Martin Upchurch

Professor of International Employment Relations

Middlesex University

London, UK

m.upchurch@mdx.ac.uk

How Can We Explain Continuing Dysfunction in Post Socialist Economies?

Please Note: An earlier version of this paper appeared as M. Upchurch (2012) 'Explaining Persistence of Dysfunctionality in Post Communist Transformation' in G. Wood and M. Demirbag (eds.) *Handbook of Institutional Approaches to International Business*, London: Elgar.

How Can We Explain Continuing Dysfunction in Post Socialist Economies?,

Introduction

Spatial and socio-political variants continue to exist within post Communist transformation states. Marketisation, privatisation and liberalisation has sometimes stalled or been delayed, and in some transformation countries the role of the state in maintaining control over production and distribution of goods and services remains strong. Most importantly, two key aspects of market failure are evident across the transformation states. First, predictions from orthodox economists of early economic convergence with the west have failed to materialise. Second, crime, corruption and informal working persist and in many cases have become more prominent in both absolute and relative measurement. As such the market appears ‘dysfunctional’, exhibiting continuing inefficiencies.

Dysfunctionality, and its persistence, can be characterised by inefficient forms of market regulation, the absence of and/or lack of regard for the rule of law, together with continuing problems of crime, corruption and state capture models of governance. It is argued in this paper that the persistence of dysfunction is a consequence of the adoption of a particular model of labour exploitation. The associated poor business ethics and weak standards of corporate governance are a consequence of the combination of market liberalisation, dependence on labour exploitation for comparative advantage, and the abandonment of one party authority over control of industrial production. This chemistry of events allowed rapacious rent-seeking by individuals well placed to benefit from the newly de-regulated regime (Filatov, 1994). In turn, this has created political and economic space for the informal economy to grow and mafia crime and corruption to flourish.

The paper suggests that ‘dysfunctional’ capitalist activity is a product of both path dependent and path shaping activity, and that persistence may be explained by the process of uneven and combined development, in which old practices sit-side-by-side with new. In effect, ‘dysfunctional’ practices are themselves ‘embedded’.

The Lack of Economic Convergence

The dominant economic model, revealed in neo-liberal prescriptions applied by Governments, international financial institutions and their advisors, was that of the establishment of comparative advantage through trade integration, capital shift and equalisation of marginal profit rates. This Heckscher-Ohlin-Samuelson international free trade model would anticipate the development of comparative advantage in national production regimes, re-enforced by capital transfers and foreign direct investment in the cheaper labour economies of the east, complemented by labour migration in the opposite direction (Dunford and Smith, 2004). The technology gap between east and west would be bridged by the process of investment and this would in turn lead to a closure of the productivity gap. This would then act to equalise marginal profit rates as labour costs and rates of return on capital investment converged. Shock therapy was designed to act as an enabling vehicle of this process, by clearing the post Communist market of labour rigidities, and allowing investment opportunities in both privatised formerly state owned industries and greenfield industry. The opening of markets, aided in some states by accession to the EU, would also act as a spur for convergence. However, after twenty years and more of post Communist transformation we find while there is clear evidence of trade integration, the evidence on convergence is weak. On trade integration the World Bank finds:

> Trade integration in the transition (formerly centrally planned) ECA countries—measured by the sum of merchandise exports and imports as a share of GDP in purchasing power parity—rose from 20 percent in 1994 to around 50 percent in 2008, about 10–15 percentage points higher than in developing East Asia and Latin America. Turkey saw an increase from 10 percent to 30 percent over the same period. The averages mask substantial variation across subregions—the ratio ranged from a median value of around 35 percent in the South Caucasus, Central Asia and Moldova, where exports are generally intensive in natural resources and unskilled labor, to nearly 85 percent in the new member states of the European Union and Croatia, where exports are intensive in capital and skilled labor.(World Bank, 2010)

Indeed, the process of integration into the world economy was associated and led by export led development in transformation countries, alongside credit expansion designed to help build domestic capital formation and consumer demand (EBRD, 2010: v). However, this growth did not lead to convergence. Evidence of convergence (or lack of convergence) has been monitored by international financial institutions (IFIs) such as the European Bank for Reconstruction and Development (EBRD), the International Monetary Fund and World Bank. The World Bank, for example, has produced two reports, ten years and twenty years on from 1989 (World Bank, 2002, 2010). Three key areas are identified by the IFIs for measurement where lack of convergence can be observed.

1)Low Rates of Growth of Production

The recovery of individual economies from the initial shock of the fall of the command economy has been both slow and extremely uneven. GDP Growth rates over the last twenty years have reached 3 per cent in Poland, have peaked at no more than 0.8 per cent in Romania and Bulgaria, while the Baltic States have hardly grown at all. Poland was the first country to recover to 1989 levels of production, which it achieved in 1995, followed by Slovenia (1998), and Hungary (2000). For many other transformation states production levels have still not reached their 1989 levels. Serbia and Ukraine, for example, are still at about 70 per cent of 1989 levels of production, while Latvia is languishing with production levels in 2010 only 56 per cent of 1989 levels[i].

> At the beginning of the new millennium, a profound divide lies between Central and Southeastern Europe (SEE) and the Baltics (CSB) and the Commonwealth of Independent States (CIS).1 In the CSB, officially measured gross domestic product (GDP) bounced back from a transition recession, recovered to its 1990 level by 1998, and exceeded that level by 6 percent in 2000. However, in the CIS GDP in 2000 stood at only 63 percent of its 1990 level. While GDP in Poland, the most populous country in the CSB, increased by more than 40 percent between 1990 and 1999, it shrank by 40 percent during the same period in the Russian Federation, the most populous country in the CIS (World Bank, 2002).

2)Unevenness and Disparity

The difficult return to 1989 production levels also has a geo-economic dimension. Those states geographically closest to the European Union generally have higher totals of production relative to 1989, and higher income per capita. Those former Communist states who have become full members of the EU have also fared better than later members, or non-members. Both Slovenia and the Czech Republic, for example, record income levels per capita closest to the EU 15 median at approximately 75 per cent in 2008 (measured in purchasing power parity - PPP). However, most CIS states are between 5 and 10 per cent, with the majority of EU Accession States are at about 50 per cent (World Bank, 2010: Fig 1.1 p 26). There is evidence of convergence of incomes since 1998, but this is often from a very low starting point measured in purchasing power parity (PPP). *Nominal* wage levels remain much smaller than in the west. The convergence that has taken place is largely explained by a growth of real wages from 2003 to the financial crash of 2008. This growth followed a major fall in real wage growth in the immediate period after 1989, and in some countries, such as Bulgaria and Lithuania the recent growth is still not enough to bring real wages back to the levels of 1989 (Onaran, 2010).

3)More Informal Working

There is a continuation of a heavy presence of informal working within the post Communist states. Data on informal working is difficult to assemble both because of lack of data officially assembled at government level and because of the difficulties of definition, and as a consequence is generally measured by independent surveys. Schneider (2003: 26) estimates, with figures from a variety of sources, 'that the average size (measured as proportion of GDP) of the shadow economy in the nine CEE Transition Countries has increased from 23.4 percent for the years 1990-1993 to 29.2 percent in 2000-2001.' Within the countries of the former Soviet Union the average size of the informal economy reached 44.8 per cent in 2001, an increase from an estimated 35.7 per cent estimated for 1990-93 by Johnson *et al* (1997). While informal working has also been growing in the states of the European Union 15, it has grown at a lower overall level and not by as fast a rate as in the post Communist states. This is supported by evidence collected by Galgóczi and Mermet (2003) on wage share. Estimates were that the share of wages in the GDP of the ten Central and Eastern European countries is 40.5 per cent on average, while the same value for the EU 15 Member States is 59 per cent. Rather than falling as a share of all wages, informal working seems still to be growing.

The phenomenom of 'jobless growth' is apparent across the region, at a scale larger than evident in the countries of the EU 15 (Boeri and Garibaldi, 2006). Employment levels are depressed and decreasing in total while unemployment levels increase. Furthermore the evidence would suggest that the 2008 financial crisis has had generally more severe effects in the post Communist states than in most of western Europe. Hungary, Latvia and Romania have resorted to IMF credit, but the associated level of austerity introduced as part of the package is more intense than west European comparisons, including that of the 'peripheral' states of Portugal, Ireland, Greece and Spain (Onaran, 2010). In Latvia, for example, public sector wages have been cut by 35 per cent and pensions by 10 per cent, while VAT has been increased from 18 to 21 per cent. In other countries, such as Estonia and Lithuania, deep cuts of 20 per cent have also been enforced as part of austerity measures (Gligorov *et al.*, 2009). Somewhat ironically, the World Bank (2010: 2) Transition Report identifies the relatively high integration of the countries of Eastern Europe and Central Asia as the prime cause of the relatively severe effects in those countries produced by the 2008 financial crash. In effect, transition countries have been punished by integrating too well.

The effects of the financial crash have also fed through to social as well as economic instability. The 2013 Transition Report of the EBRD notes a slowdown in market 'reforms' as a result:

> Economic reform has stagnated in the transition regions since the mid-2000s, even in countries that are still far from reaching the transition frontier. Progress in transition has been closely correlated with political systems: countries which are more democratic have come further, in terms of reform, than their less democratic counterparts. However, public opinion turned against market reform after the 2008-09 financial crisis, especially in the more democratic countries. This is reflected in an increased number of "downgrades" in EBRD transition indicators since 2010, particularly in
> EU countries (EBRD, 2013 p 4.)

But although the net result of the persistence of the above features has been a miserable one for the mass of working people, it has been a lucrative one for the elite. Inequality has increased markedly. Pre-transition Gini co-efficients were around the 0.25 mark across the region, but had increased to levels approaching 0.36 by 2005 (AMECO database). The average co-efficient for the EU 15 in 2005 was 0.31[ii], so only in the area of inequality has convergence taken place (and beyond).

'Wild' or 'Crony Capitalism'

A second, and associated problem of transformation has been the persistence of non-regulated or poorly regulated patterns of economic behaviour. The existence of large informal, black or grey economies appears inextricably linked to what has been named 'crony capitalism' and crime and the wider problems of what may also be termed as 'wild capitalism', whereby non-documented working is encouraged as illegal working. Indeed, corruption and bribery remain endemic in ex- Soviet, Central East and South East Europe (SEE) states. A recent survey indicates that 31 per cent of survey respondents claim to have failed to win a contract because of a competitor's bribes to the purchaser (Gosztonyi and Bray, 2009). The 2010 Transition Report from the European Bank for Reconstruction and Development finds that corruption 'is the top concern for businesses in eight of the transition countries, and among the top three in another third of them' (EBRD, 2010:83). Transformation states also score at the more 'corrupt' end of the Transparency International's Corruption Perceptions Index. Serbia, for example, stands alongside Albania and Bosnia Herzogovina as the least transparent states in Europe, while Russia and the states of the CIS score even lower on transparency[iii].

'Wild' capitalism has a number of distinct associated features. There is a weakening of social solidarity and fair income distribution as social safety nets are downscaled or withdrawn in an effort to 'roll back' the scope and content of responsibility of government. This decline of the salience of social solidarity is accompanied with an ideological emphasis on individualism as the mantra of the free market pervades everyday discourse and practice. In Gramscian terms, some commentators have noted a process of *trasformismo*, whereby a revolution in ideology takes place 'from above' as elite discourse freezes out political space and opportunity for alternatives 'from below' (Morton, 2007; Simon, 2010). Such ideological re-structuring, at least in the immediate years following the upheavals of 1989, was aided and abetted by political elites, management consultants and some academics from western Business Schools (for a critique of this process in Serbia see Cicmil and Upchurch, 2006). The downgrading of the protective labour codes has also enabled the process of informalisation whereby regulations on dismissals and redundancies as well as pension provision have been loosened in an effort to clear labour market 'rigidities'. Indeed, such downgrading of labour protection has been a major focus of IFI conditionality in the granting of loans and grants (Forteza and Rama, 2001; Upchurch, 2009). A concomitant absence of rules and regulations, or sometimes deliberate ignoring of regulations governing the behaviour of corporations and corporate elites within wider society and the market can also be discerned (Aglietta and Rebérioux, 2005). This is partly engendered by states wishing to create favourable conditions for foreign direct investment, partly by the collapse of party authority and command planning, and partly by delayed societal adjustment to new regimes of practice. There is also a preponderance of weak and under-developed agencies within 'civil society' (Howard, 2003), which might otherwise have been able to keep selfish corporate and individual interests in check. This 'weak' civil society in most cases sits side-by-side with a strong state, containing many authoritarian features of the past. However, such a 'strong' state may contain dominant traits of administrative corruption based on asymmetry of information between politicians and civil servants whereby 'benevolent politicians (if any) are just not informed about misdemeanour of their subordinates' (Begović, 2005: 3). Notable by absence may be, as Lane Bruner (2002: 180) suggests in the case of Russia, ' Public education, strong and independent judiciaries, a free press, federal oversight through security exchange commissions, the rule of law, enforceable private contracts, and numerous other institutions and the values that support them must be in place'. Political, economic and social space is thus created whereby norms of expected behaviour within society are formed which emphasise personal rent-seeking at the expense of 'ethical' business behaviour. The informal 'rules of the game' thus sit side-by-side with efforts to regulate behaviour in terms of western 'best practice'. Most crucially, wild capitalism, and its crony variant, is recognisable by the continuance of the control of regime 'insiders, who have often bought up privatised concerns to maintain and enhance their wealth and privilege. Woods (2006: 121), for example, reports on the process in Russia whereby Yeltsin's loans-for-shares programme of privatisation 'left controlling stakes in the newly privatised companies firmly in the hands of newly established financial institutions' and in so doing 'conferred enormous power on the oligarchs or financial-industrial groups'. The process of insider acquisition of economic power also expands into the political arena. In Serbia, for example, many privatised concerns passed directly into the hands of key members of political parties. As Pesic (2007: 16) records, 'The 17 biggest companies founded by the government of Serbia are managed by the parties that comprise the ruling coalition at the national level – the managing boards, presidents and directors – are compiled and by a quota-system are divided up among each of the parties of the ruling coalition which appoint the management positions as if the companies were their own property. All other public companies – about 500 – are in the hands of the ruling coalitions at the local levels'. In such a scenario the door is opened for 'state capture' models of political process, whereby competing elites jostle for privilege and position while having a collective vested interest in preserving oligarchical and clientelist systems of governance. In these 'capture economies' oligarchs and captor firms do not pressure states to regulate through institutions, rather they seek to enhance their property rights by directly purchasing advantages from the state (Hellman *et al*, 2000).

The very nature of ‘transformation’, its speed of application and the deliberative mechanisms engendered by the state, thus militate against any easy formation of ‘new entrant’ entrepreneurs from within the mass of population. The existing minority ruling elite attached to the old Communist Parties were in a position of power, they held the necessary networks and resources, and controlled production of goods and services as a distinct interest group or class. They seized the chance to become the new economic power elite under market capitalism. Of course, such an elite will need to socially reproduce itself if the current structure of power is not to be destabilised. As Hankiss (1990) and Haynes and Husan (2002) suggest the old *nomenklatura* simply moved sideways from command to market economy in an orgy of personal asset accumulation and insider dealing as privatisation of state assets gathered pace. The dominant political aspiration under transformation may have been social democracy, but there remained a persistence of practice characterised by authoritarianism, state patronage and clientelism.

Wild capitalism clearly produces inefficiencies within the economic and political system. The high income inequality generated by wild capitalism militates against the creation of efficient distribution of disposable income necessary for effective consumer demand. It creates low aggregate propensity for tax collection which in turn reduces aggregate state revenue and subsequent infrastructure development. Capital and financial markets remain under-developed or starved of sufficient funds, further exacerbating problems for potential new entrants into the business arena. The weak or non-existent business ethics, gangsterism, and corruption are a barrier to outsider and institutional investors seeking a safe home for their investment. Money made in the country leaves the country. Assets of the elite have been ‘tunneled’ into offshore accounts, and dynasties are created as a result. Cronyism and corruption are breeding grounds for the (legal) process of ‘tunneling’ whereby private individuals are ‘paid’ in shares in the company which are then cashed in overseas bank accounts.

> They were also unable to contain tunneling, the expropriation of assets and income belonging to minority shareholders, and theft through either rule of law or administrative control. Though many of these countries did encourage new entry early in the transition, the capture of the state by a narrow set of vested enterprises—old enterprises and well-connected early entrants—discouraged further entry and created a poor investment climate, resulting in a pattern of protection and selective encouragement. (World Bank, 2002: xvii)

The process of tunnelling and private acquisition of funds and assets was clearly exacerbated and encouraged by the credit boom within many post Communist countries. Latvia provides an example *in extremis* whereby 'destructive rent seeking' fed by external credit led to a boom in real estate prices at the expense of productive investment (Sommers and Bērziņš, 2011: 137).

Such problems are recognised by international agencies as they attempt to encourage transformation states to tackle corruption and economic crime. Most especially the United Nations Development Programme (UNDP) has developed an Anti-Corruption Practitioners Network. There is special focus on the CIS and post conflict transformation countries such as Serbia and Bosnia and Herzegovina. However, prospects for reform have not been favourable. For example in the Serbian case, the government created a range of anti-corruption measures and institutions including an internal anti-Corruption Task Force, and measures to de-politicise the civil service. But action on the ground appeared slow and constrained by lack of resources. An independent report on progress commissioned by the UNDP in 2007 concluded that 'Although there have been major improvements in a range of development areas in recent years, progress in respect to mitigating corruption has been partial and slow' (UNDP, 2007: 5). In addition the resources, both technical and in terms of manpower, available to the police force to investigate corruption were found by the report to be 'not sufficient' (*ibid*: 23). Indeed, Serbia was still ranked 78th out of 175 countries in the Transparency International Corruption Perception Index in 2014.

Of course, channelling of corporate profits into personal accounts of shareholders is not unique to post Communist states, it is a practice (often legal) common among western elites as well. Bribery associated with crime and corruption is also an international phenomenon, and as Transparency International reports 'just four of 36 countries party to the OECD Anti-Bribery Convention are active enforcers. There is moderate enforcement in 11 and little to no enforcement in the 21 remaining countries. Such performance throws into question governments' commitments and threatens to destabilise the definitive legal instrument to fight international bribery' (Transparency International, 2009: 6). Corruption may be endemic in all market based systems, the phrase 'there ain't no such thing as a free lunch' (TANSTAAFL), for example, has its origins in 1930s America, in a country also associated with 'pork barrel' politics. We are mindful of Habermas's (1987) theoretical construct of the 'lifeworld'. This allows us to imagine the possibility of self-deceptive norms of behaviour continuing, despite the tendency of external norms to 'colonise' under the power and authority of external agencies such as the international financial institutions or the EU.

Orthodox Explanations of Persistence

Orthodox economic explanations for the lack of convergence focus on a number of partial explanations. These explanations include claims *inter alia* that in terms of production statistics, the pre- transformation states had falsely calculated totals for production (Åslund, 2001) and that the 'fall' in production post transformation is exaggerated as a result. However, even given the likelihood of such false calculation the falls in output have been excessive, and over a twenty year period consistency in statistical production has been achieved. Other commentators point to the impact of external trade shocks, a mismatch in aggregate demand and supply of goods and services, or simply policy mistakes as the cause of falls in output (see Turley and Luke (2011: 242-243) for a review of these arguments). Some also point to a 'theory of disorganisation' as an explanatory factor whereby existing supply chains under the Command Economy have been broken by the turn to the market, and new supply chains have not yet developed in response (Blanchard and Kremer, 1997; Roland and Verdier, 1999). More salient are the possible hypotheses presented by Lucas (1990) in addressing the problem of why capital generally does not flow from rich to poor countries. He suggests, in respect to under-developed economies, that human capital effects, political risk and barriers to entry in profitable sectors are better explanatory factors for the lack of convergence than theories which depend on capital mobility. But most transformation states had high levels of human capital, skills, literacy and education. This would make their potential experience different from the under-developed countries alluded to within Lucas' argument. The above explanations, which all may have some validity in the short term, begin to appear unsatisfactory given the extended period of more than twenty years of transition, in which output levels, while sometimes growing have struggled in both relative and absolute terms. Neither do they necessarily explain lack of convergence in other indicators, such as labour market participation, or give reasons to explain the relative increase in informal working.

The persistence of wild capitalism is explained in orthodox accounts primarily by agency factors linked to blockages to reforms. Such 'blockage', it is suggested is engendered by corrupt insiders with vested interests (Lane Bruner, 2002; Harper, 2006; Gustafson, 1999; Peev, 2002). For proponents of neo-liberal restructuring the key question is then how such features of *blocked reform* can be overcome (e.g. Havrylyshyn and Odling-Smee, 2000). The World Bank also adopts the position in its working papers that many of the features of wild capitalism, including cronyism, crime and corruption, are *temporary* features that can be overcome by further institutional reform. In its 2002 Report on transition the Bank focuses attention on removing obstacles to 'new entrants' into the business system who may rise and challenge 'oligarchs and insiders' (World Bank, 2002: xxii). The Report (2002: 106) also attempts to contextualise the problem of lack of reform by reference to the competitiveness (or not) of the individual political systems within each state. 'Concentrated' political regimes (e.g. Croatia, Bulgaria, Russia), it is argued, are more open to 'state capture' and reform blockage than 'competitive' regimes (e.g. Poland, Slovenia, Hungary). The 2010 report focuses (almost impenetrably to non-specialists) on the 'reforms' thought necessary in the financial sector in order to smooth the operation of financial markets in the region. The necessity of tackling the 'vested interests' within post Communist states is also a recurring theme within IMF documents. Such vested interests, it is argued, might be overcome 'through the emergence of a strong leader willing to take on the vested interests, or from the political clout of a growing middle class, or pressure from foreign competitors and international financial institutions' (IMF, 2000). Lastly the most recent EBRD reports on transition (e.g. EBRD 2013) have focused either on lack of innovation (as a driver of productivity) and/or 'lack of democracy' as a blockage to economic growth. Similarly, the World Bank (2002: ch 11) stated preference for 'Competitive democracies' (typologised by the Baltic States, the Czech Republic, Hungary and Slovenia) as 'the most advanced economic reformers' more likely to achieve economic growth. However, the statistical evidence on both these fronts is tenuous, showing wide productivity variations within countries and within sectors contained in countries, a pattern similar to that found in the west. Similarly, some of the 'less' democratic or 'non-competitive' countries (such as Belarus) have outperformed 'more' or 'competitive' democratic countries within the frameworks adopted by the IFIs'.

Other commentators offer cultural/historical explanations for the persistence of bribery and corruption. In particular, the (relative) lack of corruption in western countries is explained by religious tradition, whereby countries which have a background of British colonial rule, with protestant origins and a long exposure to 'democracy' are less likely to experience corruption than poorer, non-English speaking, non-Protestant countries (see, for example La Porta *et al*, 1999; Treisman, 2000). One culturalist argument put forward to explain continuing corruption comes from the 'Slavic' tradition depicted in Serbia. That is to say that within Serbian popular tradition it is considered perfectly acceptable to bribe someone in order to 'oil' the process of business. Commercial bribery becomes acceptable when local or national public authorities remain impassive to the problem, or engage in corruption on a widespread basis themselves. Thus, 'Popular tradition tacitly approves and has great understanding for an individual who by bribery expedites or receives certain decisions or settlement, because it knows that the state administration or authorities, or state employees who are representatives of the authorities, can always find an excuse for not issuing a ruling'(Antonić *et al*, undated: 26). However, it would be mendacious, as in the above examples, to explain the high incidence of corruption, cronyism and 'wild' capitalism purely by ethno-pathology. Structural factors must also be considered. For example, 'Anglo-Saxon'/Protestant countries have long held a dominant position in the world economy, and would have accessed and controlled markets through the exercise of power relations which reflected their dominance. Many British ex-colonies also now score badly on indices of corruption. Corruption may also be more nuanced and subtle in advanced western democracies, manifesting itself in informal networks and given as contractual favours rather than as hard bribes. Tunnelling of share options, corporate raiding and management buy-ins are common features of 'western' capitalism, and are perfectly legal practices which embed excess and personal gain. Reward systems of shares and bonus payments also operate on a mimetic basis, re-enforcing excess by benchmarking 'median' rates determined by uncontested remuneration committees. In reality, there is an interplay between structural and agency factors which offers a more reliable explanation of corruption. In transformation states this interplay is spurred by opportunities created by privatisation of state assets and deregulation of labour markets.

Gradualism and Social Capital?

Joseph Stiglitz and other liberal critics of the IFIs have adopted an institutionalist perspective on reform and have argued against the 'shock therapy' position. Stiglitz does not reject the privatisation and reform process but argues for 'gradualisation', recognising institutional differences between countries, and supporting the need for institutional pre-conditions which include building up of social and political capital to enable the necessary reforms (Stiglitz, 1999). The International Monetary Fund has recognised the problem alluded to by Stiglitz in its 'Second Generation Reforms' in terms of the lack of *social capital* which might act as a check to the power and authority of dominant and sometimes corrupt elites. In addressing the IMF on the necessity of social capital development in post Communist regimes Fukuyama argues that '…the economic function of social capital is to reduce the transaction costs associated with formal coordination mechanisms like contracts, hierarchies, bureaucratic rules, and the like' (Fukuyama 1999). Indeed, the IMF, in its *Operational Guidelines* (2006 para.7), has included trade unions in its description of civil society organisations which may be included in its rubric of 'social capital'. The guidelines state that 'Staff should encourage the authorities to engage in a transparent participatory process….and be prepared to assist the authorities…by meeting with various interest or political groups (that is) parliamentary committees, trade unions, business groups etc.'. Such an approach is also endorsed by the World Bank in a Report published in 2008 by its Social Development Department (World Bank, 2008). It advocates policy based on 'political economy' because :

> Development practitioners engaged in policy dialogue often have in-depth knowledge about the political economy of the contexts where they work, but their expertise tends to remain 'hidden' due to the sensitivity of such issues in an ostensibly technical relationship with the client government. (World Bank, 2008: i).

In developing the approach of practitioner engagement, 'political economy' and participation the World Bank has also highlighted the positive role of trade unions and collective bargaining in reducing relative poverty. The Bank collected evidence to show that:

> …union density … appears to have little or no impact on comparative labour market performance …there is, however, one significant exception … high union density is associated with compression of wage distribution and a reduction of earnings inequality (World Bank 2003).

However, the reliance on contextual framework, participatory approaches and 'political economy' remains problematic for the IFIs if fundamental divisions within societies under scrutiny are denied, obscured or obfuscated. Trade unions, to take a key example, are always likely to prove an obstacle to IFI conditionality and policy prescription because so much of the agenda of the IFIs adversely affect workers' collective interest. Trade unions inevitably address issues of class-based division within society which may prove uncomfortable to IFI policy based on establishing national business competiveness. Trade union interest representation, in contrast to many other agents within civil society, directly challenges existing power relationships between capital and labour, and is likely to be more disruptive of 'consensus' than may otherwise be the case with many civil society organisations. Discussion papers commissioned by the World Bank do in fact begin to address this problem (Mosse 2004), by differentiating participation as a vehicle for empowerment by which poorer groups can have the *power to do* things, against those for which empowerment allows them to have *power over* things or people within the context of a struggle for resources (Nelson and Wright, 1994). This conundrum between power over and power to do poses problems for policy which relies on the development of social capital for its theoretical and practical base. Policy solutions will remain elusive so long as social capital is considered a class 'neutral' transformative vehicle. This is because, as Das (2006) has observed, social capital *can* lubricate the capitalist production regime, as in a partnership orientation, or *obstruct* it as in a class conflict orientation. Such tensions within a framework of social capital posed by the role of trade unions are apparent in the discourse of the IFIs in offering explanations of dysfunction. Most often the 'problem' is presented as one of ambiguity and complexity, rather than one of class differentiated interests. Thus, in its 2008 Report the World Bank refers to '...the experience of operational teams that work in complex political economies' (2008: i). In respect of this conundrum of 'complexity' and 'ambiguity', Upchurch and Weltman (2008) have argued through textual analysis that the IFI approach is little more than a form of 'utopian liberalism....(whereby) a false *harmony of interests* is presumed between capital and labour that in reality cannot be bridged '. Given this obfuscation of reality it may not be so surprising that the World Bank and other agencies continue to struggle to explain dysfunction by simply addressing the problem through the lens of further market tampering. To take the analysis further we may need to view wild capitalism not as a temporary deflection from normative market efficiency but rather as a permanent or embedded feature of transformation. Alternative explanations of the persistence of 'dysfunctionality' are necessary which avoid the utopianism of liberal economic normative thought.

Some Alternative and Critical Explanations

While neo-liberal prescription promulgates the argument that blockages to progress are simply a product of delayed 'reform' a variety of theories offer more nuanced explanations. These explanations revolve around the dimensions and combinations of path dependency/path contingency/ and path shaping. The emphasis on path dependency follows from the early work of Veblen and Myrdal whereby development is seen as a product of culture and history. Thus variance in experience within post Communist transformation can be explained by variance in historical development of institutional practice. 'State-led' models (e.g. Amsden *et al*, 1994) place alternative emphasis on the difference between western market based capitalism and that which might be appropriate for transformation from command to market economy. Endogeneous rather than exogeneous pressures are emphasised, leading to an alternative prescriptive model of the 'gradualist' development of a western style social democratic/corporatist order. Contemporary analysts within the varieties of capitalism (VoC) approach may also emphasise the embeddedness of institutional complementarities. Such accounts generally locate post Communist transformation within a liberal market economy paradigm (Feldmann, 2006; Buchen, 2007), with the exceptional case of Slovenia as a co-ordinated market economy. However, the VoC approach proves unsatisfactory when it comes to explaining wild capitalism, cronyism and generally 'dysfunctional' market-based behaviour. The ideal ' types' of liberal or co-ordinated market economies are presented as bundles of institutional complementarities designed to promote efficient market capitalism. Wild capitalism is characterised by chaotic and rule evasive behaviour which denies complementarity or efficiency. Secondly, as Jackson and Deeg (2006: 571) highlight 'existing typologies are too focused on economic co-ordination rather than distributional outcomes, the politics of class compromise are often missing, and consequently....the (VoC) literature has failed to understand the dynamics of change in contemporary capitalism'. Once again, it is precisely through such ignored 'distributional outcomes' that we can see a failure of convergence in GDP/per capita, the persistence of an increasing gap in income equality, and a persistence of high unemployment.

The dominance of neo-liberal practice has also been explained in path dependent terms by the trajectory of economic restructuring within the region. Indeed, a focus on exploitative relationships can be discerned in some critical Marxist interpretations of transformation. In this scenario the entry of the post Communist economies into the world market was predicated on a state strategy of encouraging and promoting production regimes based on labour rather than capital intensity. For some, this was an elite-driven process whereby state restructuring in post Communist states was linked to the interests of western-based transnational capital (van der Pijl, 1993; Shields, 2008).

Gowan (1995) similarly argued that West European capital sought eastward expansion precisely to exploit cheaper labour and expand markets. As such extensive labour exploitation, achieved through poor working conditions and relatively low pay, was necessary both for capital accumulation in the east and profit maximisation of western-based capital expanding to the east. Neoliberal marketisation may then have fulfilled the objectives of western capital by opening up new production opportunities in geographical spaces unfettered by restraints on profit maximisation. Indeed, models of exploitation might explain the denial of the 'factor-price equalisation' model to operate and go some way to explaining non-convergence. Neo-liberalism, in such accounts, is thus subject to its own contradictory forces and produces a paradox of low consumption demand in the east which holds back pressure for higher rates of wage growth, productivity increase and factor equalisation. Data collected by Onaran (2008) suggests that wage growth has generally not kept pace with productivity growth (GDP/employee) in the region, especially in manufacturing. Unit labour costs would therefore have fallen in relative terms, confirming the exploitation 'model'. Furthermore, in terms of general political economy, there is little room for the institutions of social democratic models of corporatism and associated 'good' governance to develop within this model as they did in post War western Europe, not least because the conditions of mass consumerism and Keynesian welfareism are absent in the post Communist states (Bohle and Greskovits, 2004; Bohle, 2006).

But how might the persistence of the features of wild capitalism be explained in these models of exploitation? David Harvey (2003: 145-147) offers a potential explanation by suggesting that capitalism post 'Golden Age' has developed specific dominant features, most notably a tendency for 'accumulation by dispossession' similar to the 'primitive' stage of accumulation as defined by Marx (1867). Harvey's model postulates the reduction of whole populations to 'debt peonage' as the power of CEO's is increased and the finance sector dispossesses assets by credit and stock manipulation. This model of contemporary capitalism assumes the development of rapacious activity under a new neoliberal *version* of capitalism driven by a *distinct class* of capitalists who seek to expand their own profits at the expense of other capitalists. This 'dispossession' thesis would assume that the dispossessors are agents of western capital conducting a raid on the assets of the post Communist states. The process would be mediated through the agency of financiers. However, while there is credibility in Harvey's conclusions the central proposition of finance-driven dispossession does not help explain why 'indigenous' asset stripping and personal enrichment has taken place within these states by an 'insider' elite. Harvey's analysis has also been refuted by Harman (2007) on logistical grounds. Harman argues that such dispossession is not valid as it cannot enable the capitalist class *as a whole* to accumulate. Furthermore, Harvey may be wrong in claiming that the officious process of 'primitive' accumulation which he associates with contemporary 'dispossession' had ever gone away in the 'golden age' and beyond. Primitive accumulation certainly existed in the post War colonies, and has arguably been a feature of the period of rapid industrialisation in both the Soviet states and post

1978 China. Thus corruption may be integral to the dynamic of capitalism in general, rather than specific to a certain variant.

Towards a Synthesis: Uneven and Combined Development?

To summarise the analysis so far, we have seen that levels of production, income and employment still lag behind twenty plus years after 1989. There is unevenness in the record, with those states geographically closer to the west and the EU faring better than those further away. The convergence predicted by the neo-liberal tableau has not occurred, and there is a persistence of features of wild capitalism such as cronyism, corruption, crime, and informal and illegal working. Neo-liberal prescription, aided and abetted by the financial institutions, tells us insiders who profit from such malfeasance are barriers to reform, and therefore new entrants must be encouraged by more of the same reforms to break the mould. Wild capitalism, and the resultant lack of convergence, is then presented as a temporary dysfunction on way to the nirvana of the invisible hand. A harmony of interests is assumed whereby social capital and institution building is presented as a necessary pre-condition to barrier erosion. It is suggested in this paper that such a harmony of interests is an illusion, founded on obscuration of class division and interests and manifested as a form of utopian liberalism. We can, however, offer explanations for the lack of convergence and the continued lag of growth and production. This may be rooted in a model of exploitation whereby the driving force of development is grounded in the search for low unit labour costs and profit maximisation, rather than factor-price equalisation and convergence. As such, the neo-liberal model is hoist on a petard of its own contradictions. What is more difficult to explain is the continuation of wild capitalism as a distinct and common feature across transformation states. In this respect, rather than adopt a purely path dependent, institutionalist approach to the analysis it is more appropriate to adopt a 'critical' institutionalist approach that marries the dialectic of both path dependency and path shaping in helping out understanding (see, for example, Nielsen *et al* 1995).

As an aid to developing such an approach we might see that the process of transformation, and its outcomes, is governed by both uneven and combined development of the social forces of production. Such theories of uneven and combined development have a long history, and were applied most trenchantly to analyses of the form and content of the 1917 Russian Revolution, most notably in Trotsky's *History of the Russian Revolution* (1977) and more recently by Novack (1980). More recently, uneven and combined development has become a sub-study in disciplines as diverse as evolutionary biology, archaeology, anthropology and international relations theory with research centres devoted to its study. An ongoing debate has developed about whether or not the theoretical framework can be applied transhistorically (Rosenberg, 2006) or can be only limited to study of capitalist regimes of production (Ashman, 2009). Given the globalising period of capital expansion which embraced the 1989 revolutions, such theories are trenchant as the post Communist economies enter the world market order on an 'unfettered' basis (see Dale *ed.* (2011) for a more detailed exposition of this theoretical position). As these economies entered the world market they were subsumed into a generalising tendency to equalise the rate of profit under the weight of the law of value, in that product competition became governed by the necessity to produce with the minimum amount of labour time (c/f Hardy, 2009). However, as Barker (2006) suggests it is this very process of creating evenness in the rate of profit that exposes *un-evenness* in the productive capacity of enterprises within transformation states.

> The interaction of capitals, through the circuit of production and circulation, involves unevenly advantaged capitals which differentially invest in new means of production, thus tending to cheapen commodities at the point of sale. They act in this way because of competition between them, and because, in any case, technical change does not occur evenly. (Barker, 2006: 81).

Where unevenness exists it is exposed in the final price of goods and services with the consequence of enterprise collapse and industrial restructuring. Evenness, in the case of neo-liberal prescriptive methods under transformation, may only be achieved on an exploitative labour-price model and (combined) 'western' forms of work organisation and technological input. In such a model the extraction of value is either achieved through extensive forms of exploitation (lower pay, longer working hours etc.) or intensive exploitation (technological inputs). However, the reliance on an exploitative model further highlights unevenness, not only between east and west, but also within and between post Communist states themselves. Unevenness is thus a combination of both backwardness in technique, productivity and innovation as well as forwardness by which the backward nations skip whole phases of development by adopting the most advanced techniques of production and industrial organisation. Unevenness between the post Communist states described in the opening section therefore reflects different combinations of (relative) backwardness and processes of 'skipping over' to more advanced stages within states own unique place in the world economy. The combined aspect of development follows on from the unevenness, in that the most modern and technologically efficient modes of production sit side-by-side with 'pre-existing modes' of organisation (Burawoy, 1985: 99). As such, work organisation expressed as extensive exploitation of cheap labour and low cost may be found alongside 'cathedrals in the desert' where advanced technical processes are applied to extract value through intensive means (Hardy, 2009).

As Davidson (2010) suggests uneven and combined development affects not just the economy but society in general, its norms of behaviour, and patterns of authority and control. So there emerges a direct linkage between the material base of the production process and the continuation and adaptation of behavioural practice. For our purpose we can thus discern in post Communist states a continuation of many of the ways and means of the 'old order' combined with the new. This is especially important when we consider two important aspects of the organisation of working life, that of informal and illegal working. Unevenness produced by the predatory nature of neo-liberalism provides explanation for the persistence not only of lagged production growth but also increasing informalisation of the economy (Woolfson, 2007). In terms of informal working, Williams and Round (2007) provide sound evidence that informal working had *always* been a feature of the economy under the command economy and is now carried over in post transformation as custom and practice. Informal working may under the old order have supplemented formal employment; have been utilised as 'off the books' payment in 'brown envelope' bonuses; or simply paid as favours akin to forms of mutual aid between individuals and households. We must also consider, as Clarke (2002) reminds us, under the command economy a large range of services (e.g. painting and decorating, TV and radio repair, care of elderly etc.) were not provided by state-owned enterprise. 'Informal' working, when depicted by such tasks, was integral to the system. Informal working, as Williams and Round (2007: 2326) suggest may thus be considered as a 'core means of livelihood for a significant proportion of households' that has since been carried over into the new order. Rather than being discouraged by a state's entry into the world economy, the legacies of past practices of informal working are encouraged to expand. Round *et al* (2008), in their study of employment practices for Ukrainian graduates, for example, find that informal methods of recruitment and selection predominate alongside the growth of informal working. Most notably bribery and corruption is *de rigeur* within this sub-set of employment practices. Furthermore, while the Ukrainian Government have taken steps to counter bribery and corruption, it has little effect other than driving up the price of bribes in reflection of the higher risks (c/f Jain, 2001). A related feature is that under Communism the black market economy created and sustained a market for shortfall products within the system. The black economy was, by definition 'off the books' and more often than not involved in trading goods and services illegally.

There emerges a distinct interplay between informal working and illegal working, between the grey economy of informal working and the black economy of illegal working. The operators of the black market under transformation conditions were well placed to take the economic and political opportunity to expand their trading relationships with the clientelist groups associated with the new ruling elites. The old *nomenklatura* and the *penumbra* mafia operators of the black market thus have a vested interest in blocking any 'reform' of the economy constructed in regulatory form. The two social forces combined to preserve their position within the new market-based economy. Their complicity with, and sometimes integration into the state machinery regularises irregularity, and ensures the continuation of old habits alongside attempts to introduce new regulatory regimes based on the western ideal. In conclusion, we can begin to appreciate that rather than being a temporary dysfunction, wild capitalism emerges as the normal *modus operandi* of post Communist transformation. Orthodox prescriptions merely exacerbate the problems of wild capitalism by opening further the doors of irregular market behaviour and blocking the possibility of economic convergence.

Most importantly, in terms of structure, the process of transformation remains inextricably linked to a particular model of labour exploitation that feeds more general economic asymmetries between east and west.

References

Aglietta, M. and A. Rebérioux (2005), *Corporate Governance Adrift: A Critique of Shareholder Value,* Cheltenham: Edward Elgar

AMECO (Economic and Financial affairs, Annual Macroeconomic Indicators online database)

Amsden, A., Kochanowicz, J., and Taylor, L. (1994) *The Market Meets its Match: restructuring the Economies of Eastern Europe*, Boston: Harvard University Press

Antonić, D. *et al* (undated) *Corruption in Serbia*, Belgrade: Center for Liberal Democratic Studies

Åslund, A. (2001) 'The Myth of Output Collapse After Communism', *Carnegie Endowment for International Peace Working Paper No. 18*, Washington D.C.

Ashman, S. (2009) 'Capitalism, uneven and combined development and the transhistoric', *Cambridge Review of International Affairs*, 22, 1: 29-46

Barker, C. (2006) 'Beyond Trotsky: Extending Combined and Uneven Development', in B. Dunn and H. Radice (eds.) *100 Years of Permanent Revolution*, London: Pluto pp. 72-87

Blanchard, O. and Kremer, M. (1997) 'Disorganisation', *Quarterly Journal of Economics*, 112 (4)

Boeri, T., Garibaldi, P. (2006), Are Labour Markets in the New Member States Sufficiently Flexible for EMU?, *Journal of Banking and Finance* 30 (5): 1393-1407.

Bohle, D (2006) 'Neo-liberal hegemony, transnational capital and the terms of the EU's eastward expansion' *Capital & Class* 88: 56-86.

Bohle, D. and Greskovits, B. (2004) *Capital, Labor and the Prospects of the European Social Model in the East* Central and Eastern European Working Paper No. 58, Centre for European Studies, Harvard University.

Buchen, C. (2007). 'East European Antipodes: Varieties of Capitalism in Estonia and Slovenia.' in *Varieties of Capitalism in Post-communist Countries*, edited by David Lane and M. R Myant. Basingstoke [England]: Palgrave Macmillan.

Burawoy,M.(1985) *The Politics of Production: Factory Regimes under Capitalism and Socialism* London: Verso

Cicmil, S. and Upchurch, M. (2006) 'Transferring Management Knowledge from the West to the Balkans: Dilemmas, Diversity, and the Need for Congruence' *International Journal of Diversity in Organisations, Communities and Nations,* Volume 5, Issue 1

Clarke, S. (2002) *Making Ends Meet in Contemporary Russia: Secondary Employment, Subsidiary Agriculture and Social Networks*. Cheltenham: Edward Elgar.

Dale, G. (2011) (ed.) *First the Transition, then the Crash: Eastern Europe in the 2000s,* London: Pluto

Das, R. (2006) 'Putting Social Capital in its Place', *Capital & Class,* 90: 65-92

Davidson, N. (2010) 'From deflected permanent revolution to the law of uneven and combined development' *International Socialism,* 128: 167-202

Dunford, M., and Smith, A. (2004) 'Economic Restructuring and Employment Change' in M. Bradshaw and A. Stenning (eds.) *East Central Europe and the Former Soviet Union,* Harlow: Pearson pp. 33-58

EBRD (2010) *Recovery and Reform, Transition Report 2010*, London: European Bank for Reconstruction and Development

EBRD (2013) *Transition Report*, London: European Bank for Reconstruction and Development

Feldmann, M. (2006) 'Emerging Varieties of Capitalism in Transition Countries: Industrial Relations and Wage bargaining in Estonia and Slovenia' *Comparative Political Studies,* 39: 829-`854

Filatov, A. (1994) 'Unethical Business Behavior in Post-Communist Russia: Origins and Trends', *Business Ethics Quarterly,* 4, 1: 11-15 pp.165-180

Forteza, A. and M. Rama (2001) 'Labour Market "Rigidity" and the Success of Economic Reforms across more than One Hundred Countries' , *World Bank Working Papers – Governance* No. 2521, World Bank: Washington D.C.

Fukuyama, F. (1999) 'Social Capital and Civil Society', *Paper presented to the IMF Conference on Second Generation Reforms,* George Mason University, October 1st available at https://www.imf.org/external/pubs/ft/seminar/1999/reforms/fukuyama.htm#II

Galgóczi, B. and Mermet, E. (2003) 'Wage Developments in Candidate Countries', *Transfer,* 9, 1: 50-63

Gligorov V., Pöschl, J., Richter, S. et al. (2009). *Where have all the shooting stars gone?,* The Vienna Institute for International Economic Studies, Current Analyses and Forecasts 4.

Gosztonyi, K. and Bray, J.(2009) 'Business, corruption and economic crime in Central and South-east Europe', *Control Risks* 2009, p.3.

Gowan, P. (1995) 'Neo-Liberal Theory and Practice for Eastern Europe'. *New Left Review,* 213: 3-60

Gustafson, G. (1999) *Capitalism Russian Style,* Cambridge: Cambridge University Press

Habermas, J. 1987. *Lifeworld and System: A Critique of Functionalist Reason,* Volume 2 of *The Theory of Communicative Action,* English translation by Thomas McCarthy. Boston: Beacon Press (originally published in German in 1981).

Hankiss, E. (1990), *East European Alternatives,* Oxford: Clarendon Press

Hardy, J. (2009) *Poland's New Capitalism,* London: Pluto Press

Harman, C. (2007) 'Theorising Neo-Liberalism', *International Socialism*, internet version http://www.isj.org.uk/index.php4?s=contents&issue=117

Harper, K. (2006) *Wild Capitalism: Environmental Activists and Post-Socialist Ecology in Hungary*, Boulder, East European Monographs.

Harvey, D. (2003) *The New Imperialism,* Oxford: Oxford University Press

Havrylyshyn, O. and Odling-Smee,J. (2000) 'Political Economy of Stalled Reforms,' *Finance & Development*, pp. 7-10.

Haynes, M. and Husan, R. (2002), 'Market failure, state failure, institutions and historical constraints in the east European transition' in *Journal of European Area Studies*, vol. 10, no. 1, pp. 105–129.

Hellman, J., Jones, G., Kaufman, D. (2000) *Seize the State, seize the day: an empirical analysis of state capture, corruption and influence in transition*. World Bank Policy Research Paper No 2444, Washington, D.C. , World Bank.

Howard, M. (2003) *The Weakness of Civil Society in Post-Communist Europe* Cambridge: CUP.

IMF (2000) 'Transition Economies: An IMF Perspective on Progress and Prospects', Issue Brief 00/08, November on-line at http://www.imf.org/external/np/exr/ib/2000/110300.htm#III

IMF (2006) *Operational Guidance to IMF Staff on the 2002 Conditionality Guidelines,* Washington D.C.

Jackson, G. And Deeg, R. (2006) 'Comparing Capitalism: Recent Debates' (Book Review) *British Journal of Industrial Relations,* 44, 3: 569-75

Jain, A. (2001) 'Corruption: A Review', *Journal of Economic Surveys* 15(4): 71–121.

Johnson, S., Kaufmann, D. and Shleifer, A. (1997). *The Unofficial Economy in Transition*. Brookings Papers on Economic Activity, Fall: Washington, D.C: Brookings Institute

La Porta, R., Lopez-de-Silanes, F., Shleifer, A., and Vishny, R. (1999) 'The Quality of Government', *Journal of Law, Economics, and Organizations,* 15 (1).

Lane Bruner, M. (2002) 'Taming 'Wild' Capitalism', *Discourse and Society,* 13, 2: 167-184

Lucas, R. (1990) 'Why doesn't capital flow from rich to poor countries?' , The American Economic Review, 80, 2: 92-96

Morton, A. (2007) *Unravelling Gramsci: hegemony and passive revolution in the global political economy,* London: Pluto

Mosse, D. (2004) 'Power Relations and Poverty Reduction' in R. Alsop (ed.) *Power, Rights and Poverty: Concepts and Connections*, DFID/World Bank 2004, London pp. 51-67

Nelson, N. and Wright, S. (1994) *Power and Participation*, London: Intermediate Technology Publications.

Nielsen, K., Jessop, B. and Hausner, J. (1995) 'Institutional Change in Post-Socialism'. in J. Hausner, B. Jessop and K. Nielsen *Strategic Choice and Path Dependency in Post Socialism,* Aldershot: Edward Elgar: 3-45.

Novack, G. (1980) *Understanding History: Marxist Essays,* Pathfinder Press.

Peev, E. (2002) 'Ownership and Control Structures in Transition to "Crony Capitalism": the case of Bulgaria' , *Eastern European Economics,* 40, 5: 73-91.

Pesic, V. (2007), *State Capture and Widespread Corruption in Serbia*, CEPS Working Document, 262, Brussels, Centre for European Policy Studies

Roland, G. and Verdier, T. (1999) 'Transition and the Output Fall', *Economics of Transition,* 7 (1)

Rosenberg, J. (2006) ‘Why is there No International Historical Sociology?’ *European Journal of International Relations* 12, 3: 307-40.

Round, J., Williams, C., and Rodgers, P. (2008) ‘Corruption in the post-Soviet workplace: theexperiences of recent graduates in contemporary Ukraine’, *Work, Employment and Society,* 22 (1): 149-166

Schneider, F. (2003) ‘The Size and Development of the Shadow Economies and Shadow Economy Labor Force of 22 Transition and 21 OECD Countries: What Do We Really Know? ‘ in B. Belev (ed.) *The Informal Economy in the EU Accession Countries,* Sofia: centre for the Study of Democracy.

Mosse, D. (2004) ‘Power Relations and Poverty Reduction’ in R. Alsop (ed.) *Power, Rights and Poverty: Concepts and Connections*, DFID/World Bank 2004, London pp. 51-67

Shields, S. (2008) ‘How the East was won: Transnational social forces and the neoliberalisation of Poland’s post-communist transition’. *Global Society* 22(4): 445–68.

Simon, R. (2010) ‘Passive revolution, perestroika, and the emergence of the new Russia’, *Capital & Class,* 34, 3: 429-448

Stiglitz, J. (1999) ‘Whither Reform? Ten Years of the Transition’, Keynote address to the World Bank's Annual Bank Conference on Development Economics, April.

Sommers, J. and Bērziņš, J. (2011) ‘Twenty Years Lost: Latvia’s Failed Development in the Post Soviet World’, in G. Dale (ed.) *First the Transition, then the Crash,* London: Pluto pp. 119-142

Transparency International (2009) OECD *Anti Bribery Convention: Progress Report,* Berlin: Transparency International

Treisman, D. (2000) ‘’The Causes of Corruption: A cross national study’, *Journal of Public Economics,* 76 (3)

Trotsky, L. (1977) [1932] *History of the Russian Revolution,* London: Pluto

Turley, G. And Luke, P (2011) *Transition Economics: Two Decades On,* London: Routledge

Nelson, N. and Wright, S. (1994) *Power and Participation,* London: Intermediate Technology Publications

Onaran, Ö. (2008) 'Jobless growth in the Central and Eastern European Countries: A country specific panel data analysis for the manufacturing industry', *Eastern European Economics*, 46(4): 97-122.

Onaran, Ö. (2010) *From transition crisis to the global crisis: Labour in the Central and Eastern EU New Member States,* Discussion Paper Number 135, Department of Economics and Statistics, Middlesex University Business School.

van der Pijl, K (1993) 'Soviet Socialism and Passive Revolution'. In S. Gill (ed.) *Gramsci, Historical Materialism and International Relations*. Cambridge: Cambridge University

UNDP (2007) *The Fight against Corruption in Serbia: An Institutional Framework Overview*, United Nations Development Programme

Upchurch, M., and Weltman, D. (2008) `International Financial Institutions and Post Communist Labour Reform: A Case of Utopian Liberalism?', *Debatte,* 16, 3: 309-330

Upchurch (2009) 'The IFIs and Labour Reform in Post Communist Economies', *Globalizations*, 6, 2: 297-316

Williams, C. and Round, J. (2007) 'Beyond Negative Depictions of Informal Employment: Some Lessons from Moscow', *Urban Studies*, 44, 12: 2321-2338

Woods, N. (2006) *The Globalizers: The IMF, the World Bank and Their Borrowers,* Ithaca and London: Cornell University Press

Woolfson, C. (2007) 'Pushing the envelope: the 'informalization' of labour in post-communist new EU member states', *Work, Employment and Society,* 21, 3.

World Bank (2002) *Transition, The First Ten Years: Analysis and Lessons for Eastern Europe and the Former Soviet Union,* Washington D.C.

World Bank (2003) *Unions and Collective Bargaining: Economic Effects in a Global Environment,* Washington, D.C: World Bank

World Bank (2008) *The Political Economy of Policy Reform: issues and Implications for Policy Dialogue and Development Operations*. Report No. 4428-GLB. Washington D.C.: World Bank Social Development Department

World Bank (2010) *Turmoil at Twenty: Recession, Recovery and Reform in Central and Eastern Europe and the Former Soviet Union,* Washington D.C: World Bank

---

[i] http://www.databasece.com/en/industrial-output-during-transition

[ii] http://www.eurofound.europa.eu/areas/qualityoflife/eurlife/index.php?template=3&radioindic=158&idDomain=3 accessed 5th April 2011. The Gini co-efficient actually varies considerably within the EU 15, with the lowest ratio recorded by Sweden (0.23) and the highest by Portugal (0.41).

[iii] See http://www.transparency.org/policy_research/surveys_indices/cpi/2010 for results.