

## **Path from the (Semi)Periphery to the Core: On the Role of Socio-Cultural Factors**

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### **1. Go West! Redefining relationships in Europe**

After the collapse of communism, the 1990s have indeed been the years of profound changes not only in Eastern Europe, but also in the continent as a whole. In dealing with changes related with the post-communist transition, most researchers focus on the issues of transforming political, economic and social arrangements in countries eastward from what was popularly termed the iron curtain. These 'internal' processes, as well as their successes and failures, are well documented.<sup>1</sup> The focus of this paper is not in these changes themselves. Instead, it attempts to see these 'internal' processes in the wider context of the changing relations between countries in the European continent, also with regard to current processes of European integration.

In past decades the positioning of countries in Europe has been remarkably simplistic and can most easily be captured with the well-known East-West divide. This divide has been so strong that it rendered all other divisions both on east and west part of this divide almost irrelevant, even in those cases where the situation was indeed not that straightforward. This oversimplification perpetuated and is still echoed in current debates, both in optimistic accounts of 'returning to Europe' (Antiol et al, 1997), visions of 'reconnecting the southern flanks' (Cviic, 2000), as well as in less favourable accounts of unfavourable transition 'from eastern empire to western hegemony' (Janos, 2001). However, this division is not a part of European history. Instead, we can note that the period between 1945 and 1989 is unique in this respect and did not represent the reality of 1945. This constellation was an outcome of bargaining between the ideologically opposed victors of the Second

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<sup>1</sup> It should be noted that there are significant disagreements in evaluation of success of these processes and of reasons for transition's success or failure (see Poznanski, 2001).

World War. To leave the differences in the 'West' aside for the moment (are Portugal, Spain, Italy, and Greece the 'West'?), we can hardly ignore what has been ignored since 1945, the existence of a specific historical region (Hroch, 2000) in the central part of Europe, the co-called 'Mitteleuropa' (Katzenstein, 1997). This region had distinguishable cultural or at least artistic identity (Osers, 2000; Fuciková, 2000). Its role in the continental power-play between Germany and Russia was also important. Economic cooperation within this region – clearly a heritage of the Habsburg empire – has also been remarkably well developed. (Hocevar, 1965) Likewise, it is difficult to equate the countries of Southeast Europe and three Baltic states on the other part of the continent. After 1989, the west-east divide has clearly been rendered obsolete. Not only Eastern Europe, but the continent as a whole is now going through a process of redefining its geo-strategic relationships (Szporluk, 1994). We are in the period of the new positioning of countries of Europe, the 'remapping' (Rupnik, 1994), of answering the big question 'After empire what?' (Szporluk, 1994). This is the process of formulation of new identity, in its various dimensions: cultural, political, economic relations.

#### ***'Europhorics' and 'dissenters'***

There are different ideas on how this process shall proceed and what its implications are. Generally speaking, we can discern two distinct approaches. The first is the aforementioned enthusiastically awaited return to the West, the East Europe's 'idealised other' (Schöpflin, 2000), where the East European countries, after having been forced to communist arrangements for half a century, are finally rejoining Europe. It should be noted that the European Union is not running away from this role, but is, by sending signals in the current integration processes, strongly contributing to this image. The current integration processes should contribute to accelerated return to 'normality', which should be manifested in convergence in the levels of economic development, as measured in terms of GDP.

The second and quite differentiated approach<sup>2</sup> is advocated by transition's dissenters, who see transition as necessary, but unsuccessful in terms of the outcome. In this way, the past half a century has only been a 'detour

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<sup>2</sup> For systematic overview of 'dissenting' approaches see Poznanski (2001a).

from the periphery to the periphery'. (Berend, 1996). As such, transition has been a flawed project, 'defective' (Poznanski, 2001), and 'involuntary' (Burawoy, 2001). Post-socialist countries have 'imported' capitalists through sale of state assets and are now to larger or smaller extent functioning like capitalist economies, but are have at the same time retained some of the important characteristics of the communist arrangements, for example the missing domestic proprietary class, which has been eliminated (Poznanski, 2001).

Both approaches are partially flawed. The first, 'europhoric' or 'convergonist' approach is based on flawed epistemological foundations. Its excessively short-term perspective, effectively narrowed to period after 1989, is viable only in the framework of outdated organic/systemic models of social changes. (Sztompka, 1993: 9). In the context of 'transitology' this implies that post-socialist countries are observed in static perspective, as a peculiar state that diverges form the ideal state, which is in this context western type of free market capitalism. This kind of argument is completely in line with classical modernisation theories of development (Rostow, 1960). By ignoring evolution of relationships in the continent since the beginning of the first industrial revolution, it is effectively operating on myths! Instead, the developmental trajectories of these societies and their relationship with other societies in Europe should be observed in historical perspective, as a continuous, multidimensional and interrelated flow if event. This implies, first, application of long-term historical perspective and, second, focusing on various dimensions of these processes and relations between these dimensions.

The advocates of the second approach on the other hand, often take historical perspective into account. Indeed, in some cases it constitutes the integral part of their approach. One of the most prominent dissenters Ivan Berend recently asserted: "Most short-term analyses, while offering a great deal of information and knowledge, confuse the short-term and long-term crisis indications, and thus, miss the historical perspective. Without such a historical vista, however, it is rather difficult, probably even impossible, to understand and evaluate the development of the 1990s." (Berend, 2001:257) However, sometimes the value added is sub-optimal. In this paper I shall often make a reference to Berend's analyses as he

deals with those aspects of post-socialist transformation and relationships between countries in Europe that are very important in the context of this paper. However, his analysis, although insightful and very informative, ignores the complexity of relations between countries in Europe. By simply seeing countries in polar relationships, either as a part of developed core or as a part of backward periphery, he is unable to transcend from descriptive/analytical level to prescriptive level and cannot offer some scenarios of possible future outcome, even if these scenarios or possible solutions are concealed in the works of these authors themselves. (e.g. Berend and Ranki, 1982; Berend, 2001) Instead, they see the situation as determined with path dependency, where the countries cannot make the transition from periphery to the core without the substantial input or investments from core countries.

## 2. Eastern Europe: Core or Periphery

With a bit of sarcasm, we could comment that return to the West or return to Europe, with accompanying convergence of countries' economic development would be to return to quite a distant past, the beginning of the 19<sup>th</sup> century. Indeed, as the table 1 shows, at the eve of industrial revolution different regions of Europe had more or less similar levels of GDP.

**Table 1: Changes in GNP in the 19<sup>th</sup> century**

Region	Per capita GNP in 1800 (European average = 100)	Per capita GNP in 1860 (European average = 100)
Great Britain	172	180
Earliest industrialised	107	146
Western Europe		
Scandinavia	97	88
Mediterranean countries	102	100
Eastern Europe	85	58
Austria-Hungary	95	93

Adopted from Bairoch, 1975

The only real outlayer in the European context was Great Britain, where industrial revolution, which marked the beginning of an unprecedented economic dynamics, started few decades earlier. All other 'regions' of Europe were, at that time, at approximately similar level of economic development.

It should be noted that the beginning of 19<sup>th</sup> century and the first industrial revolution is an important turning point. Until then, the average per annum economic growth has been very steady as a rule. The industrial revolution changed this pattern; the dynamic of development changed substantially and average economic growth rates accelerated to unprecedented levels<sup>3</sup>. Consequently, lagging behind the forerunners of this and the following industrial revolutions has much more serious consequences for international positioning of countries. This is very much evident in developments of the 19<sup>th</sup> century. Industrial revolution, which started in the Great Britain and soon spread to most countries of Western Europe, reached some regions in Eastern Europe only around 1860s, in some cases even decades later. (Berend and Ranki, 1982). Hence, it is not surprising, that the data from 1860 already show substantial differences in GNP between different parts of Europe. Industrialisation was delayed in various parts of Europe, from Scandinavia through Eastern Europe to the Mediterranean were not included in processes of industrialisation.

The industrial revolution brought about substantial changes in the internal structure of societies, which were reflected, among other things, in rapid urbanisation and reduction of the importance of agricultural sector. But these internal challenges were not important just from the perspective of these societies. This internal restructuring brought about substantial increase in foreign trade. This is not to say that it was irrelevant prior to that.<sup>4</sup> However, in the period between 1750 and 1913 foreign trade grew fifty-fold (Berend and Ranki, 1982: 21-22). This increase was the main mechanism of the economic 'pull' of Western Europe (ibid). However,

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<sup>3</sup> According to Maddison's estimates, GDP per capita in the Western Europe and offshoots increased from 400 USD in 1400 to 1.043 USD in 1820. In 1989 it stood at 14.413 USD (dollars at 1985 prices). (Maddison, 1991: 10)

<sup>4</sup> For example, already in the beginning of the 18<sup>th</sup> century, Poland served quarter of grain needs of Holland, the economic leader of Europe until Napoleonic was. (Maddison, 1991: 31)

this pull did not contribute significantly to the industrialisation of by the 1860s already backward countries. Instead, it contributed to redefinition of relationships between countries in Europe. To put it simply, the new international division of labour begun to emerge, where less industrialised, or by then already backward regions of Europe, served the most developed countries with a wide array of raw materials that were needed for industrial production.

This era marked the beginning of the new system of international division of labor. This division of labour has two clearly distinguishable traits. First, position of country depends on its ability to get to grips with the demands of the modern economy. In the 19<sup>th</sup> century this implied the ability to introduce more efficient forms of industrial production. Second, we can also see that there is a clear geographical pattern. The earliest industrialised parts of Europe were geographically bounded with common borders. The greater the distance from the centre, the greater the delay in industrialisation. This pattern is neither linear not determinist, but is nevertheless clearly distinguishable.

### ***Core, semi-periphery and periphery***

Due to limitations we cannot deal in detail with important development of relationship between core and periphery that took place in the 20<sup>th</sup> century. Let it suffice to say that with following industrial revolutions countries faced new challenges and their position depended on their ability to meet these challenges. The communist 'experiment' did not change this basic principle, nor could it contribute to modernisation of these countries:

“The strongest statement one can make is that state socialism failed to guarantee success as promised; on the contrary, *it preserved backwardness*. Returning to private-market capitalism, thus, cannot change the historically mediocre economic performance and repeated inability to react positively to structural crises that have characterised the region... The region was unable to join the club of rich, advanced countries...”

(Berend, 2001: 257)

To put it simply, these countries did not manage to join the advanced core. One could hardly, in strict terms, dispute against Berend's general assessment. However, this assessment fails to transcend the simplistic division between core and periphery and fails to recognise more complex nature of the relationship between economies of Europe. It fails to recognise the existence of semi-peripheral economies, which is qualitatively very much different from peripheral economies, as described above. World system theory, which was introduced to the social scientific community by Immanuel Wallerstein in his well-known analyses (1974; 1976), is more refined in this respect. According to Wallerstein, the basis of modern world system is international division of labour. The economy of the core is more productive, more diversified. But the differences between core and periphery go beyond this simple division.<sup>5</sup> In addition to the core and periphery there is a third group of countries, semi-periphery. Semi-peripheral countries are not a residuum, consisting on countries that cannot be classified in either of these countries. It can act as an intermediary structure between core and periphery.<sup>6</sup> As such, semi-periphery has important depolarising role in relation between core and periphery. (Terlouw, 1995: 17)

It is quite clear that also in the case of post-socialist Europe simplistic dichotomous approaches cannot stand the empirical verification. For example, let us look at some data from the *Human Development Report 2002*. The ranking of some of more advanced post-socialist countries with respect to *human development index* was very close to that of EU member states Greece and Portugal (ranked 24<sup>th</sup> and 28<sup>th</sup>). Slovenia (29<sup>th</sup>), Czech Republic (33<sup>rd</sup>) and Hungary (35<sup>th</sup>), and even Slovakia (36<sup>th</sup>), Poland (37<sup>th</sup>)

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<sup>5</sup> Other factors are important as well, such as organisation and the nature of internal social relations, which are harmonious in core countries when compared with those of the periphery. (Terlouw, 1992: 16)

<sup>6</sup> In his network analysis of the role of the countries in the world system van Rossem distinguished four groups of countries: core, semi-periphery, primary periphery and secondary periphery. Countries in secondary periphery are the most isolated and have dependence relations only with core countries. The primary periphery is dependent on both core and semi-periphery and its countries tend to have some limited relations with each other. Semi-peripheral countries have complex relations with each other, but remain strongly dependent on the core. (van Rossem, 1996: 513)

and perhaps Estonia (42<sup>nd</sup>) did not rank far below less developed countries of the EU. The rank of some other countries, on the other hand, was much less favourable, for example that of Russia (60<sup>th</sup>), Bulgaria (62<sup>nd</sup>) or Romania (63<sup>rd</sup>), not to mention some of the countries that were part of the former Soviet Union (e.g. Moldavia, 105<sup>th</sup>). Additionally, better-off countries from the onset differed immensely in the extent and scope of reforms that had to be implemented. Hence, when using the term 'countries in transition', one has to handle it cautiously, recognising the immense differences between these countries. Carelessness inevitably leads to false conclusions and presentations.<sup>7</sup>

It is quite clear that a new multi-polar geography of former socialist Europe is developing. This, of course, did not pass unnoticed. Rupnik (1999), for example, argued that a new tripolar political geography has developed in the post-socialist Europe. First is the new Central Europe, which includes the Visegrad countries, three Baltic countries and Slovenia. The second is the Balkans and the third region consists from the countries east of Poland including Russia and the remaining former Soviet republics. Unlike Berend, Rupnik described the East-Central European countries as "clear success stories" (1999: 57) while the others are characterised by their inability to break with their communist heritage or with economic backwardness whose roots extend further back in time. Additionally, in the case of certain Balkan states, intolerant nationalism and violent process of nation-state building was prior to democratic transition. It is questionable whether author has properly delineated groups of countries and also if the success of some of the countries is not exaggerated. But his contribution is nevertheless important as he recognised differences in certain countries' positions in Europe. Additionally, he noted some geographically based patterns. And the study of post-socialist transition and of the countries' developmental trajectories should clearly go in this direction.

### ***Mapping Europe***

We can now attempt at a simple operationalisation which would enable us to draw a map of Europe, i.e. to denote its core, semi-peripheral

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<sup>7</sup> Very good example of such misuse of the term is Guy Standing's contribution in a volume edited by Esping-Andersen in 1996 (Standing, 1996)

and peripheral countries. We shall do that by applying two criteria following from the above description: division of labour and geographical positioning of country. I should note that we cannot apply these criteria strictly; especially in the case of borderline countries any classification involves certain level of arbitrariness.

The level of its economic development crucially determines the role of a country in the international division of labour. According to Porter the successful economic development is “a process of successive upgrading, in which the *business environment in a nation evolves to support and encourage increasingly sophisticated ways of competing.*” (Porter, in *Global Competitiveness Report 2001-2002*: 57, original emphases) He draws a distinction between three stages of economic development. First are the factor-driven economies, whose dominant source of competitive advantages is cheap labour force. Products with which firms from these countries compete on world markets are relatively simple, often produced by technologies which were sold to these countries from the affluent economic leaders, after they were not as profitable as expected anymore.

The main source of competitiveness is not uniqueness or sophistication of product, but its low price. As such, these economies are highly sensitive to world economic cycles, commodity price trends and exchange rates. The second phase is the so-called investment-driven economy. The products become more sophisticated. However, technology still to a large extent comes from abroad through licensing, joint-ventures, FDI etc. The main source of competitive advantage is efficiency. Investment in more efficient infrastructure becomes crucial to achieve economic growth. These economies are, however, susceptible to external shocks, especially financial crises and sector-specific fluctuations in demand. Only countries that reach third level of development, whose economies are innovation-driven, are relatively resilient to external shocks. Companies in innovation-driven economies exhibit the ability to produce innovative products and services. Constant innovations and improvements in products and production methods enable these countries to maintain high levels of income and leading position in international division of labour.

The first proxy that I shall apply in “mapping” countries of Europe with respect to their position is the one used by the authors of *the Global Competitiveness Report 2001-2002* to distinguish between core innovators

and non-innovating economies. Core innovators are economies that exceed threshold of 15 US utility patents per million inhabitants. These are also economies that can pretend to compete with more sophisticated products and can be classified as a part of European core. I select – somewhat arbitrarily – 1 US utility patents per million inhabitants as the threshold that distinguishes between countries that already have the potential to improve on the basis of imported technologies and those that cannot and compete on the basis of low costs. I will combine this indicator with the second one, namely whether the country has boundary with one of the core economies.

Tables 2-4 show classification of relevant countries, i.e. the 14 EU member states (data for Luxembourg not available) and 10 post-socialist EU candidates, by applying the criteria mentioned above. Table 2 shows core countries. These are the Scandinavian countries, Benelux, Germany,

Table 2: European Core

Country	US utility patents per million population in 2000*	Border with core innovator	GDP per capita (PPP in USD 2000)**
Sweden	177.2	YES	24.277
Germany	123.6	YES	25.103
Finland	119.4	YES	24.996
Denmark	82.3	YES	27.627
Netherlands	78.1	YES	25.657
Belgium	67.8	YES	27.178
France	64.4	YES	24.223
Austria	62.1	YES	26.765
the UK	61.1	YES (sea)	23.509
Ireland	32.4	YES (sea)	29.866
Italy	29.7	YES	23.626

\* Data from *The Global Competitiveness Report, 2001-2002*

\*\* Data from *Human Development Report 2002*

France, and the British Isles and northern Italy. Not all of the European Union can be classified as core. Southern member states Portugal, Spain, southern Italy, and Greece are part of European semi-periphery.

This data also makes it quite clear that some of the accession countries are part of the European semi-periphery (table 3). These countries are Slovenia, Hungary, Estonia, and Czech R. The situation is somewhat ambiguous with respect to Slovakia, as it exhibits lower levels of innovative capacity. But it is classified as the part of the semi-periphery due to its border with the core country (Austria) and its level of GDP, which, although not a criteria, is roughly comparable to the level of other semi-peripheral countries.

Table 3: European Semi-periphery

Country	US utility patents per million population in 2000*	Border with core innovator	GDP per capita (PPP in USD 2000)**
Slovenia	8.0	YES	17.367
Spain	6.8	YES	19.427
Hungary	3.6	YES	12.416
Estonia	2.9	YES (sea)	10.066
Czech R.	2.2	YES	13.991
Greece	1.7	NO	16.501
Portugal	1.1	NO	17.290
Slovak R.	0.7	YES	11.243

\* Data from *The Global Competitiveness Report, 2001-2002*

\*\* Data from *Human Development Report 2002*

Other five EU candidate countries are, according to the indicators employed in this classification, part of the European periphery. There are, of course, certain countries, whose classification does not completely conform to the selected criteria. Poland, for example, is the only of these countries that has a border with one of the core economies, Germany.

However, I have decided to classify it as a peripheral country due to very poor innovative performance of its economy and also relatively low level of GDP. Other countries, also those for which data on innovative potential is not available, are at significant geographical disadvantage. Namely, even when it comes to low-cost related FDI, companies are more in favour of geographically proximate regions (Meyer, 1995).

Table 4: European periphery

Country	US utility patents per million population in 2000*	Border with core innovator	GDP per capita (PPP in USD, 2000)**
Latvia	0.4	NO	7.045
Poland	0.3	YES	9.051
Romania	0.2	NO	6.423
Bulgaria	0.1	NO	5.710
Lithuania	0.0	NO	7.106

\* Data from *The Global Competitiveness Report, 2001-2002*

\*\* Data from *Human Development Report 2002*

I am well aware that these provisional proxies are insufficient to offer the complete or the most accurate image. Search for further improvement is indeed needed in order to get better insight (for example value added, productivity etc.).

I should note that numerous anecdotal evidence also points to the conclusion that better-off countries of post-socialist Europe are assuming the semi-peripheral role in line with the aforementioned pattern of relationship between core, semi-periphery and periphery (see footnote 10). The cooperation between East-Central European Countries, which has been quite vivid in spite of relatively unsuccessful Visegrad agreement, but continued more successfully in the framework of CEFTA (Rhodes, 1999), is one such example. Slovenia, for example, is in spite of its small size one of the most important investors in the republics of former Yugoslavia and is slowly becoming intermediary between this part of Europe and the Core.

### **Towards the Core?**

In the past 150 years there has been a number of cases, success stories, where more or less backward countries successfully made the transition to the core. We have very good and detailed accounts of the success of not so recent latecomers. This is the case of Japanese industrialisation and development, which commenced in the second half of the 19<sup>th</sup> century (Landes, 1998), approximately at the same time as Denmark, Sweden, and Norway in Scandinavia started their successful transition towards the core (Berend and Ranki, 1982). In the second half of the 20<sup>th</sup> century we have

the well-known examples of four Asian tigers (Kim and Nelson, 2000) and more recently the success of the Celtic Tiger, i.e. the remarkable growth and development of the Irish economy in the 1990s (O'Hearn, 1998; Sweeney, 1998). Last, but not least, we can also look at the case of Finland, which in spite of its relative geographical disadvantage, became important competitor in the demanding market of high-tech products.

Is it realistic that any of post-socialist countries could in the foreseeable future, medium-term perspective, be able to join the exclusive club of rich countries of the European core? I believe this viable for some countries of post-socialist Europe. But we should limit our optimism to those countries, which I have classified as European semi-periphery. That means, first, that their economies are already at investment-driven stage and are capable for building up capacities to improve the imported and assimilated technology and production methods and manage the difficult transition to innovation-driven economies. But how to do it? Well, certainly no clear-cut prescriptions or recipes are possible, such as those persistently advocated by western institutions and scientists in the course of the past decade. If there is something that we can learn from aforementioned past examples of successful transitions from semi-periphery to the core, it is that no country did it by imitating some other country or by following such prescriptions. Even though it has often been attempted, especially in the case of post-socialist countries, which in some cases became IMF and World Bank testing sites, it has to be clear that the social scientists are not able to generate solutions in the form of 'pure' prescriptions and 'categorical imperatives'; their role and expertise are more modest. They can produce hypothetical solutions in the form of scenarios, multiple options, cost-benefit or SWOT analyses. They can be very helpful by indicating and evaluating the side effects and potential risks of certain decisions and policies. And perhaps most importantly, they can attempt to trace necessary condition for favourable outcomes.

Which are these necessary conditions? Berend points to the importance of transnationalisation, connected with privatisation and marketisation, in his analysis of recent Irish success story and of the Mediterranean 'miracle' (Berend, 2001). To focus only on Irish success story,<sup>8</sup> we can indeed say

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<sup>8</sup> In Berend's opinion, Mediterranean EU member states are also a success story, when compared with the post-socialist countries. By employing long-term data on GDP, he

that the massive inflow of FDI and related know-how – which were fostered by easy access to the EU market<sup>9</sup> and well-educated and relatively cheap labour force – and the massive influx of the EU Structural Funds, played an important role (O’Hearn, 1998). However, if this inflow of FDI is not accompanied with internal qualitative changes (increased education, institutional efficiency, etc.) it can only serve to consolidate the unfavourable position of a country in the international division of labour. Namely, if the investments are located primarily in the extraction sectors or if their primary purpose is to expand their own business and gain market shares in new, ‘virgin’ markets. In cases of well-known productive investments such as Volkswagen’s acquisition of Škoda, the awaited spillover effects are not possible without the same changes. Hence, we can argue that internationalisation and a massive influx of capital is a necessary condition. But it is not sufficient. In earlier work on industrialisation and the formation of European periphery in the 19<sup>th</sup> century (Berend and Ranki, 1982) he offered much more refined, systematic and holistic analysis of factors of developmental performance: socio-political prerequisites of change, human factors, role of the state, integration into the world market, foreign trade and export branches. We could divide these factors to two groups, internal (the first three) and external (the last two). While it is more or less clear that without external factors country is not able to join the group of affluent, developed countries – or it has to go through a long and uncertain process of capital accumulation – his analysis makes it even more clear that the internal factors are crucial determinants of the specific effects of country’s position in the international system.

International division of labor is not a steady state. As the above examples demonstrate, countries can shift their positions. Secondary analyses of data in the framework of world-system theories also point to this conclusion. Van Rossem, for example, showed that development is not

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describes a “dramatic departure from their previously similar growth patterns” (Berend, 2001: 258). On the basis of data indicating the position in international division of labor and GDP, I would hesitate to talk about a success story. Such a substantial increase of differences between Mediterranean countries and better off post-socialist countries in East Central Europe is primarily caused by rupture of the growth rates of the latter and not an evidence of developmental performance of the former.

<sup>9</sup> Most FDI came from the USA (O’Hearn, 1998).

exclusively a consequence of international environment, i.e. the positioning of the state towards other states. International environment does not *determine* dependency and economic performance of the country. But it does contribute to creation of the environment, which imposes certain limitations on countries, especially those that are on the periphery. His conclusion is very important in the context of this paper: “Internal social, economic, and political structures and actors become vital factors in development, and can modify the effects of the international environment.” (van Rossem, 1996: 524) To put it simply, the basic preconditions for developmental performance are endogenous in their nature.

### **3. Socio-Cultural factors of Developmental performance**

#### ***Forced modernisation***

Between the two world wars Czech republic was the only country in Central Europe that was both industrialised and democratic. The foundations of this progress were laid down already in the beginnings of industrialisation of Habsburg empire and was at least partially a result of (successful) national confrontation with the Germans. As one of the authors recently formulated, “[a]fter the 1840, the Czech lands were caught up in rivalry for economic dominance where on both sides (German and Czech) the frenzy for education, culture, journals, clubs and entrepreneurship became paramount” (Benacek, 2001: 17). What is important in the context of this paper is that the Czech were able to respond to the challenges of the first industrial revolution. But this was not a forced development; it was spontaneous and motivated. Data on density of plants even indicates that the Czech lands were the most industrialised part of the empire.<sup>10</sup>

This development was abrupt violently in 1945. However, it remains the only example of relatively spontaneous successful modernisation on the territory of contemporary post-socialist Europe. Industrialisation also took place in other countries of post-socialist Europe, of course. But it was

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<sup>10</sup> In 1914 there were 60 industrial plants per 100.000 population in Austria per se. In Czech lands this number was 94. In Carniola, the central part of contemporary Slovenia, this number was only 29. (Hocevar, 1965: 45)

imported and the impulse for this importation rarely, if at all, came from countries themselves. In those peripheral areas where it did, it was distorted; it was not the newly emerging bourgeois class that fostered industrialisation, but the aristocracy, in an attempt to preserve its positions. The following quotation nicely summarises the history of such unsuccessful attempts.

“In central and eastern Europe, domestic models of modernity ... were weak and not based very directly on local socio-economic patterns, but were imported from outside, often as a response to the intrusion of a power that was perceived as alien, and as a defence against that intrusion. This process of importation inevitably distorted the nature of modernity as it had evolved in the West, because the domestic context was different and the aspects of modernity that were taken over were inevitably partial. Technology has a cultural context and the reception of technology without its enveloping culture changes its impact. Hence the repeated attempts to make ‘a forced march through history’ and to catch up with Europe never achieved their objective.” Schöpflin (2000: 60).

The story was repeated once more in the 1990s. Western models were introduced to fundamentally different social settings in a very short period of time. Burawoy, in his account of Russian transformation, claimed that tearing down the old without creating new was a ‘recipe for disaster’. (Burawoy, 2001). Hence his application of Clifford Geertz’s concept of involution: economic change (in this case rapid introduction of market) without societal transformation. (ibid.) I disagree with such poignant observations. Most reforms that were conducted in the course of post-socialist transition were indeed necessary. Additionally, the critics are usually unable to offer alternative recipes. However, they are quite right in their critique of the assumptions of ‘messianic reformers’, namely, that markets would radically contribute to development of these societies, by eliminating less efficient institutions, which were not supported by political authority. One does not need to adopt a sociological or socio-cultural approach and take cultural prerequisites of modernisation into account. For example, research in the framework of neo-institutional analysis is attempting to explain the stubborn persistence of inefficient institutions or even inefficient economies as a whole, which would, according to neo-classical approach, have to be replaced by more efficient

ones. But they are because of the pending transactions costs North (1990). The enthusiastic proponents of these reforms neglected the simple fact: “[t]hat institutional reforms alter behaviour is an hypothesis, not an axiom” (Putnam, 1993: 18).

***The heuristic model of socio-cultural factors of developmental performance***

In our own research work (Adam et al, 2001; 2002) we have attempted to devise a heuristic model for analysis of these internal factors of developmental performance. The purpose of this model is to provide comprehensive and holistic account of factors, which have to be sufficiently developed, if country is to achieve certain levels of developmental performance. The model has applicative potential as well – it can point to those specific factors that are hindering developmental performance and to the need for specific policies.

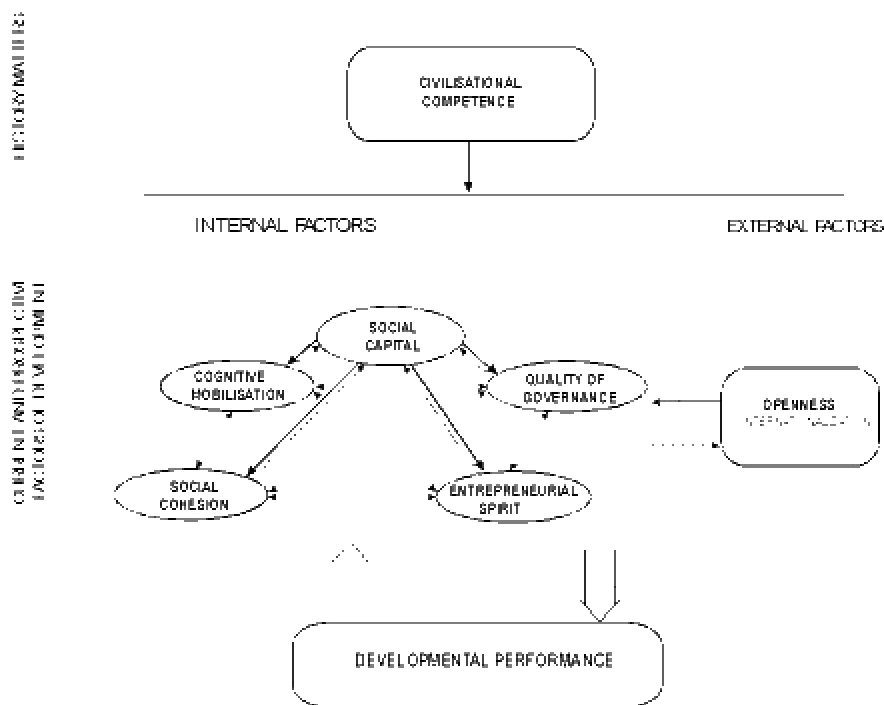
The model of socio-cultural factors of developmental performance has three distinguishable analytical levels. In the bottom part of the model we have placed the third level, the co-called developmental performance. To put it simply, this is the outcome of developmental processes. Definition and operationalisation can to some extent be subject to specific researchers’ interests, policy/political objectives etc. For example, in the case of semi-peripheral countries of East-Central Europe, the desired outcome would be to enter the European core. The outcome in which I am interested in the context of this paper has already been operationalised; it is the position of country in the international division of labour.

Developmental performance is affected by factors, which are built into first two analytical levels. On the first level, which acknowledges that ‘history matters’, we have placed the *civilisational competence*.<sup>11</sup>

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<sup>11</sup> This concept has initially been developed by Sztompka (1993) to explain differences between highly developed Western countries. We attempted to improve his formulation and it differs significantly from his account.

**Schema: The heuristic model of socio-cultural factors of developmental performance**



Source: Adam et al., 2002

Civilisational competence “is a latent structure of cognitive, normative, expressive and motivational elements which enables individuals and social communities to orient themselves in the different subsystems of modern (or modernising) societies.” (Adam et al., 2002) As such, it enables social actors to adapt more easily to new demands and social changes. The components of civilisational competence are, first, work and vocational ethic, second, the capacity and motivation for collective action

and self-organisation, third, the internalisation of formal-legal and bureaucratic discipline and, finally, basic functional knowledge.

The second and central level of our model consists of the so-called current and prospective factors of development. These factors may be divided into internal and external. The former include cognitive mobilisation, entrepreneurial spirit, quality of governance, social cohesion, and social capital. The latter is discussed as the *openness* of a given society to its international environments.<sup>12</sup> It implies both the rational usage of external resources for one's own development and the active adaptability to the environment, which is by its definition more complex than the system (a given society) itself (Heylighen 1992). Openness in our model has three components: economic, political, and cultural.

The internal current and prospective factors are in the centre of our interest, as these are the factors that are the most susceptible to various policy measures. We have developed the concept of *cognitive mobilisation* to account for the strategic importance of knowledge for the developmental performance and competitiveness. The inclusion of this factor needs no particular explanation; knowledge is widely recognised in theory and empirical research, beginning in a most systematic way in the discussions on human resources or human capital. Cognitive mobilisation, as we have defined it, is a complex, demanding and irregular process, consisting of four components: first, management of production, dissemination and application of knowledge, second, organisation of education and learning, third, support and implementation of technological and social innovations and, finally, formulation of information and telecommunication infrastructure.

If the recognition of the relevance of knowledge for the developmental performance is no longer questionable, it is even less so for the *entrepreneurial spirit*. This concept was developed to account for appropriation of new opportunities, or even the anticipation of these opportunities, and reactions to changing environment. It consists of four components: first, the creation of new enterprises, second, generation of

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<sup>12</sup> These external factors are not the same as those discussed earlier in the paper (the international trade, FDI etc.). Here we are referring to socio-cultural prerequisites of openness.

competencies and mobilisation of resources and, finally, qualities of the entrepreneurial environment (supporting institutions).

Equally important is also the regulative framework, provided by the state, in which enterprises operate. *Quality of governance* should therefore also be considered as an important developmental factor, especially by the protection of property rights through the rule of law. Additionally, we should not ignore the co-ordinative role of the state: enables consensus building and implementation through democratic processes, (contextually) intervenes, regulates, controls. This factor of development consists of four components: level of democracy, stability, effectiveness, and transparency.

*Social cohesion* has an important role in fostering developmental performance as well. It does not imply monolithic, undifferentiated society. It implies solidarity, meaningful identity and participation. It enables wide mobilisation and utilisation of human potentials and contributes to the societal potentials for consensus building, which could be quite difficult or impossible in a society, based on exclusion of some social groups and extreme social inequalities. Cohesion also tends to lead towards a more balanced development. It may provide a sense of identity, important for the individuals, collectivities and their performance. Four components of social cohesion are: social (in)equality, non-governmental organisations, identity and anomie.

The role of current and prospective internal factors depends on the organisation and synergy within a certain society. Therefore, we have assigned a special role for the concept of *social capital*. This concept has come to the fore in the last decade and is applied in various fields. We are not uncritical towards this concept and are well aware of difficulties related with its application (see Adam and Roncevic, 2002 forthcoming). However, we believe that it can be utilised productively in explanation of superior co-ordination and consensus building, decreases transaction costs, etc. And, in the framework of model of socio-cultural factors of developmental performance, it enables synergy of cognitive mobilisation, entrepreneurial spirit, quality of governance and social cohesion.

What does overview of data tell us? We cannot go into detail at the end of this paper. But the results are quite straightforward: societies that we have

defined as peripheral have poorly developed socio-cultural prerequisites for a decisive move towards more advanced core countries of the EU. Due to unfavourable historical circumstances, they lack civilisational competence. This is not a pejorative/normative statement, marking these societies as uncivilised. It simply points to the conclusion that components that were defined as constituting this factor of development are comparatively underdeveloped. These countries also lag behind both peripheral and semi-peripheral countries with respect to all current factors of developmental performance. If these countries are to become a part of European periphery, heavy investment in all of these factors is needed in the foreseeable future.

Historical legacies exert some positive influence in the case of semi-peripheral countries. Additionally, some of the aspects of current factors of developmental performance are relatively well developed as well. For example, cognitive mobilisation is already at inception phase in these countries: indicators of formal educational attainment are very well developed and information infrastructure is catching-up with that of more developed European countries. But with respect to some other indicators the conclusion is not so favourable. For example, informal education is poorly developed. Mechanisms for mediation of knowledge between producers (universities, research institutes) and users (enterprises, public administration), are also less developed or even non-existent. Likewise, quality of governance and entrepreneurial spirit has improved considerably in the past decade. However, according to majority of indicators it is still lower than in most core countries. Nevertheless, these countries made significant progress with respect to these factors of developmental performance in the past decade. As such, it is not surprising that their growth over the past years has not only been a consequence of productive capacities, but also of more efficient use of these resources (European Commission, 2001: 5, footnote 4) which is an important aspect of investment-driven phase.

According to the results of our analyses, the biggest difference between core and semi-periphery can be found in the levels of social capital, i.e. reflexive trust, co-operation and self-organisation. This impacts the ability to use the existing factors more efficiently, through the synergy of already existing factors. If the semi-peripheral countries are to become dynamic

and propulsive, and to become part of the European core, they will have to make certain improvements in cognitive mobilisation, entrepreneurial spirit, quality of governance and social cohesion. And, above all, they would have to significantly increase the critically low levels of social capital, in order to improve efficient utilisation of these investments. These assumptions, as well as the role of specific factors (necessary and sufficient conditions) are to be verified in further analyses of secondary data, by application of fuzzy-set analysis. (Ragin, 2000) However, some preliminary insight into data confirms that our assumptions could be correct.

#### **4. Conclusion**

What shall be the consequences of the current integration processes for developmental performance of countries of post-socialist Europe? It is not possible to give a conclusive or unequivocal answer to this question. However, one cannot ignore the fact that the least developed countries of the European Union are at approximately the same level of development as Slovenia, which is the most affluent candidate country. While being members of the EU, Ireland and Finland have made significant progress; especially in the case of Ireland this progress has been the one from the semi-periphery to the core.

Integration and opening are a mixed blessing for these countries. These processes can either help in creation of favourable circumstances, contribute to development, or it can lock at least some of these countries in relationship of dependency and backwardness. Which is it going to be, in my opinion does not depend so much on the European Union, as it does on these countries' internal capabilities to develop socio-cultural prerequisites of modernisation. If they can, the processes of European integration shall be a positive impulse. Semi-peripheral countries of East-Central Europe are facing an important challenges, to avoid their currently relatively unfavourable position "emerge as independent growth centre between Western Europe and the other candidate countries..." (Tsoukalis, 2000) This is possible only by mobilisation of endogenous developmental potentials – here we are referring especially on the role of socio-cultural

prerequisites of competitiveness. The European Union shall be a catalyst of these processes.

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