Capitalism from Outside?

Economic Cultures in Eastern Europe after 1989

edited by
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Table of Contents

List of Tables

Roegen, Nicholas-Georgescu. 1979. *Legea entropiei si procesul economic* [The law of entropy and the economic process]. Bucharest: Editura Politică.

Voicu, Iulia. 2005. "Guvernarea mondială: coşmar sau realitate?" [World governance: Nightmare or reality?]. *Jurnalul Economic* 8 (15).

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Beyond Basic Instinct?

On the Reception of New Institutional Economics in Eastern Europe

János Mátyás Kovács

> *I did not use the term "institution" in every second paragraph as it recently has become fashionable to do, but I think I understood what a system means, and what the difference is between socialism and capitalism...*
>
> —János Kornai (2000)

> *Even the Ponzi schemes could be considered as "schools."*
>
> —An interview excerpt from Bulgaria

In planning our study of East–West cultural encounters in economics, we were looking for a school of thought that is popular enough in our region to provide us with a sufficient amount of empirical information for a meaningful comparative analysis, and at the same time, identifiable enough to target our inquiry as precisely as possible. New institutional thought seemed to guarantee a large set of scientific theories of rapid expansion that have been "doomed" to flow in Eastern Europe during the past few decades. By new institutional thought we mean, first of all, what is usually called "new institutional economics" (NIE), that is, a great variety of expanding research programs ranging from property rights and transaction costs theory, through public choice, all the way down to evolutionary economics. Owing to the fact that NIE is famous/notorious for a profound interpenetration of economics with other social sciences, interdisciplinary fields such as new branches of economic history, economic policy, economic sociology, law and

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economics, economic psychology (behavioral economics, experimental economics) were also regarded as organic components of the school.[1]

A broad and rapidly growing "Western" supply does not necessarily have to produce an upsurge in "Eastern" demand to bring the local marketplace of ideas into equilibrium. Why did we nonetheless expect to explore an exciting, new, and rapidly widening research field in the region? Let me start with self-criticism.

Working Hypotheses: Abundant Imports, Rivalry and Hybridization

In 1993, I portrayed the logic of East–West encounters in economic institutionalism as a large-scale venture of importation accompanied by a rivalry of two Western paradigms (ORDO and NIE) for the hearts and the minds of Eastern European economists (Kovács 1993).[2] Witnessing the popularity of the concept of *Soziale Marktwirtschaft* in

[1] In order to avoid straight-jacketing our interview partners, we let them define the notion of new institutional economics and the list of relevant authors. As expected, they suggested as many definitions as one can find in the leading descriptions of the field, for example: Hutchison (1984); Coase (1998); Furubotn and Richter (2000); Hodgson (2001); Langlois (1986, 1989); Ménard and Shirley (2005); Nee (2005); Williamson (2000); Rutheford (1994); Aoki (2008); Chavance (2008).

As regards the main authors of the subdiscipline, our respondents referred to nearly the same names. Ultimately, NIE boiled down to a couple of prominent scholars, inevitably including Coase, North, and Williamson. A Nobel Prize helps, as evidenced by the case of Elinor Ostrom who did not occur in the interviews before 2009 at all (the same applied to Leonid Hurwicz), though the names of Buchanan, Fogel, Kahnemann, and Vernon Smith were also rarely mentioned. Gary Becker, Friedrich Hayek, and George Stigler appear, however, rather often among the alleged new institutionalists, not to speak of Svetozar Pejovich who happens to be the only well-known link between East and West in current institutionalist thought.

[2] By ORDO I meant, with quite a bit of simplification, the Freiburg School and its intellectual milieu with their older and younger followers, without making a distinction between the less and more liberal authors as well as between theorists and politicians. Alfred Müller-Armack, Franz Böhm, Walter Eucken, Wilhelm Röpke, and Alexander Rüstow were referred to just like some works of the secondary literature. Cf.: Alan Peacock and Hans Willgerodt 1989a, b, c; Norman P. Barry 1989; Johnson 1989; Zweig 1980; Watrin 1979. For more recent studies, see: Koslowski 1998; Sally 1996; Vanberg 1998; Albert 2004.

political discourse after communism, and the proliferation of new institutionalist notions such as transaction costs, path dependence or social capital in the economic analysis of the transition to capitalism, I presumed to see an ongoing competition between old ("German") and new ("American") patterns[3] of institutionalist thought in Eastern European economics. This open-ended scenario with two possible outcomes rested on the following four assumptions:

1. Both major schools of economic science under communism, that is, official political economy (textbook Marxism) and reform economics (market socialism)[4] will disappear: the former virtually collapsed before 1989 while the latter will merge with old and new institutionalist theories prevailing in the West. The merger may be facilitated by the fact that reform economics (including self-management programs) developed, almost instinctively, quasi-institutionalist techniques of criticizing the planned economy as well as of engineering its reforms.[5] To put it bluntly, I supposed the existence of a "basic instinct" that might undergo, with

[3] This simplistic dual typology was, of course, a result of a larger dilemma discussed (mostly privately) by economists in Eastern Europe already prior to 1989: How could we retain part of our historical/verbal/empirical research style in the long-awaited process of joining the Western mainstream? In those discussions, not only the alternative as such but both sides were presented with nonchalance to sharpen the contrast. For instance, the American wing rarely included references to "old" American institutionalists (much of whose thought was directly imported from the *Historische Schule*) while in presenting the German school the importance of its Hayekian (libertarian, neo-Austrian, that is, in a sense American) extension was underestimated. Important schools such as Comparative Economic Systems, the French regulation school, or the theory of mechanism design would also not fit in well with such a dichotomy. See Note 7.

[4] At the time, one could hardly believe that a "pure" concept of market socialism cleaned from the dirt of real socialism, and reminiscent of the one used in the "socialist calculation debate" by Oskar Lange and his allies would not fade away from current economic thought. Cf.: Balcerowicz (1992); Bardhan and Roemer (1993).

[5] These techniques were initially based on concepts of Marxian—political economy-style—institutionalism such as the state-market nexus, self-management, "material interests/incentives," "property relations," and "concentration/centralization." These concepts were complemented by twentieth century institutionalist ideas once they proved too rough in understanding the planned economy and/or too inoperational in changing it.

a little help from the West, "civilizational improvements" in the future. Quasi-institutionalism would become a veritable one.

2. The institutionalist explanations for severe market distortions in the planned economy such as shortages, sectoral imbalances, and investment cycles, which were put forward by the reform economists between the 1950s and 1980s, can easily be incorporated in the Western literature. Concepts like overcentralization, plan bargaining, regulation by campaign, and the shadow economy will find refuge in the (then) new theories of property rights, government failure, bargaining, political business cycles, and so on—of course, following major analytical enhancement.[6]
3. Many of the reformers will turn into capitalist "transformers" studying the post-communist economy and designing large-scale deregulation (marketization and privatization) schemes. Hence, they will badly need reliable know-how for understanding and initiating institutional change.
4. A good part of that know-how is available in the West, but the Big Unknown of scientific development is rather on the demand side. In leaving reformism behind, the Eastern European economists will face, by and large, two rival institutionalist traditions: an essentially verbal-historical one offered by "good old" ORDO liberalism, and a relatively new one based rather on neoclassical-style formal analysis (with increasingly sophisticated game-theoretical instruments) and offered by NIE. Which of the two will be their choice? To put it simply, the former relies on holistic concepts such as economic order, promises to solve real-life problems, and stresses social responsibility and the need to correct the market from outside, whereas the latter prefers methodological individualism and trusts the justice-making and self-correcting power of the market. The former is closer to the local intellectual and political traditions of the ex-reformers (and mathematically less demanding), offers an activist role to the scholars, and is justified, especially in the eyes of older generations, by the European success story of the welfare state between the 1950s and the 1980s. The latter is widely seen as superior in terms of scientific precision and academic strength due to its intimate links to neoclassical economics, probably more attractive for the younger generations of economists in the region, and gains legitimation from the comparative advantages of the "American model" *vis à vis* most of the European ones during the 1980s and the 1990s. In sum, the former is assisted by a boring but reliable past that has been supported by theories of moderate sophistication, whereas the latter represents the music of the future, full of risks and perhaps full of Grand Discoveries.

[6] Irena Grosfeld's paper (1992) reflects similar hopes mixed with bitter complaints on the chances that had been missed by Eastern European economists in Westernizing their own thought.

Shortly after 1989, I avoided guessing who the winner could be but expressed some fear from a combination of the old-new propensity of the transformers for state interventionism with resurgent nationalism in the region under the auspices of a statist-conservative-corporatist interpretation of the ORDO program. Thus, part of the latter's liberal constituents would be suppressed, and the ex-reformers (or even the textbook Marxists) would find refuge in the theoretical construct of a new type of social market economy flirting with a Third Way that is much more collectivist than the one advocated by Röpke—a nightmarish *National-Soziale Marktwirtschaft* somewhere between Mussolini and Mečiar.[7]

Indeed, it was terribly difficult to forecast the winner (or to define the terms of an incidental—local—cohabitation between NIE and ORDO[8]),

[7] Although this is a recurrent fear in liberal circles of Eastern Europe during the past two decades, reinforced by regime changes *á la* Milošević and Tudjman, Lukashenko, Putin, the Kaczyńskis, and Orbán, new economic authoritarianism in the region has not evolved in scholarly terms ever since, despite its short- and medium-term political success. Nonetheless, if the DIOSCURI project had lasted longer, we would have been happy to study how the rebirth of interventionist rhetoric in the West (for example, in France) during the past few years affects economic thought in Eastern Europe in our time, for one might suspect that the region is exposed to Western imports not only in liberal but also illiberal ideas.

[8] Combining the two paradigms did not require a major scientific discovery; the pattern was set by the Hayekian (evolutionary) reinterpretation of the old Freburg ideas. "Only" one had to put the hymn of spontaneity in parentheses, and focus on the market process, rivalry, entrepreneurship, knowledge, and so on, in a dynamic (Schumpeterian) framework. It could be safely assumed that evolutionary economics within NIE would not resist cooperation. Cf.: Schmidtchen (1984); Schüller (1987); Leipold (1988); Vanberg (1988, 2001); Pies (2001). See also: the series *Konzepte der Gesellchaftstheorie*, edited by Ingo Pies and Martin Leschke and published by Mohr (Siebeck) in Tübingen, in which they devote volumes to Buchanan, Coase, Hayek, North, Olson,

but it seemed evident that if there was to be a winner it would emerge from the rivalry of these two.

These expectations were contingent on a deep methodological and discursive change in the economic profession throughout the region. Any East–West convergence in institutionalism (even on the basis of ORDO liberalism) depended on a considerable rapprochement between the Western techniques/languages of economics and the local ones. To put it less politely, Eastern European economists could not hope, I believed, for success on the international scene if they continued to insist on their homegrown "quasi-institutionalism," or more exactly "speculative institutionalism" (think of the amorphous "plan-and-market" and self-management discourses used by the reformers even in the late 1980s). Normally, this kind of institutionalist research program was less empirical and, at the same time, much less abstract-axiomatic than NIE. While it, like ORDO, feared formalism, its empirical strength was often dwarfed by that, too.[9] Nevertheless, I presumed that learning might become a two-way street: economic sciences in the West would also borrow scientific ideas from our region. In revisiting its own economic institutions under communism, Eastern Europe seemed capable of enriching not only "old" institutional thought but also some of NIE's core concepts such as fuzzy property rights, informal institutions, incomplete contracts, rent seeking, and so on. It seemed capable of delivering, via the economics of communism, an institutional theory of an unfeasible economy, which could play in economics a similar role to the one assumed by the *perpetuum mobile* in physics. As for post-communism, the region, I presumed, would be able to serve, in the course of the economic transformation, as a potential hotbed for institutionalist discoveries.

These expectations reflected a rather cooperative and frictionless scholarly exchange with the West. What we Easterners want to come in will arrive, and what actually comes in is the same as what we originally intended to receive. Also, to use the language of political correctness, the institutionalist economists in the region were portrayed not as handicapped or disabled but as *differently-abled* scholars who may have authentic products to sell.

[9] For speculative institutionalism, see Kovács (1992).

Besides methodological adjustment and a "discursive turn," I argued, the sociological context of economic sciences might also change in Eastern Europe to promote convergence in institutionalist research programs. Presumedly, party congresses, censored journals and politically embedded scholars will not determine scientific progress any longer. At the same time, "secular" (politics-free) research communities, peer-reviewed publications, and the faculty library, or the faculty club for that matter, will become the main vehicle of scholarly evolution. Eastern European experts will be subjected to the same kind of rivalry in the academic market (locally and globally) as their Western colleagues, the patterns of recruitment, promotion, and mobility will also be similar, a good part of scholarly output will come from private institutions of research and education, and so on.

All in all, the cast was presumed to include two collective actors on the Western side, the representatives of ORDO and NIE with their cultural packages (research programs, schools, paradigms), while on the Eastern one I saw the vanishing textbook Marxists, the ex-reformers (actually, at least two generations of them including the internal dissenters), and the "innocent youth" appearing on the scene of economic research after 1989. It was also reasonable to assume that generational differences would matter. The younger you are, the greater your chances for receiving proper education in neoclassical economics—a *sine qua non* of absorbing new institutionalist ideas. Here, I thought two kinds of frustration might coincide. Both the inexactitude of the verbal research techniques applied by older colleagues and the sterility of certain just-acquired neoclassical models can prompt young scholars to switch to NIE (without having to lower the level of formal analysis). While being pushed by these, they are pulled simultaneously by new institutional economics in the West, a fresh, flexible, and fashionable discipline that promises the best of old institutionalism and the current mainstream without making the researcher suffer from their imperfections. The Eastern European economist was offered a unique chance of becoming an orthodox and heterodox expert at the same time, who borrows and invents simultaneously, avoiding in this way the path of servile imitation.

If that prognosis is not flawed—so went my argument—the neoclassical paradigm needs to be included in the group of Western actors.

Probably, the spread of this paradigm will also accelerate the diffusion of new institutional economics as an unintended by-product (or collateral damage). However, I disregarded three other options:

a) ORDO would smoothly withdraw from the competition but neither would NIE become a real winner.
b) Neoclassical theory would not produce its "Eastern dissidents" for quite some time; moreover, many of its local representatives would keep a low profile on NIE.
c) Under post-communism, the economic profession would face an "anything goes" (more exactly, an "any theory can melt into another") situation, in which even hybridization might turn out to be a too courageous working hypothesis.

What was disregarded in the early 1990s has become reality—to my veritable astonishment more than 15 years later when reading the case studies on Bulgaria, Croatia, the Czech Republic, Poland, Romania, Serbia, and Slovenia, and writing the one on Hungary.[10]

[10] The case studies focusing on the reception of NIE were based on altogether more than 50 in-depth interviews, literature reviews including books and articles in one or two leading economic journals of the respective countries, curricula analysis at selected local universities, and participant observation. Also, in each country economic think tanks and university departments were examined in similar ways, and much of the information collected in these fields proved to be relevant for research into new institutionalist ideas, too. We avoided basing our conclusions on anecdotal evidence, ideological prejudices, and the like occurring so frequently when it comes to assessing post-1989 developments in Eastern European economic thought. Instead of bashing neoliberalism and shock therapy under the pretext of discussing NIE, or on the contrary, mocking the survival of old-style research programs and the methodological imperfections of some new institutional thinkers, we collected and cross-checked an unprecedented array of empirical material. Actually, we conducted life history interviews starting with the respondents' first encounters with "the West." Unfortunately, the cultural encounters were almost exclusively narrated from the perspective of the local experts. Another deficiency: the interviews were not based on representative samples and some of the case study authors themselves were members of the institutionalist research community.

Three Surprises

"Have Polish economists noticed new institutionalism?" asks Jacek Kochanowicz with a skeptical undertone in his case study. Roumen Avramov argues that "NIE's presence in the Bulgarian landscape of economic science is still incoherent and lacks a critical mass. It can hardly be considered a compact current, able to counter the dominant influences of neoclassical economics." Vojmir Franičević speaks of "soft" institutionalism (that is, using NIE concepts when they "fit the 'story' well") and a passive reception of new institutional economics in Croatia. In Bulgaria, there is only one consistent curriculum of new institutional economics. Horia Paul Terpe and Paul Dragoş Aligică warn the reader that "signals that may indicate a 'new institutionalist' explosion should not be confused with the adoption of the real thing."[11] Institutionalism has not yet been institutionalized—quite a few authors play with the words.

First surprise

So the first surprise I had to digest was related to the source of melancholy bordering on skepticism that permeated the case studies. Of course, no one could reasonably expect a high-quality breakthrough of the school but *some kind of* a massive breakthrough seemed to be a safe prognosis. In fact, expecting a series of original discoveries at the local level to be published by first-rate journals in the United States, or organizing departments of economics, research institutes, foundations, and scientific journals around the concept of NIE would have been a vast exaggeration, underestimating the minimum requirements of the intellectual gestation and institutionalization of scientific ideas. However, infiltration at a snail's pace, aborted takeover, eclectic borrowing, simulated appropriation, and so on, that is, patterns of scholarly importation in the framework of a whole series of East–West cultural

[11] The authors of the other case studies draw similar conclusions. According to Tjaša Živko, in "Slovenian economic reviews, we were able to identify only one economist who deals with NIE" ("Transfer and Reception of New Institutional Economics in Slovenia," DIOSCURI case study, 2007). While presenting a much more vivid interest in new institutional ideas in Serbia, Aleksandra Jovanović and Aleksandar Stevanović complain about "second best solutions" in the reception of NIE in their country ("Transfer and Reception of New Institutional Economics in Serbia," DIOSCURI case study, 2007).

encounters described by the case studies, would have been regarded as predictions of excessive pessimism one or two decades ago.

In fact, our research team launched the project presuming that NIE must have enchanted the economists throughout the region because it offered a paradigm they badly needed, could respect, understand, and believe in,[12] not to speak of the fact that the scholarly supply was well-marketed. A special advantage of the subdiscipline is, says Avramov, that it may serve as a "proxy theory" that can substitute other theories, fill "presumed gaps left by 'conventional' economic thinking"; thus, it can please even specialists of diametrically opposing persuasions. Although NIE was packaged in radical/dogmatic libertarian rhetoric from time to time, it promised the local experts a large degree of elasticity: a balanced view of government *and* market failures, a historical approach to the evolution of institutions, multidisciplinary analysis, and so on, that is, scholarly cultures these experts were socialized in. They could expect that at last they would put in precise (yet spectacular) scholarly terms what they had only speculated about earlier, and trust in the long-desired possibility of measuring the variables as well as testing the conclusions.

The encounters by local economists with new institutional theories (and theorists) in the West began in Hungary, Poland, and Yugoslavia in the 1980s or even a little earlier. Initially, the demand was instinctive, sporadic, accidental, and issue-dependent. Typically, the Eastern European economist was searching for a solution of a given problem (for example, simulating private property in Hungary, comparing economic systems in Poland, and reshaping the federation in Yugoslavia): browsed through a few chapters of Western literature; and was enchanted by the discourse of the then emerging school. At that time Armen Alchian, Harold Demsetz, and Mancur Olson were among the most cited thinkers. They were accompanied by scholars like Herbert Simon, Harvey Leibenstein, and even Albert Hirschman who are seldom regarded as "founding fathers" of NIE today. Their arguments could be followed easily by means of mathematical skills honed in the study of the economics of planning and self-management.

[12] Franičević speaks of "ready-made 'heuristics' or 'ideologies' in the Northian sense" as well as of a "shared understanding of the theory's importance for the choice of research issues, their framing, and the emergence of a shared policy focus."

Indeed, NIE's sporadic infiltration[13] grew into a regular marketing campaign and a simultaneous buying boom in the late 1980s and the early 1990s. The campaign was operated mainly by North American universities, think tanks, and foundations (George Mason, Texas, Atlas, Fraser, Liberty Fund, Bradley, and so on) in all countries of the region, mediated by joint research projects, seminars, conferences, university courses, summer schools, translation programs, and the like.[14] Its impact was reinforced by the first Nobel Prizes given to some of the representatives of new institutional thought (Buchanan, Coase, North, Fogel).[15] The overall climate of reception became especially favorable when the World Bank, the European Bank for Reconstruction and Development (EBRD) and some other international organizations and NGOs replaced their Washington Consensus-style policies with the one using the "institutions/cultures matter" rhetoric.

The institutions-centered message from the West was considerably strengthened by the EU accession of a series of ex-communist states, that is, by the very program of a comprehensive transfer of institutions as well as by the contents of the *acquis communautaire* expressing a quintessence of European capitalism. Consequently, in the Eastern Europe of the mid-1990s, you could join the NIE universum with a middle-of-the-road social-democratic commitment, and you did not

[13] The case studies suggest that the early reception of new institutional thought was contingent on particular events such as the publication of a volume on law and economics in Hungary, a fellowship received by Leszek Balcerowicz in Germany, or a visit paid to Belgrade by Svetozar Pejovich.

[14] A Hungarian scholar remembers: "In the fourth year at the university, some 'wild liberals' from the George Mason University, I mean, neo-Austrians, came to Budapest and invited those whom they thought would become the new leaders of the country to the West Coast where we ate a lot, admired America, and attended lectures. It was clear that they're obsessed but they didn't expect us to agree with them. They ranged from anarcho-liberalism, through the idea of free banking to the classical liberals, and distributed books free of charge. They were mobilizing Svetozar Pejovich because he had an Eastern European appeal. This I liked very much. At that time, I was a hard-headed liberal but, as time passed, my opinion has gotten much softer."

[15] With the exception of a few ex-Yugoslav (one Bulgarian and one Hungarian) scholars, the local experts were not taught by a prominent Western representative of NIE. As a rule, they met second-rate members of the school (for example, in the framework of training programs), and encountered the top scholars at international conferences or guest lectures delivered by them in the region. Douglass North was among the few "frequent-flyers" to Eastern Europe.

have to quit it even if you cherished arch-libertarian views. NIE is a tolerant discipline, note some of the authors.

A small scientific revolution was in the making—a change that was not forced upon the "natives" of the region. If new institutionalist ideas have begun to colonize them, then that was rather a sort of self-colonization. The local economists were prepared to leave the first stage of reception, that is, writing review articles and organizing introductory seminars, for launching their first real research projects to adapt and test foreign models of privatization, anti-trust regulation, corruption, and the like. Our case studies contend that NIE got stuck in this introductory phase in many respects; in other words, the *rite de passage* was interrupted or slowed down considerably. New institutional ideas have not become part of the "spiritual capital"[16] of Eastern European economists' epistemic community.

Today, with the exception of a few tiny islands of NIE (such as the Department of Law and Economics at the Law Faculty of the Belgrade University or the Institute for Market Economics in Sofia), one sees a few lonely scholars scattered over the region without any regularity. More exactly, there *is* a rule: no country shows extraordinary achievements in developing new institutional economics, no matter if the local economists encountered the West earlier or later. Apparently, stagnation has an egalitarian nature. As years go by, the inhabitants of the islands are happy if they survive somehow. They cannot hope for strongly affecting their own research environment soon. The typical NIE specialist in Eastern Europe continues to popularize his/her favorite authors and models, writes in domestic journals, and in the best case, applies already existing (Western) knowledge. (As a Romanian respondent complains, "we are the measurement guys at the end of the chain.") None of the case studies reports on an article published by a local expert of new institutionalism in a foreign journal of high reputation.[17] University courses of new institutionalism do not offer a comprehensive picture of the school; instead they focus on a narrow selection of "famous" authors. In most countries, just a few classic volumes written by leading theorists of new institutionalism were translated. Renowned institutions such as the CERGE in Prague or the Institute of Economics in Budapest can easily afford to operate without any permanent contribution by NIE scholars.

[16] Cf.: Kovács (2010).

[17] A notable exception is a group of Russian scholars at the Higher School of Economics and the Russian School of Economics in Moscow. Among them Sergei Guriev, Viktor Polterovich, Vadim Radaev, Konstantin Sonin, Ekaterina Zhuravskaia, and others have been publishing in journals such as *Econometrica*, *Journal of Economic Perspectives*, *American Economic Review*, *Quarterly Journal of Economics*, and so on.

Second surprise

My next surprise stems from the fact that in Eastern Europe (just like in the West) new institutionalism does not compete with the old one but rather with the neoclassical paradigm. In other words, NIE has no noteworthy rival inside institutionalism as well as no strong ally outside. As mentioned above, American-type old institutional thought (ranging from Thorstein Veblen through John Commons and Wesley Mitchell all the way down to John Galbraith, or even to Geoffrey Hodgson) has never been popular in the region. As a contrast, the German/Austrian tradition did influence the economists in East-Central Europe (less in Serbia and Bulgaria) before and even under communism, no matter how ambivalent that tradition may be.[18] Today, however, ORDO liberalism appears condensed in three sentences on *Soziale Marktwirtschaft*, above all in party programs. One finds in most countries Hayek societies, clubs, and institutes but they are noisy rather than strong in scholarly production.[19] The marginal role played by the libertarian wing of old institutionalism is evidenced by the example of neo-Austrian economists in Romania who, believe it or not, flirt with the Orthodox religion. (This is not exactly what one has in mind when one recalls "Hayekian orthodoxy" in the history of economic thought.)

[18] As the Romanian example suggests, old institutionalism does not necessarily have to originate in ORDO. It may borrow from other types of interwar theories such as "economic structuralism" that was conserved in the works of Mihail Manoilescu and instrumentalized by the national communists in the 1970s and 1980s.

[19] Let me refer again to the unease I still feel reading, more than twenty years after 1989, about the "triumph of neoliberalism" in Eastern Europe. Cf.: Bockmann and Eyal (2002); Aligică and Evans (2009); Kovács (1991, 1992, 1998).

Why do I speak of a rivalry between NIE and mainstream neoclassical theory?[20] Why is the latter reluctant to identify itself with new institutional thought in Eastern Europe? (More exactly, why is it perhaps more reluctant to do so here than in the West?) Mainstream scholars in both the West and the East contend that they have already identified themselves with NIE by incorporating many of its discoveries into the main body of neoclassical thought or its applied subdisciplines.[21] In Eastern Europe they also claim that there are no significant scientific results produced by new institutional economists on both communism and post-communism to incorporate. Finally, they tend to discover some dark spots in the local genealogy of NIE after 1989. Providing easy refuge for former textbook Marxists and reform economists to survive,[22] and offering a good pretext to avoid renewing their research techniques constitute two main reasons for suspicion. (As one of my interviewees, a neoclassical expert, exclaimed, "when will 'these' learn at last to set up an equation?")

Third surprise

Our case studies suggest that, today, virtually any paradigm can couple with any other in Eastern European economic sciences. That was the third—probably most shocking—surprise to me in this project. Of course, as an alumnus, I am extremely frustrated by the story of the former Karl Marx University of Economics (today, Corvinus University), which demonstrated, in the first years of the twenty-first century, a strange coalition of thoughts (and interests) among a very old professor of the history of economic thought, an old expert of verbal-style international economics, a former party apparatchik in the Central Committee (currently, he is professor of public choice), and a young specialist of micro-economics who has strong Marxist/anti-globalist views; a coalition cemented in an opposition to teaching modern

[20] Ironically, both parties have less to fear from each other than from the recurring indifference toward economic theory in Eastern Europe, and from what is called the "business-schoolization" of higher education in economics.

[21] In Croatia, says Franičević, young economists prefer to regard themselves as representatives of "modern economics" to circumvent strict disciplinary limitations. I am afraid that the same applies to their Hungarian colleagues.

[22] "North was also a Marxist in his youth, wasn't he?" asked one of my Hungarian interview partners.

neoclassical theories.[23] Unfortunately, this is by no means an exotic example, like the above-mentioned oxymoron of "Hayekian orthodoxy" in Romania. Another Romanian invention, namely, combining the German historical school, structuralism, nationalism, old-style development theory, and new institutionalism, also gives birth to an interesting scientific creature. Concepts come and go, and the rate of fluctuation of the attitudes of their representatives is rather high. One of the Croatian respondents calls himself a "survivalist," another one an "eclectic by default." A Bulgarian interview partner says: "There is no inconvenience in declaring oneself a follower of one, and later of another theory. The wise man keeps under control the instruments and the concepts he utilizes."

What is the reason for these "postmodern" conditions? Did Western supply diminish? Did the wheels of the mediation mechanism start squeaking? Or did local demand ebb? I think all these factors were instrumental in the slowdown of reception. Obviously, the potential supply of NIE theories did not decline (just the opposite was the case) but the attraction stemming from the novelty of exchange of ideas definitely decreased. On the supply side, the scholarly interest shrank owing to a Western-style consolidation of economic research and education in Eastern Europe, which nonetheless did not result in breathtaking scientific discoveries. The "missionary" stage of exporting new institutional ideas to the "savages" was continued by a tedious process of piecemeal construction and legitimation of the subdiscipline at the turn of the century. The Western think tanks, foundations, and specialists began to withdraw from the region, leaving the "converts" behind. Some of the latter had to prove how one does empirical research in NIE without experiencing substantial institutional change—a potential *contradictio in adjecto* in countries of sluggish transformation.

On the demand side, new institutionalism did not lure neoclassical scholars out of their world of more abstract model building. They were on an exciting learning curve, exploring the secrets of the "Grand Theory" with its booming applications that, as mentioned before, have

[23] See Balázs Váradi, "Karl Marx Learns Microeconomics" (DIOSCURI case study, 2007). The dire straits of teaching economic theory at the university led to the establishment of Eltecon, a new department of economics at the Eötvös University (ELTE), Budapest, which in its curriculum strives to combine the neoclassical paradigm with old and new institutional thought.

already included a number of NIE-type solutions. "If I use nice rhetorical twists like 'path dependency,' do I learn anything tangible about the economy; will I be able to make better predictions?" asked one of my interview partners, a macro-economist by profession. Furthermore, what was an advantage in the eyes of the institutionalist experts, namely, the closeness of NIE to the politics of transformation, appeared to the mainstreamers as a disadvantage. Witnessing how often the post-communist governments were improvising large-scale institutional change using primarily *old* institutionalist rhetoric did not help convince the neoclassical specialists to join forces. In the Czech Republic, for instance, the voucher privatization scheme based on allegedly Austrian evolutionary principles triggered sarcastic remarks from our respondents in the mainstream camp. Also, today they think twice before joining the "ghetto" of new institutionalism after having been released from their own, euphemistically called "mathematical economics" prior to 1989. Apparently, low-quality institutionalism is a weak challenge for the local mainstreamers to change their mind. "Why should I love the Eastern European clone," asked the same Hungarian respondent, "if my American colleagues are not delighted with the Western original of a certainly higher quality?"

A reason for optimism?

That has been the pessimistic story. Is there an optimistic one as well? Most case study authors contend there may be one. Their skepticism with regard to the past is combined with the implicit assumption that in Eastern Europe new institutional economics is in a state of silent accumulation; it is like a subterranean river that may burst out in the near future.[24] They refer to NIE specialists (predominantly young ones) who have made huge efforts to have the standard works of the school published and to launch university courses that may result in a number of new experts and promising publications with some delay. They also call the readers' attention to other social sciences such as sociology (Bulgaria, Hungary, Poland), law (Hungary, Serbia), political science (Croatia), psychology and history, which often apply new institutional concepts in their borderlands with economics. Frequently,

[24] A "sinuous path," to use Avramov's phrase, may have an upward thrust in the years to come.

new institutional arguments are used in scientific debates without referring to their original sources. In other words, the case studies speak of an invisible proliferation of NIE in the academia and beyond without calling it so. Public policy and corporate governance are highlighted in particular as fertile grounds for the diffusion of the philosophy of the school and for the mushrooming of NIE models ranging, for instance, from deregulation of public healthcare to devising the incentives of an "intrapreneurship" scheme. What did not work well in academia might do so in everyday economic life. Of course, the results vary: while new institutionalist concepts were successful in the pension reform, says Kochanowicz, they did not fare well in reshaping healthcare in Poland thus far. The Croatian case study reports on the success story of public finance.

Last but not least, a new push from the West may facilitate its reception as well. Those who put their faith in a fresh start could not have imagined a better chance than a Nobel Prize given to Elinor Ostrom and Oliver Williamson for research on economic governance, a most vital theme in Eastern European economics today.

A Hungarian *Sonderweg?*

To avoid misunderstanding upfront, I would not consider the evolution of new institutional economics in my country unique. NIE is characterized by similar ambiguities and failed expectations in Hungary as in other countries of the region. A few specific traits seem, however, worth noting. Let me proceed briefly about the above-mentioned three surprises.[25]

As regards the expected Western breakthrough in institutional economics after 1989, Hungary has also belonged to the "laggards" thus far. NIE did not invade the local research community; at the same time, ORDO did not disappear entirely. The latter is cultivated at small, conservative—Christian-oriented, including German-language—universities, typically with no emphasis on Schumpeter and Hayek. In addition, a sizeable group of former reform economists still cherish the idea of the social market (some of them had borrowed the concept from the disciples of Paul Hensel's Marburg School back in the 1970s and

[25] Below I will rely on my case study "Missing the Chance? On the Reception of New Institutional Economics in Hungary" (DIOSCURI case study, 2007). Just a few names will be mentioned. For part of the references, see: Kovács (2002)

1980s). The political parties in Hungary, no matter if they preach conservative, liberal, or socialist values, have retained a diluted version of the Freiburg ideas in their programmatic documents since 1989. Sometimes they paint them green a little by using the term "eco-social" or, on the right wing, squeeze them into the concept of "national market economy" (or even "national and social market economy" or "eco-social national economy"). A clear consequence of the long accession to the EU, it reinforced, at least on a rhetorical level, the "socialness" of the market concept right before it began to wane in the region due to global pressures.

To be sure, the "Austrian extension" of ORDO did not entice even the liberals in my country. A faithful free-market rhetoric resembling that of Václav Klaus or Leszek Balcerowicz has never been popular among Hungarian economists. Prior to 1989, the reformers spoke their deliberately non-ideological language with a slight social-liberal accent and marginalized the only anarcho-liberal thinker among them, Tibor Liska. Also, a less pragmatic source, the Karl Polanyi legacy of doubting the virtues of the "self-regulating market," was robust in economic sociology and has proven such until now. That doubt is a recurrent motive in Iván Szelényi's studies of the new capitalisms in the region (he coined the term "comparative critical institutionalism") as well as in Béla Greskovits' political economy writings. Although the American sociologist and Hungarian expert David Stark imported a few helpful evolutionary ideas, these lacked formalization as required by NIE. The roots are deep: to quote an older interview partner of mine, "until the 1980s, my only encounter with a Western economist was Galbraith when he visited the Hungarian Academy of Sciences, and made funny remarks there. What he said about institutions was more important than his analytic thoughts."

Traditional Austrian economics had first been applied in the critique of Marx in the "Lukacs Kindergarten" at the turn of the 1960s and 1970s. Following a more than a decade-long break, it enchanted only a few young experts at the end of the 1980s. Neo-Austrians have been basically unknown in Hungary until today. Hayek was easily defeated before he could have won by both the need for social engineering in the first phases of the post-communist transformation and the rapid inflow of neoclassical economics, in the mirror of which his ideas seemed ideological, imprecise, and dysfunctional to many. Apart from a former finance minister, Lajos Bokros, there are only a handful of

scholars who subscribe to quasi-libertarian views in economic science from time to time. Their younger colleagues of similar persuasion (such as those in the "Free-Rider Society") are standard neoclassical researchers and/or new institutionalists—a much bigger group due to the growing popularity of the mainstream.

In the prevailing spirit of pluralism and pragmatism inherited from the local (self-conscious or self-conceited?) version of market socialism, it was not only the neoliberal doctrines that proved unable to fascinate the institutional economists in Hungary but also any strong attempt at formalization. Outside of "mathematical economics" and its successor, neoclassical theory, speculative institutionalism has remained the main genre of economic research although speculation became less and less tantamount to analytic imprecision, shaky realism, and normative thinking imprinted in reformist thought under communism. Verbal methods, that is, a descriptive rather than analytic approach, conceptualization rather than measurement, case study writing rather than model building, historical arguments, thinking in terms of Big Systems and Grand Designs, and so on still dominate the *oeuvre* of the institutionalist research community. The intellectual path of its members leads, simply put, from (Eastern) speculative to (Western) old institutionalism and leaves open the opportunity of switching from old to new institutional economics. Probably, the best example of missed chances was offered by studies of the informal economy, an extremely progressive field of economic research under communism in Hungary, which, despite its large resonance with NIE, stuck with the old-institutional research program with most scholars.

The protracted and messy "return to the West" (more exactly, to one of the Western traditions) cannot be understood properly if one disregards another Hungarian specific, the immense authority of the role model of the economists' older generations, János Kornai. For a long time, he distanced himself from reform-making, superseded most of his colleagues in systematic description and formal analysis, and was keen on evolutionary change, yet failed to open up to accept Western institutionalist paradigms. This only happened rather late, in the early 1990s, and even then Kornai moved ahead in his own proverbially cautious manner. He borrowed from both ORDO (for example, comparative economic systems) and NIE (for example, social trust), less instinctively than before, but nonetheless avoided subscribing to any of them wholeheartedly. What is more, at a certain point, he started mocking the Eastern European "vulgar Coaseists." Probably, with the exception of his favorite concept, the soft budget constraint, he continued to apply verbal/historical schemes and work with holistic notions (for example, the "system paradigm") instead of testing established NIE models or inventing new ones in the world of post-communist transformation. As the first motto of this paper shows, he thinks this to be a mere linguistic problem. Kornai's long-time doubts about general equilibrium theory as well as his strong fear from emulation or simulation ("aping the West") still prevent him from devoting himself to neoclassical research, and consequently, from joining the NIE epistemic community. To be sure, mathematics has not been a barrier to entry in his case.

Despite the above mentioned obstacles, the debut of new institutional economics in the Hungary of the 1980s was fairly promising. Individual essays or volumes by Anthony Downs, Ronald Coase, Albert Hirschman, Mancur Olson, Herbert Simon, and George Stigler were already translated into Hungarian. A majority of the leading journals of modern institutional thought were available in the Budapest libraries. Thus, a good part of the early property rights and transaction cost theories (Alchian, Coase, Demsetz, Pejovich, Williamson, et al.) were known among some liberal-minded scholars (including radical reformers). As early as 1990, Péter Galasi and Gábor Kertesi published a pioneering model of corruption in the public sector, which was based on the Jensen-Meckling model. In the Rajk College of Advanced Studies of the Karl Marx University students and young professors jumped into studying a large variety of NIE-related issues, including then unorthodox ones (for example, social networks, capital, and trust). Many of them were enrolled later at Western universities. A Yale alumnus remembers: "I learned economic history, the American version, Fogel and others, with econometric hypotheses and a counter-factual approach —I was totally enchanted by it."

During the early 1990s, a translator and editor of a number of Western institutionalists, László Csontos, who had given a series of formal and informal seminars in Budapest over the 1980s, returned from Connecticut where he worked together with Richard Langlois and started teaching at the Central European University (CEU). With the help of his rational-choice-based (methodology-prone) institutionalism, he not only multiplied the number of adherents to new-institutional fields of economics through teaching and research projects but

also represented a multidisciplinary approach to NIE, thereby mobilizing sociologists and political scientists, too. In a number of review articles, János Vincze popularized the then cutting-edge achievements of the economics of information and evolutionary economics. New translations were published (Buchanan, Pejovich, Elster, et al.) and those interested in the new results of new institutionalism started contacting the leading Western scholars in the framework of study trips, workshops, and the like. By 1996 or 1997 the first review article on the reception of NIE in Hungary was published by László Szakadát.

Yet, the "triumphal march" ended shortly thereafter (partly due to the premature death of Csontos), and the Hungarian story of reception became at least as vague and fuzzy as in the other countries. Besides the younger adherents, the subdiscipline was frequented by opportunists who blurred the boundaries of NIE with textbook Marxism, transformation studies, and old-style Comparative Economic Systems. They also preserved crucial teaching positions at the largest universities (while the CEU did not become a real counter-power in this field), determined the editorial policy of the main economics journal, *Közgazdasági Szemle*, and occupied the Hungarian section of the relevant international associations of new institutionalists. (*Nota bene*: NIE's liberal interpretation can also be challenged from the other side of the political spectrum: during the past decade, young experts have already appeared among the national-conservatives, experts with firm neoclassical background, some of them well-versed in new institutionalism.)

Many of the young and middle-aged institutional-oriented talents turned (back) to "clean" neoclassical research and/or preferred applied varieties of NIE (above all, in labor economics, industrial organization, and public policy) to the abstract. Alternatively, they left the country, thereby weakening the process of the subdiscipline's self-organization and legitimation in Hungary. Its low prestige is also evidenced by the fact that, apart from a volume of essays in economic sociology (Zoltán Szántó), no synthetic work interpreting new institutional thought has been published yet. The translated volumes, however, did not cease to appear (North, Acemoglu, Rabin, et al.), not to speak of a new genre, the institutionalist textbook (Cooter-Ulen, Cullis-Jones, D.B. Johnson, Milgrom-Roberts, and Stiglitz) or the neoclassical textbook with significant NIE chapters (Hirschleifer and Williamson). That genre reflects the spread of path-breaking university courses all over the country in new political economy, law and economics, behavioral economics, new economic history, economics of development, and so on. This vibrant innovation in higher education (or on its margins) over the last decade, perhaps another Hungarian specific, has not reached the economic journals yet. During the past fifteen years, for instance, *Közgazdasági Szemle* has not published a single article by a Hungarian author who would have suggested an authentic model/concept in new institutional economics or tested existing ones on local data. Undoubtedly, this demonstrates the relative poverty of institutionalist research in the country but is also a clear sign of the editorial strategy of a journal that otherwise carries a great number of superficial papers discrediting or misinterpreting various branches of NIE. All in all, the scholarly interest has not vanished, the attraction of the fresh NIE theories seems fairly high, and the nascent capitalist regimes in Hungary lend themselves to institutional analysis no less than post-communist transformation did. Hence, one cannot exclude a new upsurge in the reception and creative application of new institutionalist ideas in the near future. What is today lurking in the background in the form of reading the literature and making applied research projects may come to the fore and undergo a synthesis tomorrow.

"Irregularities" of Cultural Encounters

The East–West encounters[26] in new institutional economics display a great number of peculiar traits, that is, irregularities as compared to a simplistic scheme describing an exchange between two actors of different cultural assets and power positions or of a linear sequence leading to a final cultural compromise dominated by the stronger partner.

1. By and large, the place of encounters has become indifferent by now: the individual countries and subregions do not diverge in

[26] Like in the two other fields of our project, the concepts of "East" and "West" had to be nuanced. Today, many Western professors, co-authors, and project partners can also be encountered in the capitals of Eastern Europe (for example, as an employee of CASE in Warsaw or CEU in Budapest). To complicate the issue, a Western professor can actually be a repatriate or an Easterner who was educated in the West. There he/she may have been taught by an Easterner or vice versa. Moreover, the professor may be a Pole teaching a Czech student at a Moscow University. An example from our field: as Avramov reports, a Russian NIE textbook was also used at Sofia University.

terms of the exchange of ideas concerned.[27] Nevertheless, if they do, South-Eastern Europe does not lag behind East-Central Europe (for example, Serbia and Croatia demonstrate a faster and deeper reception of NIE than the Czech Republic and Poland).[28]

2. Time seems to affect the encounters primarily through the age of local actors, especially due to the fact that the adjustment process took new dimensions in 1989, and the new generations of economists have been socialized in Western-like (or Western) education and research institutions.
3. As for the time structure of encounters, the period of high-intensity (although rather superficial) exchange is followed by stagnation with a hope for a new upswing. The strength of the first push has evaporated and the outcome of the stagnation (silent accumulation?) is uncertain at the moment.
4. In many cases, cultural adjustment is a one-way street leading from the West to the East (it rests on imitation and recombination rather than local invention) but it has its own limits. In addition, at its Eastern end, the actors hardly learn from each other across the country lines.
5. The encounters are basically geared from the West by "remote control" (that is, the Western partner is present in his/her thoughts rather than physical self). Actually, this is a rather weak kind of instruction challenged by powerful local pressure in- and outside the academia. In addition, one sort of Western influence can be impeded by another one: The neoclassical mainstream both helps and hinders the reception of new institutional economics.

[27] In a sense, the place of encounters did not matter much in scientific encounters even before the age of the Internet because it often sufficed to read an article or a book to bring cultural adjustment in motion. Nevertheless, during the 1960s, 1970s, and 1980s, the opportunities of taking part in study trips, conferences, guest-professorships, and so on in the West were not evenly distributed among the countries of the region—an inequality favoring Hungary, Poland, and Yugoslavia.

[28] Interestingly enough, the distribution of the Western places mentioned in the interviews show a peculiar balance between Europe and America. In contrast to my expectations, neither a special attraction by German scholarship (for example, Freiburg or Marburg) nor the dominance of some NIE strongholds (George Mason University, University of Texas, Washington University, St. Louis, and so on) are noticeable.

6. Both open resistance and dedicated emulation are rare; at the same time, eclectic and simulated adaptation is fairly frequent.
7. For the time being, the emerging compromise in institutionalist thought seems to be closer to the Eastern European point of departure, resulting in a kind of "updated"/"remixed" old institutionalism. Yet, supported by the takeover of the neoclassical paradigm (a takeover characterized by overt emulation), the local NIE hybrids may "go West" in the future.
8. The chance for a smooth evolution toward new institutionalism has not been exploited. The old epistemic community began to disintegrate but remained strong enough to prevent the consolidation of a new one. Its strategy was involuntarily assisted by the fading interest of NIE's Western core in Eastern Europe, and as a consequence, in the development of ideas in the region, and by the suspicion felt by the potential local ally, the new mainstream devotees toward institutionalism *per se*.

On the outcomes of Encounters: Detecting Cultural Hybrids

For the time being, the case studies are far from offering a clear-cut typology of the emerging cultural compromises. The following preliminary types rest as much on thought experiments as on the analysis of the cases. It, however, seems certain that one cannot expect to arrive at an extremely asymmetric dual scheme, on the one side of which we would see a few dedicated NIE specialists, while on the other, a vast number of economists of neutral or even hostile persuasions. I hope the following metaphoric designations will contribute to constructing a more sophisticated typology featuring quite a few mixed cases (the list displays no ranking order):

Refuge seekers: They "escape into" NIE from textbook Marxism, moderate reformism, and Comparative Economic Systems as half-converts ("we've always been institutionalists *in a sense*" as an interviewee put it); resist the neoclassical theory by accusing it of formalism, excessive trust in rational choice, and of legitimizing neoliberal policies (shock therapy being the main culprit); are convinced that the mainstream invaded the region not in its "high culture" version but as a mass commodity on the level of third-rate American universities; are not familiar with its mathematical methods; interpret and distort rather than develop institutionalist thought by original research; use NIE in its diluted (quasi-liberal) form as a cover discourse to prove innovative spirit and survive in the academia; and as a group have become rather small by now.

Intransigent verbalists: Arriving from the camp of radical reformers (self-management theorists), they improve the research program of speculative institutionalism; borrow some of the core concepts of NIE (or the shells of these concepts) for the sake of a more precise description and explanation; have reservations about the neoclassical paradigm; may understand the mathematical gist of its models but do not engage in building them: their choice is to be explained by intellectual inertia and taste rather than a principled hostility toward NIE; still constitute the majority of the institutionalist research community in Eastern Europe; while the refuge seekers simulate adjustment, the verbalists may resist adaptation openly.

ORDO rearguard: A tiny blend of ex-reformers, Christian Socialists, and Hayekians; this group consists of (a) former reform economists who continue to trust in the pragmatic concept of *Soziale Marktwirtschaft* but resist ORDO's libertarian interpretation; (b) scholars who subscribe to the Christian-Socialist variety of the school; (c) evolutionary economists who embark upon a Hayekian extension of ORDO; with the exception of the latter, they neither overlap with NIE, nor acknowledge its methodological virtues.

Indifferent mainstreamers: A large group of neoclassical economists, emerging as a research community in the 1990s, overwhelmingly young and middle-aged experts (with their mentors coming from the "mathematics of planning"), who are immersed in (teaching) their own discipline; are happy to swim in the mainstream; watch NIE as a "little brother" with some condescension or disinterest/ignorance, not to mention the suspicion of logical impurity due to the closeness of the new institutionalist research programs to the real world and to other—shaky—institutionalist traditions; they are not institutionalist thinkers at the moment but may become such in the future.

Pragmatists (practical institutionalists): They are also neoclassical experts, ready to experiment with NIE concepts without scruples: their number is growing in government and business organizations (in particular, in the analytical departments of these); applying existing models is their main contribution but some of the experiments may well result in scientific discoveries later.

Neophytes: A name given both by old institutionalists and neoclassical theorists to a small group of dedicated followers of new institutional economics: the neophytes do not rebel against the "imperialism of the mainstream" but would feel uneasy if they had to work with models of very high abstraction: the task of establishing and protecting the local identity of the NIE school may take away energy from the renewal of the subdiscipline in scientific terms.

Transdisciplinary supporters/challengers: As institutionalist research is no privilege of the economists, and as the post-communist transformation inspires political scientists, economic sociologists, economic historians (development theorists), as well as experts of law and economics and behavioral sciences to take part in the discussion on privatization, liberalization, and so on, several NIE concepts such as contracts, networks, hierarchies, or social capital have also appeared on the scene of interdisciplinary research. As regards methodology, these "outsiders" tend to prefer verbal to formal analysis.

Potential synthesizers: This is a small group of middle-aged economists who, prior to 1989, missed logical precision and empirical depth in the research programs of the reformers, and found many of their institutionalist concepts parochial, speculative, and politically ambiguous. In learning the neoclassical paradigm in their thirties, they did not cease to be interested in the institutional aspects of the post-communist transformation, and did not lose their ability to make verbal analysis in a multidisciplinary context either. Their neoclassical-style research projects are not devoid of NIE concepts but whether or not these concepts will find a privileged place in their scientific work is yet to be seen. The outcome may be contingent on their alliance with the "indifferent mainstreamers" and the "pragmatists."

Western "free riders": They are not Eastern Europeans by birth or employment but an integral part of the East–West encounters: these institutionalists are doing what the local economists were supposed to do in the prevailing Western imagery: Combining Western theories with Eastern European experience; The metaphor is perhaps too provocative; I think of those neoclassical or new institutional scholars in the West who fill the market niche emerging as a result of the imperfections of the work of the local NIE specialists. Rather often, the division of labor is traditional: To put it simply, the Westerners bring theoretical skills and bargaining power in the academic market while their Eastern European colleagues deliver data, local knowledge, and "exoticism" needed to justify the research project: Is this free riding or an equal exchange of cultural goods?

* * *

The usual caveat applies: if filled up with names, the above typology would become more nuanced, yielding a few additional types, including mixed ones. This would be all the more so if we applied any of the "muddling-through," "improvisation," or "bricolage" hypotheses, widespread in cultural theory, to the reception of new institutional economics in the region. Also, as alluded on the introductory pages of this paper, one can be persuaded to abandon any attempt at classification, reflecting a pessimistic view of the current state of economic sciences in Eastern Europe. Accordingly, the economic profession is confronted with a situation, in which practically any theory can melt into another without special difficulty.

Has that become the new basic instinct of the economists in the region?

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Epilogue
Defining the indefinable: East–West Cultural Encounters

János Mátyás Kovács and Violetta Zentai

> *Czechs have a German approach, which is: Tell me where to go and how, and I will go there. However, what is expected is that one will begin to search for solutions.*
>
> —An Italian bank manager

> *An Italian manager means chaos... mafia... a monstrous mess. Strategy and vision are missing. Then there is a fuck-up.*
>
> —A Czech bank employee

It was not only the *dramatis personae* of our case studies but also we, the researchers, who went through a number of surprising cultural encounters when bridging the gaps between our original expectations and the final outcomes of the project.[1] The chapters of this volume speak for themselves. Now it is the editors' turn to try their abilities of introspection.

In sum, DIOSCURI put forward four main assumptions:

(1) East–West hybridization instead of presuming Western-led colonization (or Eastern self-colonization) as a typical outcome of cultural encounters.

(2) Similarity between the individual countries/subregions of Eastern Europe in terms of post-communist cultural change in the economy instead of postulating a civilizational divide between East-Central and South-Eastern Europe.

(3) Importance of the composite nature of the protagonists of post-communist capitalism, and of the proto-capitalist potential of *Homo Sovieticus* instead of defining the concept of the "Soviet type of man" in the light of a totalitarian theory of communism.

[1] This transpires from the comparison of what comes below with some of the earlier publications of the editors. See, for example, Kovács (2002, 2006a, 2006b, 2007); Zentai and Szabó (2011); Zentai and Krizsán (2005).