

**“Explaining systemic change: The political economy of  
post-communist transformations”**

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### **Abstract**

The end of the communist regimes in Europe was regarded initially as a challenge to social sciences. The transformations towards democracy and market economy on which these countries embarked after 1990 spanned the economic and the political spheres. They also involved a swift reinsertion in the world economy. Thus, the need for integrative approaches that could give an account of systemic change is obvious. However, most scholarship on post-communist transformations has maintained the traditional division of labour between different social science disciplines.

This paper explores the possibility of articulating such an integrative approach to systemic change by reviewing current theories in Economics, Politics and International Political Economy. In each of these disciplines, neo-liberal, neo-institutionalist, and reflexive theories are investigated in order to establish their potential for integration in a political economy approach of transformations that could also be useful in understanding the relationships between the domestic and the international spheres. Finally, it is suggested that while within all of these groups, theories from the different disciplines use similar analytical presuppositions and explanatory strategies, it is only the reflexive theories that say enough about the relationships between the different spheres, as relationships of relative autonomy from each other, to enable the articulation of a few working hypotheses about how these relationships might be studied. At the same time, it is recognised that in so far as the economic, political, domestic and international spheres are considered under the aspects that account for their autonomy from each other, neo-institutional approaches could also be usefully employed.

Key words: Economics, Politics, International Political Economy, Neo-liberalism, Neo-institutionalism, Reflexive theories

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Many have seen the end of the communist regimes in Europe as a challenge to social sciences. Most immediately, their failure to anticipate it led to questions about the credibility of, at least, communist studies. Second, the simultaneity of economic, social, and political changes that followed invited a return to integrative, political economy, approaches to systemic change.

However obvious such considerations, the end of the Cold War has not led to profound reassessments of the separation between economics and politics: most scholarly analyses of post-communist transformations in Eastern Europe tend to deal with economic and political phenomena separately. For instance, the literature on democratisation (Crăiuțu 1996; Linz and Stepan 1996) and nationalism and political culture (Verdery 1991; 1996; Gallagher 1995; Tismăneanu 1998) ignores economic factors. Similarly, studies of the economy (OECD 1993; 1998; Șerbănescu 1994; Vosganian 1994a; IMF 1996; 1997; 2000; 2001; Dăianu 1996b; EBRD 1999; 2000) lack an understanding of the politics of economic reform. On occasion, indicators of political change are used as independent variables for the explanation of economic success or failure (Hellman 1996; Fish 1998; Hellman, Jones and Kaufmann 2000), but statistical processing of data rather than theoretical explanations seem to provide the connections between these sets of phenomena.

This paper investigates the literatures on economic and political post-communist transformations in Eastern Europe in order to establish to what extent they might be useful in articulating an approach to systemic transformations that could potentially overcome this separation of the political and the economic, both within the domestic and the international spheres. In order to do this, the paper looks at theories in Economics, Politics and International Political Economy (IPE) and asks to what extent, if rigorously combined, they might lead to the formulation of some working presuppositions about the relationship between these spheres, economic and political, domestic and international.

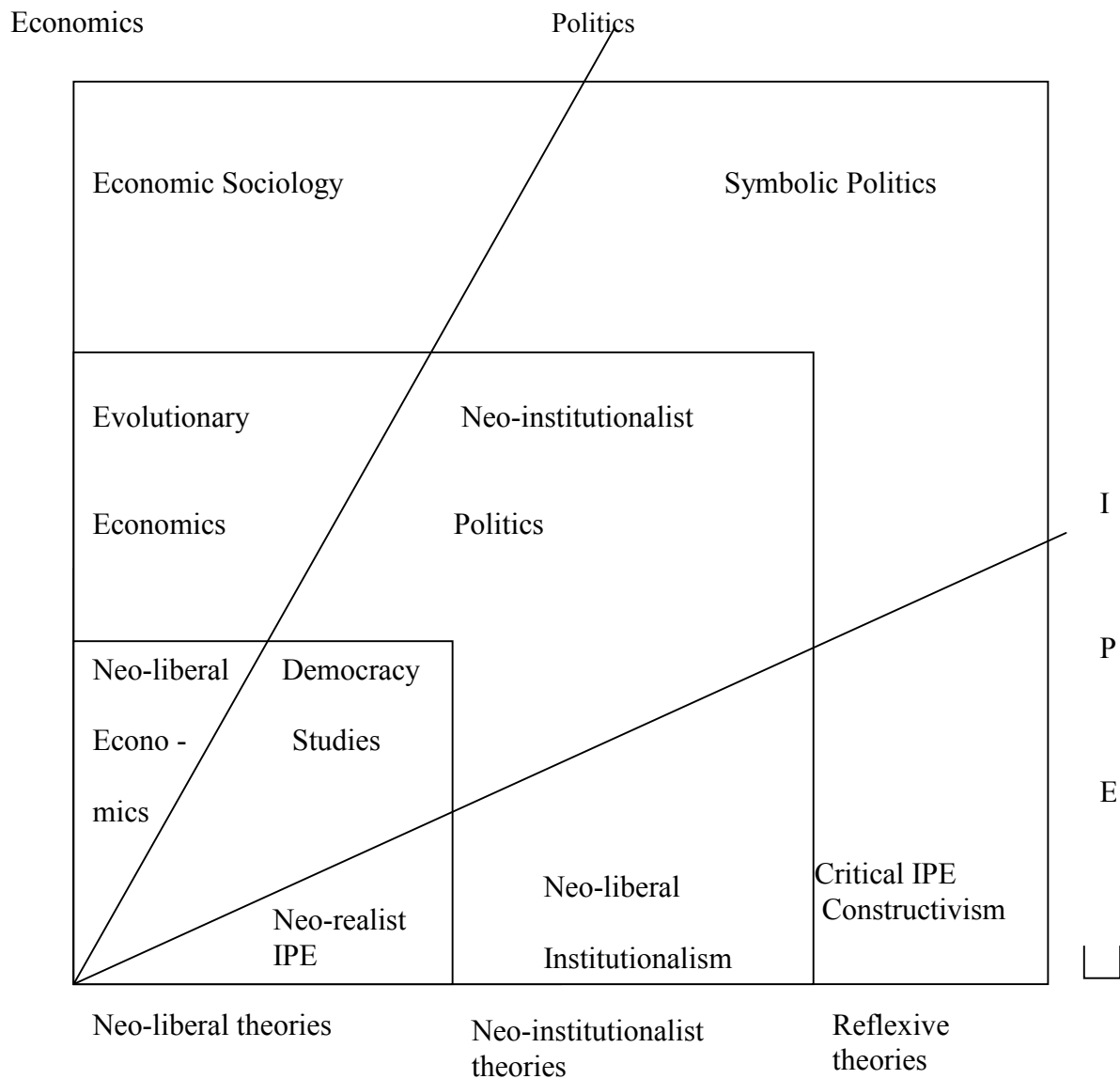
The starting point of this paper is that in each of the three disciplines, Economics, Politics and International Political Economy (IPE) there could be found three broad groups of theories: neo-liberal, neo-institutionalist and reflexive (see Figure 1 below). This is certainly the case in the literatures about post-communist transformations, and it is possible that, upon further enquiry, this organisation might be extended to the whole of their respective fields.

Theories in the different groups, across the different disciplines, are deemed to have in common certain analytical presuppositions.

The assumptions of the neo-liberal theories are the most parsimonious. The actions of rational, self-seeking individuals are deemed to generate spontaneously a co-ordinating mechanism – such as the market, democratic pluralism or the balance of power – provided that certain rules and rights are in place. Neo-institutionalist theories use this general framework as well, but they go further by looking at how institutions intervene to bridge the individual and macro-social levels of analysis and to introduce dynamics of their own. Reflexive approaches recognise the previous theories as valid instruments for understanding some aspects of social action, and as theories that, in having become established, respond to and are used as legitimate instruments for furthering particular interests. In addition, reflexive theories deal directly with the traditional dichotomies of science, the dyads of agency and structure, material and ideal, objective and subjective. Reflexive theories seek not to privilege one term over the other, but to explain how they are at work concomitantly. The embeddedness of individual and institutional phenomena in social, cultural and historical contexts is a core concern. Competing accounts of social reality, including scholarly texts, are seen as instruments for political action.

The economic, political and IPE theories share the complexity criterion of their group with some variation. For instance, democracy studies are predominantly neo-liberal, but they also include some concerns with institutions. However, this author considers that democracy studies share the neo-liberal assumption that a certain ‘automatic’ mechanism – democratic pluralism – alone ensures desirable results. This justifies the discussion of democracy studies under the heading of neo-liberal theories. Similarly, at the other end of the spectrum, economic sociology tends to be embraced by social scientists that may or may not have a straight economics background. To an extent, economic sociology strays outside the domain of contemporary economics.

Figure 1 An overview of theories



If a persuasive case could be made that the theories within a certain group, irrespective of the discipline to which they belong, do share the analytical presuppositions and strategies of their group, this is at least a prima facie argument for the possibility of their integration in a consistent (international) political economy approach. To assess to what extent the theories within one group are amenable to this synthesis, in other words to what extent they actually say enough about a possible relationship between the political and the economic, the domestic and the international, to provide a point of departure for such a synthesis, is then the second step in their evaluation.

Thus, this paper shows to what extent neo-liberal, neo-institutionalist and reflexive theories could contribute to the formulation of some working hypotheses about the relationship between the economy and politics, and the domestic and international spheres, that might, in turn, shape the study of post-communist, systemic, transformations.

## **1. Neo-liberal theories**

The end of communism in Central and Eastern Europe (CEE) was seen in the early 1990s as a victory for liberalism (Fukuyama 1992), and liberal theories played a crucial role in shaping the understanding of developments in these countries as transitions to democracy and market economy. This section reviews neo-classical economics, democracy studies and neo-realism as variants of neo-liberalism, and it evaluates their potential for integration in a political economy approach that spans the domestic and international spheres. Neo-liberal theories have in common a conception of actors as autonomous, rational and self-interested. The aggregate effect of actions by such actors, in conditions of nearly perfect information and competition, is efficient markets and democracies, presumably those approximated by Western Europe.

### Neo-classical economics

Neo-classical economics inspired the ‘shock therapy’ strategy of reform, tried in a number of CEE countries, especially Poland, Russia, Estonia and, from 1997, Romania. Believing that actors adapt rationally to the incentives of their economic environment, neo-classical economists advocated the swift change of these environmental conditions, through the introduction of macro-stabilisation, liberalisation of trade and prices, convertibility of the currency, and privatisation (Blanchard et al. 1991; Blanchard et al. 1993). The expectation was that enterprises would adjust to competition, spontaneous entrepreneurial initiatives would spring up to take advantage of new opportunities, and markets would form. The hold of the bureaucracy on the economy would be removed at one stroke, and, it was hoped, these measures would become irreversible before those fearful of their consequences could organise an effective opposition (Sachs 1993, 44-66). Temporary side effects such as unemployment, deterioration of real incomes, and economic recession - although undesirable – would be the lesser evil compared to the shortages of the previous era and the threat of inflation (Sachs 1993, 67-72).

In principle, freeing up the planned economy should eliminate its distortions and lead to increased production. Early projections of growth in the region were optimistic (Kolodko 1993). However, all countries in transition traversed a prolonged period of recession and even depression, which was counterintuitive from the point of view of this theory. Later studies recognised that the economic decline was due to the lack of effective markets, which did not materialise as expected. Also, high unemployment did not attenuate when growth resumed (Blanchard 1997, 25-54). These and other puzzling effects led Blanchard (1997, 26) to admit that 'we are some way from understanding the effects of macroeconomic policies in the context of transition economies'.

Such admissions can be found occasionally in academic texts, but doubts disappear when the theory is taken as the basis for action, when it becomes an ideology. Because they require swift and comprehensive changes, shock therapy programmes can be associated with illiberal and anti-democratic strategies of implementation (Przeworski 1993). Some went as far as to advocate that the answer to economic problems is to give free reign to committed reformers, technocrats who combine political skill with insight in economic matters and creativity in designing the appropriate institutions for the situations at hand (Sachs 1993; Williamson 1994).

### Democracy studies

In the political field, liberal theories dominated the debates over democratisation in Eastern Europe at the beginning of the 1990s (Di Palma 1990; 1991; Linz and Stepan 1996).<sup>1</sup> Democracy studies share with neo-classical economics core assumptions about individuals as rational, self-seeking agents, endowed with certain freedoms, including the freedom to associate and mobilise politically for the promotion of their interests. It is also implied that just as the market arbitrates economic competition, the state is a neutral arbiter of political interests (Dahl 1996). Under conditions of democratic pluralism, then, democracy is 'a competitive political market' whose minimal framework consists of 'rules to keep the market competitive' (Di Palma 1990, 41-2).

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<sup>1</sup> This was a continuation of studies of transitions from authoritarian rule in Latin America and Southeast Europe (O'Donnell, Schmitter and Whitehead 1986). There was some discussion about the appropriateness of comparing democratisation in these two regions with post-communist CEE. See Bunce (1995) for a review of the debate.

Liberals also define democracy as a matter of behaviour and attitude for politicians and the public. A political regime is democratic when all political actors engage according to certain rules - free electoral competition between a diversity of political parties - without looking to change these rules, and when the majority of the public believes that democracy is the desirable political regime. The agreement between the main political parties on the rules of the game is expressed in an explicit or implicit pact (Stepan 1986, 79). Democracy becomes established when all actors accept that conflict is resolved through legal procedures and institutions (Linz and Stepan 1996, 6). Consolidated democracies are characterised by a relatively high level of development of the civil, political and economic society, the rule of law, and the state apparatus (Linz and Stepan 1996, 7-15).<sup>2</sup>

Given that democracy studies focus on assessing whether a country has achieved democracy, their utility, after countries reach this point, is in question. More than a decade since the fall of communism, most CEE countries meet the criteria for liberal democratisation and democratic consolidation. This is attested, for instance, by the evaluations of the European Commission in regards to the 10 CEE countries which are negotiating accession to the European Union (EC 2000).<sup>3</sup> Concerns remain about the depth of the process, as well as the ability of the civil society to hold the government to account and withstand nationalistic pressures. However, the insights offered by democracy studies remain useful for the understanding of the transition to democratic regimes in CEE and the difficulties of the first few years.

### Neo-realist International Political Economy

It is difficult to find within the IPE literature a school that mirrors exactly the neo-liberal assumptions about behaviour and motivation. However, a partial overlap can be identified in the neo-realist tradition. Waltz (1979; 1995) took neo-liberal economics as an example of how theory can be built by judicious choice of parsimonious assumptions. Waltz also made explicit parallels between microeconomic theory and his *theory of international politics*. Thus, 'international political systems, like economic markets, are formed by the co-action of the self-regarding units,' i.e. states, and they are 'individualist in origin, spontaneously

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<sup>2</sup> The assumption that the democratic model can ever be achieved fully was evaluated by O'Donnell (1996a, 1996b), and Gunther, Dimandouros and Puhle (1996).



generated, and unintended' (Waltz 1979, 91). Anarchy, the lack of an overarching system-wide authority, predisposes states to seek power and security by engaging in competitive and conflictual behaviour. This environment sanctions any maladjustment between purpose and abilities. Consequently, international institutions play only a marginal role in facilitating co-operation (Grieco 1995, 153).

In order to demonstrate that international politics is a distinct field of enquiry, Waltz (1979, 39-40) argued that knowing the characteristics, purposes or interactions of the units that comprise this system is not sufficient for explaining outcomes and events at the system-level. And because the units of the international system are considered functionally identical, the nexus between the domestic and the international is largely outside the focus of this theory, although a broad gesture towards the recognition of a need to explore this link has been made (Baldwin 1993, 23-4).<sup>4</sup>

Significantly, the most important realist contribution to IPE could not follow this framework rigidly. It is, instead, rather eclectic (Gilpin 1987). Gilpin's *International Political Economy* (1987, 19-30) accepts the market as the means for resource allocation and the motor of growth, but it also recognises the limitations of liberal economics, its asocial character. Moreover, historically the expansion of markets was underwritten by states. In the post-war era, it was the assumption by USA of the role of hegemonic power that led both to political stability and economic growth. The structural tensions of the international political economy are generated by the uneven development of different countries and sectors across time, and they could be amplified by the decline of the hegemon (Gilpin 1987, 65-117).

#### The neo-liberal political economy: An assessment

A synthesis between neo-liberal Economics, Politics and IPE would begin by recognising their homology. In Economics and Politics the homology is nearly perfect: individual economic and political freedoms are affirmed and the same rules of the game - competition, property rights, equality of opportunity – prevail. In IPE, the basic units, the states, are

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<sup>3</sup> These countries are Bulgaria, The Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia.

<sup>4</sup> This is not to deny that traditional realists, such as Carr (1940), Morgenthau (1985) and List (1991), were more interested in domestic politics than their neo-realist successors.

functionally identical, a spontaneous structure emerges, but there is more acknowledgement of the hierarchical nature of this structure, power and inequality.

However, beyond this observation about the homologous structure of their assumptions and arguments, it would be difficult to use neo-liberal theories to derive statements about the relationships between the economic and political spheres, the domestic and the international. Some liberals have argued that individual economic and political freedoms enhance each other and that there is a necessary relationship between capitalism and democracy (Hayek 1944; Friedman 1962). Although the affinity between capitalism and democracy cannot be denied, many examples exist of authoritarian regimes that have successful capitalist economies; Franco's Spain and contemporary Singapore are only the most obvious. This fact points to the inability of liberal theories to base the connection between capitalism and democracy in a conception of the relationship between the political and economy spheres.

This difficulty in explaining the link between the economy and politics is connected to the contradictory position on power at the core of liberalism. Liberal capitalism in Western Europe was promoted on ethical grounds. The claim that liberalism reflected needs and rights fundamental to human nature was crucial to this project; Smith's (1997, 117) phrase, that there is a 'certain propensity in human nature' 'to truck, barter and exchange one thing for another' is a famous example. This strategy obscured the fact that liberal capitalism was aided and abetted by state political intervention and that it satisfied certain interest groups at the expense of others (Polanyi 1957).

More generally, the strong normative emphasis in liberal thought leads to the possibility of confusing the desirability of a society characterised by equality of opportunity and universal rights with the analysis of existing societies. The liberal model of the ideal economy and polity can thus serve to reinforce the privileges of the few for whom liberal rights are already a reality and to maintain the exclusion of the dispossessed (Mouffe 1993; Bauman 1995).

The separation between the economic and the political spheres is consistent with this thrust within liberal theories towards the normative and the apolitical. The reality of this separation is revealed by the fact that proponents of economic liberal programmes turn to voluntarism – an anti-democratic and supposedly illiberal procedure. Their liberalism does not constrain

them and at the same time it seems not to give them any other acceptable alternative for meeting their objectives.

For the purposes of this argument, neo-liberal political economy does not offer a sufficiently credible set of assumptions about the relationship between the economy and politics, the domestic and the international spheres. It emphasises the desired end result of post-communist transformations but it lacks an understanding of their historical starting point and the ways of bridging the two. At the same time, understanding the liberal arguments is important in order to appreciate the point of view of some of the actors involved in the post-communist transformations in CEE: the IFIs, the IMF and the World Bank in particular. The integration in the analysis of actors and their respective world-views and structural positions will be discussed at greater length in section 3.

## **2. Neo-institutionalist theories**

The main difference between neo-institutionalist and neo-liberal theories is the modification of the initial assumptions about human behaviour and individual or state motivation. Aggregate social outcomes do not arise spontaneously from interaction between rational and perfectly informed individuals in pursuit of self-interest. Neo-institutionalists believe that actors operate in an environment already structured by institutions. These facilitate collective action, reduce the costs of enforcing rules, create order, facilitate exchanges and the management of conflicts.

### Evolutionary economics

As evolutionary economists pointed out, in spite of its relative dominance as a guide to policy in the 1980s and 1990s, neo-classical economics has a limited role in explaining economic outcomes. It is restricted to the analysis of a few markets where conditions are close to those used by the model (North 1990; Coase 1993). Neo-liberal economics cannot explain, for instance, the performance of the planned and post-communist economies (Murrell 1991; Olson 1992).

To overcome this limitation, North (1990) argued that the basic assumptions of neo-classical economics have to be modified. Participants in economic and political transactions do not

have full information, and the costs of assessing for themselves the value of all the dimensions of what is exchanged would be beyond their means. Thus, rules of the game, institutions, such as secure property rights, legislation, the independence of the judiciary and others, are needed to structure, enforce and reduce the uncertainty of agreements (North 1990, 17-35). Institutions are the main variables that explain why certain countries are rich while others remain poor (Olson 1996).

Institutions create stability within firms and economies, but economic success also depends on innovation. This dynamism is given by organisations that negotiate their interests within the accepted rules of the game (North 1990). The population of organisations as a whole is also continuously tested within capitalism by what are still seen as automatic mechanisms (Murrell 1992). These are the market allocation of resources from inefficient to efficient organisations, the removal of inefficient organisations through bankruptcy, take-overs and mergers, and the entry into the market of new organisations (Murrell 1992, 39).

Evolutionary economics produced an alternative strategy for reform in post-communist CEE: gradualism. In gradualism, the creation of institutional conditions for market activity takes precedence over liberalisation and privatisation (Olson 1992, 65). The new private sector, rather than privatisation, is seen as the motor for growth (Clague 1992). Direct state control over certain enterprises should be maintained in order to enforce hard budget constraints and to restructure (Carlin and Mayer 1994); the swift change in the economic environment proposed by neo-liberals might not determine enterprises to change their attitudes and behaviour (Murrell 1992: 46-7). Institutional change takes time, and it involves a great deal of experimentation and uncertainty. Additionally, the functioning of formal institutions is underpinned by informal institutions embedded in broader social norms (North 1990, 37-46). Without informal pro-market institutions, the legal framework for reform, however well designed, would be too costly to operate (Rapaczynski 1996, 88; Berg 1994, 167). Against a background of unsettling and uncertain change, old institutions might still perform a useful temporary function in maintaining a semblance of macroeconomic stability (Murrell 1992: 49-51).

### Neo-institutionalist politics

Evolutionary economics has a counterpart in the neo-institutionalist study of politics. Within this research agenda, the definition of democracy is broadly that of democracy studies, but the focus of research is on how democratic values become institutions, i.e. rules of the game with a certain organisational embodiment and power to structure political actions and events.

According to neo-institutionalists, the main characteristic of post-communist political transformations in Eastern Europe is the simultaneity of changes in stateness, in the new constitutional order and political regime, and the fluctuations of day-to-day politics (Offe 1991; 1996; Elster, Offe and Preuss 1998). Neo-institutionalist studies of politics also sought to discern the causal connections between institutional design, a certain distribution of power or assets between relevant actors and the success or failure of democratisation and economic reform (Elster 1996; Hellman 1996).

The fall of the communist regimes was attributed to contingent factors. It did not involve the military, foreign intervention or a revolutionary group. Lacking these sources of legitimation, the emerging political actors in the post-communist countries were structurally weak (Elster, Offe and Preuss 1998). This weakness on the agency side interacted with a complex agenda for change to create a situation of diffuse power and little central authority (Elster, Offe and Preuss 1998, 17-21).

In spite of unpromising odds, the study of political events in post-communist countries in the 1990s revealed that a degree of leadership was provided, political parties and party systems emerged, constitutions were adopted, and radical economic reform took place. This incongruity between what could be expected according to theory and the reality on the ground was an argument for a stronger inductive element in the neo-institutionalist research strategy (Elster, Offe and Preuss 1998), while neo-institutionalist theory proposed the development of institutions as the benchmark for assessing post-communist transformations.

Similar to the position of democracy studies, the new political regimes are considered consolidated when the rules of the game are no longer renegotiated, and rules begin to be taken for granted. In addition, neo-institutionalists explain that consolidation is achieved

when agents are able to abide by rules created at higher levels of authority and have internalised the rules by practising self-supervision.

Consolidation of the new regime is also reflected in the differentiation between the institutional spheres. In the broadest terms, this could mean the separation between economy and politics. In any case, when institutions have become differentiated, there is limited convertibility of resources and status from one to the other (Elster, Offe and Preuss 1998, 29-31). The expectation remained that weak political actors would tend to employ strategies of direct control, rather than delegation, sharing, and self-binding. This inability to empower institutions and create autonomous spheres for their activities would have as an associated symptom a 'pathology' of 'decree-ism' and constant tinkering with regulations (Elster, Offe and Preuss 1998, 31-4).

### Neo-institutionalism in IPE

Neo-institutionalism in IPE recognises some of the descriptions of international relations proposed by neo-realists, and it shares their rational choice methodology (Botcheva and Martin 2001). In addition, it takes the view that institutions, values and ideas should be taken seriously as counterbalance to the realist power politics of domination and inequality (Keohane 1986). As such, neo-institutionalist IPE subsumes realism (Keohane 1989, 15-6).

Keohane's definition of institutions is similar to that of North. Thus, institutions are "persistent and connected sets of rules (formal and informal) that prescribe behavioural roles, constrain activity, and shape expectations" (Keohane 1989, 3). Keohane does not make however a clear distinction between institutions and organisations. Carriers and enforcers of rules, such as formal intergovernmental or cross-national non-governmental organisations, are listed as institutions, together with more diffuse forms of institutionalisation (international regimes and conventions, i.e. spontaneous orders that operate mainly informally) (Keohane 1989, 3-4).<sup>5</sup> Ideas are also important factors in explaining policy outcomes. They 'influence policy when the principled or causal beliefs they embody provide

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<sup>5</sup> The analysis of one of these types of institutions, regimes, has a literature of its own that includes both advocates (Krasner 1982a; 1982b; Young 1992; 1999) and critics (Strange 1982; 1987; Grunberg 1990; Underhill 2000). More recently, neo-institutionalist IPE has specified criteria for the assessment of the legalisation, the 'hardness' and 'softness' of institutions (Abbott et al. 2000; Goldstein and Martin 2000). Halpern (1993) studied the role of ideas and institutions in spreading a certain model of political economy to the countries of the former Soviet block.

road maps that increase actors' clarity about goals and ends-means relationships, when they affect outcomes of strategic situations in which there is no unique equilibrium and when they become embedded in political institutions' (Goldstein and Keohane 1993, 3).

Analytically, the study of institutions and ideas does not require a separation between the domestic and international spheres: policy can be seen as 'the result of calculated choices made by political and economic actors' (Goldstein and Martin 2000: 603) irrespective of this divide. Consequently, neo-institutionalist IPE developed a number of ways of thinking about the relationship between the domestic and international spheres. For instance, Moravcsik (1998) saw states as rational actors who seek to use the opportunities of international co-operation for the economic benefit of their domestic constituencies.

Frieden and Rogowski (1996) suggested that changes in relative world prices impact on the value of the assets of domestic groups. This leads domestic groups to reassess their policy preferences and to mobilise politically for changes in policy. In addition, Garrett and Lange (1996, 49) argued that domestic political institutions mediate the relationship between changes in preferences and domestic policy outcomes. Assuming that governments aim to retain power, to maintain the distributional advantages of their supporters and to expand the wealth of the nation, there are two types of intervening, institutional, variables that mediate the causal link between changes in world prices and domestic policy outcomes (Garrett and Lange 1996: 50-56). These are the organisation of socio-economic interests, i.e. labour market institutions, and formal political institutions, including regime type and the players' veto power.

Governments have to do a complex balancing act. Continuing to support the distributional interests of their core constituencies might come at the cost of worsening macroeconomic performance. In this case, in order to improve macroeconomic results, institutional change would be necessary. But such change is likely to occur only if the costs in terms of loss of support accepted, if the conjuncture is right, and if the governments have a reasonable amount of time before they face the voters again (Garrett and Lange 1996: 54). Strong institutionalisation of certain industrial interests and the depth of reform required in the post-communist countries are expected to accentuate these difficulties (Evangelista 1996).

### Neo-institutionalist political economy: An assessment

It has become apparent that the relationship between the neo-institutionalist theories in Economics, Politics and IPE is one of homology. Their units of analysis and the main causal mechanisms are the same. It is also possible to discern the potential for a substantial integration of statements about the economy and politics, the domestic and international spheres. Economic, market institutions depend on political arrangements, such as a strong judiciary. Also, self-confident exercise of political authority is necessary for the delegation of power and autonomy to economic institutions, while the state remains a sort of authority of last resort and guarantor of these institutions. The division between the domestic and the international spheres is more muted: institutions from both realms interact and shape outcomes.

However, neo-institutionalist theories stop short of explaining how the relationship between the economic and political spheres might be conceived. Their main strength is that they provide a useful way of understanding economic and political phenomena in their autonomy from each other, in so far as the institutions specific to the economic and political spheres have become resilient and self-contained. In other words, the institutions that comprise one sphere cannot be easily overturned by intervention from the other: politicians do not control the economy directly, and economic interests have to use existing political institutions to promote their agendas.

CEE countries at the end of the communist regime were still characterised by a high degree of fusion between the political and economic spheres (Comisso 1986), and their differentiation has been a major element in post-communist transformations (Batt 1994). In this context, neo-institutionalist theories explain that differentiation means ensuring the autonomy of the institutions specific to the two spheres and offer tools for assessing this differentiation. As will be explained later, these neo-institutionalist insights could be put in the larger context provided by reflexive theories and the working hypotheses derived from them about the relationship between the economic and political forms of power.



### **3. Reflexive theories**

The reflexive theories presented in this section recognise the role of institutions in explaining economic and political phenomena. In addition, they attempt to elucidate the processes and mechanisms through which institutions are or become embedded in social life. As shown above, all social theories make assumptions about how individuals operate, what determines behaviour, etc. Neo-liberals are interested only in the rational component of decision-making and behaviour. Neo-institutionalists take the position that some problems cannot be resolved by ratiocination alone but are satisfied by rules of the game or institutions. Reflexive theories also need a conception of the person that includes emotions as well as reason and participation in accepted social norms. Reflexive theories can also be used for deriving some hypotheses about the relationship between the economic and political spheres.

#### Economic sociology

Contributors to this literature engage with the views on economic life and capitalism espoused by neo-liberals and neo-institutionalists. Many of the themes are the same: the nature of economic exchanges and comparative economic systems. However, economic sociologists criticise the reification of the market by neo-liberals and the inadequate neo-institutionalist explanations of how economic institutions become embedded and change.

Polanyi (1992) made two important observations that put in perspective the role and importance of the market as the prime economic institution. First, he noted that market exchange is only one historical form of economic integration. Other examples are reciprocity, mutuality, and, it could be argued, the plan. Second, each of these mechanisms for economic integration is underpinned by specific social structures. Thus, reciprocity is the exchange of goods and favours between symmetrically arranged actors; redistribution takes place when a centre can command contributions from subordinated groups to be used for common projects.

In the case of the market, its relationship with the society in which it operates is tense and contradictory (Polanyi 1957). For Polanyi (1957), capitalism was characterised by a tension, a double movement between the reduction of nature, people and money to mere factors of

production and the reassertion of broader societal values. Capitalism could not exist if markets did not transform people in labour, nature in land, and money and wealth in capital. But the continued existence of capitalism also depends on the resistance of society to the shaping force of the market. Without this resistance, the market could destroy its own sustenance.<sup>6</sup>

From this perspective, it can be argued that the plan was a mode of economic integration that went beyond redistribution: it was based on a pattern of social relations in which the autonomy of the economic sphere was severely reduced through its subordination to political ideology (Kornai 1992). The plan also intensified the tension between the economic and political priorities it served and society. It required that people became not only labour subordinated to the state planned economy, but also believers in the communist ideology, irrespective of their own inclinations.

Although societies tend to have a dominant economic mechanism of co-ordination, other mechanisms can also be present. For instance, modern market economies sustain a sizeable redistributive mechanism as illustrated by the Western European welfare states. Mutuality also survives within kinship and friendship networks (Barber 1995, 396-400). Similarly, in planned economies limited markets existed at the margin of the planned economy (Olson 1996).

More recently, Granovetter (1985; 1992) put the concept of embeddedness at the core of economic sociology. According to him, embeddedness occupies the middle ground between the under-socialised conceptions of human action of the economists and the over-socialised conceptions of the sociologists. Neo-liberal economists assume that markets are automatic mechanisms that integrate dispersed economic agents and activities, while evolutionary economics takes for granted the effectiveness of institutions. Sociologists on the other hand tend to close prematurely the space for autonomous action by presuming nearly complete conditioning of actors (Granovetter 1985, 483-487). In contrast, the notion of embeddedness suggests that economic decisions and behaviour occur within concrete networks of relations. Economic decisions are rarely based only on price considerations or generalised assumptions

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<sup>6</sup> Schumpeter (1943) also believed that capitalism relies on the bedrock of social relations inherited from a previous era and that it has a tendency to erode these relations.

about the honesty and morality of others. Information accrued within existing relationships is considered the most reliable guide to action (Granovetter 1985, 487-493).<sup>7</sup>

The works of Stark (1990; 1992), and Stark and Bruszt (1998) on post-communist transformations in CEE are consistent with the economic sociology approach. Stark and Bruszt (1998) provided evidence for the capacity of economic actors in CEE to recombine institutional elements from the past in order to survive and adapt to the uncertainties of post-communist transformations. They showed that networks of firms, rather than individual firms, are the suitable units of analysis for assessing economic policy. The pre-existing relationships and dependencies between firms contain crucial resources – in terms of information, trust, and patterns of economic advantage – that could be put to use in designing restructuring strategies (Stark and Bruszt 1998, 109-36). In their view, when the CEE governments designed policies that allowed economic actors to use these resources, the economy performed relatively well. When the strategies were aggressively neo-liberal and hostile to these networks, economic crisis was usually the consequence (Stark and Bruszt 1998, 166-187).

Clearly, post-communist economies have embarked on a process of change in which the mechanism of economic integration itself is changing and economic sociology offers some tools for understanding this important dimension of systemic change. Also, economic sociologists warn that given the embeddedness of economic activities and actors in specific networks, it should be expected that change will be complicated and protracted. Although economic sociologists do not theorise the issue in this way explicitly, the tension they explore can be rendered in the terminology of agency and structure. The economy-wide, persistent mechanism of economic integration can be seen as a structure: it is the compelling relationship between the elements of the economic system. By casting the issue in this way, it is possible to appreciate the homology between the different reflexive theories as will be shown below.

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<sup>7</sup> See also the volume edited by Granovetter and Swedberg (1992).

### Symbols and interests in politics

As seen above, democracy was defined in neo-liberal theories as a political system based on pluralism, competition between parties and regular and fair elections. In addition, institutionalist approaches look at the arrangements in which these principles become expressed. However, neo-institutionalist approaches lack a conceptual apparatus for dealing with some aspects of political power and its links with other forms of power, and this is one of the major concerns for reflexive theories. In addition, symbolic power and the power derived from strong identification with certain ideals, which are of crucial importance for the study of politics in transformation, will be addressed here by using the work of Weber (1994) and Edelman (1964).

Writing in 1919, Max Weber (1994: 21) thought that an effective claim to govern must be backed by economic power as well as political maturity:

Throughout history it has been the *attainment of economic power* which has led any given class to believe it is *a candidate for political leadership*. It is dangerous, and in the long-term incompatible with the interests of the nation, for an economically declining class to exercise political rule (Herrschaft). But it is more dangerous still when classes which are moving towards economic power, and therefore expect to take over political rule, do not yet have the political maturity to assume the direction of the state.

According to Weber, the economy and politics are in a relationship of relative autonomy. Their inter-dependence is expressed in the fact that groups and classes can use power accrued in one sphere to gain or maintain power in the other. Economic power is considered the prerequisite for a bid to obtain political power. Declining economic classes might resist relinquishing their dominant political position and use this position to slow down their economic decline. Weber also implies here that a state of equilibrium exists when the dominant economic class also steers state policy, which assumes that there should be an agreement between the values and principles of the economic sphere and those of political rule. The co-existence between liberal capitalism and liberal democracy could be an example of harmonious alignment between the political and economy spheres.

But while the economic and political spheres are interdependent, they also have a degree of independence from each other. The skill of wielding power is an autonomous political

factor. This skill is trained through participation in political institutions that encourage and reward leadership and the assumption of responsibility (Weber 1994, 145-271). Equally, the rise of a new economic class can happen alongside the influence over the economy of the incumbent political class.

In the case of the post-communist transformations, the relationship between the economy and politics has been changing while each of these spheres has shifted towards different values and principles of organisation. From the fusion of the economy and politics based on the plan and the leading role of the communist party, the change is towards a more autonomous political sphere based on democratic pluralism and a relatively autonomous economic sphere based on the market.

Thus, Weber's hypotheses about the relative autonomy of the economic and the political spheres can serve as a useful heuristic device, a background against which the particularities of the communist and post-communist regimes can be brought out and understood more fully. The centrally planned economies subordinated to the party-state represented a historical case that tested to the limit the hypothesis that political power and economic power are interdependent. The end of that experiment, a reassertion of the autonomy between these two spheres, was not simply the result of a new economic class asserting its own political claims.<sup>8</sup>

For these reasons, the economic and political causes for the fall of the communist regimes have been placed in areas where the autonomy of the two spheres, although severely restricted, was still preserved. For instance, because the communist regimes were part of a wider capitalist system of economic activity and exchange, its performance was, in spite of the numerous strategies taken by the regimes to prevent this, subject to outside criteria of evaluation. Thus, a certain level of economic decline in the communist countries in the

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<sup>8</sup> This point seems to stand at least in so far as the domestic polities are regarded as relatively autonomous of international influence. But of course, the argument has been made that the insertion of the communist states in the capitalist world economy put pressure on the communist regimes and ultimately their end was also the victory of the capitalism. This observation is important because it takes into account the international dimension of change. At the same time, it was domestic groups who carried out the regime change and even though the demonstration effect of capitalist economic success, by comparison to the economic performance of the communist regimes was clear, it would be quite difficult to ascertain the direct involvement of a transnational capitalist class in the end of these regimes.

1980s could be ascertained (Kornai 1992, 168-196) and this might have created an opportunity for political change.

Thom (1996), and Elster, Preuss and Offe (1998) found that the causes for the fall of communism were non-systemic and contingent. Other explanations also emphasise changes in general conditions – such as the spread of the perception that the Western economic and political models (Verdery 1996, 19-38) or corruption of the integrity of the Communist party from within (Jowitt 1998, 87-91) - rather than strong agency as the determining factor for change. Thus, it remains puzzling why in agreeing to the changes in the economic and political system, groups that evidently had something to lose, such as the non-skilled labour, actually supported it, while others, who were not capitalists took it upon themselves to implement market reform (Bauman 1994).

Furthermore, to understand how agents socialised in the communist order could beget a new one, it is useful to note a Weberian insight as to why and how classes or some other form of group solidarity are necessary for exercising authority in the name of a society or state. Thus, groups provide not only a definition of material (economic) interests, but also, a whole worldview, solidarity and a sense of common purpose (Weber 1976; Eyal and Townsley 1995, 727-8). This is necessary because consequential (political) decisions cannot be resolved by simple ratiocination, they are backed by the ‘institutional thinking’ already in place (Douglas 1987, 4).

The case of post-communist transformations seems to indicate that agents have some choice about how they use these ideational elements; and alternative loyalties and solidarity can be built around such uses. Eyal, Szélenyi and Townsley (1998) observed that certain groups extracted elements of the communist ideology from their political context at the time and recast them as a new source of identity and motivation.<sup>9</sup> Some technocrats, managers, and dissident intelligentsia adopted in their spirit the values of rationality, bureaucratic co-ordination, democracy and electoral participation present in the language of the communist regime and opposed their distorted practical application. This attitude prepared such groups for the role of promoting a capitalist project based on the neo-liberal economic ideology and

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<sup>9</sup> Their work built on earlier elite surveys (Szélenyi and Szélenyi 1995; Borocz and Rona-Tas 1995; Fodor, Wnuk-Lipinski, and Yershova 1995).

the ideal of civil society (Eyal, Szélenyi, Townsley 1998, 86-112). And indeed, the fact that the agents of change do not own the vast bulk of the national wealth is not inconsistent with the current advanced stage of capitalism, where economic power is divided between owners and managers (Chandler 1992).

Thus, in CEE, political and managerial classes created conditions for capitalist development for largely normative reasons. This analysis confirms Weber's ideas about the relative autonomy of the political sphere, where ideas and identities respond but are not reduced to the promotion of material interests. However, the lack of economic power of the new political elites in CEE is plain for all to see and it exposes the tension at the core of politics. All politicians live 'off' politics, as well as living 'for' politics. Substantive commitment to certain values is the primary motivation for participating in politics, but the rewards for political activity also take material economic form (Weber 1994, 320-1). The implications for the post-communist politicians of CEE are complex. On the one hand, as Bourdieu observed (1991, 183), the autonomy of the political field means that politicians can live *off* politics only because they live *for* it. For this reason, post-communist politicians cannot afford to compromise the integrity and credibility of their position by appearing to serve exclusively for material benefit.

However, the fact that relatively poor pro-capitalists are in a position to oversee the vast redistribution of state property lends some credence to the hypothesis of 'political capitalism' (Hankiss 1990; Staniszkis 1991; Brucan 1996; 1998). In these circumstances, it is possible that at least some members of the political elites use their positions to enrich themselves. At a minimum, the relative dependency on political office for economic survival might be expected to create a reluctance to take risks that would endanger that office and favour corruption. But, whether this is the case or not, and it has to be remembered that politicians everywhere are reluctant to take actions that endanger their office and prospects for re-election, the visible economic insecurity of the new political elites can add to their problems in establishing credibility.

The power of economic interest groups is also expressed in the political system, in the democratic era, in the form of party support along class lines. In contemporary Western democracies, this link is considered virtually extinct. Some claim, however, that it might be

at work in the post-communist CEE (Szélenyi, Fodor and Hanley 1997; Słomecyński and Shabad 1997). As it is well known, partial electoral competition in Poland in 1989 revealed the lack of popularity of the communist regime there and ushered in a new era. The return to power of former communist parties in the second round of free elections, especially in Poland in 1993 and Hungary in 1994 was also interpreted as a reassertion of the interests of working classes (Szélenyi, Fodor and Hanley 1997). This link was another source for the perception that the neo-communist government of the National Salvation Front (FSN) in Romania was ‘naturally’ adverse to market reform. While in office, however, the reconstructed communists in Poland and Hungary tended to temper rather than halt or reverse the neo-liberal policies of their predecessors. At the same time, the FSN initiated a gradualist programme of market reform. This would seem to indicate the presence of a degree of non-partisan consensus around the values of market and democracy, albeit with social-democratic connotations for those on the left. Again, this supports the idea of the relative autonomy of politics from the influence of material interests.

As shown above, one area in which the autonomy of politics can be seen at work is the commitment of politicians to certain ideas and values. Weber distinguished between the use of ideas as ethical ends in themselves and their use as subsumed to an ‘ethic of responsibility’ (Weber 1994, 359). Politics can never be morally pure. According to Weber, national politics is about using the monopoly of the state on the legitimate use of violence. Indeed, violence, in the form of symbolic violence, the privileging of some interests over others, and also the potential for open violence, is an intrinsic part of politics.

But, in seeking to deal with the ethical ambiguity of their actions, politicians can be guided by an ethic of principled conviction (or absolute principles) or by an ethic of responsibility (Weber 1994, 359-63). According to the former, principles are more important than the consequences of action derived from them, and the ends justify the means. An ethics of responsibility on the other hand is informed by an acceptance of the moral limitations of politics and the relativity of its achievements. It limits the use of violence by accepting the responsibility for the consequences of political action (Weber 1994, 359-69).

Any ideas and values can be used in any of these two registers, including the liberal ones, and underprivileged groups often use an ethic of principled conviction as a source of



strength to counterbalance the lack of other resources (Bauman 1995). This choice of ethics is an independent political factor in the sense that it cannot be reduced to, although it might have some relation to, economic interests. Politics as an independent sphere also means that the polity is not bound exclusively by a relative match between the representation of political interests as reflected in economic policies and the structure of material or economic interests. The integration of the polity is also realised through emotions and symbols.

Edelman argued (1964) that, at a practical level, politics is negotiation among groups who own resources and participate directly in the decision-making. But for citizens who have little direct bearing on policy-making, and who could not access inside information about it, other, more emotional and ritualistic means of integration are at work (Edelman 1964). The proceedings of politics – elections, administration, leadership, language, stories and symbols – draw in the public by providing ‘objects upon which to displace private emotions, especially anxieties and hopes’ (Edelman 1964, 5).

The founding belief of the democratic system, that power is entrusted in the people, who chose for its exercise representatives that remain accountable to them, is also socialised through symbolic participation. Because this belief is not widely questioned, elections as rituals can co-opt the citizenry (Edelman 1964, 3). Thus, even in democracies there is a tension between the core, foundational claims on which the polity is founded and the empirical truth of relative lack of access to power of the majority of individuals and groups. This tension is sustained, but never fully resolved, through the vicarious, ritualistic participation in the symbolic universe of the political spectacle.

The end of communism and the dawn of democracy in CEE changed radically the symbolic repertoire of politics. The shift from collectivist values to individualism and democracy, although prepared and desired by at least some sections of the public, also raised troubling questions about the communist past. In the political battles around lustration, the former nomenklatura and the restitution of assets nationalised by the communists, economic considerations were often less important than achieving some sort of justice and moral purification. At the same time, after their experience with communism, the publics of CEE were also aware of the dangers and potential mendacity of vicarious participation in a

symbolic political universe. This legacy of distrust in the public authorities compounded the tasks of political parties and government in gaining the trust of their constituencies.

Group identity claims mediate the participation in the symbolic universe of politics (Fearon and Laitin 2000). Individuals and groups generate the meaning of the situations and transactions they are involved in, i.e. explain the purpose of their actions, through reference to internalised cultural referents that define who they are (Castells 1997, 6-7). Identities give predictability to the continuous negotiation of different social contexts, but the adaptive solutions that emerge in this interaction with the environment cannot be fully derived from the initial identity claims. To an extent, like meaning itself, identities can be retroactive. Their contours are revealed, at least partially, by events.

Liberal political scientists introduced a distinction between (liberal) politics based on the representation of (economic) interests and identity politics, where solidarity around certain cultural norms is predominant (Ost 1993; Offe 1997). The lack of differentiation in the inherited socio-economic structure was said to deprive groups of distinct economic interests and ethnic distinctions were seen as the foremost sources for political identity building in post-communist CEE, leading to a rise in nationalism (Gallagher 1995; Verdery 1996; Tismăneanu 1998). It is argued here that this is a distinction of degree rather than kind. In any society, groups use ideas and cultural values for self-definition. In fact, interests are often closely linked to the promotion of a certain view of the (economic) world. At the same time, even for groups that describe themselves primarily according to non-economic criteria, economic interests are never entirely absent, if only because the economic survival of any group is a prerequisite to the pursuit of any other agenda.

Thus, the economic and political spheres are seen as relatively autonomous. Economic activities, as shown by evolutionary economists, are embedded in networks and have a degree of resilience. The post-communist systemic transformation in the economy is the change in the structuring principle from plan to market (Kornai 2000). At the same time, politics also has a degree of autonomy in so far as the source of policies and the strength to carry them out are found not only in the backing of economic interests but also in institutional thinking, ideas and symbols. Actors tend to operate more in one sphere or another, but they also tend to combine elements of both in their identity.

### Constructivism and critical IPE

In IPE, critical and constructivist explanations of the international or global economic and political relations go beyond the propositions of the neo-liberal and neo-realist theories to explain the interplay between the economic and political spheres, domestic and international. Both power relations and institutions influence the actions of state and non-state actors. Processes of construction of issues, identities and struggles mediate this interplay (Adler 1997).<sup>10</sup>

For Wendt (1995, 135), the structures that organise social actions are created by collective meanings. Identities are ‘relatively stable, role-specific understandings and expectations about self’, created in relation, i.e. identification or opposition with such collective meanings (Wendt 1995, 135). Actors are constantly confronted with new situations for which they have to generate meaning. Through this activity, an accommodation or a match is sought between an existing notion of one’s identity, the definition of the situation, and the formulation of interests appropriate for the reinforcement or the change of existing identities through action (Wendt 1995, 136). Identities and interests can become entrenched in stable configurations or structures. While structures do not exist outside of the specific socialisation and activity of concrete actors, actors tend to experience structures as external, relatively coercive social facts (Wendt 1995, 136-7).

National identities belong to this category of phenomena. They provide individuals with a path for identification with their (national) society (Anderson 1991) and result out of a process of interpretation of history and creation of ‘collective memory’ (Prizel 1998, 14). In spite of the vast potential for inconsistency and selectivity in this activity of interpretation, there is a tendency for one section of the polity to become the ‘custodian’ of the collective memory of the nation and temporarily close the uncertainty (Prizel 1998, 14).

In this process of national identity building, interaction with the outside world, the discovery and valuation of similarities with and differences from other nations and the enactment of identity through foreign policy play a crucial role. For the countries of CEE, the opposition

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<sup>10</sup> Constructivist readings of security issues can be found in Campbell (1992), Der Derian (1992), Herman (1996), and Katzenstein (1996). Political economy examples are Burch (1997), Ruggie (1982; 1992; 1993; 1998), True (1997; 1999), and Weber (1990).

to and liberation from foreign domination was a core element in their construction of national identity. Cultural and political *ressentiment*, mythologies of common ancestry, and the notion of an idealised society that succumbed to pressure from outside are all part of the traditional, romantic nationalism of CEE (Tismăneanu 1998). The West was resented and admired at the same time. In the post-communist era, the sense of inferiority towards the West, the sense of ‘damaged self’ was retained as a major part of the national identity. The West was seen as indifferent and cynical, betraying the sacrifice of the Eastern Europeans who had been deserted to communism for the sake of securing world peace at the end of world-war II (Prizel 1998, 23-9).

Thus, identity building is an example of a social process that can take place in both the domestic and international spheres. In both, it is part of the interplay between interests and ideas. And indeed, both ideas and interests were used by critical IPE to explain the predominance of the neo-liberal economic and political agenda in the last two decades, within states and globally (Biersteker 1992). High levels of inflation and unemployment at the end of the 1970s eroded the wealth of the propertied classes in Western Europe and undermined the Keynesian faith in demand-led economic growth (Pierson 1995). The ideas of neo-liberal economics that had been elaborated over the previous decades became attractive at this juncture because they managed to appropriate ideologically experiments with privatisation and liberalisation that had emerged as practical solutions to municipal budget cuts in the USA (Henig 1990). They also offered a simple recipe for growth, were presented in a compelling fashion and resonated well with popular values such as liberty and freedom (Campbell 1998).

Subsequently, liberalisation measures first introduced in the USA became adopted throughout the world, through mechanisms such as competitive deregulation, political difficulties in implementing protectionist measures, and the growing domestic influence of neo-liberal advocates and internationally oriented corporate interests (Helleiner 1995). These changes in state priorities were concomitant to globalisation (Higgott and Reich 1998; Held et al. 1999; Cerny 2000; Higgott 2000). The emphasis on flexible response to competitive conditions in specialised markets, as well as the preference for control of inflation supplanted an extensive developmental priority (Cerny 2000, 302). The high mobility of

technology and capital and the changed conditions for competition eroded the political advantages of developing and subsidising a large public sector.

Taking into account new features of global production, business organisation, money and finance, the changing role of the state and its relative loss of sovereignty, Scholte (1997) defined globalisation as the "spread of 'supraterritorial' or 'transborder' relations." In other words, social relations have become less dependent on territorial proximity. This is a mutation in the material conditions of existence that raises political questions about accountability and democratisation (Scholte 1997). The diminished power of states over transnational flows changed to a certain extent the focus around which people can become mobilised from national identities to identities based on gender, race, religion, and organisational affiliation (Cox 1999; 2000).

The fall of communism in CEE took place against this background of global consensus around the neo-liberal norms of economic management. At the same, the shifts in global production, trade and finance were keenly felt in the CEE countries as they left behind the protective trading agreements of the CMEA and sought to compete in global markets. Thus, while establishing that similar social phenomena can be studied with similar tools in the domestic and international spheres, reflexive theories also suggest that domestic institutions and identity needs of the dominant groups mediate the impacts of global pressures on domestic politics and economies.

#### Reflexive political economy: An assessment

Reflexive theories, like the neo-liberal and neo-institutionalist theories, meet the initial analytical requirement for their synthesis in a political economy approach. In other words, they are homologous from the point of view of their units of analysis and explanatory strategies. They recognise the dynamic between agency and structure and the processes of social construction that mediate their relationships as crucial to understanding economic and political phenomena, domestic and international.

A few working hypotheses about the relationships between the economic and political spheres can also be derived from these reflexive theories. The economic and political spheres are in a relationship of relative autonomy. They each have a relatively autonomous

structuring principle, the market and the state power, which is outside the direct influence of any one actor. These structuring principles are material and objective in this sense. However, the fact that actors subjectively experience them as being objective is a condition of their effectiveness.

The links between the two spheres derive from the fact that power accrued within each can be used, to a certain extent, for acquiring power in the other. Weber posited that there could be tension and misalignment between the dominant groups in economy and politics, but there is also a tendency for alignment. It has been argued here that identity is a useful concept in bridging the understanding of conversion, tension, alignment and misalignment between the economic and political spheres at the macro-level of analysis with an understanding of actors and agency. Actors, their assets and their images of themselves are influenced by objective structures but are not entirely determined by them. Claims about identity bring together economic interests, ideas and symbols.

Thus, at one level, basic economic interests can be expected to impact on the political field through voting behaviour or direct participation in policy-making. Additionally, the polity rests on principles that hold because there is a level of material co-optation, a *prima facie* coincidence between principles and their institutional embodiment. At the same time politics creates a level of inclusion through participation in a particular symbolic universe. This multi-layered and complex reality allows economic and political elites as well as the dispossessed to act in ways that might be in contradiction with their economic interests.

## **Conclusion**

This paper has investigated three groups of theories, neo-liberal, neo-institutionalist, and reflexive, in Economics, Politics and International Political Economy. It has been established that within each group, theories display a degree of homology and that thus an initial condition for their synthesis in an (international) political economy approach can be attempted. However, of these three groups, only reflexive theories take seriously the question of how forms of power accrued according to the principles of organisation of one sphere can be used to obtain or maintain power in others. On this basis, it is possible to generate a few hypotheses about the relative autonomy between the economic and the political spheres, the domestic and the international. In addition, it has been shown that in so far as these spheres are investigated under their autonomous aspect, neo-institutionalist theories can provide useful tools for analysis.

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