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Petr Pavlinek

University of Nebraska at Omaha, ppavlinek@unomaha.edu

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ALTERNATIVE THEORETICAL APPROACHES TO POST-COMMUNIST TRANSFORMATIONS IN CENTRAL AND EASTERN EUROPE

PETR PAVLÍNEK

INTRODUCTION

Since the start of post-communist transformations in Central and Eastern Europe (CEE), there have been disagreements about the best strategies to follow and policies to implement the reforms.¹ Similar disagreements have existed in practical and theoretical interpretations of these transformations. These differences have reflected various and often conflicting understandings of the previous state socialist system, the existing political-economic situation and the nature of post-communist reforms by economists, political scientists, sociologists, historians and members of other disciplines and suggest the complexity, diversity and unpredictability of post-communist developments. Views have also differed significantly within the individual disciplines.

Two basic groups of approaches to the study of post-communist developments in CEE can be recognized. First are the teleological “transition” approaches, also known as “transitology,”² typically associated with neoliberal and neo-classical economic interpretations. Second are the non-teleological alternative “transformation” interpretations stemming from evolutionary and institutional economics, the analysis of networks of economic embeddedness, and Marxist political economy and regulation theory. The view of recent changes in CEE as transformations rather than transitions emphasizes actual processes rather than destinations³ and it differs from the neoliberal and neoclassical notion of transitions dominated by the theoretical agenda of modernization theory.⁴ Proponents of “transitology” argue that economies of CEE countries are undergo-

1 In this paper, CEE denotes to the region composed of East-Central Europe (ECE) and the European part of the former Soviet Union (FSU). ECE includes Central Europe (Poland, Slovakia, Czech Republic, Hungary and Slovenia) and Southeastern Europe.

2 Michael Burawoy, “The End of Sovietology and the Renaissance of Modernization Theory,” *Contemporary Sociology* 21:6 (1992), pp. 774-785; David Stark, “Path Dependence and Privatization Strategies in East Central Europe,” *East European Politics and Societies* 6:1 (1992), p. 22.

3 Christopher G.A. Bryant and Edmund Mokrzycki, “Introduction: Theorizing the Changes in East-Central Europe,” in Christopher G.A. Bryant and Edmund Mokrzycki, eds, *The New Great Transformation? Change and Continuity in East-Central Europe* (London and New York: Routledge, 1994), p. 4.

4 Adrian Smith, *Reconstructing the Regional Economy: Industrial Transformation and Regional Development in Slovakia* (Cheltenham: Edward Elgar, 1998), p. 4.

ing a relatively unproblematic shift from a command to a capitalist economy and from communism to democracy. The analyses and critique of “transitology” have been carried out elsewhere.⁵ The goal of this paper is to review and evaluate select alternative theoretical interpretations and approaches to the CEE post-communist transformations in light of my research in the region.

Before turning to alternative explanations of post-communist transformations in CEE, I begin with a brief evaluation of the early “transitology” based on the results of my own research in the Czech Republic in the first half of the 1990s in order to complement existing critical analyses. Next is a discussion of recombinant property in the context of privatization and property ownership transformation in CEE. Third, I briefly review the concept of path dependency and its importance for understanding the developments since the collapse of state socialism in CEE. Fourth is a discussion of network analysis in the context of post-communist economic transformation and regional development. Fifth, I briefly analyze Marxist political economy approaches, including the neo-Marxist “transition from state to private capitalism thesis” and the Marxist analysis of production processes. Sixth, I review regulation theory and its approaches to state socialism and post-communist transformations. Finally, I summarize the main findings in the conclusion.

CRITIQUE OF TRANSITOLOGY IN THE LIGHT OF CONCRETE FIELD RESEARCH

The results of my long-term research project conducted in the Czech Republic in the first half of the 1990s were very inconsistent with neoliberal and neoclassical interpretations of post-communist transformations.⁶ My field research and detailed analysis of economic, political, social and environmental changes in the Czech Republic generally, and in the Most district in particular, questioned those accounts of post-communist developments that viewed it as a linear unproblematic shift between two systems. My research illustrated that such explanations were based on uncritical views which did not take into consideration the complexity of social, economic, political and cultural change taking place in concrete historical and geographical conditions at the local and regional levels. In particular, my detailed analysis of the Most District showed, that the region was not undergoing a *transition* to modern capitalism, as envisioned by the market triumphalism of neoliberal and neoclassical approaches, but rather the restructuring of state socialist economic and social relations under the conditions of an emerging market economy. It also illustrated that industrial enterprises were still operating in the system of state socialist economic and social relations during their “pre-privatization agony” in the early 1990s. As a result of an uneven pace of privatization and its different forms, illustrated

5 See, for example, Petr Pavlínek, *Economic Restructuring and Local Environmental Management in the Czech Republic* (Lewiston, NY: Edwin Mellen Press, 1997), pp. 21-53.

6 *Ibid.*, pp. 371-384.

in this particular case by differential transformations in coal mining and the chemical industry, the economic and social relations in which enterprises operated were a mixture of market and state socialist relationships. As such, they did not represent a radical departure from state socialism, as assumed in transitology approaches. Instead of an unproblematic linear change that would represent a clean break with the state socialist past, my analysis of the Czech transformation demonstrated that strong interactions existed between the past and present not only in the system of economic relations, but in the entire system of social life in the early 1990s. In other words, the change that was taking place was largely path dependent. My research also revealed that the transformation was a complex and contested change that was uneven and spatially differentiated. It was typified by a mixture of old and new. Individuals, communities and entire regions were still locked in the preexisting system of state socialist social and economic relations in the 1990s, unable suddenly to break away from state socialism. As a result, the state socialist social practices and attitudes were mixed with the post socialist present to create a hybrid that represented neither state socialism nor capitalism.

Thus, in addition to the simplistic and teleological view of “transition” as a relatively unproblematic shift from state socialism to capitalism through the process of modernization and democratization once the appropriate policies, institutions, and mechanisms were put in place, my research revealed three additional basic weaknesses of “transitology” stemming from the geographical perspective. *First*, transitology has failed to approach the CEE transformation as a complex political, economic, social and cultural change. *Second*, transitology tends to ignore the geographical variability of the transformation and the issue of geographic scale. It predominantly concentrates on CEE as a whole or the national level and does not pay sufficient attention to the changes and processes taking place on other scales, especially at the local level, and the relations between these scales. These usually economic accounts of the post-communist developments reflect the predominantly spaceless and timeless character of classical and neoclassical economic theory.⁷ Such an approach toward CEE also follows the traditions of Western Sovietology which typically ignored variations over space and time in the region. Its sweeping generalizations about the region based on the belief of homogenizing effects of Marxism Leninism and central planning overlooked the crucial variation that is critical to understanding the unfolding transformations in CEE.⁸

7 See also Elmar Altvater, *The Future of the Market: An Essay on the Regulation of Money and Nature after the Collapse of “Actually Existing Socialism”* (London: Verso, 1993), p. 77.

8 Burawoy, “The End of Sovietology,” pp. 774-785; Petr Pavlínek, John Pickles and Caedmon Staddon, “Democratization, Economic Restructuring and the Environment in the Czech Republic and Bulgaria: A Comparative Perspective,” in Peter Jordan and Elisabeth Tomasi, eds., *Zustand und Perspektiven der Umwelt im östlichen Europa* (Frankfurt am Main: Peter Lang, 1994), pp. 57-82.

Third, avoiding the complexity and ignoring geographical variability and geographic scale often led to the generalization of the transformation without taking into account concrete processes occurring in concrete places influenced by their history and geography. The transformation takes place not only in geographically and historically different conditions of the individual countries of CEE, but also in various regional and local conditions that can strongly influence its regional and local outcomes. There is no universal path from state socialism to capitalism as assumed by “transitology” but rather a number of divergent national *and* regional pathways.⁹ The plurality of CEE transformations typified by these multiple strategies and distinct national and regional pathways is the direct outcome of path dependency and path shaping.¹⁰ While the past developments affect the present situation and the course of the transformation in various countries, regions and different social domains, different countries and regions actively influence the transformation outcomes in various social domains. It is therefore important to study the actual transformation processes in concrete places using detailed case studies to understand how these processes *actually operate* and to distinguish the general features typical for the transformation as a whole from specific features typical for different social domains and geographical areas. Such an understanding of transformation is more common amongst the alternative approaches to which I now turn.

ALTERNATIVE INTERPRETATIONS OF POST-COMMUNIST TRANSFORMATIONS

Drawing on literature from evolutionary and institutional economics, economic embeddedness analysis, and Marxist political economy and regulation theory, alternative interpretations of CEE transformation stress its path dependent and embedded nature. Alternative interpretations view the political economic system that emerged in CEE in the early 1990s as neither capitalist in the Western sense of the word nor state socialist in the sense of the previous centrally planned economy. Alternative approaches are based on an evolutionary understanding of the post-communist transformations in which a new political economic system that could effectively replace state socialism could only emerge through a gradual, organic, institution-building process (including market economy itself). Thus, the evolutionary view of the post-1989 transformations stresses the existence of continuities and similarities between the post-1989 developments and the previous state socialist system. This evolutionary understanding of the change is in direct opposition to the neo-liberal belief in the possibil-

9 Stark, “Path Dependence and Privatization Strategies,” pp. 17-51; Smith, *Reconstructing the Regional Economy*, pp. 255-301.

10 Adrian Smith and Adam Swain, “Regulating and Institutionalising Capitalisms: The micro-foundations of transformation in Eastern and Central Europe,” in John Pickles and Adrian Smith, eds., *Theorising Transition: The Political Economy of Post-Communist Transformations* (London and New York: Routledge, 1998), p. 27.

ity of instant capitalism imposed through shock therapy on the imaginary *tabula rasa* created by the collapse of state socialism in CEE.

Most alternative interpretations are sensitive towards multiple outcomes of transformations both in different social realms and at different geographic scales.¹¹ David Stark stressed the importance of such an approach in 1992 when he argued:

East Central Europe must be regarded as undergoing a *plurality of transitions*. Across the region, we are seeing a multiplicity of distinctive strategies; within any given country, we find not one transition but many occurring in different domains – political, economic, and social – and the temporality of these processes is often asynchronous and their articulation seldom harmonious.¹² (Emphasis in the original)

However, not all alternative approaches share this view and Kazimierz Poznanski has even argued that all alternative approaches “tend to find cross-country differences of secondary importance.”¹³ I believe, that those alternative approaches that stress the homogeneity of CEE and its “same troublesome destiny”¹⁴ commit the error of “pessimistic functionalism”¹⁵ and provide only a distorted and incomplete view of the region.¹⁶ What seems to be common to alternative approaches, as opposed to mainstream analyses, is the view of post-communist developments as failed “transitions to capitalism.”¹⁷

11 Bernard Chavance and Eric Magnin, “Emergence of Path-dependent Mixed Economies in Central Europe” in Ash Amin and Jerzy Hausner, eds., *Beyond Market and Hierarchy: Interactive Governance and Social Complexity* (Cheltenham: Edward Elgar, 1997), pp. 196-232; Klaus Nielsen, Bob Jessop and Jerzy Hausner, “Institutional Change in Post-Socialism,” in Jerzy Hausner, Bob Jessop, and Klaus Nielsen, eds., *Strategic Choice and Path-Dependency in Post-Socialism: Institutional Dynamics in the Transformation Process* (Aldershot: Edward Elgar, 1995), pp. 3-44; Elmar Altvater, “Theoretical Deliberations on Time and Space in Post-socialist Transformation,” *Regional Studies* 32:7 (1998), pp. 591-605; David Stark and Laszlo Bruszt, *Postsocialist Pathways: Transforming Politics and Property in East Central Europe* (Cambridge-New York: Cambridge University Press, 1998), p. 4.

12 Stark, “Path Dependence and Privatization Strategies,” p. 18.

13 Kazimierz Z. Poznanski, “Transition and Its Dissenters: An Introduction,” *East European Politics and Societies* 15:2 (2001), p. 215.

14 Kenneth Jowitt, “East European Transition,” distinguished lecture delivered at the Vienna Institute for Human Studies, July 1998, cited in Poznanski, “Transition and Its Dissenters,” p. 215.

15 Alain Lipietz, *Mirages and Miracles: The Crises of Global Fordism* (London: Verso, 1987), p. 4.

16 For details see Pavlínek, *Economic Restructuring*, pp. 74-75.

17 E.g. Kazimierz Z. Poznanski, “Building Capitalism with Communist Tools: Eastern Europe’s Defective Transition,” *East European Politics and Societies* 15:2 (2001), p. 320; Richard E. Ericson, “Does Russia Have a ‘Market Economy’?” *East European Politics and Societies* 15:2 (2001), p. 291; Michael Burawoy, “Transition without Transformation: Russia’s Involuntary Road to Capitalism,” *East European Politics and Societies* 15:2 (2001), p. 269.

RECOMBINANT PROPERTY

The concept of recombinant property represents an example of alternative approaches in the realm of privatization and property ownership transformation.¹⁸ While there was considerable property transformation accomplished in CEE in the 1990s, the clear boundaries separating public from private did not develop. Instead, a typical form resulting from privatization is a combination of public and private property relations.¹⁹ The formally private ownership, which is the outcome of privatization, is in reality, rather a "quasi-private" ownership resulting in a new type of state paternalism.²⁰ These new forms of property are typified by dissolved, interwoven and recombined private and public properties.²¹

The experience of the Czech Republic shows the complexity of post-communist property transformation which, in reality, is very far from the neoliberal and neoclassical models of privatization and its outcomes presented in the early 1990s. The Czech Republic thus typifies the situation in which the recombinant property or quasi-private ownership structures became the predominant form of industrial ownership in the 1990s. While the state ended its direct ownership in privatized enterprises, it continued to own many banks and other major financial institutions in the Czech Republic (and Slovakia) throughout the 1990s. These financial institutions in turn established the largest privatization investment funds (IPFs) in the early 1990s to amass a huge number of former state properties in the form of enterprise shares during the period of voucher privatization. Six of the nine and 11 of the 14 largest IPFs were established and owned by state-owned banks and insurance companies. Four of the five largest IPFs were established by the largest banks in which the state represented by the National Property Fund (NPF) held the controlling interest.²² The fact that banks

18 David Stark, "Recombinant Property in East European Capitalism," *American Journal of Sociology* 101:4 (1996), pp. 993-1027; David Stark, "Not by Design: The Myth of Designer Capitalism in Eastern Europe," in Jerzy Hausner, Bob Jessop and Klaus Nielsen, eds., *Strategic Choice and Path-Dependency in Post-Socialism: Institutional Dynamics in the Transformation Process* (Aldershot: Edward Elgar, 1995) pp. 67-82.

19 See also Kazimierz Z. Poznanski, "Restructuring of Property Rights in Poland: A Study in Evolutionary Economics," *East European Politics and Societies* 7:3 (1993), pp. 395-421; Lubomír Mlčoch, *Úvahy o české ekonomické transformaci* (Praha: Vyšehrad, 2000), pp. 48-65; D. Chelmiński, A.A. Czynczyk, and H. Sterniczuk, "New Forms of State Ownership in Poland: The Case of Commercialization," in G.J. Alexander and G. Skapska, *A Fourth Way? Privatization, Property, and the Emergence of New Market Economies* (London and New York, Routledge, 1994), pp. 182-197; A. Sajó, "Has State Ownership Truly Abandoned Socialism? The Survival of Socialist Economy and Law in Postcommunist Hungary," in Alexander and Skapska, *A Fourth Way?*, pp. 198-214.

20 Mlčoch, *Úvahy o české ekonomické transformaci*, p. 58.

21 Stark, "Not by Design," p. 79.

22 For details see Karla Brom and Mitchell Orenstein, "The Privatized Sector in the Czech Republic: Government and Bank Control in a Transitional Economy," *Europe-Asia Stud-*

became important owners of shares in privatized state-owned enterprises (SOEs) created a conflict of interest between the bank's function as manager of a stock portfolio and its role of extending the credit to enterprises. The state was also the major creditor to 80% of all large and medium-sized Czech companies because a large number of nonperforming loans were transferred to the state-owned Konsolidační banka, which was controlled by the Ministry of Finance. Additionally, the NPF held a 20% stake in "privatized" companies.²³ Throughout the 1990s, the state kept its shares in the most important Czech banks that had accumulated large nonperforming enterprise debts.²⁴ It is not surprising that the banks were reluctant to force enterprise restructuring through bankruptcies in the 1990s because the government was following active anti-bankruptcy policies in order to preserve the social peace by preventing the low unemployment rate from soaring. Thus, the state continued to be an indirect shareholder in hundreds of Czech companies without adequately enforcing its property rights. Some Czech politicians described this situation as "banking socialism."²⁵ This "pseudo-privatization" resulting in recombinant ownership of enterprises, reproduced the old negative forms of enterprise behavior: enterprises retained an information monopoly developed under central planning, new owners received only distorted and filtered information, and the enterprises were controlled by the same management joined by new representatives from IPFs creating "recombinant coalitions" that followed their own interests

ies 46:6 (1994), pp. 906-910. To complicate the situation, the majority of banks were partially privatized during the voucher privatization, creating a complex web of cross-ownership in the Czech and Slovak banking sectors. The banks got around the legal restrictions preventing them from possessing shares in other banks by setting up their own investment subsidiaries that were allowed freely to invest in other banks. For details see Michal Mejstřík, "The Emergence of Institutional Owners: The Role of Banks and Non-banking Financial Institutions in the Privatization of the Economy and the Banks," in Michal Mejstřík, Alexis Derviz and Alena Zemplerová, eds, *The Privatization Process in East-Central Europe: Evolutionary Process of Czech Privatizations*, International Studies in Economics and Econometrics, Volume 36 (Dordrecht, Boston and London: Kluwer Academic Publishers, 1997), pp. 161-163.

- 23 Stark and Bruszt, *Postsocialist Pathways*, p. 159; Mejstřík, "The Emergence of Institutional Owners," p. 158; Pavel Mertlík, "The Emergence of the Private Economy: Implications of Privatisation of State-Owned Enterprises and of the Emergence of the New Private Sector," in Brigitta Widmaier and Wolfgang Potratz, eds., *Frameworks for Industrial Policy in Central and Eastern Europe* (Aldershot: Ashgate, 1999), pp. 50-53.
- 24 The four largest Czech banks (IPB, ČSOB, Česká spořitelna and Komerční banka) were privatized between 1998 and 2001. The cost of delayed bank privatization was put at CZK 480 billion (about USD 12.6 billion at the 2001 exchange rate) (For details see Pavel Páral, "Záchrana bankovníctví: Jak přežít pitvu," *Euro* 31 (July 23, 2001), www.euro.cz)
- 25 See also See also Lubomír Mlčoch, "Restrukturalizace vlastnických vztahů: Institucionální pohled," in Lubomír Mlčoch, Pavel Machonin and Milan Sojka: *Ekonomické a společenské změny v české společnosti po roce 1989 (alternativní pohled)* (Praha: Karolinum, 2000), pp. 62-64.

rather than the interests of the enterprises.²⁶ Such a situation, which is not very different from the one that existed under central planning, led to the emergence of “state capitalism” or mixed economy in CEE.²⁷

It is not therefore surprising, that the phenomenon of recombinant property has negatively affected enterprise performance as my research on the Czech automobile industry restructuring in the 1990s has revealed. Privatization resulting in recombinant property has typically paralyzed the industrial enterprises instead of leading to its successful development. The weak state, which kept significant direct and indirect ownership in hundreds of privatized and semi-privatized industrial enterprises, chose not to enforce its ownership rights in the vast majority of cases leaving many existing pre-1989 managers in charge of enterprises. The fact that the new owners, the IPFs and thousands of small shareholders, did not understand production in privatized enterprises resulted in their failure to establish an effective corporate governance. This situation left practically all the old state socialist enterprise managers in charge of enterprises despite the fact that in the vast majority of privatized companies, few large IPFs acquired enough shares to be in control. Such a recombinant ownership structure failed to exert strong enough pressure on enterprise managers to conduct the radical enterprise restructuring necessary for the future survival of the enterprises, nor did it make them accountable for their managerial decisions. Instead, managers typically continued practices detrimental to their companies, such as acquiring large debts through soft loans, which the enterprises were, and still are, unable to pay off and postponing enterprise restructuring. Large state-owned banks that established several of the largest IPFs also failed to exert pressure on enterprises to undergo restructuring or change their unsustainable financial behavior. Instead, the banks continued to provide loans to heavily indebted enterprises (especially between 1994 and 1996). Thus, in those enterprises in which a majority of shares were exchanged for vouchers or where the state kept a majority stake but was unable to sell it to a strategic investor resulting in recombinant ownership, the “pre-privatization agony” has been in effect replaced by a “post-privatization agony.” The introduction of private ownership and market forces resulting in hard budget constraints, two pillars of the neo-liberal transition strategy, did not automatically result in an effective enterprise restructuring.²⁸

Thus, the neoliberal assumption that any new private owners would conduct effective enterprise restructuring immediately after privatization were largely false. My research suggests that effective enterprise restructuring took place

26 Mlčoch, *Úvahy o české ekonomické transformaci*, pp. 58-59.

27 Lubomír Mlčoch, “Did Privatization Really Take Place?” *The New Presence* (July 1997).

28 Petr Pavlínek, “Restructuring of the Commercial Vehicle Industry in the Czech Republic,” *Post-Soviet Geography and Economics* 41:4 (2000), pp. 265-287; idem, “Domestic Privatisation and Its Effects on Industrial Enterprises in East-Central Europe: The Evidence from the Czech Motor Component Industry,” *Europe-Asia Studies* 54:7 (2002), pp. 1127-1150.

only in a small number of cases when privatization resulted in a clearly defined majority ownership, when newly privatized enterprises avoided excessive debt burden, and when their new owners followed a long term development strategy. Despite the fact that the privatization of SOEs to domestic owners typically resulted in profound organizational restructuring, it did not necessarily lead to immediate and effective restructuring on the shop floor in the majority of enterprises where recombinant ownership structures developed in the early 1990s.²⁹

The development of recombinant ownership structures in CEE led Stark to conclude that a new and distinct type of East European capitalism has emerged which is different from both West European and East Asian variants of capitalism.³⁰ However, Stark's conclusion is premature and questionable because it is not clear whether and to what extent the recombinant property is a permanent or only a transitory phenomenon. In the Czech Republic, for example, the developments in the second half of the 1990s suggested that recombinant property might be only a transitory phenomenon typical for the post-privatization period. In the second half of the 1990s, the IPFs gradually started to recognize their inability to effectively control and manage the enterprises they owned. In many cases, because of poor economic results, the IPFs were forced to sell these enterprises either to domestic industrial investors or to foreign investors. After the purchase, the new owners typically replaced management and launched strategic enterprise restructuring.³¹ This situation suggests that the importance of recombinant property may substantially diminish over time in CEE.

PATH DEPENDENCY

Another important feature of alternative approaches is an understanding that the transformation does not take place in a vacuum or on a *tabula rasa*, but in a society intertwined with social ties from the past, with institutions that either survived from state socialism or were built upon the state socialist institutions, and with attitudes, understandings, and behavioral patterns strongly shaped by the previous system. In other words, the course of the transformation and its outcomes are strongly influenced by past developments. Although neoliberal and neoclassical approaches did recognize different starting positions of different countries to a certain extent, they largely underestimated the effects of past developments on transformation processes. The previous system of state socialism created specific behavior patterns of both the institutions

29 For details see Pavlínek, "Domestic Privatisation."

30 Stark, "Not by Design," p. 79.

31 The information is based upon in-depth interviews conducted by the author with chief executive officers and top managers of twenty Czech car component suppliers in 2000 and 2001. For details see Pavlínek, "Domestic Privatisation"; idem, "Restructuring of the Commercial Vehicle Industry," pp. 265-287. See also Milan Sojka, "Deset let transformace po česku: transformace, nervonost a integrace," in Mlčoch, Machonin and Sojka, *Ekonomické a společenské změny v české společnosti po roce 1989*, pp. 223-226.

and individual economic and social actors. It would be naive to expect that these patterns of behavior, which had developed and existed for forty years, would disappear overnight because of price liberalization and market introduction. Of course, the behavior of economic actors has changed, but the change has been gradual and it initially had a character of mainly passive adjustments to the new market conditions rather than the sudden and revolutionary change assumed by neoliberal approaches. Additionally, the way the behavior of institutions and individual actors changed was also affected by their previous experiences, habits and behavior inherited from the period of state socialism. The previous economic development in a particular country, region or locality also affected the course of the transformation and the trajectories of possible future developments.

For example, the analysis of privatization and its effects on industrial enterprises in the Czech automobile industry has revealed that the changes in the industry did not follow neoliberal and neoclassical assumptions about the effects of “instant capitalism” unleashed by price and trade liberalization and mass privatization. Instead, the industry was shaped by gradual and diverse evolutionary processes that in some cases led to the development of effective private ownership of industrial enterprises. My research shows that neoliberal and neoclassical accounts of privatization are weak in explaining the actual privatization and post-privatization experience of industrial enterprises and its diversity in the Czech car industry. Approaches based upon evolutionary and institutional economics offer a more appropriate theoretical and conceptual framework to understand the complex and diverse processes and their outcomes in the of the Czech car industry privatization.³²

Thus, path dependent approaches stress the importance of institutional legacies and continuities in shaping the outcomes of CEE transformations.³³ In this sense, they draw on evolutionary economics and its understanding of economic change as an open-ended process that does not necessarily have to be progressive but may be regressive. Hence, the outcome of post-communist transformations does not necessarily need to be modern capitalism as assumed by “transitology” approaches, but the development and endurance of primitive forms of capitalism, such as Michael Burawoy’s merchant capitalism, or even feudalism, such as Richard Ericson’s industrial feudalism, is possible.³⁴ Such

32 For details see Pavlínek, “Restructuring of the Commercial Vehicle Industry,” pp. 265-287; idem, “Domestic Privatisation.”

33 E.g. Ericson, “Does Russia Have a ‘Market Economy’?” pp. 294-298. For a critical analysis of path dependency approaches see Jürgen Beyer and Jan Wielgohs, “On the Limits of Path Dependency Approaches for Explaining Postsocialist Institution Building: In Critical Response to David Stark,” *East European Politics and Societies* 15:2 (2001), pp. 356-388.

34 Ericson, “Does Russia Have a ‘Market Economy’?” pp. 298-301; Michael Burawoy and Pavel Krotov, “The Soviet Transition from Socialism to Capitalism: Worker Control and Economic Bargaining in the Wood Industry,” *American Sociological Review* 57:1 (1992), pp. 21-22.

understanding of change is in contrast to the views of the modernization school of thought that considers social systems (including its economic components) progressing and moving towards a state of normality.³⁵

However, it is important not to confuse *path* dependency with *past* dependency. The concept of path dependency is associated with strategic choices or path shaping strategies, often highly contingent, that actively influence present and future actions. Different countries and regions can actively influence the outcomes of the transformation in various social domains. The actual transition pathway of a particular country or a region results from a combination of path dependent constraints and path shaping transformation strategies. While setting limits on the possible future trajectories, path dependency does not determine the strategies that are implemented. In contrast, past dependency is a form of historical determinism related to the idea that the past condemns present and future developments.³⁶

Thus, it is important to view the transformation as a combination of path dependent evolutionary social and economic change with active path-shaping change based upon key active decisions of social institutions and decisive actors (such as decisions about privatization strategies in CEE countries). Such a notion of transformation does not fit into deterministically applied evolutionary theories. I believe that any deterministic understanding of transformation is one-sided and theoretically incorrect, be it deterministically understood path dependency theories, deterministically applied evolutionary theories or purely voluntarist notions of transformation.

It is also important to recognize diversity related to the notion of path dependency and that the path dependent nature of change does not necessarily affect all post-communist developments. In other words, not all changes are by necessity path dependent. For example, the restructuring of the post-communist passenger car industry in CEE has largely been path dependent both in terms of continuities in the production sites that were established before 1989 and in the production specialization of CEE (the mass production of small passenger cars). At the same time, however, this path dependent nature of the CEE passenger car industry restructuring has been decisively affected by path-shaping investment and production strategies of Western multinational corporations that became dominant in the industry in East-Central Europe by the year 2000. As the result of their investment and restructuring strategies, new and previously non-existent factories (the so called greenfield factories) have been built in countries such as Hungary (Magyar Suzuki, Audi Hungária), Poland (Opel Polska), and the Czech Republic (Toyota/Peugeot – under construction) in locations where the passenger car industry previously did not exist. Further-

35 Kazimierz Z. Poznanski, *Poland's Protracted Transition: Institutional Change and Economic Growth 1970-1994* (Cambridge: Cambridge University Press, 1996), p. xiii.

36 See Stark and Bruszt, *Postsocialist Pathways*, pp. 137-165; Nielsen, Jessop and Hausner, "Institutional Change in Post-Socialism," p. 4.

more, in addition to the mass production of small passenger cars, Western investors began to develop a new production specialization of the Central European passenger car industry (Poland, Slovakia, Czech Republic, Hungary and Slovenia) that focuses on the export oriented, low volume production of special niche market models. This new specialization is clearly related to the peripheral position of the ECE passenger car industry in the European passenger car production system.³⁷

NETWORK ANALYSIS

The alternative approaches have also focused on network analysis and the transformation of networks during the post-communist transformations.³⁸ Drawing on evolutionary economics, the alternative approaches stress the location or embeddedness of economic actors in complex sets of external social relations of integration and networks. In Gernot Grabher's words, "embeddedness" refers to the fact that economic action and outcomes, are affected by actors' dyadic relations and by the structure of the overall network of relations."³⁹ Different classifications of networks in which these actors are embedded have been proposed. For example, Håkan Håkansson and Jan Johanson distinguish between social and industrial networks. While social networks are dominated by actors' social exchange relations, industrial networks, defined as sets of connected exchange relations among actors engaged in industrial activities, are typified by interdependencies among actors, activities and resources.⁴⁰ Bob Jessop recognizes three levels of embeddedness:⁴¹ the social embeddedness of interpersonal

37 For details see Petr Pavlínek, "Transformation of the Central and East European Passenger Car Industry: Selective Peripheral Integration through Foreign Investment," *Environment and Planning A* 34:9 (2002), pp. 1685-1709; idem, "Restructuring the Central and Eastern European Automobile Industry: Legacies, Trends, and Effects of Foreign Direct Investment," *Post-Soviet Geography and Economics* 43:1 (2002), pp. 41-77.

38 E.g. Gernot Grabher and David Stark, "Organizing Diversity: Evolutionary Theory, Network Analysis, and Post-socialism," in Gernot Grabher and David Stark, eds., *Restructuring Networks in Post-socialism: Legacies, Linkages, and Localities* (Oxford: Oxford University Press, 1997), pp. 1-32; Gerald A. McDermott, "Renegotiating the Ties that Bind: The Limits of Privatization in the Czech Republic," in Grabher and Stark, *Restructuring Networks in Post-Socialism* (Oxford: Oxford university Press, 1997), pp. 70-106.

39 Gernot Grabher, "Rediscovering the Social in the Economics of Interfirm Relations," in Gernot Grabher, ed., *The Embedded Firm: On the Socioeconomics of Industrial Networks* (London and New York: Routledge 1993b), p. 4.

40 Håkan Håkansson and Jan Johanson, "The Network as a Governance Structure: Interfirm Cooperation beyond Markets and Hierarchies," in Grabher, *The Embedded Firm*, p. 35.

41 Bob Jessop, "The Governance of Complexity and the Complexity of Governance: Preliminary Remarks on Some Problems and Limits of Economic Guidance," in Amin and Hausner, *Beyond Market and Hierarchy*, p. 102.

relations,⁴² the institutional embeddedness in systems and networks of inter-organizational relations, and the “societal embeddedness of functionally differentiated institutional order.”

The web of informal and interfirm networks that existed under state socialism as a parallel to official networks did not disappear with the collapse of the system. Instead, routines and practices, organizational forms and social ties survived and were activated to function under the new conditions.⁴³ Therefore, the networks played an important role as the units and agents of economic transformation and the basic goal of network analysis was to evaluate the extent of this role in CEE.⁴⁴ Adrian Smith and Adam Swain, for example, have identified three processes of network transformation and institutional change in CEE after 1989.⁴⁵ First, pre-existing networks dissolved resulting in the continuing existence, but isolation, of the institutions that comprised the state socialist system. This situation typically resulted from the sudden demise of central planning, which destroyed formal networks existing under state socialism. At the same time, attempts to quickly introduce market mechanisms through neoliberal economic strategies undermined the existing informal networks in the early 1990s. Those institutions that were no longer part of official planning networks, and were unable to integrate into new networks under new conditions, became isolated (so called “tombs in the desert”). The influx of foreign direct investment to countries of the former Eastern bloc, such as former East Germany or Hungary, accentuated this situation as it incorporated many local enterprises into Western corporate networks external to the region thus further isolating them from local and regional economic networks (so called “cathedrals in the desert”). In parts of CEE, where such isolated institutions became predominant, this situation led to the development of what Grabher has called “disembedded” regional economies.⁴⁶ The absence of regional networks thus negatively affected regional economic development as it prevented inter-enterprise interaction and blocked potential spillover effects from successful enterprises within the regional economy.

Second, pre-existing networks could be reconfigured so that existing institutions remained part of functioning networks and learned new forms of action, such as in the case of preexisting networks of car components suppliers

42 See Mark Granovetter, “Economic Action and Social Structure: The Problem of Embeddedness,” *American Journal of Sociology* 91:3 (1985), pp. 490-493.

43 Stark, “Not by Design,” p. 69.

44 Stark and Bruszt, *Postsocialist Pathways*, p. 137.

45 Smith and Swain, “Regulating and Institutionalising Capitalisms,” pp. 39-43.

46 Gernot Grabher “The Disembedded Regional Economy: The Transformation of East German Industrial Complexes into Western Enclaves,” in Ash Amin and Nigel Thrift, eds., *Globalization, Institutions, and Regional Development in Europe* (Oxford University Press, Oxford, 1994), p. 191; idem, “Adaptation at the Cost of Adaptability? Restructuring the Eastern German Regional Economy,” in Grabher and Stark, *Restructuring Networks in Post-Socialism*, p 126.

and their ability (or inability) to transform themselves and learn how to effectively supply automobile manufacturers under new conditions and thus remain part of active supplier networks.⁴⁷ The predominance of such interactive learning networks has been rare, but where it did develop it has led to the formation of locally embedded regional economies.

Third, and much more common, has been the endurance of pre-existing networks and the insulation of institutions as a means of resisting the enforcement of a new economic rationality after the demise of central planning. Michael Burawoy and Pavel Krotov have documented such a situation using the example of Russian industrial enterprises that wanted to insulate themselves from the outside regulatory and economic crisis in the early 1990s.⁴⁸ To survive in the crisis environment, and during overall economic uncertainty, the enterprises in the same sector or geographic region formed tightly organized and closed networks preserving the existing institutions that often attempted to replace the defunct functions of the state. Such behavior resulted in the development of “over-embedded” regional economies, prevented the enterprises from developing new forms of strategic action and locked them into the existing (state socialist) ways of operating and development.

Changes in the passenger car industry networks in ECE in the 1990s provide an interesting example of the post-communist network transformation. The embeddedness of car producers in the network of supplier relationships is considered to be the most important indicator of their links with local and regional economies (the second type of embeddedness identified by Jessop) and it largely determines their overall economic impact on individual regions and countries. Within these networks technology transfer takes place, new jobs are generated and local enterprises are formed.⁴⁹ The degree of embeddedness of automobile manufacturers in local and regional production networks varies considerably as it is related to the type of production (mass production versus low volume niche market production), the position of a particular plant in the corporate hierarchy (parent companies versus branch plants) and other factors. To better understand the diversity of car industry transformations in ECE in the 1990s, it is important to take both the path dependent nature of economic change and embeddedness of car producers in local and regional supplier networks into account. Based on the combination of path dependency and embeddedness, we can recognize four types of foreign direct investment driven transformations in the ECE passenger car industry in the 1990s: embedded path depen-

47 See Pavlínek, “Transformation of the Central and East European passenger car industry.”

48 Burawoy and Krotov, “The Soviet Transition from Socialism to Capitalism,” pp. 16-38; idem, “Russian Miners Bow to the Angel of History,” *Antipode* 27:2 (1995), pp. 115-136.

49 Peter Dicken, *Global Shift: Transforming the World Economy*, Third Edition (New York and London: the Guilford Press, 1998), p. 251; Peter Dicken, Mats Forsgren and Anders Malmberg, “The Local Embeddedness of Transnational Corporations,” in Amin and Thrift, *Globalization, Institutions and Regional Development in Europe*, p. 38.

dent transformations, embedded greenfield operations, disembedded path dependent transformations, and disembedded greenfield operations (Table 1).⁵⁰ The developments in the ECE passenger car industry thus show the importance of both path dependency and network analysis for understanding the complex and diverse developments in this particular industrial sector in the 1990s.

Table 1: Classification of foreign direct investment driven transformations in the CEE car industry based upon the relationship between embeddedness and path dependency in the 1990s⁵¹

| <i>Embeddedness</i> | <i>Path dependency</i> | |
|---------------------|--|---|
| | Yes | No |
| High | Embedded path dependent transformations (Škoda, FSO, FSM, Dacia) | Embedded greenfield operations (Magyar Suzuki, Opel Polska) |
| Low | Disembedded path dependent transformations (VW Slovakia, Renault Revoz Slovenia) | Disembedded greenfield operations (Audi Hungária, Opel Hungary) |

MARXIST POLITICAL ECONOMY APPROACHES

We can recognize two major approaches toward the study of post-communist transformation related to Marxist political economy: neo-Marxist transition from state to private capitalism thesis and the Marxist approaches based upon class analysis and analysis of production processes.

Transition from State to Private Capitalism Thesis

There has been a long debate between Marxists about the actual class structure in the former Soviet Union and ECE. The basic disagreement centers on how the class structure in the former state socialist countries was different from that of capitalist societies. The proponents of “state socialism” argue that although state socialist countries shared great similarities in some aspects of the productive process with capitalist countries, the social relations of production differed in the nature of ownership and control. While capitalism is typified by private ownership of means of production, private control of production process, private appropriation of surplus value and market regulation, state social-

50 For details see Pavlínek, “Transformation of the Central and East European Passenger Car Industry,” pp. 1695-1701.

51 Source: Pavlínek, “Transformation of the Central and East European Passenger Car Industry,” p. 1695.

ism was characterized by collectivized ownership of means of production and centrally planned economic regulation, which included the production and appropriation of economic surplus.⁵² The advocates of “state capitalism” contended that the different nature of ownership and control did not abolish the capitalist forms of surplus value extraction, appropriation, and distribution in the former Soviet Union and countries of ECE. In this interpretation, the different nature of ownership and control did not eliminate class exploitation of workers, it only altered the forms of exploitation and thus, from this perspective, the former Soviet Union and the countries of ECE were state capitalist.⁵³

In the view of Stephen Resnick and Richard Wolff, what we see in CEE is not the collapse of communism or state socialism and the transition to capitalism, but the “oscillation” between two kinds of capitalism: from state capitalism to private capitalism.⁵⁴ This conclusion is based on their thesis, which argues that workers in the nationalized state enterprises in CEE produced surplus value not for private capitalists, but for state capitalists represented by appointed state officials. Surplus value was not distributed by the market, but by the means of central planning. Therefore, the capitalist way of labor exploitation was not eliminated in “Soviet-style state capitalism,” it was only different to the extent that it took place in state owned enterprises rather than in private enterprises. The crisis of the mid-1970s and 1980s was due to the inability to produce sufficient surplus value and as such, it was, according to Resnick and Wolff, a crisis of the state kind of capitalism that existed in CEE, not a crisis of socialism. For the purpose of this article, it is important that the advocates of state capitalism regard the CEE transformation as a relatively unproblematic linear change between state and private capitalism, which is viewed as one of many oscillations between these two forms of capitalism. As such, the transition does not involve any radical changes in the class structure, production of surplus value or in social relations of production in the CEE countries. This view is somewhat similar to liberal and neoliberal accounts of transitions as a relatively smooth change between two forms of market economy. It is also similar in its spaceless character. Therefore, I include this perspective among “transitology” approaches.

Marxist Analysis of Production Processes

Neo-Marxist “state to private capitalism thesis” sharply contrasts with Marxist political economic interpretations of changes in CEE which assert that the transition toward capitalism must involve a fundamental transformation of

52 Howard Davis and Richard Scase, *Western Capitalism and State Socialism: An Introduction* (Oxford: Basil Blackwell, 1985), pp. 90-91.

53 Stephen Resnick and Richard Wolff, “State Capitalism in the USSR? A High-Stakes Debate,” *Rethinking MARXISM* 6:2 (1993), pp. 46-68.

54 Stephen Resnick and Richard Wolff, “Between State and Private Capitalism: What Was Soviet ‘Socialism’?” *Rethinking MARXISM* 7:1 (1994), pp. 9-30.

the social relations of production. This second group of Marxist political economy approaches is best represented by the work of Michael Burawoy and Simon Clarke on the Russian transformation. Marxists have argued that while evolutionary economists correctly recognized right from the start the misguided nature of neoliberal strategies and their failure to lead to the development of modern capitalist economy, their explanation of what has actually happened in Russia and where Russia is heading has been limited.⁵⁵ Since the early 1990s, Michael Burawoy has argued that the transformation of command economies does not necessarily lead to the development of modern style capitalism. Instead, in the case of Russia, a form of merchant capitalism developed in the early 1990s in which the realm of exchange expanded at the expense of production which did not automatically destroy the existing systems of production. Instead, it tended to conserve them and thus it blocked the development of modern capitalism.⁵⁶ Thus, Russia has experienced “transition without transformation.” In other words, market transition has not led to economic, political and social transformation but to “involutionary degeneration” which represents economic change without transformation and which was brought about by the development of merchant capitalism.⁵⁷ Economic involution characterized by the development of merchant capital led to societal and political involution typified by the decommodification of labor, land and money. Consequently, this situation led to subsistence and petty commodity production by workers, re-peasantization of agriculture and the rise of barter.⁵⁸ Russia’s pathway from state socialism typified by “transition without transformation” has been quite different from the experiences of Central European countries. While these countries also experienced the development of merchant capital in the early 1990s,⁵⁹ as opposed to Russia, it did not become so dominant as to block the gradual economic transformation and the eventual development of modern capitalism. In contrast to the experience in Russia, merchant capital seemed to be only a transitory period in Central Europe that did not lead to economic, political and societal involution.

According to Simon Clarke, the transition toward capitalism will be impossible without the transformation of the social relations of production, which have not changed very much in Russia despite the disintegration of the political

55 Burawoy, “Transition without Transformation,” p. 270.

56 Burawoy and Krotov, “The Soviet Transition from Socialism to Capitalism,” pp. 16-38; Michael Burawoy and Pavel Krotov, “The Economic Basis of Russia’s Political Crisis,” *New Left Review* 198 (1993), pp. 49-69.

57 Burawoy, “Transition without Transformation,” pp. 270-271; Michael Burawoy, “The State and Economic Involution: Russia through a Chinese Lens,” *World Development* 24 (1996), pp. 1105-1117.

58 Burawoy, “Transition without Transformation,” pp. 276-284.

59 E.g. Zdislav Šulc, “K některým teoretickým otázkám transformace,” *Politická Ekonomie* 41:3 (1993), pp. 319-332.

and ideological forms of the old system of class rule.⁶⁰ The central idea of Clarke's argument is that what we observe in Russia is not the transition toward any kind of capitalism based on the transformation of the social relations of production, but a "restructuring of the Soviet system from below, subordinating capital and commodities to the reproduction of the existing social relations of production."⁶¹

REGULATION THEORY

Regulation theory originally developed to provide an alternative view of capitalist development. Although it initially tended to neglect analysis of state socialism,⁶² it was applied to the investigation of post-communist transformations in CEE in the 1990s. While neoliberal and neoclassical approaches accorded the state a minimal or inferior role in economic regulation, stressing the role of free market regulation, regulation theory emphasized the role of the state in the development and regulation of the economy. Regulation theory analyzes a particular political-economic system (a development model), adopted by a society or imposed on it in a particular long-term period, from four interrelated perspectives: production and consumption, economic regulation, labor processes, and power from the perspective of politics, ideology, culture and behavior. To describe and analyze these four components of each development model, regulation theory introduced four middle-range concepts: regime of accumulation, mode of regulation, labor process model and hegemonic bloc.

A "regime of accumulation" describes long term development in conditions of production and conditions of social use of output. A "mode of regulation" characterizes institutional and other mechanisms used to regulate the behavior of individual agents according to the general principles of the regime of accumulation. A "labor process model" describes general principles of work organization and development under a specific development model. A "hegemonic bloc" involves a long term imposition of particular power dominance and relations in the spheres of politics, ideology, culture and behavior that secure continuation and stability of a particular development model.⁶³

60 Simon Clarke, "Privatization and the Development of Capitalism in Russia," *New Left Review* 196 (1992), pp. 3-27; idem, "The Contradictions of 'State Socialism'," in Simon Clarke, Peter Fairbrother, Michael Burawoy, and Pavel Krotov, *What About the Workers? Workers and the Transition to Capitalism in Russia* (London and New York: Verso, 1993), pp 5-29.

61 Clarke, "Privatization and the Development of Capitalism in Russia," p. 5.

62 Important exceptions did exist. See Altvater, *The Future of the Market* and Mary Kaldor, *The Imaginary War: Understanding the East-West Conflict* (Oxford: Basil Blackwell, 1990).

63 Alain Lipietz, *Towards a New Economic Order: Postfordism, Ecology and Democracy* (Cambridge: Polity Press, 1992), p. 2; idem, "The Regulation Approach and Capitalist Crisis: an Alternative Compromise for the 1990s," in M. Dunford and G. Kafkalas, eds., *Cities and Regions in the New Europe: The Global-Local Interplay and Spatial Develop-*

Applying these basic concepts, the state socialist development model can be characterized⁶⁴ by (1) its *predominantly extensive* regime of accumulation;⁶⁵ (2) its bureaucratic mode of regulation based on central planning;⁶⁶ (3) its labor process model based on “*bureaucratic despotism*”⁶⁷ and “*authoritarian paternalism*”⁶⁸; and (4) by its hegemonic bloc based on the *Communist Party hegemony* over political, social and cultural life to stabilize and protect the state socialist development model.

In several ways state socialist societies followed the development pathway of developed capitalist societies. While the mode of social regulation was changed under state socialism to a one party system for economic planning, the labor process model and the regime of accumulation emulated those in developed capitalist countries because state socialism could justify itself only through economic success as compared with the capitalist market economies. The result of this combination was that the same productivist rationality emerged

ment Strategies (London: Belhaven Press, 1992), pp. 310-311; Danièle Leborgne and Alain Lipietz, “Two Social Strategies in the Production of New Industrial Spaces,” in Georges Benko and Mick Dunford, eds., *Industrial Change and Regional Development: The Transformation of New Industrial Spaces* (London: Belhaven Press, 1991), pp. 28-29; Mick Dunford, “Theories of Regulation,” *Environment and Planning D: Society and Space* 8:3 (1990), pp. 303-308; Georges Benko and Mick Dunford, “Structural Change and the Spatial Organisation of the Productive System: An Introduction,” in Benko and Dunford, eds., *Industrial Change and Regional Development*, pp. 7-10; Robert Boyer, *The Regulation School: A Critical Introduction*, Translated by Craig Charney (New York: Columbia University Press, 1990).

64 Pavlínek, *Economic Restructuring*, p. 9, Petr Pavlínek and John Pickles, *Environmental Transitions: Transformation and Ecological Defence in Central and Eastern Europe* (London-New York: Routledge, 2000), p. 25.

65 The predominantly extensive regime of accumulation is based on extensive ways of increasing production, such as the lengthening the working day, intensifying labor through transformation of its organization and expanding the size of the labor force. Growth of productivity and mass consumption are limited (Michele Aglietta, *A Theory of Capitalist Regulation: The US Experience* (London: Verso, 1979), p. 71). The predominantly extensive regime of accumulation was typical for the “classical” state socialist system. Since the 1960s, there were attempts in the transition to intensive patterns of accumulation (see Michael Burawoy, *The Politics of Production* (London and New York: Verso, 1985), pp. 164-165).

66 On planning and direct bureaucratic control in the “classical” state socialist system see János Kornai, *The Socialist System: The Political Economy of Communism* (Princeton, New Jersey: Princeton University Press, 1992), pp. 110-130.

67 Burawoy, *The Politics of Production*, p. 180.

68 On the labor process model and the regime of bureaucratic despotism under state socialism see Burawoy, *The Politics of Production*, pp. 156-208. On authoritarian paternalism see Simon Clarke, Peter Fairbrother, Vadim Borisov and Petr Bizyukov “The Privatization of Industrial Enterprises in Russia: Four Case-studies,” *Europe-Asia Studies* 46:2 (1994), pp.180-183; Kornai, *The Socialist System*, pp. 203-227 also provides analysis of the classical state socialist labor process model.

under state socialism as existed in developed capitalism.⁶⁹ An important difference between developed capitalist societies and state socialist CEE since World War II has been that, while Western economies concentrated on mass production of consumer goods after the Second World War, CEE countries focused on extensive development of the means of production with rapid development of heavy industries.⁷⁰

Regulationist Analyses of State Socialism and Post-communist Transformations

The post-communist transformations in CEE could be studied as a transformation of the state socialist development model into a new development model based on the interconnected changes in the regime of accumulation, mode of regulation, labor process model and hegemonic bloc at different geographic scales. I believe that one of the most powerful advantages of a regulationist approach is the way it articulates the nature of production with its regulation, labor organization and power relations in a particular political-economic system. Regulation theory thus provides a framework for flexible and dynamic understanding of economic development trajectories. However, early attempts to apply the concepts and methods of regulation theory to the analysis of state socialism and the post-communist transformation were superficial, mechanistic, under-researched and underdeveloped. These included efforts to compare the state socialist development model with "Fordism" in developed capitalist countries and viewed these two development models as alternatives.⁷¹ Some commentators even argued that state socialism was Fordist and viewed "*Soviet Fordism*" as an extreme form of Fordist production methods.⁷² For example, in *The Future of the Market*, which was, by far, the most sophisticated attempt to analyze state socialism using the regulationist perspective in the early 1990s, Elmar Altvater reasoned that the attempts of state socialist countries to follow the development path of developed capitalist countries was a principal mistake.⁷³ The mode of social regulation based on central planning and the Com-

69 Altvater, *The Future of the Market*, p. 14; Lipietz, *Towards a New Economic Order*, p. x; Jean-Paul Deléage, "Eco-Marxist Critique of Political Economy," *Capitalism, Nature, Socialism: A Journal of Socialist Ecology* 3 (1989), p. 25.

70 Altvater, *The Future of the Market*, p. 31.

71 E.g. Lipietz, *Towards a New Economic Order*, p. 5; idem, "The Regulation Approach," p. 311; idem, "Capital-Labor Relations at the Dawn of Twenty-First Century," Unpublished paper received from the author in 1994; Kaldor, *The Imaginary War*.

72 Robin Murray, "Fordism and Post-Fordism," in Stuart Hall and Martin Jacques, *New Times: The Changing Face of Politics in the 1990s* (London: Lawrence & Wishart, 1989), p. 41; idem, "Flexible Specialisation and Development Strategy: The Relevance for Eastern Europe," in Huib Ernste and Verena Meier, *Regional Development and Contemporary Industrial Response: Extending Flexible Specialisation* (London: Belhaven Press, 1992), pp. 199 and 214-215.

73 See also James O'Connor, "Political Economy of Ecology of Socialism and Capitalism," *Capitalism, Nature, Socialism: A Journal of Socialist Ecology* 3 (1989), pp. 93-107.

unist Party hegemony was rigid and inflexible compared with the mode of social regulation in market economies. The fact that extensive accumulation did not require great flexibility was one of the reasons why initially successful growth of the state socialist economies was possible.⁷⁴ However, rigidity of state socialist regulation proved to be a major reason why the extensive regime of accumulation pursued during the period of socialist industrialization (until the 1960s) failed to be restructured into an intensive regime of accumulation when the sources of extensive growth were exhausted. This was different in the capitalist West where the modernization of the modes of social regulation was more successful after the disintegration of the “Fordist” development model in the late 1960s and early 1970s.

Because politics dominated the economy in state socialist countries and economic agents had to behave according to the rules set by the central planning authorities, it was impossible to reform the centrally planned economic system without undermining the very rationale of state socialism if the political system of regulation failed. One of the biggest problems with the state socialist system of regulation was that any economic crisis easily turned into a political crisis and therefore into a crisis of the entire system. The inability of the state socialist system to deal with such crises, in comparison to market economies, became a major disadvantage eventually leading to collapse.⁷⁵ Thus, for Altvater, state socialism was the “*half-Fordism*,” which successfully achieved the rationalization and planning of labor in industry but failed to secure mass production and consumption of consumer goods. The long term existence of shortages instead of mass consumption undermined the existing “*half-Fordism*” and greatly contributed to the legitimation crisis of state socialism.⁷⁶ Smith criticized these attempts to equate the state socialist development model with Fordism for ignoring the different nature of class relations of accumulation and regulation under state socialism and how they resulted in a different societal organization from those in the developed capitalism. While the transformation of social relations and workplace organization in regards to the introduction of Taylorism led to the transformation of the economy from extensive to intensive forms of accumulation and the development of Fordism as a new development model in the West, such a transformation never happened in the state socialist command economies. In other words, the introduction of Taylorism, mass production, vertical integration and other elements of Fordist production methods in centrally planned economies that did not (and were not intended to) transform these economies from extensive to intensive forms of accumulation through intensification of the labor process, did not represent Fordism.⁷⁷

74 Lipietz, “Capital-Labor Relations at the Dawn of Twenty-First Century.”

75 Altvater, *The Future of the Market*, pp. 19-24.

76 *Ibid.*, pp. 31-32.

77 Smith, *Reconstructing the Regional Economy*, p. 88.

From these beginnings, regulationist approaches to the analysis of state socialism and post-communist transformations, further developed in the second half of the 1990s. For example, based on the attempts of economic geographers to address the failure of regulation theory to deal with development at the regional and local level and with the issue of uneven development in general,⁷⁸ I have applied the regulationist approach combined with David Harvey's concept of structured coherence⁷⁹ and Henri Lefebvre's concept of production of space⁸⁰ to analyze the historical political economy of the Most region in the Czech Republic and its early stages of the post-communist transformation. This approach allowed me to introduce spatial and temporal dimensions into the concept of the development model and situate the regional economy of the Most District within a broader framework of national transformations and international systems. I have identified a specific regional form of the state socialist development model in the Most District that resulted from the combination and interaction of forces and processes operating at different geographic scales⁸¹ We can, therefore, understand Harvey's structured coherence as being closely related to a regional regime of accumulation, regional mode of regulation and regional hegemonic structures including regional and local power blocs and regional and local cultures. These regional forms of accumulation, regulation and hegemonic structures are embedded within the national regime of accumulation, mode of regulation and hegemonic bloc.⁸²

In the late 1990s, Adrian Smith has most thoroughly applied and extended the theoretical and conceptual apparatus of regulation theory to analyze state socialism, the post-communist transformations and their uneven regional development outcomes in his study of regional economic transformations in Slovakia.⁸³ In his work, Smith articulates arguments derived from regulation theory with debates on the "governance" of socio-economic systems and the time-space embeddedness of economic action and networks of socio-economic insti-

78 See Jamie A. Peck and Adam Tickell, "Local Modes of Social Regulation? Regulation Theory, Thatcherism and Uneven Development," *Geoforum* 23:3 (1992), pp. 347-362; idem, "The Social Regulation of Uneven Development: 'Regulatory Deficit', England's South East and the collapse of Thatcherism," *Environment and Planning A* 27:1 (1995), pp. 15-40; Mark Goodwin, Simon Duncan and Susan Halford, "Regulation Theory, the Local State, and the Transition of Urban Politics," *Environment and Planning D: Society and Space* 11:1 (1993), pp. 67-88.

79 David Harvey, *The Urbanization of Capital: Studies in the History and Theory of Capitalist Urbanization* (Baltimore: The Johns Hopkins University Press, 1985), p. 140.

80 Henri Lefebvre, *The Production of Space*, translated by Donald Nicholson-Smith (Cambridge, MA: Blackwell, 1991).

81 For details see Pavlinek, *Economic Restructuring*; idem, "Privatisation and the Regional Restructuring of Coal Mining in the Czech Republic after the Collapse of State Socialism," in Pickles and Smith, *Theorising Transition*, pp. 218-239.

82 Pavlinek, *Economic Restructuring*, p. 88.

83 Smith, *Reconstructing the Regional Economy*; Smith and Swain, "Regulating and Institutionalising Capitalisms."

tutions and develops a set of conceptual arguments central to understanding of regional development processes under state socialism and during the post-communist transformation such as the “mode of enterprise regulation.” While regulation theory has traditionally been concerned with macro-level processes of economic stabilization and crisis resolution, Smith’s work examines the micro-foundations of socio-economic regulation in CEE. The collapse of state socialism can be interpreted as “a crisis of regulation and governance mechanisms to facilitate co-ordinated strategic action.”⁸⁴ Smith and Swain view the post-communist transformations as a reworking of past practices under new conditions of marketization and democratization, rather than simply an attempt to institute and develop new systems of coupling between regimes of accumulation and new regulatory processes (as the traditional regulationist approaches would suggest).⁸⁵ In their approach, the centrality of networks and forms of integration in establishing particular social practices and regulatory processes is highlighted in order to move beyond the statist notion of regulatory relations.⁸⁶ Their view of regulation as a continuous process of change better captures the actual processes of change than the static understanding of modes of regulation, typical of early regulation theory.

CONCLUSION

The last decade clearly showed that available theories and approaches to the post-communist transformations, such as neoliberal and neoclassical approaches, are not necessarily best suited to understanding of complex changes that have been underway in CEE since the disintegration of state socialist regimes in the late 1980s and early 1990s. While neoliberal and neoclassical approaches prepared ostensibly simple and logical blueprints of economic transition steps and strategies that quickly introduced the basic elements of market economy in CEE, their explanation of profound changes of CEE socio-economic systems that followed the onset of post-communist transformations has been much less successful. I believe that these often simplistic and teleological accounts of socio-economic change based on modernization theory suffer from similar shortcomings as the modernization theory itself, and have been similarly weak in explaining the nature and processes of post-communist transformations. The practical outcomes of neoliberal and neoclassical “transition” policies have also been questionable. For example, the dismal results of neoliberal mass privatization schemes, such as voucher privatization in the Czech Republic, question both the appropriateness of the strategies followed in the early 1990s and the quality of the institutional and legal environment established for

84 Smith and Swain, “Regulating and Institutionalising Capitalisms,” p. 38.

85 *Ibid.*, p. 39.

86 *Ibid.*, p. 47.

the functioning of private enterprises. The governmental neoliberal belief in the “invisible hand of the market” as the best regulatory economic mechanism prevented the establishment of an institutional and legal framework in which independent enterprises could efficiently operate. This was, of course, detrimental to enterprises and the entire economy.⁸⁷

Despite the fact that their contribution to practical economic policies and decision-making has been limited, the alternative approaches identified in this paper can provide an alternative explanation and understanding of these systemic changes, because, in my view, they better capture the complex realities of post-communist transformations in CEE. I have shown that this is especially the case of those approaches that are based on evolutionary understanding of post-communist developments, network analysis, Marxist political economy and regulation theory. In particular, their view of socio-economic change as an open-ended path dependent process with multiple development pathways driven by actions of individual agents embedded in complex economic and social networks and operating under conditions of incomplete information has been extremely valuable in understanding the complex nature of post-communist transformations in CEE.

I have argued that the alternative approaches reviewed in this article can provide a powerful theoretical understanding of interconnected political, economic, social, cultural and other changes that the former state socialist countries of CEE have been experiencing since the collapse of state socialism. Despite the fact that regulation theory is not an established unified theoretical system and its more sophisticated applications to CEE have been developed and applied only recently, its theoretical and conceptual framework is flexible, which allows it to draw on all alternative approaches identified in this paper and develop links with other theoretical approaches not discussed here such as theories of governance. For these reasons, I consider regulation theory to be the most promising alternative approach for the understanding of complex changes resulting from the collapse of state socialism and post-communist transformations in CEE.

87 See Pavlínek, “Domestic Privatisation.”