizacije", in: Ivan Cifrić et al., p. 137-163.

<sup>47</sup> Vidi npr. I. Cifrić, *Okoliš i održivi razvoj. Ugroženost okoliša i estetika krajolika*. Zagreb: Hrvatsko sociološko društvo, Zavod za sociologiju Filozofskog fakulteta u Zagrebu, 2002.

<sup>48</sup> V. Lay: "Održivi razvoj i ekološka (ne)osvjiještenost političkih i poduzetničkih elita Hrvatske", in: Drago Čengić, Ivan Rogić, ed., p. 195-209.

<sup>49</sup> I. Rogić: *Tehnika i samostalnost. Okvir za sliku treće hrvatske modernizacije*. Zagreb: Hrvatska sveučilišna naklada, 2000, poglavlje 10.

and technological knowledge, advanced infrastructure, emphasis on the development of medium size cities, anti-totalitarian political culture and strengthening of cosmopolitan and national identity.

The choice of a different, "third", developing process is also in the centre of the interest of Vjeran Katunarić with regard to the Croatian elite and socio-cultural capital<sup>50</sup>. The author analyses first the differences in the development paths of the Western and the East European countries, including Croatia, until the fall of communism, and emphasises that the rules of the "new economy" are less convenient for the Eastern countries. The system of knowledge in those countries is not focused on solving specific development problems, but on importing ideas, macroeconomic strategies, technological knowledge and organisation models mostly locally. Therefore he pleads for a wider and more creative conceptual elaboration of the connection between knowledge and capital based on the definition of "culturally sustainable development" as a development "that burdens existing natural resources, infrastructure and inhabited area less and less, and at the same time, add value to work and communication through art, science and education, thereby increasing cohesion between people".

## 5.2. An Outline of Political Science Works

Croatian political scientists mainly focus on changes of political institutions and political culture. The book *Political culture of democracy* by Vladimir Vujčić, is so far the only complete study about political culture in Croatia<sup>51</sup>. The author analyses in detail the classical conceptual model by Gabriel Almond and Sidney Verba and new typologies based on comparative research of political culture (civic culture), including Putnam's and Inglehart's typologies. He also presented the results of his own research of political culture on the sample of students of the University of Zagreb and University of Split in 1999, thereby of a good part of the future Croatian elite. The results show that the students are mostly not satisfied with democracy in Croatia (only 19% of them are). The main reasons for lack of satisfaction are found in their perception of the performance of Croatian government and confidence in Croatian institutions. The level of distrust in politicians is very high (between 70-90%). As for the institutions, the least confidence is in political parties, government, media and the trade unions. The highest level of confidence is shown towards the army and the church.

Incidentally, such distribution of distrust clearly illustrates Freud's description of regressive collective desires, since the church and the army are, according to his interpretation, the oldest mass organizations in the society. But in this context, the desire is not necessarily connected with the national frame of affiliation. According to Vujčić's data, the students mostly associate belonging with a place (village or a city), then with Croatia, and then with the world as a whole. Belonging to Europe is loosely expressed.

Finally, the political intolerance of Croatian students towards certain categories of political groupings is the following: they least value the "fascists" and "pro-Yugoslavian oriented", and most value the "socialists", "demo-Christians" and "liberals" while communists, capitalists, nationalists, ustasas, atheists and those against abortion are a little less valued then. Political tolerance is greater in those persons who accept civil freedoms, so Vujčić concludes with pedagogical optimism: "/in/ political socialization of people it is important to emphasise

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<sup>50</sup> V. Katunarić: "Nove elite, nacionalni konsenzus i razvoj", in: Drago Čengić, Ivan Rogić, ed., p. 117-144.

<sup>51</sup> V. Vujčić: *Politička kultura demokracije*. Osijek-Zagreb-Split, 2001.

training for civil liberties or democratic values, as well as an education aimed to develop... a subjective feeling about one's own capacity for political actions" <sup>52</sup>.

In the book-essay *Democratisation and excommunication*<sup>53</sup> Jovan Mirić characterizes Croatian political culture as predominantly nationalist based on an anti-Serbian resentment, which he illustrates with many examples from the Croatian media in the 1990s filled with the language of hatred against the Serbs. His observations are also confirmed by results of a research on commercial messages in Croatian media in the beginning of the 1990s.<sup>54</sup> Mirić does not consider anti-Serbianism in Croatia as an eternal feature because, as he writes, "every nation... as human being, is as capable for good as for evil" - but in the first place as a consequence of lacking democratic traditions. Instead of participative political culture, "parochial and loyal culture have permanently marked Croatian modern and contemporary culture... In that tendency and the convulsive operationalization of the idea of national state, Croats developed a political culture of exclusiveness, intolerance and confrontation... instead of civil tolerance and democratic political culture... Mass media serving national, political goals have entered every family, every primordial group and friendly circle and, in that way, erased the a border between primary and secondary agents of political socialization"<sup>55</sup>.

Observations made by Mirić result from the experience during the 1990s, and to a great extent they coincide with the investigation of social distance to Serbs in Croatia.<sup>56</sup> The analysis by Ivan Šiber shows that three factors are crucial for the social distance: political party, political biography and religiousness<sup>57</sup>. Voters for the right wing parties express greater social distance, like those voters who are more inclined to the tradition of the NDH (pro-nazi state) than to NOB (anti-fascist and procommunist partisan movement) in world war II. Finally, the more religious also show a greater social distance.

Šiber has also conducted a research about the election behaviour of Croatian citizens according to determinants of their party alignment<sup>58</sup>. His conclusion is that the decisive value choices of the voters in all previous elections were religiousness as well as left-right and liberal-conservative orientation. Demographic variables - age, education and profession - had no influence. Further, he concludes that two factors determine the socio-economic culture of the voters in terms of their attitude towards property and the state's role in the economy. The first and more important factor is "statist-egalitarian": the state should play the main role and has to be placed on social security, and not on the entrepreneur's risk, even in the distribution of income. Such attitudes characterize voters of right and centre-right parties. The second factor, "liberal- entrepreneurial", characterizes attitudes of social-liberal and social-democratic parties<sup>59</sup>. Obviously such a political constellation is different from if not contrary to other European countries.

Finally, Nenad Zakošek did a research on voters' party's preferences presuming two kinds of structural cleavages, "territorial-cultural" and "ideological-cultural"<sup>60</sup>. By the first term, he considers the level of ethnocentrism, where the most indicative are attitudes towards the

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<sup>52</sup> Also, p. 305-306.

<sup>53</sup> J. Mirić: *Demokracija i ekskomunikacija. Prilozi istraživanju hrvatske političke kulture*. Zagreb: Srpsko kulturno društvo Prosvjeta, 1999.

<sup>54</sup> See: N. S. Brunner et al., eds., *Media & War*. Zagreb: Centre for transition and civil society research. Belgrade: Agency Argument, 2000.

<sup>55</sup> Mirić, Also, p. 19-20.

<sup>56</sup> See: V. Katunarić: "The Apocalyptic Power: Exotic Images of America Among the Balkans". *Lock Haven International Review*. Issue 14, Fall 2000. 41-60.

<sup>57</sup> I. Šiber: "Povijesni i etnički rascjepi u hrvatskom društvu", in: M. Kasapović, I. Šiber, N. Zakošek, *Birači i demokracija*. Zagreb: Alinea, 1998, p. 51-94.

<sup>58</sup> I. Šiber: "Političko ponašanje birača na izborima 1990.-2000.", in: M. Kasapović, ed., *Hrvatska politika 1990.-2000*. Zagreb: Fakultet političkih znanosti Sveučilišta u Zagrebu, 2001., p. 65-98.

<sup>59</sup> Also, p. 93

<sup>60</sup> N. Zakošek: "Struktura biračkog tijela i političke promjene u siječanjskim izborima 2000.", in: M. Kasapović, ed., p. 99-122.

Serbs. The voters of right-wing parties are mostly inclined to ethnocentrism and intolerance towards the Serbs, while the degree voters for social democrats and the coalition that won in 2000 are less so. For the voter of HDZ, for example, national sovereignty is more important than further links with the European Union. By "ideological- cultural" gap Zakošek means a conflict between traditionalism and modernism, or religiousness and secularity. The voters of right-wing parties are willing to accept the Roman Catholic Church as a moral and political authority to greater extent. How did economic change during the 1990s influence the change of voters' preferences? According to Zakošek, the shortcomings of economic transition before the elections in 2000 divided the electorate of HDZ in power, and part of their voters switched to the parties in coalition, expecting economic development in the future. It seems that the economic effects of transition on the standard of living and employment of the population shall continue to influence the behaviour of voters by shifting a significant part of them to the left or right side of the political spectrum.

Obviously, political research on transition shares some results with the sociological ones, and indirectly with the economic ones (a low participation of citizens in political and public activities; a very low level of trust in new, "transitional" institutions; economic egalitarianism and statism prevailing over liberalism and entrepreneurship; a big social distance to Southeast Europe, mostly towards the Serbs as a nation). A strong attachment of Croats to a nation-building philosophy, meaning an attitude that a formation of an independent Croatian state was, and still is, a main goal in Croatian history and the current transition, is tightly connected to neo-institutionalist ideas on the relations between state, market and society, since society is primary perceived as a national union in a national state. Therefore, neo-institutionalism, at least in common sense and popular terms, gains a different connotation. A state is not merely a guarantee for a social equilibrium, which increases employment and maintains social safety.

In other words, the Croatian state has to exist as an obligation to history and all the victims, as a mark of existence and international recognition of a nation. Such a role of state - explicitly expressed only by Vujčić among the political scientists - is supported by an actual campaign of institutions ranging from the Council of Europe to UNESCO to maintain "cultural diversity".<sup>61</sup> In current political terms it means that national languages and cultural institutions are to be preserved at all cost. What will happen to other institutions, primarily enterprises and state property, workers in search for a job, is another question not within the frame of this thesis.

## **6. Instead of a Conclusion**

The economic-reductionist approach favours a neo-liberal model for all economic areas, it is demanded that the social, political and cultural contexts are unconditionally adjusted to the rules of free-market. That approach, nevertheless, does not question that the free market causes serious social problems, but claims that they can be solved only by further economic growth on the same base. It leads to the conclusion that the old socio-cultural framework of collectivism, egalitarianism and institutional solidarity (heavy taxation and social state) is to be replaced by individualism, competitiveness and voluntarily rather than institutionally guaranteed forms of social solidarity. In sociological literature this approach has smaller support than traditional collectivism and egalitarianism. Neo-liberalism is popular among economists but is unpopular among social science researchers in Croatia.

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<sup>61</sup> Vidi opširnije: [http://www.culturenet.hr/v1/novo/infoservis/read.asp?id\\_txt=2196](http://www.culturenet.hr/v1/novo/infoservis/read.asp?id_txt=2196)

The neo-institutionalist approach respects inherited or existing institutional structures, it acknowledges that the adjustment to the conditions of a free market should change accordingly, but it is not known clearly how to reconcile interests of private investors, mainly foreign ones, with the interests of employees, non-owners. Because of that it is still not clear enough what attitude the state as an institutional bearer of social balance is supposed to take towards these two crucial interests; how to reconcile them in a democratic way. In the spirit of this approach, the question is only pragmatic and not theoretical. Neo-institutionalism postulates a necessity for compromising different interests in transition and thinks that this will be achieved sooner or later because a certain economic model of activity is the outcome of the integration of interests of different parts of society, and not of violent substitution or suppression of one's interest on the account of the other's. In accordance with such a postulate, neo-institutionalism dispute "shock therapy" and similar aggressive strategies. This kind of approach has the biggest support in the sociological and political science literature of the transition.

Finally, relativism is advocating alternative paths of transition or development (or non-development). It remains unclear whether a certain path of development is really a matter of "choice" in national and local framework, and if the analogies from the past are adequate. It is clear, however, that the development is to be adjusted to non-economic needs and socio-cultural frameworks of a broad range of population. In the pessimistic variant of the relativistic approach this means that even an economic decline of a country represents a social answer of the majority of the population to the economic challenges. According to an optimistic version, an adjustment to the needs and values of the majority - meaning to collectivism and solidarity - is most profitable, since it mobilises their interests, competence and work energy. This approach has a relatively small support among sociologists and political scientists, but a certainly greater one than among economists.

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## Croatia: Annex 1

### Drago Čengić

#### Doing Research on Economic Culture

With regard to the major institutions in Croatia which host or teach important education and/or research programs pertaining to the study of economic culture, we can mention here several economic educational institutions and some non-economic ones.

Several Croatian economic faculties have teaching programs and departments which are dealing with different aspects of economic culture. They are:

\* Graduate School of Economics & Business (GSEB), Zagreb ([www.efzg.hr](http://www.efzg.hr)). This faculty has special departments covering some important issues of economic culture: department of managerial economics, department of marketing and department of organization and management <http://www.efzg.hr/main.aspx?id=375> <http://www.efzg.hr/main.aspx?id=2819> <http://www.efzg.hr/main.aspx?id=2815> <http://www.efzg.hr/main.aspx?id=2819>.

\* The Institute of Economics, Zagreb ([www.eizg.hr](http://www.eizg.hr)). This institute runsferent projects on the transfer of new knowledge within enterprises. For example, one of such projects is aimed to understand the models of the ' Learning Organisation'.

In 2004 this Institute - in cooperation with Indiana University's Kelley School of Business- established the International Graduate Business School (IGBS) Zagreb, designed to meet „the region's need for conveniently located, high quality management education“.

\* The Faculty of Economics Split, Split ([www.efst.hr](http://www.efst.hr)). This faculty also covers some topics which pertain to the study of economic culture. Within the teaching curricula of the department of management and department of marketing some fundamental questions of economic culture within organizations have been observed.

In the last ten years this faculty organized well-attended international conferences known under the name ' Enterprise in Transition'. Enterprise in Transition is organized biannually with the objective to analyze the processes and models of enterprise transition, focusing especially on enterprises in transition countries. In 1995, there were 64 papers presented at the Conference. Ever since, the number of participants and presented papers have been steadily rising: in 1997, there were 110 papers presented; in 1999, 146 papers and 270 papers in 2001. For the Fifth Conference, held in 2003, more than 250 experts, coming from 50 countries, presented numerous papers. These conferences also serve as meeting points for European economists and sociologists to discuss different aspects of organizational, business and economic culture in developed and transitional countries.

\* Faculty of Economics, Rijeka ([www.efri.hr](http://www.efri.hr)). This faculty offers several programmes of higher education. The four-year university undergraduate study covers also the field study of entrepreneurship and the field study of management. The educational work within these areas includes also different aspects of economic culture. Some aspects of economic culture are also taught on the postgraduate study on the same faculty.

\* Faculty of Economics, Osijek ([www.efos.hr](http://www.efos.hr)). This faculty belongs to younger university institutions. It offers the postgraduate study in entrepreneurship, which is relevant for deeper studies of some aspects of entrepreneurial culture in Croatia.

\* The Faculty of Economics and Tourism 'Mijo Mirković', Pula ([www.efpu.hr](http://www.efpu.hr)). This faculty offers several programmes of higher education – on the level of undergraduate and postgraduate studies. Different aspects of economic culture are studied within special teaching curricula covering the business organization, management, economic sociology and sociology of tourism.

As many other university institutions, this faculty organizes international conferences with the aim to improve the dialogue between economists, sociologists and other social scientists. The conferences on 'Entrepreneurship and Macroeconomic Management' touch upon some important questions of organizational and economic culture like the quality of enterprise management, tourism and economic culture, culture and economic performance, etc.

As regards the other, non-economic institutions dealing with some aspects of organizational and economic culture, we only mention the Institute of Social Sciences Ivo Pilar, Zagreb ([www.pilar.hr](http://www.pilar.hr)). This Institute is included in several long-term research projects, financed by the Croatian state ministry of science and technology and by other clients. Some of the projects cover also researches on organizational culture and business modernization in Croatia (for example, project 'Development actors and economic modernization of Croatian society').

With regard to the main strength/weakness of research on economic culture in Croatia we can say the following:

- a) it is good that different aspects of economic culture have been presented in Croatian economic faculties and similar higher education institutions; the subject is mostly linked with the departments of management, marketing and business organization;
- b) however, it is questionable how much of recent and more comprehensive research data has been covered by the curricula in these departments; many research data transferred into educational programmes are coming from very narrow oriented research projects and from very targeted case-studies;
- c) there are not many institutional links for exchanging ideas among economists and sociologists about the broader views on economic culture on conceptual and research level.

DIOSCURI is important for several reasons: a) it can improve our knowledge on economic culture on conceptual and research levels, b) research results from several countries will improve our understanding of local economic culture – by comparing it with the other 'national' economic culture, c) when distributed to wider scientific, political and business groups, we believe our data will improve the public understanding of the economic culture as an important factor of economic and social development, and d) the expected research data will be presented also to academic scientists and teachers dealing with economic culture in universities – through planned workshops and research reports; this could improve the dialogue among different disciplines (prima facie, among economists, sociologists and managers) about this important issue.

## **Croatia: Annex 2**

### **Bosiljka Milinković**

#### **Transition Society, Socioeconomic Culture and Governing Elites: Selection of the Published Works in Croatia 1990-2004**

##### **Introduction**

Many Croatian scientists have been interested during the last 15 years in different and socially relevant issues regarding the general aspects of the society in transition, socioeconomic culture within a broader social context and in governing/managing elites in Croatia and in Central/Eastern Europe. They investigated these issues from the sociological, sociocultural, political, socio-economic, legal-governance, social policy and health-care viewpoint.

This Bibliography shows that sociological viewpoints were highly applied by scientists from the Institute of Social Sciences Ivo Pilar, Zagreb (Drago Čengić, Saša Poljanec-Borić, Ivan Rogić, Vlado Šakić, Maja Štambuk, and others), from the Institute for Social Research, Zagreb (Branimir Krištofić, Katarina Prpić, Branka Golub, Milan Župančić, Dušica Seferagić, Alija Hodžić), and by scientists from the Institute for Migration and Minorities (Silva Mežnarić and others). The same topics – within sociological and sociocultural theoretical frames - were also analyzed among the scientists on the Faculty of Philosophy, Zagreb (Vjeran Katunarić, Aleksandar Štulhofer, Ivan Cifrić, Rade Kalanj, Ognjen Čaldarović). At the same time, one group of researchers dealing with transitional issues developed in the last 15 years a very obvious political-science approach to them (like Ivan Šiber, Mirjana Kasapović, Sanjin Dragojevića, all from the Faculty of Political Sciences, Zagreb). The legal-governance and health-care viewpoints to important social problems during the transition period were developed also by Josip Kregar, Vlado Puljiz, and Gojko Bežovan (all from the Law Faculty, Zagreb).

The socioeconomic aspects of transition were mostly elaborated in the works made by Croatian economists: The Faculty of Economics, Zagreb (Ivo Družić, Bahtijarević Šiber Fikreta, Franičević Vojmir, Božena Jokić, Vladimir Veslica, and others), The Faculty of Economics, Rijeka (Maja Vehovec), the Institute of Economics, Zagreb (Dragomir Vojnić, Stjepan Zdunić, Matko Meštrović, Božidar Jušić i dr.), research teams from the Faculty of Agriculture, Zagreb (Ramona Franić, Tito Žimbek, Ante Kolega), and from the The Faculty of Economics, Split and the The Faculty of Economics in Pula. We must also add that Croatian Academy of Arts and Sciences, Zagreb (HAZU) organized within the last 13 years several scientific conferences dealing with important social and transitional problems (compare works by Josip Županov, Branko Horvat, Zvonimir Baletić, and others). Some experts cooperating with the Croatian Government published several strategic studies and monographs regarding the socio-economic development of Croatia, with special emphasise on the EU-accession regulation problems and the policy of social development.

The deeper insight into the whole set of published works concerning the general aspects of transition, socioeconomic culture and governing elites shows that there are many published works of different types in past 15 years. This bibliography reflects them all and that's why it can not be shorter. The main criteria for the works to be covered by this bibliography is their thematic and author's 'importance'. We gave some advantage to books and (thematic) journals, while particular authors' papers were included if they were directly oriented to the

main issues this bibliography is made about. In the cases when one author published two papers within the same journal issue, the both of them are cited within the same bibliographical unit (separated by two slash marks).

We classified all published works in seven groups (based on the 'Universal decimal classification' system): 1. works emphasizing the sociological approach; 2. works emphasizing the sociocultural approach; 3. works emphasizing the political science approach; 4. works emphasizing the socioeconomic approach; 5. works emphasizing the legal-governance approach; 6. works emphasizing the social policy and health-care approach, and 7. thematic bibliographies. Due to the idea of a simpler classification within the group of sociological works we also included the works dealing with socio-psychological, sociodemographic, socio-ecological and even ethical aspects of transition; at the same time within the 'socioeconomic works' we include all works dealing with entrepreneurship and enterprise organization.

This bibliography is a descriptive one, offering the fundamental elements for work identification and with the translation of main works' titles and sub-titles into English. The authors are distributed within each classified group according to the alphabetic order of their names and papers' titles. At the end there is an index of all authors and editors appearing in this bibliography.

## **1. Sociological Approach: Society, Transition, Modernization, Migrations, Managers, Governing Elites, Power, Values**

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### III.3 Czech Republic

Marcel Tomášek

#### 1. What has driven the changes in CEE economy? How have these changes been conceptualized?

For the specialists focusing on the Soviet Block the collapse of communism in 1989 was an equally great surprise as it was for the general public<sup>62</sup>. Experts on the communist countries did not have ready scenarios designed to foresee further developments and answers to the eventuality of the collapse of the real socialist order and the unfolding dilemmas of the unavoidable shift to free-market democracy<sup>63</sup>.

#### 1.1. Three Waves of Conceptualizing the Sources of Socio-Economic Change in CEE

##### 1.1.1 Transition

Tracing down the roots of the initial analytical conceptualization of the happenings in Central Eastern Europe (*transition*) above indicated initial circumstance must be a key consideration in view of further shifts in conceptualizing the changes. This analytical frame, which originated in the course of assessing the developments in Latin America and Southern Europe, was to be critically reproached and reflected on from the position of regionally bounded post-collapse developments. This way the alternative conceptualization of unfolding change may have emerged and could be put under the inclusive label of ‘transformation’. Stark brought in this line a question of ‘paths that differ in kind and not simply in degree’ (1992, 301) and the elements shaping the change which previously were understood in the analytical frame of ‘transition’ as the outright application of reform steps resulting from the decision-making processes explainable in line with rational choice axioms. The following methodological and conceptual debate dominated the field extensively even at the beginning of the second decade of change in CEE. The transition/transformation debate was the departure point for further discussion of the developments in CEE (for ex. Dobry 2000, 49-70, Federowitz 2000, 91-106, Greskovits 2000, 19 – 48, Bunce 2000, 71- 90, Bonker, Muller, Pickel 2002, 1-38, Csaba 2002, 39-54, Greskovits 2002, 219-246).

What are the advantages and disadvantages of the single concepts in the transition/transformation debate? Transition, as characterized by the desired outcome firmly encoded in the concept as the ‘extrication path,’ is the sequence of the reform steps to be undertaken in the given concrete context to achieve a particular set of results. Precisely this teleological character of ‘transition’ has been the point of departure for the ‘transformation’ reassessment of the happenings in CEE. In this past-bound analytical frame it is unclear where the path-dependence leads, what the result of ‘transformation’ as each society ‘extricates’ itself from previous system in a particular way will be. Its further path is given by concrete fragments, and the way they are recombined in the new regime.

Przeworski’s characterization of democratization as not given ‘by the point of departure’ but rather by the ‘games of the transition,’ (Przeworski 1991 as quoted by Bunce 2000, 73) as springing from inclusiveness emerging in the course of moving toward the goal, has got particular significance for our inquiry. The necessity of accenting more extensively the deeper and essentially simultaneous character of not only the comprehensive political but

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<sup>62</sup> This has been recognized quite clearly even by the Sovietologists themselves at their congress in 1990.

<sup>63</sup> Since the dynamics of change were apprehended as given by relatively gradual reforms in the Soviet Union, changes were depicted rather in terms known from earlier liberalizing waves within the context of communist vassal regimes (Poland 1956, Czechoslovakia 1968).



also the fundamentally economic (perhaps in the first place) and not the least essential social ‘transitions’ comes into play here. While in the accounts of ‘transition’ that originated through assessing the developments in Latin America and Southern Europe the fundamental issue was the achievement of democratic process and establishing it as ‘the only game in town’, in most post-communist CEE countries, the truly lasting core of transition developments rested in the economic changes<sup>64</sup>.

In post-communist societies much more fundamental simultaneity was at stake—even as far as the actual ‘democratization’—in that the institutional shift to a democratic frame was quite obvious and essentially unavoidable step following the decomposition of the communist regimes. The really contested and uncertain focal point of change was in the arena of economic undertakings<sup>65</sup> (in view of the need to reconstitute the state-run, hierarchically structured and centrally planned economy). The unfolding economic changes became the key battleground (and the major segment of ‘the only game in town’), even if perhaps in the guise of pluralist political contestation. In this line, it may be argued that the ‘game of economic transition’ emerging in the course of socio-economic changes is thus, in the post-communist context, the primary arena of transitory politics.

Bunce, in her comparative theoretical assessment of post-communist and Latin American and Southern European transitions, points out shared reservations about the low compatibility of macro-economic stabilization, privatization and free-trade reforms and democratic institution-building (Linz and Stephan 1995, Haggart and Kaufman 1995), and in line with other authors acknowledges their problematic compatibility as a particularly explicit problem of the post-communist context (Przeworski 1993, Mason 1995, Ost 1995). The key factor in this ‘sharp deviation from southern norm’ (Bunce 2000, 80-81) was a hastily unfolding democracy as correlated with the fast switch to a free market (Bunce 2000). In Bunce’s understanding, ‘in the East then democracy goes with, not against economic reform’(Bunce 2000, 81). Bunce goes even further by claiming that breakage with the authoritarian past—in the form of a victory by the non-communist liberal opposition in the first competitive election—predicts quite well the degree of economic reform in the post-communist region (Bunce 2000, 81)<sup>66</sup>.

### 1.1.2. Transformation and Path-dependency

In the explanatory frame of transition, post-communist societies breaking off from their authoritarian/totalitarian past—due to certain institutional loosening—emerge as suitable terrain for erecting “capitalism by design”. Proponents of ‘transformation’ find in this core-

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<sup>64</sup> Although Latin American and South European countries were frequently subjected to extensive state dirigisme (which could be characterized as corporative in view of the fascist heritage)—essentially, in spite of the frequently rudimentary character of their markets, they were substantially free market societies.

<sup>65</sup> However, the term ‘reform’ as overtaken from Latin American and South European ‘transition’ discourse and earlier attempts to alternate the real socialist economies may be perceived rather as an euphemism, taken either way: either as an understatement considering an enormous and multidimensional sequence of changes to be put in place or as an overstatement due to the rent-seeking and rent-creating nature of the political steps undertaken.

<sup>66</sup> This claim may maintain validity when differentiating CEE from countries of South Eastern Europe but within the internal CEE context—this causality chain emerges as much more complex and ambiguous. As Bunce herself noticed, this indicated “law” relates, to a large extent, to the fact that ‘engineering a transition to capitalism and liberal democracy is tied up and proceeds together’ (2000, 81). This simultaneous character of ‘transition’ stands also behind the political honeymoon enjoyed by governments in the initial time period on the one hand and, on the other, enhances ‘the ex-communists to focus their attention on future prospects, rather than past advantages’ (Bunce 2000, 82), and leads thus to converting their political capital into economic capital. However, both of these elements, while initially advancing economic change, at the same time carry dubious baggage. The case of the Czech Republic Right-center coalition governments persisting until 1997 highlights the fact that even a long-persisting seemingly pro-reform environment complementing almost an ideal political constellation (relative stability of outspokenly pro-reform declared political representation with long negligible opposition) does not guarantee the actual advancement and accomplishment of the required sequence of reforms.

theme fuel for their criticisms. ‘The new does not come from the new or from nothing but from reshaping existing resources’ (Stark 1992). Stark puts emphases on ‘fragmented relicts’ that in their reassembled and reconfigured form determine the path of the change. Along with these, however, the particular ‘extrication path’ from the previous regime is also extensively at play, shaping further change. Dobry (2000, 60) identifies a variety of essential causal imaginaries of path dependence approaches.

Relocating the focus on ‘actors’ choices’ and ‘their tactical dilemmas’ with accent on the process of recombination and reshaping the elements inherited from the old regime has been taken as the cornerstone of the paradigmatic shift which resulted in emphasizing so-called ‘communist legacies’ in the general picture of the CEE post-communist setting. ‘Communist legacies,’ in the face of the first extensively exposed trends of omission of the application and the sequence of the reforms, thus become in the second half of the ’90s the explanation at hand which substantially marked the analytical perception of stumbling reforms in CEE<sup>67</sup>.

But is looking for the sources of these ‘stumbles’ in institutional and organizational legacies of the communist regime and in the recombination of the structural elements of the previous communist regimes the right answer?

In looking at the core stumbling changes, meaning those representing the major processes of the cardinal switch from the state-firms based, planned and directive economy, to the private enterprise-dominated free-market economy, it clearly emerges that although the processes have occurred in general in the circumstances of institutional ‘bricolage’, the core changes occurred anew, rather than being principally built on the institutional and organizational elements of the ‘old regime’. The question is, if fundamental stumbling and misdirection of the changes in CEE countries resulting in detours, which effectively prolonged the whole process of switching to the Western European-like socio-economic and political patterns,<sup>68</sup> took place primarily due to the communist institutional inheritances, or if they were rather the result of the new coming-into-existence only in the course of change.

Bruszt (2000), when comparing happenings in Russia and the Czech Republic, speaks of the consequences of state regulation too willingly neglected to characterize and explain the property structure that had emerged in a manner allowing for the exploitation of its position in terms of weakening the market character of the economy. The question of the unintended consequences of neglected state regulation in the Czech Republic is at the center of the debate about the changes of the early ’90s as critically marking the character of the Czech road to capitalism essentially to the present day.

### 1.1.3. Systemic crisis

The third—and somewhat overlooked—wave of conceptualizing the radical social change in CEE is associated with such concepts as premature consolidation (Richard 1996), restoration (Wnuk-Lipinski 1999) or state capture (Hellman 1998, Hellman, Jones, Kaufmann 2000, 2003) which, to various degrees, indicate a limited capability of the transitory order in CEE countries to evolve in direction of advanced free-market societies due to rent-seeking mechanisms and vicious circles. The early notions of transition did not apprehend the stage of

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<sup>67</sup> Getting to the paradoxical essence of the historical and technological legacies bounded explanations, Graber and Stark state that ‘the very mechanisms that foster allocative efficiency might eventually lock in economic development to a path which is inefficient viewed dynamically’ (1997, 5). In this sense, ‘the mechanisms that are conducive for the synchronic adaptation of the economy to specific environment may, at the same time undermine economy’s diachronic adaptability’ (1997, 5). The legacies remained the focus of Graber’s and Stark’s attention in the hunt for shapers of new orders, however, in their ‘dual potential’ to block and support ‘transformation’.

<sup>68</sup> The initial projections of the key economic and political changes as drawn in concrete practice originated in considerations that usually encompassed the sequence of fundamental political and economic steps not exceeding five years (Václav Klaus, apparently in reference to those initial ‘transition’ projections, pronounced the Czech transition to be over in as early as 1995).

the transition process characterized by distortion and ever-postponed fulfillment of the essential transitory goals. The literal understanding of transition as a journey from point A to point B with exactly given coordinates in a relatively accurately anticipated time-span did not presuppose much autonomous action of actors and agencies and their own reason d'être in coming into existence. Once crucial democratic institutional arrangements are firmly installed and the point of no return to an authoritative/communist regime has been passed, the other phase starts, in which economic questions come to the forefront and the issue of economic and social modernization of the country and the shift in perspective toward the advanced free-market democracies becomes the leading motive in the transition context. The countries in CEE initially give up the old economic and social system at this stage. During its disintegration and collapse in a somewhat chaotic manner, "a free market without adjectives"<sup>69</sup> arises. The CEE countries have advanced relatively fast toward not very well-regulated free-market economies suffering from a variety of structurally produced pathological phenomena that have been spoken about in qualitative terms, not far from those existing in many of the Latin American countries.

These result from an overlap of socio-economic and political interests that have been affecting the regulation and institutional build-up of newly constructed socio-economic and political systems. The next stage of social change in this last wave of conceptualization, which implies violation of rent-seeking, rent-creating mechanisms and associated vicious circles in intersecting spheres of politics and economics, is the process of Europeanization. The successful fulfillment of the original 'transition goals'—switching over to the Western European-like advanced free-market society—is contingent upon the process of Europeanization.

#### **1.1.4. Summary of the introductory part**

In assessing conceptualizations of socio-economic change that have been taking place in CEE throughout the course of the last 15 years, these conceptualizations may be divided into three waves. Each conceptual approach associated with a particular wave has indicated a subsequent stage or ensuing implications resulting from the identified initial condition of ongoing socio-economic change. Thus, the first wave of conceptualization may be associated with the term transition. The next stage within this wave of conceptualizing the socio-economic change is democratic consolidation. The second conceptualization wave is connected with the term transformation and the characteristic implication of the approaches within this wave is a path-dependency that extensively determines future development. In this wave the obstacles to changes are associated with communist legacies or are linked even to pre-communist cultural patterns. The third—and somewhat overlooked—wave is associated with such concepts as premature consolidation (Richard 1996), restoration (Wnuk-Lipinski 1999), and state capture (Hellman, Jones, Kaufmann 2000, 2003), that to various degrees indicate a limited capability of the transitory order to evolve in the direction of advanced free-market societies due to rent-seeking mechanisms and vicious circles. These result from an overlap of socio-economic and political interests that have been affecting the regulation and institutional build-up of newly constructed socio-economic and political systems. The next stage of socio-economic change in this last wave of conceptualization is Europeanization. The successful fulfillment of the original 'transition goals,' namely, the switch to Western-like advanced free-market society, is contingent on the process of Europeanization.

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<sup>69</sup> A favorite Václav Klaus description, though in Klaus' understanding was meant to characterize the desired outcome of 'transition'.

### 3 waves of conceptualizing the sources of socio-economic change in CEE

	<b>Identified condition</b>	<b>Next stage or implications</b>
1	transition (Linz, Stepan 1995)	democratic consolidation
2	transformation (Grapher, Stark (eds.) 1997, Chavance, Mognin E., 1997, Stark, Bruszt 1998)	communist legacies, path-dependency
3	premature consolidation (Rychard 1996), restoration (Wnuk-Lipinski 1999), incomplete transition (Myant, Fleischer, at. al., 1995), state capture (Hellman 1998, Hellman, Jones, Kaufmann 2000, 2003)	Europeanization

## 2. A culture of Transitory Order

### 2.1. A Culture of Transitory Order: Engaging Political Dimension

Transitory order, and the premature consolidation tendencies it is associated with, may be detected in various forms and may be depicted from various perspectives. Thus, in a more strict political approach, we take as its manifestation the comeback of ex-communist parties to power which swept the essential part of the CEE region in the mid-'90s (Wnuk Lipinski, 1999). Simultaneously, the elements of premature consolidation have been identified extensively in the economic sphere (Richard 1996). Their intensity may vary, clearly, and their presence has touched primarily the extent and degree of economic restructuring and the actual share of truly restructured enterprises functioning and operating in a Western European-like manner. In a more comprehensive perspective, we may try to interrelate their manifestations in various spheres and analyze whether there has been any correlation among them. In this context the case of the Czech Republic takes a crucial position: in contrast to most of the other CEE countries, the right wing coalitions were continuously determining the course of transformation until the middle of 1998 and the main right-wing party—CDP—preserved a substantial influence on the course of changes even after installing the Social Democratic minority government.<sup>70</sup> Also, at the same time, in spite of the radical reform rhetoric of these right and center-right parties, the elements of transitory order manifested themselves extensively in the economic sphere (prevailing decline or very limited economic growth even in the mid-'90s due to the inadequately restructured economy characterized by an ownership tangle involving state controlled banks and their privatization funds incapable of exercising control over the assets) and, at the end, in a particular way also in the political realm.

Although conducted under the oppositionally contracted Social Democratic government, bank privatization, which critically affected the practices and procedures associated with 'bank socialism' (Mertlik 1996) and advancements in introducing the rule of law in numerous problematic segments of the economic sphere, still in connection with the Opposition Contract split of the positions in the bodies responsible for conducting the transition agenda (Supervising councils of the Fund of National Property and Consolidation Bank/Agency), trends characteristic of the transition regime of the mid-'90s have still persisted even in key institutions. With privatization coming to a close, new areas of rent-seeking emerged. An example of the prevalence of such mechanisms from the first half of the '90s is the non-transparent selling of bad debts overtaken by the Consolidation Bank. Privatization era debtors have been gaining control over their debts through intermediaries for

<sup>70</sup> The strongest party from the right segment of the political scene—Civic Democratic Party opted for 'Oppositional Contract - Patent of Tolerance' with Social Democrats that enabled the Social Democratic Party to establish the minority government in July 1998 irrespective of the over-all majority of the right wing parties.

a fraction of the nominal value of debt. Under Zeman's Social Democratic government a whole new sector of manipulated public calls for contracts at the highest level have emerged as a part of the transitory economy.

Žák (1999, 11-25) theorized these political developments and the emergence of 'middle ground politics' and, on this background presented the neo-classical theory of political economic cycles including the distinction between 'government failure' and 'market failure' (model with opportunistic parties and non-rational voters—'Nordhaus model', model with opportunistic parties and rational voters—'rational opportunistic model', ideological parties and non-rational voters—'Hibbs ideological model' and ideological parties and rational voters—'rational ideological model'). Within the context of this third wave of conceptualizing the sources of socio-economic change, the frequently used concept of rent-seeking (primarily in the sense of particular interest groups taking advantage of the government and the state) is presented in the light of the rational choice interpretation of interactions between government and economy (Žák 1999, 11-25). Žák, in another text, focused particularly on the governmental failure in the transition process (1999, 51-56), and presented the aforementioned neo-classical theory. In the Czech context, the main battleground in economics runs through the middle of neo-institutional theory (Hayek inspired neo-liberal reformers from Prognostic and Banking institutes<sup>71</sup> vs. institutional economy praying practitioners—designers or contributors to 1968 economic reform that spent the '70s and '80s in late-socialism companies<sup>72</sup>). Žák presented schema in which public choice theory is applied to the "border between economic and political actors" and institutional economics to "the border between economic and cultural sectors" (1999: 54). Žák, in this division-defying account, touched upon fundamental problems of overlapping politics, economics and culture in transitory order,<sup>73</sup> which he summarized particularly in view of the inefficient decision-making of the government as follows: information flaw—asymmetric information, rent-seeking (not positive), regulation captured by interest groups and/or pressure groups, influence of bureaucracy (1999: 64).

Similarly ideological and methodological divides overcoming position in view of the neo-institutional theory took Ježek<sup>74</sup> (2002: 9-14). Inspired by the Chicago school, he drew attention to common views of law and economy. Ježek, over time, started to view successful transition undertakings as contingent upon the full-cooperation of the law, ethics and the economy. In this sense, for Ježek, the split of law and ethics from economics (as occurred at the end of the 19<sup>th</sup> century in those societies in which institutions necessary to the promotion of the rules of proper action function sufficiently,, so that the mainstream economy may exclude them beyond its focus with impunity)<sup>75</sup> represented the cardinal issue for the developments of transition. This division may be fateful for the countries undergoing transition as economics and economists in these societies may not easily take for granted the existence of the rules of proper action in the way it is by economists and economics of the mainstream, as represented by Samuelson (2002 : 10-11). Ježek clearly stated that, "if economist in former communist countries, in spite of this, silently takes for granted the existence of the rules of proper acting they commit themselves to highly unprofessional stand" (2002:11). Ethics as a precondition to an effective market has been expounded

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<sup>71</sup> For ex. Klaus, Dlouhý, Tříška, Dyba and Kočárník

<sup>72</sup> Kouba, Šulc, Klusot, Mlčoch, Kožušník and Turek. In view of Pulpán these economists at the time of silencing and forced transfer and work in real-socialist businesses lost the reminiscence attached to the socialist-market and gained the first hand knowledge of the real happenings and strategies at work in the sphere of real-socialist entrepreneurship, possibly vital for designing a suitable way out of the games of real socialist economy (2004, 85-94).

<sup>73</sup> Žák treated them as separate from corruption and its impact on economy, on which he has written extensively (see for ex. Žák 2003, 38-66).

<sup>74</sup> Tomáš Ježek was an adviser to Klaus as the Federal Minister of Finance at the time of preparing privatization, later he left for the Czech government to become the first Head of Fund of National Property. In years preceding to 1989 he was translating Hayek.

<sup>75</sup> Precisely for the contemporary social context it has been "restituted back" by Lipka (2002: 62).

extensively by Pavlik (2002) through Buchanan unavoidable ethics and economy conditioning connection.

## 2.2. The Czech Privatization: Founding a New Socio-Economic Culture?

In focusing attention on the process of privatization in the Czech context we encounter numerous conceptual problems. “Privatization” entered western discourse extensively in the ’80s as the wave of selling state assets swept through Western Europe (Thatcher’s Great Britain, Mitterand’s France). In practical terms that meant selling state enterprises, which represented too big a burden for the state coming clean. In most instances that meant the careful, well-considered and quite time-consuming procedure of touching enterprises one by one, which resulted usually in, firstly, satisfying the perspective developmental and restructuring needs of the particular enterprises and, secondly and simultaneously, selling each particular enterprise at a price close to market terms. If this is understood as the definitional frame of privatization, privatization transfers and developments from the ’90s are to be considered with vigilance since the process labeled as ‘privatization’ in the Czech Republic has differed in many instances quite decisively from the above described frame of definition.

The most substantial among those instances is that the process started initially with quite limited legally existing investment capital (foreigner investment was initially restrained and even later not consistently encouraged; taking into account the scale and range of assets on offer, domestic investment from the private sphere was negligible, the availability of investment loans from domestic banks was limited and affected by virtually nonexistent reliable data about the credited investment projects and application of firm criteria). Scandalously extensive amounts of state property subjected to the process aggravated the lack of legally nonexistent capital and moved the process far from the regular free-market procedures as privatization waves conducted in “the shortest possible” time frame invoked an atmosphere of gold rush<sup>76</sup>.

The bulk of capital appropriation and operating with investment capital in the domestic arena has involved dubious procedures inconsistent with free-market practices. The standards and the content of newly created free-market order emerged along with economic interests, shaping the actors’ behavior for years to come. For many of the actors, maintaining the transition features of the economy has represented an optimal set-up in terms of costs and benefits<sup>77</sup>.

Spectacular announcements claiming that the main tasks of economic reform were fulfilled and that the machine of the new system had been started were, in 1996 and 1997, followed by the disclosure of the doubtful nature of “the Czech neo-liberal miracle”. Thus putting the functioning of the “newly set-up machine” in a more realistic light raised bold questions about the basic characteristics and rules of functioning of this new socio-economic order, making it difficult even to determine, in a more cohesive matter, this specific form as such. Chavance and Mognin suggest that we have actually dealt with a mixed economy based

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<sup>76</sup> L. Mlčoch (1997b) pointed out that instead of the mode of establishing capitalism which would at least partly reflect the classical capitalist values described by Max Weber, for example, that was clearly to some degree applicable even when explaining the post-war German economic miracle. It seems to be much more suitable to attempt to highlight the beginnings of capitalism in the Czech Republic via other perspectives. Mlčoch suggested that the Czech privatization process and its political background carries clear characteristics of ‘the spirit of revolt’ (as highlighted by Hannah Arendt or, for that matter, by Marx and Nitsche) meaning refusing traditional institutions and traditional morality (Mlčoch 1997b, 67). In his view, “even in the period of privatization we cannot find an apology in traditional morality for wild forms of privatization based on transferring assets of state enterprises into private hands—traditional morality does not include special ethics of “revolutionary times”—wild privatizers belong to the same genotype of people as the revolutionaries organizing expropriations of property from 50 years ago” (Mlčoch 1997b, 68).

<sup>77</sup> Hellman (1998) exemplified this trend on the developments in Russia and Ukraine.

on interwoven ownership (1997). However, in this context, it is necessary to point out that this economy has long been characterized by its functioning in an inadequately regulated environment either due to the legislative gaps, distortions, and inadequacies as given by legislation processes or to the weak performance of law enforcement agencies. This has appeared as an important feature of the emerging order. That is why it has even been suggested that the economic structures and their functioning as they emerged in the wake of the initial reform steps were, when viewed from some angles, closer to the patterns of the “second”/gray zone economy from before 1989 ( high degree of private initiative and entrepreneurship irrespective of the entirely inconvenient legal background) than to the free-market system of western provenance (Mlčoch 1997). The difference in context described in this manner seems to be in the scale and wider opportunities which were opened.

The speed of privatization surfaced as the absolute priority within the context of the liberally declared approach<sup>78</sup>. This in practical terms meant privatizing the maximum number of enterprises in the shortest possible time. The fundamental method of privatization in accordance with these priorities was voucher privatization. Initially, foreign investments tended to be pushed out into the waiting room (Klaus’ and Ježek’s intention was to let in foreign investment in substantial degree only after the Big Bang, i.e. the first privatization wave (Ježek 1994))<sup>79</sup>. Foreign investments appeared in general as big privatization advanced behind the first wave and moved into the center of attention, or essentially when dealing with large state monopolies (i.e. Czech Telecom)<sup>80</sup>.

A substantial share of assets in the Czech economy were distributed through voucher privatization. The final combination of privatization methods introduced was the result of substantial alterations to the original intentions and decision-making in the course of the privatization process<sup>81</sup>. Employing this mix of methods on an all-inclusive scale under the given unregulated circumstances led to the establishment of a very particular environment characterized by distinctive—truly peculiar—autonomous practices and codes. Those practices and codes represent the initial step in constituting particular economic culture attached to the transitory order. For governmental liberal economists evaluating privatization in terms of speed and scale, the privatization process was a decisive success. In light of institutional economics, however, the results of this process appear much more dubious (Mlčoch 1997b, 55-100).

While assessing the accounts of the privatization crucial shifts may be indicated. Many of the notable elements of the privatization process referring to which results in such shifts

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<sup>78</sup> The other pillars of their economic reform as initially outlined were: restrictive monetary policy (since 1990), liberalization of prices and liberal trade (from January 1991), internal convertibility of Koruna (1991/1992), and tax reform (from 1993).

<sup>79</sup> One of a few exceptions was the Auto-Skoda-Wokswagen deal, realized in line with Czech vice president Vlasák’s approach, characteristic in its effort to search for strategic foreign partners and investors for single Czech enterprises .

<sup>80</sup> The range of main privatization undertakings in the Czech case could be outlined more or less chronologically as follows:

1) small-scale privatization (small businesses - mostly from the area of distributive trade and services -distributed through public auctions - considered as fair by the population though money used in this privatization was in most instances of doubtful origin, this privatization practically meant also dissolving some of the state owned chains, which could be offered as a whole to foreign investors)

2) large-scale privatization ( during 1992-1996 - decisive part realized primarily through specially designed method of voucher privatization - though, theoretically, the substantial share of the economy was privatized, still many of the privatized assets were under direct as well as indirect control of the state)

3) restitution (smaller properties - housing properties-blocks of apartments, agricultural land and farm property, smaller trade and service workshops; the property nationalized after 25th February 1948; more substantial properties, particularly factories and other industrial enterprises were nationalized before this date).

<sup>81</sup> The original intention had been to keep the ratio between items restituted and those privatized through the voucher privatization at 3/97 percent. What happened was that 10 percent of the assets were in the end restituted to the original owners or their heirs<sup>81</sup>. From the remaining 90 percent, somewhat less than 50 percent ended up being given out through the voucher method. The rest was distributed through various forms of direct sales, while the smaller part of the remaining assets stayed in the hands of the National Property Fund, and some shares and assets were passed to municipalities.

have been present in the privatization driven discussions from the very initial stages<sup>82</sup>. Thus the theme of privatization or, even more, post-privatization developments as the most cardinal change from a socio-cultural point of view may be related to paradigmatic shifts, and, for that matter, to shifts to a position accentuating the socio-cultural dimension.

Economists have routinely described the particular privatization steps and undertakings as they were happening, and come close to the basic features of the process including the nonexistence of necessary legislation and the lack of domestic investment capital (Zavíral 1997, Vostrovská 1997). Frequently even in this initial period, however, the cardinal inefficiencies of the process and its output were indicated before they were clearly happening. Vostrovská pointed out particularly the “emergence of missing ownership” after the realization of privatization mixed with the substantial voucher method element (1997: 33). Vostrovská, in as early as 1997, while representing mainstream accounts of privatization in the major Czech economic journal, posed the question whether this form of fulfillment of ownership rights is not, in fact, worse than state-ownership. She connected this with the issue of ownership concentration which, at the time of the text release, was occurring in the expense of minority shareholders due to inadequate legal regulation. At the same time, however, Vostrovská did not forget to emphasize that in spite of the used voucher scheme, property in the value of the 1<sup>st</sup> privatization wave (200 billion CZK) remained in the hands of state.

It is worth noting in these early accounts of privatization the treatment of an ‘alternative scenario’ of the economists stigmatized by their involvement in the 1968 economic reform. Vostrovská presented this alternative scenario at the time of the prevailing dominance of ‘Klausian reformers,’ commonly tagged as ‘gradualist’ (as in opposition to shock-therapy), as putting emphases on creating conditions for enterprises at the micro-economic level (Vostrovská 1997: 34). Vostrovská, at the same time, acknowledged its application in the countries where the ‘shock-therapy’ may have been socially unbearable (obscurely Hungary was included by Vostrovská in the group of those so called ‘second wave’ reform countries (1997: 34)<sup>83</sup>).

Heczko described the competing visions of reform as the ‘gradual scenario’ of followers of ecologically oriented social market economy on the one hand and the ‘shock therapy scenario’ of proponents of the ‘market without adjectives’ on the other. In his understanding ‘gradualists’ focused attention at the micro level on structural changes which were to be prioritized in view of other systemic transition undertakings, as in their view only factual (non-price) competitiveness was decisive and could be improved only in the case of systemic insistent effort, (1997: 14- 15) which was likely to result from an active structural policy of government. Heczko (1997: 16) took notice of the ‘gradualists’ insistence on the legality and legitimacy of the privatization process (social and legal transparency).

Vostrovská, for the same journal published two years later, and devoted again to privatization, ended up answering in most of her text the question “Has the mistake rested in the privatization itself?” (1999:64). This change from mentioning the doubts about outcomes of privatization regarding the resulting patterns of ownership, to analyzing them at the core of her assessment reflected the jumpy economic and political developments of this period,<sup>84</sup> and the decline of ‘shock therapy’ political rhetoric, along with the fall of the monetarist-dominated approach from the paradigmatic pedestal that was accompanied by the first critical

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<sup>82</sup> Though, presented accounts are predominantly for the period of 1996 and on, as since then a larger and diversified reflection of privatization process emerged and as, at the same time, the factual impact of the privatization on the economic performance is assessed.

<sup>83</sup> This actually describes in a perfect manner the filling of exclusivity of the Czech ‘shock-therapy’ undertakings in CEE context spread in the ranks of Czech economists.

<sup>84</sup> Two packages of restrictive measures in reaction to sky-rocketing trade deficit in 1997, devaluation of Czech currency, collapse of the right-center coalition government at the end of 1997 in the wake of major corruption scandal of privatization-driven financing the Civic Democratic Party, Freedom Union splitting away from CDP and the Social Democratic minority government coming to power in 1998



mainstream rapprochement to the “we are number one in shock therapy” position which had hitherto dominated economic discourse in the Czech Republic. In this way single voices from the mid-’90s were predominantly devoted to institutional economics,<sup>85</sup> (Kouba 1994, 1995, 1997, Kouba, Klacek 1996a, 1996b, Mertlík 1996, Mlčoch 1997a, Mlčoch 1997b) while being quoted by the end of ’90s they had touched the mainstream of Czech economics.

The key role in privatization was played by investment privatization funds. The majority of the largest IPFs were owned by the major banks. Many of those banks, in turn, were still under “state control”, which basically meant that the state owned controlling shares but did not prevent mismanagement of co-owned companies. This “puzzling ownership tangle” (Potůček, 1997: 108) included a large number of smaller and bigger enterprises. Banks and the IPFs they owned had an extraordinary influence on the course of privatization. Due to the structure of the tangle, however, neither banks nor IPFs were capable of effectively controlling the enterprises. Rather, it seems that the banks used their IPFs to keep track of their credits in the companies co-owned by their IPFs. The banks’ peculiar double role as both owner and creditor was not at all a good incentive to initiate and push for restructuring. Numerous big companies involved in this ownership tangle were postponing necessary reforms. Governing parties interfered with bank management in order to support credit for particular enterprises, and made things even worse. (Havrda 2003)

The activities of IPFs were not adequately regulated by law. The effects of attempts to improve regulation *ex post* were unsuccessful. Thus IPF transformation into holding companies substantially violated the rights of individual shareholders. The rights of shareholders of those funds have been violated on a massive scale but this is not to claim that the rights of individual share holders of privatized enterprises were substantially more respected (the late legislation regulating buyouts of minor individual shares in companies taken over by a majority shareholder to guarantee some minimal price of individual shares after takeover) (Mejstřík 1999).

The regulation of the Czech capital market following the first and second wave of privatization was quite loose which allowed for intensive secondary trading and the speeding up of concentration but led to the prevalence of opaque ways of trading, namely sales over the counter outside the central capital markets at the stock exchange, and in the RM-system. This negatively affected foreign investors’ activities on the market. After years of complaints, particularly from the side of foreign investors, the stock market supervising board was put into place. The board does not possess sufficient powers, however, and has only slowly headed toward improving the standing of the market.

### **2.3. After Privatization: Transitory Economic Culture in Work**

The strategy of privatizing the maximum number of enterprises in the shortest possible amount of time—the key criterion in this experimental model—ignored the cost and the longer term effect of such privatization practices, which too frequently took the form of mere formal denationalization (switching to ownership by IPFs controlled by state-dominated banks) for the particular individual enterprises, and limited other eligible options for single enterprises. Still in this particular sense, the argument for decisive, massive and swift action supported by macro-economic expertise prevailed and become the coat of arms for liberal reformers associated with Václav Klaus, the federal (Czechoslovak) Minister of Finance at the time. It should not be forgotten, though, that there was also another vein of expertise regarding privatization. This ‘other way’ of privatization undertakings (individual sales of the

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<sup>85</sup> But in a specific Czech way as the paradigmatic opposition to monetarist cures to transition economy.

key auto, technical and mechanical engineering industries to western strategic partners) was portrayed as a dangerously gradualist one by those who opposed it. It was represented by the expertise and concrete privatization steps of Pithart's Czech government, (particularly Vice-premier Fr. Vlasák) which were soon cut as Czecho-Slovakia disintegrated following the landslide victories of Mečiar Movement for Democratic Slovakia and Klaus' Civic Democratic Party.

Quentin Reed (1999) shows the legislative alternations of the privatization procedure which did not contribute to the transparency and openness of the privatization process, but in the end, rather to the opposite, particularly after the CDP-led coalition came to power following the elections in June 1992. Reed further points out an extensive range of examples of clashing institutional as well as individual interests at play. Even though Reed's intention is to highlight the ground and conditions for corruption in the Czech privatization context, he is uncovering much more of an essential cultural phenomenon.

#### **2.4. The Question of a Culture of Political Clientelism**

In this sense, it is necessary to distinguish between two crucial aspects, particularly as engaging with the explanatory frame of corruption. Thus, one issue is the privatization procedure and its evolution in view of the political dominance of particular parties (representing a liberal program at the time—Civic Democratic Party, Civic Democratic Alliance) that tended initially to omit legal and legislative regulation of privatization-related undertakings—irrespective of individual clashes of interest in the case of influential political figures (i.e. Miroslav Macek).

The other aspect is privatization and the money of political parties. At this critical juncture the key is the phenomena of most likely extensive illicit input to political parties' finances by actors engaged in the privatization of various enterprises (Šrajber's case). Even though this may apparently foster using the label of political clientelism, it is actually a delicate matter to use this label as the spoiled essence of those privatization happenings is more complex. This is not to say that elements of political clientelism are not present; factually, they became quite visible with the conclusion of the 'oppositional agreement' and following the split of the influential positions among the CDP and Social Democrats<sup>86</sup> between 1998-2002. The two aspects described above seem to be interwoven, which in turn makes an analytical reading of their consequences more difficult.

It appears that "neo-liberal" negligence of legal and legislative regulation of the privatization process (Kouba, Vychodil, Roberts 2005, Večerník 2002, Vostrovská 1997) gained its own existential impetus and that this characteristic feature of the '90s in the Czech Republic was neither coincidental nor ideologically bounded, but rather integrated the previously outlined two key aspects of privatization in a more systemic sense. In the new economic system, which lacked domestic capital and which, at the same time, rarely encouraged foreign investment, (limiting foreigner capital participation in the first wave of privatization, problems with transparent trade and business practices, legal regulation of economic practices, establishing the rule of law) "new investment capital" needed to be "discovered" and introduced into the irritable bloodstream of the system. Thus, the original economic reform that set political forces into motion became prisoner to the dilemma of conducting the reform toward the original free-market transition goals, or of somehow muddling through the hopeless lack of domestic capital and entrepreneurial expertise, while, however, maintaining political support at that time through prolonging "temporary" legal neglect in the still partially state-controlled economic sphere, and providing in this way inexhaustible opportunities for existing economic actors to "invent" necessary domestic

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<sup>86</sup> After the 1998 elections, the CDP, despite the overall victory of right and right center parties, enabled the Social Democrats to establish a minority government.

investment capital while taking advantage of this half-way stage of unregulated capitalism. In this sense, it was quite crucially lagging behind with bank privatization, even though already by the mid-'90s it was already becoming clear that the true restructuring—reaching beyond short-term deals with local actors on the edge of temporarily delayed but nonetheless imminent bankruptcy—was to come only with continuing, to a substantial degree, to privatize state controlled banks, together with their IPFs, into the hands of foreign investors.

## 2.5. A Culture of Corruption?

The frequency of the ‘non-standard’ solutions employed throughout privatization raises serious questions as we turn our attention to the privatization-related financial deals of political parties. Even if the banking sector put aside<sup>87</sup> the degree of mutual involvement between the political sphere and privatized economy substantially affected the environment and economic culture in place. The revealing of the sources of the CDP’s finances at the end of 1997 led to the crucial shake-up of the Czech political scene with the long-term effect of raising new lines of division. It is quite difficult to list the cases of dubious privatizations that resulted in considerable donations to the budgets of governing parties. The extent to which privatization was related “fund raising” may be illustrated by the statements made by some of the Civic Democratic Party leaders who left the party at the beginning of 1998. They claimed that the CDP possessed a secret bank account in Credit Suisse containing a minimum of tens million CZK. Speculation about this account initiated the fall of Václav Klaus’ government in November 1997. For years lasting police investigation - for long hindered by necessity of presenting convincing evidence before saving cooperation from Swiss authorities - has not managed to substantiate those claims. The police investigation, however, revealed that 45 million CZK had passed through the account of Ludvik Otto, assistant to the CDP executive deputy chairman Libor Novák. Otto’s private bank account was used for transfers of CDP money between 1995 and 1997<sup>88</sup>.

Another example of this kind of “party financing” is the gift of 14 million CZK received in connection with the privatization of Třinecké Steel Mills. Similar revelations led to the crucial decline and even to the exit of the Civic Democratic Alliance from the political system. In spite of these incidents, the CDP, under Václav Klaus’ leadership, managed to keep its decisive position on the Czech political scene. It concluded the so-called “Oppositional Contract” with the Social Democrats, which enabled this left-wing party to establish the minority government after the elections in July 1998, in spite of the overall majority won by the right-wing parties. The court proceedings dealing with donations

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<sup>87</sup> Czech political parties, in many instances, were getting loans from banks on the verge of bankruptcy. For example, Bohemia Bank had provided some 100 million CZK to the Civic Democratic Party (CDP), the Civic Democratic Alliance (CDA)<sup>87</sup> and the Peoples’ Party, and it went bankrupt because the banker Antonín Moravec pulled out almost one billion CZK for his own firms over a period of time. The biggest official donation to the CDP in 1996 (3 million CZK) came from the firm Iceberg which was involved in bankrupting a number of small banks. Controversial loans for political parties might also be responsible for the fact that politicians purposely ignored the dubious management practices in one of the biggest banks. In mid-2000, the Investment and Postal Bank (IPB), the third largest bank in the Czech Republic, and with substantial influence on the economy, experienced serious financial difficulties. After customers withdrew their funds, the IPB was placed in the hands of an official receiver and passed over to the Czechoslovak Trade Bank (Československá obchodní banka) in order to save the bank and prevent the “disappearance” of the bank’s and its privatization funds’ assets tangled in the complex frame developed to hide the growing share of unpaid loans, and to escape the supervision of the Czech National Bank.

<sup>88</sup> The long list of privatized companies that were a likely source of those millions of crowns most probably involved Czech Telecom. The Dutch TV company KRO, one of the owners of the consortium that made the bid for a 27% share in the Czech Telecom Company, bribed politicians and civil servants in several CEE countries to get advantageous privatization deals. CDP and CDA representatives supported KRO’s bids. The company later deducted bribes paid in the course of the Czech Telecom privatization from its Dutch tax record. Also, the prolonging of the company’s monopoly violated the already concluded chapter covering telecommunications in pre-entrance negotiations with the EU. This led to an open confrontation with EU negotiators.

connected with the privatization of the Třinecké Steel Mills are characteristic of the long prevailing perception of privatization-related financing of the political parties. Contrary to what one would expect, the case did not deal with the fact that shares were acquired by the former Czech tennis star Šrajber's company<sup>89</sup> while paying 14 million CZK to the CDP. Instead, the CDP's treasurer was charged for tax evasion when he anonymously received cash which was divided so that CDP could pay smaller taxes, and was declared as the discrete donations of two entirely fictitious persons from abroad.

Certainly, it is easy to establish direct ties between the particular parties that controlled the decision-making on most of the privatization agenda (mainly the Civic Democratic Party and Civic Democratic Alliance) and the privatization of particular assets in this crucial period. Of course, what is usually considered corruption was widely present, but with regard to legislation, law implementation and law enforcement, the essence of the problem—in the Czech context—was clearly systemic. In the Western context such mechanisms and practices would be considered clear and outrageous violations of the rule of law, despite the fact that such occurrences can be personalized and thus put in line with classical corruption schema, and a common understanding of corruption given by the circumstances' changing codes and rules over the course of transition, and taking for granted the hesitance and delay in establishing these new code and set of rules is shifting the essence of the phenomena into more systemic categories. For example, Miroslav Macek, CDP Deputy Chairman and one of the leading CDP figures at the time, bought the state book wholesale company in 1992 at extraordinarily preferential terms, and sold out valuable assets of the company with enormous profit in spite of the legal action of the company's creditors. At the end, Macek's claim, however, was that he had only done what any Czech citizen over the age of eighteen would have done in his place and, the fact remains that he, has never been held legally accountable for the creditors' losses, though he did finally step down from his political posts<sup>90</sup>.

In this sense, it is not so much the actors themselves who explain the overwhelming distortions within the transitory order, but rather the specific economic culture that was established. They made possible the employment of a great variety of advantageous approaches and measures in the given economic environment even without particular financial linkage to governing parties (Kapička 2000). Irrespective of the "direct connections" between the governing political groupings and the economic sphere, the opening of space for autonomous economic activity, which, while certainly accentuating the realities of an inadequately and chaotically regulated order, nevertheless provided the governing coalitions with wide support as the heterogeneous groups profiting from such environment grew in strength.

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<sup>89</sup> Šrajber, in another case, was convinced, after a time-consuming and perpetually obstructed process, to sell shares in holding of the IPF managed by him, under the market price, to the other IPF he owned. He even started his prison sentence before taking advantage of the last possible and justice minister sponsored procedural recall to meet Václav Klaus in person soon after his release.

<sup>90</sup> Macek soon reemerged in the top party structures, which did not, however, limited his "entrepreneurial" spirit. Macek has been able to openly extort a provision of 10 million CZK from Ernste Bank for help with their bit during the privatization of the Czech Saving Bank (Česká spořitelna), though he was in no official capacity involved in this privatization. Macek resigned unnoticed from politics in the middle of September 2001, as all public attention was turned to the tragic events in the US.

## 2.6. What does Corruption<sup>91</sup> Mean in the Czech Republic?

In looking at the corruption present in the Czech Republic even today, the understanding that the naturally and extensively corrupted regional socio-economic and political socialist system is on the way from being a state-dominated, and consequently substantially corrupt, establishment, toward becoming a principally corruption free or effectively corruption-reducing socio-economic and political system, prevails. This clear-cut understanding of the switch from socialism to a free market system, with regard to the phenomenon of corruption, is undoubtedly related to the logical consideration that fast privatizing and denationalization of extensive state property have had a decisive anti-corruption effect. There are, however, a number of occurrences in the course of the transition to a Western-like free market economic culture which essentially ruin this logically supposed linear progression of the process. Methodologically, the key problem in this sense is the employability of the classical corruption analytical frames, in a situation in which the state is quickly withdrawing or collapsing and the distinctions between state, collective, and private ownership and management become unclear. In the process of such withdrawal or collapse, dealings among those spheres are no longer legally and ethically regulated, which in turn establishes new mechanisms and a new rationality hardly comprehensible within the classical corruption frames of analysis based on the principle of clear-cut transfer between state and private. Corruptive exchanges that cannot clearly be conceptualized in this way nonetheless represent the essential developments constituting the actual economic culture in the Czech Republic<sup>92</sup>.

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<sup>91</sup> The past decade has been witness to a noticeable shift in the treatment of corruption on both academic and policy fronts (Williams and Beare, 1999: 115). Why in the '90s the phenomenon of corruption came to forefront internationally is the question in its own right. Frequently, explanations rely on that "contemporary classical scapegoat", globalization (for ex. Glynn, Kobrin and Naim, 1997: 7). The answer, however, may be more prosaic; the shift of attention is possibly much more related to changes resulting from the events of the '80s, explicitly the collapse of the bipolar political, and along with that, economic division of the world, and general acceptance of the idea of a switch to free-market. In this sense the processes that unfolded in CEE and in other ex-socialist countries became crucial to the qualitative shift in perception of the phenomenon of corruption. Most explicitly the Cold War style of bipolar political thinking when regarding economic developments entirely evaporated from the discourse and made space for new developments in the discourse, on factors hindering efficiency of the socio-economic structures. On second thought, however, what seems to be crucial is the transition from a socialist state-controlled economic system to a free market economy, a process which, in the long run, may somehow challenge the essential understanding of corruption.

<sup>92</sup> It may be argued that in talking about the deficiencies at the intersection of economics and politics in newly established free-market/democratic systems in CEE, it is highly inadequate to use the explanatory concept of classical corruption to describe deformed and twisted practices that have emerged in the economic and political life of post-communist societies, as this concept may easily be problematized in the CEE transitory context. This may be done by claiming that 1) absurdly, it is difficult to use the corruption concept, in the transitory context, since this phenomenon implies violation of certain codes or a bridging of the prerogatives associated with particular positions and functions; yet such codes and prerogatives are hardly present in CEE, in fact, they are only being created; 2) also, among the key features characterizing corruption, at least in most common interpretations, is its occurrence on an individual basis and that it represents in some way an extraordinary arrangement. Clearly, various stadiums of corruption can be defined (standard conceptual schema usually works with the scale divided into four categories – accidental c., spontaneously regulated c. organized c., systemic c. [i.e. Frič, Kabele 1999, 32-34] ) though in my understanding even the mere label of the stadium called 'systemic corruption' is a contradiction in terms. Corruption ceases to be corruption any more as it becomes the rule; it is a system functioning in line with the particular code and rationality—in other words, not representing distortions, but gaining a systemic essence in the sense that it develops systematically along with the actual reconstitution of the economic and political spheres.

## 2.7. Economic Culture of Illegality in Post-socialist Economy

Thus, developments in CEE, when confronted with the classical corruption concept, suggest a certain reevaluation of the clear-cut public-private connection principle. Illegality in economic life in an advanced free market system tends to occur rather on an individual basis, in contrast to the situation, in transition economies, wherein illegal and shadowy economic activities rest very near to the fundamentals of the new socio-economic order and are constituted as an everyday practice. This is not incidental; illegality implies a violation of legal codes or a bridging of the prerogatives associated with particular positions and functions, yet such codes and prerogatives are hardly present in CEE, in fact they are only being created or imposed from the EU level. Still, this is not simply a casual relationship. The extensively informal and shadowy character of the economy under the conditions of prolonged transition, and the ever delayed road toward the fulfillment of transitory goals may be described in more systemic terms.

In the consequence of the legal weakening of the category of state/collective ownership in favor of private ownership, (in the sense that state/collectively ownership has been too frequently privately exploited depending on individuals' social access and disrespect for the rule of law and ethical norms) economic exchanges stopped being clearly distinguishable along the lines of state/collective—private or group interest. The newly emerging post-socialist world has been characterized by a variety of crucial areas and mechanisms of murky exchanges which would be regarded as clearly illegal in the Western context, but which in the Czech Rep. contributed substantially to the “founding” of private capital and the speedy injection of it into the veins of the newly established free-market system. The illegal and unethical practices implemented in acquiring ownership may have long discredited the very concept of private ownership (Bohatá 1998, 63).

The execution and protection of ownership rights has thus, for a long time, been the critical area as management has taken advantage of securities in the portfolios of investment privatization funds belonging to banks, in which not only the state still has a substantial share, but in which uncountable numbers of anonymous small individual investors also have managing shares, as a result of two waves of voucher privatization, or a similar taking advantage of privatized companies (so called tunneling—asset-stripping). This illicitly generated capital corresponded to the conditions of privatization conducted without sufficient amounts of internal capital, and resulted in—for the emerging economic milieu—devastating practices (i.e. buying credit from bank management for 10% of the credited amount, buying on credit and not paying, not using credit for declared purpose). This variety of phenomena may be understood as a certain nationalization of investment risks as it has been made possible extensively through the loans “policy” of banks subjected to state “control,” or rather non-control, as well as by bankrupting smaller private and cooperative banks or pension funds, and then being bailed out by the state or through direct contributions from the state budget. This semi-legal repertoire of “entrepreneurial” practices was complemented by openly law-bridging mechanisms of capital acquisition, such as, for example, import duty evasion through the declaration of diesel oil as heating oil, or other sophisticated import duty evasion schemes that were utilized throughout all sectors of the economy.

The question is as follows: can economic culture so attained change fast enough to, in time, approximate Western European free-market culture (which has the ability to curb and maintain a low degree of illegal and shadow activities)? It appears that it is in the interest of those actors who emerged in this initial phase of change to prolong the prevalence of the specific ‘temporary economic culture’ in between socialism and free-market (including the delay of the legal regulation of a Western sort), as this continues to allow them to maximize their advantage of access to a tremendous amount of privatized state and collective property (Hellman 1998).

## **2.7.1. Methods of asset stripping—‘tunneling’**

### **2.7.1.1 Investment privatization funds**

In practice, the whole range of methods that took advantage of the half-privatized economy (state dominated banks, countless IPFs managing and controlling shares of millions of individuals) was described as “tunneling,” and became a phenomenon that crucially shaped the ensuing economic changes.

Investment funds and investment privatization funds became an extensive arena for such operations in the first place. The operations have been more closely analyzed in the Czech context in the report of the Czech Finance Ministry “Analysis of the Czech Stock Market” (Růžička 1999, 22-60, Nett 1999, 126-141).

The leading methods among these were:

- loss-making trading with securities which harms investments funds
- concluding forward transactions and future options while not covering the potential risk of an unfavorable development of securities rates, but making the investment funds hold the securities irrespective of the changes in their rates in order that they might be sold at the contracted time.
- remitting advance payments for securities acquisitions.
- long term due dates for sold and borrowed securities—this is the charge for which the aforementioned Šrajber found himself implicated and imprisoned—trading securities for low prices, senseless changing of securities prices.
- belonging to the realm of similar misdemeanors are the new emissions of securities for excessively high prices among allied companies and funds, (the shares of company are traded on the stock-market for a much lower price than among allied companies) or management trading on its own account while using inside information gained from the supervising boards of joint-stock companies.
- concentrating and holding extensive deposits in investment funds’ and companies’ bank accounts (Holding high amounts of investment fund property in the form of bank deposits is the way in which the bank controlling this investment fund is trying to solve the problem of its own liquidity; in this way the bank hides its problems from bank supervision and delays insolvency. With the bank’s collapse the fund’s deposits are badly affected.) and disregarding the risk-reducing limits as given by the law; law no. 248/1992 on investment companies and funds as regulated by later provisions places limits on the acquisition of securities with respect to the overall portfolio of the investment fund.

### **2.7.1.2. Enterprises**

Firms and enterprises belong to the next group of economic entities that were extensively affected by the commonly occurring tunneling in the Czech Republic throughout the 90s’. Those economic establishments suffered from procedures such as so-called incursions, whereby, at shareholders’ meeting taken over by ‘invaders’ (gain voting majority), certain transactions are decided and the company suffers (Nett 1999, 134). Enterprises under the conditions of politically long-protracted transitory order suffered extensively from the draining off of profit. A limited company or small joint-stock company was founded; the management of ‘the mother company’ sold assets of the company for a small or book keeping price to this new company. Along with that, orders and deals of the original company were passed on to the new company; the company still produces, however, profit is taken over by new firms, supplying or receiving from the original company. A simpler form of such drain has taken the form of provisions for members of the mother company management from the supplier or receiving the firm after concluding an advantageous deal covered by the mother company (Nett 1999, 134 –135).

Another tunneling method has been decreasing the value of companies. This occurred mostly in connection with privatization. The economic situation of the firm was purposefully distorted; the firm assets were intentionally disregarded and firm liabilities exposed, and concluding crucial contract was delayed in order to enable the management or another party to gain shares or to take over the company for low price. A further method known even to the Western context of advanced free-market countries is the misuse of inside information, in which a member of the board of directors takes advantage of inside information and purchases goods or a particular lot necessary to extending the company which he/she sells to his/her own company through his/her associated company (Nett 1999, 135–136).

### **2.7.2. Banking sector**

The development of the bank sector has been crucially tied up with the whole economic transformation throughout the '90s, essentially, until the present day. The doubtful character of the changes in the financial sphere was initially indicated by the first wave of bank bankruptcies. This wave between 1993 and 1996 involved small banks which, mostly due to essential transfer irregularities, ended in insolvency (Jáč 1997: 36-51). Even though they were able, from the beginning, to employ regular swindles as they occur in the West (fictitious bank guarantees, fictitious securities through capital deposit confirmation etc.), new procedures that were rather characteristic of the transitory context that had emerged.

An example of such a procedure was giving credit to bank share holders, which played a major role in this first wave of bank collapses. Illustrative of this procedure is the case of the Credit and Industrial Bank. The founder Antonín Moravec, in 1991, bought the bottling house “Ida” on credit. The factory was then put up as collateral in order to gain the 50 million CZK needed for the initial capital of the newly founded bank. After getting the license from the Czech National Bank, Moravec managed to borrow three billion CZK from other banks, but then lent 800 million CZK to dozens of his own firms and to other debtors who later failed to pay, and his, bank, which in turn did not repay its loans from the other banks ended under compulsory administration. The Czech National Bank covered some 40 billion CZK in such cases.

The next wave of bankruptcies followed shortly thereafter—76 cooperative trustee savings banks, the type of financial institutions which started to mushroom with political cross-party backing in the mid-'90s, were ruined through improper management and the taking advantage of deposits in the second half of the '90s. However the first fiddle occurs when it comes to the amount of money lost by the biggest banks, which remained “state controlled” (decisive share in state hands) and only recently were privatized. Privatization revealed enormous uncollectible credits given throughout the '90s. It turned out that one could expect that claims would be transferred from the Commercial Bank, Czech Savings Bank and Investment and Postal Bank in amounts up to 600 billion CZK to The Consolidation Bank. This is the result of bank management policies and practices from the various stages of transition<sup>93</sup>; undoubtedly deformations and distortions leading to this involved the selling of credits by management, and the own deals of the management and political interference and press on behalf of particular enterprises.

### **2.7.3. Consolidation Bank/Agency (combining and involving activities in both previous sectors)**

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<sup>93</sup> It would seem logical that most of the uncollectible credits should be limited to the start of the '90s, however, the fact is that there are numerous cases of such credits even at the end of the '90s.



The current chapter of the developments has involved the Consolidation Bank/Agency which is attempting to auction classified claims transferred into its portfolio and to gain for the state at least something from its losses. However, there are signals that the claims in numerous instances are being bought by debtors (through intermediaries), and in this way they manage to settle claims made on them for the fraction of the original value of the claim. It seems that a whole new arena for the further extensive “nationalization” of investment risks emerged. Information has currently surfaced in the Czech public media about attempts to reclaim former assets overtaken by the Czechoslovak Trade Bank after the collapse and inclusion of the Investment and Post Bank, which were then passed into the Consolidation Bank<sup>94</sup>.

## 2.8. EU and FDI (foreigner direct investment) factors

The earlier described practices contributed decisively to what is labeled the ‘transitory economic culture’; the key characteristics of this economic culture as they emerge from the crucial area of overlap of economics and politics at the time of transition can be summarized as failures in the execution and protection of ownership rights (Šulc 2002, Mlčoch 1997a, Mlčoch 1997b, Mlčoch 1999, Mlčoch 2000a, Mlčoch 2000b), as privatization realized without sufficient amounts of internal capital followed by the process of nationalization of investment risks (Žák 1999: 291-297, Klvačová 1998: 105-122, Kapička 2000: 201-213, Havel 1997, Kouba, Vychodil, Roberts 2004, Cull, Matesová, Shirley 2002: 1-25), and last but not least the utilization of unethical and even law-bridging mechanisms throughout all whole sectors of the economy (Fassmann 2003).

It has appeared for a long time that the self-sustaining culture characteristic of the economic sphere, as overlapping with the political, is hardly to be substantially alternated through factors and agents existing within the Czech internal context. The vicious circle has seemed likely to be broken in a decisive manner only through the interference of external factors: firstly, the EU legislative requirements and other prerequisites that have been fulfilled in the process of CEE candidates' accession to the EU (Ježek 2004: 38-49, Wawrosz, Slováčková 2001: 125-174, Klvačová 2001: 5-25) and, secondly, through the ‘spill-over’ of Western European entrepreneurship and direct foreign investment (FDI) (Němcová 1997: 163-67, Zemplerová 1998: 329-343, Tomšík 1999: 126-146, Chalupský 2002: 23-31). In this way the EU, along with an overwhelming increase in foreign investment from single Western European countries emerged as the key factor in changing these prevailing cultural patterns. In view of eastward enlargement of the EU, the massive influx of foreign capital finally started to cover, to a greater extent, the decade-long shortage of investment from domestic sources. Thus, the mechanisms of “inventing domestic capital” through the

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<sup>94</sup> Characteristic post-privatization cases representing the practice of ‘transitory economic culture’ may be split as follows: Banking and insurance sector - IPB (145 billions of bed credits), Nemeth’s claim (7 billion and tax evasion as it is used by companies), Commercial Bank - acreditives to B.C.L trading (7 billion), credits for CAS, over-all necessary rescue (unpaid credits) - 60 - 80 billion, Housing building company H system - and its credits in the Commercial Bank, (cooperative) trustee saving banks, Motoinvest – bankrupting Agrarian Bank, Credit Bank, Moravia Bank, PPF group acquiring the Czech Insurance Company (see i.e. Myant 2003); Investment Privatization Funds - Harvard Funds - Harvards industrial holding, Czech Investment Holding, YSE2 Bohemia Venture, Trend, C.S. funds, STI funds (Šrejber); Holdings (industries) - Chemapol, Škoda-holding, TV Nova – hijacking of the TV by Czech license holders, TH system - the key Czech hardware and software distributor - acquired by CHS electronics - hijacking by the Czech management (see i.e. Myant 1999, Myant 2003, McDermott 2002); Assets-stripping in companies - Chirana Company, Liberta Company (Minister of Finances Svoboda), Half-state owned companies - Ostrava-Karvina and Czech-Moravian coal-mines being tunneled through Karbon Invest Company, Privatization of weapons dealer Ominopol - harming small share-holders (see for ex. Myant 2003); Insider trading (in certain periods affected 1/3 of trading at the stock-market); Consolidation agency - Selling bad assets by Consolidation Bank /Agency

nationalizing of investment risks, and the doubtful, dubious and shady ways to capital attainment, well-known from the times of privatization and the era of so-called ‘bank socialism’ (Mertlík 1996), are finally being substantially limited. This has been a crucial change in terms of the quality of the economic culture and environment, and has undoubtedly been one of the preconditions for coming close to the Maastricht criteria regarding state budget deficits and overall public debts as unavoidably connected to what are usually termed ‘transition costs’ (state-covered debts produced in the course of changes by banks and enterprises) representing a part of the public debt. The insistence of the EU on increasing the efficiency of the courts and law enforcement—improving the rule of law so to speak—is aimed at wiping out the residual law-bridging mechanisms that were used in the ’90s for the gaining of fast profit throughout all economic sectors.

It may be argued that the ‘spill-over’ mentioned above, as associated with the influx of direct Western European investment, started a long time ago, but hitherto results do not imply that much of a decisive breakthrough in the implementation of advanced practices and patterns due to the FDI increase. However, the dynamics of the “spill-over” effect in the particular CEE context seems to be somewhat more complex. Thus, in the Czech case throughout the ’90s, there were numerous instances when foreign investors tried to exploit twisted local rules and practices (instances of harming small shareholders at the moment of takeover of the company by a dominant foreigner shareholder). In general, the foreign investors, still not so overwhelmingly numerous, were to go along with the local “rules” and peculiar economic culture or they risked dropping out. It seems that a true intensive ‘spill-over’ effect appears only as FDI reaches a certain overwhelming momentum, or a critical mass in the context of the given economy; the ‘spill-over’ effect, as associated with the growing FDI, does not appear to function according to the rules of a simple linear function.

The description of the culture of transitory order is not limited to the internal context of the Czech Republic but is crucial, by the same token, in view of the inclusion of the Czech Republic into the EU, and the means and mechanisms used to incorporate CEE countries. In common understanding, the extension of the EU was to proceed only at the moment when new candidates had successfully accomplished the transition to the Western European-like free-market system, and had adopted the correspondingly appropriate economic culture. In this regard, the crucial point is that the complete and full-scale transition in CEE countries is being achieved only in the course of and due to actual incorporation into the EU, a process newly labeled Europeanization (see Dančák, Fiala, Hloušek [eds] 2005, Mansfeldová, Sparschuh, Wenninger [eds] 2005). This assertion implies that the South Eastern and East European post-communist countries, which may not closely enough approach the EU, are not to accomplish a full transition to a Western European-style free-market system, and that cross-regional differentiation in terms of advancements in transition and achieving transition goals is dependent on the degree of involvement with the EU.

### **3. Closing remark**

In spite of the long-term ideological prevalence of neo-liberal approaches to the interpretation of the economic happenings in the Czech Republic - imprisoned in the initial discursive dilemma – shock therapy vs. gradual change (extensively omitting the actual content of the change) as associated with the first wave of conceptualizing socio-economic change in CEE, the analytical approach of institutional economy is represented in the Czech context, although still considered as rather alternative (for ex. Šulc 2002, Mlčoch 1997a, Mlčoch 1997b, Mlčoch 1999, Mlčoch 2000a, Mlčoch 2000b). The second wave of the conceptualization of socio-economic change in CEE, while drawing on path-dependency and past-driven explanations as related to the previous economic order’s cultural properties, has not attained such key position

as it did abroad. Within this context we may interpret a recent emergence of the theme of economic culture in Czech sociology (Skovajsa 2004, 363-378) along with voiced emphases on the cultural properties of the communist legacy. It seems that the potential for the assessment of transitory economic culture as being primarily a culture created by newly emerged economic actors (this would correspond closely to the third wave of conceptualizing the sources of socio-economic change in CEE) is hidden rather within the ranks of economists critically focusing on Czech economic developments in the 90's (see for ex. Kouba, Vychodil, Roberts 2004, Cull, Matesová, Shirley 2002: 1-25).

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## III.4 Hungary

**Csilla Kalocsai**

This paper tries to review fourteen years of scholarship in sociology, anthropology, political science, and economics that thinks through the changes in economic culture in post-socialist Hungary. It, however, does not pretend to encompass the vast and versatile literature written on the transition to market economy, but is limited by cultural analysis and by certain topics. And still the review exhibits unevenness and incompleteness.

I selected social scientific works that embrace cultural analysis. Cultural approach, however, is sporadic in the literature, although some cultural anthropologists and cultural sociologists do exist in the field and explore such topics as consumption or networks. Bourdieuan sociologists also provide a cultural perspective when they consider the continuity and discontinuity of economic elites after the breakdown of state-socialist regime. Others follow a sociological-political economic approach where some aspects of culture, such as attitude, behavior, or knowledge, are included in the analysis. In the following, you can find examples for both approaches.

Early on in my examination of the literature, it was clear that the two most popular, or rather, most explored topics on economic culture are the economic elite and entrepreneurship. Two other topics were selected to match the current research project's agenda: companies and consumption. Poverty was included not only to complement the picture that is mapped out by the four above topics but also because the discourse on economic elites and entrepreneurs is often framed as the winners and losers of transition, where losers refer to the impoverishing segment of society. I agree with Violetta Zentai's (1999) critique that such a dichotomy simplifies and distorts the changes that take place in post-socialist Hungary, yet embracing poverty here points to the discursive links and overlaps that weave through the topics in general. To mention a few of such connections: Members of the economic elite play a significant role in entrepreneurship and companies, some entrepreneurs are forced into business to avoid unemployment and poverty, or it is the elite that is often considered to set the norms and rules for consumption practices in society. Other topics that could have been reviewed in this paper were disregarded for the time being: network, trust, corruption, informal economy, migration, welfare state, banks, property, and cultural globalization. Of course, the omitted topics appear here and there as much as they are important for describing and explaining the selected ones, and others are briefly discussed in my conclusion.

Two last notes before I turn to the exploration of my first topic: The genre of this paper is midway between a literature review and an annotated bibliography, since I wanted to discuss each and every bibliographic item to some extent. However, I point out the theoretical shifts and thematic links in the scholarship in my attempt to trace contemporary studies back to the 1970s and 1980s.

### **1. The Economic Elite**

It is hard to think of another topic that has drawn so much attention as the economic elite in Hungarian social science in the past fourteen years. A vast number of sociologists have been inspired by two questions: 1) Who has become member of the new economic elite in post-socialist Hungary? 2) Is the new economic elite continuous and/or discontinuous with the old



elite? The questions might sound simple but the answers map out rich theories and hot debates that first popped up in 1989 with a forecasting tone, and ever since sociologists conduct empirical investigations on the topic.

Much of the sociological discussion on economic elite relies on Bourdieu's theory on capital and capital conversion that provides a cultural framework for the mostly quantitative studies. According to Bourdieu the dominant class includes those who have control over the most valuable types of capital as defined by society. He distinguishes between social, cultural, and economic capital, and says that the dominant class determines the way in which the various types of capital are converted, and institutionalizes the one that legitimates its position. The ability to convert is a special capital that he calls symbolic capital. Although Hungarian sociologists dismiss the term dominant class, and use elites instead, almost all invoke Bourdieu's theory to some degree in an attempt to point to the shift in the dominance among capitals, and to think about the ways in which certain groups of elite were able and others were unable to retain their elite position after the transition. The use of Bourdieu, Kovach (1995) explains, first appears in the Hungarian socio-structural and stratification studies of the 1980s that show some continuity with the economic elite studies of the 1990s.

There have been several studies that have tried to offer an overview of the research projects and theoretical interventions on economic elites after the changes. In her book that summarizes ten years of her research, Erzsebet Szalai (2001) reviews some of the most significant projects on elites in order to explore the various definitions of elites in the literature. She finds that they either include company executives and managers exclusively (Szelenyi 1995, Csizs-Rona-Kovach 1998, Rona-Tas-Borocz 1997), or provide a wider understanding, and define economic elite as having influence over greater economic decisions (Vedres quoted by Szalai 2001). Andras Csizs and Imre Kovach also browse through the elite studies in an attempt to delineate various periods in the research (1998, 2002). In the 1998 article, they distinguish between two periods, and point to privatization and its effects that change the nature of the studies. Thus, the first period is between 1988-1996, and the second begins in 1997. They, however, start their 2002 article with the statement: "the research of the economic elite has reached its third period or generation in 1997." Here Csizs and Kovach argue that the rearrangement of the questions and themes define the various periods, but they don't really follow through the periodization when they list the emerging questions and themes. Since Szalai's review focuses on particular actors in elite positions, and Csizs-Kovach's overviews are a bit confusing, I will just partially rely on them. In what follows, then, I will try to trace the major debates in the scholarship on economic elite.

### **1.1. Elite Reproduction Theory, or The Surviving Elite Thesis<sup>95</sup>**

The elite reproduction theory states that the old elite, or nomenklatura, becomes the primary beneficiary of the changes, and survives as the new bourgeoisie.<sup>96</sup> This theory, however, is not homogenous, and Elemer Hankiss, Erzsebet Szalai, and Tamas Kolosi formulate their different versions.

In a 1989 publication, Hankiss forecasts that the old cadre elite will survive by converting their old power and networks into economic power and privileges. Thus, the old elite will

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<sup>95</sup> Ivan Szelenyi and his coauthors (1993, 1995) talk about the elite reproduction theory, whereas Akos Rona-Tas (1994) talks about the surviving elite thesis to designate the same theories, authors, and publications. To avoid confusion, I mention them both at once, and use them interchangeably.

<sup>96</sup> Outside of Hungary similar theory was formulated by Jadwiga Sztaniszkis (e.g.: Szelenyi 1993, 1995).

migrate into new elite positions, as company managers, private entrepreneurs, and bankers etc. Hankiss alludes to the alliance between the top and middle level of state and party bureaucracy on the one hand, and the managers and entrepreneurs of big and medium size companies on the other hand, that he calls the big coalition (see in Szalai 2000, 2001).

Szalai (2000a, originally 1989) also argues for surviving elites, but criticizes Hankiss for presenting the political power as homogenous and unified. In contrast to Hankiss, she talks about divided power, and recognizes the conflict between the old and the new elite. The old cadres, she says, came to power in 1956, thus they are elderly, not very qualified, and ideologically committed to communism. The new elite, however, is the technocratic strata of the elite, who is young, highly qualified, and committed to transforming the state and its institutions. This technocratic new elite, she forecasts, will try to retain and attain power positions. In a few months later, Szalai (2000b, originally 1989) refines her previous argument, and states that the new elite converts its state and party bureaucratic power into the business sphere, primarily into bank management positions. Conversion, however, opens up this elite towards newer elite groups that she calls the new new elite, including the most important opposition groups, such as the Free Democrats and the Hungarian Democratic Forum. Here Szalai contends that those members of the new elite that form a coalition with the new new elite will retain their power.

Kolosi (2000, originally ?) adds some qualifications to the theory of technocratic continuity, and argues for the deputy-managers revolution. He says that those who are at the forefront of power will have a hard time to convert their political positions, but those whose names don't often appear in front of the public will have a better chance. The deputy-managers revolution theory doesn't only draw attention to a particular group of people who pushes forward, but also calls for a generation-shift that takes place at the same time.

## **1.2. The Changing Elite Thesis, or The Theory of Interrupted Embourgeoisement<sup>97</sup>**

Szelenyi's first theory on economic elites goes back to 1988 when he published his book on socialist entrepreneurs. Here he discusses worker-peasants and agricultural entrepreneurs who are engaged in commodity production and participate in the process of embourgeoisement. Peasant-workers and entrepreneurs designate points of resistance, one is more passive, the other is a more active strategy. Szelenyi's empirical findings reveal that these groups of people often come from families whose mobility was interrupted by the communist system, and this is what he calls interrupted embourgeoisement. Szelenyi goes even further, and predicts that the new elite will emerge from below, whose historical ascendance was interrupted but now they reclaim their position from the communist cadres (Szelenyi 1988).

## **1.3. Testing Theories**

There is a plethora of studies that try to test the before mentioned early theories of economic elites.

*1.3.1 Circulation of Elites.* It is Szelenyi and his coauthors who formulate the elite circulation theory, and hold that new people are recruited in command positions on the basis of new principles. Although this theory shows some continuity with the theory of interrupted embourgeoisement, I would call it Szelenyi's second theory on elites that is in conversation

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<sup>97</sup> Rona-Tas calls Szelenyi's work on interrupted embourgeoisement the changing elite thesis, but Szelenyi talks about it as the circulation of elite theory. Here I rely on Rona-Tas and separate interrupted embourgeoisement from other theories of elite circulation that test these early theories of 1988 and 1989, and provide a more complex picture.

with the reproduction theory. Ivan Szelenyi, Szonja Szelenyi, and Eva Fodor's 1993 research on elite recruitment relies on interviews with 1988 nomenklatura members, current business elites, that are, CEOs of the largest firms, and with political and cultural elites. The first results on economic elite supports the elite reproduction theory, and Szalai's version of it, thus they show that the members of the new economic elite are young, but were in managerial positions in 1988 and were party members at the same time. Among the economic elite the number of businessmen who had private businesses before the changes is insignificant. They, however, show that the circulation hypothesis is supported by the new political and cultural elites (Szelenyi et al. 1993).

The two Szelenyis in their 1995 article warn us that reproduction and circulation are relative terms, and map out their complexities in their comparative analysis of Hungary, Poland, and Russia. In Hungary, they find a high retirement rate among the old elite, and fast and strong circulation among economic and cultural elites. They argue that the inexperienced 1990 political elite almost exclusively recruits personally loyal groups from professional families to mostly cultural elite (coalition with humanistic intellectuals) but also to economic elite positions. They thus place more importance on patronage than on competence and meritocracy. So, the Szelenyis argue for a sober circulation theory that makes note of the old retiring nomenklatura, the continuity of the technocratic elite that not only retains but improves its position, and a new space that is created and filled by rank-and-file professionals in economic, political, and cultural elite positions. The findings imply that there is a growth in the number of elite positions, especially in the economic elite positions. Also, the data shows that path dependent transformation is taking place in political, economic, and cultural elite institutions and positions (Szelenyi et al. 1995a).

The two Szelenyis and Imre Kovach (1995b) reassess the elite question, and try to make sense of their previous contradictory results in Hungary. They restate that the economic elite offers the strongest case for the reproduction hypothesis, but they find some difference between the old and the new elite there. The data conveys that 30% of the old elite survived, 30% of the new technocratic elite already held economic command positions in 1988 and continue to do so, and 50% held lower managerial posts that supports Kolosi's deputy department heads revolution thesis. As for the new elite, the authors show that they are younger, worked in lower level managerial or professional jobs before the changes, were party members, and are less educated than the technocratic elite. In contrast to the economic elite, the political elite is characterized by marked circulation of personnel: they are more educated, humanistic intellectuals, whose fathers were highly educated too, and their political loyalties are different. The cultural domain shows a significant personal change, but they recruit the same kind of people, that is, the cultural elite positions are mostly untouched.

*1.3.2 Continuity and/or Changes in Economic Elite.* Akos Rona-Tas, Jozsef Borocz, and Tamas Kolosi, Matild Sagi had also contributed to the debate on whether the reproduction theory or the circulation of elites has relevance in post-socialist Hungary. In contrast to Szelenyi and his coauthors, Rona-Tas only discusses economic elite and he doesn't restrict economic elite to top managers of companies with largest turnover, but they also include entrepreneurs in their study. Rona-Tas in his 1994 article argues that the changing elite thesis captures an earlier state that helped to erode socialism, and the surviving elite thesis captures the actual transition that he calls the transition from above. Accordingly, he shows how the new elite overlaps with the old one, and the ways in which cadres, relying on their informal networks, get into non-corporate and corporate private enterprises and take up new economic elite positions (Rona-Tas 1994a).

In 1995 Borocz and Rona-Tas revisit Rona-Tas's argument for continuity, and attempt to draw a more complex picture. They list several enabling and constraining processes and conditions that shape the new elite: 1. The transformation of property structure had less impact on the composition of new business elite than expected. The replacement of the old economic elites takes place only to the extent that the new enterprises emerge from the private sector (not the privatized), exit from the previous second economy, and created by foreign direct investment. 2. Decentralization (large state firms are broken up to small ones) facilitates elite change, since it dislodges some managers from their position, and helps move others up the corporate ladder. 3. The new private sector is twofold: it consists of privatized sector where privatization occurs and private sector where new companies emerge. It is expected that reproduction of elites happen in the privatized sector, whereas circulation of elites is possible only in the private sector. 4. Several conditions constrain the possibilities of business elite, such as relative economic underdevelopment, extreme shortage of capital, and fiscal crisis in the country. Given these processes and constraints, they find that the replacement of economic elite is slow, and mostly it is an unintended consequence of other changes. Party and state bureaucrats are losing ground, but they are still over-represented in the new economy: ex-party functionaries give third of the new economic elite, and ex-party members form the majority in the privatized sector. Further, the new elite is highly educated, mostly in the technical fields, which reveals that professionalization and technicization are the main processes of elite recruitment. Another third of the economic elite comes from the second economy where continuing commercialization is the key to elite recruitment after the changes. All in all, Borocz and Rona-Tas state that there is a moderate amount of economic elite circulation, but most new members came from the second ranks of enterprise management in the privatized sector. The private sector, however, show some new faces. People with political capital, technocratic credentials, and pre-transition business experience are over-represented in post-socialist economy (Borocz and Rona-Tas 1995).

Kolosi and Sagi have also taken up the task of testing the 1988/1989 theories, and distinguish between market and redistributive elite for their research. The market elite conveys top-managers of non-state companies and (second economy) entrepreneurs, and the redistributive elite means top-managers in state enterprises. They argue that after the changes the old market elite slipped down into non-elite economic positions, whereas fourth of the old redistributive elite retained its favorable positions. The authors, however, point out that political capital in itself is not enough for converting their positions – only if political capital is joined with cultural capital, they are able to reproduce their position. 45% of the new market elite is recruited from old redistributive elite, that is, they remain top managers in the privatized companies, 40% came forward in the hierarchy, that is, they constitute the deputy-managers revolution, and 6.5% came straight out of school. Kolosi and Sagi study the entrepreneurial elite separately, and show that they are mostly men in their middle ages, who have university degrees, and live in Budapest. Three quarters of the big entrepreneurs used to be top-managers of state companies, and/or had business in the second economy in the 1980s. Some entrepreneurs make it without political or economic capital, but relying on their individual competencies. Political connections and immigration can also play a part, but not very significant in shaping economic elite (Kolosi and Sagi 1997).

#### **1.4. Elite Recruitment**

Although the recruitment of economic elite has always been one of the ways in which scholars approached the theories of elite reproduction and circulation, by 1997 it has become the focus of attention. Since Szelenyi and his co-authors, Borocz, Rona-Tas, Kolosi, and Sagi show that both theories live side by side on the ground, that is, reproduction and circulation,

continuity and change are intertwined in various ways in the composition and recruitment of economic elite in post-socialist Hungary, sociologists leave these theoretical questions behind and concentrate on exploring the differences in recruitment logics and practices that the empirical data reveals. Yet, I would not say that there is a shift from theoretical to empirical approaches, since previous studies were empirically grounded too. What I can safely say is that this newer scholarship disengages itself from unifying theories, and is in conversation with various other ones.

The forerunner of elite recruitment projects is Gyorgy Lengyel's two 1992 publications where he asserts that the elite change is a precondition for the transition, since this way the social costs of transformation are reduced, rendering the transition peaceful and gradual, and making the changes irreversible.<sup>98</sup> In his 1992a study, he shows three processes that constitute the elite change in the late 1980s: 1. Recruitment has become more informal, that is, the participation of women in elite positions increased, people around 50 or under are in majority, and managers of companies and banks come from different family backgrounds, bankers coming from more educated families.<sup>99</sup> 2. The new generation of managers is marked by a certain social exclusiveness. 3. Lengyel distinguishes between two career patterns: the engineer and the economist. Engineers are the older members of the elites, and their career usually develops in the same company, whereas economists are the younger ones, and their career runs across economic segments and institutions. So, elite change starts in the late 1980s, when younger people with higher social prestige step into elite positions, although they are still mostly men with university degrees and party membership. And the new criteria for loyalty shifts to personal connections and networks (Lengyel 1992a).

Lengyel's 1992b work compares declining and emerging segments of economic elite, managers and entrepreneurs right before the changes.<sup>100</sup> He finds that the gender distribution is similar: two third of business elite is male, however, age distribution varies: executives are in their 50s, managers are in their 40s, and entrepreneurs are in their 30s. Also, educational difference is found: managerial careers require a diploma, whereas entrepreneurs only need vocational training. The social background of managers and entrepreneurs are similar, they both have white-collar fathers. Political loyalty is not expected from entrepreneurs, on the contrary, they mostly have oppositional political attitudes, whereas managers are party members. The 1990 elite survey shows that party membership drops dramatically among top managers, as well as the newly recruited managers are younger than 44, and have a higher social status than managers in the same positions before the changes. So, we find a new model of selection that shifts from cadre managers to entrepreneurs, from loyalty to competence, from formal credentials to marketable skills, from worker origin and party membership to personal ties and confidence (Lengyel 1992b).

Later on Lengyel continues a similar agenda with new empirical data, however, he opens up the category of economic elite and includes not only company/bank leaders and entrepreneurs, but leaders of economic ministries and members of economic committees in the Parliament. He demonstrates that the elite change, he previously discussed, continues in the early 1990s, and younger, more educated white-collar managers are selected, who come from parents with diplomas, and whose past party membership is insignificant. Thus, Lengyel reiterates that the logic of recruitment changes: the importance of party-membership drops, and of personal and organizational commitments increases. The career patterns don't show much change though (Lengyel 1997a).

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<sup>98</sup> Although Lengyel is not explicitly in conversation with Szalai, his theoretical statement coincides with Szalai's thoughts on the new elite.

<sup>99</sup> What I think Lengyel means by informal here is that former formal logics of party loyalty has lost importance.

<sup>100</sup> The study is based on 1988/89 and 1990 data.

Another Lengyel study looks at the new elites' educational background and career patterns, and concludes that economists who were full-time students in the Budapest University of Economy and received a university degree there are over-represented among the new economic elite. Of course, this is mostly the case in banks and ministries, whereas members of economic committees often have law degrees, and company managers and private entrepreneurs have college degrees. Here he also describes career promotion, and says that for bankers, economists, and the older generation, it takes more career steps to get into the economic elite, although bankers get to the elite the quickest. Women start their managerial careers five years later but then they get to elite positions at the same time as men (Lengyel 1997b).

It is only briefly that women appear in Lengyel's research projects, and other studies keep silent about whether women play a role in the transforming business elite or not. Beata Nagy, however, turns her attention to study women managers in many of her publications. Nagy's book entitled *Women Managers* (2001) is based on surveys and life-story interviews with company and bank managers in 1990, 1993, and 1997. Her study shows that women's participation in management is not changing, one sixth of men, but several important processes of polarization and restructuring have occurred, such as horizontal and vertical segregation. So, certain segments of the economy become feminized - for example, we find a vast number of women in banks and economic ministries, but few in companies. Women also have a hard time to get to executive positions, although they often take up lower managerial positions. Nagy finds that women managers were mostly born in Budapest in families where the fathers had high positions, attend the University of Economics, a highly feminized school at the time, and start their career in non-management jobs. However, these women work twelve hours a day in average, often more than their male colleagues, and mostly live in a dual career marriage with one child, although there is a high rate of divorce and childlessness among them too. Both women and men managers reflect on the fact that women have smaller chances to make a career and get social recognition, since it is harder for them, they say, to keep balance between work and family, as well as women meet bias and discrimination in the male-centered business world. In conclusion, she argues that the results support the glass-ceiling theory, that is, women take up second-level positions in the economic elite, because of the gender ideologies that permeate society and its organizations (Nagy 2001a, 2001b, 2003).

Rona-Tas and Borocz's 1997 article is an interesting mix of recruitment and testing theories studies. They clearly focus their attention on recruitment, and ask who is recruited in the business elite after state-socialism in Bulgaria, Hungary, Poland, and the Czech Republic. They also shift their theoretical framework to evolutionism, and discuss individual life-stories that enable us to see those mechanisms that are important in elite recruitment and historic continuity. And here they implicitly refer to the reproduction and changing elite theories that they now call the hypothesis of continuity with the pre-socialist period and the hypothesis of continuity with state-socialism. They thus argue that people who had a business before state-socialism are over-represented in the current business elite, since they are the ones who are ingrained with specific values, such as autonomy, rationality, objectivity, and individualism. In contrast, state-socialism has left informal networks behind, and this also helps old party members and managers retain and attain elite positions. Their four-country research with company executives and owner-managers shows the new elite is mostly male in his 50s, who had private business in his families before socialism, and/or who was a manager under socialism. It also shows that these people are highly educated and come from educated families too. All in all, the article concludes that values, knowledge, and social networks intertwine, and the results demonstrate continuity with both pre-socialist and socialist times.

### 1.5. Managerial Capitalism

The phrase ‘managerial capitalism’ was first coined by Borocz and Szelenyi in their distinct studies in 1995, but their definition and depth of study are different. Borocz in passing comes up with the phrase to describe a certain type of economic ownership and leadership in his work on property change. He holds that managerial capitalism comes about when the state remains the major property owner, but he does not say much about leadership and management in this context (Borocz 1995).

Szelenyi, however, provides his third theory on economic elite here, and claims that post-communist managerialism is distinct from socialist redistributive economy and market capitalism, since control over key factors of production is held on the basis of technical know-how of managers. To spell it out, Szelenyi first challenges our assumption that political capital is converted into economic capital in post-socialism, since the struggles target not property but control. So, it is not a grand bourgeoisie but a managerial society that is in the making, who exercises great powers to control the economic processes. Second, Szelenyi argues that his five-country survey with CEOs of the largest companies shows that privatization created diffuse property relations in Central and Eastern Europe, where there is a disincentive to become private proprietor. Of course, managers stand on many feet at the same time and appropriate some property but not necessarily shares in their firms. Third, he finds that monetarism is the hegemonic ideology that offers a special and mystical knowledge for these people and resembles Marxism in its holism, universalism, and self-righteousness. In conclusion, Szelenyi remarks that the political/cultural capitals of reform socialism that was complemented by economic capital are converted to cultural capital in post-socialism that represents the major source of power and complemented by social capital. Thus, the new dominant class owns cultural capital, and embraces the technocratic managerial elite and the politocracy (Szelenyi 1995c).

Eyal, Szelenyi, and Townsley’s 1998 book adds to Szelenyi’s theory on managerial capitalism both in empirical detail and theoretical perspective. Here the authors provide a broader theoretical framework, and introduce the phrase ‘capitalism without capitalists’ to describe a new strategy of the transition that technocratic-intellectual elites adopt in a society without a class of private owners. They spell out this strategy, and repeat the importance of cultural capital that one needs in order to get access to power, prestige, and privilege, and argue that it is the cultural bourgeoisie who has assumed the historical mission of making capitalism for the second time in the region. Managerialism hand in hand with monetarism is a governmentality, they speculate, that cements the diverse factions of post-communist elite into hegemonic power, and there is little evidence that these managers have acquired substantial private wealth. The formation of post-communist classes is thus a contested terrain, and it is not yet clear who will constitute the new propertied class. The study of capitalism without capitalists is important because it calls for a study of comparative capitalism that shifts attention from explaining the origins of capitalism to currently emerging and existing capitalisms (Eyal et al. 1998).

Vedres takes Szelenyi’s arguments about managerial capitalism seriously, and looks at the transformation of company elite and the ways in which cultural capital is reshaped in the post-socialist transition. In other words, he is interested in the changes in cultural capital and their effect on recruitment and success criteria. Vedres says that in planned economy education has become crucial in the recruitment of managers, and mostly they considered economists and engineers. The so-called new economic mechanism shifts attention from engineers to economists, and the breakdown of socialism intensifies the process. So, one kind of cultural capital, an economist degree, is valued in the transition to market economy that leads to the

recruitment of economists in the new elite in the early 1990s that he calls econocratic managerial elite. These processes also bring about the restructuring of company elites (Vedres 1997a).

Two critiques exist about managerial capitalism: one that considers bankers in relation to managers, and another one that claims that privatization makes managerialism unintelligible in the late 1990s. Lengyel and Bartha articulate the first critique and ask whether bankers or managers are privileged and dominant in the new economic elite. Their empirical data show that bankers have bigger social capital, that is, they come from better families, as well as their wealth and lifestyle reveal that they are the elite of the elites. The recruitment patterns of bankers are very exclusive, whereas those of managers are more heterogeneous. Company managers get into their first managerial positions earlier than bankers, but bankers get into the elite quicker. Bankers also take up multi-positionality in order to participate in various boards and committees. Lengyel and Bartha thus conclude that bankers definitely have a privileged position in the economic elite, but they do not dominate the economy. Rather, various groups of the economic elite try to control one another (Lengyel and Bartha 1997).

According to Andras Csizse and Imre Kovach, privatization challenges the theory of managerial capitalism, since more and more private companies appear, both foreigner and Hungarian, and thus the ownership of management significantly increases. So, their 1997 survey data with company executives reveal that since the importance of property grows, the connection to politics loosens. Similar background and socialization, appearance of property and relative independence from politics raise the possibility for class formation, but their findings on managerial role multiplication and conflicting interests, and on the stratification of economic elite help them disregard the class theory. Csizse and Kovach find that executives who own diverse economic, social, and cultural capital manage different types of companies. They thus distinguish among four types of managers-owners: 1. Entrepreneurs (17-18%) own newly established companies, although they already had some property in the 1980s. This group is the youngest and the less educated with no history of party membership. 2. Clientage (18-19%) runs companies that are in state or local government ownership. They have been managers and party members since the 1980s, have good political connections, have the highest university degrees, and are mostly economists with good language skills. This is the group that Szelenyi names *politocracy*. 3. Technocracy (41-42%) has access to property during privatization, so they manage corporative companies. Half of them have been party members, and their educational level is high, just behind the clientage, although their language skills are weaker. 4. Foreign employees (24-25%) work for multinational companies, and are Budapest-born, in their 40s with good educational background and strong language skills. These employees do not have much property that they compensate with loyalty and expertise. The four elite groups demonstrate that the Hungarian economic elite is heterogeneous, stratified, and able to shift among various forms of capital (Csizse-Kovach 1998, 2002).

### **1.6. Protagonists of the New Economic Elite**

Szalai's 2001 book on the economic elite is a summary in several ways. It sums up her own ten year long research on the subject, as well as overviews the theories and projects that have been conducted in this field. Her theoretical agenda is twofold: First, there has been so much variance and confusion about who scholars include under the category of economic elite that she decides to examine the main protagonists. Second, she picks up Bourdieu's theory of capital again, and looks at the various forms of capital that can be mobilized for elite recruitment. She hopes to challenge the arguments that try to identify a single capital for elite



recruitment, whether it is cultural or social capital. Szalai introduces, or rather, expands Bourdieu's category of symbolic capital that marks the overlap among economic, cultural, and political capitals and points to their convertibility. She argues that symbolic capital, or the ways in which economic, cultural, and political capitals are intertwined reproduces their nexus and permeability. Szalai's work on the protagonists of economic elite overlaps with many of the studies that were reviewed here, however, her historical, sociological, and political economic detail is unique.

So, the protagonists are as follows: 1. The technocracy comes from families with cultural capital that they extend at university and complement with social capital. From the beginning of 1980s, they convert these capitals into political and economic capital, and although they lose their political capital after the changes they retain and expand their economic capital. 2. The managers of state companies had cultural and social capital that they were able to convert into economic capital before the changes. However, their economic capital becomes limited in the 1990s, and their cultural and social capitals are also ambiguous. They can only retain their position if they are able to renew their capitals. 3. Top managers for multinational companies are one of the youngest elite groups with high level of cultural and social capital that they are able to convert into their economic elite position and thus strengthen their cultural and social capital. 4. Bankers have three groups: technocrats, bureaucrats, and yuppies, and they only differ in the timing of obtaining social capital. Otherwise, they have a significant amount of symbolic capital that makes them the strongest interest group among the economic elites. 5. Big entrepreneurs have already gained symbolic capital in the 1980s by converting their differentiated cultural and social capital into economic capital, and then converting their economic capital back to social and cultural capital. Capital conversion helps them create new economic fields and institutions in the transitional Hungary. 6. State economic bureaucracy had symbolic capital, but loses its significance after the changes. Szalai concludes that the political and economic elites are intertwined, and it is social and cultural capital together that gives access to economic elite positions.

## **2. Consumption**

It is easy to map out consumption in the post-socialist Hungarian social science, since it is only a handful of publications that has come out on the topic over the past decade or so. Yet, the scholarship on consumption can be traced back to the 1970s, when some sociologists started to publish on lifestyle in order to explore the ways in which social differences were produced and reproduced (Voros 1997). This literature relied on Bourdieu, Veblen, and Weber, and provided an implicit critique of the political project on the increase of the standard of living.<sup>101</sup> The lifestyle approach finds its followers in the 1990s, and focuses mainly on middle class consumption practices, but we find examples for employing consumption to define alternative classification to social classes too.

If I call the lifestyle approach sociological approach after Featherstone, the other popular approach to the study of consumption in Hungary should be the subject-centered, or cultural studies approach (Hammer-Dessewffy 1997). Voros in his programmatic article in 1996 calls for such cultural, interpretive works that recognize that consumption drives production in today's society, and turns its attention to the consumer who relies on various consumption practices to construct various identities and identity politics (Voros 1996). Interestingly, the Hungarian cultural projects on consumption take up a historical perspective, and argue that in order to comprehend current social formations and consumption practices, we have to turn our

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<sup>101</sup> More on this later when I get to the historical-cultural studies.

attention to the socialist period and look at its everyday consumption (Hammer-Dessewffy 1997, S. Nagy 1997).<sup>102</sup> As if she was charting a course for future publications, Zentai reviewed the most important English language literature on the cultural-historical approach to consumption (Zentai 1996). She introduced some British and American consumption scholars, such as McKendrick, Campbell, Shama, and Lears, who tried to demarcate the origins of consumption, both in history and in desires. These authors that Zentai lists find the reality and inevitability of the present in the past, similarly to the Hungarian researchers who follow this perspective.

## **2.1. Sociological-lifestyle approach**

It is Agnes Utasi who is mostly involved with sociological consumption studies, and holds that the elite and the upper middle class provides lifestyle patterns and practices for the society, so it is especially important to study their lifestyle. And that is what she sets out to do. In her 1995 publication she looks at two questions: social networks and consumption preferences. She finds that consumption patterns provide the integrity and coherence for certain social networks and groups. The economic elite withdraws from social circles in their strive for wealth, whereas cultural and scientific elite have an active social life. The elite, she points out, favors certain leisure games and practices, lives an intensive social life, and travels a lot. The upper middle class precedes the elite in their home furnishings and cultural consumption, but travels less than the elite. The middle stratum of the middle class has average consumption patterns, and the lower middle class is lagging behind: they don't really speak languages, don't travel much, and can't afford to participate in leisure activities. Utasi concludes that the cultural-scientific and economic elites are the ones that influence consumption in the society, and they either follow elite or upper middle class life-styles (Utasi 1995, 1996b).

Utasi's 1996a project on small town elites in Balassagyarmat shows that their consumption practices and social networks don't come close to the national elite, who is more modern and have a more varied lifestyle. Small town elites value social networks the most if they come from upper middle class families. Their socialization demonstrates a relatively high intellectual level, and they take part in extra-curriculum classes and language lessons. These elite groups participate in social games and elite-sports, such as tennis, horse riding, sailing, fencing, and hunting. They often have computers, but only a quarter of them travel abroad every year, third of them send their children to learn languages abroad, and fifth of them hire someone to help around the house. And finally, the new economic elite does not consider itself part of the elite, since their lifestyle, leisure activities, and education do not reflect those of the elite (Utasi 1996a).

In her 1996c article, Utasi turns her attention to the mode of habitation as one of the best symbols of social status. She examines dimensions of living conditions, such as the main characteristics of the building, whether, for example, it has a bathroom and a garden, and tries to set up a scale that arranges the homes in a hierarchy. The scale of homes helps Utasi explore social difference and inequality. She finds that half of the homes were acquired through privatization, and those of low status and low education bought apartments of lower civilization level, while those of higher status and education took over homes of higher standard. She thus concludes that the acquisition of these local council apartments required symbolic capital that was converted into material assets at the time of privatization. So, earlier inequalities have become amplified (Utasi 1996c).

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<sup>102</sup> There are some projects that take up a cultural perspective and study contemporary consumption practices and identities but they have not been published yet. They are run by Violetta Zentai and Miklos Voros.

While Utasi investigates the middle class, Fabian, Kolosi, and Robert examine several consumption groups, but both projects want to explore the ways in which certain groups of people employ consumption practices and objects to create and maintain their social connections and differences. Fabian and his co-authors go further, and challenge the use of social class, and introduce the term consumption group that is based on cultural and material consumption. They thus look at features of housing, household durables, wealth items, and certain financial expenditure on the one hand, and leisure time activities, holiday habits, and the possession of books and cultural items on the other hand. On the basis of these consumption parameters, they find that the post-socialist Hungarian society can be divided into six clusters: the elite 1%, the well-to-do 9%, the accumulating middle 14%, the leisure time oriented middle 17%, the deprived with good housing situation 28%, and the deprived 31%. The bottom 50-60% is wide, and their consumption covers only basic needs. The deprived is the least educated, and they are excluded from the job market temporarily or for good. The deprived with good housing is slipped off and lost its previously better position, however, some of them is hanging on. The two factions of the middle class have similar education, occupation, and income, but their strategies of consumption differ: whether they accumulate material goods or concentrate on cultural activities. The top contains people with high social status and consumption potential, and they are mostly educated with diplomas and/or entrepreneurs. In conclusion, the sociologists contend that social differences have increased in the past two decades, but there are some routes of mobility for the poor. Further, most influential factor is education, and women are underrepresented on the top, but overrepresented on the bottom, as well as younger people living in a town have better life chances than retired, inactive people in villages (Fabian et al. 2000).

## **2.2. Cultural-Historical Approach**

Under socialism consumption was considered secondary in the literature on economics and sociology, even though the party focused its attention to manage and control the standard of living of the population from 1960 (Voros 1997). The new levels of consumption, however, raised critical voices among the intelligentsia, and their social-philosophical critique coincided with the leftist critique in the West (Hammer-Dessewffy 1997). And as I mentioned before some sociological studies also appeared that worked on consumption and social differentiation. So, what was missing is the subject-centered study of consumption that would delineate consumption practices, desires, and values that were at play at the time. Dessewffy, Hammer, S. Nagy, and Wessely take up this project.

Hammer and Dessewffy in their brilliant piece on consumption depart from the negative consensus between power and society in the 1960s and 1970s. They say that the party withdrew from private life and to some extent from public life, and introduced its standard of living policy that gradually increased wages, consumption, and leisure time, so the population would participate in elections and other state-run forms of public life, but wouldn't criticize the party-apparatus. It was a matter of cooperation within the company-triangle (trade union, company management, and party organization) at the workplace whether somebody had access to certain financial and other benefits above its salary, such as bonus, raise, loan, or passports to the West, and opportunity to spend their vacation in the company holiday resort. Both the society and the power, they remark, employed the strategies of pretence, imitation, and disguise that weaved through everyday life in socialism. Certain aspects of society however, such as career mobility, or standing in line, made people believe that the system was characterized by continuity and choice, and the standard of living will increase forever. Consumption, Dessewffy and Hammer find, was one of these institutions that created future ideas, desires, and plans, and that legitimated the Kadar-system. When the consumer appears

in Hungary in the 1980s, and finds that public life can be planned, rationalized, and calculated, s/he interrogates the purpose of political taboos and permits. This period signals a new period in the history of consumption in Hungary, when consumption is employed to produce and reproduce identities, and which leads into post-socialism (Hammer-Dessewffy 1997).

Katalin S. Nagy explores socialist interiors in the 1970s when there is a shift in lifestyle to refrigerator-socialism, that is, people are able to buy refrigerator, television, and decorative objects etc. She finds that this is a time when a lot of apartment complexes are built, and people migrate to towns from the villages, leaving their parents' lifestyle behind. These people however, create interiors that look the same, characterized by smallness and comfort, and overcrowded with decorative objects in harsh colors. S. Nagy calls this phenomenon the dysfunctional overcrowdedness syndrome that compensates for the scarcity in supply and the difficulty in purchase. People come up with new strategies for consumption, so they can purchase the desired items. Since purchasing power increases, private entrepreneurs appear to satisfy needs and desires. S. Nagy also looks at consumption manipulators who define good taste in Hungary, but most often they do not even have appropriate educational background. She thus concludes that these consumption practices do not follow bourgeois consumption practices, since these people often do not come from bourgeois background (S. Nagy 1997).

Wessely and her research team set out to study shopping tourism, and the ways in which foreign cultural items get to Central Europe, what purpose they serve, and what role they play in the construction of identity and collective memory, national self-image and the image about the foreigner. Shopping tourism, she says, is a form of informal economy, a strategy of accommodation that people employed in their way to discover and make use of any gap in the planned economy. However, it serves different purpose and conveys different meaning for various segments of society. She also looks at the variation in shopping tourism, and distinguishes between a leisure activity and an economic activity, and between one that connects socialist countries and another one that links East and West. She also lists the protagonists of this activity, from truck drivers through stewardesses to people who sell their acquired goods in the Polish market.<sup>103</sup> Wessely is also interested in how the objects and ideas thus obtained shape identity, and relying on Appadurai, argues for hybridization (Wessely 2000).

### **3. Entrepreneurs**

If the new economic elite has drawn a lot of scientific attention, so have the entrepreneurs. Yet, the social science literature on entrepreneurs is much more diverse in its approach than the scholarship on economic elite. Bourdieu does not provide a unifying cultural framework for the entrepreneur studies. Still, there are some sociologists who take a socio-cultural perspective, such as Tibor Kuczi and Attila Becskehazi, and others follow a harder sociological approach, briefly touching upon some aspects of culture, such as attitude, behavior, and knowledge. Here I include both perspectives, but avoid the ones that disregard cultural analysis altogether, keeping in mind that it is sometimes hard to draw the boundaries.

Sik argues that after the breakdown of state-socialism the myth of the entrepreneur emerges in political and social scientific discourse (Sik 1994a). Politicians held that the more entrepreneurs appear in Hungary, the easier the transition to market economy will be. Some social scientists agreed with such a claim, but others, as I will show later, provide a more

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<sup>103</sup> For further studies on Polish and comecon markets see the paragraph on informal economy in the Conclusion.

differentiated picture of the new protagonist of the Hungarian economy. However, the myth contributed to the proliferation of research projects on entrepreneurs that show some continuity with studies on the second economy of the 1980s.

In what follows, I will review studies on big and then on small entrepreneurs. The work on big entrepreneurs often overlaps with elite studies, so I have already presented some data on them that I will complement here. The writing on small entrepreneurs, however, is richer, and I will present some historically grounded studies that show the continuity between entrepreneurs of the 1980s and the 1990s, then I will talk about women entrepreneurs, entrepreneurships that close down, and finally about the social ties and co-operations that some entrepreneurs foster. And last I will introduce Kuczzi's seminal volume on entrepreneurs and culture.

### **3.1. Big entrepreneurs**

Laki (2002) studies successful big entrepreneurs in Hungary, and argues that their life-histories as well as their acquired knowledge show some similarities: they all have university degrees and gained useful skills and competencies in company management, planning and strategies, and in finances under socialism. They, however, are different in the way they join this social group. Laki basically differentiates two characteristic life-courses: 1. Some people became entrepreneurs under socialism, and then turned their small enterprise into a big company after the changes. 2. Others used to be top- or middle managers in state companies, who have become owners in post-socialist Hungary. These two groups had different chances to participate in privatization, given the differences in party-membership and in timing the move into the private sector. Those who left state enterprises early have founded their own company after 1989, and those managers who were party-members could appropriate some previously state-owned companies. The two groups also differ in the ways they work, manage, and maintain their companies. The entrepreneurs who established their own companies have to provide adequate financial and business conditions for the quick growth of their company, whereas the entrepreneurs with acquired companies had to stabilize their enterprise, restructure production, and increase growth (Laki 2002).

Laki's recent book co-authored with Julia Szalai (2004) also looks at big entrepreneurs, their social and economic positions, and examines whether big entrepreneurs can be considered haute bourgeoisie that can set lifestyle patterns to the rest of the Hungarian society in the new millennium. They show the various ways through which these people become entrepreneurs and grow their companies, distinguishing two types: 1) some people acquired ownership over the company in the process of privatization, and 2) others founded their own company before or after the fall of the Berlin Wall. In their discussion about the haute bourgeoisie, they reveal that most of the big entrepreneurs live according to bourgeois values and lifestyles, however they do not identify with such a social category but define themselves as entrepreneurs. Neither do they take up political and public roles but remain invisible as much as they can, reproducing their ambivalent image in society (Laki and Szalai 2004).

### **3.2. Small entrepreneurs**

Kuczzi, Lengyel, Nagy, and Vajda in their 1991 article raise two questions: first, who wants to become an independent entrepreneur in the late 1980s?, and second, who has good chances to become one? They set out to test Szelenyi's theory on interrupted embourgeoisement, or rather they ask whether the tradition of entrepreneurship in the family has anything to do with the fact that someone becomes an entrepreneur. They show that there are certain social

mechanisms that exclude some from entrepreneurship, while puts others in an advantages position. Agreeing with Szelenyi, they say that the entrepreneurial habitus can be passed on from generation to generation, yet, they argue that this is not the most important factor that influences these people. The most important factors are the following: men in their 30s have a greater opportunity to become independent, since they already obtained experience and network over their working years. As for experience and knowledge, they say that people with diplomas are over-represented among the entrepreneurs, whether they are traditional artisan and tradesmen, or private entrepreneurs since 1982.<sup>104</sup> And about network, they claim that social ties and connections substitute for the market in the planned economy. Further, the society has an ambivalent attitude towards entrepreneurs that can also shape entrepreneurial practice in Hungary. All in all, Kuczi and his coauthors argue that the social conditions for entrepreneurs are different in Hungary than in more developed countries, since here it requires higher educational background and stronger social capital (Kuczi et al. 1991).

Kuczi and Vajda's other article from 1991 also looks at social conditions for and reproduction of small entrepreneurs in the late 1980s, but expands the previous study with some detail. They mention that women mostly participate in private enterprises as family members, but men in their middle ages take up the challenge of entrepreneurship when they have already gathered the necessary financial and other capital for such an endeavor. These men could not fulfill and realize their creativity at companies, but invested some energy in learning legal and financial regulations, and participated in several training courses in their own field. Their career moves show that the entrepreneurs-to-be are dynamic personalities who are ready to change and restart whenever the opportunity occurs. Their high educational background stands in for the missing bourgeois norms and practices that provide them certain guidelines and habitus in their attempt to become independent. A lot of intellectuals, the authors argue, take up an entrepreneurial position too in the Hungarian transition, and entrepreneurs can be compared to intellectuals and other professional managers in their social background. Kuczi and Vajda distinguish two groups of entrepreneurs: the artisans and tradesmen, and the owner-managers of small enterprises. The former group demonstrates intergenerational continuity, and they are usually conservative and want to maintain what they have already achieved. The leaders of small enterprises are ambitious and want to grow (Kuczi and Vajda 1991).<sup>105</sup>

While Kuczi and his coauthors look at the late 1980s from the early 1990s and think about intergenerational continuity among entrepreneurs, and thus provide a quasi-historical study, Mihaly Laki (1998) reviews how small entrepreneurs came about under socialism and the ways in which entrepreneurship has changed in the 1990s. Laki shows that the party-state under socialism was inconsistent towards artisans and tradesmen, sometimes it gave support, sometimes it was against their practice. This context, however, provided opportunity for small entrepreneurs to accommodate for various conditions, and to learn and invest in what they could. In the last few years of the 1980s, entrepreneurs could take advantage of the growing market, and raise their market-share even in the stagnating economy. After the regime change, the number of entrepreneurs has quickly grown, however they haven't participated in privatization or made much use of state support even in the more favorable context. Laki distinguishes between two types of entrepreneurs of the 1990s: the casual and the regular entrepreneur. For the casual one, the main motivation is providing a living for himself and his family, whereas for the regular entrepreneur, the main motivation is to sustain and increase his enterprise. Entrepreneurs mostly rely on family and friends for financial and other support,

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<sup>104</sup> 1982 is the year when private individuals for the first time were allowed to form small business partnerships with state firms.

<sup>105</sup> A. Gergely calls entrepreneurs the heroes of our age, and explores their special ambition and aim for success in rather negative terms (2002). His essay that talks about entrepreneurs, elites, and the welfare state lacks the theoretical and empirical perspective most present in this review, so I don't include him in the main body of the text.

and provide a good working environment for their workers, taking care of them as well as increasing their efficiency. In the period of economic recess, entrepreneurs can maintain their enterprise by diversification and by adopting new methods for gaining market, such as advertisement and sponsorship. Their informal networks, quality consciousness, and good relationship with customers also help them stay alive (Laki 1998).

Similarly to Laki, Agnes Czako (1998) also distinguishes between entrepreneurs who are livelihood-oriented and the ones who are growth-oriented. She shows that the majority of small entrepreneurs doesn't think of innovation or capital, but has become one in order to improve their living conditions, and thus they are members of the first group. Czako also shows that informal networks form an important resource for the small enterprises, however, in contrast to others, she is ambivalent whether networks work as capital and not only as assets in their business. She compares small entrepreneurs to entrepreneurs of the second economy, and claims that their social position is not as prestigious as it used to be, as well as that their knowledge figures more important to their work experience, be it at a workplace or in the second economy, since the new small entrepreneurs are younger than their forerunners (Czako 1998).

While Kuczzi and his coauthors, as I mentioned above, states that entrepreneurs are mostly men, Nagy and Gere argue for the opposite. Beata Nagy finds that 40% of the private enterprises founded after 1990 have been owned by women. Women's motivation for entrepreneurship is sometimes similar to men, they either have financial reasons or discover a sudden opportunity, but most women become entrepreneurs under some outside constraint. Motivation defines the type of enterprise women set up, and the former ones establish part-time, whereas the later ones establish full-time enterprises. Women entrepreneurs often have entrepreneur friendly families, that is, there are others who participate in similar activities in their families, but it does not necessarily help them balance between work and family. Women choose traditionally female segments of economy to set up enterprises in Hungary, such as small trade or independent intellectual activity. Nagy also points out that most women work by themselves, with only a few employees if any. Since most women have part-time enterprises, they make less money than their male colleagues (Nagy 1995).

Gere also sets out to study women entrepreneurs, and is interested in their social background and motivations, their financial and human conditions that help them start an enterprise, and in whether these enterprises are stable and how they help women harmonize their family and work lives. Gere seems to reconcile the contradiction between Kuczzi's and Nagy's data, and argues that previously entrepreneurship was a male-dominated field, whereas in the last few years more and more women have entered private sphere. Similarly to Nagy she finds that women mostly work alone, and not with others. Also, she points out that women start their independent economic activity later in life than men, mostly in their 40s and early 50s. Women who choose this career are skilled workers or managers who found themselves insecure at their old workplace. Gere shows that women start their enterprises with very little capital, but they have the educational background necessary for such an endeavor. Furthermore, women do not have a conscious strategy for what they are about to do, but they get important support from their surroundings. It is hard to evaluate whether these enterprises are successful, but one thing is clear, Gere remarks: the older the woman is, the more successful her enterprise is. The private enterprise shapes women's everyday life to a great extent, since they work more and have less time for family and leisure activities. Also, being an entrepreneur doesn't change the distribution of labor at home. And finally, Gere says, that women are similarly ambivalent about their enterprise as the society is about entrepreneurs, but still their presence shows that women have found their place among male entrepreneurs (Gere 1996).

Third of the small enterprises close down, so Lengyel and his colleagues devote a volume for describing and explaining such a phenomenon. They find that most of the closed down small entrepreneurs were founded after 1990 and owned by one person who often runs his enterprise on the side. They, however, show that people who were forced into entrepreneurship for financial and employment reasons are able to survive in the midst of competition. The small business owners close down their enterprise for multiple reasons: they lose their market, do not get adequate support from the government, and they struggle under high tax and social security payments. And relative to the general population they are overworked and suffer from financial difficulties (Lengyel 1997c).

The importance of social networks for private enterprises is always emphasized, but it is Becskehazi on the one hand, and Kuczi and Mako on the other who explore the types and the ways in which these social ties and connections play out. Two types of networks are usually distinguished in the literature on entrepreneurs: the isolate form when people work separately in a given area, and the industrial district that favors cooperation (Becskehazi 1996). Becskehazi, however, introduces an additional one: the central-hierarchical form when the new incomers have to take up partnership with the entrepreneur who is the most dominant one in the given marketplace. This type of cooperation strengthens the one in the center but leaves some independence for the rest. Balassagyarmat, the town where Becskehazi conducts its study, is mostly characterized by isolated entrepreneurs, but there are some central ones there too. The newcomers can make use of this partnership, for learning and growing, so at one point they can be totally independent. Besides social networks, Becskehazi also looks at two typical life histories that he finds among these entrepreneurs: one who continues a tradition and another one who leaves employment for independence. The former ones take part in the practice very early in their childhood, so they go through an experiential learning process and then take up the family business. The latter ones redefine their activities and connections, and rely on their high professional training and experience (Becskehazi 1996).

Kuczi and Mako also look at cooperation and describe an industrial district in a village close to Budapest. They find that three groups of people are involved in the cooperation: homeworkers, local entrepreneurs, and an outside entrepreneur. These groups differ in workplace careers, professional and vocational skills, market expertise, and financial knowledge, but the task, or rather, the national entrepreneur's call has brought them together, and the market relations and reciprocity sustain their relationship. Kuczi and Mako reveal three values that are central to the cooperation among these entrepreneurs: professional competence, that is the primary criteria for selection, trust that is shaped by informal connections and shape long-term predictable relationship, and ethnicity that provides a sense of solidarity among them. There are other institutions, too, that help to develop and maintain cooperation and to provide a context for this particular industrial district phenomenon: Sunday conversations, leisure activities, and entrepreneurs' clubs. In conclusion, the sociologists state that modern and traditional elements of fostering social connections and norms are tied together to bring prosperity to the given district (Kuczi and Mako 1997).

Kuczi's (2000) seminal ethnography of small entrepreneurs traces its intellectual ancestry back to Karoly Polanyi's, Rhonda Halperin's, and Pierre Bourdieu's works, which claim that economical activities are culturally and socially embedded. In another piece Kuczi even talks about entrepreneurial subcultures to signal his opposition to Weber's idea of universal entrepreneurial culture, and to explain that particular cultures are not only preconditions for economic activities but rationality, calculation, and accounting that characterize today's economic practice are also shaped by and interpreted through cultural norms, dispositions, and everyday practice (Kuczi 1998). His ethnography departs from the thesis: entrepreneurs connect two systems of different logic, their socio-cultural environment and the market, in an



active, innovative way, so they basically reconstruct their world and reorganize it into a private enterprise. First, he examines the growing entrepreneurial sphere between 1989 and 1995 and discusses their familial and social surroundings. As for family, he argues that given the lack of capital in the country, the family provides financial and other support for the new enterprise, as well as a stable and understanding background. And about social ties, Kuczi says that certain patterns of social relations, such as familiarity, paternalism, and patron-client relationships define these networks. Second, he is interested in who the entrepreneurs are, and argues that the recruitment patterns are different in the 1980s and the 1990s. Earlier, men in their middle ages who had high educational qualifications and multiple year of experience at their workplace were selected for entrepreneurship. Later however, the selection criteria broaden, and younger, less educated people also set up their private business. Kuczi also shows that there is a geographical difference, and we find more entrepreneurs in western Hungary than in the eastern part of the country. Finally, he introduces the term “kreacsolas” that I would translate into create-it-yourself to convey that becoming an entrepreneur in post-socialist Hungary takes up characteristics from a do-it-yourself, fiddling kind of an activity that is random and oscillates between the means and the end, and also has a very creative side that makes entrepreneurs recreate their surrounding and adopt it to market conditions. It signals continuity and creation, although some successful enterprises are able to leave this initial practice behind and concentrate more on the entrepreneurial activity (Kuczi 2000).

#### **4. Companies**

The writings on companies show the most heterogeneity among the topics, both in themes and approaches, yet they are not without precursors. Think of Erzsebet Szalai’s and other organizational sociologists’ (2000) work on socialist firms, or Michael Burawoy and Janos Lukacs’s (1992) comparative study of socialist and capitalist factories for example. Here I include Voszka’s book and Boda and Neumann’s paper on privatization and its effects, Laki’s, Kocsis and Szabo’s, and Baca’s study on company learning and training, Baumgartner et al.’s, Leveleki’s, and Vedres’s work on company relations, Leveleki’s two articles on companies and labor market, Toth’s discussion on trade unions, and two theses by Toth and Balint on gender and equal opportunity at firms. Although thematically it is possible to group some together, the approach they take is very different: we find a community study among them, as well as studies of economics and sociology that briefly touch upon some cultural aspects.

##### **4.1. Privatization**

Eva Voszka in her remarkable book (1997) seeks to answer the following questions: 1. How does privatization affect the property relations and the organizational system of big companies? 2. How do the activity, behavior, and orientation of these companies change? 3. What role does the state take in privatization? She examines forty-nine companies that were selected high priority companies in 1972, and looks at their successors. She argues that decentralization started in the 1980s when companies met unfavorable economic conditions and realized that the state left them by themselves. It was in 1987-88 when spontaneous privatization took place, but later the state tried to control and monitor property change, even though it did not have a unified strategy. Voszka distinguishes four groups of companies depending on whether they have state or market orientation. These patterns of behavior are as follows: 1. The helpless-drifting type has a passive management that is embedded in old, personal connections. The first move they employ is laying people off and breaking certain capacities down, which can take them years, e.g.: MOM, Viscosa. 2. The conservative-

traditional type turns toward the state, and hopes to get state help and support. When they cut the budget and the number of workers, and sell some of their estate, they can stabilize their premises, e.g.: BorsodChem. 3. The organizational innovator type emerges when a big company breaks up into small units, and their aim is to survive as a group of company units. So, here the focus is reorganization, and an innovative idea can change the course of events, e.g.: Videoton. 4. Adaptation to the market occurs when a new owner appears on the scene, such as a foreign corporation that tries to control and centralize daily processes. The new owner often introduces development and research, and transforms sales and marketing in the company. These four patterns, Voszka adds, overlap, and do not necessarily define the success of the company. Their future thus lies in the mode of their transformation, the extent of their privatization, as well as in their organizational past, activity profile, state support, and in the creativity of management (Voszka 1997).

Management and employee ownership presents another example for privatization. Dorottya Boda and Laszlo Neumann (2002) thus discuss how company managers and employees have become shareholders in the company they worked for in socialism, and how their new ownership effects performance, management, and organization. The researchers expect that property ownership will increase motivation and performance, or lead to complete failure and secondary privatization. As it turns out, neither of their expectations are realized, and they show that management-employee ownership can only have a transitional significance in Hungary as foreign companies flow into the country (Boda and Neumann 2002).

#### **4.2. Learning and Training**

The three pieces that I review here conceptualize learning and training in very different ways. Laszlo Laki (2001) explores the ways in which companies rely on various types of training activities within and outside of their premises in their attempt to invest in human resources. The case studies he presents were conducted in various parts of the country, both in small enterprises and bigger companies. He shows that the Hungarian companies usually have good relations with local schools from which they recruit their workers. Multinational companies, however, mostly invest in trainings inside the companies in order to develop their employees, although some transnational firms also keep in touch with local schools too (Laki 2001).

Eva Kocsis and Katalin Szabo's brilliant book (2000) on the postmodern company starts out from the idea that there is a connection between how learning has become one of the most important activities in companies on the one hand, and how companies set up networks among themselves. In other words, they argue that the knowledge-based economy and company networks are the two sides of the same phenomenon. They list some trends that shape and are shaped by these processes: virtual production, revolution of quality and choice, and the changes in economic time and space. After a theoretical overview that looks at particular international cases, the economists turn to Hungary and examine whether these processes have had any effect here. They claim that Hungary is going through a double transition, a double learning process, since it does not only have to learn about market economy, but also about network capitalism and information technologies. In their press-analysis, they show that Hungary becomes part of international learning networks through which they have to unlearn and relearn certain leadership and organizational skills, so they can adapt to the new context. Of course, the quickest learning takes place in multinational companies, and they mention some data on GE, Suzuki, Audi, and Chinon-Sanofi. They also remark that knowledge transfer can occur within other networks too, such as through strategic and other company associations. Hungarian companies, they argue, have established partnership with multinational companies, mostly as suppliers and subcontractors, which can help them get access to certain knowledge practices. Besides these partnerships, there are

other networks in Hungary that foster knowledge transfer, such as InfoParks, and certain towns, for instance Szekesfehervar (Kocsis-Szabo 2000).

Similarly to Kocsis and Szabo, Susan Berry Baca (1999) examines knowledge transfer, but she looks specifically at the transfer of Western management techniques and practices and the ways in which local companies adopt them. She thus focuses on foreign-owned production companies and conducts interviews with managers at various levels. She finds several issues that cause frustration both among the foreigners and the locals, and analyze three of them in detail. The first issue that came up was that managers do not feel company owners, and thus they do not take responsibility to influence and change things. She explains this by saying that under socialism decision-making was politicized, and therefore managers avoided responsibility and had difficulty to build trust. The second issue she discusses is that the communication and cooperation between departments are difficult to establish, and she finds that in socialist companies the communication ran vertical and not horizontal between departments. Informal networks, she says, have been also crucial, and foreign companies hire people with good connections. The third issue is that local managers are set back if criticized, and Baca says that it conveys different educational background and understanding of creativity. In conclusion, Baca contends that the formation of trust depends on interpersonal communication that is shaped by the socialist organizational past and the national culture, as well as by such structural difficulties as language barrier (Baca 1999).

### **4.3. Company Relations**

Just as in the previous section, company relations are discussed in very different terms in the two writings reviewed here. Gerhard Baumgartner, Eva Kovacs, and Andras Vari's exceptional community study set out to study a network of villages that have been split by the Austrian-Hungarian border. The main village, Janossomorja, on the Hungarian side starts to flourish, whereas Andau on the Austrian side becomes marginalized as if the two villages changed sides across the border. The authors are interested in the ways foreign investors, Hungarian entrepreneurs, and the local government relate to one another and foster economic growth in Janossomorja.<sup>106</sup> Foreign companies have been investing in the region since the late 1980s, and attract one another into the village. The local government sets up industrial parks where westerners, mainly Germans and Austrians, can establish their companies, and in return they receive taxes that help them rebuild some main establishment in the village. The companies, however, do not hire managers from the village, thus they don't produce a new local middle and upper class, however, they do influence local material culture and consumption. The work culture in the transnational companies is rather paternalistic, so work-discipline and lack of employee representation characterize it. The agrarian sector has been reshaped too: Only leaders of the cooperatives could become agrarian entrepreneurs, and otherwise Austrian farmers work on the field, producing a huge extra-profit by getting cheap land in Hungary and smuggling the produce across the border. Since both industry and agriculture withdrew from the center of the village, Janossomorja has become a space for relaxation and consumption. The local government supports enterprises in every way it can, as well as involves all factions of village politics proportionally. The mayor is a key figure, and signals how important local leaders are in the transition, since they can convert their knowledge and social networks into economic capital. Still, it is not the border or the favorable local government that attracts the foreigners primarily, but the weakness of the state – the weakness of trade unions, environmental regulations, labor law protection etc (Baumgarten et al. 2002).

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<sup>106</sup> I don't review the parts on Andau, since this review focuses on Hungary.

Although Vedres relies on the literature on managerial capitalism and its critique, he is not interested in new economic elite here but in the relationship between companies and banks. He argues that two types of financial hegemony could be found: property and credit relations. A 1991 act limits the possibility of banks being the owners of companies, however, asymmetric credit relations exist between banks and companies in Hungary, but these companies are weak. So, he distinguishes among four groups of companies: 1. Companies that are in debt permanently are old state-owned companies that have been in debt since 1987. 2. Companies who quickly established debts are small and medium companies that broke off from big ones, and that did not have any debts in 1987, but have some in the early 1990s. 3. Companies who leave the banks are the ones who paid their debts back with the help of the foreign company that privatized it. 4. Companies who finance themselves rely on their own sources. In conclusion, Vedres states that banks are not in a power position in relation to companies, yet it is a question whether forced relations with weak companies can be considered as power relations (Vedres 1997).

Whereas Baumgartner et al. and Vedres think about the ways in which companies relate to others, be it local government, entrepreneurs, or banks, Leveleki (1999) is interested in how company relations are reshuffled after the changes and the ways in which large companies relate to small enterprises. Leveleki shows that in the 1980s Videoton, a large electronic company in Szekesfehervar, Hungary, worked with a lot of small private subcontractors for their cheaper labor, however, in the early 1990s Videoton disintegrated and the subcontractors disappeared. First, numerous small companies emerge at their place that rely on their connections to the remains of Videoton, and use its products and services for their own business ventures. Later, Videoton became a subcontractor for multinational companies, and thus it could not be a versatile source for small firms any more (Leveleki 1999).

#### **4.4. Companies and Labor Market**

Leveleki (1997) looks at three multinational companies in Szekesfehervar and examines their human resource recruitment practices and the ways in which they organize labor on their premises. The three firms present three types of human resource politics in the town, but she is also able to reveal some general trends, such as the hiring of skilled workers and the borrowing of unskilled labor, the increase of physical and psychological pressure, and the introduction of three or more shifts into their workday. She calls Philips “everybody’s workplace” since they hire unskilled labor for simplified tasks, mostly young women from the vicinity of the town. Philips was also the first to introduce borrowing workers from other companies so their seasonal needs can be met. Ford on the contrary hires skilled labor, and provides high salaries and benefit packages for its employees. Ford is also concerned about employee motivation, and thus the company has decreased workplace hierarchies, rotates workers among tasks, and organizes regular meetings where workers can speak about their problems. The third company, IBM, borrows most of its workforce from Videoton, which makes employees concerned about the future of the company. Leveleki also mentions that Romas are mostly excluded from these companies, not only because they can’t meet hiring expectations, but also because of their poor job searching skills (Leveleki 1997).

It is IBM that is the focus on Leveleki’s other paper (2003). In her case study, she thinks about flexible form of labor and its effects on the closing down of IBM in Szekesfehervar. She shows the company’s changing emphasis on flexible labor force in its short history, and reveals the differences between how the company treated its own and its borrowed employees. However, when the company closed down, IBM provided generous packages for both types of workers, more than the local trade union could ever hope for (Leveleki 2003).

#### **4.5. Trade Unions**

Trade Unions present one of the most ambivalent aspects of Hungarian labor relations in the new market economy. In an article, Andras Toth (2002a) looks at two transnational car factories in Hungary and analyzes the roles and effects of the emerging trade unions within the companies. He shows that the Japanese and the American factories have different human resource politics, however, both companies disappoint their workers for not keeping their promise of raising their wages. Trade unions thus appear as the “sword of truth” in the factories, and the American management endorses but the Japanese disallows their presence. Toth shows that even though workers support trade unions, they don’t have a long presence and strong effect on the workers’ daily life. Toth lists the reasons: the organization and management of labor within the companies, the lack of industry specific trade unions, and the lack of experience of trade unions under the new capitalist conditions hinder trade unions to succeed and maintain their organization in the factories (Toth 2002a).

In another article, Toth (2002b) examines how trade unions are caught between factory councils and employers. Factory councils, a German institution, are supposed to represent factory-level workers, when trade unions represent industries. In Hungary, however, trade unions represent factory workers, so the introduction of factory councils doubled workers’ representation at the local level. This, he argues, strengthens the decentralization of labor relations, and doesn’t provide adequate institutionalization for the labor force (Toth 2002b).

#### **4.6. Gender and Equal Opportunity in Companies**

Herta Toth (2002) explores work-life balance at Unilever, a multinational company in Hungary. She says that work-life balance initiatives are more and more popular in the West, and often backed up by governments. Two types of initiatives exist, she says: some address the organization, others provide services, and some link the employees more to their workplace, whereas the others provide alternatives. In Hungary there is confusion about the concept, so some companies reintroduce good old socialist policies, and only a few initiates policies that reorganize work. Looking at a multinational company, Unilever, she argues that the sphere of work has expanded in terms of time, location, people, content, and activities, taking up features formally associated with home, family, and privacy. She thus lists some examples, such as the development of personality as a precondition for career advancement, medical and psychological help at work, or the office that is set up as home with certain colors, plants, and creative corners. Team-building sessions that are usually organized over the weekend summarize the essence of shifting boundaries between work and non-work activities the best. As a consequence, it is mostly women who are dissatisfied, and employ role simplification and other coping strategies, such as super-morning, cutting back, or planning ahead. At Unilever, work-life balance is an accepted value, but men reject alternative ways of working, and women see the danger of a new type of segregation. Toth suggests that alternative ways of working practices can be beneficial for both the company and its employees if it couples up with change management efforts that focus on shifts in the corporate culture and in the understanding of work (Toth 2002).

It is equal opportunities at companies that Zsuzsa Balint examines in her thesis. She argues that there are equal opportunities in education, and women are highly educated, but there are no equal opportunities for becoming top managers at companies. She looks at fifty large companies, and finds that 7% of executives, 21,1% of top managers, 29,4% of middle managers are women. Women who are top managers are mostly HR directors, or work at other specific fields, such as controlling and accounting. Men on the other hand manage more

powerful departments. For women, it also takes six years longer to become top managers. This data thus shows that there is glass-ceiling between middle and top management positions for women. Women hold that family and social pressures hamper them in their career, and make such solutions as having one or no children, giving birth later than average, and spending little time with their children. In conclusion, Balint says that most often company politics about equal opportunities usually expresses a formal commitment to the law, but they do not have any practical guidelines of how to realize it (Balint 2003).

## 5. Poverty

Although poverty was a taboo topic under socialism, it first appeared in sociological writings in the late 1960s. Istvan Kemeny and a new school of young researchers provided statistically oriented, empirical studies on inequalities.<sup>107</sup> This social critique claimed that inequality was reproduced among certain groups in society, but they could not use the term poverty or argue explicitly that it was produced by the state-socialist redistributive system (Ladanyi 2001, Szalai 1997). In the 1980s social inequalities increased significantly, and sociologists organized a conference on multiple disadvantageous positions in 1981 (Andorka 2001).

The new poverty scholars trace their scholarship back to the 1970s and 1980s. They provide longitudinal studies, or write on the welfare state and on race, women, and poverty that I will review here. Most of them, however, start their article by pointing to the diverse poverty concepts and methodologies that are in use. Speder argues that methodology defines whom we consider poor, and thus how many poor we find in the country (Speder 2002a). There are two types of studies: one that looks at income levels, and the other that studies living conditions. The first one makes it easier to draw a line between poor and non-poor, but cannot deal with wealth, or the way people rely on financial and other resources. The second one, however, the deprivation approach is a complex approach that can measure how people rely on their resources, but there are always subjective elements in such measurements. Then, Speder also distinguishes between absolute and relative poverty. The absolute approach includes the income minimum, or subsistence level measurements, and the relative approach holds that it depends on the social conditions whom we consider poor – usually those who earn less than 50% of the average income. However you measure and conceptualize poverty, the number of poor has grown in Hungary in the 1990s (Speder 2002a).

None of the studies that follow here take a cultural approach but a sociological one that embraces some cultural elements.

### 5.1. Longitudinal studies

Andorka and Speder looks at the Hungarian Household Panel dataset, a longitudinal survey that enables them to provide a dynamic analysis of the changes, as well as an annual cross-sectional measurement. The authors claim that we find a growth of poverty in Hungary between 1992-95 for two reasons: fall of all incomes and the growth of inequality of incomes. On the basis of income measurements, they differentiate among four kinds of poverty: 1. Traditional poverty that has already existed in socialism includes unskilled laborers, agricultural blue-collar workers, and villagers. The authors add here that they are the losers of the transition, but not the poorest group. 2. New poverty appeared with the changes and includes the unemployed, and the people on disability pensions, on pensions of the diseased spouse etc. If somebody drops out of regular occupation, they remark, they can easily get into poverty. 3. Demographic poverty refers to an increasing number of children who are brought

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<sup>107</sup> Ottilia Solt, Zsolt Csalog, Gabor Havas, and Peter Ambrus were members of the school, and others, like Zsuzsa Ferge also wrote on poverty, but in relation to education and public policy (Ladanyi 2001).

up in poor conditions. 4. Ethnic poverty alludes to the half a million Roma who are, they say, the greatest losers of the changes. The overrepresentation of poor in every poverty threshold is highest among the Roma. Andorka and Speder also find that there is lasting and transitory poverty: two third of the poorest are mobile throughout the years, but of course it does not mean that they can emerge from poverty, or will not sink back. If the subsistence level is chosen as threshold, 10% of the population is poor at length, for at least 3 years, 32% is poor transitorily, and 59% is not poor. In closing, they say that poverty brings dissatisfaction, and psychological problems, as well as that poverty depends on education and skills, as well as on the safety net offered by social policy (Andorka and Speder 2001).

In his book, Speder adds some further thoughts on poverty trends in the 1990s. He first examines lasting poverty and points out that education and social strata greatly increase the chance for lasting poverty.<sup>108</sup> The unemployed, people with less than elementary school education, or those on maternity leave are often poor for a long time. Speder mentions that a double-earner household has less of a chance to meet lasting poverty, but a single-parent household with children has a bigger chance. Then, he explores transitory poverty and says that getting unemployed increases the risk for poverty, whereas finding a job is the most efficient way of getting out of poverty. He argues that the dynamics of the market as well as the demographic changes in the family shape transitory poverty. In conclusion, he says that we can talk both about mobility and segregation in relation to poverty in Hungary. People who experience lasting poverty are excluded - they are excluded from participating in society (Speder 2002a).

Speder's study on socio-economic and demographic factors looks both at subsistence level poverty and deprivation. When examining subsistence level, 11,7% of the Hungarian population was poor in 2001, although they did not include children here. When looking at life conditions and deprivation, it is 15% of the population that they consider poor. The deprivation study is interested in what people have and do not have from the following 18-item list: apartment with separate room for everyone, hot shower every day, garden or balcony, telephone, car, color TV, automatic washing machine, dishwasher, video, computer, one-week holiday every year, new clothes bought regularly, change of old furniture, regular newspaper, invitation of friends once a month, eating out once a month, and 5000 Ft saved every month. If people did not have eight or more items of the list, they were considered poor. Speder argues that the results do not support the feminization of poverty theory, however, half of the Roma population is poor whatever measurement is used. He also mentions that risk for poverty is higher among the young and middle-aged. Families with five or more children, or those divorced have a good chance for poverty too. The difference between people living in Budapest and the countryside is not significant in the deprivation study (Speder 2002b).

Ferge, Tausz, and Darvas are interested in living conditions and social policy support among the lasting poor. They say that these people earn 15400 Ft monthly, and 25% of the families live on transfer payment, such as pension, maternity support, and aids. It is, however, only 61% of the poor families who get any support and aid, and others either do not apply or get rejected. Romas talk about rejection the most often. Half of the poor families have someone unemployed among them, who has low educational background, especially among the Romas and the unskilled workers. As for living conditions, they say that famine is disappearing, but they can only meet the basic needs, and can't afford heated apartments, new winter coats, or washing machines. Roma families are more disadvantageous whatever item the authors look at. Ferge and her coauthors underline that the family is still a black box, that is, it is hard to see consumption patterns and distribution within families. They also measure social

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<sup>108</sup> I would like to thank Herta Toth here to sharing some of her poverty notes with me.

exclusion, and conclude that the single and the many children households on the one hand, and Romas on the other hand experience multiple deprivations (Ferge et al. 2002).

A very different longitudinal, or rather historical study is written by Laszlo Laki about a small region of Hungary in the middle of the Great Plain. He shows that it is a historically closed region that only joined capitalization and industrialization weakly and is dependent on outside capital. When new factories opened there in the 1960-70s, people moved to industry from agriculture. However, these same factories were closed down after the changes that left many unemployed. The empirical study reveals that half of the people have experienced unemployment, although unemployment rates are rather low there, some 15%. Others are on disability pension, on maternal leave, or are considered household dependent. People who work make very little money too, since the multinational companies close-by only pay the local minimum. The people who are examined here have very poor educational background, so they cannot really be considered for retraining and other programs. Laki points out that the informants have serious financial problems, and they also suffer from bad health and family crisis (Laki 2002).

## **5.2. The Welfare State**

In one of the 1991 Replikas, Ladanyi led a round-table discussion on poverty and the welfare state. Whereas Tardos declares that it is impossible to turn the state into a welfare state immediately, after the transition given the economical heritage of the country, others argue for the welfare state. Szelenyi says, for instance, that it is inevitable to build a welfare state in Hungary. Solt shows that the free democrats are the only ones who have consistent views on welfare type of policies, since they want to broaden the category of recipients so they can retain their rights for an integrated society. Others also suggest that Hungary has to transform its redistributive systems, such as pension, social security, or unemployment payments. Unemployment has come up many times in the conversation, and the sociologists claim that the new labor market can exclude significant social groups. Kemeny adds that a lot of the unemployed cannot be employed again, since they are the products of the bad social policy and educational system of socialism. This structural unemployment, Ferge says, cannot be solved by unemployment aids, but we have to help restructure it through various programs, suggests Kornai (Ladanyi 1991).

In an essayistic piece, Julia Szalai examines the relationship between power and poverty, and claims that poverty is not a concern in political discourse in Hungary. In other words, she argues that poverty is depoliticized as it remains a technical question of distribution that does not raise the question about the relationship between power and poverty. Szalai points to a group of people in the black, or informal economy who are deprived of social rights, but in order to avoid soup kitchens and the aid offices they choose this segment of society. The state maintains this second order, but what it really does is a withdrawal from certain spheres of politics. The poor are eliminated from the competition for property, excluded by legal means from benefits of the propertied social groups, and they are discriminated as other, since they rely on public support. In conclusion, Szalai states that aid is on individual basis in Hungary, lacking legally guaranteed entitlements (Szalai 1997).

## **5.3. Race, Women, and Poverty**

Rebecca Emigh, Eva Fodor, and Ivan Szelenyi explore how poverty changes in the transition in Central and Eastern Europe, and focus on the formation of an underclass. By underclass, they mean that people of long-term structural unemployment experience extreme, lifelong,



and persistent segregation and discrimination. They examine two classificatory struggles, one around race and the other around gender, and find that the process of racialization creates a Roma underclass, however, feminization does not. After the breakdown of socialism the collapse of mining, steel, and construction industries cause many Roma to lose their jobs. These Romas, they find, meet geographical isolation, and thus are segregated into rural-ethnic ghettos. Women on the other hand find new jobs in post-socialist Hungary, if they are highly educated. Yet, when women live alone with their children they become vulnerable to poverty too. Additionally, Roma women experience a double disadvantage (Emigh et al. 2001).

Ladanyi complements Emigh and her co-authors's arguments on race and poverty in Hungary. He claims that many of the underclass Roma were unskilled workers who lost their jobs in the highly subsidized socialist industries, and could not cushion their unemployment with second economy. They, Ladanyi says, experience caste-like segregation that is the product of the ethnicization of poverty (Ladanyi 2001). Fodor expands the initial statements on gender, and argues that the speed of economic transformation and the development of welfare state explain gender differences in the level of poverty among the countries in the region (Fodor 2001).

Ladanyi and Szelenyi provide a case study of the village Csenyete to illustrate Roma underclass formation in Hungary (2004). Their historical analysis conveys the waves of political inclusion and exclusion of the Romas throughout the last hundred and fifty years, and points to an exclusion of unmatched intensity in the post-communist era. They say that Romas were the ones who became unemployed in the late 1980s when the region's heavy industry collapsed, and they didn't benefit from the post-socialist redistribution of property either.<sup>109</sup> Being unemployed and lacking economic and cultural capital, every top-down initiative to re-introduce Roma to the labor market failed in Csenyete, and helped to produce a culture of poverty among them, and that in turn reproduced their poverty. Since the successful Romas leave the town, the ones who stay have no contact with the outside world and form an ethnically charged underclass (Ladanyi and Szelenyi 2004).

Michael Stewart presents a critique of applying the underclass theory to the Romany peoples in the Eastern European context (2002). On the one hand, he claims that the term underclass exaggerates differentiation, and thus blinds us to the Romas' contingent position. On the other hand, Stewart challenges the use of the notion culture of poverty as a distinct culture that defines underclass and which on closer inspection is not a 'real culture' at all. He thus prefers the term social exclusion that points to an on-going process rather than to a fixed state, and turns attention to the political struggles that define who is in and out. Finally, he shows that the Romas have cultural resources of their own to deal with the harsh economic realities, and thus they do not have to totally rely on the inspiration of outsiders to challenge their fate (Stewart 2002).

## **Conclusion**

I have been discussing over the course of this paper some of the ways in which economic culture has been transformed in post-socialist Hungary. I reviewed the main scholarship on the topic in the last fourteen years, exploring the economic elite, consumption, entrepreneurship, companies, and poverty. This admittedly selective overview omits, or only briefly touches on some other important areas of study in economic sociology that are worth

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<sup>109</sup> Similar processes are presented by Zsolt Csalog in his historiography of Romas in the labor market (1994).

mentioning here: network, trust, corruption, informal economy, unemployment, and cultural globalization. Let me say a few words about each of them.

There is a rich literature on the non-economic sources of economic order that explores networks on the one hand, and trust on the other. The significance of networks in economic sociology has already been emphasized at several points in the literature review, mostly in relation to entrepreneurs and the economic elite (Tardos 1996). The works on entrepreneurship, for instance, examine the ways in which entrepreneurs rely on local social contacts as a resource in the launching and development of their business (Becskehazi 1996, Czako 1998, Kuczi et.al. 1991, Kuczi and Mako 1997, Kuczi 2000, and Laki 1998). The elite studies heavily influenced by the Bourdieuan notion of social capital also talk about informal networks, their importance in the recruitment of the old-new elites (Lengyel 1992a, Rona-Tas 1994a, Rona-Tas and Borocz 1997, and Szalai 2001) and their consumption practices (Utasi 1995). Social network as such is the focus of Laszlo Letenyey's study on rural innovation chains that looks into how former peasants imitate entrepreneurial behavior without restructuring their local ties (Letenyey 2001). Endre Sik also employs the network approach when he discusses the rebel of the taxi drivers that took place in the early 1990s in Hungary and argues how weak ties and personal networks prove powerful at times of emergency (1994b).<sup>110</sup>

Economists, sociologists, and political scientists have recently turned their attention to social trust and its fundamental role in achieving consolidated democracy and market economy. Janos Kornai, Susan Rose-Ackerman, and Bo Rothstein's comparative research looks at trust in relations among firms and in between firms and the state, in interactions between the state and its citizens, and thinks about possible strategies to build trust in post-socialist countries (Kornai et al. 2004). In contrast to corruption campaigns that examine the misuse of public funds, Kornai argues that the inquiry about trust and honesty points to various examples at different corners of social life and helps us understand some timely problems of political and economic change (Kornai 2003). Laszlo Zsolnai's work on trust and honesty in economic relationships argues that different trust structures influence the way agents are engaged in economic relationships, and honesty helps them improve their trust structures (Zsolnai 2004). Rona-Tas has also started a comparative research project on trust and rational calculation that examines emerging credit card markets in Eastern Europe, Russia, China, and Vietnam.<sup>111</sup>

Networks and trust set the parameters for the study of corruption, an example for non-market oriented economic relations. In his seminal piece on our everyday corruption practices, Sik defines contemporary Hungarian culture as a corruption culture since corruption is embedded in social networks and trust that permeate Hungarian society (Sik 2002a). However, the informal and personal trust present in Hungary, he claims, hinders the development of a general, institutional, impersonal type of trust that would be necessary for the working of a civil society. In another article, Sik examines how the Hungarian social network sensitive culture meets the network insensitive global world, and argues that foreigners define Hungary as a corrupt culture although corrupt practices appear in foreign companies in Hungary too. He also traces network sensitivity back to the socialist era, and argues for its path dependency (Sik 2002b).

Another example for non-market oriented economic relations is the Hungarian informal economy, also called as hidden, black, gray, or shadow economy. Janos I. Toth and Endre Sik define hidden economy as either unregistered enterprises conducting legal activities, or

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<sup>110</sup> Sik's other applications of the network approach will be discussed in the paragraphs on corruption and informal economy.

<sup>111</sup> To my knowledge, no publications have appeared yet. For further details on the project see Rona-Tas's website: <http://socsci2.ucsd.edu/%7Earonatas/project/>

registered enterprises conducting unreported, illegal activities (Toth and Sik 2002). They argue that economic transformations increase the weight of informal economy in a society, and it's long-lasting effect is especially true in Hungary where masses of people were dislocated or became inactive in the labor force, and where there is a high level of acceptance of non-compliant behavior, low taxation morale, and informal networks. Istvan Borboly and his colleagues look at oil trafficking and comecon open-air markets in the eastern and western regions of Hungary, and state that these forms of informal economy play a crucial part in the poor regions of east Hungary, whereas local government regulations curtailed their presence in the west and thus encouraged the flow of transnational companies into the region (Borboly et. al. 2002).<sup>112</sup> It is the comecon market that is the subject of Sik and his co-authors's analysis of informal economy too. Czako and Sik emphasize the path dependent legacy of pre-communist and communist open-air markets, and examine four comecon markets at various parts of Hungary to illustrate that they serve an alternative for capitalist retail trade at a time of poverty and informal networks (Czako and Sik 1999). Sik and Wallace add that the comecon markets offer a bridge between low or declining incomes and rising consumer aspirations, as well as they contribute to the emerging stratification system by encouraging consumption and alternative earning possibilities (Sik and Wallace 1999). In another paper, Sik examines "slave markets" where people sell their own work, and based on observations he defines Moszkva ter (Moscow square) as a place that produces cheap unskilled construction labor for Budapest and its vicinity (Sik).

Unemployment recurs again and again in the overview, be it under poverty, informal economy, or entrepreneurship. Istvan R. Gabor presents some astonishing figures for unemployment rates in the Hungarian transition, and argues that it is without parallel in the post-war history of market economies (Gabor 1999). Agnes Simonyi (1995) takes a close look at unemployment and explores the personal relations of unemployed, as well as the ways in which these people try to cope with their situation. She distinguishes between two life-courses that lead to unemployment: the employee who has worked at several places and had different jobs, but their work has been devalued after the changes, and the one who has been working for one company for a very long time, and the company closed down. The unemployed, she says, rely on their families, friends, and neighbors in their survival, and develop various strategies to lower the cost of living, such as doing casual work and participating in the informal economy. They, however, mostly live on social security benefits. Simonyi concludes that the paradox of market transition is the appearance of the long-term unemployed who help to reproduce non-market oriented economy (Simonyi 1995).

And last, let me say a few words about cultural globalization that creeps into some of the above mentioned literature to some extent but appears the most explicitly in Janos Matyas Kovacs's (2002) volume where it becomes the focus of analysis. The edited volume looks at specific forms of cultural encounter, when the global meets the local, and examines the cultural hybrids that emerge while Hungarians challenge and, often, resist transnational cultural influences. Kovacs and his colleagues thus contest the arguments about Western colonization and homogenization, while providing examples from the use of English language in Hungarian vernacular through the popular Chinese markets across the country to Hungarian book exports in Germany. The accounts of global/local encounters not only identify local heterogeneity, but also point to the specificity and contingency of the global by looking at various intersecting and competing global projects, such as Sovietization, European integration, regionalization, or the widespread Chinese influence (Kovacs 2002).

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<sup>112</sup> In the 1980s Polish markets appeared across Hungary, selling second-hand and new products. The Hungarian socialist state let them go about their business. The 1990s brought about some changes in the composition of these informal markets, since traders from all over the old Council for Mutual Economic Assitace (COMECON) countries came to Hungary to trade with their products. Therefore the name: comecon markets although COMECON doesn't exist anymore.

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## **III.5 Poland**

**Piotr Koryś, Mikołaj Lewicki**

### **1. Introduction**

The aim of this paper is to review Polish sociological and economic literature relating to the topic of economic culture during the period of systemic change. It is necessary to begin with the observation that—although the topic has been analyzed from various angles—the very term has rarely been used (Skapska 2002, Kochanowicz and Marody 2003).

The problems of economic culture, as defined by Peter Berger (1986) are explored by researchers studying the economic transformation, the changes of the social structure, the forming of customs connected with economy in a broader sense as well as the appearance of changes in economic and social institutions. Many researchers are looking also at problems of capitalism formation in Poland, which obviously relates to the shaping of new economic culture. We have in mind particularly the research on the labor market, on the attitudes towards unemployment, and on the business success and failure, in a wider sense. Unfortunately, there is not much research done on the attitudes of individuals towards capitalist rules. Another important research area is the spontaneous as well as enforced adaptation of Polish economy, law and formal institutions to capitalist regulations and a parallel, though not identical, process of meeting European Union requirements.

Below we present a review of Polish research on these topics. We grouped them thematically. In the first section, before the proper analysis, we present a short review of the literature on different aspects of economic culture as it was formed under state socialism. Next we look at the process of systemic transformation, the social effects of this transformation understood as a shift from socialism to capitalism and the formation of new social layers and classes. The following sections are devoted to the analyses of the formation of the culture of capitalism, as well as of enterprise, especially the formation and operation of new businesses. In the last section we analyze research on the process of institutional and legal adaptation to European Union requirements and capitalist environment.

### **2. Economic Culture under State Socialism**

During the period of state socialism, the topic of economic culture as such did not appear until the eighties. However some research was done on operation of the enterprise as a social organization (Hirszowicz and Morawski 1967, Hryniewicz 1980, Hirszowicz 1968), as an institution (Kolarska 1980), as a school for socialist managers (Frieske and Kurczewski 1974, Rębacz 1987), as a field of “struggle for power.” The operation of enterprises depended on decisions of central planner, but within them emerged local rules, hierarchies, etc. Research on them, as well as studies on malfunctions in enterprise operation and reasons for economic crime (Górniok 1986, Ehrlich 1980) shed some light on economic culture in a society subject to authoritarian control and centralized economy.

The most interesting definitions of such state and its economic culture were presented by Morawski, who used the notion of “state socialism” (1994) and by Narojek (1991), who coined a term “socialist welfare state.” Both these concepts attempt to grasp the most important features of socialist state and society and describe strategies, which were invented by individuals and social groups in reaction to them. Very interesting analyses were also

offered by Tarkowski and by Staniszkis. To the Polish reality Tarkowski applied Edward Banfield's concept of "immoral familism" (Tarkowska and Tarkowski 1991, Tarkowski 1994) as a strategy for individual activities characteristic for the late socialism. Staniszkis made her research on state owned enterprises (1980). She also analyzed what she called a vicious circle mechanisms in government (1972) as well as dysfunction of socialism as a whole system (1989).

Some interesting research and analyses on the process of "entering" of Poles and Poland into the world of capitalism were also done. Especially noteworthy is the research done by Czarnota and Zybertowicz in already in the eighties is (Czarnota, Wajda and Zybertowicz 1989, Czarnota and Zybertowicz 1993). Marody asked about the cultural, social and institutional heritage of socialism in post-communist Poland (1991). Describing Polish society at the point of a system change she showed, that although communism had been enforced on Poland, many of its elements permeated the social consciousness of Poles.

### **3. Transformation as a Change of Economic Culture**

Important insights on the economic culture of Poland can be found in the analyses of the transformation and its effects. Staniszkis (1999, 2000) uses the concept of political capitalism as a specific, "sick" form of capitalism born at the time of transformation. In the light of this approach, Polish capitalism is exceptional because of its dependence on old, communist, and new, post-communist policies. Wnuk-Lipiński (1996) attempted to describe the transformation as a radical social change, which also included cultural aspects. He showed Polish society of the mid-nineties as being lost between nostalgia for the past and a hope for a better future. Similarly to Staniszkis, he pointed out the role of former elite in new economy. Antoni Kamiński's interpretations (Kamiński 1995, Kamiński and Strzałkowski 1993) which refer to new institutional economy also follow the same route. Mokrzycki (2001) showed, that it is wrong to think of the transformation as a single simple step to create a modern, effective government. Giza-Poleszczuk, Marody and Rychard (2000) studied strategies of individuals and institutions during the systemic transformation.

One of the main strategies, which shaped Polish economic culture at the time of transformation was the prevalence of rent-seeking behavior. Particularly interesting is the strategy of placing oneself "between the market and the stable employment", i.e. obtaining such advantages of being state employee as security and stability, and simultaneous searching for opportunities to use one's competencies in the private sector. The transformation period brought on much more dangerous forms of rent seeking. Recently we witness a rise of clientelism (cronyism), which is particularly common in the losses-generating branches of state owned industries, the security of which is defended by the trade unions (Jarosz 2003, Gardawski 1996). The concept of the "privatization of the state" was introduced by Kaminski (1988), and developed by Łoś and Zybertowicz (2000) and Staniszkis (1999). Staniszkis saw clientelism (cronyism) and network of informal relations as defining features of post-communism. Gadowska (2003) analyzed a well-documented case of nepotist and cronyist connections in the coal industry. Beside clientelism (cronyism), corruption is another common phenomenon on the border between the private and the public sectors. Kamiński (1997, 2001, 2002) described it as a danger for the economic development and a symptom of institutional incapability of the state, i.e. incapability of creating the effective public institutions. The problem of corruption got the attention of legal scholars (Dzienis and Filipkowski 2001, Górniok 2001, Jaroch 2003); also the economists started to notice it (Tarchalski 2000).

Research on corruption and other pathologies are becoming popular. Investigation commissions of the Polish parliament inspired some of these. The parliamentarians managed to unveil hidden mechanisms of interactions between businessmen and politicians, as exemplified by Tyminski and Koryż (2004) analysis of cronyism in the public media or by a more journalistic analysis (Skórzyński 2003).

In his report on the responsibility of the political class Koryś (2004) shown that what is characteristic for the Polish culture of corruption is a lack of a mechanism of political responsibility in those cases of doubtful behavior when there is no verdict of the court. Such authors as Staniszkis (2000), Łoś and Zybertowicz (2000, Zybertowicz 2002), Antoni and Bartłomiej Kamiński (Kamiński and Kamiński 2003) showed, through an analysis of political corruption, the hidden mechanism of the post-communist government.

At the early stage of transformation (until about 1995), the change in Poland and Central and Eastern Europe was perceived as an exceptional process. Later, it has rather been put in a wider context of global evolution. The on-going process of change is perceived in this perspective mainly from the point of view of theories of modernization (for a comparison of these two paradigms, see Ziółkowski 1998). It is also pointed out, that the problem of economic and social transformation lies in “civilization competence”, and that new economic processes often take place in an “empty social space” (Sobczak 1996). A slightly different way of systematizing was proposed by Mach (1998), who differentiated between substitution, transplantation, recombination, and retrogression.

From the perspective of modernization theories, two factors are vital for the shaping of capitalism in Poland. The first one is the appearance of individualistic attitude, the second – a new institutional order. However, some authors point out that besides individualism there are other factors influencing the way in which Poles cope with economic change and the coming of free market. These include more collectivist attitudes, related to family and social ties. They acquired an appearance of “collectivist individualism” (Miszalska 1998). Contrary theories, close to Banfield’s immoral familism, stress the fact that egoist protection of small group interests and articulation of claims were the main obstacles for enterprise (Lutyński 1990).

The second paradigm analyzes changes in constant reference to social processes that took place in Western Europe, or generally in the highly developed countries. Development of capitalism and democracy in Poland is placed in the context of what was and is going on in developed countries with “modern capitalism.” Lack of the process of the primitive accumulation of capital, post-communist countries’ entrance into the global capitalism generates questions on the pace and phases of development of capitalism in Poland (Staniszkis 2003). The inadequacy of the inner requirements of transformation in respect to the contemporary cultural norms in the West and to the rules of global economy became a source of contradictions and an obstacle for the development of capitalism in Poland. As a result feelings of disorientation and insecurity increase in post-communist societies (Świda-Zięba 1994). Staniszkis describes this “clash” in a similar manner (Staniszkis 2000).

The problem of a comprehensive description of the process of transformation attracted not only sociologists, but also economists. Most of their research follows the modernization paradigm outlined above. Jakóbiak (1997) presented the first retrospective approach to the transformation of economy. Balcerowicz (1995) made an attempt to describe in a comprehensive way the reforms, focusing on the process of departure from socialism. Hockuba (1995) presented a noteworthy analysis of system transformation from the

perspective of two types of economic regulations: driven by the state or the market. He argues for a spontaneous market order, and interprets economic transformation as a shift from central planning towards such a spontaneous order.

A critical inquiry into the ideas, founding an economic culture, should be an important field of research on such a culture. While traces of such analysis can be found in some of the works mentioned above, it is difficult to point to a systematic study of the economics ideas, as well as that of the role played by the economists. Sociologists, in contrast, have started such a work, and research of Ruzzkowski (2004) is a case in point. Apart of analyzing earlier paradigms of study, he puts forward his own project of a “sociology of systemic change”. related to the economy.

Bukraba-Rylska (2004) made an attempt at a “sociology of the sociologists” (as a group) and “of the sociology” (as science) of the transformation period. She has shown that the sociologists themselves were an active actor of the transformation, whose principal role was that of legitimizing the process. An analysis of such a role of the economists is lacking.

#### **4. The Shape of Economic Culture**

The transformation has its cultural designations. Among them is the trauma of the transformation period, as studied by Sztompka (2000). He defines cultural trauma in Poland and Central Europe as a long lasting, destructive effect of a sudden event (the transformation) on the social organism. In his view, a social trauma can affect culture as a set of norms, leading to some of these norms becoming worthless. Finding a method to overcome such trauma facilitates a transition to a democratic market society by establishing a new set of values.

Sociological research also covers the negative effects of the transformation, such as a permanent inability of significant groups to adapt to a new socio-economic order (Marody 1998, 2000a). A division of society into winners and losers is not the same as a division between the heirs of the former system and the remaining, losing majority. Contrary, the transformation abolished such division, replacing it with new ones. Marginalization and attempts to cope with it show a new split: between the winners and the losers of the transformation.

Many authors point out that among all post-communist countries Poland has relatively highest differentiation of income. This leads to a thesis about a formation of an elitist society, with market basing on a highly differentiated income structure. Further on, theories about two or three different Polands are developed, pointing out deep, cultural and economic stratification, as well as geographic and status divisions (Hausner et al. 1999; Marody 1998).

In the context of a division between the winners and the losers two labor strategies are described. In the first one, characteristic mainly for the public sector, workplace security is of primary importance and work is assessed by the amount of labor put into it, rather than its outcome. In the second strategy, present mainly in the private sector, work is assessed by its efficiency, but jobs and the economic status of employees are less secure. In this context one has speak about a “specific interpretation of a meritocratic rule” (...)

The problems of marginalization, hierarchy and social barriers were researched by Domański (Domański 2000), Frieske (1997, 1999) and Kwaśniewski (...). The latter pointed out, that marginalizing should not be associated with pathologies, but rather with the exclusion from participation (in political, social and economic systems), although these phenomena are often

parallel. In Polish economy marginalizing usually coexists with "gray zone," where employees are poorly paid and do not have any social benefits.

There are many ways to avoid and cope with marginalizing. They often lead to a "vicious circle" – make it more acute. Such is the case of temporary economic migration (within the country or abroad), both legal and illegal. These processes are usually described in two ways: in the context of mobility of people, who follow work on local markets and in the context of migration. There is much literature on emigration from Poland (Okólski et al. 2001, Romaniszyn 2003, Iglicka 2001), which shows, that temporary migration gives a chance to raise household status and provide local success, however often at the cost of marginalizing in the country of origin as well as that of destiny.

The growing immigration into Poland is as if the reversal of emigration. Immigrants hope for success and at the same time – by the way – many of them help to establish a modern capitalist order in Poland. Second generation of Polish emigrants returning to their fathers' homeland from well developed countries are a good example of this phenomenon (Iglicka 2002).

## **5. Culture and Legitimization of Capitalism**

Several analyses of Polish enterprise and economic transformation indicate a phenomenon of "a legitimization of Polish capitalism without a legitimization of a Polish capitalist" (Marody 1999). This represents society's nominal approval of free market economy, but with simultaneous preference to preserve a comfortable job position (Marody 2000a, Drozdowski 2003). According to Gardawski most Polish workers, especially from the sector of large enterprises present a "moderate modernization" attitude (Gardawski 1996). They generally accept free market, but in their mentality it does not disagree with state interventionism, artificial maintenance of jobs, high level of social security, etc.

Hard work, supported with responsibility and persistence, together with certain ruthlessness in business practices are the most commonly quoted factors leading to the success of an enterprise. Education (intellectual capacity as well as knowledge and access to it), traveling abroad and foreign experience is the most common objective success factors. Enterprise is also treated as an individual, personal feature. On the one hand it can be an innate "gift", on the other it can be attained through persistence (Gardawski 2001).

Assessment of the shape of Polish capitalism varies from radically critical as expressed by Jadwiga Staniszkis (Staniszkis 2000) to relatively affirmative (Wilkin 1993, Giza-Poleszczuk, Marody and Rychard 2000). In the last years there are few analyses accounting for the cultural aspect of the changes, which would value it positively. Even the authors who stress the success of the transformation point out increasing stratification of society, crises of numerous public institutions, low level of social trust. It relates to the concept of social capital as well as to the theory of different cultures of capitalism as used by Sztompka (1997). The notions of trust and social capital also appear in the research of Marody (2000b). Descriptions of the development of the culture of capitalism in Poland oscillate between two poles in the typology of capitalism, which determines the range of research. On the one hand the dynamic of small and medium size enterprises (SMS) shapes the development of economy basing on a productive and innovative middle class (Domański 2000). The origin of this new middle class, its role in the economy and political life, as well as its function as a role model have all been described by several authors (Skąpska 2002, Kurczewski, Jakubowska-Branicka 1994, Domański 1998). On the other hand, capitalism is perceived as "capitalism of buddies", or



“pirates”, who are loosely associated with beneficiaries of privatization and who operate beyond the rules of the market (some of them protected by law, other customary, like fulfilling agreements) (Skapska 2002).

The development of the economic culture of capitalism in Poland led to the appearance of a whole set of customs, which can be described as a culture of consumption. In some respects the culture of consumption in the cities approaches the Western model. It is influenced by prestige and aspirations (Domański 1999), higher income and fashion. New, post-industrial culture of consumption attracts the attention of anthropologists (Sulima 2000). It is connected to the impact of modern media of mass communication (Bator 1998). Domański (2000) showed a connection between the style of consumption and aspiring to a specific social group. Marody (2000a) interpreted the style of consumption as a sign of success (Marody 2000a). As of recently, researchers’ interest is drawn by the questions of consumers’ rationality, the role of advertising, and the interaction between consumers (Kieźel 2002).

Thus, new patterns of consumption are being studied. Some authors—as Kapciak (2004)—see them as new cultural experiences and patterns, including consumption of non-material things as well (Koporowicz 2004). Shopping malls, playing a key role in forming these patterns, draw an attention of Polish sociologists (Markowski 2003). Children, starting to participate in the market culture at the early stages of their lives, strengthen its importance (Frątczak-Rudnicka 2004, Kieźel 2002).

## **6. Enterprise, Entrepreneurs and Entrepreneurship**

Another feature of economic transformation in Poland, widespread in society, is a willingness to start one’s own enterprise, referred to as “come over to one’s own” (Skapska 2002). Desire to improve the well-being of a family is an especially strong motivation for individual enterprise, which often leads to family members becoming involved in the family business. An extra stimulus has often been provided by the clash between the material and professional aspirations of relatively young people and the opportunities (not) provided by the market. Continuation of family tradition of enterprise was another type of motivation (Skapska 2002).

Comparative research on Polish and American entrepreneurs indicates that, contrary to earlier studies, communism did not eradicate the spirit of enterprise (O’del 1997). Motivation of Polish entrepreneurs shows their readiness to take the risk of individual initiative. Their awareness of self-reliance and own capabilities are similar to those of American entrepreneurs). The research also points out “the other side” of the problem—that of shortsightedness in business strategy building and of a general disinterest for creating one’s own innovations and for innovation as such.

In an analysis of the formation of Polish capitalism one cannot ignore the problem of the structure of Polish economy. A typology of enterprises, or businesses and entrepreneurs is an important aspect of such research. One of the first attempts to create a typology of enterprises considered such factors as the type of ownership, size and dynamics of an enterprise. Kotminski (1998) described several categories: “Dinosaurs” are large state enterprises, subsidized by the state and lacking any restructuring, “Pretenders” are market-oriented state enterprises “Mixed Marriages” are joint ventures with foreign capital, “Private Initiative” operates mainly in the SMS sector, while “Growing Sharks” mean private enterprises which achieve quickly a significant position on the market .

Analysis of large enterprises, mainly state owned or privatized in the first half of the nineties places them between two opposite categories: “successful firms”—former state ventures or restructured giants and “lost firms”—mainly state owned, non-restructured companies. According to Kosela and Gwiazda (1993) “successful firms” very rarely grew on the basis of state enterprises, because employees of such firms in their majority disliked private owners. Fall of an enterprise was often seen a better solution than losing a job.

There are several different, but not necessarily mutually exclusive sources of capital, experience and success factors, which made it possible for the group of entrepreneurs to appear. According to Domański (1998) one of the factors, which enabled individuals to start an economic activity or join the group of managers in early stages of transformation was the *nomenklatura* past (Domański 1998), which provided access to / possession of material resources as well as knowledge and information channels.

A different way of “entering” the economy relied on a fast building of ones own enterprise or being a “self-made man” of success, who due to his own invention, labor and skills transformed a small company into a large enterprise, with a significant position on the market. According to Gardawski (2001) it is the education which a variable explaining this kind of careers.

Agricultural entrepreneurs are a separate category. The main success factors in this group are hard work, awareness of competition and the will to develop, e.g. to export products. It should be noted that this group pays special attention to education of their offspring and agrees to postpone consumption for the sake of long-lasting personal and family success (Fedyszak-Radziejowska 1995).

“Connection of the farm with the household as well as relatively weak (as compared to Western Europe) links with the market” are features of Polish agriculture and which to a large extent determine the attitudes of rural residents to free market and enterprise (Wilkin 1996). It is not merely a question of enterprise spirit, because according to research it is not weaker than in the cities, but rather an effect of opportunities and development conditions within the institutional and financial framework accessible to farmers and potential entrepreneurs. Polish farmers’ fears of Poland’s access to the European Union were primarily related to the conviction, that “Union farmers” had huge advantage over “Polish farmers.”

Analysis of the attitudes of both employers and employees leads to a conclusion about lack of “the ethos of reliable business” (Gardawski 2001) and the ethos of work (Kozek 1994). In both cases it is stressed, that there is social approval to practices which are against the law or which neglect legal obligations. On the one hand there is a specific culture of competition, where illegal actions improve competitive chances of a firm, on the other, “work is a poor instrument for reaching one’s goals, also because there exist other, partly legitimate, ways to achieve them. There is no strong motivation to let moral norms of work influence human behavior” (Kozek 1994). Social values connected with work also change, which is shown by the research on attitudes to work, career and success (Sikorska 2000). Work gains through gratification, prestige and an opportunity to accomplish life strategies (Domański 1998). Therefore we witness an emergence of “meritocratic order”, characteristic of capitalism (Markowski 2000).

Employers define main pathologies among the employees to be: low culture of work (careless operation of machines, lack of organization, disorder etc.), problems with keeping the same quality of work, overuse of medical leaves, lack of respect for regulations and alcohol abuse

at work. “Pathologies, which used to plague state enterprises– theft, private use of company resources, low identification with the employer and frequent job changes have been marginalized” (Gardawski 2000).

Unemployment is blamed on the government, and it is associated by large part of Poles with bad intentions of government (or foreign investors) rather than treated as an unavoidable aspect of free market economy. Therefore, poverty – often identified with unemployment – is perceived as an social injustice, what results in a growing social pressure for state intervention and a rise of demanding attitudes. Analyses of this phenomenon often describe permanent effects of unemployment as a reason for social exclusion (Frieske 1997).

Analyses of labor market and the system of social security point out an emerging strategy of attaining social benefits through an abuse of state aid (Woycicka 2002). “Learned helplessness”—a permanent disposition due to living under a totalitarian regime, which made individuals passive and helpless in the face of changes in their environment is an often quoted attitude (Koralewicz, Ziółkowski 2003). In the analyses of labor market the division into winners and losers is associated with job categories which slowly lose significance (mining, agriculture) and “winning”, mostly new professions.

Labor market analyses often stress a relatively big moonlighting market, which exists due lack of social norms that would prohibit it, high level of unemployment and the lack of other possibilities of finding job. Its origin is the lack of trust in the state as a tax collector and an agent of income redistribution. On the other hand, “convincing employers about their responsibility for a work contract is a difficult task” (Kozek 1998).

Research on differences in the situation of men and women is an important element in the study of labor market and cultural rules which govern it. Sociologists indicate a characteristic Polish family model consisting of a strong woman and a weak man (Giza-Poleszczuk, Marody, Rychard 2000), although on the other hand they show an “under-valuation” of women in Poland. (Fuszara 2000). New career paths for women cannot change their objectively worse situation on the labor market, despite the better education of women (Kowalska 2000). For women it is more difficult to enter the labor market and to return after a break than it is for men of similar age and education. It is due to the fact that women usually combine professional and family functions.

## **7. Rule of Law, Institutions and the Economic Culture**

Analyses of economic system in Poland stress primarily the instability of the conditions in which enterprises operate on the market, inability to plan in the circumstances of changing law and inefficiency of market regulating institutions (World Bank 2001). High risk of investment combined with relatively high entry cost are also indicated. Inefficient debt collection and ineffective legal system are the main reasons. The origins of these are often sought not only in ineffective procedures and inefficient institutions, but also in low trust between business partners and lack of codes of good practice and ethical business activity. In this context one can talk of the lack of contract culture in Poland (Rok 2001, Staniszkis 1998).

Some elements of legal regulations and institutional order undermine the most basic human rights as the right to property; the regulations of tax execution and functioning of public administration can serve as examples. The functioning of public administration is characterized by analysts as involving not only high levels of personal judgment but also formalism, which slows the decision-making and hinders the economy (Rymaszewski 2002).

One of the main questions, which appeared in the studies of the adaptation of institutions and social norms to potential functioning within the European Union is to what extent the Polish legal system and legal culture are capable of reaching inner interpretative coherence at the time of a rapid adaptation to the law of Europe (Zirk-Sadowski 1999). It is important in the context of establishing the conditions for the development of enterprise and the social effects of creating free market's legal frame. In this context the processes of hypothetical convergence are considered (Radło 2003). Integration with the E.U. is often treated as a final stage of modernizing and as a next stage of social reform, linked with the recreation, or creation, of capitalism.

Poles' relation to foreign direct investments (FDI) are marked with the same ambivalence towards the free market that was described in the case of legitimization of capitalism. It can be summarized in one sentence: investment—yes, but not by foreign investors and capital. Fears connected with FDIs are: conviction that western investors taking over Polish firms or creating new companies use unfair competition, through dumping prices, parasitism, taking away more than they bring in (Gardawski 2001). These fears are justified to a degree. A sober analysis of the operation of foreign companies in Poland shows, that at least in economic categories, “generally speaking, foreign investors are not interested in situating innovative operations in Poland” (Nowicki 2003), although it depends on the industry.

It is still often indicated, that the production “base”—highly skilled workers in R&D departments, but also scientists who offer their innovations—is relatively inadequate. Standards of management, human relations and good practice codes, which are parts of corporate culture are the aspects of FDI which are perceived to be especially valuable (Rok, Stolorz and Sanny 2003). These not purely economic standards and models, which are “imported” with foreign workforce, are more frequently stressed. Corporate Social Responsibility (CSR) and social initiatives of business are supported mainly by ventures with foreign capital (Rok 2001).

## **8. Concluding Remarks**

Although the above review is intended mostly for the purpose of information, some features of Polish literature on economic culture of the last decade should be noted. In the first years after 1989 researchers mainly set themselves descriptive goals. There were relatively few attempts at theorizing, although the research on the state socialism period by Narojek and by Jacek Tarkowski are definitely noteworthy. Marody with her team (1991) tried to grasp the character of the new times early on. However it was not until the second half of the nineties that more analytical descriptions or even theoretical studies of Polish reality started to surface.

In the last years there appeared analyses of the role of customs and rules, which originated under state socialism, in the formation of economic culture in Poland. At the same time there is a diminishing interest in exceptionality of the transformation process, which—as we have tried to show—often became synonymous with economic culture. Instead, more attention is given to wider processes of globalization and formation of the new European Union.

The both processes are often described in categories of economic culture. Integration with the European Union, which also involves the integration of science, facilitates comparative studies, which cover many countries. It often means, that phenomena specific for particular countries or regions, including economic culture, are treated marginally or superficially. Researchers who study globalization tend to perceive the system transformation in post-

communist countries as a part of global changes. Therefore they concentrate not on particular features of local culture, but rather on the processes of convergence (Radło 2003).

Therefore it can be claimed that the economic culture of Poland in the last few years has not been researched often. Certain anomalies, like corruption, nepotism and growing differentiation of income are exceptions. The question of the economic culture of Poland has been replaced with the question of the process of faster adaptation to European and global regulations.

The way of systematizing Polish studies on economic culture, put forward here, does not reflect directly the three “fields” of the DIOSCURI project. Except perhaps the studies on entrepreneurs, there is little research on economic culture done in Poland. Thus, the DIOSCURI project can contribute significantly to the knowledge on cultural transfer particularly due to its focus on officials and intellectuals (economists).

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## **Poland: Annex 1**

### **Mikolaj Lewicki**

The concept of economic culture has not been widely used as a descriptive and explanatory category by the research community in Poland. However, in order to present main establishments dealing with economic culture we decided to refer directly to the terms' definition proposed in the description of the DIOSCURI Project:

***Economic culture:*** Within the project, the notion of “economic culture“ encompasses not only individual values, norms, beliefs, habits, attitudes, etc. of economic actors, but also the institutional arrangements, policies and scientific concepts, in which these elements of culture are embedded.

Therefore we decided to categorize institutions dealing with economic culture according to their research field and type of institutional arrangement.

As for **the types of institutions** we can find those which:

- provide professional expertise offered or delivered for economic policy-makers (think tanks, NGO's dealing with economic issues)
- conduct scientific research (Public scientific institutes)
- focus on academic research (Units of academic institutions (universities, high-schools), focusing particularly on economic culture)

As for **the main fields of interest** we should outline institutions dealing predominantly with:

- social and cultural changes in the society's economic activity
- conditions and frameworks of market economy development
- social attitudes towards economic and cultural changes after the fall of Communism
- processes defined as “transformation”, “transition”, “modernization” of polish society
- processes associated with the EU Accession period

By criss-crossing both categories we distinguished few institutions which cover most of the mentioned fields and can be described by one of the types of institution. It should be emphasized, however, that there are many other institutions, particularly the economics and sociology departments in all major universities where there are researchers interested in some of the topics and fields mentioned above. In order to identify the “main players” in the economic culture research we decided to describe only those which fulfill the above mentioned criteria.

### ***I. Think Tanks***

**CASE – Centrum Analiz Społeczno Ekonomicznych**  
(CASE – Center for Social and Economic Research)

*Address:*; ul. Sienkiewicza 12, 00-010 Warszawa  
*Phone no., Facsimile:*; tel. (+22) 622 66 27 lub 828 61 33; Facsimile (+22) 828 60 69  
[case@case.com.pl](mailto:case@case.com.pl), [www.case.pl](http://www.case.pl)

*Management Board:*

Ewa  
Artur Radziwiłł

Balcerowicz

*Main areas of interest:*; Expertise associated with economic transition, market economy's development, socio-economic transformation and process of Poland's accession to the EU delivered to the policy-makers and organizations;

**Centrum im. Adama Smitha Fundacja Akcji Gospodarczej (Adam Smith Research Center)**

*Address:*; 00-321 Warszawa, ul. Bednarska 16

*Phone no., Facsimile:*; tel: (0-22) 828-47-07, tel: (0-22) 828-53-67, fax: (0-22) 828-06-14

adam.smith@adam-smith.pl, <http://www.adam-smith.pl>

*Management* ; Cezary Józefiak, Andrzej Sadowski

*Main areas of interest;* Propagating of free market mechanisms based on private property, liberty of economic and limited state's intervention. It is fulfilled by scientific research of systemic transformation, economic education, publications of reviews, reports and books and organizing of conferences, seminar, etc

**Instytut Badań nad Gospodarką Rynkową (The Gdańsk Institute for Market Economics)**

*Address:* 80-227 Gdańsk, ul. Do Studzienki 63

*Phone no., Facsimile:*; tel. (+48-58) 524 49 00, Facsimile (+48-58) 524 49 08

instytut@ibngr.edu.pl, [WWW.ibngr.edu.pl](http://WWW.ibngr.edu.pl)

*Management:* Dr Jan Szomburg

*Main areas of activity;* Institute is scientific and research organization providing expertise in the field of public policy, economic activities, state's and public policy. It provides reports with recommendations delivered to the policy-makers and public institutions. The Institute publishes periodical reports on the development of polish economy and free market

**Instytut Spraw Publicznych (Institute of Public Affairs)**

*Address:* ul. Szpitalna 5 lok. 22 00-031 Warszawa

*Phone no., Facsimile:*; tel: (48-22) 55 64 260 fax: (48-22) 55 64 262

isp@isp.org.pl, <http://www.isp.org.pl>

*Management Board*

Prof. Lena Kolarska-Bobińska, - Director

Jerzy Zimowski, wiceminister spraw wewnętrznych w latach 1990-1996

*Main areas of research:*; Foundation – Institute for Public Affairs is an independent research NGO, aimed at the provision of scientific and intellectual background for the modernization of country and development of public debate in the process of socio-economic transformation. It proposes reports dealing with main public policy, economic and social issues delivered to the politicians, journalists, academic communities and social workers

**Bank Światowy – Oddział w Polsce (World Bank, Polish Office)**

*Address:* Warsaw Financial Center

E. Plater 53, 9 Piętro

*Phone no., Facsimile:*; tel.: (48 22) 520 80 00

fax: (48 22) 520 80 01

[jwojciechowicz@worldbank.org](mailto:jwojciechowicz@worldbank.org), <http://www.wb.org/pl>

**Management:** Jacek Wojciechowicz

*Main Fields of interest:* ; Procurement of expertise and recommendations for the public sector concerning economic and social reforms, evaluation of country's economic standing, research in economic and social transformation, strong engagement in anti-corruption programs; public sector analysis

## II. Scientific Research Institutions

**Instytut Filozofii i Socjologii PAN** (Institute of Philosophy and Sociology, Polish Academy of Sciences)

*Address:*; 00-330 Warszawa, ul. Nowy Świat 72

*Phone no., Facsimile:*; tel/fax: (0-22) 826-71-81, tel/fax: (0-22) 826-99-46

*E-mail:*; [secretar@ifispan.waw.pl](mailto:secretar@ifispan.waw.pl)

*WWW:*; <http://www.ifispan.waw.pl>

*Management:* Henryk Domański, Antonina Ostrowska, Robert Piłat

*Main research areas:* Ethics of economic activity, business ethics, economic sociology, civil society's sociology

**Instytut Pracy i Spraw Socjalnych** (Institute of Labor and Social Affairs)

*Address:*; 01-022 Warszawa, ul. J. Bellotiego 3b

*Phone no., Facsimile:*; tel: (0-22) 636-72-10, tel/fax: (0-22) 636-72-00

*E-mail:*; [instprac@ipiss.com.pl](mailto:instprac@ipiss.com.pl)

*WWW:*; <http://www.ipiss.com.pl>

*Director:*; Bożena Maria Balcerzak-Paradowska

*Main Areas of Research:*; Labor market, labor management, economic migrations, industrial relations, public institutions, social security, social inequalities, redistribution problem issues, poverty issues, research on family as an economic unit

**Instytut Rozwoju Wsi i Rolnictwa PAN** (Institute of Rural and Agricultural Development, Polish Academy of Sciences)

*Address:*; 00-330 Warszawa, ul. Nowy Świat 72

*Phone no., Facsimile:*; tel: (0-22) 826-94-36, tel/fax: (0-22) 826-63-71

*E-mail:*; [irwir@irwirpan.waw.pl](mailto:irwir@irwirpan.waw.pl)

*WWW:*; <http://www.irwirpan.waw.pl>

*Director:*; Marek Kłodziński

*Main Research Areas:*; Socio-economic conditions of agricultural and rural development, universal and specific features of agricultural areas in regional, country's and international settings; main mechanisms of its development

**Instytut Nauk Ekonomicznych PAN** (Institute of Economic Sciences, Polish Academy of Sciences)

*Address:*; 00-330 Warszawa, ul. Nowy Świat 72

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## III.6 Romania

Sebastian Lazaroiu

### 1. Introduction

Post-communism was perceived – and approached – mainly as a double transition: a political one (toward democracy) and an economical one (toward market economy). The political dimension kept much more the attention of both public and experts. On the other side, the economic issues were politicized to a large extent. Media was interested much more by who was doing what in the field of economy – meaning mainly political actors or political involvement – then by economic problems and issues as such.

“Economic culture” was never approached as such – if not in essayistic papers complaining about the “conservative culture of the Romanian folk” in general. Some topics are nevertheless meaningful in this respect. Most of them are linked to main trend approaches in international literature and, more likely, to theoretical frameworks used in international projects that were developed in Romania, such as social capital, risk, institutional change, and latter development, migration, etc. In this review we will follow some of the most debated topics relevant to the issue of “economic culture”.

### 2. Privatization process

After the fall of the communist regime, the double transition involving replacement of the mercantilist economy with market economy and the democratization process, has constituted an important fundament for social researches. It dramatically influenced the social, political and economic environment. What are people's attitudes towards privatization? What characteristics influence their perceptions of the process? What costs does privatization involve and how do they affect people? These are only some of the questions sociologists and politicians have tried to find answers to in relation to the privatization process.

In chapter II of *The Faces of Change. Romanians and the Challenges of Transition* the authors analyze people's perceptions regarding the transition to market economy (Berevoescu, Chiribuca, Comsa, Grigorescu, Aldea, Lazaroiu, Pana, Pop and Stanculescu 1999).

Dan Chiribuca and Mircea Comsa state that market economy is the only alternative to the former communist regime. In spite of the fact that market economy is not strictly dependent on a democratic regime, the latter includes the only institutional framework that could insure its sable development. Sill, democracy is ineffective, provided that it also generates prosperity and the possibility of democratic distribution of resources and that its leaders are responsible and can, as a consequence, be replaced during the electoral process. Although Romania is at least formally a democratic country, it is not yet a prosperous country, the purchasing power dropping in 1996 at only 61% as compared to that specific for 1989.

The success of the economical reform does not lay only in implementing coherent and efficient strategies but also in the society's adhesion to the new set of values and norms. In order to test people's attitude towards market economy the authors resort to an item in the Public opinion Barometer: “Do you think it is good that we have market economy?” 71% of the total adult population agrees to this statement. The socio-demographic profile of the respondents reveals differences of perception. With the exception of the agriculturalists and of

those having a precarious financial situation, no such characteristics are associated with negative perceptions of the market economy. Still, it is likely that young people, bachelors, with a satisfactory material status, residing in the urban area are more in favor of market economy. The profile of the group that rejects market economy is indistinct. However, it seems that welfare and education are better predictors than age for such an attitude. The desirability of market economy does not depend only on the evaluations of the possibilities to succeed in a competitive environment but also on the individual benefits as a result of such situation. Poverty causes negative attitudes towards market economy.

Many state enterprises have registered major capital losses during the communist regime. Their replacement with private enterprises aimed at increasing the profit. Thorough analyze of the social costs was required to reveal the population support for the process. Increased responsibility more likely to be associated with private firms as well as the management of one sector only, constituted premises for efficiency. Unemployment as the main cost of privatization, negatively influenced support for the market economy in periods of economic depression (Lazaroiu, 1999).

As Sebastian Lazaroiu argues "there was no other way", "the privatization of the state enterprises meant saving the Romanian economy" and the population soon became aware of this and therefore supported the process. As the necessity of market economy was no longer contested, the rhythm of this process has become a subject of controversy. In order to reveal people's perceptions of the rhythm of privatization the author analyzed two items included in the Public Opinion Barometer (P.O.B) respondents' *assessment of the direction of the country's evolution and their preferences regarding the rhythm of privatization*. Four possible answers result from their combination:

1. the direction is good but the rhythm of privatization is too accelerated 1%
2. the direction is good but the rhythm of privatization should be more accelerated 18%
3. the direction is wrong and (because) the rhythm of privatization is too accelerated 5%
4. the direction is wrong because the rhythm of privatization should be more accelerated 29%

The socio-demographic profile is distinct for the second and fourth categories, accounting for the highest percentages. The second category supports more accelerated privatization, agrees to the direction of Romania's affairs, votes for Romanian Democratic Convention (CDR, the party governing the country at that time), supports minimum intervention from the state, has a positive attitude in relation to the governmental actions, have a higher educational level and a higher financial condition. Those stating the direction is wrong and (because) the rhythm should be more accelerated vote for Romanian Social Democratic Party (PDSR) and have the opposite socio-demographic profile. This stratification of the opinions indicates that the higher the resources of a person the higher the probability that this person perceives the benefits of transition on the long term being less affected by privatization and ignoring the costs on the short term. The fourth category is more vulnerable to the short-term costs of the transition and does not believe that it will positively change their life.

The same study reveals that 59% of the population want the acceleration of the privatization process, 57% believe that privatization will lead to increase welfare in the country but only 49% believe that it will positively change their life (Dan Chiribuca and Mircea Comsa, 1999). A polarization between the group strongly supporting the acceleration of the process and agreeing to the fact that it will create economic well-being and the group with a more moderate support is registered between those with a high financial and educational status, self-employed persons on the one hand and older people with modest education, residing in the rural area. (80 per cent of the first group support the acceleration of the privatization process and believe that it will contribute to economic well-being as compared to 50 per cent



of the second group favoring the first trend and 40 per cent favoring the second). Also only 29 per cent of the agriculturalists support both statements. Those supporting the privatization sector have consistent opinions about issues evaluating liberal attitudes: they are more likely to choose a non-authoritarian state, they are more willing to resort to private services, they trust the private sector more and are more inclined towards entrepreneurial activities (want to have a second job and would invest money for profit). Although a private source of income is not significantly associated with support of market economy and acceleration of the privatization process it strictly reveals adherence to more liberal values. The self-employed favor a more liberal state in relation to the price and salary policy, they agree less to the idea that their well-being depends on the state and are less reticent regarding the services provided by private firms and individual entrepreneurs. Disregarding the income, those employed in the private sector are more likely to support capitalist values than those employed in the state sector.

Another author of the same study, Andra Aldea Lazaroiu, suggests that there are various ways of adaptation to market economy and to the changes of the property system.

- a) 1. to support of market economy  
2. to oppose market economy
- b) 1. to support rapid privatization  
2. to reject rapid privatization
- c) 1. to support privatization of the state sector  
2. to oppose privatization of the state sector

The affiliation to these categories depends on the socio-demographic profile, on opinions regarding socio-economic and political issues and even on cultural consumption. “The support for each of the three dimensions is consistent with the other ones. Supporting market economy means a good understanding of the necessity of the change of the property structure be the intermediary of a rapid privatization but also by offering incentives for the private sector to emerge in areas previously controlled by the state”. These persons take risks more easily, trust the government economic policies, and have a better material status.

The numerous changes influencing the social structure of Romania between 1990-1999 have designed a new social map based on a new system of stratification, says Dorel Abraham in an article called *The Atlas of Social Change of the Post communist Romania* (Abraham, 1999). The active population has been the subject of “an intensive restructuring process”. In 1990-1999, 90 per cent of the active population changed its occupational status, was social marginalized or was involved in market economy. Forty per cent of the population has vertically and/or horizontally moved upward and downward from one social position to another of a different rank or to another of a similar rank. An equal percentage has been socially marginalized and/or socially excluded. This category referred primary to industrial workers as a result of the massive closing down of this sector. About 10 per cent of the active population started their own business or improved their qualifications.

In the article *Social Costs and (or) Errors Cost during the Transition Process in Romania*, professor Hoffman Oscar indicates the characteristics of transition costs (2000). He distinguishes between the two negatives effects of the transition: the social costs of transition and the costs of the errors associated to the process, the latter being caused by the elites’ strategic errors. The surpass of the negative effects by positive ones, the inevitability of negative effects, and the fair distribution of the changes’ costs and benefits represent the criteria of discrimination between the two effects of transition being associated only to social costs. Also, in order to clearly differentiate between costs and errors, the author defines the former as a theoretical construct based on sufficient criteria so as to satisfy two rules: the saturation rule meaning that no phenomenon that could be considered social cost should be

excluded from the conceptualization and the exclusion referring to the necessity of excluding any phenomenon that is not a social cost. The polarization between winners and losers, between benefits and costs of transition needs to be understood since the ones entrapped in the losers' category, suffering because the transition costs can not accept this situation only for the higher benefits at the macro social level. The transition costs should be one of the responsibilities of a democratic regime in which the majority should support those paying the costs of the changes. If costs are associated to transition then they must be equitably distributed, states the author.

The instability specific for the transition period and the precarious financial situation of several groups probably situated among the losers of the privatization process has led to the apparition of informal credit. In a paper named *Informal Credit Money and Time in the Romanian Countryside*, L. Chelcea analyzes the emergence of the informal credit market. Informal credit is a key for access to goods, usually possessed by the members of a local community able to efficiently use their relations. The research conducted in the southern regions of the country revealed the fact that the informal credit institution was specific for 75 per cent of the villages. The emergence of informal credit in several localities mainly situated in the rural area has been generated by the malfunction of the state social functions. Informal credit is as the author states: „a final sequence of a long cycle of delayed payments in which almost everyone is a delayed creditor and a debtor at the same time”. The retailer is caught between the expectance of the old debts and his/her own debts to the wholesaler. Also, the retailer is forced not to end the relations with the debtor, and to keep selling goods on credit in order to avoid the possibility of losing a client who will probably never pay back the money owed if refused to pay on credit. The exchange relation between the retailer and the customer is very fragile since the transactions are made outside the legal framework of a contract.

The transition period has also been associated by Liviu Chelcea and Puiu Latea with the intensification of magical practices in *The Pragmatism of the Post-Socialist Incertitude: witchcraft and tradition in Oltenia* (Chelcea, Puiu, 2003). A research conducted in Oltenia, a region in the southeastern Romania revealed the fact that both marginal groups and elites resorted to magicians and diviners. The research was only exploratory being founded on several interviews in a commune in Oltenia, on data collected from several discussions regarding the magical practices and on information extracted from journals. This attitude towards the revival of such practices aimed at the control of supra-natural forces, “is not a pre-modern survival of irrational systems of thinking”, but a rational strategy to cope with an instable environment characterized by political and economical changes. Transformations of property and production relations imposed from above modify traditional relations. Relatives argue about ways of splitting the land, social inequalities increase, the interaction between individuals amplifies due to permanence in the same locality as a result of the reduction of internal labor mobility trends caused by unemployment and to the return to agricultural practices. These events generate new conflicts that are not only explained by witchcraft but also acted against. In this context “people resort to witchcraft as the final salvation opportunity. This suggests that witchcraft is related to incertitude and to the lack of control over the future.”

Another method to cope with the new environment generated by the transition processes is the continuance of the old living practices. In *About Transhumance and Market Economy in Tilisca Village (Southern Transylvania)*, Constantin Marin presents the adaptation of the peasants to market economy (Marin, 2003). For people in Tilisca the pastoral transhumance is a way to make money, to produce value: “The fact that transhumance is mainly understood as a production method emphasizes the lucrative character of the Tilisca pastoral activity; the

shepherds are not preoccupied by assuring subsistence only (activity specific for many Romanian villages at present), but also by creating significant community development". They are accustomed to a certain division of labor since childhood specific for pastoral activities. Also they are willing to accept take risks such as losing the flock due to an illness or due to a predator. Even under these conditions they are willing to maintain this traditional practice as a way to make money.

In paper written by John S Earle and Almos Telegdy named *Methods of Privatization* the authors tried to describe the ownership structure produced after the privatization process and to asses the effects of privatization policies on the results of the companies. The researchers used panel data on privatization contracts and labor productivity data. The conclusion revealed that the private property had an important impact on labor productivity causing an increase from 1 to 1.7 per cent for each 10 per cent growth of the private property from a shareholding company.

### **3. Social Capital, Risk and Entrepreneurship**

Since the early 90's, in Romania the subject of "entrepreneurs" and especially that of "social capital" have captured the attention of sociologists and political science researchers as they represent key concepts in the theories concerning civil society development, democratization and economic development.

"Social capital" has been studied mainly in relation with the emergence of civil society in Romania and the process of transition towards becoming a democracy, which the country has experienced after the 1989 revolution. Different authors have focused their attention on social capital in the context of migration networks and there are also studies relating it to entrepreneurship.

Gabriel Badescu has given special attention to the study of social capital in Romania. He is the author of many articles and books related to this subject. Badescu research focuses on "trust", as part of the broader concept of social capital, in a paper published in 1999 in Romanian Sociology. Three types of trust are analyzed in this article:

- a. moral trust also called interpersonal trust or generalized trust;
- b. strategic trust;
- c. particularized trust (placing faith only in those very close to you).

Unlike other authors that have considered strategic trust to be the result of personal, direct interaction with a person, Badescu uses the term in a broader sense, that of "all the situations in which trust is the result of rational calculations, no matter if the information comes from personal experience or from the experience of someone else" (Badescu 1999 a). Using the data provided by the Public Opinion Barometers he demonstrates that the stability of interpersonal trust, at an aggregate level does not vary significantly in time. The indicator taken into consideration in order to prove that, is a question formulated in the same manner in 4 Barometers: "Do you think most people can be trusted?".

For testing the other hypotheses of the article, the level of interpersonal trust was measured by the answers to the questions: "Do you think most people can be trusted?", "Do most people try to help you?" and "Do most people try to take advantage of you?". For measuring particularized trust Badescu used five variables: "How much do you trust ...Romanians, Hungarians, Germans, Roma and Jewish people?". Political trust was measured by 9 indicators – "How much do you trust ....the Presidency, the Government, political parties, the

police, the army, the Parliament, the Mayoralty, justice and The Romanian Service of Information (SRI –secret service).

The type of trust that Romanians have in political institutions is strategic, meaning that is the result of an evaluation that takes into account the personal experience and that of others. The perception of the institution's activity in time is what matters. Interpersonal trust does not influence the level of trust in one institution or another. A person may have a high level of interpersonal trust (trust in people different from himself or herself) but that will not generate trust in a political institution. In measuring particularized trust challenging results did appear, as some persons trust people of other ethnicity than their own more than they trust those from their ethnic group. Or, theoretically, individuals that have particularized trust are distrustful of people different from them so it would have been expected that they are more distrustful of individuals of other ethnicities. Data from an opinion survey ordered by Korunk magazine in 1994 showed that Germans are considered to be more honest than others by the members of all the other ethnicities (the difference not being statistically significant in the case of Hungarians). Also the difference between level of trust that Romanians and Roma have in Germans and the level of trust that they have in people of their own ethnicity proved to be statistically significant. The difference exists also in the case of Hungarians but it is not statistically significant. Another example is that in the case of Beli village although most of the inhabitants are Romanian, Hungarian workers are hired to work in constructions. It might be a case of strategic trust Badescu argues or it might be that this is a type of trust that does not fit the previous established models.

The study also revealed another surprising result concerning the relationship between interpersonal trust and particularized trust, or better said the lack of a relationship between the two. It was expected that people with a high level of generalized trust would also have a high level of particularized trust, that there would be a correlation between the two. That proved not to be the case. A possible explanation that the author gives is the fact that Romanian respondents who live in an area with a high homogeneity of the population (according to religion, race, ethnicity) may think of "other people" more in terms of people like them. This means that by asking "Do you think most people can be trusted?" the researchers do not measure trust in people different from the respondent, but trust in others similar to him or her. So a person can answer positively to this first question, meaning that is a trustful person, but at the same time the level of trust measured with regard to clearly different categories of people than his or her own may be very low.

"Who are the trustful ones?" - is another question that Badescu tries to give an answer to. The data analysis showed that people that live in rural areas are characterized by a higher level of trust in people in general, but also in political institutions. "The inhabitants from Transylvania are more trustful of people from their own ethnic group than they are of persons of other ethnicities". Age is also important as older people, no matter if they are Romanians, Hungarians, German, Roma or Jewish, tend to trust more individuals with the same ethnicity. Another variable that proved to be relevant is education: "those with higher education express a higher level of distrust in political institutions, but also a slightly higher level of interpersonal trust". Individuals with higher incomes tend to trust political institutions – a cause may be that their welfare was conditioned by a good relationship with these institutions (Badescu 1999 a).

An important point that Badescu makes in this article and than later on in other papers dealing with social capital in Romania - "Trust and Democracy in Former Communist Countries" from 2002 and "Social Trust and Democratization in the Post-Communist Societies " from

2003, is the importance of the question used to measure trust. “A study on nine surveys conducted in Romania that contained various items of generalized trust, including three different translations of the same dichotomous question used in the World Values Surveys and European Values Surveys, showed significant variations of results induced by small changes in wording” (Badescu 2002).

“Romanians do not participate in civic life. They do not trust other citizens and certainly they do not trust political authorities. They have little faith in their democratic institutions and do not display the tolerance that is the hallmark of the democratic citizen.”- these are statements underlined in an article written this year (Badescu, Sum and Ulsner 2003). The authors take into account a number of “attitudes” considered to be relevant for democratization:

- a. trust in fellow citizens;
- b. tolerance of differences;
- c. faith in governing institutions.

A possible explanation for the mistrust that Romanians have regarding the democratic institution is their lack of performance. They failed to live up to citizens expectations which lead to an increasing level of distrust towards the institution and the people at the head of these institutions. After the 1989 revolution these institutions benefited from a bonus of trust that the citizens gave them – as the entire population expected many things to improve after the dictator was gone. Also, after the 1996 elections trust in political institutions experienced a dramatic increase. It was a year of high hopes, but as soon as the period during which improvement was expected to appear was over political trust declined once again.

Another aspect that was identified in articles written by other authors as well is the prevalence of “particularized trust” over “generalized trust”- usually, Romanians trust only people that they know, people that are close to them, and do not show signs of being generally trusting of other people. The authors also reveal in their study that highly educated people are more trusting and tolerant. Also, when studying volunteers in non-governmental organizations the researchers found these persons, and especially those that help the needy, to be more trusting and tolerant than other people. Data from a 1999 European Values Survey are used, showing that only 9% of Romanians belong to an association. As social capital and civic participation are directly connected this also represents proof that the level of social capital in Romania is very low (Badescu, Sum and Ulsner 2003).

In an article entitled “Historical Legacies and Social Capital: Comparing Romania and Germany on a Regional Level”, Gabriel Badescu and Paul Sum argue that culturally distinct regions influence the modalities of change, social capital and civil society. “Historical legacies like religion systems, former imperial influences, the level of socio-economic development and historical vibrancy of civil society”, are taken into account. In order to prove this hypothesis in the case of Romania a comparison is made between Transylvania and the rest of the country. This area has traditionally been more ethnic and religious diverse and was part of the Habsburg Empire until 1918, while the rest of Romania belonged to the Ottoman Empire. The socio-economic development of this particular region has been higher than the most of the country since 1900. Also another important aspect that the authors highlight is the extremely low rate of migration from and to this area – so it is very likely that the region experienced very little influence from the rest of the country through internal migration. These are all reasons why Transylvania is a good choice for testing a hypothesis regarding the influence of culture on social capital and civil society.

The data revealed that people from this region of the country created more associations and are more active in associations than citizens residing outside this area. They also give more

donations to non-governmental associations. The explanation that the authors thought of was the regional variation of social trust. The data analysis proved that this was not the case, only attitudes differing regionally. Social capital does not significantly vary across regions. They measured social capital by: “a. social trust, b. trust in people of other ethnicities, c. trust in NGOs and d. efficacy”. The indicator of social trust was the agreement or disagreement with the sentence: “most people can be trusted”, but special attention was given to the second indicator of social capital – the trust in people of other ethnicities. Badescu argues in this article as well as in “Social Trust and Democratization in the Post-Communist Societies” that this is a better conceptualization of the concept as it asks people a question directly related to a cleavage very often present in the political discourse. This way, the results can not be affected by the ethnic or religious homogeneity of the living area of the respondent. If the question refers to individuals belonging to a different ethnic group – than what it measures is definitely not the trust in people very similar to the respondent (as it might be the case of “most people can be trusted” when the respondent lives in an area with a high level of homogeneity).

One of the findings of the study is that confidence in NGOs is correlated with trust in: local newspapers, the Mayoralty and the European Union – trust in local and international institutions. This is mainly explained by the fact that NGO’s are perceived both as local and international by Transylvanians (many are sustained with funds and “know how” from outside the country). The level of trust in Parliament and Government – institutions associated with central authorities is lower and is not correlated with trust in NGOs. Another important aspect that the research highlighted is the relationship between age and social trust. In Transylvania older people are more trusting than young people and than people living in other regions of the country, while the levels of trust of young people do not vary significantly across regions. These findings lead the authors to the conclusion that in the past the regional difference in Romania was even higher.

Efficacy, the fourth indicator, is the belief that one may have an impact on the local community. The correlation between region and efficacy showed that individuals from Transylvania are more inclined to have such a belief than the rest of Romanians. Badescu and Sum concluded that some attitudes do vary, showing a sign that cultural factors do have an influence on the present situation: trust in other ethnicities, in NGO’s and efficacy are higher among Transylvanians, that some democratic attitudes vary regionally, but social trust, as measured by the authors, does not vary across regions. (Badescu and Sum 2003).

Another research presented in the book entitled “Social Capital in Former Communist Countries”, takes into consideration the case of Romania as compared to that of Moldavia, regarding social capital and political participation in the two countries. “In Romania, 67 percent of respondents to a 2001 survey conducted by Badescu and Ulsner said that they had little or very little confidence in people of different ethnic backgrounds from themselves; and 61 percent had little confidence in people of different religious backgrounds. Only 25 percent of the population are fully trusting - by religion *and* ethnicity” (Uslaner and Badescu 2003: 389). Their study does not contradict the findings of previous research on this subject. The lack of interpersonal trust and presence of particularized trust are confirmed once again. This is one of the causes of why Romanians usually associate with individuals like themselves, as they do not trust people that they do not know.

The authors measured generalized trust, particularized trust, trust in people of other ethnicities and also political trust. The respondents were divided into three cohorts: “pre-Communist (born before 1945), Communist (born between 1945 and 1974), and post-Communist (born

since 1975)". Data analysis shows that the pre-Communist generation is the most trusting, the most tolerant, and the most optimistic, as was also underlined by Badescu in 2001 in his book "Political Participation and Social Capital in Romania". The younger respondents are the least trusting and the least tolerant. They have less faith in others and in their political system and they are less tolerant of people who are different from themselves. They do participate more in civic organizations than the pre-Communist generation, but less than the Communist generation. This is because most of the younger people's participation is in youth groups, while the Communist generation is especially involved in unions (Uslaner and Badescu 2003).

The same book contains another chapter written by Gabriel Badescu : "Social Trust and Democratization in the Post-Communist Societies ", which focuses on one category of consequences that generalized trust, one of the main components of social capital, may have on the transition within the former communist countries. In the case of Romania, "the levels of trust in people of other ethnicity and in people of other religion are strongly correlated with the 'trust in strangers' factor (0.74 and 0.66 respectively) and not significantly correlated with particularized trust. Trust in own family, in neighbors and in people of the same ethnicity are positively correlated with the 'particularized trust' factor (0.34, 0.56 and 0.72, respectively) and not significantly correlated with trust in strangers" (Badescu 2003: 226). The October 1999 Romanian Barometer Survey was used because it provides many indicators about trust in other people, people of other ethnicity, people of other religion, other Romanians, family members and neighbors – all measures of social capital.

A case study conducted by Alexandra Mihai on the Association of Orchardists of Dambovitza brings further evidence about how Romanians can be best characterized as having particularized trust and not generalized trust, but also about how trust (although not in most people) can facilitate collaborative action that can lead to economic development. Her study proposes a "theoretical model for explaining collective action, using as a starting point the theories of rational choice and social capital." The study focuses on a rare occurrence in Romanian rural areas, that of a professional association.

In 1999 71,11% of the respondents from Candesti Vale believed that in relation to other people it is better to be prudent, while only 46,67% believe that it is best to trust people. When referring to fellow villagers the situation is very different: 62,22% trust the others although 80% of them declare that kindness is paid back with ingratitude. This is proof that the level of generalized trust is very low in the region, as it happens in most of the country, but particularized trust is very high. Also, 75,66% of the inhabitants believe that you can make oral agreements. The villagers all know each other, have had a lot of time to engage in social interactions with one another, thus the risks of trusting somebody have considerably diminished. There are a lot more measures of social control over respecting one's promises and the actors all know the "history" of the others. The leaders of the association are well known community members, that are highly trusted by the villagers and where elected through a democratic procedure after being proposed by someone else. As there is an evident lack of generalized trust collaborative action with strangers did not take place in Candesti Vale, but the high level of trust in people close to them influenced the emergence of an association fighting for the wellbeing of all tree-growers in the region (Mihai 2001).

Social capital measured as social trust is an important element in Alina Mungiu Pippidi's work about the cultural aspect of politics and fundamental values which have an important influence on political and civic participation of Romanians. She underlines the fact that even in the most popular Romanian folk ballad - "Miorita", which is considered a masterpiece of Romanian folklore, the relationships of mistrust and envy are emphasized. Miorita presents

the story of a shepherd whose death is planned by other two shepherds in order to take possession of his heard. The shepherd reacts with passivity when hearing about the plans of the other two. Some authors consider Romanian political culture to be fatalistic and state that historically the relationships between Romanians were not governed by generalized trust but that social envy. Mungiu Pippidi points out to the fact that mutual trust is very low and this represents an important impediment in the development of civil society as a result of collaborative action.

The author also underlines in her study that the level of trust that Romanians have in public institutions is very low, situation explained partly by negative experiences of citizens with authorities. Around 60% of the population was mistreated by civil servants after 1989 a survey conducted in 2000 reveals. “Mistreatment is usually interpreted as a signal to deliver bribe as reported bribe and reported abuse of public administration are highly correlated. Without offering bribe it is very difficult to obtain something from the public administration and also the dependence to these institutions is high – people are forced to resort to its services. Only those who know the right people, who have the right connections are excepted. This is maybe the reason why mistreatment by a civil servant correlates with distrust in public institutions (Mungiu Pippidi 2003). This does not contradict what other studies have revealed: that there is also a correlation between economic welfare and trust in political institutions and between “knowing somebody in a public institution who can help solve a problem” on the one hand and mistrust, on the other hand.

In another book Alina Mungiu Pippidi is also focusing on the trust in other fellow citizens, the trust in institution and also on their cooperative behavior as factors determining participation and collective action. She finds that there is a strong correlation between having “particularized trust”, that means trusting only family members, and the belief that “communism was a good idea that was not correctly put into practice”. Those willing to trust other people besides family are more educated, are better off financially or are living in developed areas of the country. Mistrust, on the other hand, is associated with poverty, frustration and envy. Mungiu Pippidi finds an explanation of the small number of NGO’s and of businesses that involve more than family members in the lack of social capital, most Romanians trusting only those very close to them. In areas that are economically developed the number of firms and NGO’s is higher, a correlation between these two variables being revealed by the study. Where social capital is higher people are more likely to get involved in collective actions, thus more firms and non-governmental organizations exist (Mungiu Pippidi 2001).

The author also tests the hypothesis that there is a direct relationship between the perception of institutions as serving the public interest and the level of trust that Romanians have in that particular institution, hypothesis that proves to be true. A much through examination of the influence of economic wellbeing on social trust revealed that in fact it is the subjective conviction of wellbeing that matters. It means that economic welfare itself is not important, but being content with his or hers financial situation does have an impact on all forms of institutional social capital: trust in Parliament, Government, Mayoralty and other institutions. The situation of political institutions is a little bit different, as the main factor influencing the level of trust regarding them is ideology and political orientation. Interpersonal trust (measured with “do you think most people can be trusted?” indicator present in most Public opinion Barometers) is not a cause for trust or mistrust in political institutions (Mungiu Pippidi 2001).



The study of social trust in Romania has also been the subject in comparative studies of former communist countries. One of them, concerning East-Central Europe, was done by Natalia Letki and Geoffrey Evans based on a survey from 1993-1994 on 11 states. The authors' main purpose is to establish the relationship between social capital and the democratization process that these countries are undergoing. Their analysis focuses on social trust forms, as they constitute a major component of social capital. They used five items to measure it:

- a. It is human nature to collaborate with other people;
- b. Most people can be trusted;
- c. If someone is in serious trouble no one else cares about it;
- d. If you are not always on your guard other people will take advantage of you;
- e. A person cooperates with other people only when he or she sees it is in his or her own interest."

Out of all the countries included in the study Romania had the lowest score on the index of social trust calculated by the authors using the previously mentioned indicators. The findings of the research show that although the level of trust is very low in transition countries this does not have a direct impact on perceptions of democratic functioning, the two variables not being correlated. "Levels of trust reflect rather than influence the effectiveness of political and economic institutions" (Letki and Evans 2001).

The same author also includes Romania in another study concerned with "Explaining Political Participation in East-Central Europe...". Social capital is one of the main factors included in the analysis. The study examines determinants of political participation in the former communist countries in the mid-1990s. The impact of individual-level social capital and membership in a communist party on several types of participatory activities are examined. The author conceptualized social capital as the interaction between social trust and associational membership. The same five items of measuring social trust were used as in the previous article written together with Geoffrey Evans. "Social capital significantly influences talk about politics, partisanship and voting", the author points out, and when it comes to discussions about politics Romania is an outlier in the analyses made by the author, as more than half of Romanians declared they do not discuss politics. The data about Romania that this study is based upon were collected in the summer of 1993. "The interaction term between social trust and associational membership, that represents the core of Putnam's hypothesis about social capital, is relevant only for voting and its effect is negative: the most trusting association member is less likely to vote than the least trusting non-member"(Letki 2003).

Social capital was also studied by researchers, especially sociologists, in direct connection with international migration. This is an increasing phenomenon in nowadays Romania, Dumitru Sandu actually naming circulatory migration a "life strategy" that many Romanians resort to. When talking about migration and social capital the discussion is no longer put in terms of civic or political participation, but it is related to trust and a network of connections that a person is part of.

As time has passed and more Romanians have gone abroad to work, migration networks started to develop, networks that induced an important increase in social capital within the network itself and the sending region, they reduced the costs of migration and also increased the expected returns. Dumitru Sandu has focused on the subject of international migration in many of his articles. In "Circulatory Migration as a Life Strategy" the author points out the fact that those that have traveled abroad possess both increased human and social capital. Also

what was a characteristic of the first migration flows was the increased community social capital, as the first to migrate were ethnic and religious groups (Sandu 2000).

A case study conducted by Monica Serban and Vlad Grigoras on the labor migration to Spain of *dogenii* from Teleorman stress the importance of social capital as main factor for external clandestine migration. “The development of migration networks at destination area and the institutionalized flow of migrants seem to be essential elements in reducing migration selectivity, implicitly in extending it and growing its independence”. People now know exactly where to go, what to do, who to talk to which makes it a lot easier to make up their mind and entering the international migration flows (Serban and Grigoras 2000).

Swanie Potot also studies the labor migration of Romanians, but this time the destination country is France. As well as the other researchers have stressed, social capital is a major element in the international migration, facilitating the departure and also being generated by social networks that tie migrants. (Potot 2000).

Research made by Mihaela Nedelcu on virtual networks of migrants showed how the internet facilitated the creation of cyber networks of Romanian migrants, IT specialists that emigrated in Canada. She studied the case of [www.thebans.com](http://www.thebans.com), a site that represents the crossing of migration, ethnical and professional networks, and that was created by a family of IT professionals from Toronto. “The virtual space, with its associative power, becomes a social space of recognition, of resource of investment and identity building.” The virtual space is actually generating social capital, connecting people and creating and maintaining relationships. In other words compensating the loss of social capital that the migration might cause (Nedelcu 2000).

The second theme, “entrepreneurship” in Romania, has been treated in only a few books and articles, as the number of entrepreneurs is still very low in Romania. In some papers social capital is studied in relationship with entrepreneurship, in others the focus is mainly on entrepreneurs. One of the first studies of entrepreneurs in Romania is that of Marian Zulean, who was especially concerned with the entrepreneurial elite that was emerging after the 1989 revolution. He conducted a study based on the results of applying a questionnaire to successful entrepreneurs. He considers that the “entrepreneurial elite” is a social group that initiated and developed a business and has an innovative behavior”. The main hypothesis of the study was that former experience as a manager during the communist period and a high relational capital at the level of those having political power (having many connections, “knowing” many people) are the main conditions to have a successful business and to become part of the entrepreneurial elite. Data analysis proved that having a strong network of relationships, high education and former managerial experience played an important part in the emergence of the entrepreneurial elite.

An important point that the author makes is that many of the entrepreneurs have previously been involved in the black market or, better said, in the parallel market that was extremely active during the communist period, compensating for the shortages in goods and services. This was a factor that proved to be very important for the success of the businesses that they have started after the revolution. During the communist regime there were three main types of economic activities on the parallel market that people were involved in: a. the production of goods in the peasant’s households; b. the not-listed production of factories – a sort of exchange between factories that did not involve money and that was not registered; c. illegal activities of commerce and providing services (the Romanian term used was “bisnita”). Another aspect emphasized in the study is that the members of the former nomenclature and

former high officials and civil servants with high ranks used their networks of relationships (their connections) in order to receive credits, to obtain information, to get clients and demands from state firms. This is how they have managed to have successful businesses. Zulean also highlights the fact that beginning with 1990 Romanian citizens took advantage of their freedom to travel in the neighboring countries and many got involved in commerce activities: they bought merchandise from Turkey, Hungary and Poland and sold it in Romania. This represented what was called “mass” entrepreneurship. This type of business was very profitable in the early 1990s as the country’s population had been deprived for many years of goods and services. The lack of many connections and of financial capital did not allow this type of entrepreneurs to develop large-scale businesses.

Taking into account the path that they have followed in order to succeed the author distinguishes between five types of entrepreneurs:

1. The former high rank civil servants that used their connections to succeed in business;
2. The former “entrepreneurs” from the parallel market that have a tendency to use their abilities to work legally and illegally in the new context;
3. The technocrats with strong professional skills, but with few financial or social capital – they are the ones that usually start small businesses on their own or together with family members in order to use their abilities;
4. The workers that have lost their jobs and were forced to start small businesses in order to survive;
5. The traditional craftsmen; (Zulean 1996)

Although this author’s study represented only an exploratory research, his findings: the influence of having connections, high education, previous managerial experience and being relatively young on the success of the businesses of Romanian entrepreneurs were not contradicted by future studies that were conducted.

Dumitru Sandu is one of the most important sociologists interested in the study of entrepreneurship and social capital in Romania. He considers social capital to be “a sort of productive sociability”. Trust, associability and tolerance are the core values of social capital, a broad concept that is constructed upon relationships: between people, between institutions and between people and institutions. The author considers that the meaning of the concept can be better understood by adding “gift”, as Marcel Mauss had defined it, to the explanation. Trust in institutions is like a gift made, which is not followed by a counter-gift from the part of the institution. All the new institutions in the new democracies in Eastern Europe benefited from this gift. Trust modifies over time as expectations are met or the beneficiaries of the trust fail the expectations. He underlines the fact that the Church and the Army are the most trusted institutions, while in central authorities people have the lowest trust. Justice SRI and the Police are in the area of controversy – as the level of trust and mistrust is about the same in their case. The variation of trust in public institutions was explained by: a. present or future announced changes of behavior of the institution; b. the image of important personalities representative of the institution; c. the social redefinition of the role of institutions; d. interdependence between different types of trust. A trend effect is also beginning to appear: once trust has started to decline, this becomes a tendency as long as in the institution’s behavior nothing happens.

Interpersonal trust has influence on all types of institutional trust except trust in the Church, which is related to faith. Another fact is that in communities characterized by a high level of interpersonal trust, the trust in local authorities is also very high. Trust in the Army and in the institutions of political power is higher in the case of older people. Trust in institutions is

especially determined by the level of satisfaction people feel towards the activities of institutions.

Sandu highlights the homogeneity of trust within the historical regions of Romania. Every region has its own model of culture of trust. In areas that are more developed economically, people tend to be more critical and distrustful of institutions. Trustful individuals are characterized by life strategies based on honesty, risk acceptance, work and educational effort, cooperation. They also have more connections and are involved in networks of relationships than the rest of the population. Older men, with high education and good financial status are the most trustful (Sandu 1999 a).

Social capital in rural areas seems devised in relationship with interpersonal trust and trust in institutions. Interpersonal trust is positively associated with generalized trust, but negatively with having connections. In rural areas people with many connections tend to be mistrustful, a hypothesis further tested and commented afterwards by the author in an article entitled "The Route of the Entrepreneurs: without Trust, but with Connections". Interactions in urban areas are focused more on interests than in rural areas and urban social capital is less divided. Having connections does not negatively correlate with trust in institutions.

Institutional trust is extremely low in the cases of high-educated people living in rural areas. In the countryside, ethnic tolerance is not higher in the case of people with more education. In urban areas people with more education are more tolerant. People that define their economic situation as being good are more trustful of institutions and also more tolerant. People living in the western parts of the country (Transylvania, Banat and Crisana-Maramures) are more tolerant towards other ethnic groups. In villages, individuals with a medium level of education are the most intolerant. Another finding is that those willing to accept risk are more tolerant than others. The author is also concerned with the entrepreneurial elite. "Being an entrepreneur in a transition economy is a social innovation"- and one gets no encouragement from the economic environment. Entrepreneurs usually count on people close to them: relatives and friends, and not very much on strangers. The high frequency of failure is an important factor for uncertainty and mistrust, it teaches them to be prudent in relationship with others.

Dumitru Sandu distinguishes between three types of entrepreneurs: because of wish (they would start a business if they had a large amount of money), because of intent (they want to start a business) and through behavior (they have started a business). The third type includes younger individuals, many with managerial experience in the communist period. Rural entrepreneurship is especially located in areas that are more economically developed. The first type of entrepreneurship includes mostly women, especially in the urban areas. In villages self-accomplishment through hard work is more worshiped than in urban areas, where taking risks is what entrepreneurs count on. The profile of entrepreneurs is that of a younger person with financial capital and also many connections. A sort of education inconsistency in the family is another important factor. The entrepreneur is usually more educated than the other family members (Sandu 1999 a).

Special attention is given by the author to entrepreneurship in rural areas. These are the persons with the lowest levels of trust in their region. Ethnic tolerance and trust in journalists, managers and intellectuals are very high among them. Public order institutions do not have a positive image in the eyes of these entrepreneurs. Social capital is both a condition and an effect to entrepreneurship. It is a cause through networks of connections and an effect through trust. Especially interpersonal trust seems to be strongly affected by having a business in an environment that is not clearly organized.

Entrepreneurs that are involved in agriculture represent an important part of rural entrepreneurship. It is impossible to give their exact number. The author distinguishes between three types of entrepreneurs: active (or “total”), potential and the merchant (who is focused on selling). The most active entrepreneur is the one that invests in a range of inputs (modern technology, special fertilizers etc.) and that has plans of extending the business. The one that does not invest but sells many of the products is an intermediary type: he is neither a peasant nor an entrepreneur. A particular style of entrepreneurship distinguishes between two categories: those that have invested are planning to invest some more (part of the profit) and those that are focused on making profit maintain their desire to invest at a low level.

The householders in the plain region of Romania that have a lot of cattle and large properties have more chances of becoming entrepreneurs. A good infrastructure is another factor that facilitates entrepreneurship. Most of the products of entrepreneurs in agriculture are not sold in the south, plain regions of Romania. Most of the rural entrepreneurs are located in Transylvania and the West Plain of Romania (about 50% of the households in these areas). Those oriented towards investments usually live in the West Plain, while the ones profit oriented live in Transylvania. They both use modern inputs in agriculture, but growing cattle is much more a characteristic of the entrepreneurs seeking to make profit in a very short period of time (Sandu 1999b).

A particular category is that of entrepreneurs that have to rent land from others. They have a well shaped profile: come from young families, have small parcels of land but have a very high level of social and connections capital. They are characterized by status inconsistency: they do not own a lot of land but they have a great potential (because of age and social capital). Dumitru Sandu also focuses on entrepreneurship in an article published in Romanian Sociology: “The Route of the Entrepreneurs: without Trust, but with Connections”. Here the author stresses that the number of entrepreneurs in Romania is extremely small. Active entrepreneurs in rural areas are about 4% of the inhabitants, while the entrepreneurs because of desire and intent are about 20% of the rural adult population. The active entrepreneurs are richer than those just intending to start a business, and are recruited from the former leaders during the communist regime and the new managers. The first wave of entrepreneurship consisted mainly of agronomists and the technicians from state agricultural enterprises. In the recent waves the degree of heterogeneity within the entrepreneurs has increased.

As the author suggested in the previous presented book, rural entrepreneurs have many connections but show very low level of interpersonal and institutional (especially public order institutions) trust. Their level of tolerance is the highest, though. Both rural and urban entrepreneurs accept risks, are open to new experiences and support privatization. Rural entrepreneurs also have a high potential of civic participation, many of them declaring they would even protest in public if necessary. The most important factors for the success of an entrepreneur in agriculture are: land, age, education and social relationships.

Further attention was given to entrepreneurship in the book entitled “The Faces of Change. Romanians and the Challenges of Transition”, which was the result of a joint effort of many sociologists. The data used in this research came from the Public Opinion Barometers, thus being representative at a national level. The percent of entrepreneurs was of only 5 and other 16% of Romanians intend to start their own business. Using this data is also how the profile of the Romanian entrepreneur was made.

The results show that individuals oriented toward investment have a more favorable opinion about the economic reform that Romania was undergoing. They have greater possibilities of

getting in touch with persons that can solve a problem (concerning health, an administrative problem, a law matter, a problem at the bank, at the police, or in getting a job) – in other words they have many connections, they “know” the right people. In their households one can find modern equipment: color TV, refrigerator, automatic washing machine, they also possess an automobile – which represents an indicator of fortune but also of modernity, life style, as it gives them higher possibilities of mobility. Having all these utilities in the household is both a cause and effect of entrepreneurship. Most of them are young and they have another relative that owns his own business – the presence of this explanatory variable is very important as it is extremely relevant for the diffusion of innovation in the environment very close to the individual.

Other characteristics of entrepreneurs are a higher tolerance of risk (they prefer a well paid job which is uncertain to one that provides small income that is constant in time, they would give up their free time for a second job, believe that new things are better than those verified through experience), are more optimistic, distrustful of other people, with a higher mobility (both spatial and professional), they favor privatization, invest in their children, are inclined to save money, have managerial experience and have a tendency to collect information about the labor market and the field in which they operate. (Berevoescu, Chiribuca, Comsa, Grigorescu, Aldea, Lazaroiu, Pana, Pop and Stanculescu 1999)

An important aspect underlined by Sebastian Lazaroiu is the low level of trust that entrepreneurs have in other people, although theoretically they should be more trustful than the rest. Romanian entrepreneurs are very prudent in relationship to other people, probably in order to minimize risks. They also have a very low trust in Justice, the Parliament and the Police. A cause of this mistrust might be explained by the main fears of this category: criminality and social conflicts, meaning a socially unstable environment for their businesses that might jeopardize their property and success. The fear of those wanting to start their own business is rather different: unemployment, which acts as a negative stimulant towards becoming an entrepreneur.

Many of the results of the research contradict the existing theories about entrepreneurship, social trust and social capital. It may seem as a paradox but in Romania an efficient economy is not based on collective effort (which is usually related to a high level of social capital) but on individual ambition – the economic welfare of the country being only a side effect. Another finding of the study is the regional location of entrepreneurs: most of them live in the west of the country (Transylvania, Banat and Crisana-Maramures) and in big cities (with more than 200.000 inhabitants). Surprising enough is also the fact that half of the entrepreneurs still have a job in a state firm, showing that starting a business was a strategy of keeping a last alternative at hand if being an entrepreneur does not work out.

Chapter 5 of the same book is focused on trust as a component of social capital. As previous researches have shown most Romanians do not believe that “most people can be trusted”. Based on the 1998 Public Opinion Barometer the profile of trustful individuals is made. Men have a higher level of trust than women, and people from rural areas are more trustful than those residing in urban areas. Older people (over 55 years old) also show higher levels of trust. These are the characteristic of persons that have interpersonal trust – measured on three dimensions: diffuse trust, honesty and cooperation. The indicators used were: “most people can be trusted”; “most people are honest” and “most people try to help others”.

In the rural areas higher scores were obtained using the first indicator (as trust is something given through direct, stable relationships between individuals), while interethnic trust is lower

in these areas. In urban areas the level of interpersonal trust is lower, a possible explanation being the mistrust that individuals have in institutions. This mistrust is due to institutions having failed in meeting the expectations of citizens. The fact that those obliged to give “presents” (bribe) to different representatives of institutions in order to solve certain problems show a lower level of interpersonal trust is also proof to sustain the previous statement. “Mistrust appears to be learned through confronting corruption in dealing with state institutions” (Berevoescu, Chiribuca, Comsa, Grigorescu, Lazaroiu A., Lazaroiu S., Pana, Pop and Stanculescu 1999: 130). Other characteristics of individuals with high levels of trust are higher optimism, considering themselves rich (subjective wealth), the belief that fortune is gained through hard work and not by breaking the law.

The individual has relationships characterized by trust with relatives, neighbors and co-workers. These are usually stable relationships and easy to monitor. Spiral effect occurs over time: collective actions increase trust and solidarity of the group and this further more facilitates collective action. The study also revealed that the more diffuse trust (this term has the exact same meaning as “generalized trust”, term used by previous authors) a person has the better his relationships with neighbors are. Generalized trust and trust in other ethnic minorities are also associated with a favorable attitude towards democracy.

Networks of family members are important in transmitting models and very often they constitute the base of entrepreneurial association, but if trust is important in starting a business, human capital (abilities and knowledge) is vital for the success of the initiative. Family relationships and those between neighbors are stronger in Banat than in the rest of the country (this region scoring high on all types of relationships taken into consideration), while the relationships between co-workers are stronger in Dobrogea.

Special attention to entrepreneurs is also given in this chapter. 60% of them are men, 70% are 31-54 years old and 83% of them have graduated at least high school. Only 34% of the respondents answered that they trust entrepreneurs, and these are mainly people with high education, that have or used to have a firm, have modern equipment in their households and live in Transylvania. The data showed that mistrust in entrepreneurs is associated with thinking of oneself as being poor.

Trust in people of other ethnicities is also a subject of this study. Only 5% of the respondents trust the Roma, only 22% trust Jewish people, 24% trust Hungarians, 42% trust Germans, while 80% declare they trust Romanians. Data analysis showed that individuals belonging to an ethnic minority are more trustful of people from other ethnic groups, as compared to the level of trust that characterizes Romanians. The people with high level of trust in other ethnic groups are older, more educated and live in urban areas, especially in Crisana or Transylvania. An important aspect that is highlighted is that of community social capital, defined as “an intangible result of trust and social networks that has the characteristics of a public good” – everybody can benefit from it even if they are not participating in the networks. Clientilistic relationships develop where there is a tendency of privatizing social capital, and this undermines trust.

Trust in public institutions is also examined, six categories being taken into consideration:

1. Institutions of traditional authority: the Church and the Army;
2. Institutions of public order: the Police, Justice, SRI (Romanian Service of Information);
3. Institutions of the central political power: Presidency, Government, Parliament;

4. Institutions representing political options: political parties and institutions protecting professional interests: unions;
5. Institutions for saving and credit: banks and CEC;
6. State and private firms;

Trust in public institutions varies according to the expectations that the respondent has regarding them, the “consistency” of the institution in time and also in relationship with the resources that they ask the individual for.

The Church and also Army have shown very high levels of trust after the revolution since nowadays, as all the Public Opinion Barometers show, while all the other institutions have the trust of only a small percent of the population. The institutions of central political power benefited from high level of trust immediately after the revolution and also after the 1996 elections, but after a period of time the trust in them has declined dramatically.

The 7<sup>th</sup> chapter of the book also deals with elites – both political and entrepreneurial. As Marian Zulean exploratory study has shown being part of the entrepreneurial elite is significantly influenced by managerial experience during the communist period. Out of the entire 18% of the population that held a managing position in 1998, 63% also held a similar position before 1989. The hypothesis of the low mobility of managers and managing directors proves to be true, and having a leading position today depends more on having had such a position before the revolution than it depends on education. Most of the new elites are the old elites. Data also show that members of the political elite represent more than half of the private sector’s elite. The characteristics of the entrepreneurial elite (persons that have at least 3 subordinates were considered to be part of this category) is being male, aged between 35 and 54, with higher education, living in urban areas – especially in Transylvania and Bucharest.

Besides these papers concerning entrepreneurs in general, case studies also bring evidence in support of the results of quantitative research. Sebastian Lazaroiu is one of the sociologists that conducted such a study in Comisani, Dambovitza County. The research methods used were monographic description, in-depth interviews and a standardized questionnaire was also applied. The concept of social capital was considered to have three pillars: trust, associations and institutions. The author distinguishes between two models that are present in the community that was studied: that of trust and that of prudence in relationships with other people. On one hand, trusting other people facilitates direct communication and association between individuals, but does not have an important impact on participation (voting, for example). Associative capacity was measured by the number of associations that the individual or his household are part of: agricultural associations, parochial committee, parents committee, commune council, political party, informal associations of money borrowing. Participation in the community was measured by the presence of the individual at events related to Church and Mayorality, the most important institutions (Lazaroiu 1999 a).

Two categories are important in Lazaroiu’s analysis: a. those that live outside already established institutions and whose only mechanism of reducing uncertainty is by trusting others, which leads to the formation of less formal associations that compensate the lack of institutions, and b. those that interact and participate to collective actions mainly through formal institutions, fact that makes them more prudent in relationship with other people.

Many previous studies have shown that rural entrepreneurs are mistrustful of people in general and of public institutions and possess a strong network of connections. In the case of Comisani trust in the institution of Mayorality, or better said mistrust, is mainly determined by mistrust in the local counselors and in the mayor. What Sebastian Lazaroiu stresses in this



article as well as in a comment on Dumitru Sandu's "The Route of the Entrepreneurs: without Trust, but with Connections", is that entrepreneurs do not trust others and do not trust institutions "because" they have connections. Using data from the 1999 Public Opinion Barometer he demonstrates that:

1. If a person "knows somebody" (has a connection) at the Police station he has to maintain that connection with gifts;
2. If one relates to police by giving presents, one can not trust police;
3. In conclusion, if one "knows somebody" at the police station, one does not trust police. (Lazaroiu 1999 b)

The case study of Comisani is also evidence to support that hypothesis. The entrepreneurs who were studied are part of well-integrated networks (those that they interact with also know each other and interact with one another). This is happening because there is a trust deficit as Dumitru Sandu has also showed in his analyses. This deficit can only be compensated by entrepreneurs via double-checking relationships – "I trust you because I trust the person that trusts you".

Most of the businesses in Comisani are registered as family associations and not as firms. The ones leading them can be grouped in four types of entrepreneurs:

1. The new entrepreneur who is in fact the former entrepreneur, who started a business before 1989 and now has to adapt to the new conditions of the market;
2. The network entrepreneur who started a business immediately after the 1989 revolution. He was at the head of a state enterprise before and started his own firm in the same field as he used to work. He kept relationships, connections, clients, suppliers etc. that he used to work with at the state enterprise;
3. The merchant – the most commonly type of entrepreneur in Romania. He usually works in providing services. He has a small business, which was easy to start as it does not require a large initial capital and does not result in high profit rates;
4. The entrepreneur involved in agriculture.

The first type of entrepreneur, a shepherd, has no competition in the area. His business is working now as it used to do during the communist period, although he is very upset that he no longer has the state as a major client. His strategy is waiting as his business is rather stable. The network entrepreneur has the same strategy but with respect to his buyers - as they are people that he worked with for a long period of time he waits patiently when they are late with payments. It is a way of gaining their loyalty and of dealing with competition. For the entrepreneur involved in agriculture mobility and being dynamic are very important, as agriculture is a branch of economy undergoing major transformations. He has to adapt very fast to new conditions and an unstable environment. The strategy of the merchant is more oriented towards expanding his business in order to beat competition. This is maybe why many of the family associations created have changed their activity over time – they had to adapt.

Being prudent and mistrustful is a strategy of survival in such an unpredictable social and economic environment for the entrepreneurs. Most of them show very low levels of generalized trust, but are very trustful of fellow villagers, whom are closer to them and part of integrated networks. You trust a person that is a friend of another person that you trust – these are closed circular relationships of trust - "double checked" as the author has named them previously (Lazaroiu 1999 a).

Another case study was conducted by Monica Ungureanu in 2002 and is focused on entrepreneurship in the interphone business in Bucharest, i.e. on urban entrepreneurs in a new

domain of activity. The study started from the theory of capitals, the modern man's thesis and of the diffusion of innovations' thesis, and revealed the importance of capitals' configuration (human, social and economic capitals) for the adoption and for the economic performance of entrepreneurial activities. The findings point up the importance of the individual's perceptions and mentalities regarding the institutional and economic context and the relevance of exposing to entrepreneurial behavior for the adoption of entrepreneurship. "Because it involves a high concentration of personal resources, the economic performance in the interphone's domain is difficult to sustain. The high competition on the interphone's production and installation market proved to become a powerful inhibitor for the economic performance and profitability of firms".

Entrepreneurs in the interphone business are social innovators firstly because they started a business and secondly because this business is part of a domain of activity which was unknown before 1989. In this case the hypothesis regarding the persistence of the old entrepreneurial elite is no longer valid, as former managerial experience is not an explanatory factor for the debut and success of these entrepreneurs. Human capital (high education and previous technical experience) is the most important factor in their case. The social networks of the entrepreneurs proved to be an important factor: this type of economic activity is more profitable for those that are integrated in larger networks than those that only have relationships with a few business partners. Having relatives, friends, knowing many people with high socio-economic status constitute an important resource of information, financial capital and a possible way of attracting new clients.

The profile of entrepreneurs in the interphone business shows that they are persons who have a significant individual modernity: high tolerance of risks, they value hard work as a way of succeeding in life, they reject state intervention in the private sector of the economy, they are optimistic about the economic situation of Romania and of the business environment and they have a positive attitude towards the economic reforms that the country has been undergoing since 1989. Most of them are though disappointed with the level of taxes and corruption in Romania (Ungureanu 2002).

In a study of the community from Greaca village, Giurgiu County, Victor Ogneru also takes into consideration social capital and entrepreneurship. Most of the entrepreneurs from Greaca proved to be merchants who sell vegetables and strawberries in the capital (Bucharest is only 50 km away from Greaca). The majority is represented by young men (around the age of 30) who can not find jobs according to their level of education, but either they or their parents own a car, and in some cases a cell phone. The only local business that there is consists of small buffet and shops. The types of entrepreneurs that Ogneru found in Greaca fit the previous established typology of Sebastian Lazaroiu in "Networks of Social Capital and Entrepreneurs in Comisani". Network entrepreneurs, merchants and entrepreneurs involved in agriculture can be easily observed. Although, there is a slight difference: the network entrepreneurs in Greaca are not individuals that previously had a good leading position, but persons that gained a key position immediately after the revolution. Social networks based on kinship and neighborhood proved to be important resources for entrepreneurship in this village. Local institutions are major clients of some of the local entrepreneurs. Many of them (especially entrepreneurs involved in agriculture and merchants) are depending on contracts signed with the Mayoralty, for example.

To sum up, the main results of the research on "social capital" and "entrepreneurship" conducted in Romania show four important facts.

Firstly, Romanians scored very low on all types of “trust” which were studied as a component of social capital: a. generalized trust, b. strategic trust/ political trust and c. particularized trust. Particularized trust (trust in people close to the individual – family, friends) is higher than generalized trust. Tolerance and membership, which are also a possibility of measuring social capital, have low levels in Romania. Tolerance towards people of other ethnicities is higher in ethnic heterogeneous areas, while membership in non-governmental organizations is higher in Transylvania. Trust in political institutions is very low, but it has experienced revivals in the period immediately after the 1989 revolution and also after the 1996 year elections. The population had very high expectations and after a period of time, seeing that the ones in office do not meet their expectations, withdrew the trust that they had previously invested in them.

Secondly, a profile of trustful individuals was revealed by all these studies regarding social capital. People with higher education and with a high level of satisfaction regarding personal income (no matter if the income itself is high or low) tend to be more trustful of people different from themselves. People who have higher education are more mistrustful of political institutions. Mistreatment by a civil servant (concept very closely related to having to pay bribe) also correlates with low trust in political institutions. Older people tend to have a higher level of generalized trust than younger ones. Young people are least trustful and least tolerant. In the rural areas interethnic trust is lower, while in urban areas the level of interpersonal trust is lower. Having traveled abroad is also a good sign of a higher level of social capital, while the region of Romania where the individual resides proved to be insignificantly relevant in regard to social capital. Men have a higher level of trust than women, and people from rural areas are more trustful than those residing in urban areas.

Thirdly, what the studies have shown is the lack of a significant correlation between the different types of trust that have been studied. A person might have a high level of particularized trust, but that does not mean generalized trust or political trust should also be high. Political trust depends on the perception of the institution’s performance and not on trust in other individuals. It was also surprising that persons with a high generalized trust do not score high when asked about trust in people belonging to a specific different group.

Finally, the profile of entrepreneurs also took shape. They fall in four different categories: 1. the former entrepreneur, who started a business before 1989; 2. the one who started a business immediately after the 1989 revolution; 3. the merchant; 4. the entrepreneur involved in agriculture.

The entrepreneur is a younger person with financial capital and also many connections. Ethnic tolerance and trust in journalists, managers and intellectuals are very high among this category. The entrepreneur is usually more educated than the other family members. When it comes to the level of trust, entrepreneurs tend to be part of the most mistrustful category, always having to “double check” relationships. Researchers have actually reached the conclusion that it is because they have many connections, entrepreneurs tend to be the most mistrustful in public institutions. They have a high level of particularized trust, as they rely on people they know: relatives, friends. Entrepreneurs are usually male, accept risks, are open to new experiences and support privatization, most of them have another relative that owns his own business, are more optimistic, distrustful of other people, with a higher mobility, invest in their children, are inclined to save money, have managerial experience and have a tendency to collect information about the labor market and the field in which they operate. The main fears of this category: criminality and social conflicts, meaning a socially unstable environment for their businesses that might jeopardize their property and success. Most of

them live in the West of the country (Transylvania, Banat and Crisana-Maramures) and in big cities (with more than 200.000 inhabitants). The entrepreneurial elite is mostly recruited from the former managerial elite. Data also show that more than half of the private sector's elite is represented by members of the political elite. The characteristics of the entrepreneurial elite (persons that have at least 3 subordinates were considered to be part of this category) is being male, aged between 35 and 54, with higher education, living in urban areas – especially in Transylvania and Bucharest.

#### **4. Migration, development, and social capital**

The international migration literature includes many studies referring to the relation between migration and development. The impact of remittances on origin countries and the identifying of the consumption patterns represent only two of the interests of social researchers in the domain of migration.

The recent history of migration in Romania is associated to a small number of studies. Before the fall of the communist regime, migration was strictly supervised by the state and the Romanian citizens mobility was severely limited by the interdiction to bear a passport. The transition process has also meant the adoption of the international acquis in the legislative framework. In the context of the EU accession, the management of migration has become a must. Researches have become necessary to identify the push and pull factors of migration to assess its effects and to formulate recommendations for favoring legal migration while at the same time controlling the borders and discouraging illegal flows.

What is the potential for development of economic migrants? In a comprehensive study about migration based on quantitative and qualitative data, *More "Out" than "In" at the Crossroads between Europe and the Balkans*, Sebastian Lazaroiu indicated that in April 2003, 930 000 household benefited from a constant flow of remittances reaching 2.0 billion a year (Lazaroiu, 2003). The figure represents almost the double of foreign investment in Romania. The migration and development nexus is generally analyzed in relation to monetary transfers but social and human capital are also important. Qualitative studies revealed that consumption patterns reflect money investment in long-term goods (house, car) and consumption (food, clothes). Monetary transfers are only seldom invested in the community or in starting a business. Another analyze indicated that the propensity to invest in a business is higher with every new migration cycle (Diminescu, Lazaroiu, 2002).

However, if appropriate incentives for supporting sustainable investments of remittances are not created, labor migration might also generate negative effects. There are villages where 30 per cent of the population is working abroad which, as Lazaroiu indicates, considerably limit the bases for taxes. Also, the invisibility of monetary transfers allows the migrant's family at home to apply for social aid, while having a monthly financial support from the relative abroad. Another negative consequence of the impact of labor migration on the origin community might be structural inflation. When remittances and saving are spent on consumption there is a risk that prices raise significantly especially in the housing market a consequence already visible in the eastern part of the country.

In "*Sociability in the Development Space*", Dumitru Sandu dedicates a chapter to migration as a network phenomenon related to development. Some of the data have firstly been published in the paper "*Transnational Migration of Romanians from the Perspective of a Community Census*" in 2000.

The social and material capital are two important predictors of migration. It is not the income level that generates migration but the negative experiences related to unemployment and the unsuccessful trial of finding an alternative income source. If during the first cycles migration is favored by ethnic and religious networks this selectivity decreases in time. The Saxons emigration from Banat and from the southern Transylvania has significantly contributed to the structuring of migration networks. Social capital is also facilitating the integration in the host country.

An article published in 2004 in *Romanian Sociology, International migration and Community Change as a Life Strategy* (Ciobanu, 2004), the author tries to associate the migration strategy with the changes in the origin community. The research is founded on secondary analyses of a study initiated by the International Organization for Migration. Ciobanu states that migration leads to community changing and to development. It also maximizes the resources of the individuals involved in the migration system, influencing their behavior and enhancing the propensity for entrepreneurial activities.

The consumption patterns identified are similar to those specified previously in Lazaroiu's study. Some migrants spend money for consumption, others buy houses and cars. As for the impact of migration on development, Ciobanu refers to each of the capital types separately, analyzing its changes and consequences. Cultural capital is reflected by accumulation of valuable knowledge such as learning a language, adoption of a different lifestyle, changes in the houses' architecture, investments in children's education. The economic capital facilitates the acquisition of food, houses, telephones and other goods. Social capital refers to the various relations in the origin and destination countries facilitating departure and integration.

Another important aspect of the paper is the analysis of migrants in relation to entrepreneurial activities. The number of firms founded by migrants is however low and there were no cases of investment in the community public goods with the exception of Adventists who would invest in the church in the origin community. The author concludes, that remittances should be directed with support from the state, towards investments in business that will at they turn create more jobs. The premises favoring such investments lay in the state actions aimed at improving the infrastructure and the economic environment.

Serban si Grigoras in a study about circulatory migration to Spain, *Dogenii from Teleorman in the Country and Abroad. A Study of Circulatory Migration to Spain (2000)* indicate similar consumption patterns. After renovating the house the migrant or his family are more likely to direct the money towards investments such as a truck, a tractor, animals or other goods likely to be profitable in the respective community.

Swanie Potot studying Romanian migration to Spain and France in *A Study of Romanian migration networks (2000)*, describes the consumption patterns of migrants spending large amounts of money in order to simply reveal the success of their migration strategy.

Adding to the two directions previously mentioned, the informal economy and the privatization process, it is interesting to note that migrants are very "dynamic persons, immediately accepting to get involved in all kinds of businesses". They maintain business relations to people abroad. Potot indicate that former migrant prefer to sell products sent to Romania by their partners in the West such as cars, mobile phones, clothes than to accept a low paid job in the country. It is a temporary strategy whose legality is not imperative, but which helps them make a living in Romania.

In a study about social capital and migration, *The importance of weak ties*, Monica Constantinescu analyzes the factors favoring migration at the community level (Constantinescu 2004). Data have been collected from several empirical studies in the origin and destination areas specific for the Romanian migration to Spain. The theoretical foundation of the research is Mark Granovetter's distinction between strong and weak ties. If during its first stages migration is supported by bonds between migrants and non-migrants similar to strong ties, during latter stages the migration process is favored by weak ties whose effect amplifies as a result of the cumulative effects of migration. Two mechanisms are mainly causing this evolution: on the one hand, the accumulation of incentives for migration due to the quantitative and qualitative increase of information, the visibility of migration effects in the origin countries, the modifications of relative deprivation patterns at the community level; on the other hand, the lessening of the risks and costs of migration, and as a consequence, the reduce of the necessity for a non-migrant to resort to the help of a migrant in order to a migrate.

In conclusion, the support of market economy and of the privatization process depend on socio-demographic trends, the highest positive evaluation of the processes being specific for groups with higher economic and human capital, and for younger people. They are also more likely to support liberal values expressing a consistent orientation toward issues such as state intervention policy and extension of the private sector.

The transition period has caused major changes in the social structure, reshaping positions as a result of a high social mobility of the population. In spite of the impossibility of eluding transition costs, attention should be given to a balanced distribution of these negative consequences as well as to discriminating between them and the political elites' errors since such confusion will discredit transition due to an over evaluation of the costs. The instability specific for this period has generated different alternatives to cope with the transition costs, starting from the informal credit institution, to magical practices such as witchcraft or traditional activities such as pastoral transhumance. In spite of the costs, the labor productivity has significantly increased in the private sector as compared to the productivity specific for a centralist economy. Practices specific for secondary economy as a way to cope with the scarcity of goods are still a characteristic of present society even though the penury culture has been replaced by capitalism. The migration potential for development might favor sustainable growth if the state realizes the importance of offering incentives for investment in business or in community infrastructure. In lack of a stable environment, and of the state support, migrants will be little willing to change the patterns of consumption. In spite of their effect on the migrant wellbeing, the persistence of present consumption patterns will not contribute to the long-term development of the society or to the migrant financial security if deciding not to resort to a migration strategy again.

## **5. Secondary economy**

Approached as “informal” or “secondary”, economic strategies not belonging to formal practices are evaluated by different experts as contributing with 30 - to 40% of the GDP. Empirical studies about these strategies and their particularities are but scarce.

Studies evaluating the entrepreneurial initiatives in former communist countries reveal the fundamentals of the emergence of the self-employment sector. In this line, the today capitalist are the yesterday political communist elites. However it seems that several practices aimed at coping with the scarcity of goods specific especially after the 80s favored entrepreneurial

initiatives or mobility strategies as a continuance of similar practices during the communist regime.

In the *Culture of Penury: Goods, Strategies and Consumption Practices in the 80' Romania*, paper published in "Everyday Life in Communism" by Liviu Chelcea and Puiu Latea (2004), the authors describe how individuals and households faced the lack of goods specific for the communist regime and the modalities of using goods once they managed to find them. Penury forced individuals to seek goods while migrating to neighboring countries, sitting in queues and resorting to relations with certain officials. People would also confer goods a different purpose than the one for which they have been created. Western goods would be attributed symbolic value; a representative case for this was the use of empty cola cans as desk support for pens.

A strong secondary economy emerged, revealed by the discrepancies between the empty shops and people's abilities to find the necessary goods. The strategies people resorted to in order to have access to certain goods and the diverse utility of those goods often different from the primary purpose has led the authors characterize this life strategy as specific for the "culture of penury", a term suggested by Daniel Miller. This culture was associated to specific behavioral patterns such as the uncertainty of the possibility to buy goods or to doubts regarding their quality (e. g. there were cases when Romanian migrants to Hungary came back with beans in stead of coffee), the rationalization of the use of rare goods or their use to special occasions only. The series of informal practices favored by the state's weakness such as stealing products from the enterprises in order to commercialize them in Hungary or Turkey or resorting to relations with officials for facilitating suitcase trade are included in the theoretical concept specific for ex-communist countries, "secondary economy".

Traveling to Hungary gave people the opportunity to buy goods that were not found in Romania. Sometimes Romanian ethnics asked Hungarians to come with them since language abilities favored the successful negotiations for acquiring certain goods. The German population who left after 1960 as well as the Saxons who stayed but maintained relations with the emigrants, represented important networks that facilitated Romanians' access to electronic goods or other appliances that could only be bought with foreign currency in hotels. The German Ethnics would receive goods from their relatives abroad that were sometimes sold or given to other Romanian or German friends in Santana. Interethnic relations improved as a result of this cooperation.

The authors conclude that suitcase trade, although highly profitable considering the circumstances in Romania, was specific for the least financially and socially advantaged persons. Those who have been part of the former regime elites need not resort to secondary economy. It was those with low incomes and prestige that needed to resort to trading goods and to opening a small business. The gap between the former political administration with high financial resources partly accumulated before 1989 and the rest of the population often associated to marginal conditions reflects the conversion of the political capital into economic capital, creating what the authors call "state capitalists"

Secondary economy is to a large extent rooted and developing in rural settings. In this respect, Vintila Mihailescu has described in several papers (Mihailescu 1996, 2000, 2001) the flexibility of household strategies, conservative and innovative in the same time, using former "diffuse household" strategies but fitting them in new market economy opportunities. According to the author, the kind of "domestic economy" that is practiced in most of these cases is due to a large extent at least rather to the dysfunctions of agrarian lows and rural

policies then to per se “traditionalist” economic culture. In his 2001 paper, the author is coining the term of “householding” in order to stress, in a rather weberian way, the dynamics of household strategies as process and the fact that this strategies are linked to households in a variety of ways.

A book edited by Liviu Chelcea, still in press, is the first one to offer a more detailed view on this phenomenon.



## **Institutions**

Romanian Banking Institute (<http://www.ibr-rbi.ro/>)

It has different courses on banking systems, banking legislation and so on, plus a joint MBA program with City University.

Economic Sciences Academy. ([www.ase.ro](http://www.ase.ro)) It has a department of International Relations and some classes on globalization and economics plus a master's program in European Economic Policies.

Department of Economic Sciences and Business Management, Babes-Bolyai University, Cluj. (<http://www.econ.ubbcluj.ro/>)

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## III.7 Serbia and Montenegro

Sreten Vujović

### 1. Introduction

This bibliography and its review, given in the form of an informative article, cover the 1987 – 2003 period, and include the works of domestic and a few foreign authors who wrote about the social reality of Serbia.

The most perplexing problem was the nature of the literature covered, since it was almost impossible to find a book or an article addressing, strictly speaking, the economic culture in Serbia. What was available on this subject was in the form of small fragments scattered through various works. The attempt to thematically put together at least a good part of these fragments was a difficult job, requiring much more time than we could spare for a text on professional and scientific literature of this kind. Therefore, while selecting the relevant literature we sought to find the works similar or related to the topic concerned. Thus, this is a choice of more or less “contact” papers. Our job was, however, facilitated by the project authors who pointed to us specific titles, or rather a concise and informative treatment of the following topics: value changes, migrations, corruption, trust, socio-cultural capital, social networks, new and old elites, informality, entrepreneurship, management, joint ventures, foreign direct investments, European integration, intercultural communication etc. These topics have, for the most part, defined the structure of our bibliographical review. Furthermore, we were also concerned with the elements of multidisciplinary and interdisciplinarity. That is why the structure of this bibliography and the reviewing article is arranged by scientific disciplines and spheres such as (in alphabetic order): anthropology – ethnology – religion, demography, economy, historiography, media, politicology, law (politics, nationalism, war, media, administration and governance), sociology – social psychology and foreign policy. We also tried to point to the new, more “modern” trends in our scientific thought.

The bibliography is fairly comprehensive, but incomplete, since it was not easy to obtain all publications concerned: some could not be found in libraries, others were not registered with the National Library of Serbia, and others still sold out. This should be born in mind in evaluating the completeness of our bibliography of scientific and expert works.

The abundance of literature is primarily due to the momentum of private enterprise in the SCG publishing during 1990s. While the state/social publishing companies regressed and stagnated, barely scraping a living, small and medium-sized private publishers took over. They were particularly active in publishing books (monographs) representing “Another Serbia”, i.e. the different forms of critical thought and resistance to the regime of Slobodan Milošević. Financial support for this kind of publishing, as well as for translation of foreign authors, came from foreign foundations of the West, especially the Fund for an Open Society. Many books and magazines simply would not have appeared were it not for the FOS publishing program. This is also evidenced by the bibliography published by a group of authors in the book *The Last Decade – Serbian Citizens in The Struggle for Democracy and An Open Society 1991-2001* (Media Centre, Belgrade, 2001) which served us as a source to work out our catalogue.

## 2. Anthropology – Ethnology – Religion

Not many papers were published in these scientific disciplines. Of greatest interest for us are the works representing the new trend in our anthropology, more precisely political anthropology. Its best-known and most prolific representative is Ivan Čolović. For our purposes we shall select a collection of papers (including Čolović's contribution) under the title *Cultures in Transition* (ed. Mirjana Prošić-Dvornić, ethnologist, publ. Plato, Belgrade, 1994). This book covers four specific areas: 1) nations and nationalism; 2) traditions and the use thereof; 3) transition and everyday life, and 4) the road to democracy and an open society. The above-mentioned topics are also some of the key problems of the modernizing process in Serbia. The works on the nation, nationalism and tradition address the renewal of the process of formation of nation states of the early modern age; the strategy of political elite aimed at community homogenizing; the creation, interpolation, reinterpretation and use of tradition and national myths. The chapter on the ethnography of everyday life considers the adjustment of the population to life in a crisis (description of life in a changed reality; reflection of “great history” on the opinions and behaviour of ordinary man, economic crisis, shortages and alternative economy, life in queues, black market, new professions, profiteers and the new folk culture). Finally, in the chapter on open society prospects in South Eastern Europe – from isolationism towards an open society, the authors address the inauguration of a system of values of a democratic, civil, multicultural society as an alternative movement and counterbalance to authoritarian trends.

The following definition of culture and cultural pattern of our best known anthropologist Zagorka Golubović, also a contributor to the above mentioned collection, seems to provide a convenient starting point for the purposes of this review. “If culture is defined as a way of life of a specific nation, but also as a symbolic universe which is a *differentia specifica* of the human way of existence, cultural pattern is understood to mean a sensible framework of orientation and integration of a community including, in the first place, value systems used by individuals and social groups to reach the understanding of themselves and the world they live in, as well as models for action to attain the selected objectives and promote the desired way of life” (Golubović, 1994: 35). In her paper entitled “Cultures in Transition in Eastern Europe and Yugoslavia: The Divergence of the Cultural and National Patterns” Golubović concludes that “the replacement of a new cultural pattern, which was the necessary basis for a democratic transformation of these societies with the national pattern, threatens to cancel even those institutional changes which marked the collapse of 'real socialism', as confirmed by the increasingly overtly manifested trend of reverting to totalitarian and authoritarian mechanisms of power and methods of rule in all ex-Yugoslav republics, as well as in other countries of former ‘socialism’” (Golubović, 1994: 41). To make things clear, the author believes that the national pattern, as a model to attain national identity, may rely on: a) a single cultural pattern which defines the communion of an ethnic body without destroying its variety; or b) a national state as the stronghold of national sovereignty with homogenisation on the inside (within the nation) and opposition on the outside (towards other ethnic groups and nations), accompanied by the characteristic renewal of mythic heritage.

The theoretical basis of Miloš Nemanić's paper "Contradictions of inherited cultural pattern and contemporary intellectual elite in Serbia" is the notion of cultural pattern, or cultural model (Linton), or habitus (Bourdieu). Understood as a system of continuous and transferable dispositions, including all previous experience, it acts in each moment as a matrix of perception, evaluation and act. The cultural pattern of social groups and individuals in Serbia in the last 100 years having been created during a long period of time cannot be changed quickly, nor easily. During the 19th century we had been trying to get rid of so-called Turkish legacy, mixed with patriarchal cultural pattern, without enough strength to complete the

creation of civil and European cultural pattern in all areas of social life in the first decades of 20th century. In mid 1900s we were caught into a rigid ideological cultural pattern called social, i.e. communist consciousness. Today we speak about getting rid of communist legacy. However, things are not so simple as they seem. Contradictions of inherited cultural pattern consist of presence of lots of layers of old cultural patterns. What is the role of intellectual elite in Serbia today? Which cultural patterns does this elite follow? These are the main questions the author is trying to answer.

The text of Mladen Lazić, "Serbia: part of both the East and the West?," comprises of two parts. The first is dealing with the basic historical preconditions for the formation of modern cultural patterns common to the largest part of the Serbia's population and their relation towards those cultural patterns which appear today in the developed part of the world and are referred to as modern. The research shows that the historical auto/production of cultural pattern is marked by contradictions in Serbia, especially in considering the encounter between the East and the West, traditional and modern. The main finding of this research is that, due to this kind of development (characteristic of border areas of which Serbia was a part until the end of the previous century) it is, in these parts, impossible to make to usual distinction between the two cultural cores (those of the Western and Eastern cultures), supported by two - unevenly sized - separate and mutually confronted groupings (the traditional strata and modernization actors) and that the above-mentioned splits characterize all the empirical actors whose effects are marked by these controversies on the inside.

### **3. Demography**

Writings dealing with demography generally addressed the usual demographic problems, converging on the decreased natality as opposed to mortality, ethnic migrations, refugees, "brain drain" etc. Speaking of migrations of greatest interest for us, in view of its prognostic value, is a research carried out by an early deceased demographer Ruža Petrović in 1987, published in the book *Migrations in Yugoslavia and Ethnic Aspect* (IIC SSSO Srbije, Beograd, 1987).

Migrations and divisions are inseparable parts of the past and present of nations on the territories of the former Yugoslavia. The author was primarily concerned with the effect of the ethnic moment as the prime mover of migrations, which is why she focused her study on inter-republic migrations in the SFRY. The influence of the ethnic moment may be assumed existent, first, if an individual is leaving the migrant territory of the group going towards the autochthonous one, especially a republic as the territorial centre. This "return" may indicate the appealing effect of a group ethnic environment; and, second, if an individual leaves an autochthonous territory outside the center of group concentration and sets out towards the republic as the territorial center (for instance, the migrations of Serbs and Croats from Bosnia and Herzegovina towards Serbia, i.e. Croatia). These movements of members of various ethnicities in different directions and in different numbers, which may be quantitatively described on the basis of official statistical records, provide the grounds to assume that internal migrations were influenced by the ethnic factor and, as the author rightly points, require further ethnological, sociological and politicological study. In view of the purpose of the research the author started from three main types of inter-republic migrations, on the basis of the situation in 1981: 1) the absolute and relative expansion from the republic as the territorial centre; 2) the absolute expansion from the republic as the territorial centre and relative concentration in the republic – territorial centre; 3) the absolute and relative concentration in the republic as the territorial centre. To keep this account short, we shall briefly comment on the third type comprising Slovenians, Romanians, Turks, Croats and

Serbs, and single out only the migrations of Croats and Serbs as the most numerous. Croats are the second most numerous group in the country with 4.4 million members, or 19.8% of the total population of Yugoslavia. Their concentration in Croatia started fairly early and kept intensifying, so that as of 1971 immigration of Croats was 2-2.5 times more frequent than their emigration to other republics. The main flow of immigrants came from Bosnia and Herzegovina, and the share of Croats in the population of this republic continuously decreased. Serbs are the most numerous group and with 8.1 million members account for 36.3% of the total population of the country. Serbs have the most intensive outflow from other republics towards Serbia with a migration coefficient of full 4.09, or four times more immigrants than emigrants in 1981. Emigration from Bosnia and Herzegovina and Croatia existed throughout the period after World War II. Within Serbia, the migration center is the territory of Serbia proper, both with respect to other republics and the provinces, especially Kosovo.

Ruža Petrović concluded that “the general trend of ethnic concentration is a phenomenon of so large social importance that an in-depth research into its causes and the role of ethnic relations must not be put off” (Petrović, 1987: 141). Unfortunately, a deeper study of these ominous migrations started when it was already too late, namely in early 1990s, when, owing partly to the increased ethnic distance, Yugoslavia disintegrated in a civil war - “the largest of all evils”.

#### **4. Economics**

A large number of books and articles have been published in the sphere of economy. They are generally concerned with various topics and problems characteristic of economic developments in transition societies. If we wanted to make a link with the previous review of inter-republic migrations, we could say that economic literature also included such views of economic processes that suggested that the developed North of the country was exploiting the less developed South etc. However, a closer look makes it clear that the bulk of the works have to do with the transition process, or more specifically privatisation and its models. In this respect, a new neo-liberal trend seems to have prevailed in the writings of our best-known economists (“libertarians” and “egalitarian liberals”). But, since we believe that privatisation has been sufficiently addressed in another papers, we shall describe the treatment of so serious a problem as corruption in this literature. For this purpose we shall take a book written by a group of authors (lawyers, economists, ethnologists, sociologists...) under the title *Corruption in Serbia* (CLDS, Belgrade, 2001). The foreword by Dragoljub Mićunović starts from the assumption that instable states and societies in transition are especially susceptible to corruption due to the changeability of legal and moral norms. In these societies a symbiosis of normal and pathological phenomena is a frequent occurrence, struggle against the joint forces of corruption goes missing, and all cooperate on the same job, creating a situation which could conditionally be called kleptocracy. Corruption actually exists from time immemorial, i.e. as long as the disorderly states which offer a fertile ground for it to flourish. In other words, Adam Smith is right to say that corruption and smuggling are the power of reason in unreasonable states.

The notion of corruption today most often denotes the “illegal use of one's social position and power for personal gain”. Although political theory offers a normative position that political power and influence “may not be bought and sold”, the practice often denies it and the abuse of official and political position has been sanctioned by criminal codes. The authors of this study sought to explain the causes, mechanisms and types of corruption in Serbia and to perceive its most important consequences. The knowledge so obtained provides the basis to



define the strategy to fight corruption. Assuming a neoliberal tone, the author of the foreword sees the basic precondition for corruption in the justified and unjustified state intervention in the economy.

The Serbian folk tradition does not offer a firm and direct stand on corruption, and the public opinion is formed on case-to-case basis. “The folk tradition has registered and preserved in the memory of the people the centuries long experience of life with corruption and struggle against it. No one is pleased with the existence of corruption. We would all be happy if there were none, but it persists all the same. The people are aware of that, just as they are aware of the struggle against it” (Antonić, 2002: 31).

Depending on the mechanisms of corruption, i.e. its economic consequences, the authors distinguish the following types: a) corruption which enables the enforcement of regulations (laws), so-called corruption without theft; b) corruption which enables the bypassing, or violation of regulations (laws), so-called corruption with theft; and c) corruption which leads to the change, i.e. creation of new regulations (laws). The gravest form of corruption is the so-called political corruption, or rather the form which is conducive to the change of legislation in line with partial (private) interests of corruptors. In this way, the adoption of biased regulations imposes the partial interests of individuals or groups upon others as the general social interests.

Authors of *Corruption in Serbia* rightly believe that a certain level of corruption is inevitable in any society. Corruption cannot be completely suppressed, but it can be controlled. In societies with low corruption the priority is the creation of new values, i.e. an increased welfare of society. By contrast, societies with a high corruption level give the priority to the redistribution of existing values, or of welfare, rather than the creation of new values and the increase in social wealth. Those societies have no prospects.

According to the most recent data (October 2003) Serbia and Montenegro are, with an index of 2.3, ranked 106<sup>th</sup> on this year's list of 133 countries rated on the Transparency International Corruption Perceptions Index. Two years ago we were rated next to the last on this same list with a 1.3 index, and the current index of 2.3 objectively marks an improvement, although this is not much of a consolation.

The study which is subject to our review also included a survey about corruption in Serbia without Kosmet, carried out on a sample of 1,632 respondents. The survey findings indicate that most citizens are aware of the reality of corruption and consider it a social problem. Corruption is perceived as one of the four most important social problems (along with poverty, crime and political instability). The citizens experience corruption primarily as “great corruption” wherein they take no part and have only indirect knowledge of. Secondly, there is no single opinion of corruption as a remarkably damaging social problem “which ought to be fought with all means possible”. That, according to our researchers, indicates that the society has “grown accustomed to corruption and is ready to tolerate it, at least to a certain degree”. Still most citizens have a negative attitude towards corruption. Third, an unambiguous concept of corruption does not exist in public. Fourth, the citizens tend to see the causes of corruption primarily in the weaknesses of the legal system. Fifth, the respondents generally agree that corruption is extremely widespread in society. Sixth, the citizens believe that corruption is the most represented in customs services, the judiciary and the police, and the least in the Yugoslav Presidency and the army. The most prominent “bearers” of corruption are customs services and directors of state companies, and then other groups and professions, also perceived as susceptible to corruption. Seventh, operations related to public purchases

(tenders) are viewed as the hotbeds of the so-called great corruption. Eight, the citizens manifest a high level of readiness to take part in corruption in order to resolve crucial problems of life (illness, employment...) Tenth, despite the fact that the citizens' views on the real possibilities of the society to cope with the problem of corruption are divided, they are optimistic in expectations that this phenomenon will be reduced.

According to the findings of the authors of this study the main elements of struggle against corruption are: commitment of the elite to fight corruption, responsibility of the Serbian Parliament, responsibility of the Government, a clean break with the past (investigation into corruption affairs of the past and punishing of perpetrators), transparency, accountability of all in the state administration, reduced possibility for discretionary decisions, legal regulations, legislation on public purchases and independent central control bodies.

Silvano Bolčić's in his text "Post-socialist transformation and new work orientations: Serbia 1990-2003" indicates that in Serbia during the 1990s a new socio-professional and spatial mobility of working population has appeared. In the area of work orientations there are increasingly more people who expect to move during their working career because of the better paid job or else expect not to work only in jobs matching their basic occupation, but also in other (well or better) paid jobs. Hence, in order to adapt to the situation in the labor market, people become ready to work more, more intensely, on a more up-to-date basis, more "flexibly", to acquire new knowledge and skills, and to assume more initiative and personal responsibility for their work involvement. The former "socialist" pattern of secure and state employment "taken care of" by the state, though persisting in a significant measure in people's consciousness in Serbia, is being gradually replaced with a new social reality characterized by increasingly profound economic and social transformation, less security in employment, and proliferation of the so-called atypical forms of employment increasingly prominent in the developed parts of the world.

Analysis presented here warrants several important conclusions: 1) in years of post-socialist transformation of Serbia, in spite of the institutionally blocked transition, the "secure employment" and "stable work career" pattern has been disappearing. A portion of employees have the chance, or have been forced, to change their occupation. Still, the number of such people is smaller than expected. Most "working people", instead of changing their jobs or occupation, have moved to the ranks of unemployed, or retired (often prematurely); 2) though limited in scope, socio-professional mobility has enabled the necessary adjustment of people's work to the changing needs of the market. In this way people were at the same time acquiring a new experience - that their work career depends only to a limited extent on the occupation they have trained for and chosen at a particular moment, and partly on changing circumstances in the labor and services market, i.e. the labor market, #) with the disappearance of the "secure employment pattern" the previous trajectories of work-related social rise or fall, relatively clear as they were, have also changed. Today it is difficult to say, especially on the basis of occupation alone, what constitutes the top and what the bottom of the social pyramid in Serbia. For many former managers (particularly lower - and middle-level ones) the transition to entrepreneurs today means most probably an advance rather than a decline in social status. Similarly, in today's Serbia the transition from manual worker or same other non-agricultural occupation to farmers does not mean necessarily "downward social mobility", as it was usual in times of "socialist industrialisation". People are aware of such changes in "trajectories" of social advance or fall and this probably helps them face the situations when they have to change their job, their occupation etc. It is presumably under the influence of such factors as well, and not just of market constraints, that people now display more readiness for professional mobility, for changing their workplaces, and "work

arrangements" as a whole, when this is the way to find a job, or to find a more challenging and better paid job. This new readiness for professional mobility, along with other institutional conditions, facilitates further assertion of market regulation of labor as a necessary aspect of the overall market regulation of economic life in Serbia.

When the Findings of this study are viewed in a comparative perspective, it may be seen that in Serbia, in the 190-2003 period, the scope of professional mobility, i.e. transitions from one occupation to another, was slightly lower than in some other "countries in transition", but that transitions from the employed into the ranks of unemployed and formerly employed (pensioners) have been more frequent.

Finally, as another peculiar feature of Serbia's post-socialist transformation during the 1990s we may cite high rates of transition of the employed and the "formerly employed" (pensioners) to farmers, since this tendency is contrary to both prior tendencies in intra-generational professional mobility in Serbia, and tendencies in today's developed societies.

## 5. Historiography

Domestic and foreign publications in the field of historiography published in the period observed are both numerous and diverse. Historiography ranks among the sciences which were the most susceptible to ideological and value changes, or took some part in preparing them. During 1990s obsession with the past was fairly pronounced, with a noticeable division into the historiography of the Serbian nation, or critical historiography, and historiography for the Serbian nation or mythomaniac historiography "inventing the tradition". Enter the so-called "vulgar historians" or "new romantics", as Byzantologist Radivoj Radić called them, those who forged history while renewing the mythic heritage. They, among other things, wrote of "the oldest nation of Serbs". In other words, "they introduced a monstrous formula where the knowledge and patriotism of a historian were considered proportionate to the antiquity of the Serbian nation that scientist supported" (Radić, 2003: B1). Radić's book about the new romantics *Serbs before Adam and after Him* published by "Stubovi kulture" only recently, was announced by an article in the daily "Politika" under the title "Clio is ashamed". Fortunately for us, those who wrote and published books also include people who cultivated critical historiography, but judging by their approach and problems tackled, they did it in the traditional manner. Namely, their work is mostly about the history of politics and events, including that of dynasties. In view of the problems we are dealing with, of greatest interest to us is the trend of social history focusing on modern society, which represents a coupling of historiography and similar sciences, namely social theory and other sources. In Serbia today, we have historians, predominantly of middle and younger generations, who are interested in social history. Speaking of institutions, under the auspices of the Institute for Recent History of Serbia and the Chair for General Modern History of the Belgrade Faculty of Philosophy, i.e. the Association for Social History, collections of papers and journals "Courses of history" (chief ed. Latinka Perović) and "Annals of social history" (chief ed. Milan Ristović), have been published since 1994 as the main mouthpieces of those concerned with the domestic social history. Among the collections of papers we should single out the three-volume book *Serbia in Modernizing Processes of the 19<sup>th</sup> and the 20<sup>th</sup> Centuries* edited by L. Perović, and published by the Institute for the Recent History of Serbia, and the book, *A Dialogue on the Historical Anthropology of the Balkans*, published as a special edition of the Association for Social History and the Department for the History of SEE of the Graz University Historical Institute. One of the main objectives of historians engaged in social history is to publish the results of research into the Serbian society of the 19<sup>th</sup> and 20<sup>th</sup> centuries, more precisely the study of social development (progress, stagnation, regress) and thereby also the "specifics of

Europeanization and modernization under conditions of underdevelopment and difficulties in overcoming it". Bearing in mind that our project addresses sufficient attention to modernization, we do not think it necessary to review a work of a domestic historiographer devoted to modernization and consider it sufficient to merely draw the attention to a substantial modern trend in the domestic historiography.

## **6. Politology, Politics, Nationalism, War, Administration and Governance, the Media**

Due to the nature of developments in the SFRY and the FRY, literature covering this area is the most abundant and diverse. It includes different ideological and theoretical orientations. There are books which are, by their contents and recommendations, considered conservative and liberal, nationalist and mondialist, pro-war and anti-war, and so on. There is a large body of books devoted to nationalism, ethnic relations, multiculturalism, disintegration of Yugoslavia, wars, winning democracy, public opinion and the media, civil disobedience and protests, the rule of law and the judiciary, modern administration and governance, and the like.

If I am not mistaken, among the books falling under the above-mentioned sub-title, judging by the number of translations into European languages, those that resounded the strongest include *The Serbian Side of War* (ed. Nebojša Popov, publ. Republika, Belgrade, 1996) and *Another Serbia* (eds. Ivan Čolović and Aljoša Mimica, publ. The Belgrade Circle, Belgrade, 1992). Being accessible to the foreign reader, these two shall not be reviewed here. In a multitude of books classifiable in this sub-section, we shall, on this occasion, focus on one addressing the media and another dealing with the problem of local community management.

Let's start with the first. We chose to briefly review a book dealing with the media, due to the importance of their role in transition societies in terms of creating the public political and economic culture, as well as the picture of our country abroad. In addition, the first step in preparing a war is a war through ideas. Intellectuals, and especially politicians and journalists, in that case, build their justification of the war and, if need may be, invent the enemy. Addressing this problem in briefest terms does have a point, since political stability is a condition for economic development and therefore also the propagation of economic culture.

There are many agencies, NGOs and institutes engaged in the study of the media and public opinion in Serbia. In this context, we should mention the Center for Public Opinion Studies of the Belgrade Institute of Social Sciences, as well as a number of agencies and NGOs such as Partner, Strategic Marketing, Argument, Medium, Center for Policy Studies, etc. By way of illustration we shall review a book by sociologist Zoran M. Marković *Benefits from Enemy* (publ. Argument, Belgrade, 1997), which presents the results of a research into the writings of daily papers "Politika" and "Borba" (content analysis, 1990) from a special and important angle of choosing, marking and evaluating the enemy in party programs and statements of leaders of a few key political parties – the Socialist Party of Serbia (SPS), the Serbian Renewal Movement (SPO) and the Democratic Party (DS), which participated in the first multiparty election in Serbia after the fall of the Berlin wall. It turned out that the views about the enemy had an important part in forming the public discourse and in creating the views of the recipients. That is why the concept of a public enemy (K. Schmidt) is crucial to understand politics as an activity. "Enemies are, in this period, marked through the matrix of a nationalist ideology which had already been established as dominant a few years before and continued operating as dominant after 1990" (Skopljanac Brunner, 1997:7).

Marking the enemy, not one of the analysed parties, spoke in the name of Yugoslavia. In addition to speaking on their own behalf, the analysed parties most often invoked: SPS – Serbia, SPO – the nation, while the members of the DS spoke in their own name. Thus the SPS represented the “state party” of order and continuity, the SPO “anticommunist-nationalist” party and the DS “emancipatory”, i.e. reformist-civil, moderately nationalist party. For the SPS the enemies were the “separatists” in Serbia and Yugoslavia, while for the SPO and the DS they were “the Yugoslav republics and their leaderships”. The DS generally treated its enemies mildly. The SPS' approach was highly differentiated and cautious in the case of some “important” enemies such as the “Federal Executive Council” and “opposition in Serbia”. The SPO, according to Z. Marković, more frequently than other parties, appeared emotional, sharp, threatening with conflicts and inviting the elimination and destruction of the enemy. The perception of the enemy as “Satan” was most often supported by the SPO and the SPS.

Our author concludes: “The dilemma from the Serbian past between the strong and stable Serbia with a mission to unify everything Serbian, supported by all power holders, and that of a democratic, liberal Serbia championed by the opposition movement was again actualised in 1990. The objectives and values have remained the same, only the context was changed” (Marković, 1997: 94). The election campaign in 1990 did not address such problems as unemployment, tax policy, inflation, human rights, ecology and the like. Confrontation was mainly ideological (socialism – capitalism – communism – anticommunism), pointing to the fact that the Serbs are endangered as a nation, both in Kosovo and in other Yugoslav republics. A very succinct presentation of findings of this study in a specific way speaks of the value changes, crisis of trust and inter-cultural (lack of)communication.

We shall now in brief terms present the book of four economists and lawyers, B. Begović, Z. Vacić, B. Mijatović and A. Simić *Local Community Management – Roads to Modern Local Self-Government* (ed. Dragor Hiber, publ. CLDS, Belgrade, 2000). Before that, we must note that the problems of public and local government in Serbia were addressed the most by the Center for Public and Local Administration, Palgo Center Belgrade, headed by Mijat Damjanović. Still, we opted to present the above-mentioned book because its authors deal with the political, legal and economic aspects of local community administration. The emerging of this book was induced by the fact that Serbia is a highly centralized state with large authorities of the republic government bodies and obsolete legal solutions inherited from the period of self-management socialism. We must note that in the meantime a new Law on Local Self-Government has been enforced making Serbia a somewhat less centralized state.

The authors of this book advocate local self-government convinced that democracy has nowhere functioned properly without a major share of the local self-government, and that centralization provides fertile ground for political manipulation. In addition, considering the legal aspects of local community governance the authors rely on the European Charter of Local Self-Government as the most important international instrument in this matter. Reviewing the relevant normative legal frameworks the authors focus on public utilities and city building lots as the most important resources. Financial independence of local communities should be substantially expanded by giving them freedom to independently define the size of their respective budgets, in line with their needs and possibilities, and the right to themselves regulate some of the proceeds they are still entitled to receive (real estate sales tax, property tax). In addition, the republic should relinquish to local communities complete receipts from property taxes and fees for the use of goods of common interests and residence taxes, and give them the right to introduce excise duties. Furthermore, the local companies should have the autonomous right to define the prices of public utility services and

lease of business space. The reform of local community governance should, therefore, have to include the expansion of their functions and of their financial independence. The local communities should have the right to regulate, at least partly, the work of the judiciary, local police, healthcare, schooling, social protection, etc. In that context, as one of the authors concludes, "it is necessary to strike the balance in the distribution of functions between the local communities and the state, in order to ensure unobstructed functioning of the state and enable the local communities to express the priorities of its citizens" (Mijatović, 2000: 82).

Zagorka Golubović's text "Elements of a critique of neoliberal model of transition" indicate that with the fall of former socialism a period of transition has come into being in Eastern and Southeastern Europe, however without the articulation of a vision and strategy of the development on the road to society's democratic transformation. So far, the strategy of the dissident's movements had been directed towards the changing of the system of "real socialism" with the abstract proclamations about human and civil rights and democracy as a rule of law, as against the totalitarian regime. One may say that these countries met transition unprepared, without a clear perspective of where to go further.

Being that the pattern of "Western democracy" has been identified primarily, if not exclusively, with the market economy and rigid version of "market fundamentalism". Therefore, the following questions will be discussed in the paper: 1) has the jump to capitalism been necessarily and rationally tied to a "wild capitalism" which is linked with a primordial accumulation of capital and a very sharpening social differentiation; 2) has it been rational in the countries with underdeveloped economy and lack of modern political institution to accelerate reductive functions of the state in the name of the elemental operations of the market economy, for which the haven't existed the basic preconditions; 3) has the accelerated liberalization of economy with the elements of shock-therapy been appropriate to the underdeveloped political system inherited from the past, as well as the law standard of living; 4) has the maximization of a "profit-orientation" under such conditions opened doors to the penetration of illegal capital, as well as mafia and organised crime; 5) has it been necessary to strengthen the role of the welfare state in order to resolve the accumulated problems in the sphere of everyday life and social services, instead of its intensified limitation, which provokes the deviation of the citizens towards the rightist options; 6) thereby, in what mistakes consists of neoliberal conception of transition, and whether some other model will be more adequate when these countries are in question?

## **7. Sociology and Social Psychology**

Despite the numerous difficulties over the past fifteen years a fair number of sociological research projects was carried out in Serbia, including those of empirical nature. Sociologists had before them a dramatic "social laboratory" as a major research challenge. They applied themselves to the study of internal and external factors of the country's disintegration, destruction of the society, structural change, new and old elites, "entrepreneurial society", value changes, public opinion, everyday life, poverty, transformation strategies of social groups etc. Their research work was done less within state institutes and more under the auspices of both domestic and foreign NGOs.

Sociologist Mladen Lazić dealt with the elites the most. He is particularly focused on the transformation of economic elites. Lazić starts from the following definition of the concept of the elite: "An elite is a social group possessing concentrated control over social resources, necessary for the reproduction of basic assumptions upon which the given (or potential) mode of production of social life is based and which has an active role in the reproduction of these assumptions" (Lazić, 2000: 26). He wrote about that in his book *Society in Crisis* –

*Yugoslavia in the Early '90s* (ed. M. Lazić, publ. Filip Višnjić, Belgrade, 1994). We shall briefly present one of his three articles in the above-mentioned book under the title "Transformation of the economic elite". According to Lazić, the power elite was dethroned in a relatively short period of time in all transition countries. The present economic elite no longer forms a relatively homogenous stratum ("collective-owner class") ruling on a single basis as was previously the case. The current economically dominant minority in Yugoslavia comprises four substrata. Bearing in mind that in mid-1990s the structure of the collective-owner hierarchy is still reproduced, it distinguishes two specific sub-strata: the one which takes decisions on the basis of general administrative authority – political entrepreneurs, and another which directly manages "public" companies – public entrepreneurs. The next group consists of individuals who own private firms created under conditions of the breakdown of the system, war and international sanctions. They acquired their property by illegal or para-legal means and "their firms engage in business transactions on this basis" generally supported by the state, in order to sustain international trade, or because of their war or other merits. They are war entrepreneurs. Finally, changes of the normative, and to a certain extent value system, created a basis for the development of legal and legitimate market transactions giving rise to market entrepreneurs, who operate within standard principles of supply and demand, accumulation of private capital etc.

Lazić's classification of entrepreneurs is "idealtypical" since the operations of political and public entrepreneurs include elements of wartime entrepreneurship. On the other hand, war, as well as public, and even political, entrepreneurs may be transformed into market entrepreneurs in a situation of collapse of the system and civil war when the lines dividing the legal and illegal activities are very soft. Efforts to retain the supremacy of the decades-long command structure, aspiration to ensure one's own monopolistic position in a situation of insufficiently articulated legal frameworks of economic activity, and the ambition to establish mechanisms of the market are the three basic interests founded on the positions of their proponents in the society, which the author derives from the previous classification. On the basis of survey findings, Lazić focuses only on the elite ranks of private and public entrepreneurs seeking to establish the specifics and differences of the two groups. They differ in terms of the degree of education, social origin, material standard and the preferred type of ownership relations. Thus the educational structure of public entrepreneurs is substantially more favourable than that of private entrepreneurs. Not surprisingly, private entrepreneurs come from higher-ranking social strata, in view of the way this group is formed. Material standard of this group is at a much higher level. Finally, in terms of the desirable ownership structure three approximately equal groups could be distinguished: a) those who advocate the preservation of the established relations; b) those in favour of controlled adjustments, and c) champions of radical change. Naturally, a smaller part of private entrepreneurs declares in favour of the existing system of relations in the economy as opposed to the majority supporting radical change, while public entrepreneurs generally side with the first two options. Despite the confliction, the interests of these groups converge. Lazić points out that this analysis of the survey data does not exhaust the problem area of relations among the various types of entrepreneurs. The author therefore draws the following conclusion and a prognosis: "The circumstances in which protagonists of social change are formed, have thus been established in a way which favours disintegration of the old regime rather than the constitution of a new system. The potentially active among public entrepreneurs are therefore probably more inclined to maintain the existing transitory order, while the majority of entrepreneurs are facing a long march through a time of change during which their power may increase sufficiently for them to make a decisive contribution to a turnaround" (Lazić, 1994: 146).

The specificity of adaptive reconstruction of the elite in Serbia is, according to Lazić, derived from the fact that the formerly ruling class successfully produced, and has for a time already, taken the advantage of a situation marked by a blocked transformation. This group has thus transformed its previous monopoly into economic and political domination, which enables it a more lasting and successful conversion of forms of previously accumulated assets (firms, apartments...) into new ones better adjusted to the forthcoming social order. The direct purpose of blocking the transformation (stopping the development of market economy and political competition) is to sustain the privileged position of the new/old elite, while its long-term objective is as extensive as possible conversion of resources, so that the change of the type of the class system would not lead to a substantial change in the personnel composition of the elite (Lazić, 2000: 33).

Continuing the sociological story of entrepreneurs we shall briefly interpret some results obtained by sociologist Silvano Bolčić who carried out an empirical research about entrepreneurs - owners of private firms in Serbia. These findings were published in Bolčić's book *Difficulties of Transition to an Entrepreneurial Society – Sociology of Transition in Serbia in the Early '90s* (publ. ISI FF, Belgrade, 1994). The number of private entrepreneurs keeps increasing. Their firms are very small (2/3 of private firms have no more than 5 regular employees, while 95% have up to 30 regular employees). Serbia today has 270,000 SMEs which account for 45% of the total GDP compared with the EU where these firms make up 95% of the total number of firms and employ two thirds of total labour.

Speaking about the social profile of new entrepreneurs, the younger ones (up to 40 years of age), and men, prevail. Their professional structure is extremely heterogeneous starting from ordinary workers' occupations, to clerks and experts, with a noticeable share of those who previously belonged to trade, commercial and management circles in socially owned firms. Their education is, on the average, higher than that of previous entrepreneurs (mostly craftsmen), but lower than that of former directors of social companies. Actually, most new entrepreneurs have intermediate education. Although heterogeneous, the social circle of new entrepreneurs is characterized by a substantial density of interactions, a large part of which is quite non-transparent for most people outside their circle. Their acquaintances and mutual connections were made before their entry of this social circle, especially where the former "heads" of social firms are concerned. An important role in that is also seen in family relations. Occasional couplings between new entrepreneurs and the power circle testify to the continuing intertwining of politics and economy, and even the prevalence of politics over economy, which Bolčić finds no good, since it aggravates the establishment of a law-abiding state and the rule of law as the necessary assumptions for a modern entrepreneurial economy. An interesting finding of this research indicates the predominance of intermediary, i.e. commercial enterprises among the new entrepreneurs in Serbia in early 1990s. This may partly be explained by the disintegration of the country, war and UN sanctions. In addition, Bolčić registers an "inclination of the domestic entrepreneurs towards the so-called 'oriental entrepreneurship'," or rather their wish to be admired for their business gains, and to acquire them "over night". If to this we add the pronounced luxury consumption symbolizing wealth, what we see is "the reduced long-term business vitality of the prodigal entrepreneur".

The author finds it essential for developed entrepreneurial societies to have a principled view concerning the legitimacy of wealth acquired through enterprise, as something that elicits public appreciation, rather than envy and calls for state measures against "unjustified enrichment". However, in the impoverished society of Serbia in early 1990s one could hardly expect the above-mentioned position on the legitimacy of wealth acquired through enterprise. In other words, fast enrichment of a narrow circle including new entrepreneurs is, in our



midst, more likely to cause envy and doubts that it was honestly acquired, leading to requests to prevent it. Leaving aside the moralist condemnations of the nouveaux riches, Bolčić, rightly warns that the existing social context essentially limits not only the current but also the long-term development role of entrepreneurs in Serbia, since they could hardly take over the role of the new legitimate proponent of development. However, entrepreneurship suitable in extraordinary circumstances could settle in on a long-term basis instead of the desired type of entrepreneurship which activates human knowledge, ingenuity and the emerging of stable and sustainable entrepreneurial firms. One of the key conclusions in this study is that faster development of sound entrepreneurship in Serbia must rest on an efficient support of a law-abiding state and a society based on law.

Bearing in mind that our domestic sociological production does not include research into the socio-cultural capital in the sense Bourdieu uses it, we shall here summarize an exceptionally rare research work by sociologist Anđelka Milić published under the title “The social network of family relations and social strata” in the book *Serbia in Late 1980s – Sociological Research into the Social Inequalities and Disharmonies* (research leader Mihailo V. Popović, publ. ISI FF, Belgrade, 1991). Milić looked into the family networks of social interaction, their composition, contents and norms of their functioning. More specifically, she examined four types of relations: 1) family; 2) friends; 3) neighbours; and 4) colleagues. The above-mentioned relations develop within four types of activities: a) reproduction activities and protection services, concern and care for the children, the sick and the elderly; b) activities related to housekeeping (borrowing of foodstuffs and money, repairs), c) activities related to family strategic resources such as employment and housing, and d) activities and interaction of private, confidential nature.

Speaking of the social composition of the network we could single out one finding of this research revealing changes with respect to patrilinear and patriarchal kinship of the Balkan nations. Namely, the results of the survey showed that the social network of individual families is bilinear, i.e. that it is composed of almost equal shares of members akin to the husband and wife's family lines, moreover with an equal density on both sides.

In general terms, the nature of the examined social network depending on the specific strata looked as follows: Individuals and families belonging to lower social strata are primarily and predominantly referred to their kin. The higher the position, the more one's kin are substituted as preferred partners by friends, and less frequently by neighbours and colleagues. Quite independently from belonging to a particular stratum, there is a trend to direct the services and activities related to satisfying one's material and existential needs towards the non-family networks more than in the case of activities and needs having to do with private domains of family life, such as care for the children or confiding of personal problems. The authoress believes this to be “a pattern observed in developed societies but in the reverse” (Milić, 1991: 133). All in all, one's kin retain the primacy both in terms of the size of their share in the social network, and the intensity of interaction in all activities observed. This state of affairs may, on the one hand, reduce some elementary shortages and restrictions affecting the lower strata on the public and institutional level during an economic crisis while, on the other, the breakthrough of informal social networks results in the subversion and even sabotage of institutional agents and redistributive mechanisms, both in the operational-functional and, still more strongly, in the value-ideological sphere. The consequences are seen in the increase of illegal and semi-legal transactions within the institutional network itself (nepotism, clientelism...), Bearing in mind that the social network, in addition to the protection of an individual, also has an equally important role of his/her control and conformity to the network's requirements, it may influence socialization by developing an authoritarian

syndrome and intolerance of protégés against those who are different and “foreign” (members of other nations, religions, local communities...), including xenophobia.

It now seems only natural to inform the reader about some results of domestic surveys concerning the value changes. It is known that the systemic transition of society includes changes in the value sphere. Among the domestic authors who addressed these issues are social psychologist Bora Kuzmanović and sociologist Stjepan Gredelj. Given below is the briefest review of their analysis in the above-mentioned book *Society in Crisis*. Kuzmanović showed that the high authoritarianism of Yugoslav citizens became still higher after the disintegration of the former Yugoslavia and the outbreak of the civil war. He concludes that the destruction of the social system and the appearance of political pluralism have failed to destroy the authoritarian consciousness and that, apparently, only a substitution of authority has taken place, while the fanning of nationalist passions and conflagration of the civil war have only reinforced authoritarian aggressiveness and uncritical attachment to one's leaders as “fathers of the nation”. In addition, Kuzmanović shows us an increased distance towards the members of certain ethnic groups (measured on a modified Bogardus scale of social distance) and the reduced, previously statistically important, relation of social distance to certain social, demographic and psychological dimensions.

Stjepan Gredelj defined each of the dominant value orientations on the basis of the following four dimensions: a) manner of creation of social identity; b) model of social integration; c) characteristic basis for this integration, and d) the corresponding form of political culture. In this way, inclination to the characteristics of each of these dimensions serves to define the degree of adoption of one of the following three value orientations: 1. holism, which represents a remnant of socialist ideology in the new social environment; 2. traditionalism in the sense of a somewhat changed, specific form of conservatism, embodied in the instrumentalised tradition, and 3. liberalism as an expression of liberal ideology, implying the preservation of values of personal freedom and tolerance. The survey results revealed a major confusion in the views of respondents (expressing agreement with mutually exclusive positions). However, on the level of the entire population, an agreement with the traditionalist value pattern still prevails. The data show that the liberal value orientation is the least accepted in all dimensions. The assumptions concerning substantial changes in the composition and manner of thinking were not completely confirmed. Thus the majority of the most educated respondents incline towards the traditional value pattern. Experts and peasants remain within the frameworks of the typically endangered way of thinking. The stratum of the workers reveals some change. Almost equal parts of it side with each of the value orientations. The data on the managers' stratum are almost unbelievable and reveal strong dilemmas in the value domain. Namely, 83,6% of managers side with the traditionalist model and 84,6% with the liberal. Put together, the results of this research carried out in 1993, tell us that the social organization based on modern democratic principles has been postponed for an indefinite period of time.

The text of Mladen Lazić and Slobodan Cvejić entitled "Changes of social structure in Serbia: the case of blocked post-socialist transformation" is a comparative analysis of stratificational aspects of the prolonged post-socialist transformation of the Serbian society. The process of post-socialist transformation in Serbia is divided into two periods. The first, encompassing the years 1990-2000, is described as blocked transformation. The second period, since 2000 until today, is characterized as postponed transformation. It is their hypothesis that both phases of transformation are "path-dependent" and deviate from the model of "successful post-socialist transition". This does not imply just the evident fact that in the Serbian society a recognizable structure of the modern capitalist society has not yet been built, either in the forms of class

composition and class reproduction, or in social consciousness; it also implies the possibility that for achieving this goal in the near future the critical social consensus might be lacking, due to a substantial increase of the underclass and persistence of the nationalist political core. Stratificational change has been analysed in three dimensions: economic inequalities, class mobility, and value orientations. Each of these dimensions is operationalized on the basis of a set of indicators. The analysis is based on three large-scale surveys, conducted in 1989, 1997 and 2003.

## 8. Foreign Authors

The crisis in Yugoslavia, war events, disintegration of the country Milošević's regime, interethnic relations, role of the media, transition problems and similar topics have all been addressed in a fair number of books and smaller works by foreign authors. Some of these books and articles have been translated into the Serbian language and thus became more easily accessible to our professional and other public.

To illustrate this, there is a book by an American sociologist Eric Gordy *The Culture of Power in Serbia – Nationalism and the Destruction of Alternatives* (publ. Samizdat FREEB92, Beograd, 2001; English ed. 1999). The central topic of this book is the destruction of sociality in Serbia during 1990s, in a situation where the state was turned against the society. Gordy says that the destruction of alternatives is the struggle of the state against society, where the state seeks to ensure that alternatives (political, informational, musical... SV) to its power remain inaccessible, while social actors try to keep the channels of information, expression and everyday activities open. As long as the social factors are strictly limited in accessing these goods, the state has the upper hand. However, this battle cannot be 'won' by either party. Even the most authoritarian states cannot achieve the level of control necessary to make everything inaccessible (Gordy, 2002: 221). And, he rightly anticipates that a regime may remain in power as long as it manages to sustain the uncertain climate of impossibility, isolation and inevitability. Global ability for exchange of culture, ideas and information may contribute a lot to making this climate hardly sustainable and its re-creation very difficult.

The predominance of the state (regime) in destroying the alternatives here lasted a long time, but in October 2000 a balance of power was struck, and perhaps even tipped slightly in favour of citizens. Drawing to the close of our review of literature we shall point to a book by Maria Todorova, *Imagining the Balkans* (edited and published by Ivan Čolović, Belgrade, 1999) which thematically relates to intercultural communication. In order to write a book about the Westerners' perception of the Balkans and the Balkans' perception of itself and the West, i.e. a book on the complex problem of identity, Todorova had to display not only the skills of a historian, but also a large theoretical-methodological knowledge of numerous related scientific disciplines. The result is an interdisciplinary "genre" covering various areas from anthropology to literature and philosophy to sociology and history. It is important that Todorova "does not try to describe the Balkan peoples as innocent victims, nor to encourage the feeling of the original frustrated innocence" (Todorova, 1999: 11). She does not wish to spare the Balkan people "their responsibility, because the world is treating them irresponsibly, and does not wish to support the wrong idea 'that there are no protagonists, but merely those who pull the strings'" (Todorova, 1999: 12).

Todorova, among other things, wants to explain the American public, or rather to confront it with primarily negative stereotypes created about the Balkans in its midst, including the disastrous consequences they have in the Balkans itself. However, reacting against the stereotypes created in the West, she does not seek to create a counter-stereotype of the West

and fall into “occidentalism”. She points out that she does not believe in the homogeneity of the West in view of remarkable differences in Western discussions of the Balkans. She is also aware that a large part of the Western scientific thought has given substantial, if not the key contribution to the study of the Balkans. In that context, Todorova finds the greatest importance in “our conscious effort to dismiss prejudices and look for the ways to express the reality of otherness” (Todorova, 1999: 11).

Todorova's objective was to show that the geographical name of the Balkans might be transformed into one of the most abusive labels in history, in international relations, political sciences and in the general intellectual discourse. It is not difficult to guess that this label spells Balkanisation, denoting a “process of partitioning of former geographical and territorial units along national lines, to create new and in terms of their survivability, problematic statelets” (Todorova, 1999: 65). It is symptomatic, writes Todorova, that the word Balkanisation was not created in the 19th century when the Balkan nations gradually seceded from the Ottoman Empire, but after the Balkan wars and WWI, and in relation to the disintegration of the Habsburg and Romanov Empires. However, Todorova is not interested only in heterostereotypes but also in autostereotypes. In that relation, she strongly opposes the category of the “national character” for both methodological and moral reasons. She also points that the notion of the *Homo balcanicus* was used by many to project the undesirable characteristics to an allegedly Balkan creature. As for the “Balkan mentality” - one of the most often exploited mythologemes, and a technical term in numerous scientific disciplines - Todorova accepts the view of Paskalis Kitromilides who criticized our Jovan Cvijić believing that his understanding of the Balkan mentality was incompatible with all ethnic and national entities. His objection actually relates to an excessive generalization and the lack of historicism in the study of mentality.

On the other hand, presenting the views of a few modern Yugoslav authors Todorova shows that “in times of fierce crisis identities may become vague or, perhaps, frequently, more barely defined” (Todorova, 1999: 96). Thus Dubravka Ugrešić in her self-identification does not accept the limited ethnic categories and defines herself as “anational” ticking the box in the “others” column. According to Todorova, Zrinka Novak and Slavenka Drakulić with their anti-Balkan stereotypes show that “the mechanism of branding, with a clear function of relief serves the purpose of externalising and projecting suppressed worries ” (Todorova, 1999: 99). Todorova thinks that the Yugoslavs “as a whole, denied their belonging to the Balkans” and “throughout the cold war proudly refused to be in any way classified as Eastern Europe, which they despised ” (Todorova, 1999: 97-98). Todorova's next conclusion presents her view quite well: “Faced with the persistent hegemonic discourse from the West, discourse which continuously disparaged the Balkans and politicises the previously essentialised cultural differences (as is the case with Huntington), it is not realistic to expect that the Balkans would create a liberal, tolerant and all-comprising identity which celebrates indefiniteness and denies essentialism” (Todorova, 1999: 108).

The diversity of approaches to the social perception of otherness in the Balkans is, among other things, shown in Todorova's differentiation between the aristocratic and bourgeois patterns of perception. She claims that the “aristocratic hostility towards egalitarian peasant societies turned into prejudices of urban bourgeois rational culture towards what it considered a superstitious, irrational, backward rural tradition of the Balkans, of value to Europe only as an outdoor ethnographic museum” (p. 196). Todorova also cites examples of perceptions of the Balkans on racial basis. In this respect the “racial mixture” in Salonika and elsewhere was bothered the most by “infidels and heretics” meaning the Muslims and the Orthodox. This also ties in with the Balkan “handicap of heterogeneity”. The absence of bourgeois comfort

and lack of manners (indolence and carelessness) are also the reason which could make a Westerner feel ill at ease in the Balkans.

The Bulgarian historian also warns that nationalism should not be approached dogmatically but historically, i.e. depending on the time and territorial context. She condemns ethno-nationalism today and here, but notes that “all states which during the 20th century emerged in the Balkans, were the product of passionate and daring nationalism, and a substantially romanticist ideology...” (Todorova, 1999: 200). By contrast from Hungary and Poland, proponents of nationalism in the Balkans were not aristocrats, since aristocracy did not even exist, but rather the intellectuals and bourgeoisie “although the role and participation of the latter, should not be overemphasized”. After the winning of independence in the 19th century political development of the Balkan countries was determined by the social heritage of a practically free peasantry, non-existence of aristocracy, weak bourgeoisie and a powerfully centralized state.

The iconography of the Balkans in the West was, after World War II, enriched with communism as yet another otherness. Due to the influence of the USSR, the Balkans was considered “lost for the Western world” and the Russian communism also spelt “the end of Europe”. It is paradoxical, Todorova notes, that Greece and Turkey were excluded from that image. The new wave of derogatory use of the terms “Balkan” and “Balkanisation” comes with the end of the cold war and the breakdown of state communism in Eastern Europe. In that connection Todorova finds it wrong to “persistently mark the Yugoslav war as a ‘Balkan’ war”.

Concluding its stratified treatise, Todorova claims that “heritage is not eternal and let alone primeval. Three imperial traditions (Habsburg, Ottoman and Romanov, the Soviet included), despite their prolonged and profound influence are historical phenomena with their own *termini post quem i ante quem*. Every reification of their features along the stationary and unchangeable lines separating civilizations may certainly be a subject of ideological propaganda, or a superficial exercise in politicology, but it cannot be a legitimate working hypothesis for history” (Todorova, 1999: 314). In the end, Todorova sharply and lucidly uncovers the socio-psychological meaning of “Balkanism” claiming that, as of late, Balkanism is not merely a sub-species of orientalism (as defined by Edward Said), but has rather become “a convenient substitution for emotional discharge previously offered by orientalism, having relieved the West of accusations for racism, colonialism, Eurocentrism and Christian intolerance of Islam. Anyway, the Balkans is in Europe, its peoples are white, and mostly Christians, and that is why by projecting one's own frustrations on them one may avoid the usual racially or religiously coloured insinuations”.

One could say that the book *Imagining the Balkans* was written from a liberal and democratic point of view and that it invites to dialogue and protective multiculturalism (A. Heller), the meaning of which may be reduced to the fact that one should defend himself from others as well as protect the other from himself and that it, among other things, means opposing ethnocentrism and Eurocentrism. That is why this is a book which sharply, but in a substantiated way, criticises the tradition of stereotypes, mythologemes and dogmas in historiography and other social sciences and humanities, as well as in publicist work and journalism. It is a book against the essentialisation of the Balkans and the collective branding of the Balkan nations.

## 9. Foreign Policy (European Integrations)

Owing primarily to the publishing activity of the Institute for European Studies in Belgrade and the NGO European Movement in Serbia, a large number of books on the European Union, i.e. its activities and declarations in the economic, political and cultural fields have been published in this country. At the Faculty of Law in Belgrade a course in Advanced European studies has been taught for a number of years now in cooperation with the University of Nancy Centre for European Studies (France), while the Faculty of Political Sciences in Belgrade has lectures in subjects of European studies. In addition, the political elite in Serbia has declared for its incorporation into European integrations and has, in that sense, (over)ambitiously planned the SCG admission to the EU for 2007. To this effect the work on the so-called feasibility study has started.

Due to the nature of our project we shall briefly address the contents of the book *Cultural Policy of European Integration* (publ. Institute for European Studies, Belgrade, 1995) written by a sociologist of culture Branimir Stojković. The book analyses the creation and main features of the European cultural policy contained in the acts of the European Union and the Council of Europe. It is a relatively new phenomenon, since, same as politics, culture has for a large time been the privileged sphere of the national state (consecrated places, periods and persons from the national history). The strategic core of the European cultural politics is generally contained in the documents, projects and activities of the Council of Europe. The cultural policy of this main body of the EU supports a concept of cultural democracy, which enables the joint cultural heritage to be accessible to all citizens of Europe, but also allows everyone to interpret it in a way which releases his/her own creativity. The Council for Cultural Cooperation is an EU body comprising representatives of all countries which have signed the European Cultural Convention. The activities of the Council unfold within a series of multi-annual projects and *ad hoc* actions such as: Culture Industry and Creativity, Culture and Regions, the European Theatre Award, exhibition of major European artists, European year of music (1985) and cinematography (1987), The European Culture Capital, etc. It appears that, as Stojković says, the ultimate objective of the EU as a supra-national community is the “creation of the European society with value basis in the heritage of the common European culture” (Stojković, 1995: 6). But the EU has started from an economic integration to, later on, embark upon the articulation of cultural politics responding to the external challenge, especially that of the hegemon in the world culture industry – the USA and Japan. Thus, in time, the milestones on the cultural map of Europe become its cities, the culture capitals of Europe, European festivals and exhibitions and also the European film industry, European satellite channels and multilingual programmes.

The purpose of publishing this book is not only the incorporation of our country in European integration processes in the sphere of culture, but also an assumption that the Council of Europe shall be the institutional basis, and the EU a reference framework, for the renewal of bilateral and multilateral cultural cooperation among the states created on the territories of the former Yugoslavia. That, like our author says, should be regarded as yet another chance for institutional foundation of the idea of South Slavic, i.e. Balkan cultural space.

## 10. Conclusion

In conclusion we shall also in briefest terms “review” three works, providing a kind of a crosscut of trends in the political, economic and cultural sub-systems of the Serbian society. We shall, first, point to the paper of sociologist Slobodan Antonić “Social structures, political actors and democratic order” published in the book *Crab Walk – Serbia in Transformation*

*Processes* (ed. M. Lazić, publ. Filip Višnjić, Belgrade, 2000), which is a specific, and in terms of its contents richer, continuation of the book *Society in Crisis*. Antonić accepts the view of political capitalism once formulated by M. Weber. Political capitalism in Serbia emerges after the breakdown of the socialist system, in an institutional vacuum used by the new/old state elite to assume full administration over the large body of the formerly self-management social property and, more importantly, the possibilities for “irrational” profit-making outside the market (Antonić, 2000: 348). The war and sanctions created a favourable environment for diverse machinations and abuses of the statist elite, continuously justified by higher national interests. The thing which, according to Antonić, distinguished Serbia from the neighbouring countries in the last decade of the 20<sup>th</sup> century is the type of political government, gradually transformed from a “Caesarist” into a “Sultan” form. And within that framework, the party and the state apparatus are completely subordinated to a single man.

In order to give a name to the social and economic system in Serbia, in addition to the syntagma “political capitalism”, such terms as “rent-seeking society”, “crony capitalism”, etc. were used. Instead of the genuine, pseudo-transition set it in the form of “tayoconing” or “tunnelling”.

Speaking of the economic sub-system we shall focus on the text of economist Mihail Arandarenko “Economic reality of Serbia” also in the *Crab Walk*. He believes that the last remains of sound economic tissues were destroyed by the state-induced inflation. After the hyperinflation of 1994 had been curbed, came the entrenching of political capitalism by establishing the so-called managerial government, i.e. a coupling between the political elite and the old and new economic elite. That is when “coordinating teams” of the Serbian government were formed, creating an informal administrative network to eliminate the market remains. The top of the pyramid of economic power was taken by managers-ministers, followed by directors of large socialist enterprises (members of coordination teams) and further down by the few members of the new private-entrepreneurial elite with interest, political and family ties with the statist elite; then come the tested directors of medium and small sized enterprises, ending with politically unreliable directors and “ordinary” private entrepreneurs at the bottom (Arandarenko, 2000: 348). In other words, the economic sub-system of Serbia in late 1990 has the following characteristics: “The aspiration to preserve the existing ownership structure by invoking the constitutional equality of all forms of ownership, with overt or concealed non-acceptance of privatisation; autarchic development strategy of import substitution; large system at the basis of the economic structure, through which strategic control of the economy is achieved; insisting on the active role of the monetary policy and the banking system in encouraging production; retaining the regime of quotas and export-import licences with the argument of ‘protecting the young industry’; control of key prices with the free formation of salaries (‘pursuant to the productivity of labour’); retaining the high volume and the existing structure of public revenues” (Arandarenko, 2000: 348). The last decade of the past century in Serbia is rightly called “the lost decade”. These were the leaden years during which all macroeconomic aspects were drastically worsened. The social product dropped from close to 3000 dollars *per capita* in 1990, to 1640 dollars *per capita* in 1998. In that same period unemployment level grew from 20% to 26%, and hidden unemployment even more. The country went through a hyperinflation trauma and monetary instability was remarkable. The populations’ savings were zero, foreign trade and payment deficits huge and foreign exchange reserves almost completely depleted. The budgetary deficit kept increasing, as did the share of public expenditures in the GDP, but despite that, the pensions and social transfers were constantly in arrears, health and educational system were completely exhausted, and poverty was rampant.

Finally, speaking of some elements of the cultural sub-system of the Serbian society we shall single out Stjepan Gređelj's "Value basis of the blocked transformation of the Serbian society" also in the book *Crab Walk*. The author pessimistically portrays the social conscience of the prevailing part of Serbian society in 1990s. It is characterized: "by a static quality more than openness to change, which is a strong feature of traditionalism; aversion to the universalisation of the value system in the name of "true loyalties"; strong ethnocentrism, ethnic distance and primordial understanding of the nation; considerable aversion towards the Other (and Otherness, i.e. the different), thus self-containment; uncritical attitude to one's own historical past, with a still more or less mythological approach, in a mixture of pagan and orthodox myths; all-pervasive strong authoritarianism and, consequently, submissiveness to authority; excessive concern for external freedom (nationality) and substantial differentiation towards internal freedom (democracy); underdeveloped and fragmented civil sphere, by contrast from the strong militaristic impulses and territorial-expansionist revindications; majority commitment to (dependent) safety (heteronomy) which is preferred to emancipation (autonomy); economically anachronous orientation towards controlled poverty and survival strategies, with passive state clientelism prevailing over personal initiative and concern for economic welfare, on the one hand, and political capitalism (in the Weberian sense), on the other; aversion towards social and political stratification, thus also the growth of social complexity, overcoming of egalitarianism, i.e. single-mindedness; and, that notwithstanding, the political, generational, social and cultural divide, without the basic consensus on the political community, political regime, and especially the holders of social roles (institutions and leaders)" ( Gređelj, 2000: 221).

In the end, it should be said that the major weakness of economic culture research in Serbia is visible in the fact that it is not being done in a holistic, but in a fragmentary way. This weakness is pronounced even more due to the lack of coordination between the institutions that implement individual projects, i.e. individual schools and institutes that deal with the referential problematique. The positive side of studying the phenomena of economic culture in Serbia is revealed in the fact that a certain number of researchers have consciousness about the need to study cultural patterns, and that they are doing it by studying the processes of modernization (europeization) and the post-socialist transformation. DIOSCURI, as an international project, can help in the further developing the consciousness for studying economic culture as a complex, especially in the period of transition, as well in unifying independent research endeavours in a holistic, interdisciplinary and comparative investigation of economic culture in Serbia.



## Appendix

### List of Institutions that Carry Out Academic Education and Research in the Domain of Economic Culture

School of Economics of University of Belgrade, Economic Institute in Belgrade, Centre for Economic Research of the Institute of Social Sciences in Belgrade, Centre for Sociological Research of the Institute for Social Research in Belgrade, Institute of Philosophy and Social Theory in Belgrade, School of Philosophy of University of Belgrade, Institute of Sociological Research of the School of Philosophy of University of Belgrade, School of Political Sciences of University of Belgrade, Institute for the Study of Cultural Development in Belgrade.

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Arandarenko, M. (2000): "Ekonomska stvarnost Srbije" (Economic reality of Serbia), in: *Račji hod – Srbija u transformacijkim procesima*, Filip Višnjić, Beograd.

Begović, B., Mijatović, B., redaktori (2001), *Korupcija u Srbiji* (Corruption in Serbia), izd. CLDS, Beograd.

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Bolčić, Silvano (2004): "Post-socijalistička transformacija i nove radne orijentacije: Srbija 1990-2003. godine" /Post-socialist transformation and new work orientations : Serbia 1990-2003, in: *Društvena transformacija i strategije društvenih grupa*, ur. Anđelka Milić, ISI, Beograd.

Čolović, I., Mimica, A.(1992): *Druga Srbija* /Another Serbia/, izd. Beogradski krug, Beograd.

Golubović, Z.(1994): "Kulture u tranziciji u Istočnoj Evropi i Jugoslaviji: raskorak između kulturnog i nacionalnog obrasca" /Cultures in transition in Eastern Europe and Yugoslavia: the divergence of the cultural and national patterns/ in: *Kulture u tranziciji* /Cultures in Transition/, izd. Plato, Beograd.

Golubović, Z. (2004): "Elementi kritike neoliberalnog modela tranzicije" /Elements of a critique of neoliberal model of transition/, *Sociološki pregled*, No 3, Beograd.

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Gredelj, S. (2000): “Vrednosno utemeljenje blokirane transformacije srpskog društva” /Value basis of the blocked transformation of the Serbian society/ in *Račji hod – Srbija u transformacijskim procesima*, Filip Višnjić, Beograd.

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Lazić, Mladen(1994): “Preobražaj ekonomske elite” /Transformation of the economic elite/ in: *Razaranje društva – jugoslovensko društvo u krizi 90-tih*, ur. M. Lazić, izd. Filip Višnjić, Beograd.

Lazić, Mladen (2000): “Elite u postsocijalističkoj transformaciji jugoslovenskog društva” /Elites in the post-socialist transformation of the Yugoslav society/ in: *Račji hod – Srbija u transformacionim procesima*, urednik M. Lazić, izd. Filip Višnjić, Beograd.

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Marković, Z., (1997): *Korist od neprijatelja /Benefits from enemy/* , izd. Argument, Beograd.

Milić, A. (1991): “Socijalna mreža porodičnih odnosa i društveni slojevi” /The social network of family relations and social strata/ in: *Sociološko istraživanje društvenih nejednakosti i neusklađenosti Serbia in late 1980s /Sociological research into the social inequalities and disharmonies/*, research leader M. Popović, izd. ISI FF, Beograd.

Nemanjić, Miloš (2004), "Protivrečnosti nasleđenog kulturnog modela i savremene intelektualne elite u Srbiji" /Contradictories of inherited cultural pattern and contemporary intellectual elite in Serbia/, *Sociološki pregled*, No 11-2, Beograd.

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Popov, N. ur., (1996): *Srpska strana rata* /The Serbian side of war/, izd. Republika, Beograd.

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## III.8 Slovenia

Frane Adam, Borut Rončević, Matevž Tomšič and Mateja Rek

### 1. Introduction

In an interesting way the European Union's recent enlargement to encompass two small Mediterranean countries and eight post-socialist counties of Central and Eastern Europe confirms an old sociological thesis, i.e. the convergence thesis, which argues that industrial societies, regardless their socio-economic order – be it capitalist or socialist – gradually develop similar institutional structures (Kerr et al., 1962). The weakness of this thesis lies in its organisational-technological determinism while, in addition, political and social development in the last few decades has clearly been influenced by several factors ignored by this theory (see also Kerr, 1984). From a wider historical perspective, one can still speak about institutional convergence and the development of a relatively similar type of political and economic system right across Europe cumulating with Eastern enlargement of the EU in 2004.

In the last ten years the ten newest EU member-states were intensively involved in the processes of institutionally and legally adapting to the norms and standards of the EU (*acquis communautaire*), thereby gradually becoming integrated within a common economic space, while also being involved in the process of political negotiations at EU level. However, despite having the same or similar institutions, considerable differences in developmental performance remain. Whereas some believe that the sheer implementation of new institutions and policies will almost automatically bring about a reduction in these differences, others are sceptical and stress the fact that the same institutional solutions may produce different results in different environments (North, 1990). Namely, institutions are embedded in specific historical and cultural contexts, which affect the new institutional norms and rules either in a benign or malignant way. Here, we can use the term »cultural lag« in the sense of the unsynchronised relationship between the new institutions and old cultural (value) patterns (Ogburn, 1964), or even Durkheim's term »anomie« which denotes a state where the old norms become dysfunctional while the new ones have still not been established or legitimised (Sztompka, 1993).

It is not this article's intention to theoretically discuss the mutual influence of East and West culture and social change (for more information, see Berger, 1987; Inglehart, 1997, Huntington, ed. 2000, Sztompka, 1999). Deriving from the generally accepted notion of the importance of cultural patterns and on the basis of (true, not systematic) empirical data from cross-national surveys, we would like to offer some points of departure for the thematisation of the EU's cultural profile. We deal with the question of whether in the case of the EU one can speak not only of institutional but also cultural convergence and compatibility. This question stems from the assumption (or even belief) that for successful institutional decision-making certain common and synchronised cognitive and value orientations are needed. These orientations create a shared system of meaning helping to define the way of reasoning (»tacit knowledge«) and problem-solving (Trompernaar, 1993). It could be said that while on one hand cultural diversity is clearly one of Europe's »treasures«, on the other side without some shared meaning and understanding any kind of collective action and co-ordination between actors at the EU level is hardly possible. At this point, we come close to the distinction between more formal systemic (institutional) and informal social integration. The EU is

evolving from a predominantly system type of (top-down) integration towards a more socially (bottom-up) integrated entity where (transnational) networks of actors and civic (interest) organizations involved in mutual exchange and co-operation is in the process of formation. The cultural aspect in the sense of mutual understanding and trust is, in this context, very important for it – economically speaking – reduces the so-called »transaction costs« of governance and business conduct (Clegg, 1990). This aspect is also crucial for articulating the common European identity.

We seek to answer the question: in which areas do the conditions exist for social integration and cultural compatibility? We embrace four concepts that partly overlap and form distinct categories: 1) civilisational competence (»history matters«), that deals with differences in historical heritage and experience; 2) Inglehart's »cultural zones«, where the focus is on secular-rational culture; 3) political (civic) culture, which is important for the functioning of democracy; and 4) economic and business culture, that is important for the functioning of a market economy.

## 2. Civilisational Competence or History Matters

The point of departure is the assumption that the effects of modernisation and institution-building are co-determined by the historical context. For a developed, democratic and market society to operate, several resources seem indispensable. Capital, technology, infrastructure, skilled labour force, a robust middle class, an efficient civil service, a professional political elite would be some obvious examples. But there is also a less obvious, underlying cultural resource which may be called "*civilisational competence*" - a complex set of rules, norms and values, habits and reflexes, codes and matrixes, blueprints and formats the skilful and semi-automatic mastery of which is a prerequisite for participation in modern civilisation (Stompka, 2000). Previously established patterns and norms of decision-making follow the iron logic of self-reproduction and inertia. In the social sciences, including economics, the thesis is widespread that historical legacy and historically derived patterns of behaviour exert a negative or positive impact on later developments (so-called path dependency). In order to more precisely define this impact of historical legacy and to avoid a deterministic view – namely, some countries like Ireland or Finland have been able to transcend their negative historical legacy and make a breakthrough from a peripheral position to an innovative core – the term 'civilisational competence' has been coined (Stompka, 1993; 1999). According to our re-interpretation of it, it denotes the latent structure of cognitive, normative, expressive and motivational elements which has become entrenched and transmitted from generation to generation enabling individuals and collectivities to orient themselves in the complicated modern world. The second assumption is that some common historical experience as a basis for the development of civilisational competence would make the EU system and social integration more effective and faster. The four main components of civilisational competence can be identified as follows:

*Work and vocational ethic* is particularly important in industrial societies and manifests itself in a high value preference for work, work discipline, responsibility, respect for agreements and deadlines, and identification with the company.

From an economic perspective, a correlation exists between the work ethic and productivity<sup>113</sup>. Recently of course greater emphasis has been placed on innovativeness,

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<sup>113</sup> Research suggests that positive attitudes toward work and work ethic are more important to job success and employability than knowledge or skills (Cherrington, 1980; Crosby & Petrosko, 1990; Petty, 1983; Pucel, 1993; Yankelovich, 1985). Employers consider work ethic an essential attribute of job applicants and incumbent workers. A survey of managers (Lipset, 1990) found that almost 80 percent of them agreed that productivity is suffering because the work ethic has eroded.

training, flexibility, professional (vocational) self-regulation, and on entrepreneurial spirit. But all of these elements can only evolve from basic work ethics and industrial culture. Although some elements of work ethics from religious teaching and everyday culture emerged before industrialisation took place, it can be argued that this component of civilisational competence has a strong relationship with the spread of modern (capitalist) enterprises and handcrafts. This process progressed incrementally and in some cases with a great delay from North and Western countries to Eastern and Southern regions (see Berend, 2001).

*The capacity and motivation for collective action and self-organisation:* the possession of organisational "know-how" in the sphere of politics and civil society as well as in the business sphere. The *civic culture* (Stompka, 2000) is indispensable for participation in democratic polity. Some of its components include: political activism, readiness to participate, concern with public issues, rules of law, discipline, respect for opponents, compliance with the majority, and the like. In the early phases (the early twentieth century) this revealed itself in the establishment of organisations, co-operatives, newspapers, as well as business associations on a national-ethnic basis (here we refer to the situation in the Austro-Hungarian monarchy). All these forms of organised sociability refer to the notion of a civic tradition (Putnam, 1993). Recent data show that voluntary organisations are most dense in the North-western part of Europe, while in Central and Eastern Europe (CEE) they are quite strong in Czech Republic, Slovakia and Slovenia and this can be explained by the impact of the civic participation inherited from earlier periods.

*The internalisation of formal-legal and bureaucratic discipline:* a feeling for, what Stompki (2000) describes as lasting cultural codes: the distinction between the formal and informal, the public and private, the readiness to comply with the authority of institutional rules, the past and the present, fate and human agency, negative and positive freedom, mythology and realism, West and East and usefulness and truth. Only from these, albeit possibly ambivalent value bases, a legalistic culture that will work against clientelism, nepotism and corruption, can develop. As indicators an indicator we could use data relating to issues like the spread of corruption and bribery among civil servants or, on the other side, data indicating confidence in institutions. Although we do not have historical data available we can assume – again speaking about (semi)peripheral parts of Europe – that the countries that once belonged to the Austro-Hungarian model of bureaucracy inherited somewhat more ‘appropriate’ patterns – in a sense of their compatibility with the ones in the Western Europe – than other Eastern European countries.

*Basic functional knowledge* (here one can refer to functional literacy): this allows individuals and communities an elemental understanding of social change and enables them to adapt more easily in response. This refers to a series of factors that allows people to be well-informed and to understand basic technical and social processes. Such knowledge is acquired through education processes, through the media, and through informal learning. It can be argued that at least some parts of East-Central Europe have developed basic schooling comparable with Western parts of Europe and were better off than Mediterranean countries.

After 1989 new factors have appeared which, paradoxically, help to preserve the pre-revolutionary legacy, blocking the emergence of civilisational competence. First is the widespread *anomie* or axiological chaos, common disorientation to the binding norms and values, valid rules, right ways of life. Old patterns have fallen down; new ones have not yet been legitimised. Thrown into uncertainty and devoid of moral guidance, people feel isolated, lonely, and turn their resentments against others. Interpersonal suspicion, hostility, and hatred destroy whatever social bonds have been left intact by totalitarian rule. Second, the emergence

of new opportunities to raise social status by access to wealth, power, and prestige generates *brutal competition*, in which stakes are high but rules of the game are undeveloped. Civility, fair play, and co-operative attitudes do not find conducive ground to put out roots. Third, rigid *social controls*, both external and internal, are suddenly released. Police force and the judiciary get disorganised and lose any legitimacy they might still possess. The law is undermined by the claims that its totalitarian origins make it illegitimate and not binding. If law is considered unjust or anachronistic why should one comply? This is not a helpful condition for establishing the rules of law as the fundamental principle of democracy. And fourth, there are the unintended costs of *opening toward the Western world*. The flow of consumer mass culture of lowest quality arrives first, before any truly valuable products, and brings pornography and drugs, brutality and mysticism, organised crime and deviant ways of life.

In this way the civilisational incompetence which had originated and evolved (on the conducive soil of civilisationally backward societies) in the period of real socialism and preserved by the logic of pre-revolutionary conspiracy finally has been enhanced by the unintended side-effects of revolution that still haunt Eastern and Central Europe.

### 3. General Historical Framework

The development of civilisational competence is analysed over an extended time period, which can be divided into three or four sections: the first extends from the end of the nineteenth century and beginning of (industrial) modernisation up until 1918; the second runs from 1918 to 1945, and the third from 1945 (or a few years later) until 1990.

Rupnik (1999) stated that up until 1918 the majority of Central European nations lived within the Austro-Hungarian empire (Poland was then divided and about 5 million Polish people were living within this empire). Although within the empire they held a subordinate position (with the part exception of Hungary after the so-called dualism of 1867), these countries nevertheless progressed in certain respects. One could say this significant progress was a result of the confrontation (in the period of national awakening after 1848) with the central imperial authority and the German-speaking minority (especially in the case of Slovenia and the Czech lands) that played a dominant role in the business sphere, in the civil service and even within civil society as it was the first to begin founding its own newspapers, organisations and associations. If Slovenians and Czechs wanted to succeed in their opposition to German domination based on modern technical and organisational grounds, they had to imitate and appropriate the German patterns of organisation and lifestyle, indigenise them, accord them national features and link them to their own tradition. Slovenians also appropriated many forms of economic, political and civic organisation from the economically and culturally more developed Czechs, whom they considered as their (Slavic) allies in the fight against German domination. One example of such borrowing is Krek's co-operative movement in Slovenia (at the end of the 19th and beginning of the 20<sup>th</sup> centuries) which reveals evidence of Czech and German models.

Generally speaking, we can say that during this period the Czechs gained the most civilisational competencies, followed by the Hungarians who were in a better position politically speaking. As far as Slovenians are concerned, we can observe the development of both a work ethic and the foundations of a legal culture during this period; however, they progressed most significantly in organisational know-how and in basic levels of literacy.<sup>114</sup>

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<sup>114</sup> In the region covered by the present-day Slovenia a relatively high level of literacy was attained during the early twentieth century. In the generation born between 1890 and 1900 only 3% were registered as illiterate (Hočevar, 1979). In this aspect, Slovenia was significantly better off than the remaining regions of both the first and second Yugoslavias (Gabrič, 2000). However, data from the recent international

An economic historian describes this progress in the following way: 'Basic modernisation refers to the institutions of both the tertiary and quarterly sectors: basic and vocational schooling, agricultural publications, a diversified system of savings and loans, agricultural acquisition and selling organisations (cooperative associations) as well as other activities upon which agricultural production and the modern farmer's lifestyle was based' (Hočevar, 1979, 45). In other words, one could say *that civilisational competence began to develop even before industrialisation and urbanisation*. In the early twentieth century Slovenia was – as the majority of other parts of Central and Eastern Europe - still an agrarian, provincial society. Data showing the numbers of industrial plants clearly indicate this; in Carniola (Kranjska – the central part of contemporary Slovenia) there were 29 plants for every 100,000 inhabitants in 1914; in Austria per se there were 60, and 94 in the Czech lands (Hočevar, 1965, 45).

During the inter-war period (1918-1940) Czechoslovakia was, as mentioned above, the only industrially developed and democratic country in the region. Slovenians – thanks to their relatively well-developed civilisational competence – joined the Kingdom of Yugoslavia (previously the State of Serbs, Croats and Slovenians) immediately becoming its most developed nation or region. The economic data clearly indicate that Slovenia's GDP per capita during this period was 70% to 100% greater than the Yugoslav average. This ratio – which some argue was set in place as early as 1910 (if we take into account the regions that formed the Yugoslav federation after 1945) – remained unchanged during socialist Yugoslavia (Hočevar, 1965, 115). During the inter-war period, organisational and cognitive capacities influenced the significant development of local entrepreneurship.

Communist modernisation was relatively successful at the levels of extensive industrialisation and urbanisation as well as economic growth (see Therborn, 1996). In these terms, one may speak

of an alternative modernisation (Arnason, 2000) instead of a 'fake' modernisation<sup>115</sup> even though, at the end, it turned out that – a fact recognised even by the model's most ardent supporters – this sort of modernisation was deformed and that it could not compete with the Western model of (democratic) capitalism. Weber drew attention to this on the basis of theoretical analysis alone right after the October revolution, as did Parsons in the late 1960s (see Adam, 1992) and Berger in his famous work on 'capitalist revolution' in 1987. It is true that communism subverted two basic components of civilisational competence, self-control and self-initiative; despite this, certain civilisational competencies did develop and others were preserved (formally and above all informally reproduced). One must take into account that the accelerated industrialisation and formation of large state institutions (including in education and science) required at least a minimal level of work and professional ethics. One should also mention that a certain level of civilisational competence also existed during real socialism: 1) regardless of the regime in power (all existing influences could not be thwarted, and the regimes did not set out to do so, as they needed certain levels of civilisational competence – after all, people did live in a modern age); 2) in spite of the regimes (the regimes did attempt – either intentionally or not – to suppress certain patterns but they were

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investigation concerning functional literacy show that 42% of Slovenian respondents are functionally illiterate – compared with only 16% of Czechs or 35% of Hungarians. This provides a warning that this positive historical heritage was not made full use of (see the Human Development Report 2000).

<sup>115</sup> The first socialist project embarked on forced, imposed modernisation from above, hoping to escape from pre-modernity by means of command economy, authoritarian rule, and rigid "thought-control" (Koestler, 1975). They were "modernising societies, which, in seeking to catch up with the more developed, selected and totalised the Jacobin ideological and institutional elements of modernity" (Eisenstadt, 1992, 33).

The result was not authentic modernity, but what I would propose to call "*fake modernity*" - the incoherent, disharmonious, internally contradictory combination of three components: (a) imposed modernity in some domains of social life (industrialisation, urbanisation, bureaucratisation, technological advancement, educational progress, etc.); (b) the vestiges of traditional, pre-modern society preserved in other domains (paternalism in politics, barter economy, nepotism, particularistic principles of status, etc.); (c) the cultural effects of real socialism blocking the way to modernity incapacitating the system from within, up to its ultimate destruction (by a mechanism akin to a self-destroying causal loop).



not always successful); and 3) thanks to the regimes (in the final phases of communism a certain openness and internal liberalisation was allowed to develop and the regimes began to learn the advantages of adaptability).

In terms of the last dimension, there are great differences among individual former socialist countries. Yugoslavia's experience stands out (and, within Yugoslavia, that of Slovenia); Hungary also became more liberal in the later phases. One should also mention here the uniqueness of the Polish case, particularly the phenomenon of the Solidarity movement which developed on the basis of self-organisation.

During this period, Slovenia attained a (relative) advantage in terms of work organisation and management as it developed more intense contacts with Western companies and a significant percentage of Slovenian managers became acquainted with the rules of the market (they acquired more self-initiative). However, one should also note that the roots of Slovenia's advantages evident in terms of the highest GDP per capita among the transition countries can in fact be traced back to earlier periods. Along with Slovenia, Hungary also progressed in terms of civilisational competence, as did Poland albeit to a smaller degree. In the case of the Czech Republic, the era of communist modernisation was to a great extent unproductive (Benaček, 2001).

#### **4. Geographical (Geo-political) Position**

Even a quick glance at the map of Europe tells us that certain transition countries share a border with a Western European country or an EU member-state, while others do not. Is this simply a banal detail or a fact with deeper significance? Given the discussion thus far one can agree with the statement that a geographical (and geopolitical) position can have serious repercussions (see Whitehead, 1999).<sup>116</sup> It is characteristic of Central European countries to share a border with at least one Western European country. This (once again banal) circumstance allows us to speak of Central Europe in the geographical sense, not only in the case of Eastern and Western Europe. If we look at the map of Europe more carefully, we observe that Slovenia and the Czech Republic have two Western neighbours while Hungary, Poland and Slovakia have one such neighbour; Estonia and Croatia share maritime borders with Western European countries, the former with Finland, the latter with Italy. Lithuania and Latvia do not border with any Western country, while Bulgaria borders with Greece which actually does not belong to the modernised core at all.

The geographical proximity facilitates the diffusion of innovations and the so-called international demonstration effect. The former process concerns the expansion of technological and social innovations (including civilisational competence) from the innovative centre to the (semi) periphery, and comprises different forms from mechanical imitation to creative reproduction. The latter case refers to patterns of behaviour, work, lifestyle and consumption that operate as normative standards; more developed areas operate as a point of reference to which less developed regions compare themselves<sup>117</sup>. Some analysts

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<sup>116</sup> It is instructive to note following statement: 'For now the constraints of geopolitics have been eased (more for some than for others), but in no case have they been abolished. Geography may not entirely dictate any nation's destiny, but Central and Eastern Europe is a region where its effects are likely to remain pivotal' (Whitehead, 1999: 79).

<sup>117</sup> Domanski (2004) emphasises the dangers which stem from the old West-East divide of Europe. On the one hand, there may be a deterministic interpretation of CEE as political, economic and cultural periphery, which leads to paternalistic attitudes and belief in one-way transfers of knowledge and decisions. This may legitimize unequal treatment and exclusionary political action on the part of Western Europe. On the other hand, the people of CEE may tend to adopt what can be termed a 'claimant' attitude towards the West. The ideology of 'catching-up' and a sense of having being wronged in the past reinforce acceptance of the role of recipients of external influences and of wealth generated in the West, as well as the image of the European Union as a bureaucratic institution, to which claims are directed. This may entail passive behaviour on the part of CEE societies and lack of solidarity with 'the outsiders' remaining outside the new EU boundaries. Instead, there is a

have pointed out the negative aspects of this process that come to light in attempts to appropriate patterns of consumption without the related patterns of production (Janos, 1989). Distance from the innovative centre increases levels of underdevelopment. Or, in other words, the further a country is situated from the centre – in this case the group of the most developed EU member-states – the greater is the possibility that the country will inherit a weaker civilisational competence and thus a weaker basis for modernisation. Even economic and historical studies in the period from the end of the eighteenth to the middle of the twentieth century discovered the ‘extraordinary geographically emphasised pattern of regional income disparity’ (Janos, 1989). Sociologically speaking, we can explain this in terms of Ashby's law of requisite variety which says that a system can cope with an ever more complex environment if it develops greater internal variety. Central European systems were more exposed to the influences of the more complex (Western) environment and had to react sooner, adapt and increase their own complexity. This was only possible through the strengthening of civilisational competence.

Analysing the process of modernisation and the consequent emergence of civilisational competence means proceeding from the assumption of the existence of an innovative core, semi-periphery and periphery. We always encounter first-comers and late-comers, trend-setters and trend-followers. If one were to reconstruct the historical legacy of the old EU members (the EU-15), some differences would appear. Like the CEE and new members of the EU, these countries also do not share the same historical path. It is true – especially if we do not apply very rigorous criteria – that most of them can be considered part of the modernisation core (centre) yet countries like Spain, Ireland and especially Portugal and Greece have for a long time been at the periphery of this core group and have had more in common with the semi-peripheral countries of Central and Eastern Europe. In general, it can be argued that the countries or regions that once belonged to the Austro-Hungarian empire – like Hungary, Slovenia, Slovakia, Czech Republic but also to some extent Poland and the Baltic states – and sharing borders with one or more members of the modernised core (EU-15) are considered semi-peripheral Central and Eastern European countries on average having somewhat more developed civilisational competencies.

## **5. ‘Cultural Zones’ in Europe**

The approach developed by Ronald Inglehart is in some respects similar to the previous one. He sought to detect the existence of certain ‘cultural zones’. However, in contrast to the previous historical and qualitative analysis he did so by utilising data from the World Values Survey. He shows in his analysis that these zones are distinct from one another with respect to their value systems. These zones also persist when they are tested for levels of economic development and exert important social, political and economic consequences (Inglehardt 1997; Inglehart, 2000).

Inglehart argues that persistence or changes of values is linked with socioeconomic development that brings rising life expectancies and rising levels of existential security. Moreover, expanding markets and social mobilization increase human interactions and horizontal networks among societies, that tends to transform authority relations into bargaining relations, emancipating people from rigidly hierarchical ties that restrict human autonomy (Weber 1954; Coleman 1988). As this happens, peoples' prevailing value orientations tend to be reshaped in ways that have been described in various terms, such as the emergence of "civic cultural" values (Almond & Verba, 1963), "individual modernity"

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need to recognize the capacity for action and foster social mobilization in CEE, so that its peoples can contribute their values and activities to Europe as a whole.

(Inkeles, 1983), "postmaterialist values" (Inglehart 1977, 1990), "liberal values" (Brint, 1984), "anthropocentric values" (Bürklin, 1994), "emancipatory values" (Clark, 1998; Welzel, 2001) or "self-expression values" (Inglehart & Baker, 2000). Whatever the terminology, most theories of value change converge in the notion that traditional-deferential orientations, that subordinate the individual to the community, tend to give way to growing emphasis on autonomous human choice and individual self-expression.

Following Inglehart there are two key dimensions of cross-cultural variation on whose basis he constructed his cultural map and which also helped determine these zones. The first is the *difference between 'traditional' vs. 'secular-rational' orientations to authority* and the second is *between 'survival values' vs. self-expression values*. The position of countries on the cultural map is thus determined according to scores in these two dimensions. It should be noted that these dimensions touch on a number of relevant value orientations. The 'traditional' vs. 'secular-rational' not only denotes the relative importance of religion, but also the importance of family ties, deference to authority, avoidance of political conflict and emphasis on consensus over confrontation. Societies on the traditional end of the continuum are more religious and more likely to emphasise traditional family values, social conformity over individualism, favour consensus, support deference to authority and have higher levels of national pride than societies on the secular-rational end of continuum. On the basis of Inglehart's explanation it seems that 'secular-rational' value orientations offer a better basis for the adoption of more flexible and complex organisational models and working processes, typically adopted in more advanced economic sectors in rich societies. Indeed, the 'map' shows there are no highly developed countries that express highly traditional orientations. There are important differences among them, of course, and some countries like Ireland or the USA are inclined to the more traditional part of the continuum. However, no developed country, including Confucian Asian countries, was very traditional in this sense (Inglehart, 2000: 85).

One of the central dimensions of the survival vs. self-expression continuum is the polarisation between materialist vs. post-materialist values. The shift from the former to the latter is related to successful economic development (Inglehart, 1997). Societies emphasising post-materialist orientation are high on interpersonal trust, exhibit relative openness (tolerance of outgroups), support gender equality etc. No advanced industrialised country shows strong 'survival' orientations. Most of them show quite strong 'self-expressive' orientations.

There is a strong relationship between value orientations and economic development. This relationship works both ways. On one hand, successful economic development causes a shift from survival towards 'self-expressive' values, thereby laying the foundations for a progression towards more sophisticated production with higher value-added and more proactive integration into the world economy. As noted, the most developed countries are located at the 'self-expression' and 'secular-rational' end of continuum. The poorest countries in the sample, on the other hand, are located on the other end, and exhibit survival value orientations and an inclination towards traditional authority.

Are the new EU member-states from Central and Eastern Europe 'compatible' with the most developed countries, especially those of the European Union? Indeed, one cannot offer a straightforward answer on the basis of Inglehart's data.<sup>118</sup> Namely, with respect to traditional

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<sup>118</sup> The empirical evidence presented by Inglehart tends to suggest that the two opposing views on whether changes in value structures are economically or culturally determined are both true because values affect institutions and therewith social and economic interaction (behaviour). To disentangle the complex relationship between values, institutions and behaviour richer data are needed that the European and World Values Survey provides. There is need for surveys with proper information on institutions and behaviour and a longitudinal design assessing changing values (Muffels, 2003, 437).

vs. secular-rational authority the data shows that although these countries are more inclined towards secular-rational authority – with the exception of Poland – there are substantial differences among them. For example, while some countries are located close to the intermediate position, others like the Baltic countries and the Czech Republic are among the most secular-rational countries in the world. However, with respect to the survival vs. self-expression dimension there are substantial differences between these countries. While some like Slovenia and the Czech Republic are quite close to the self-expression end of the continuum (but still far behind countries from Northern and Western Europe), others express strong survival values.

This data shows that most of these countries belong to at least two cultural zones. First, they are all part of the big and diversified zone of ex-communist countries. As mentioned, there are substantial differences between these countries, but they are nevertheless relatively similar with respect to the aforementioned characteristics. Second, they either form their own small cultural zone or belong to a larger one. Three Baltic countries form their own distinctive zone, characterised by secular-rational authority and strongly emphasised survival values. Other countries (the Czech Republic, Hungary, Poland, Slovakia, and Slovenia) also belong to ‘Catholic Europe’ (along with countries like Austria, Italy, Spain, France, and Portugal...). This means it belongs to a group of countries with moderate orientations with respect to both dimensions. That implies there are certain differences among these countries, but these differences are not great enough to justify the introduction of a new cultural zone. This dual position is undoubtedly a legacy of these countries’ common communist anti-traditionalist past and a reflection of the relatively unfavourable economic situation (prevalence of survival values).

An additional insight for the comparison of Eastern and Western countries in the EU can be offered by survey data from the European Values Study. Considering two basic value dimensions, labelled the autonomous/socio-liberal dimension and the normative/religious dimension. The first dimension refers to non-materialism, autonomy, the right for women to develop themselves socially, tolerance toward ethnic groups. It also refers to political values such as postmaterialism, protest proness, favouring democracy and environmentalism. Typical »normative« indices were: religiosity, emphasis on marriage and the family, the rejection of abortion, the importance of work, the emphasis on authority and general trust in international organizations. Normative values also imply civil morality (rejecting illegal actions and self-interest), stressing the need for solidarity within society.

The autonomous/socio-liberal dimension correlates especially with the East-West distinction, with Eastern European countries showing lower values in this dimension (Hagenaars, Halman, 2003). Similar distinction have been observed by Stompka (1999) and Adam (2004) who express these difference in terms of interpersonal trust. Interpersonal trust is an important element of the survival vs. self-expression dimension. High levels of trust that come hand-in-hand with ‘self-expression’ value orientations are among the key elements of more flexible network forms of organisations. Thus, the low levels of interpersonal trust that is typical for post-socialist societies also represent a culturally determined obstacle in their efforts to move towards more sophisticated forms of production (Sztompka, 1999; Adam et al., 2004).

Answering the question of the cultural compatibility of the new EU member-states with the old European Union member-states is thus not straightforward. Further, there also are important differences among the latter ones. One can see the existence of two, perhaps even three cultural zones. In addition to the ‘Catholic’ one, there is also Protestant Europe with its ‘self-expressive’ and ‘secular-rational’ value orientations (Northern and Western European countries). Britain and Ireland constitute the third zone, emphasising ‘self-expressive’ but not

‘secular-rational’ orientations. Thus, one could say that the new EU entrants fit quite nicely into the cultural map of EU countries as part of the so-called ‘Catholic’ cultural zone.

It can be expected that in the future successful economic development will be followed by a shift towards a self-expressive value orientation. Indeed, this is the most important difference between the new entrants and more advanced countries of the EU and also generally between more and less affluent countries. Differences in GDP are not only denoted differences in material wealth, but also point in the direction of the varied structures of national economies where larger shares of the service sector have developed and higher value-added that require different management styles and organisational models.

## 6. Political Culture

If we compare different countries regarding their political culture, we must be aware of the complexity of this concept.<sup>119</sup> Namely, as stated by Lucian Pye political culture is »the set of attitudes, beliefs, and sentiments which give order and meaning to a political process and which provide the underlying assumptions and rules that govern behaviour in the political system« (Pye, 1968, 218). What is in our interest here is a democratic political culture, i.e. values and behaviour patterns, compatible with democratic principles and supportive of democratic development.<sup>120</sup> Namely, we intend to examine the different elements of political cultures in Central and Eastern European countries focusing on their compatibility with those in established EU members.

In historical terms, most Eastern and Central European countries were part of the European (semi-)periphery (Janos, 2000; Berend, 2001) meaning they were so-called 'late-comers' not only in the sense of economic modernisation, but also in the cultural sense. They were characterised by a wide cultural gap between the educated elite and ignorant masses, and slow and partial secularisation with the strong role of the church (the Catholic one in Central Europe, the Orthodox one in Eastern and South-East Europe). (The only exception was the Czech lands, where the process of secularisation occurred earlier and was more thorough.) Such circumstances provided weak grounds for the formation of a democratic political culture based on cherishing freedom, autonomy and the liberty of the individual, on the appreciation of pluralism and on the participative orientation of the population. Instead, the majority of the population was characterised by ‘subject’ mentality, manifested in its submissiveness and passivity. On the other hand, the dominant elite was characterised by its sense of superiority, manifested in their lofty and paternalistic attitudes toward the ‘common people’.<sup>121</sup>

One can say that ‘real socialism’ was not totally alien in the Central and Eastern European tradition but in many ways was a continuation of the authoritarian tradition. What was new messianic totalitarianism deriving from the utopian project of creating a 'new' society according to the postulates of Marxist-Leninist ideology. The overwhelming control over the whole society it produced destroyed the already weak liberal and democratic tradition that existed before the communists took over power.

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<sup>119</sup> Particular elements of political culture could be in different ways related to different aspects of political system or there could even be a tension between them. For conceptualisation of political culture in a modern, highly differentiated society, see, for example, Berg-Schlosser and Rytlewski 1993.

<sup>120</sup> What is meant by democratic political culture highly matches the concept of civic culture as established by Almond and Verba (1965) in their famous comparative study on political culture in five countries.

<sup>121</sup> Even the intelligentsia that was the educated in this way society's 'enlightened' minority was to characterised by this sense of superiority – a trait that was not particularly compatible with democratic political culture (Szablowski, 1993; Bozoki, 1999).

Given the prevailing authoritarian tradition of Central and Eastern European societies that has communist as well as pre-communist origins, many observers (especially in the first half of the 1990s during the initial period of post-communist transformation) saw political culture as a problematic factor that could cause destabilisation or even the return of authoritarianism. What was often cited was a lack of 'diffuse support' characteristic of established democracies, meaning that an evaluation of the government and legitimacy of the regime were tightly connected (Pridham and Lewis, 1996,1). The support of government was supposed to strongly depend on its performance in the economic field which meant problems because, in the event of a serious deterioration of the economic situation, egalitarian paternalism and authoritarianism (which were present latently) could arise again and threaten democratic stabilisation.

What is the state of political culture in the Central and Eastern European countries that recently became new EU members? We analysed different aspects like attitudes to democracy (perception of democracy as a form of government, support of a democratic regime, attitudes to parliamentarianism), institutional trust, participative orientations and individualism (vs. collectivism), evaluating them through data drawn from several comparative research surveys (*New Democracies Barometer*, *New Europe Barometer*, *European Value Survey*).

In general, in CEE countries we can witness relatively strong support for democracy. According to the *European Value Survey (EVS) 1999/2000* which contained EU members and fourteen transition countries (including all of the recent new members), the principle support for democracy as a form of government (those agreeing with the statement: »Democracy may have problems but it's better than any other form of government«) was, among the then transition countries, the highest (surprisingly) in Croatia (95.6%),<sup>122</sup> followed by the Czech Republic (92.8%) and Slovenia (90.4%) (the lowest figures were for Russia and Ukraine).<sup>123</sup> However, other data paint a somewhat different picture. According to the *New Europe Barometer (NEB) 2001*, more than four-fifths of Central and Eastern Europeans reject any return to Communist rule. Yet, the share of those who prefer the former type of rule is not negligible in some countries (30% in Slovakia, 23% in Slovenia and Poland). In some of them – especially in the Baltic states – considerable support for a dictatorship is also seen (indicated by agreement with the following statement that it is »best to get rid of Parliament and elections and have a strong leader who can quickly decide everything«) (40% in Estonia and Lithuania, 38% in Latvia) (Rose, 2002).<sup>124</sup>

Despite the general acceptance of a democratic form of government, the level of trust in political institutions is also considerably lower than seen in Western countries. According to *EVS 1999/2000*, trust in the Parliament as the most fundamental democratic institution is on average considerably lower than in the EU, although in some CEE countries (Slovakia, Hungary, Slovenia) it is comparable to some EU countries (Greece, Italy, Ireland). This also applies to trust in both the justice system (although in some new members – Latvia, Slovenia and Poland – it is comparable or higher than in certain old members, especially Italy and Belgium) and in the police (only in Greece is such trust lower than in most CEE countries), while differences between the 'old' and 'new' EU members regarding trust in the civil service are smaller (although in the first trust is still on average higher). Difference in institutional

<sup>122</sup> The results are surprising for Croatia due to the (semi-)authoritarian rule of President Tudjman seen in the 1990s and who was thus (re)elected a couple of times, indicating certain elements of an authoritarian political culture.

<sup>123</sup> The respondents who said »don't know« or who did not answer the question are excluded.

<sup>124</sup> It has to be said that there are big differences in the data on the support of democracy and endorsement of undemocratic alternatives in Central and Eastern European countries as collected in the *New Democracies Barometer* and the *New Europe Barometer* surveys, carried out in different years. For example, in Slovenia 27% of respondents expressed support for a dictatorship in 2001. In the 1998 survey (*NDB V*), this share was much lower – 13%, yet in the 1994 survey (*NDB III*) it was much higher – 41%. We can thus see strong fluctuations in values of certain indicators which makes it hard to assess the situation.

trust is shown in the *New Democracies Barometer V* with the comparison between CEE countries and Austria (a country in many ways culturally similar to them) regarding confidence in institutions as shown in Table \_ where it is evident that such confidence is higher on average in the latter.

**Table 1: Trust in Institutions (share of those who trust)**

	Austria	Av. of 4 transition countries	Czech Rep.	Hungary	Poland	Slovenia
political parties	17	11	15	11	9	11
courts	53	31	25	39	30	29
police	54	32	29	35	32	34
civil service	31	30	27	32	28	34
government	28	24	26	25	23	21
military	32	40	31	40	53	34
parliament	31	21	15	25	25	20
state president	41	50	60	53	40	45
prime minister	45	39	50	33	36	36

Source: *New Democracies Barometer V*, 1998.

\* Scale from 1 to 7, where 1 represents no trust and 7 great trust. 5-7 is classified as trust, 4 as neutral and 1-3 mean no trust.

The participative orientations of people from new EU members in terms of their propensity to participate in some forms of political action (like signing a petition, joining in boycotts, attending lawful demonstrations etc.) is also on average lower than in established democracies, especially Scandinavian and Benelux countries – according to *EVS 1999/2000*. The only exception is the Czech Republic. The others are comparable to the three Southern European countries Spain, Portugal and Greece.

The modern democratic political orientation is based on individualism, i.e. the propensity of citizens to take responsibility for their interests into their own hands (while collectivistically-oriented people are inclined to depend on the government or another collective entity which thus keeps them in a position of subjects). In this regard, populations in CEE countries still have strong collectivist/paternalistic sentiments.

The legacy of state socialism is the overwhelming sense of dependence on central decision makers, and hence, what Domaski (2004) calls the 'claimant' behaviour. There is also an ingrained idea of entitlement, rather than effort, as the basis for social and economic achievements. Following reasons indicate why CEE societies need to escape their roles as claimants. First, such a role means acceptance and reproduction of the old European division into core and periphery, with enhanced dependence on the West. Second, claimant attitudes entail passive behaviour of companies, institutions and society at large, freeing them from responsibility for their own situation. Third, this means short-term orientation of policymakers and ineffective governance in the contemporary global economy, which requires strategic thinking and bold action on the one hand, and regionally tailored solutions on the other hand. Finally, the over-emphasis on 'our' rights hardly leads to solidarity among European nations. This may foster suspicious attitudes towards 'the outsiders' remaining outside the new EU boundaries.

According to the *NDB*, the majority of Poles (52%), Hungarians (65%), Slovenians (68%) and others see the state as being responsible for everyone's economic security, while less than half of Czechs agree with this (43%); and on the other side, in Austria, a considerable majority of the population see individuals as responsible for this (63%).

A concept close to political culture is legal culture (one could also define it as an aspect of it), i.e. people's perception of legality, their appreciation of consensually accepted legal norms and rules of conduct and their propensity to act in accordance with them. We took data from the *EVS 1999/2000* on people's justification and perception of bribery ('accepting a bribe in the course of their duty') as an indication of the state of legal culture. It shows that on average more respondents from CEE justify accepting a bribe than is the case for other European countries. Further, more Central and Eastern Europeans also perceive this as a common practice in their country.

The new EU members are characterised by a heterogeneous political culture composed of communist and pre-communist, religious and secular, authoritarian and libertarian elements. Values of individualism, competition and self-confidence (civic orientation) co-exist with values of state dependence and need to be guided (traditional paternalist orientation) (Plasser and Ulram, 1996). In such an intermixing of value orientations, one can witness many inconsistencies in citizen's attitudes to democracy that mostly derive from the turbulent post-communist situation. Yet, the strong presence of etatist sentiments can, in general, be discerned as an element that differs them from the majority of Western European countries, indicating the influence of socialisation in communist systems on people's attitudes. What is also evident is the low trust in some key democratic institutions, especially Parliament. On one hand, this could be due to their low levels of efficiency and lack of responsiveness but, on the other hand, a consequence of the abovementioned socialisation of people from CEE in an authoritarian political framework and thus their lack of democratic experience and habits.

In general, we cannot characterise the political culture of the new EU member-states as weakly democratic or even authoritarian since all the data available show high levels of declarative support for a democratic form of government. These countries differ from established democracies in their lower levels of trust in democratic institutions and weaker participative orientation, while some indices also point to a more weakly developed legal culture. They are in many aspects comparable with the countries of Southern Europe (Italy, Greece, Spain, Portugal). Especially the last three are relevant since are themselves democratic late-comers but, nevertheless, have been EU members for quite a long time, meaning that the influence of the EU environment on the development of a democratic political culture, while clearly visible, is mostly working indirectly and in the long run.

## **7. Economic and Business Culture**

Economic culture can be defined as a set of attitudes, beliefs and behaviour patterns that provide the underlying assumptions and rules determining the activities of agents of the economic system (Berger, 1987). (We can see a strong parallel here with the concept of political culture). In the case of the new EU member-states, we focused on the compatibility of their economic culture with market economy standards as exist in the societies of Western Europe given that the countries of Central and Eastern Europe were for almost five decades characterised by a communist type of economy involving the state ownership of industrial establishments and etatist/centralist regulation of economic activities. That type was mostly incompatible with the principles of a capitalist economic system based on private property



and initiative and market regulation, which principles have been applied in these countries since they abandoned the communist type of social order.

Like the democratic type of government, the capitalist/market type of economy corresponds to a certain set of values deriving from the culture of individualism which cherishes private property, private initiative, competition and self-reliance. We analysed several aspects of economic culture in CEE countries on the basis of data from the *European Values Survey (EVS) 1999/2000* and the *New Democracies Barometer (NDB) V* (1998).

The data from the *EVS 1999/2000* reveal a difference between 'old' and 'new' in respondents' attitudes to private vs. government ownership and control – the shares of those who support an increase of government ownership and also more government control of firms are on average higher in CEE countries. A comparison of four new EU members (Poland, the Czech Republic, Hungary and Slovenia) and Austria from the *NDB V* gives similar results: only 11% of Austrians perceive state ownership as »the best way to run an enterprise«, while the average share for the four CEE countries was much higher – 41%. Surprisingly, in the *EVS 1999/2000* respondents from CEE countries on average assessed competition more positively than their counterparts from Western Europe. There is no important difference in the assessments of the legitimacy of income disparities.

Management styles as a key element of business culture generally cannot be too separate from the general cultural context. Enterprises are not a segment of social reality that is separate from the rest of society. Namely, as derives from Hofstede's (1980, 1991) theoretisation of culture profiles,<sup>125</sup> there are strong cross-cultural differences in leadership requirements. If management is to perform its role effectively in certain socio-cultural environments, it has to take into account the expectations that the members of society have for their leaders. For example, if they are expected to take autonomous and strong decisive actions, a more consultative and participative approach could be interpreted as inappropriate and the legitimacy of leader might be questioned.

Leadership profiles in Europe were studied in the framework of a cross-cultural research programme, the Global Leadership and Organizational Behaviour Effectiveness Research Programme (GLOBE) (Koopman et al., 1999). The aims of this programme were to locate general and specific leadership attributes and behaviours and the influence of cultural differences on these practices. Measurement tools were designed to measure both *values* and *practices* (Koopman et al., 1999). A variety of data was analysed: questionnaires with middle-level managers, individual and group interviews, observation, and media analysis.

This data was analysed and on this basis different culture dimensions and leadership profiles were detected. First, let us focus on culture dimensions. The table presents the rankings for a selection of European countries on each dimension.<sup>126</sup> One can see that there are important differences among European countries with respect to most dimensions. On the basis of the available evidence one can generally divide countries into two groups: Northern/Western Europe and South-East Europe. All former communist countries were included in the research and form part of the second group.<sup>127</sup>

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<sup>125</sup> Hofstede's dimensions of culture are: uncertainty avoidance, masculinity-femininity, individualism-collectivism and future orientation.

<sup>126</sup> Rankings range from 1 to 61 (the total number of countries in the sample). A low ranking means a high value orientation (e.g. ranking 1 in the future orientation implies that this culture dimension is the most developed among all countries).

<sup>127</sup> We should also mention the research on intercultural differences in management styles between Western and Eastern Europe that was carried out in 2003. The research was focused on foreign-owned companies in eight former communist countries.

The Northern/Western group of countries typically shows stronger orientations towards achievement, strong future orientations, higher levels of assertiveness and collectivism (in the sense of identification with the firm), lower power distance, lower levels of family collectivism and higher levels of uncertainty avoidance. Orientation towards gender equality seems to be a more Nordic and Eastern European orientation. This implies that South and Eastern European countries show relatively low achievement and future orientation and lower levels of assertiveness.

**Table 2: Ranking scores on society-culture dimensions**

Countries	Dimension <sup>128</sup>								
	ACH	FUT	ASS	COLL 1	GEN	HUM	POW	COLL 2	UNC
England	34	11	32	30	14	48	36	53	13
Ireland	17	21	15	10	39	3	37	39	22
Netherlands	19	4	18	20	27	43	58	57	12
Sweden	48	9	1	1	9	30	50	59	2
Denmark	21	6	13	5	5	14	60	60	4
Finland	46	14	10	9	31	38	47	54	8
Germany <sup>129</sup>	22/33	12/24	49/52	53/59	44/47	61/56	29/14	55/46	5/7
Austria	14	7	41	27	45	46	44	42	6
France	31	47	42	45	19	57	28	49	19
Italy	55	56	28	56	37	51	20	41	42
Spain	37	45	46	49	52	60	15	30	37
Portugal	54	37	11	46	15	41	18	26	39
Greece	61	51	60	61	29	59	21	35	57
Hungary	58	58	54	60	3	58	12	37	60
Czech R.	30	39	22	58	10	26	61	61	18
Poland	43	59	34	16	4	52	40	25	50
Slovenia	51	43	24	34	6	45	23	31	43

Source: Koopman et al., 1999

As mentioned, the new EU member-states fit the South and Eastern European pattern. They rank very low on achievement orientation. An analysis of the data shows that middle managers in these countries give high scores to the following aspects/items: administrative competence, autocratic behaviour, conflict inducer, diplomatic behaviour, face saver, non-participative orientation, procedural (bureaucratic) behaviour, self-centredness, and status consciousness. In Northern and Western Europe other characteristics like inspirational attitude and integrity are more important.

Another research focusing on different perspectives on leadership due to different historical developments in Western and Eastern Europe (Konrad, 1996) established following differences between Western and Eastern perception of leadership:

- Outstanding Western managers are expected to be high on inspirational leadership, while this is perceived to be less characteristic of successful Eastern managers. On the other hand, outstanding Eastern managers are expected to be more administratively competent than Western managers.

<sup>128</sup> ACH – achievement, performance orientation; FUT – future orientation; ASS – assertiveness; COLL1 – collectivism; GEN – gender egalitarianism; HUM – humane orientation; POW – power distance; COLL2 – family collectivism; UNC – uncertainty avoidance.

<sup>129</sup> Former Eastern and Western parts of the country.

- Western managers are more convinced that being self-centred, autocratic, non-participative and a face-saver would impede effective leadership than their Eastern colleagues.
- Two more neutral leader characteristics are also evaluated differently: being autonomous and inducing conflict are considered by Western managers to slightly impede outstanding leadership, but are regarded by Eastern managers as contributing slightly to outstanding leadership.
- Narcissistic, non-participative and autonomous styles of leadership are obviously less tolerated in Western than in Eastern Europe.

One can say that leadership styles or 'prototypes' are quite different in Eastern European countries and the reasons for these differences lie in recent historical development. Due to the position of managers towards political elites in the communist system, they are less negative of autocratic behaviour than managers in Western and Northern Europe. This is also why they value diplomatic skills, as well as administrative skills and procedural behaviour.

Regional differences and significant differences among CEE countries have also been established on the issue of effective ways of handling work events such as appointing new subordinates and controlling subordinates, managing resources, facing differences in opinion, confronting new

work procedures and evaluating work procedures (Smith P. B. et al., 2000). Managers vary on the extent they rely on a.) their own experience and training b.) superiors c.) others at the same level as oneself d.) formal rules and procedures e.) informal rules about "how things are usually done around here" in handling work events. Reliance upon one's own experience and training is seen as the most effective procedure in five of the six nations, significantly so in four. In Romania, events are seen as best handled when formal rules and procedures are avoided.

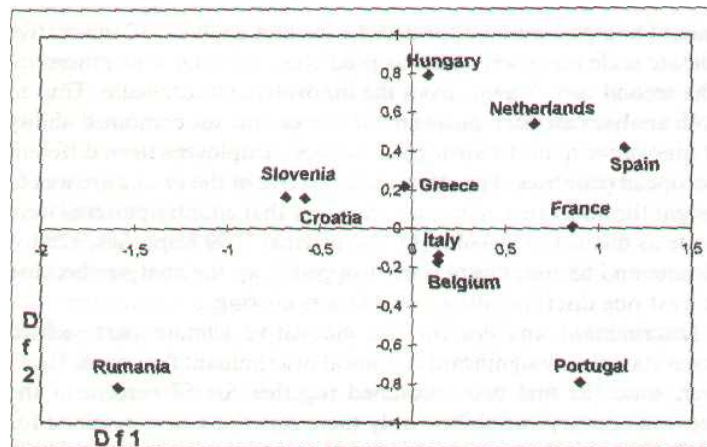
Managers throughout CEE the region perceive reliance on their own experience and training as an effective way of handling many events. Furthermore, reliance on unwritten rules was seen almost everywhere as ineffective. However, several of the other sources of guidance are evaluated positively in some nations but negatively in others. Managers in Bulgaria and Hungary favoured reliance on formal rules for some events, but in Slovakia, Poland and Romania this pattern is significantly reversed. Similarly reliance on widespread beliefs is rejected in Hungary, Poland and Slovakia, but endorsed in Bulgaria, the Czech Republic and Romania. Reliance on one's superior is negatively linked to effectiveness on some events- in four nations, but positively linked on one event in Poland. General disdain for reliance on formal rules and procedures; eight out of eleven relationships found were negative. Managers in Western nations typically perceive reliance on formal rules as positively associated with effective handling of several of the work events in the present questionnaire, so this pattern does appear to be distinctive to the region, and may well represent a reaction against the socialist period.

Managers in CEE saw few linkages between effective handling of work events and reliance on superiors. This pattern has been found in samples from other parts of the world as well. The most likely explanation is that managers tend to refer particularly problematic events to their superiors. Consequently, reliance on superiors is typically found to be associated with poor outcomes, as was found here in five out of six instances (Smith P. B. et al., 2000).

Chart 1 (Susanj, 2000), where individual countries are positioned according to established values of perceived organizational development of new and better products and new ways of

solving problems (Df1)<sup>130</sup> and the perceived frequency of changing tasks during work (Df2)<sup>131</sup> shows that there is a clear East-West distinction, which is related to perceived organizational values such as pioneering, being in the forefront of new technology and searching for new markets.

**Chart 1: Innovative climate and culture in manufacturing organizations: differences between some European countries**



Source: Zoran Sušan, 2000.

The examples of perceived East - West differences in aspects of organizational culture indicate that the practice of a) increasing investments in new products b) improving technology for developing better products and inventing new ways of solving problems c) one-way transferring of Western based solutions (end explicit knowledge) to the East is insufficient. It is also important to develop a culture that emphasizes specific innovative organizational values, such as pioneering, being in the forefront of new technology and searching for new markets. The meaning of these values guides the behaviour of the members of the organization, and is thus important for developing strategies for improving organizational efficiency in Central and East European countries.

We could say that while certain elements of a 'pro capitalist' mentality and behaviour have been taking root, there remain some visible traits of statism, paternalism and authoritarian in the economic and business culture of new EU member-states. In this regard, the CEE countries are – once again – comparable to the countries of the European Mediterranean wing.

## 8. Discussion

On the basis of the four concepts and the empirical evidence on them, we may at least tentatively answer the question of the cultural compatibility of new EU members and of the existence of social (not only system) integration of the EU. Regarding historically conditioned civilisational competence, there are differences which, however, do not seem insurmountable. It is evident in Inglehart's analysis of cultural zones that secular-rational values are prevalent

<sup>130</sup> This is the largest differentiation between countries involved in the survey. Countries with a longer tradition of market economy are in a better position here than those from Central and Eastern Europe (Susan, 2000)

<sup>131</sup> In this case the East-West differences are not as obvious.

in the new EU countries which are thus, in this sense, compatible with the majority of other (old) EU members. Political culture in the new and old EU members is in some aspects not significantly different, although the citizens of post-socialist countries are less participatively oriented and especially have less trust in their political institutions than on average in the old EU members. Regarding economic and business culture, one can discern low scores on achievement and future orientation and a low level for assertiveness among managers from Central and Eastern Europe. In this sense, these countries belong to the common cluster along with some Southern EU members.

In general, we can say there is – in average - no sharp dividing line between old and new EU members. Namely, regarding all four of the discussed aspects it is evident that the Southern wing of the EU is in many ways more comparable to Central and Eastern Europe (or vice versa) than to other EU countries. However, it has to be made clear that the data only show some tendencies and trends, not the overall situation. The data that were available for our analysis were, in some cases, out of date. Further, the instruments for measuring cultural differences have been established in a still rudimentary fashion, which is understandable given that some theoretical dilemmas remain unresolved.<sup>132</sup> Namely, culture itself is a very complex and multilayered concept what caused many controversies regarding both its very essence (i.e. which are key elements that define it) and its relation to social development (i.e. to what extent it functions as a factor of institutional performance). For these reasons, one should be very subtle and careful when analyse issues related to the phenomenon of culture (like cultural differences) and interprets data on them. What we present here is only a preliminary report which might contribute to the discussion on the European identity and the future of systemic and social integration of the EU.

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<sup>132</sup> For instance: do the survey questionnaires really measure the deeper rooted values or (informal) norms or they reflect merely surface and changeable meanings and opinions.

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## **Economic Culture Research in Slovenia**

Below is a list of institutions in Slovenia, which host education and/or research programs pertaining to the study of economic culture. Their contact information is added and also links to the web sites as to make further inquiries possible. A list of researchs engaged in economic culture research (or in some cases organizational culture research) is provided, with a list of their selected bibliography and projects related to the subject.

### **1. Institution: Faculty of Economics and Bussiness University of Maribor**

#### **Contact Information:**

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#### **Researchers:**

**Dr. Vito Bobek**, Associate Professor, Faculty of Economics and Business

**Dr. Milan Zver**, Assistant Professor, Faculty of Economics and Business

**Tjaša Živko**, MSC, Researcher, Faculty of Economics and Business

#### **Selected Bibliography and Research Projects (published in English language):**

Zver, Milan; Živko, Tjaša; Bobek, Vito (2004): Is there a gap in economic culture between EU countries and the transition economies?. *Managing global transitions*, 2004, vol. 2, no. 1, pp. 31-40.

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### **2. Institution: Faculty of Social Sciences, University of Ljubljana**

#### **Contact Information:**

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Web page: <http://www.fdv.uni-lj.si>

#### **Researchers:**

**1. Centre for Theoretical Sociology (CTS), Institute of Social Sciences at the Faculty of Social Sciences, University of Ljubljana.**

**Dr. Frane Adam**, Professor and Head of the Centre of Theoretical Sociology at the Faculty of Social Sciences, University of Ljubljana

**Dr. Matej Makarovič**, Assistant Professor of Sociology at the Faculty of Social Sciences, University of Ljubljana

**Dr. Borut Rončević**, Assistant Professor of Sociology at the School of Business and Management in Novo Mesto, Slovenia

**Dr. Matevž Tomšič**, is Assistant Professor of Sociology and Research Fellow at the Faculty of Social Sciences, University of Ljubljana

**Mateja Rek**, MA, Assistant Researcher, Faculty of Social Sciences, University of Ljubljana

**Selected Bibliography and Research Projects (published in English language):**

**Accomplished projects**

In recent years (1999-2003) members of the Centre were involved in a research programme *Culture and Social Development* (basic research) financed by the Ministry of Education, Science and Sport.

In 2001, CTS carried out applied research project *Socio-Cultural Factors of Developmental Performance: a System of Indicators for Social Development Monitoring*. In the next year, the Research Project *Developmental Role of Social Capital* has been conducted. Some of CTS members also participated in certain international projects: Frane Adam and Matej Makarovič were in 2001-2002 involved in 5. Framework Programme – in a project coordinated by Collegium Budapest: *The State of Three Social Science Disciplines in East-Central Europe* (SSCEE).

Borut Rončević was in 2001 involved in a project Transformation, Social Security and Human Resource Development financed and coordinated by foundation Friedrich Ebert. The work continued in 2002 with a project *Employment in South-East-Europe as Factor of Stability and Development*.

In 2003, the research group participated in cross-national research project: »*After Accession. The Socio-Economic Culture of Eastern Europe in the Enlarged Union: An Asset or Liability*«. coordinated by the Institute für die Wissenschaften vom Menschen (IWM) - Institute of Human Science from Vienna.

In 2003/2004 the members of the CTS have been engaged in an expertise and publication titled »*The Strategy of Development of Slovenia*« commissioned and supported by Slovenian Government.

In September 2004, B. Rončević and F. Adam accomplished an expertise supported by Institute of Macroeconomic Policy and Development (UMAR) on the reception of »*The Strategy of Development of Slovenia*« by politicians (parties), scientists (professionals) and public opinion (civil society).

Dr. Matevž Tomšič's postdoctoral research project *Cultural Characteristics of Slovenian Elites in the Context of Integration into European Union* was financed by Ministry of Education, Science and Sport.

## Ongoing projects

Applied Research Project: *Evaluation of the Slovenian Policy oriented Research Projects (CRP) in the Period 1994-2006* (in cooperation with the Institute for Economic Research – IER at the Faculty of Economics in Ljubljana).

Applied Research Project (CRP): *The Perception of Corruption and Clientelism on Local Level* (Frane Adam, Matevž Tomšič and Urban Vehovar), financed by Ministry of Education and Science and Ministry of the Interior.

CONNEX, Network of Excellence: *Efficient and Democratic Governance in a Multi-level Europe* (2004-2008). The project, coordinated by Mannheimer Zentrum für Europäische Sozialforschung, Mannheim Universität (Prof. Beate Kohler-Koch) is a part of EU Commission's the 6<sup>th</sup> Framework Programme (Frane Adam is coordinator of one of the research groups - RG5).

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## 2. Centre for Policy Evaluation and Strategic Studies (CPESS), Institute of Social Sciences at the Faculty of Social Sciences, University of Ljubljana.

**Dr. Andrej Rus**, Head of the Centre for Policy Evaluation and Strategic Studies and Assistant Professor of Sociology at the Faculty of Social Sciences, University of Ljubljana

### Selected Bibliography (published in English language):

Rus, Andrej (2003): Interpersonal dynamics in network organizations. *Družboslovne razprave*, april 2003, let. 19, št.42, pp. 21-46.  
Available also at: <http://dk.fdv.uni-lj.si/dr/dr42Rus.PDF>

**3. Dr. Dana Mesner Andolšek** - Assistant Professor of Sociology at the Faculty of Social Sciences, University of Ljubljana.

**Dr. Janez Štebe** – Assistant Researcher at the Faculty of Social Sciences, University of Ljubljana.

### Selected Bibliography (published in English language):

Mesner-Andolšek, Dana; Štebe, Janez (2004): Multinational perspectives on work values and commitment. In: *International journal of cross cultural management*, avgust 2004, vol. 4, no. 2, pp. 181-209.

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Mesner – Andolšek, Dana; Štebe, Janez (2002): Insecurity, cultural differences and commitment. In: Sagie, Abraham (ed.), Stasiak, Makary (ed.). *Work values and behaviour in an era of transformation*. Łódź: Academy of humanities and economics in Łódź: International society for the study of work and organizational values, 2002, pp. 305-312.

Mesner-Andolšek, Dana; Štebe, Janez (2004): Multinational perspectives on work values and commitment. In: *International journal of cross cultural management*, avgust 2004, vol. 4, no. 2, pp. 181-209.

### **3. Institution - Institute of Macroeconomic Analysis and Development**

#### **Contact Information:**

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#### **Selected Bibliography:**

Strategy of Slovenia's Development (2004), Institute of Macroeconomic Analysis and Development.

Available at: <http://www.gov.si/umar/aprojekt/asrs/ssd.pdf>

### **4. Institution – Faculty of Arts**

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#### **Researcher:**

**Dr. Edvard Konrad**, Professor at the Faculty of Arts, University of Ljubljana.

#### **Selected Bibliography and Research Projects (published in English language):**

Konrad, Edvard; Sušanj, Zoran (1996): Organizational culture differences in some European countries : preliminary results. *Godišnjak Zavoda za psihologiju*, prosinac 1996, nr. 4-5, pp. 71-74.

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## IV. Reading the national reports: comparing the incomparable?

The authors of the national state-of-the-art reports were asked to focus on those research programs and publications in their own countries, which meet the following two requirements: a.) they deal with economic cultures as defined in our project proposal, in particular, in the description of the three research fields (entrepreneurship, governance, economic knowledge); b.) they represent a “good quality average” of the produce of the scientific community in the given country. In other words, the authors were looking for top local scholarship in the selected fields, and -- if excellence was lacking -- for scientific products that are available, and do not embody low-level performance.

Because our initial definition of the concept of economic cultures had been intentionally broad<sup>133</sup>, the above criteria provided the authors with much freedom in reviewing the relevant literature in the major social science disciplines, and, consequently, led to a substantial diversity of the national reports. The amount of the accumulated material is fascinating (especially if one is aware of the difficulties of bibliographical work in the region), and the first attempts at making meaningful local generalizations on the basis of that material is very promising. Thus, in the previous part the reader actually found reports on the states of the art in the various countries; reports that wait for further synthesis. It is not only the menu of the research topics that differ country by country but also the way, in which the authors of the reports discuss them. Most of report writers offer a cold-headed description but some of them provide a passionate assessment of the literature (cf. the Serbian and Croatian reports). A few authors focus on a small number of topics while others present a large selection of them. Most of the authors discuss local research results while the Serb and the Slovene reports also give an overview of the international literature.

Any state-of-the-art report serves slightly different purposes at the beginning of the research period and at its end. Today, we are interested in learning about the mere existence of certain research programs that are similar to ours rather than about their concrete results. More precisely, their results are also important for us inasmuch they leave room for our project or help us develop it. However, we are comparing our research endeavour to theirs primarily in the field of methodology: “what can we learn from them” is the basic question that we ask in order to avoid repeating their shortcomings.

Yet, at the end of the research period our interest will basically concern Eastern European economic cultures as such. We will ask what new we know about them after having completed the DIOSCURI project, and whether our new methods of inquiry really led to original outcomes, i.e., to results other than offered by the literature reviewed at the outset.

Even if we are interested in getting a detailed picture of what Eastern European economic cultures look like after 1989, our basic methodology excludes indulging in that interest in the beginning. Why is it so? Because, in contrast to most other research programs, we do not start off by formulating strong hypotheses about, and create essentialist typologies of those cultures. In the empirical phase of DIOSCURI, it is the respondents who are requested to

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<sup>133</sup>To quote our proposal, in the DIOSCURI project, the notion of “economic culture“ encompasses not only individual values, norms, beliefs, habits, attitudes, etc. of economic actors, but also the institutional arrangements, policies and scientific concepts, in which these elements of culture are embedded. The term “culture” is frequently used in plural to express the prevailing diversity of cultural types in the “East” and in the “West”, and the differences between them. Economic cultures are interpreted broadly to include the so-called “welfare culture” ranging from its basic philosophy through social policy, to popular perceptions of social goods. At the same time, ours will not be a comprehensive survey of all possible functional subcategories of economic culture (such as work culture, consumption culture, financial culture, etc.).

come up with hypotheses and typologies while narrating their own East-West encounters. In other words, all preconceptions (positive or negative, mild or firm, etc.) concerning a given segment of economic culture and/or a given change in that segment will be suppressed by the researchers until the analytical phase of the project is reached. To be sure, in the end, we will be eager to identify and evaluate the recent changes in Eastern European economic cultures (caused partly by the East-West encounters) but our starting hypotheses pertain to these encounters rather than to the essential features of the cultures themselves.

Although it was not our primary objective to launch a research program on “Eastern” economic cultures per se, we have never concealed the fact that we have certain (partly non-conventional) ideas about these cultures. Yes, to reiterate some of our research objectives, we are interested in smooth cultural cohabitation in the European economy, we would like to challenge the populist views on cultural contamination between East and West or on “eternal differences” between Central and South-East European economic cultures, etc., but before all, we want to understand the outcome of the encounters in our countries, that is, the emerging patterns of post-communist economic cultures.

Therefore, by the end of the research period we will have to revise the above national reports (including, of course, the brand-new pieces of literature published during these three years) in order to obtain a comprehensive knowledge of those emerging patterns, and situate our own results among those of other research projects.

Accordingly, this final part of our report seeks answers to the following three questions:

1. What do we learn from the national reports about the state of the art in terms of methodology?
2. Do they reinforce or weaken the research hypotheses featuring in the DIOSCURI proposal?
3. How should we revise the national reports to fit the requirements of the end phase?

### **Learning from the Literature**

Ironically, the most important conclusion one can draw from these very rich state-of-the-art reports is that the fear from repetition is unfounded. This fear inevitably works in the back of the mind of every scholar who embarks upon a new international project: what happens if another research group has already asked similar questions, moreover, given answers to them? In reading the national reports, first one leans back witnessing the lack of competitors, later, however, gets nervous seeing also how little has been said by our colleagues about East-West cultural encounters, the core category of DIOSCURI, in Eastern Europe and beyond. Similar research projects virtually lacking, it will be difficult to rely on additional empirical knowledge and measure our analytical results to those of our rivals.

Although the authors of the national state-of-the-art reports had no vested interest in disregarding the potential rivals (just on the contrary: at the time of writing these reports, the project was already funded, and we badly needed experienced case study writers and interviewers), they all start off with sentences full of frustration about the complete lack of books (and an almost complete lack of papers), as well as a very small number of research institutions and projects dealing with the concept of economic culture as such in the given countries. Research is fragmented and scattered, and indirectly related to the concept. Even if



a scholar or a research team examines cultural issues in the economy in a direct manner, it is very likely that they do not tackle the problems of transnational cultural exchange.<sup>134</sup>

Seen from the perspective of the three research fields of DIOSCURI, the first one, entrepreneurship is covered by the richest, albeit overwhelmingly indirect, literature. The second field, governance seems to be a new research area with a limited coverage, and the third one, economic knowledge has not practically attracted the attention of the scholars yet (or remained a subject matter for a small group of intellectual historians). Strangely enough, the Accession did not rearrange these proportions significantly.

Nevertheless, if one reads the reports closely, he/she may discover quite a few studies in all countries, which can contribute to the refinement of the core concepts of the three research fields, and of our research methodology as a whole. Those who were eager to create a dichotomy here between the “Visegrad” and the “Balkan” regions/countries on the basis of differences in the extent, to which communism was less or more liberal, or the post-communist transformation less or more radical in one of the regions/countries, would have a hard time.<sup>135</sup> Indeed, it would be difficult to explain why, for instance, the problem of trust and social capital is more thoroughly investigated in Romania than in Poland or Hungary, or why the emergence of the new elites after 1989 equally enchants the researchers no matter where they live, while religious, ecological and gender issues hardly seem to belong to the main aspects of economic culture in any of the countries. True, the Visegrad scholars, especially the Hungarians, the Poles and the Slovenes had a longer period for engaging themselves in relatively free research into economic cultures, and also greater opportunities to join international projects focusing on these. While the Serb and Croat experts were still preoccupied with what they call “crab walk”, that is, the cultural consequences of the Yugoslav war, their colleagues had the privilege to make research on the cultural impacts of transnational companies in Bulgaria or the migration habits of certain ethnic groups in Romania.

Yet, it would be difficult to overlook a rather concise list of “culture-sensitive” research topics that have been extensively covered practically in all countries during the past one and a half decade. It includes (without an order of importance) privatization and the role of the state, entrepreneurship and small business, restratification and the new elites, informality, networks and hierarchies, trust and social capital, corruption, work and business ethic, unemployment, migration, consumption, social costs and poverty, ethnicity, European integration, etc.

Another commonality is that these topics are frequently examined through perceptions<sup>136</sup> by large surveys using binary oppositions rather than a tedious discovery (e.g., thick description) of “real” facts. These surveys that are often of comparative nature, and organized by Western-based international research teams (e.g., value surveys, democracy barometers), address genuinely cultural issues, norms, values, attitudes and the like to decide on their patterns of change in simplistic dichotomies such as collectivism vs individualism, paternalism vs self-reliance, egalitarianism vs meritocracy, rule-abiding vs rule-bending behavior, etc.<sup>137</sup> If seen from the perspective of a single country, the surveys are not really

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<sup>134</sup> Among the few exceptions, one can find studies of foreign capital-based privatization projects, local branches of TNCs, transnational migration, etc.

<sup>135</sup> The Slovene report represents an interesting attempt to refer to the legacy of the Austro-Hungarian Monarchy in redefining major cultural zones.

<sup>136</sup> „Do the survey questionnaires really measure the deeper rooted values and (informal) norms, or they reflect merely the surface, and the changeable meanings and opinions?“, asks the report of the Slovene team.

<sup>137</sup> As indicated by the national reports, the most popular dichotomies stem from the models offered by Hampden-Turner, Hofstede, Inglehart, Putnam, Münch and Trompenaars.

large, and often scratch only the surface of the problems. While they can serve as an entrance ticket to a deeper – quasi-anthropological -- analysis of the real world of economic cultures, they may also reinforce old prejudices on the cultural legacy of communism by borrowing the “bad” side of the dichotomies from a primitive model of *Homo Sovieticus*.

A profound cultural analysis can be circumvented in another way as well. The national reports present a few examples of using the word “culture” almost as a suffix, that is, theorizing about poverty culture, dependency culture, war culture, informality culture, “as if” culture, etc. Again, these terms do not harm (just on the contrary) unless they substitute for detailed empirical verification.

All things considered, the “culture matters” hypothesis has begun to provoke the minds of the local researchers who do not fail to realize that since 1989 nearly uniform changes in economic organization in the countries under scrutiny have often led to rather different institutions, depending on the cultural preconditions of those changes. Moreover, they recognize that “Western-style” organizations do not evolve automatically into “Western-style” institutions in Eastern Europe. They also highlight the fact that the majority of the measures of organizational transformation originate in Western practices and ideas but avoid studying the ways of transnational cultural mediation.<sup>138</sup> In the best case, the reader is informed about East-West differences (incompatibilities) in economic cultures, that is, about the status quo, while he/she can learn little about how the cultural gaps are actually being bridged in the real world. To put it briefly, the all-embracing discourse on global neoliberal hegemony and on the evaporation of the “positive” cultural legacy of communism narrows down the sphere of reasonable talk about transnational cultural exchange with all of its barriers and compromises, not to mention the problem of “Western Enlargement”.

### **Research Hypotheses: a Need for Revision?**

After having learnt so much about research on economic cultures in so many countries, one can't help asking the question: are those assumptions still valid, which were formulated by our Consortium in the project proposal about the present state of the literature?

I am convinced that the answer is clearly affirmative as far as the lack of studies are concerned, which are comparable to DIOSCURA in terms of both its primary interest in transnational cultural encounters and case-study based, quasi-anthropological research techniques. Furthermore, the national state-of-the-art reports corroborate our presumptions about certain types of the relevant literature (large value surveys, Hofstede-inspired projects on organizational culture, etc.), and the low capacity of “transitology” and integration research to generate interest in intercultural studies, in particular, in those which consider the new member states as cultural assets, or at least as active (i.e., only partly “tameable”) agents of economic culture.

Nevertheless, if one interprets the Cultural Studies literature in broad sense, the pessimism dominating the message of our proposal proves superfluous. True, as we assumed, Western (global) scholarship in Cultural Studies has not yet discovered *en masse* the countries of DIOSCURA but the local researchers have already made large steps in discovering their own reality by using, sometimes in an instinctive manner, some of the scientific instruments of the discipline. Probably, the Romanian research community serves as the best example. Informal credits, migration networks, “householding”, etc. are just random proofs of the existence of a

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<sup>138</sup> A clear exception to the rule is the study of „conditionality culture“ (Roumen Avramov) in Bulgaria.

large array of culture oriented “thick descriptions” at the crossroads of ethnology, anthropology, sociology and economics. At the same time, studies of the moonlighting market in Poland, corruption habits in Hungary or cooperative vs individualistic strategies in Bulgaria demonstrate that Cultural Studies are being practiced (imported and/or reinvented) in the countries covered by DIOSCURI.

Of course, these projects are scattered over research topics, countries and regions in a highly irregular fashion, therefore their results do not lend themselves to aggregation. However, they suggest exciting concepts and propositions for further scrutiny and evidence the heuristic value of case studies. They also promise a large increase in that value if the scholars coordinate their research methods across thematic fields and countries.

### **Preparations for the End-Phase: Designing the New Literature Reviews**

Above we have seen a cross-section of the current methodological supply by the research communities of the selected countries. We have made no special efforts to explore what one could learn about post-communist economic cultures *per se*, if he/she browses through the many ten thousand pages, which were summarized by the report writers. Yet, with our project progressing, we will be increasingly interested in the substantial results of other similar research projects. On the one hand, we will have to situate our future results (i.e., the various outcomes of the cultural encounters) among those of the other projects, on the other, the main concepts of those projects may help our analytical work develop.

Looking at the national reports from this perspective, the reader becomes perplexed. If he/she wanted to learn from these reports what are, say, the ten principal features of Eastern European economic cultures of our time, he/she would face ten ambiguities instead.

The most frequently cited “Eastern traits” of economic culture are the following:

*organizational culture*: aversion to large institutions, familialism, networks versus hierarchies, unclear roles/identities/hierarchies in organizations, improvisation versus following routine procedures, organized irresponsibility, low level of specialization and standardization, non-transparency;

*business culture*: free riding, disloyalty, predatory competition, corruption, informality, rule-bending/breaking, low level of legalism, contract avoidance, overpoliticisation of business, short-termism, weak calculative rationality, low negotiation skills, preferring conflict to compromise, networks versus hierarchies, gambling, consumption versus savings orientation, low respect for the common good;

*work culture*: weak sense of quality and accuracy, overcommitment, deadline phobia, unfulfilled promises, inability of operationalization and communication, weak career orientation, mixing work and private life, scapegoating;

*administrative culture*: paternalism, autocratic leadership, low negotiation skills, preferring conflict to compromise, corruption, red tape, low level of legalism, nepotism/clientelism/protectionism, short-termism, irresponsibility, overpoliticisation, overregulation, double standards, exceptionalism.

These – predominantly negative -- features (some of them characterizing more than one branch of economic culture) do not fit well in many cases. Obviously, they originate in the

conventional portrayal of traditional/Eastern/communist economic cultures. The above features reflect relative judgement: they are interpreted in terms of a comparison with an ideal-typical model of Western (capitalist) economic cultures. Probably, most items on the list could have been put there prior to 1989.

The authors quoted by the report writers had also great difficulties to harmonize this list with another set of new experiences: on the one hand, with the upswing of entrepreneurship in Eastern Europe, and on the other, with changes in economic cultures in the West (the base of comparison). To put it bluntly, they had a hard time to grasp the Westernisation of the East as against the Easternisation of the West. If economic cultures in the West transgress the boundaries of modernity, and some of the post-modern features are similar to what we see in the post-communist East, then the pillars of conventional comparison will become less solid.

First of all, some of the allegedly essential features of Eastern economic cultures (those ranging from theft, laziness and alcoholism, through negative thinking and passivism, all the way through collectivism and egalitarianism, which had a prominent place in the classical portrayal of Soviet-type societies) were either ambiguous under real communism or lost much of their significance thereafter. At the same time, self-exploitation, forced innovation, creativity, flexibility, versatility, individualism, preference for informal/illegal relations and loose organizations/networks, etc. i.e., characteristic traits that were produced by communism by default were rapidly reinforced during the transformation, creating a kind of neo-capitalist culture in the East that reminds the observer of most recent developments in the (post-modern) West.

That is why most of the authors struggle with problems of harmonizing their controversial experiences, especially in assessing new entrepreneurship in Eastern Europe. They do not see the helpless, dependent agent there any longer but it is not the “Weberian businessman” who is replacing him. There *is* convergence between the East and the West but the meeting point of the two cultures may not be the Weberian ideal type. Instead, a less ascetic, more risk-taking, informal, socially less responsible, etc. actor is emerging on both sides, whose behavior is described by terms such as “predatory/hedonistic entrepreneurship”, “Wild-East”, network capitalism, etc., frequently repeating popular/populist designations.

Evidently, the above typology is not systematic, and does not provide accurate information about the intensity of the various cultural indicators. The authors are usually not eager (or able) to measure, not even to define them properly. Thus, the concepts applied by them to characterize Eastern economic cultures are rather vague, contradictory, what is more, overlapping with those describing the West.

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Undoubtedly, DIOSCURI cannot undertake the task of eliminating most of the conceptual inconsistencies. Nonetheless, it can collect the most typical concepts (or pairs of concepts) of economic culture formulated in a certain country, and see how the same concept is understood in the others. Setting up such a catalogue of notions in a joint effort could be the first step in writing our new literature reviews. As a next one I suggest to engage ourselves in a deep-reaching analysis of the selected concepts. The analysis might take the form of a regular multi-disciplinary review article of uniform structure, which deals with both the morphology and the evolution of the concepts.

By narrowing down the scope of the state-of-the-art reports and agreeing on a mandatory composition of the new national literature reviews, the comparative force of DIOSCURI will be significantly enhanced. From a state of “comparing the incomparable” we might swing into that of relative commensurability.