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## THEORISING TRANSFORMATION IN CENTRAL AND EASTERN EUROPE: A RADICAL INSTITUTIONALIST APPROACH

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### INTRODUCTION

The transformation of previously planned economies, 'the construction of capitalism on the deathbed of communism' (Smith, 1998:1), has been one of the world's most daring experiments. There has been no shortage of advice offered, with policy makers, academics, the business community and consultants falling over themselves to offer their particular recipe for transformation. Twelve years later what most people agree is that transformation has been much more costly, complex and uneven (Jackson, 1992; Gomulka, 1993; Portes, 1994; Haynes, 1996; Nuti, 1996) than was anticipated at the beginning of the process. While the social engineering of capitalism, underpinned by unfettered market forces, has dominated prescriptions at a national level, millions of pounds from the World Bank, EU and bilateral initiatives have provided the finance to search for an institutional fix at a local level. The way in which transformation between and within countries unfolded much more unevenly and in ways that were unexpected and unintended (Ksiepolski, 1991 and 1992; Gora et al, 1993) and left the door open for non-teleological accounts of social change based on evolutionary accounts to explain why the move to the market diverged from the blueprints of the IMF and its advisors (Stark 1990, 1995 and 1996a; Pickel, 1992; Murrell, 1993).

The framework developed in this paper aims to build on current institutionalist accounts (Hausner et al, 1995; Smith, 1998; Smith and Swain, 1998), and evolutionary accounts (Pickel, 1992; Murrell, 1993; Chavance and Magnin, 1997; Grabher and Stark; 1997) of transformation processes. However, the aim is to enrich and deepen these accounts by drawing on the American institutionalist literature which has its origins in the old institutionalism and can be traced back to Veblen (op.cit), and contemporary writers in the same tradition such as Dugger (1989 and 2000) and Waller (1989), and the new institutionalism in organisational analysis (NIOA) approach (Powell and DiMaggio, 1991; Zukin and DiMaggio, 1990). Taken together they add two important insights. The first addresses a criticism of 'soft institutionalism' levelled by MacLeod (2001) for 'telescoping onto non exploitative horizontal relationships of networking and reciprocity within particular localities' (ibid: 1153) by placing concerns regarding asymmetrical power as central to an analysis of institutions. Furthermore, these approaches are concerned with the normative content of informal institutions, which it is argued have to be understood in the context of perpetuating and stabilising a particular set of ideas to encourage the belief that certain social and economic arrangements are self evident. Following the rejection

of a harmony of interests in favour of an account that has power at its apex, this paper emphasises the role of foreign institutions, both formal and informal, as institution bending. In particular, it is argued that TNCs have the capacity to instil a set of behaviours and beliefs through 'enabling myths' (Dugger, 2000) at all levels of spatial analysis from global down to the level of the individual workplace

## EVOLUTIONARY APPROACHES

The evolutionary perspectives provides a thoroughgoing critique of neoliberal analysis by suggesting that the focus on allocative efficiency and competition within a general equilibrium framework is misleading. The evolutionists are highly critical of the predictive and prescriptive capacity of economic theory for being reliant on a set of theoretical propositions known to be true only under highly stylised circumstances. Policy recommendations are thus oblivious to history and the specific local conditions in which these prescriptions are applied (Pickel, 1992). Offe (1995) suggests that fictitious notions of imitation and transplantation were posited that served to play down the differences that existed between sectors and countries, to create a deceptive clarity about some evidently and easily acceptable superior solution. Institutions from the West, he argues, 'were not invented in order to extricate an entire group of societies from state socialism and its ruins' (ibid: 57).

The evolutionary paradigm provides a powerful attack on the neoliberal argument where markets are exogenous and institutions peripheral, however the difference between the two views should not be overstated. The end state, the particular combination of market and hierarchy, will ultimately be determined by the market, with the most efficient institutions gradually emerging (Lo, 1993). This draws on Veblen's notion of 'blind drift' and the dynamic and contingent concept of process as a fundamental constituent of economic life (Cullenberg, 2000: 82). Therefore evolutionary thinking explicitly focuses on the process and is agnostic about the outcomes and endpoints (Klein, 1987). Murrell (1993) acknowledges that the divergence between the neoliberal analysis and the evolutionary approach is smaller than anticipated. The debate between the shock therapists and evolutionary perspective could be reduced to one in which the former emphasise the immediacy, speed and simultaneity of reform, and the latter ultimately argue for gradualism, seeing the seeds of change coming from within existing institutions and prepared to tolerate a wider number of configurations of state, firms and other economic agents.

While acknowledging that institutions limit the field of action, precluding some directions and constraining certain courses, the evolutionists fail to provide a framework of analysis that offers any explanation of the constraints and limitations in which the economic processes in localities operate. According to Jessop (2001) institutions cannot be meaningfully or productively analysed, without locating actors, identities, interests and strategies or tactics in a wider context. Exogenous pressures in the global economy and the importance of macroprocesses of political and economic power have been obscured in terms of their influence on the reinsertion of these regions into the global economy (Nielsen et al, 1995; Pollert, 1999). At the level of individual agents while there is an extensive evolutionary literature on rules, habits and routines to investigate the cognitive dynamics within firms stemming from the work of Nelson and Winter (1982), according to Lazaric (2000) this is divorced from the social and institutional foundation of individual behaviour inside organisations. Further there is a tendency to underplay the role of agency and view individual actors as passive bearers of routines and norms, or 'cultural dupes' as Jessop (2001: 1228) suggests.

A related concern is the overuse of the notion, 'path dependency' (Grabher and Stark, op.cit.) which has a tendency towards determinism in underplaying political agency and choice. As Nielsen et al (1995) point out this biological metaphor implies lock-in to a stable path of development involving incremental change that tends to reestablish itself when diverted by strong positive feedbacks. Although leads and lags and reversals are not excluded they are nevertheless seen as pre-given possibilities, which detracts from the radical indeterminacy of behaviour and outcomes. History and conjunctural analysis matter but these are not synonymous with the notion of path dependency, which is now used widely in a range of social science

literature. Divorced from its origins, which draw on biological metaphors, the concept is usually taken as a proxy, for what should be more accurately described as historical or path contingency.

A final lacuna in the evolutionary thinking on transformation is that although the focus on process indirectly addresses uneven development, there has been little interest in the outcomes of these processes and little concern regarding the differentiated impacts and inequalities manifest in the restructuring of these economies. In particular, power and hierarchy have been largely absent from these accounts which see economic change as consensual rather than contested or conflictual. The notion of friction, when it appears, is conceived of in ambiguous and unspecified ways rather than in terms of vested interests by particular powerful social groups.

The next section draws on evolutionary thinking in recognising that history matters and that current behaviour is profoundly influenced by past legacies. However, in addressing the concerns discussed in this section the main points of departure are to give greater weight to a recognition that the choices open to and made by economic agents are influenced by exogenous factors and that change may be less incremental than the biological metaphor suggests. The following section also attempts to take seriously the existence of unequal asymmetrical power in the evolution and maintenance of informal institutions. With these concerns in mind I wish to identify a set of concepts and analytical tools based on institutionalist thinking with which to analyse foreign investment in the localities of CEE. In line with Hodgson's (op.cit) argument that institutional analysis takes place at multiple levels which must be linked together, the foregoing account attempts to provide a framework in which to understand both the broad changes that set the limits and parameters for action and the microprocesses and relationships between institutions and actors which make outcomes indeterminate.

## A RADICAL INSTITUTIONALIST SYNTHESIS

The analytical framework developed here conforms most closely to what could be termed a radical institutionalist approach. Although this school of thought shares an analysis of economic change as processual with non-radical institutionalists, it is differentiated by concerns with the asymmetry of power and its perpetuation (Hall and Taylor, 1996; Klein, 1987) which are largely missing from the current European tradition. Further, radical institutionalists are concerned not only with the process, but the outcomes of economic change and activity. Although there are disagreements and differences in emphasis within the school, Dugger (1989) offers a shared definition of radical institutionalism as being;

A processual paradigm focused on changing the direction of cultural evolution and changing the outcome of social provisioning in order to promote the full participation of all (ibid: 126).

The following sections go on to elaborate the salient analytical tools which comprise the conceptual framework which comprise a discussion of: path contingency and path shapers, socioeconomics and informal institutions and; power, enabling myths and intellectual capital.

### Path contingency and path shapers

Nielsen et al (1995) cast the problem of structure and strategic action in the context of transformation in terms of 'path dependency' and 'path shapers'. They suggest that institutional innovation can be represented as a continuum of possible conditions ranging from a voluntarist to a creationist pole. In the latter, those that emphasise the present to the exclusion of the past imply that agents have unbounded possibilities of intervening in current conditions and actively influencing them to forge new trajectories. An extreme version of path dependency suggests that institutional legacies of the past limit the range of current possibilities for institutional innovation. Models which draw on biology leave unexplained how a given path came to be locked into and whether this process occurred due to blind evolution, conscious intervention and/ or some other factor(s).

A radical institutionalist analysis argues that history matters, in that past developments constrain the set of feasible current choices of possible trajectories. However, in contrast to what is described as the 'snakes and ladders' approach of path dependency, the path shaping approach implies that, within specific, historically given, and potentially malleable limits, social forces can redesign the 'board' on which they are moving (Nielsen et al, op.cit.). However, this is not to suggest a simple dichotomy between structure and action, rather the framework here corresponds with Jessop's (2001) strategic-relational approach where institutions are 'recursively reproduced sets of rules and resources that both constrain and enable social action' (ibid:1216). Therefore actors not only engage in action within a given institutional matrix, but in certain circumstances can 'reflexively reconstitute institutions and their resulting matrix' (ibid: 1226).

While capitalism is underpinned by specific and universal characteristics (Screpanti, 1999; Meiksins Wood, 1999) individual capitalist systems, in their historical and national development, have all been characterised by a high degree of institutional and organisational diversity (Zysman, 1994; Boyer, 1995; Whitley, 1997 and 1998). Similarly the economies of CEE have exhibited a rich variety of different institutional matrices that depart from the models of designer capitalism (Stark, 1995) posited in the early days of transformation. Chavance and Magnin (1997) point out that post communist transformation has produced complex developments that cannot be reduced to market forces or blueprints of privatisation and emphasise the historical and path dependent character of systemic change. Thus specific and evolving configurations of post-communist economies are characterised by their composite, combined or mixed features, which cannot be viewed as stageposts as the economy moves from one end point (the command economy) to another (the market economy).

Chavance and Magnin (1997) suggest that emerging structures in CEE are the result of both common trends and national specificities. Similarities shared by CEE economies, would include the move towards an emphasis on market forces and its discourses, the globalising trends of FDI and the influence of international organisations. However, communist economies were not homogenous with a single logic and there are important dissimilarities. First, there is diversity in the starting point and initial conditions of these economies in terms of the legacies of their industrial structures, the nature and depth of the crisis that pertained in the late 1980s and the degree of integration with the West. A second dissimilarity relates to the 'path of extrication' (Altvater, 1998) taken by these economies in response to the economic stagnation that was apparent by the late 1960s (Maddison, 1991). Hungary, for example, instituted widespread and relatively successful market reforms in 1968 and became more integrated with West European economies, whereas Poland had two decades of disastrous economic reforms. The third factor influencing nationally specific paths of transformation after 1989, was the balance of political forces and the unique political and economic routes taken. In Poland, the central role of Solidarity in bringing about the demise of the previous regime and its massive popularity at the outset of transformation gave the government a unique opportunity to implement a drastic set of reforms (Ost, 1989 and 92; Rainnie and Hardy, 1995).

### Socioeconomics and informal institutions

A central tenet of the old institutionalist analysis is that it is highly critical of that large part of social reality which is left outside economic analysis by the abstraction from 'non-economic factors'. While Marx and Weber produced the first sociological studies of society, the origins of socioeconomics draws its tradition from Karl Polanyi (1944) in emphasising the institutionally embedded nature of social change. According to Polanyi, economic action without 'the societal element' would be 'bare bones'. Such ideas were echoed in the work of Myrdal (1957) who saw markets not as exogenous but as socially constructed;

The market does not just happen. It is not a natural phenomenon. The market is a set of instituted social relations, a set of rules determining what things can be exchanged, who can exchange them, who will benefit from the exchange, and whom will bear the burden of the exchange. (Myrdal, 1957: 8)

Other work has emphasised the way in which local and national economies are shaped by enduring collective forces (Hodgson, 1988). Old institutionalists stressed not only the role of formal rules and institutions, but also informal conventions, habits, norms and values in bridging agency and structure, and historical continuity and change. For Veblen (1899) institutions were:

.....prevalent habits of thought with respect to particular relations and functions of the individual and the community.....The situation of to-day shapes the institutions of tomorrow through, selective, coercive processes, by acting upon men's habitual view of things, and so altering or fortifying a point of view or a mental attitude handed down from the past (ibid:118).

Institutional set ups thus define the qualities of networks, their stability, their degree of coherence, their collective efficacy and above all their governance structure. Institutions, both hard and soft, constitute the webs and nodes of networks, the channels of collective organisation and communication as well as the points of intersection and encounter. Therefore institutions are regarded as imposing form and social coherence upon human activity partly through the continuing production and reproduction of habits of thought and action (Hodgson, 1998: 180). In other words, people are socialised by a 'hidden curriculum' as accepted values, norms and rules are embodied in institutions and these are regarded as second nature.

Concerns about the absorption of a certain set of values that made a particular state of affairs self evident were central to the work of Bourdieu (1972, 1981). His concept of habitus emphasises the doxic (taken for granted) elements of action, social classification and practical consciousness. Importantly his contribution is a recognition that understandings and values may be fractured or differentiated by social group.

The habitus is an analytic construct, a system of "regulated improvisation" or generative rules that represents the (cognitive, affective and evaluative) internalisation by actors of past experience on the basis of shared typifications of social categories, experienced phenomenally as "people like us". Because of common histories, members of each "class fraction" share similar habitus, creating regularities of thought, aspirations, dispositions, patterns of action that are linked to the position that persons occupy in the social structure they continually reproduce" (Bourdieu, 1981:309 [quoted in Powell and DiMaggio, 1991: 26])

Therefore formal and informal institutions and social capital are important to the transformation process in general, and the relationship between FDI and locality. There is a strand of literature that suggests that the degree to which the global can be 'pinned down' in terms of the potential impact of FDI is related to the quality of local institutions (Amin and Thrift, 1995b). In this view, the politics of place requires the construction of local regulatory frameworks with appropriate institutional thickness. The aim of local regulation is to balance the forces of cooperation and competition and therefore act as a positive force attracting increasingly mobile FDI and embedding it in the local economy. In the case of CEE, institutional failure is viewed as a primary reason for failing to harness the developmental potential of FDI. In the context of Poland, Hausner et al (1997) see a correlation between the development of institutions and the progress of transformation at a local level.

With regard to SOEs the continuation and persistence of informal institutions have been central to explaining why the restructuring of individual firms has been slower than expected. Winięckie (1992), Swaan (1996 and Swaan and Lissowska (1996) have analysed the slow adaptation and adjustment of SOEs by suggesting that the stock of existing routines, behavioural patterns and expectations reflect historical experience and are not suitable for the new environment.

A radical institutionalist approach not only acknowledges the importance of informal institutions but goes further in arguing that they need to be understood in terms of their content, their creation and recreation and in whose interests they operate.

## Power, enabling myths and circuits of intellectual capital

This section draws on a second notable feature of old institutionalism which is the prominent role of power and asymmetrical relations of power as being central to understanding economic change and processes (Hall and Taylor, op.cit; Samuels, op.cit., Dugger, op.cit., Klein, op.cit.). This approach is especially attentive to the way in which institutions distribute power unevenly across groups.

.....it is clear, particularly in the work of Veblen, that the impact of economic power on the system has always been a basic tenet of institutionalist thought, conditioning the entire manner in which economic activity unfolds.....Economic power emerges from comprehending the changing technology and deliberately manipulating the institutional response, often in the interest of a narrow group. (Klein, 1987: 1358)

Therefore Klein identifies Veblen's major contribution as his emphasis on the commanding and pervasive role played by what he called vested interests.

Rather than positing scenarios of freely contracting individuals, for instance radical institutionalists assume a world in which institutions give some groups or interests disproportionate access to the decision making process. Rather than emphasise the degree to which an outcome makes everybody better off, they tend to stress the way in which development may be a zero or negative sum game (Hall and Taylor, 1996). In contrast to consensual accounts a distinctive feature of the radical institutionalist account is the rejection of the harmony of interests, 'We are not all in the same boat, some of us have been thrown overboard so a rising tide affects us differently' (Myrdal, op.cit: 111).

Birchfield (1999) suggests that the ideological dimension of globalisation and the market consistent with deregulation and liberalisation has not been adequately exposed or problematised. The importance of private property, competition for scarce resources and the assumption of individuals motivated by self interest are presented as unchallengeable assumptions of economic life. Whereas inequality is a necessary feature of neoliberal analysis, the starting point for radical institutionalists is that inequality whether between individuals within an economy or between regions and states (Myrdal, op.cit) is an undesirable state of affairs.

...the equality doctrine is not merely an abstract formulae propounded in books and speeches. It is also an expression of a living ideal and as such part of social reality: a valuation partly perceived by people to be morally right. (Myrdal: 111)

Waller (1989) and Samuels (1995) draw our attention to institutionalist thinking as a critical body of thought that challenges the implicit conservatism of neoliberalism which takes for granted a structure marked by inequality and hierarchy.

Concern with the formation of 'preferences and working rules' raises crucial questions as to how particular groups maintain their privilege and power. There is a long lineage of those who have tried to explain the way in which those with power and wealth have convinced those that have not that this state of affairs is a self evident fact and part of the natural order of things. Fundamental to the work of Polanyi (1944) and Lazonick (1991), was a critique of the myth of the self regulating market. According to Marx individual socialisation in a stratified society was a powerful form of coercion and he argued that workers suffered from 'false consciousness'. Veblen, however, was critical of Marx's assumption that workers, in particular circumstances, would come to a true understanding of their objective circumstances, whereby false consciousness would be replaced by class consciousness. Veblen counterposed the notion of 'emulation' which he elaborated in 'The Theory of the Leisure Classes' (1899), and which he saw as being promulgated in the notion of ceremonial

processes or institutions, which are

Ceremonial aspects of behaviour are characterised by commands or rules that are sanctioned by a higher authority.....This behaviour is also characterised by legends. These legends tell of the mythical testing that demonstrated the efficacy of this behaviour in the mythical past...This process serves as a justification for existing systems of status and privilege, which in turn give the force of authority to the commandments. (Dugger, 1989: 42)

This is echoed in the work of Bourdieu (1972) who argues that every established order tends to reproduce, in different ways and to different degrees, the naturalisation of 'its own arbitrariness' (ibid: 164).

Enabling myths, in particular, amount to a fiction which plays down differences in institutional conditions to create a deceptive clarity that a specific ways of organising things is self evident. Dugger (2001) talks about the way in which enabling myths are deeply embedded in standards, structures and beliefs and the meanings of culture. The market, for example, becomes an important enabling myth whereby the invisible hand produces a particular set of results which are outside the control of human agency and is therefore impartial in its operation. These enabling myths do not appear spontaneously but are promulgated by a particular group of social and moral agents who create institutions in terms of normative and cognitive rights and duties. In the context of CEE Offe (1995) emphasises the importance of frameworks of regulations to develop the right understanding of situations, in particular the market and points to the socialisation capacity of those in privileged situations who reflexively and recursively attempt to institutionalise ultra stability.

It was Gramsci (in Hoare and Nowell-Smith 3, 1971), however, who elaborated this idea by suggesting that elites achieved hegemony through their control of the ideological apparatus of the state, and pointed to the existence of 'organic intellectuals' whose role was to justify the status quo.

This notion of a group of people who create and promulgate a set of ideas to justify a set of actions and conditions, is elaborated by Thrift (1998, 2001) who points to the advent of 'soft' or 'knowledgeable' capitalism with intellectual capital as being central to the new competition. Intellectual capital can be understood as comprising the tacit and codified knowledge of individual firms (Klein, 1998), and also the particular understandings of the business community collectively. One important element of intellectual capital is managerialist discourses or enabling myths which legitimate certain kinds of constructs, positions and affective states over others (Thrift, 1998). In the context of foreign investment and crossing national boundaries, circuits of intellectual capital are not only necessary to smooth the path of circuits of productive and financial capital, but also to effect rapid change in situations where managers have to react swiftly and turn businesses around within ever shorter time frames.

In a similar vein, Sklair (1997) identifies a transnational capitalist class who perpetuate and spread ideas. There are three elements of the transnational capitalist class that are important for the role of foreign direct investment in the transformation of CEE: first globalising bureaucrats (the World Bank, IMF and WTO), second TNC executives and third professionals, and in particular consultants, who Thrift (2001) refers to as unacknowledged legislators in the sense that they produce and disseminate current notions of best practice. Globalising bureaucrats are important for laying the conditions for the internationalisation of capital. Hollingsworth and Boyer (1997) note that the competitiveness of a country's dominant social system depends, at least in part, on the international rules of the game. Further, Harmes (1998) points to the role of institutional investors in the reproduction of neoliberal ideas. Within certain limits powerful countries can create international regimes that favour particular firms and sectors by setting the rules of engagement. Powerful nations and the supranational organisations they dominate may seek to alter productive systems in their own image and establish some sort of ideological hegemony. This is established through a combination of coercion and conditionality 4 and 'winning hearts and minds' through replacing old habits and norms with

new discourses.

It is important not just to understand how the national economies of CEE and their regions are fitting into the emerging international division of labour, but also the role played by supranational organisations in framing the emerging material and discursive practices in Poland and other countries in transformation. With its focus on endogenous change it has been suggested that the evolutionary account underplays the role of exogenous institutional props. Baker and Welsh (1999) suggest that these instruments of 'rational', Western modernisation operating in CEE include some of the most perfectly honed instruments of global governance that have evolved in the post war period. Most notable these include the World Bank, IMF, G7 and the EU. These organisations have precluded some paths of transformation and narrowly limited choices, in the case of the EU for example, in terms of positing particular models of local governance (Hardy and Smith, 2002). These organisations have significantly affected restructuring and the form and content of the privatisation process 5.

The arrival of foreign investment, TNCs and their executives have been to the fore in instilling new material and discursive practices through deep restructuring of workplaces and workplace behaviour, and the institution bending effects of foreign investment may have greatly exceeded their immediate economic impacts (Hardy, 1998). There are different corporate strategies for instilling new discourses and Schoenberger (1997) drawing on Bourdieu (1984) identifies the divergent sources that this group use to create hegemony and maintain power. Material sources of power derive from position, incomes and wealth, while differential access to educational capital confers social acceptability. In the context of foreign investment this means socialising local managers into the corporate culture of the company, which could be through transferring blueprints from the parent company to encouraging the internalisation of particular values,

As important as the new managerialist discourse itself, has been the growth of agents responsible for its spread across the globe who form an emergent and increasingly powerful class. This class is now self organising and responsible for the production and distribution of managerial knowledge to managers and includes such means of dissemination as the popularity of studying business, seminars, and texts by management gurus. Thrift (2001) identifies three main functions of these agents; first, they provide 'a kind of grammar of business imperatives' (ibid: 416) that is the general principles of business life; secondly, information on how to attain certain goals; and third, intelligence gathering as they continually monitor new organisational innovation and what is working, thereby providing a relentless critique of the status quo. The link between corporate strategy and regional restructuring is increasingly being influenced by this growing use of consultancy expertise used by large companies to access technical knowledge (Antonelli, 1999) but especially to bring about the 'management of change'. Consultancies operate through the corporate networks of clients, thus exerting national and global influence on patterns of geographical industrialisation (Wood, 2000). Creating the right attitudes and institutional conditions has been at the heart of assistance and aid from the western market economies. The aim of these programmes was to 'win hearts and minds' with the overriding aim of disembedding the old ideas and instilling a set of assumptions, norms, habits and rules of behaviour that were compatible with a capitalist economy.

## CONCLUSION

It is argued here, in line with Weisskopf (2000), that the seeds of change should come from below in workplaces, in communities defending collective and non-marketised provisions and in participatory systems of local governance. The point of departure from other accounts that have advocated a resurgence of localism, is a recognition that foreign investment offers very limited possibilities for regional development, and further that even some very basic demands may bring communities into conflict with vested and powerful interests. Rather than perpetuating the enabling myths which justify the economic and political power of the few, central to the research agenda is the search for provisioning institutions which are emancipatory in both a material and ideological sense for the vast majority people. This suggests that the challenge for radical

institutionalism is twofold. First, it needs to develop a non-teleological, but more coherent and all embracing theory that goes beyond the set of analytical concepts developed in this paper. Secondly, radical institutionalism needs to focus on the evolution of policy and participatory governance that provides a serious challenge to the enabling myth of the passivity and inevitability of the market. At the time of writing this study, an alternative analysis of and possible policies for economic change and development in Less Developed Regions is not an indulgence. Failure to engage with the increasing numbers of the population in Western and Eastern Europe, who are left disenfranchised and marginalised by the current economic arrangements leaves a vacuum that could be filled by dangerous and divisive ideas which are currently gaining credence in some quarters.

## ENDNOTES

Some schools of thought would see evolutionary thinking as a sub set of institutionalist thinking. Indeed one of Veblen's major contributions was to produce an essay in 1898 on 'Why Is Economics Not An Evolutionary Science'. As Hodgson (1998) points out evolutionary economics is a vague and ill defined term, which does not necessarily imply drawing directly on biology. Evolutionary theory in this section, should be understood as those theorists who lean more heavily on the use of biological metaphors.

It is not the intention of the thesis to provide a detailed history of institutionalist thought or a taxonomy of the various strands within it, both of these have been done extensively elsewhere (see for example, Mayhew, 1988; Samuels, 1995; Hall and Taylor, 1996; DiMaggio, 1989; Hodgson, 2001; Nielsen, 2001).

Hoare and Nowell-Smith (1971) assembled and translated Gramsci's writings from 1917 to 1923, which are collectively known as the Prison Notebooks.

There has been a strong element of conditionality. A whole range of other organisations have championed the cause of deregulation and liberalisation (see Amsden et al, 1994 for a full discussion of the Bretton Woods organisations, conditionality and restructuring). Organisations such as the World Bank and IMF, have not had to rely on exhortation alone, the conditionality of stand-by loans and loans for infrastructural development have been inextricably linked to progress on the privatisation front. The United States Agency for International Development (USAID), which has had the task of promoting global privatisation, has made large resources available in CEE to allow direct US investment in private assets.

For example, while public debates about mass privatisation were taking place in Poland, behind the scenes the World Bank was responsible for back door privatization. This circumvented both the Sejm (parliament) and individual firms, by introducing a debt equity swap whereby in effect Polish banks took ownership of individual firms.

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