

Introduction

The fast political and economic transition from communism to democracy and market economy in Eastern Europe in the 1990s has been preceded and paralleled by a lengthy and yet unfinished transition in the realm of economic and political ideas. This change in the realm of beliefs was the precondition and one of the major forces that set into motion the changes leading to the collapse of the Communist regime and the emergence on its ruins of a liberal order. As economics Nobel Prize winner Douglass North put it: 'The demise of Communism in Eastern Europe in 1989 reflected a collapse of the existing belief system and a consequent weakening of the supporting organizations' (North, 1997, p. 18). North's assessment is echoed by other scholars deeply familiar with the region. The transition from the Marxist-socialist way of conceptualizing the political economy system to a new and different perspective shaped the attitudes, motivation and political behavior of the Eastern European administrative and political elites (Tismaneanu, 1992). In this process, the economics 'epistemic community' – researchers, professors, publicists and specialists in economics – played a pivotal role. In fact, rarely in history has any other social science discipline been elevated to the high status that economics managed to achieve in post-communist Eastern Europe. Yet, despite this salience, very few studies have ventured to explore this shift in economic ideas that seems to be such a critical factor in shaping and understanding the transition process (Kovács, 1994; Risse-Kappen, 1994; Wagener, 1998; Kaase, Sparschuh and Wenninger, 2002). Even fewer studies have seized upon the potential that the crucial East European case has to illuminate the larger phenomenon of diffusion and adoption of economic ideas, a phenomenon that undoubtedly has in the so-called Eastern European 'neoliberal revolution' an exemplary instantiation (Campbell and Pedersen, 2001; Robison, 2006; Roy et al., 2007). This book is an attempt to respond to the challenge posed by these overdue research agendas.

The first test confronting such a project is the clash with the tacit consensus according to which the relationship between economic ideas and the poor economic performance of the Soviet block is self-explanatory. Because the system inspired by the Marxist political economy did not 'deliver the goods', Marxist economics ideas were rejected: an example of 'marketplace of ideas' at work and a straightforward explanation of the

process of ideas diffusion and change in Eastern Europe. This book, while accepting this simple but robust interpretation, goes beyond it and focuses at a deeper level by taking a closer look at a number of the complex institutional and ideational processes involved. Thus the study directly questions those that seem to think that an inquiry on the spread and adoption of economic ideas is pointless as the answers are obvious and conclusive. As such, it is addressing frontally one of those prejudices shared, as Coats and Collander (1989, pp. 4–10) put it, ‘both by the dominant academic methodology and the common sense views’. That common prejudice invites a superficial and hasty answer: the ideas that win or survive are so because they are ‘the best’. From that perspective, the rest is just accidental and of marginal interest. This book is based on an alternative assumption, i.e. that the answers to the question ‘how and why do economic ideas spread or die?’ are not only more complex but also, precisely because of that, extremely relevant for our understanding of social and institutional change.

Consequently, the study explicitly builds on the current resurgence of interest in ideas as determinants of social action and institutional structure and change. A significant number of authors have seen their views converging around the older notion that ideas of production, dissemination and change are crucial for the direction and rhythm of social change (Barry, 1989; Boudon, 1989; Haas, 1990; Hall, 1993; Jacobsen, 1995; Yee, 1996; Stone, 1996; Goldstein and Keohane, 1993a; Blyth, 1997, 2002a; North, 2005; McCloskey, 2006). Therefore, in order to understand institutional change it is crucial to explore why and how actors change their explicit or implicit views about what they see as a problem and its solutions. In this literature, special attention is given to social scientific and general theoretical ideas, as factors having considerable impact upon economic and political processes (Haas, 1990, p. 11). Social science and philosophical ideas, broadly defined, inform and shape the way politics is done. They become a component of politics because their way of grasping reality is used to define the interests that political actors articulate and the strategy they use to defend these interests. This is even truer when, in the broad category of scientific ideas, one is dealing with economics and political science. Changing social scientific beliefs should thus be seen in this light as a transforming force and therefore attention towards prevalent ideas is not only justified, but mandatory for the effective study of social change. But the current interest in the role and diffusion of ideas goes beyond the agenda of social theory. In fact, this very agenda is shaped by important contemporary ideological developments. The reality is that despite what optimists proclaim recurrently (Fukuyama, 1992; Bell, 1960), the competition of ideologies, grand political paradigms and worldviews seems to be far from

over. Therefore, a better understanding of how and why such complex belief about the nature and goals of social order diffuse, evolve or disintegrate, of the institutional and social processes associated with them, as well as of the most effective conceptual frameworks to be employed in their analysis, continues to represent more than a mere academic challenge. Thus, a study exploring the lessons of the East European shift of political and economic ideas could also be considered a contribution to the understanding of the dynamics of such large belief systems and their associated conditions and consequences.

The starting point of the study is the association that has been made in the literature and public discourse between the Eastern Europe transformations and the so called 'neoliberal revolution' in political and economic ideas. Starting with the 1980s the global spread of pro-market ideas has become a phenomenon of remarkable salience having a significant impact on public policy and mesmerizing the attention of the academic literature and of the mass media. This set of ideas has been labeled in various ways: Economic Rationalism, Monetarism, Thatcherism, Reaganomics, Neoconservatism, Managerialism, Contractualism, Washington Consensus and Market Fundamentalism (England and Ward, 2007). The labels have varied in function of ideological biases and analytical purposes, yet all have pointed out to the same social fact: the expansion of a specific family of theories and beliefs about the relationship between markets and the state accompanied by corresponding policy and institutional changes. In time, all these labels have been condensed under the banner of 'neoliberalism', described as 'a remarkable transformation of the last decades of the twentieth century' that has occurred 'in the way national policy makers attempt to manage economic activity': a series of policy experiments 'undermining both the legitimacy and potential efficacy of 'big government', a time of market deregulation, state decentralization and reduced state intervention into economic affairs in general (Albert, 1993; Munck, 2003; Arestis and Sawyer, 2004; Gamble, 2006).

'Neoliberalism' is thus defined in the literature as both a doctrine and a social practice (Prakash and Hart, 1999; Arestis and Sawyer, 2004; Blyth, 2002b; Harvey, 2005). The core of the doctrine has been identified by many in the notion that 'all, or virtually all, economic and social problems have a market solution, with the corollary that state failure is typically worse than market failure'. The practice means the application of this doctrine 'to an ever-expanding area of life in the real world, via the privatization of state industries and public services, the elimination of "dependency cultures" and the introduction of market-mimicking arrangements to those areas of government activity that remain unprivatized' (Arestis and Sawyer, 2004, p. 40). These policy innovations 'premised on the extension of market

relationships' (Larner, 2000) and associated with a 'decline of the State' (Ohmae, 1995; Strange, 1996) are considered to have led to the consolidation of a 'new and distinctive mode of governance' (Beeson and Firth, 1998). Indeed, the trend consisted of more than just a change of rhetoric. The very substance of neoliberal ideas was relatively radical in its implications, at least from the perspective of the political and economic status quo. Neoliberalism, writes Larner (2000), 'has been a political project concerned with institutional changes on a scale not seen since the immediate aftermath of the Second World War'. Its objective was to 'fundamentally transform some of the most basic political and economic settlements of the postwar era, including labor relations, redistributive tax structures, social welfare programs, nationalized industries and public provision of health and education'. And, as it has been repeatedly pointed out, 'while there has been much debate over about the causes, and the scope of these changes, few doubt that neoliberalism has become an important part of our world' (Dore and Berger, 1996; Boyer and Drache, 1996; Crouch and Streeck, 1997; Hirst and Thompson, 1996; Kitschelt et al., 1999; Hay, 2001). Given all of the above, the explosion of interest in the phenomenon is understandable: the shadow of the ideas and practices associated with it looms large on some of the most salient political and intellectual debates of the moment. To sum up, the term 'neoliberalism' is a convenient shorthand for a range of ideas, practices and approaches to the conduct of government that are associated with 'a preference for small governments and a reliance on market mechanisms to determine economic outcomes' (Beeson and Firth, 1998). The association of these ideas and practices with the globalization phenomenon as well as with the profound transformation produced by the collapse of the Soviet block gave them a uniquely global dimension and relevance.

One of the most interesting aspects of the discussions about 'neoliberalism' and the 'neoliberal revolution' is that they ultimately gravitate towards the ideational factor – that is to say, towards an ideas-centered conception of social order and change. When people conceptualize 'global restructuring' as an 'imperialist political project' emanating from the 'ideological heartlands of the United States and the United Kingdom' (Steger, 2002; Larner, 2003) the assumptions and implications are unambiguous. The very notion that we are dealing not with structural, impersonal forces but with plans and projects as well as a 'center' instigating the spread of a specific ideology, imposes a shift of attention to ideas and the role of ideas in history. For some authors, the growth and spread of markets is the result of a learning process: people come to understand that markets are a better way of organizing economic activity. In people's minds the idea of market comes to be associated with choice and economic efficiency (Boettke, 1994; Cowen, 1998). For other authors, the spread of neoliberal ideas and the

neoliberal phenomenon itself are the consequence of a relentless propaganda campaign. In other words of 'a quite successful ideological operation' to spread beliefs inciting to radical change aimed at 'disabling social and political organization for transformation by preaching the all-knowing and omnipotent mechanisms of the free market' (Munck, 2003). One way or another, the theme of the social role of ideas emerges as pivotal. This conclusion is reinforced if things are seen in a larger historical perspective. As Eric Helleiner (2003) explains, 'for those familiar with international economic history, the dramatic political success of the neoliberal movement in the 1980s and 1990s was reminiscent of the 1850s and 1860s when classical economic liberal ideas also swept across much of the world'. That is to say, the two periods are moments when public opinion goes through a transformation and 'the terms of discourse reflect a significantly changed acceptance of market mechanisms and a shift in public-private relations in the direction of greater support for (and increased reliance on) the private sector' (Biersteker, 1995, p. 178; Munck, 2003). Again, ideas mark history.

To conclude, the diversity and complexity of the neoliberal phenomenon escapes a unique and rigid definition. Yet, irrespective of theoretical or ideological biases, in analyzing its meaning and nature, the attention comes to be sooner or later focalized on ideas. And thus, many critics of neoliberalism had to accept the role of ideas despite the constraints of their own theoretical paradigms. Caught between the notion that abstract 'structural' forces were evolving and pushing as a winner the neoliberal formula and the notion that certain social actors and their beliefs may have a role in that development, people tend to side with the second alternative. Thus the debates about neoliberalism sooner or later came down to the problem of the role of belief systems and human agency. Marxism and structuralism notwithstanding, ideas seem to matter. As Heilbroner and Milberg (1995) note, ideas lead to changes and to understand the changes one needs to understand the ideas behind them. Or as authors such as Munck (2003) or Larner (2003) argue, policy and institutional transformation 'entailed a confrontation of ideas and rhetoric on a normative level'.

Thus, seen in the larger context of the current developments and the literature reflecting them, this book focuses on what one could consider to be a core dimension of the recent East European and global transformations: the ideas inspiring and legitimizing the process of economic and institutional change in the crisis of socialism and the collapse of communism. As one of the main contributors to the resurgence of the ideas-focused research agenda in political sciences put it,

(. . .) attending to economic ideas in moments of crisis is key. Such ideas make institutional reconstruction possible by providing the authoritative diagnosis as

to what a crisis actually is and when a given situation actually constitutes a crisis. They diagnose 'what has gone wrong' and thus 'what is to be done'. In short, the nature of a crisis is not simply given by its effects, dislocations, or casualties, nor are the actions of agents simply determined by their 'given' interests. Instead, the diagnosis of a situation as a 'crisis' by a particular set of ideas is a deliberate construction that makes the uncertainty agents perceive explicable, manageable, and indeed, actionable. (Blyth, 2002b, p. 77)

The parameters of the book could be further focalized if one sees the expansion of neoliberalism as a development on three major fronts. First it was an attack on the Keynesian and welfarist consensus of the 'embedded liberalism' that acted as the foundation for the 1944 Bretton Woods arrangements and that 'dominated the thinking of Western policymakers for the first few decades after the war' (Ruggie, 1982; Kirshner, 1998a). The second was an offensive against socialism – especially in Latin America, where the ideological left had reinvented itself through the intricate 'structuralist' theory put forward by Raul Prebisch and his ECLA school and the 'dependency' theorists criticizing capitalist imperialism (and neo-imperialism) on 'peripheral' regions (Helleiner, 2003, p. 687). Most of the current literature on neoliberalism as an ideas-driven process is focused on these first two fronts. Yet there was a third front. The most spectacular confrontation in the battle of ideas took place in the communist Eastern Europe, where Marxism had enjoyed an unprecedented hegemony after 1945. And it is precisely on that front that neoliberalism managed to get its most decisive victory. Seen in retrospect, the erosion of the Marxist belief system and its gradual replacement with Western beliefs on how the economy and society should be organized seems to be one of the most spectacular developments in the political and intellectual history of the twentieth century.

This is exactly where the present book intends to make its contribution. Our study is a tentative effort to develop two related research agendas: the study of the spread of 'neoliberalism' – as seen from the perspective of Eastern European evolutions; and the study of Eastern European transition – as seen from an ideas-centered perspective. From an operational standpoint, the book tries to isolate one specific aspect of the process of interest (the diffusion and adoption of a particular set of ideas about the political-economic order by a specific population – the economics epistemic community of the region) and to document and analyze it from different angles. A book thus construed has to deal from the very beginning with the problem that both the 'neoliberalism' phenomenon and the process of 'transition' have a large number of complex facets and dimensions. The ambiguity generated by the overlap of these dimensions and facets makes the discussion vulnerable to misunderstandings and confusions. Out of the

intricate mix of ideas, policies, institutions and social groups that define the 'neoliberal phenomenon' in Eastern Europe as elsewhere, the book is focusing only on one limited but crucial component: the political economy theories. The population studied is the group of professional scholars dealing with economic theory and policy issues. The focus is on the dynamics of ideas between the Western and Eastern European economics epistemic communities and implicitly within and between the epistemic communities of the region. It is important to note that the investigation is not directly concerned with the entire sequence 'ideas–policies–consequences–economic performance' but with one specific moment of this sequence: the moment of ideas diffusion and the ensuing process of paradigm shift. The problem of the policy application of ideas and the resulting consequences is dealt with only in a derivative manner. The focus is on the 'spread of ideas' phase.

To sum up, this is an exploratory study looking at the economics epistemic communities in Eastern Europe and the ways it embraced the pro-market neoliberal ideas thus leading the way of the massive structural transition in institutions and policies in that part of the world. While engaging in this task, the study will systematize the existing literature, bring to fore fresh facts and perspectives, challenge some old assumptions surrounding the theme and suggest new interpretations. As such, the book is built around a set of twin objectives that reinforce each other: On the one side, it is an attempt to better understand the Eastern European case by approaching it through the lenses of different theories and conceptual frameworks emerging in or related to previous studies of the diffusion and adoption of economic ideas. On the other side, it is an attempt to explore the Eastern European case with the goal of getting through it a better grasp of the processes associated to the transmission of economic ideas. In other words, the study uses the case of the Eastern Europe transition as a vehicle to understand the process of spread of (neoliberal) political economy, and uses the conceptualization, theories and frameworks associated to the study of the spread and change of ideas as means to better understand the Eastern European case.

With these objectives in view, the study is structured as follows: The first section concentrates on the factual and empirical dimension of the Eastern Europe case. It starts by identifying and describing the relevant paradigms or families of political economy. Then it continues with a overview of the 'facts' of economic ideas diffusion and paradigm shift by looking with the help of the most up-to-date and comprehensive studies available at nine countries of the region: Central-East European (Poland, Czech Republic, Slovak Republic and Hungary), South Eastern European (Romania and Bulgaria) and Baltic (Latvia, Estonia and Lithuania). The second section

further explores the theme of the embrace of pro-market ideas behind the Iron Curtain by applying a series of concepts and theories aimed at generating alternative interpretations and explanations. The implicit assumption of many commentators and students of the phenomenon is that one single, relatively simple way of framing and theorizing the growth of pro-market ideas could explain the Eastern European case (and by implication all cases from elsewhere in the world). Instead, this section suggests that a pluralistic approach involving complementary perspectives and theories originating in various fields and disciplines is more useful in illuminating and interpreting the phenomenon in question. An exercise of reading the case through successive theoretical lenses is going to illustrate this point. The third section takes a step further by focusing on a series of cases that illuminate in a more detailed way the relevant facets and dimensions of the phenomenon of change of economic ideas in Eastern Europe. The broad macro-level perspective is replaced by one focused at the micro-level. This refocusing is sufficient to expose a series of myths or misunderstandings that are plaguing the general perception of the Eastern European transformation of economic ideas: the belief in the complete standardization and regimentation of economic thinking as a result of the spread of Western ways of doing economics, the notion that the Eastern Europeans have been passively embracing this uniformity and homogenization, and the myth that extreme forms of pro-market views (so called 'market fundamentalism') have been dominating the region.

Consistent with the exploratory nature of the study, the three sections of the book open three possible avenues for further investigations. The hope is that, when taken together, these three separated but related investigative tracks will build complementing interpretations, offer a reliable basis for more elaborated and more focused explorations and, in the end, create the conditions for a more nuanced and realistic understanding of the nature and significance of the neoliberal revolution in economic ideas in Eastern Europe.