

Economic crisis and welfare developments in the New EU Member States: back to the future?*

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ESPANET, Budapest, 2-4 September 2010

Abstract

The current economic crisis opens a new chapter in socio-economic developments in Eastern Europe, signaling new forms of deep economic, political and social shocks, as well as dependency and vulnerability in the region. Most crucially, it re-opens debates over transnationalism and transnationalisation and the ways in which New EU Member States have been subjected to transnational interventions by various International Organisations (IOs) such as the EU, IMF and the World Bank. Ever more than before, the social is deeply implicated in this process, and requires us to revisit numerous questions around the issues of 'Washington consensus' as policy packages, discursive strategies of International actors essentialising Central and Eastern European countries as 'fragile states' with 'imprudent states', and the politics of crisis management at socially, politically and economically turbulent times. The central argument of this paper is that the 'third wave' of welfare reforms in New EU Member States is taking place in a very contentious and fragmented transnational space, which pulls domestic policy agendas in completely opposite directions undermining any coherent and consistent policy agendas to be envisaged and implemented. In that sense the current times are in many respect 'time travel' back to the 1990s or rather back to the future.

INTRODUCTION

„Crises“ can be reflexive moments, disruptions, which represent a freezing of contemporary and dominant discourses and practices and offer an opportunity to question their taken-for-granted nature. Crises can also disrupt hegemonic consensus, challenge mainstream discourses, and enable new questions, new discourses and previously marginalized voices to emerge and be heard. Crises can allow for a challenge to dominant theoretical approaches and can lead to a paradigm shift in the way in which social, political and economic processes are conceived. „Can be“ but need not be.

It is the case that the current crisis or crises amplify the importance of transnational integration, which over the last decades has developed into a highly interdependent system with dense transmission channels. As a result, transnational regimes are deeply implicated in the current conjuncture. Crucially, the crises have re-animated a crowded transnational space, reinhabited by the International Financial Institutions, primarily the World Bank and, even more importantly, the International

* This paper is a revised version of the paper we have presented with Paul Stubbs at the International Sociological Association (ISA) conference in Gothenburg, July 2010. My thanks to Paul for our collaboration.

Monetary Fund. Notwithstanding the many contradictions in their role, this re-emergence, in a new and complex partnership with the European Union, as managers of the crisis and legitimators of emergent transnational regimes, is of immense importance.

It may be that a new chapter has been opened in the transnationalism debate, so heatedly discussed in the 1990s, when both the IMF and the World Bank were centrally implicated in the first wave of structural reforms in the countries of Central and Eastern Europe (cf. Deacon et al, 1997), but from which the EU was largely absent. The first wave of welfare reforms in the early and mid 1990s have been framed by strong economic orthodoxy of the IMF and the World Bank signaled by shock therapy, drastic cuts in entitlements to benefits and services, and liberalization, privatization, and individualization of the welfare state. This first stage was fundamentally shaped by the so-called 'Washington consensus', which since then has been severely criticised. In the second wave of structural reforms, we can see the European Union in a prime position, albeit working as a kind of endogenous process, having differential impacts as a result of primarily domestic political process within the new member states. This second stage often labeled as Europeanisation of post-communist welfare is usually associated with 'soft' changes in regulatory capacities, and policy learning via benchmarking, streamlining and mainstreaming. In the crisis, ushering in a third reform wave, as we note later, the IMF and the World Bank return and work in partnership with the EU, within EU member states.

This process of management and legitimation is far from smooth, however, so that much of the rest of the paper explores the paradoxes and contradictions involved. The complexities of the ways in which transnationalism reconfigures and reconstructs „place“ and locality (Vertovec, 1999), is highly relevant here. As Smith (1998) argues, transnationalism is a multifaceted, multi-local process, which unsettles traditional understandings of „scales“ and calls for a more nuanced understanding about how transnational processes reconfigure those scales. Smith calls into question the argument of postmodernist scholars such as Homi Bhabha (1990; 300) who sees transnationalism as a „counter-narrative of the nation“, and argues that instead of asserting claims of „de-territorialisation“, and „unboundedness“, a more challenging task is to identify the mechanisms and agencies of „reterritorialisation“. In a context of a “growing interdependence of scales”, it is important to assert, and to study, the „boundedness“ of transnational actions, in terms of diverse and multiple “grounded realities” (Smith, 1998:10).

Without overstating the case, Latin American transitions in the 1980s can be seen as a forerunner of the more dramatic transformations of Eastern Europe in the 1990s, involving groups of countries with similar income levels, infrastructure development, industrialization and levels of human capital (Fanelli and McMahon, 1994; 1). Both, at different times, were experiments in transition, structural adjustment and „shock therapy“, bounded by an emerging transnational expertised discourse on „fragile“, „captured“ and „dysfunctional“ states, „post-authoritarian“ and „post-communist“ transformation, and the need for „democratisation“, „marketisation“ and a strengthening of „weak“ civil societies.

The World Bank sought to capitalise on its Latin American experience, by sending its

influential policy advisors working in Latin America in the 1980s to Eastern Europe in the 1990s. Based on those „very rough” similarities Fanelli and McMahon refer to, economic reforms implemented in Latin America in the 1980s served as a prime template for the first wave of structural adjustment policies in Eastern Europe. The structural adjustment programmes implemented in numerous Latin American countries have also been directly transferred to Central and Eastern European countries and led to blueprint World Bank reforms in the field of pensions, higher education, employment, health care and social assistance. In this early stage „Europe”, and the „Global North” is a distant aspiration, rather than any kind of template for economic and social change. Interestingly, at the time, the EU showed very little interest in what was going on in the so-called periphery of Europe. What emerges in Eastern Europe by the end of the 1990s, then, is a transformation process largely inspired by the Latin American experience, resulting in „outliberalising” the EU (a term coined by Orenstein (2008) referring to pension privatisation) and in the emergence of a punitive and hyper-liberalised Porterian workfare regime (Drahokoupil, 2007), with a heightened emphasis on economic competitiveness at the expense of social cohesion and solidarity. By the late 1990s and early 2000s, the European accession process amplifies discourses of Europeanness and Central and Eastern Europe’s „return to Europe”. At the same time, the World Bank continues to operate in the region and to import new experimentations, in the form of Conditional Cash Transfer schemes building on those in Brazil and other Latin American countries (cf. Stubbs, 2009).

In any case, the phase of EU integration, or the process often referred to as Europeanisation, brought about new sets of displacement and „alien scaffoldings”. Whilst at a discursive level the EU advocates common goals in response to common economic, social and demographic challenges, the EU transmits and enacts a huge number of policy frameworks, statistical and other regulations and funding machineries. The scale and volume of those „transfers” or, as we would prefer, „translations”, are well documented by critical institutionalist scholarship, which has pointed to the displacement of a wide range of social relations and institutional arrangements. Bruszt and Stark (2003) for example, argue that regulatory regimes are deeply embedded in domestic constellations. For the New Member States, however the challenge is how to govern the „externally mandated regulations” of the EU, and how to balance this „alien scaffolding” with their own diverse set of local interests. EU social policy is a very complex, and shifting, interplay of formally „economic” policies including the Stability and Growth Pact and the Convergence Programme regarding Eurozone membership, and an „employment-anchored” social policy (Lendvai, 2007; 33; O’Connor, 2005). This is most evident in the revised Lisbon agenda, through which a supposedly „strengthened” Social Open Method of Co-ordination actually relegates the fight against poverty and social inclusion to a set of technical and peer learning practices distanced from political conditionalities (Stubbs and Zrinščak, 2010).

The notions of „dissociation” and displacement echoes Cameron’s (2003) argument about the EU Accession of Central and Eastern European Countries being a „re-creation of the state” in such a way that constituents are excluded from participation in the decision-making processes that „shape every realm of their societies”. Normalisation, a term used by Bruszt and Stark that is associated with EU integration, refers to the massive displacement of norms, ideas, regulations, and rights, the dissociation between the EU’s extra-local structures and local interests, and to the

resultant disciplining practices of exclusion and inclusion, which bounds the scope and opportunities for participation. Normalisation, in that sense is not just a technical, legal or institutional adaptation process, but indeed is a deeply inscribed political and cultural process.

Crucially, many question marks remain whether „EU-isation“ has made Central and Eastern Europe graduate to the „Global North“. Indeed, alongside EU-isation as a series of displacements, it also has brought about new „othering“ discourses. For many scholars, the European Accession process was exclusionary and fundamentally postcolonial in essence (Borocz, 2001), creating a „second class Europe“. As neo-Gramscian scholars argue, the accession process was constructed politically as asymmetrical and non-dialogical, allowing powerful economic actors of „Old Europe“ to gain access to the markets of Central and Eastern Europe (Morton and Bieler, 2001).

Crucially, Central and Eastern Europe has opted for very different welfare constructions. Writing before the onset of the crisis, Bohle and Greskovits (2007) noted a marked variation in institutionalized efforts to maintain social welfare between different post-communist new member states of the European Union. At one extreme are the Baltic states and, we would now add, Slovakia and Romania, which have introduced “radical economic reforms resulting in minimal states, low welfare spending, low taxes, strongly deregulated labour markets and widespread liberalization” (Lendvai, 2009; 12). At the other extreme are those hybridised social corporatist/Bismarckian regimes, notably the Czech Republic and Slovenia, which have attempted to build certain „institutional complementarities“ (Cerami and Stubbs, 2010) in terms of more comprehensive social protection systems and which have maintained social dialogue and labour market regulations which retain elements of security. Indeed, these countries also stand out in terms of resisting World Bank-led pension reforms (Orenstein, 2005). A third group, including some which were at the centre of the first waves of structural reform, notably Poland and Hungary, are rather more „messy and incongruous“, representing a kind of „complex patchwork“ of neo-liberalism and neo-populism (Lendvai, 2009).

Notwithstanding these differences, transnationalism has been a prime socio-economic and socio-political context for the post-communist transition, involving rapid economic integration or, rather, dependence, through export- and FDI-led growth strategies, sustained by remittances and, to an extent, European Union structural funds. As Bruszt and Greskovits (2009) point out, the assets of the new EU member states have been rapidly incorporated into transnational systems of production, commerce, and finance. Only a decade after the start of transition, all major export and service industries were in foreign control with „unprecedented“ levels of foreign control of the banking sector. They argue that transnationalisation has operated “via multiple heavily institutionalized channels” so that domestic institutional change is now embedded in an ever more complex and deep transnational institutionalized regime (Bruszt and Greskovits, 2009; 412).

In a sense, the second wave of structural reforms involved a recalibration of economic, fiscal and welfare policies (Lendvai, 2009) and involve a reframing of social welfare in the context of a discourse about public finance and indebtedness, present even before the current crisis. Whilst there are paradoxes and tensions in the European

Union in terms of the disciplinary practices associated with the Maastricht and Lisbon agendas, the Social Open Method of Co-ordination, whilst strengthened as a technicised expertise model, was seriously weakened as a catalyst for any serious social dimension to the post-communist project of regime formation in the new member states. Whilst processes and practices in terms of social inclusion generate new claims on public expenditures and identify new needs, this is challenged by effective capping of social expenditure, a disciplinarity in terms of tight fiscal policies, and a reform agenda in terms of institutional „capacity building“ (Lendvai, 2009). It is this paradox and set of contradictory practices, which form the backdrop to the crisis and the re-emergence of the IMF and the World Bank in the region.

CRISIS, AUSTERITY, AND ‘MACROCRITICAL’ PARTNERSHIPS

As Claus Offe (2010) recently stated, „when the West catches cold, the East will begin to suffer from pneumonia“. The economic and financial crisis has resulted in some devastating socio-economic and socio-political consequences in almost all the countries in the region, with the post-communist countries of Central and Eastern Europe being the hardest hit region of the world. Real GDP in 2008 and 2009 fell between 5 and 20 per cent. If IMF and EU forecasts for growth in 2010 are compared as at October 2007 and October 2009, then the Baltic states’ GDP is forecast to be between 33% and 39% lower than originally forecast. Unemployment rose sharply in almost all countries, and reached nearly 20% in the Baltic states. Household debt and repossessions increased drastically, and social benefit uptake has increased. As a result of the drastic fall in economic production, contraction in employment and fall in public revenues, in some countries governments have introduced the most severe austerity packages of the past twenty years. Severe cuts to pensions and public sector wages have been put in place rapidly. Latvia for example introduced a nominal wage cut of 25% in the public sector and reduced pensions by 10%; the newly elected Hungarian government in 2010 has proposed a 15% cut in public sector wages.

„Diagnosis“ was quick to follow. On the one hand, academic accounts started to emerge explaining the severity of the crisis in the region. Kattel (2010) argued that the implosion of the Eastern European economies stems from three main sources: a massive inflow of FDI oriented towards lower value added activities with low domestic linkages; the transformation of the banking sector, which breaks ties with the domestic productive sector and is overwhelmingly dependent on cross-border lending; and finally the hollowed out policy space in which investment in research and development, industrial restructuring and labour market policies are weak. As a result, while Eastern European countries “face a huge challenge in coping with the financial and economic crisis, most of these countries lack policy capacities to strategically devise response plans in order to launch structural reforms and in generating industrial, innovation and labour policies that would reinforce catching-up processes” (Kattel, 2010:13).

International organizations have, of course, started to produce their own discourses on the nature of the crisis, its implications for welfare, and possible ways forward. Reflections on the nature of economic growth in the Baltic countries has led the European Commission to publish a paper on the „Economic challenges in the Baltics“

(2009), where it argued that the deep recession in the Baltic states has been a result of a derailed catching-up process in the first decade of the new millennium, characterized by fast economic growth, which in fact was an overheating of the economy coupled with huge imbalances and internal problems such as current account imbalances, fast growing domestic demand financed by easy credit, imbalances between output structure and labour skills, fast growing social inequalities, and deterioration of the demographic situation. This was the first Commission report in which the Baltic states, previously praised for their fast economic growth and their good performance in terms of the Lisbon targets, have been cautioned in terms of unbalanced growth.

In an early response to the crisis, the Commission also expressed some concerns in terms of the capacity of national social protection systems to respond to the social impacts of the crisis in the context of contracting public revenues. Doubts were expressed whether, in the new member states, welfare spending could be an automatic stabiliser, and the capacity of some states to launch investment programmes in order to boost domestic demand was questioned. The Social Protection Committee in its Report on Growth, Jobs and Social Progress in the EU (2009) also concluded that:

“Social protection systems can play a crucial role as automatic stabilisers and sustain the productive capacity of the economy. However, Member states are in very different positions to face the crisis. In some countries, there are significant weaknesses and loopholes in social safety nets. In others with mature social protection systems that cushion the impact of the crisis, financial sustainability is questioned in the long run. Countries faced with major public finance imbalances are left with little room for manoeuvre to address the social consequences of the crisis. This raises particular concern for those who also have weaker levels of protection” (SPC, 2009:78)

In response to the crisis, there has been an unprecedented lending by a number of international organizations, seeking to act in a coordinated way, within EU member states. In the case of Hungary, Latvia and Romania, multilateral financial assistance combining IMF Stand-by Arrangement (SBA) Loan agreements, EU loans, including the expansion of already existing balance of payments support facilities and frontloading of structural and cohesion funds, and World Bank loans were agreed between October 2008 and May 2009. In the case of Latvia, these loans were consolidated by loans from the Nordic countries and from the EBRD, with the EBRD and EIB also contributing to the loan for Romania. The nature of the inter-relationships are complex, with the EU and the IMF working closely together on the one hand, and the World Bank and the EBRD and EIB working closely together on the other hand. In Hungary’s case, the total loan package, of some €20 billion, represented 19% of 2008 GDP. The IMF contributed some €2.5 billion and the EU €6.5 billion. In Latvia, the total package, of some €7.5 billion, represented an astonishing 32% of Latvia’s 2008 GDP with the EU the largest lender at €3.1 billion. Romania, like Hungary, received €20 billion, 15% of 2008 GDP, with the IMF the largest lender at €3 billion.

The loan to Hungary had two main pillars in terms of conditionalities: one to reduce

the size of the public sector by fiscal adjustment, and the second regulatory support for banking regulations. For countries, such as Hungary, that had an ongoing relation with the IMF in the 1990s, the cooperation was nothing new. The IMF's Stand-by-Arrangement both shows significant similarities as well as new elements compared to the 1990s. Important similarities are the content of the actual arrangements, which focuses on fiscal consolidation, public spending cuts and reducing the size of the state. In the 1990s „structural adjustment“ was a keyword for both the IMF and the World Bank's programmes (Deacon et al, 1997). The novelty now is that the EU added their weight to the conditionalities, stressing fiscal consolidation, structural reform, and support for the financial system (Darvas, 2009; 3).

A crucial component at the discursive level, particularly for the IMF, was that a lesson had been learnt, in the words of Marek Belka, the IMF's European Director, that “a crisis resolution program cannot solve all problems a country faces” (Belka, 2009). Instead, the IMF's „reform of conditionality“ enabled the focus in the new member states of the EU to be on “macrocritical issues, while leaving structural reforms to “further down” in the reform process” (ibid.). Whilst never making clear what „macrocritical issues“ were, the speech suggests that the crisis was the result of a combination of external shocks and domestic policy mistakes, including “insufficient attention to the weaknesses in the domestic financial sector, years of inadequate fiscal responses to the capital inflows problem, and lack of institutional reforms necessary to support convergence with advanced Europe” (ibid.). The loans were explicitly designed to lead to balance of payments sustainability and, crucially, to “ensure instant credibility”, leveraging IMF resources with those of the EU, and thereby avoiding a second round of speculative attacks.

The other important similarity to the 1990s was the speed by which the SBAs have been agreed. In the 1990s IMF loans have been negotiated in great secrecy, only agreed with the national government, and the actual text of agreements were never made public. This time, the fast response by which the loans have been negotiated meant that no other political actor was involved other than the national governments, however, the IMF this time requested the approval of the respective lenders' Parliaments and the loan agreements are public documents. Interestingly, there are remarkable similarities between the three countries recipient of the multilateral rescue packages: Hungary, Latvia and Romania, most importantly the fact that in all the three countries the incumbent governments lost office in 2009, in all three cases after some of the funds had been loaned out (Lutz and Kranke, 2010). The fasttracking of the loans in fragile domestic situations meant that many of the tenets of the flagship concept of the so-called Post-Washington consensus such as country „ownership“, „partnership“, and „openness“ have been seriously compromised. In a sense, Belka's satisfaction at the IMF's ability to „reinvent itself“ appears to be primarily related to the ability to ensure political support for the reforms.

As noted above, the most important new element of the arrangement is the fact that the loan has been a joint project by the EU, the World Bank and the IMF. As again, Belka put it: “in the absence of a precedent the IMF and EU agreed in an unbureaucratic manner to undertake a joint program The program was agreed in “record time”” (ibid.). Partly this means a resource sharing to put together a sizable rescue package for „fragile states“, and partly this represents a legitimating tool for the IMF to justify its presence in EU Member States. As Lutz and Kranke (2010:1) puts it ‘the IMF has staged a first class comeback... just when its record of activity looked very

bleak before 2008, when merely four countries – Peru, Gabon, Iraq and Honduras has received financial support under a Stand-By Arrangement (SBA)’.

The World Bank has also stepped in and offered Development Policy Loans to Bulgaria, Poland, Hungary, Romania and Latvia, and Public Expenditure Reviews (PERs) to Bulgaria, Lithuania, Poland and Romania. At the heart of the World Bank agenda has been the facilitation of the reduction of unproductive spending mostly in the social sector, and more broadly fiscal consolidation through spending and tax reforms. In Latvia, the World Bank has initiated a Social Safety programme.

„The main goal of the loan approved today is to provide financial assistance to the national government and to local governments so they can keep essential emergency programs running in the difficult times of the crisis... In 2008 and 2009, we saw how the crisis hit the most vulnerable groups, so with this loan the World Bank will try to ensure that local governments have the resources they need to keep providing basic social services. This includes keeping pre-schools open, ensuring transportation to schools for students that need it, providing free medical care and medication for families with very low incomes, and paying social assistance benefits for the poorest people.” Peter Harrold (2010), World Bank Director for Central Europe and the Baltic Countries at http://www.finchannel.com/news_flash/Banks/59759_World_Bank_Approves_€100_Million_Special_Policy_Loan_for_Latvia/)

From the documents publicly available, the programme has two foci; one is to provide a last resort safety net for those in need – at the time of record high 23% unemployment in 2009 – and ensuring continuous services in social and health care, and the second is to boost public revenues by for example taxing pensions, and rationalizing public social spending. This programme affords a role for the World Bank, which makes claims on its expertise in poverty reduction, and anti-poverty strategies mostly in the Global South, and similar projects packaged as social inclusion projects in Eastern Europe.

At a discursive level, the IMF introduced a new element into its lending strategy, namely ‘social conditionality’, which is aimed at giving IMF lending a social face. As Belka’s speech also notes “the IMF has paid close attention to the social dimension of the programmes” (ibid), suggesting that, in all three countries, a fiscal strategy has been agreed which “aims at protecting the poor and low-income earners from the impact of the global crisis, through better targeting of expenditure (Hungary), strengthening the social safety net (Latvia), and higher social spending (Romania)”. However, as Lutz and Kranke (2010) argue there are still very deep divisions within IMF, which makes this new social face very contested. Some IMF staff arguing that IMF simply don’t have the expertise to have a strong social dimension, and the World Bank is a lot better placed to deal with ‘social costs’.

Indeed, the actual welfare packages introduced in the three countries have been very mixed in terms of compensation, poverty reduction and welfare entitlements. In Latvia, already a radical liberaliser, the 2009 stabilization programme involved the ending of indexation regarding pensions and sickness, parental, family and unemployment benefits. At the same time, the ultimate social safety net, the social assistance scheme, was changed in terms of eligibility, widening it in terms of allowing those with debts to be treated as having low income, and increasing the kinds of income not included in the means test. In addition, one of the most punitive rules regarding payments, which could only be for nine months in a given year, was removed from July 2009, although rather harsh conditionalities regarding those claimants capable of work remained. Romania, to our knowledge the only country where, in the IMF-EU mission, there was participation by the Commission's Directorate General for Employment and Social Affairs, the government strove to maintain levels of pensions, and was allowed to increase payments under the social assistance scheme by 15% from July 2009 to around €30 for a single person. Importantly, Lutz and Kranke (2010) argue that in fact while the IMF was encouraging to slow down restrictive policies and cuts to public spending in view of harsh social realities, the EU has shown a lot tougher stance towards deficit reduction, cuts to public spending and economic orthodoxy in line with the Maastricht criteria. This, in their argument mounts to the rescue of the Washington consensus, but not by the IMF or the World Bank, but instead by the EU. As they argue

The results of our research indicate a European rescue of the Washington consensus. The EU, not the IMF, strove to tighten the conditions that the three CEE countries had to fulfill to qualify for assistance loans prior to their eventual disbursements. The EU, not the IMF, has shown limited concern for potential economic and social ramifications of thus tightened conditionality in the recipient countries during the program period' (Lutz and Kranke, 2010:30)

In the absence of more information it is difficult to assess whether the new partnership is anything more than a one-off pragmatic transnational coalition. Certainly, the nature of the division of labour between the different international organizations is worthy of greater scrutiny, not least as an example of a particular kind of policy sharing. Within the EU, as noted above, the lack of attention to the social dimension, at least in the early phase of joint working, was rather apparent. Whilst macro-economists from the three main organizations may not have had great difficulty agreeing with the respective Ministries of Finance, it is an open question how the different agencies, separately and together, dealt with questions of social policy. Although the judgement may be premature, the idea that the coalition is dominated by a minimalist welfare model which is an older World Bank orthodoxy, is a distinct possibility. Certainly, the idea of a „targeted safety net“ is now the dominant model in Central and South Eastern Europe and the former Soviet Union, although the nature of this differs significantly in different contexts. A new convergence, therefore, in social policy may be occurring, with pressure put on informalized welfare states to build some protection systems at the same time as more Europeanized welfare regimes in some of the new member states are encouraged to concentrate scarce resources on targeting (Myant and Drakhoupil, 2009, 2010).

An emergent discourse on a „global social floor“ or „minimum social protection package“, applied particularly by the UN and other key international organizations in the context of reframing social welfare in developing countries (cf. Deacon et al, 2009), has not gained any real purchase in the region of Central and South Eastern Europe and the former Soviet Union. The idea that such a package represents a set of policy prescriptions able not simply to cushion for negative economic occurrences, such as those emerging as a result of the current global crisis, but also provides steps towards a full realization of the social dimension of fundamental human rights, linking economic, political and civil empowerment (Hujó 2009), has not been articulated thus far.

The full playing out of the crisis in terms of the EU social dimension is also far from certain. The new Europe 2020 strategy put forward by the Commission is meant to set out a vision of Europe as “a social market economy for the 21st century” linking smart, sustainable and inclusive growth (European Commission, 2010). Whilst one of the five 'headline targets' to be translated into 'national targets and trajectories' refers to 20 million less people at risk of poverty (European Commission, 2010: 3), with a 'platform against poverty' one of seven 'flagship initiatives', it is far from clear what this will mean in practice. The absence of any significant change to the social OMC appears to suggest that the social policy agenda will remain marginalised within an economic and employment-driven script, with the risk that even some of the technical gains in terms of indicators of poverty and social inclusion will be subsumed within a target which, in its focus on absolute poverty, actually borrows from World Bank discourse in Eastern Europe.

CONCLUSIONS: STUDYING THE PARADOXES OF TRANSNATIONALISM

This rather sketchy, and provisional, account of the shifting, complex, and fragile processes of place-making and meaning-making in post-communist Europe is, clearly, in need of more attention to the „black box“ of policy negotiations and policy translation in order to refine our broad brush stroke approach with more nuanced case material. At the same time, it is clear that, whilst in some senses, the financial and economic crisis has highlighted the fragility of transnational interconnectedness, it has also ushered in new forms of relationships between different transnational actors and nation states themselves. In a sense, this reinforces the sense that „place“ is complexly articulated with “transnational economic, political, and cultural flows” (Smith, 1998:12). The analysis of an essential re-territorialization needs, then, to be supplemented by an inessentialist analysis of the re-scaling and reconfiguration of relationships between scales in different conjunctures. Our rather crude notion of three waves of structural reforms, based on different configurations of agencies, different discursive frameworks, and different articulations of the economic, the political, and the social, necessitates a fundamental departure from a framework which sees the national, the European and the global, as distinct levels and as the main units of analysis.

The role of the IMF in partnership with the European Union merely serves to remind

us that, for all its reinvention and talk of a „Post-Washington consensus“ and notwithstanding a new commitment to transparency and indeed, actively seeking of legitimacy partnerships with a range of other actors, the IMF is perhaps the least studied transnational actor in the field of social policy. Normative questions in terms of what lessons have been learned from previous lending, how efficient the IMF's interventions were and how their previous experience in the region legitimates their presence in the current crisis are, perhaps, only answerable through a much more nuanced ethnography which explores their policy advice in action in particular settings.

It is the case that deep integration of post-communist countries into transnational capital flows via FDI, privatization, and exports was a central prescription of the IFIs in the 1990s. Market openness and state frugality and prudence were considered the key guarantors of a successful transition. Ironically, as the crisis has highlighted imprudent markets, a concept outside of the IMF's discursive frame, new transnational partnerships have continued to focus on the behaviour of supposed „imprudent states“. At the same time, rescue packages have been concerned with maintaining the credibility and stability of international financial markets, which was the *raison d'être* of the creation of the IMF in the era of the Bretton Woods system. Examining the crisis discourses of the IMF, it is a further irony that the multilateral aid packages recipes continue to concentrate on practices within nation states, in terms of reductions of the statutory sector, cutting public sector wages and reducing and rationalizing social spending.

Also, strong discursive strategies have been mobilized to legitimate the intervention. During the crisis one of the most important and enduring legitimating tools for the IMF's interventions has been the construction of „fragility“. Fragile Eastern European states emerged, it was argued, which were close to bankruptcy. Within this discourse, it was argued that countries „are not innocent bystanders“, but ones that are full of domestic policy mistakes and suffer from weak institutional capacities that made them particularly vulnerable to the global crisis. This represents an important discursive strategy to locate the crisis at a national level, which in turn legitimates the imprudent states, rather than the imprudent market, discourse. Also, this fragility discourse is a recurrent aspect of the development of „emergent economies“.

There is only a very residual emphasis on the role of transnational economic integration, international trade agreements and the deeply unequal and hierarchical nature of global and regional economic production and wealth. Whilst IMF surveillance and lending is still primarily attached to nation states, there is an argument emerging that this is, no longer, sufficient:

„With the explosive growth of international capital flows largely intermediated by the financial sector, surveillance should focus more on cross-border capital flows, macrofinancial stability and spillover effects between the real and financial sectors, national and international. Assessing the stability of the financial sector is critical and should be an integral part of Fund surveillance. Surveillance at the country level remains central but it no longer suffices.“ (IMF, 2010)

Stiglitz, commenting on the IMF's role in the East-Asian crisis, argued that „the IMF likes to go about its business without outsiders asking too many questions” so that, whilst in theory, supports democratic institutions, in practice it undermines the democratic process by imposing policies. Crucially, his concern is that “the fund rarely allows sufficient time for broad consensus-building or even widespread consultations” (Stiglitz, 2000). In the case of Eastern Europe, then, it is far from clear that a so-called Post-Washington consensus has emerged, with a „new” IMF endorsing a new approach, which is more „democratic”, „participatory”, allowing for more „country ownership”, and no longer based on „one-size-fits-all” prescriptions. The most noticeable aspect of the loan agreements noted above has been the speed by which it was agreed. In IMF discourse „speed” appears to be seen as akin to „responsiveness” and „flexibility”. Hence, the IMF has praised Latvia's flexible labour market regulations, which allowed the country to instantly introduce, rather than negotiate, a sizeable public sector wage cut. Time, like space, is a complex notion in the context of transnational interventions but here we would note, only, a trade off such that haste can be at the expense of careful preparation, adequate contextualization and, crucially, attention to national consensus-building.

Probably the most important novelty of the 2009 IMF presence in the region is the newly emerged coalition and alliance between the IMF, World Bank and the EU. It was argued that this cooperation is built on knowledge-, expertise- and resource sharing between the IMF, the WB, the EU and the EBRD. Since three of the countries receiving the package are New EU Member States, it seems obvious that the EU had to be involved. It is also logical that since the EU has no direct mandate in terms of fiscal consolidation, and relatively small resources available at short notice, the IMF could make claims in terms of its prior experience in the region in negotiating structural reforms. However, behind the rhetoric, it is less clear how the cooperation works in terms of competence sharing and to what degree they form a coherent policy packages. To what degree the IMF, World Bank and the EU share views on economic recovery, the role of public spending, and on the role of welfare? How do these organisations in practice negotiate overlaps and gaps in terms of competences? And most importantly what are the implications of this cooperation for both domestic welfare states and the future of the European social dimension? Lutz and Kranke (2010) latest analysis suggests that any account of European social policy needs to seriously consider the importance of the Eurozone project and its political and social implications. If so, it may well be that the fragmentation of European social policy prevails, and the asymmetric relationship between the economic and social continue to dominate.

Beside, further questions about the politics of international intervention triumph. One of the most important critiques of the IMF and the World Bank in the 1990s was that they ignored the politics of structural reforms, concentrating, instead, on the technicalities of policy prescriptions. In the new vocabulary of the IMF, there is attention to questions of „political economy”, involving a belated recognition that structural reforms are politically sensitive. It is true that lacking a „political economy” perspective in the 1990s limited the effectiveness of IMF loans, as the organisation overestimated the political room for manoeuvre for national governments to implement major reforms.

In fact, the IMF as a „statelike expertised bureaucracy” (St Clair, 2006), actually

technicised political decision-making, disciplining political elites in terms of “the directions in which societies are to develop, the goals and values that are to be traded, and the sectors of societies that receive the benefits and those that pay the cost of modernisation” (St. Clair, 2006; 85). Whilst it may be premature to suggest that the economic and financial crisis is the death knell for national welfare contracts in countries in Central and Eastern Europe most affected, it is clear that new local social contracts cannot be based on transnational templates. The task of distributing and financing the costs of the crisis in terms of indebted local governments, businesses, and households is deeply political. The fact that Hungary has decided not to take up the fourth installment of the IMF SBA loan, and that in Latvia the lack of political support delayed the SBA considerably is relevant in turn of a return to politics. The IMF insistence that „the credibility of the programme” and „the stability of the country” were indelibly interlinked was perhaps not shared by other political actors. The shifting nature of the relationship between domestic and the transnational, the technical and the political, as well as the social and the economic, is always an open empirical question. Prejudging the crisis as the rise of any one of these and the death of another, or even seeing these as essentialist binaries per se, is fraught with dangers.

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