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ACTIVE SOCIETY IN A NETWORKED WORLD
CULTURAL POLITICAL ECONOMY OF GRAND
STRATEGIES

MANUSCRIPT

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Introduction

The subject of this book are complex and controversial issues of implementation of the EU grand strategies, with a particular interest in developmental success of the newest members of the European Union, the former post-socialist societies. Many post-socialist countries became members of the European Union in a “big bang” enlargement a decade and a half ago, with the second smaller enlargements following in 2007 and 2013. They joined after lengthy negotiations and upon meeting a set of criteria with respect to their economic, political and administrative performance. Furthermore, it was assumed that membership in the EU will further reduce the gap between its old and new members, not least due to a joint strategic approach, embodied in the grand strategies of the European Union, the Lisbon Strategy (2000-2010) and Europe 2020 (2011-2020). However, this may have been an overly ambitious expectation, both towards the EU grand strategies, as well as towards the new Member States.

The European Union implementation deficit has become proverbial and the Lisbon Strategy itself is widely perceived as a failure, a phenomenon being the subject of intense interest by both researchers and policy-makers (Makarovič et al 2014; Haverland and Romeijn 2007; Borghetto and Franchino 2010; Tomšić and Vehovar 2012). While the impact of Europe 2020 is yet to be researched in greater detail, some work already exists (Stec and Grzebyk, 2018; Makarovič et al, 2014). A research based on the Cultural Political Economy approach, based on evolutionary mechanisms of variation, selection and retention of dominant discourses (Jessop 2004; Jessop 2010; Jessop and Oosterlynck 2008), as well as on mechanisms of selectivities (Ngai-Ling and Jessop 2014) has concluded that if the EU is to successfully meet its developmental challenges, it is vital to develop more efficient mechanisms of retention of selected discourses (Makarovič 2014: 624).

However, there still exist many political, cultural, social, economic and other differences between the so called old and new democracies, stemming from their different socio-political heritage. One such trend that illustrates these persisting differences is hollowing and backsliding of democracy in East Central Europe. Greskovits (2015) defines 'hollowing' as declining popular involvement in democracy, and 'backsliding' as destabilization and reverting to semi-authoritarian practices, noticing that "the region's pure neoliberal capitalist regimes are likelier to undermine popular political participation than those, which try to balance marketization with relatively generous social protection for its losers" (Greskovits, 2015 : 28). As more specifically explained by Berand and Bugarić (2015 : 770) "in political terms, democratic consolidation is still far from complete. Instead, new forms of 'illiberal democracy' which are emerging reveal the vulnerability of 'consolidated democracies' such as Hungary or Slovenia to 'democratic regression.'"

Given these trends, the central focus of our research interest is the study of possibilities and limitations of strategic steering of the economic development in the context of comprehensive social development, such as the Europe 2020 intention of achieving "smart, inclusive and sustainable growth". This grand strategy is effectively the strategy of all EU Member States and their regions, through the smart specialisation mechanism (Foray, 2015). However, is this really the case?

Development of post-socialist countries, their successful and less successful aspects, are well documented. Already in the mid-1990s, Klaus Nielsen, Bob Jessop and Jerzy Hausner stated that in the light of so many emerging publications about this problems every author should have a very good reason for additional enlargement of the already expansive corpus of literature (Nielsen et al, 1995: 3). Above-mentioned authors substantiated their contribution by researching dialectics, structure and strategic action in the processes of post-socialist transformation. They linked the research on unique process together with some general problems of political economy and social theory. Like theirs, this study does not belong to the classical area studies (i.e. East-European studies). My excuse is in

tackling the issue of universal and continually emerging problems of strategic steering of complex societies.

Despite expansive corpus of literature, the issues are far from being exhaustively researched and numerous unsolved questions and dilemmas. First, can already existing theoretical and methodological approaches be used or at least modified for research on the development of contemporary societies? Here different authors emphasize mostly the relationship between developmental studies which have evolved by researching on Third-world countries and post-communist studies (Bunce, 1998; Karl and Scmitter, 1995; Ma, 1998; Wiarda, 2002). The question of applicability of neoclassical economic theory, which was, because of the influence of some international organizations, generously employed for the formation of recipes for the East-European transition, despite economic science being unable to construct mainstream economic theory, capable of explaining the success of transition processes, was also often raised (Bell, 2012). Can the multi-level and more democratic approach of the current EU grand strategies avoid the perils, disappointments and considerable discrepancy between expectations, raised by plans for post-socialist institutional changes and the consequences of measures, which didn't take into account specific characteristics of post-socialist societies (Nielsen et al, 1995:4; Genov, 1999: 58-61, Szelenyi 2014; Gevorkyan, 2018). Second, what is the role of purposeful action in developmental trajectories. Are they the result of strategic choice –is that choice was even possible – or does the path-dependency play the central role (Hausner et al eds, 1995; Beyer in Wielghos, 2001; Rončević and Makarovič, 2010). Third, in the specific context of Eastern Europe, there a fundamental disagreement persists about transition being a story of success or not (Poznanski, 2001; Janos, 2001; Burawoy, 2001; Berend, 2001, Shleifer and Treisman 2014; Berend and Bugarič 2015). So, as we can see, this research area still presents numerous challenges and unsolved questions. Last but not least, it should be emphasized that processes of post-socialist transition represent unique empirical evidence which enables new insights into some universal issues from social development area of research;

amongst them are the issue of developmental factors and the possibility of constructing efficacious developmental policies.

Besides the above-mentioned issues, the entrance into various supranational organizations raises some additional issues that should be attempted to be resolved. How will the entrance into the company of higher developed societies influence developmental performances of these societies? Which strategies should be used in facing these challenges? In this context the issue of genesis of systemic competitiveness (Essner et al., 1996) of post-socialist societies and possibility of its reinforcement is especially relevant.

The dilemma if social development of modern societies should be subjected to planned steering or if courses of developmental trajectories should be left to self-regulation, i.e. social evolution, is without doubt one of the most important and the most prominent dilemmas in the history of social and (at the research on economic system) economic thought. From the reflexion of this issue arises the famous remark of Adam Smith (*Wealth of Nations*, 1776): "People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices". But universality of specific developmental issues does not presuppose the universal validity of solutions to these issues. Analysis of some defined situation and measures, based on this analysis, can be completely irrelevant in different environment. Problem should be approached with the consideration of empirical level, which presupposes focusing on structural characteristics of defined social environment and on analysis of conditions that could enable or prevent specific way of steering or self-steering of social development. There is no universal solution to the above-mentioned dilemma and specific solutions work in specific societal constellations. This is the reason why attempts of transplantation of institutional arrangements into incompatible environment usually involve high costs and chronically suboptimal efficacy. An example of such policy represents the overvaluation of creative potential of chaos in the form of too fast liberalisation of economy, overhasty privatization and rash

diminishing of the role of the state (Genov, 1999) which led to too high social and economic costs.

Of course, post-socialist societies differed greatly in the rate at which the state relinquishes its role in the economy. As pointed out by Szelenyi (2014: 7) "there are many shades and phases within neo-liberalism: Poland is quite different from Hungary, the Czech Republic from Slovakia. The most unusual case of neo-liberalism is Slovenia – it followed, at least initially, a more gradualist approach, especially in terms of privatization. It opened up to international capital much slower than the other Central European countries, while state owned enterprises were downsized which led to a sharp drop in employment, many firms remained in the possession of their management and workers. Nevertheless, the similarities among the East Central European countries in terms of their transformational trajectory are more pronounced than their differences".

The key question is: is strategic steering of economic development even possible? That is to say, successful strategies of sustained¹ development have to take into account complicated relationships of co-dependency between various partial systems if they wish to reach long-term success. Long-term and lasting enhancement of economic development is only possible when there is transition to the higher developmental level, i.e. when there are simultaneous changes in various dimensions of development. Without education of work-force, improvement of infrastructure and quality of administrative institutions, long-term enlargement of economic success is not possible. Likewise, long-term performance of processes of democratization is not possible without adequate economic and social development. This was also grasped by authors of various studies of competitiveness (like *World Competitiveness Yearbook* or *The Global Competitiveness Report*) which in their estimation of competitiveness of countries include numerous dimensions.

¹ The term "sustained development" pertains to the development, based on foundations that enable long-term positive trends. Term "sustainable development" could also be used here. But sustainable development pertains to broader concept with strong ecological connotation, which is less relevant in the context of present study.

Consequently, present study is an analysis of strategic steering of economic development. However, it is not an economic study, but classic sociological analysis, focused on economic subsystem.

In research I will lean on relativistic and holistic comprehension of development. Relativism implies multidirectionality of the processes of modernization and opposes normativism, i.e. determination of “necessary” direction of social development. Normativism is one of key characteristics of older theories of social development (modernization developmental theories of Rostow or McClelland, by Marxism influenced theories like for example Frank’s underdevelopment theory, Cardoso’s dependency theory, modes of production theory) which from the 1950-ties marked the research on developmental trajectories of less developed countries (at the time these were mostly the countries of the Third World) the most. Exaggerated and unfounded normativism of such comprehension of development became clear not only at the decrease of modernization euphoria (amongst the reasons for this decrease were also numerous unplanned negative consequences of developmental programmes). In the context of the research on economic development, numerous other empirical trends might be even more important, especially the evidence of multi-linear nature of capitalist development (which expresses itself in quite numerous new, specific and usually absolutely original types of industrialization, like for example in Japan, Ireland, Finland, Little Asian Tigers, etc). Last but not least, some newer theories, especially theories of social capital, indicate that presence of specific – conditionally speaking – “premodern” cultural patterns is necessary for the proper and effective functioning of some of the most notorious artefacts and mechanisms of steering of “modern” societies (primarily working market economy and parliamentary democracy).

In search for the solutions to above-mentioned issues I will rely on some more sophisticated conceptualisations, which upgrade simplified comprehension of hierarchical strategic processes and developmental policies used by the state to stimulate development

with direct interventions. I will focus on the possibilities of more subtle modes of intervention into the border conditions of action (contextual intervention) and various negotiation or discursive forms of strategic processes. Contextual intervention is the only type of intervention that is based on hierarchical constellations and that takes into account the autonomy of partial systems. It is a way of intervention that doesn't interfere with partial systems themselves, but encroaches on border conditions of their actions (for example, reduction of prices by encouraging the competition not by mechanisms of price regulation). Systemic discourse is a process during which there is a communication between actors within the framework of various negotiation systems, networks, etc. (Willke, 1993).

In my study much attention will be paid to this type of social steering and to preconditions for such approach. The process of creation of strategies and level of socio-cultural suppositions of innovative forms of dialogue in heterarchical network interactions between enterprises, research and development organizations, government and intermediary institutions will be of special interest to me. After all, ability of the state to participate in the constructive interaction with other potentially relevant actors and ability to produce impulses for stimulation of cooperation depend on this.

I will also have to resolve the issue of specific nature and developmental dynamics of post-socialist societies. Extensive empirical evidence unequivocally attests to the amazing differences in developmental successfulness of transitional societies (see, for example, Gevorkyan 2018.). Some authors are already writing about reestablishment of new, multi-pole arrangement on the territory of post-socialist Europe. It means that individual countries face very different developmental problems and developmental goals, which are (independently of often unrealistic programme and strategic documents), in fact incomparable. And these countries face the problems of modernization in very different ways. In the context of the debate I will have to resolve the following issue: are post-socialist societies, in fact, modern societies with high degree of functional differentiation? In the light of the multidecennial constant

penetration of political system into other partial systems one can pose a question: is political system after relatively short time period (considering Dahrendorf's warning about excessively optimistic expectations about the end of transition) capable of taking into account specific logic of action of partial systems or does it still exploit potentials of hierarchical steering and in accordance with its own systemic logic of influence penetrates directly into the systems itself, using, of course, more sophisticated mechanisms than in the past? This can manifest in various ways, for example by big share of prices, still controlled by the state or by the high shares of state ownership and interference into the business policies of enterprises, which is not in accordance with economic logic. If this is the case, we can face two potential consequences. It can come to the ignorance of those interventions of political system which are not perceived as being relevant by economy – this is wasteful using of state resources. Or, the abuse of political power can lead to the processes of regressive dedifferentiation of functionally differentiated societies. I think that in the case of post-socialist societies both possibilities are quite real and deserve our attention.

There are two central hypotheses. First, in the context of post-socialist societies of Central and Eastern Europe, strategic steering of social development is possible, if it follows heterarchical principles of contextual intervention and systemic discourse. Second, qualities of socio-cultural field and technocratic competence are key resources for solving the problems of trust, cooperation and articulation of interests that arise in such strategic steering.

First chapter is an overview of theoretical foundations for the analysis, focused on steering of economic development in the context of modern societies, which are characterized by the primacy of functional differentiation and growing complexity. Particular emphasis will be laid on the (in)ability of hierarchical formation of developmental strategies and potential role of the state in this process. I will lean on systems theory of Niklas Luhmann and Helmut Willke but I will at the same time expose some limitations of these approaches, especially the difficulty of grasping more complex forms of strategic processes that are taking places in communications

within the network of individual or collective actors. Socio-cultural suppositions of successful strategic steering also cannot be successfully explained by systems theory.

Research on intentional strategic steering is mostly undertaken by experts in the fields of management and theory of organization. Second chapter is focusing on the concept of strategic steering of social development in the context of Innovaton 2.0 and the possibilities of such approach. Here strategic process is understood as a social process taking place in a special field between individual and collective actors and emergent social structures.

Third chapter is focusing on the Cultural Political Economy of the EU grand strategies. Particular emphasis will be laid on the Lisbon strategy and Europe 2020. I will study various definitions, research strategies and the role of social capital in the formation of multi-functional linkages and social learning.

Despite my study being a sociological analysis, I proceed from supposition that it is necessary to interlink findings made in the framework of various content and disciplinary approaches. Here one should mention newer trends in epistemological orientation of scientific research like post-normal or post-academic science or mode 2 production of knowledge. In these trends there is a prominent emphasis on team work, cooperation between various disciplines and between researchers and customers, which presupposes some flexibility of research process. New knowledge is produced on the basis of recombination and reconfiguration of competences, by which it caters to more sophisticated needs (Gibbons, 1996). Mode 2 is thus viewed as a "transdisciplinary, heterogeneous and hierarchical method that achieves quality through social accountability and reflexivity, leading to results that are highly contextualized" (van Hemert et al. 2009, p. 444). The Mode 2 claims have received mixed reactions (van Hemert et al. 2009, Hessels and van Lente 2008), however, the essential idea of transdisciplinarity is gaining more and more support as it is becoming increasingly clear that highly interrelated, cross cutting, complex issues of modern societies require more complex, holistic research practices. Developing and applying sustainable long term

strategies for socio-technical change on the basis of socially robust knowledge seems inevitable (Gudowsky and Peissl 2016, p. 1) and it is precisely the transdisciplinary research that is often promoted as a mode of knowledge production that is effective in addressing and solving current sustainability challenges. Its effectiveness stems from its closeness to practice-based/situated expertise and real-life problem contexts (Polk 2015, p. 110).

While none of the emerging approaches to new knowledge production remains uncontested, it is safe to say that strict separation between various approaches is *passé*. In the frame of this study this is expressed in various ways. One example of this is approaching the research on the issue of economic development, which was for the long time in the domain of economic science, with sociological methods. In this way already existing studies can be enriched with new insights, which means especially the incorporation of some factors that were, up until now, given (too) little consideration to (culture, social structure) or their reevaluation (negative attitude toward the role of social relations). My study is thus not installed within the frame of individual theoretic tradition, it draws, as necessary, from a rich set of sociological theories – systems theory, network theory, neo-institutional analysis, social becoming approach – and uses findings of various disciplines and sub-disciplines.

EU, Grand Strategies and Policy-Making: Theoretical Foundations

At the beginning of present study theoretical foundations for dealing with the role of the state and other actors such as the European Union in the steering of social development should be laid. In the frame of various disciplines numerous approaches were developed for dealing with this issue. Building of these foundations is not a goal *per se*, it is *conditio sine qua non* of the analysis of developmental processes, despite these themes having, in the last instance, applicative potentials: “Theories shape researchers’ thinking processes, lay the foundation for their analytical framework, guide their research theses, and set their research agendas. In addition, theories lead researchers to adopt certain methodologies, attract them to examine certain data sets, and influence them to draw certain conclusions and policy implications” (So, 1990: 11).

While we will use in our study numerous theoretical approaches that are not within the frame of the same tradition, are not even dealing with the same level of analysis, the beginning of this chapter will nevertheless be dedicated to the study of approaches to the issue of steering that are in the framework of sociological systems theory as developed by Niklas Luhmann and by his interpreters and critics, especially Helmut Willke. Sociological systems theory² is very well suited for the purposes of our study and for dealing with steering mechanisms of modern societies. On the one hand because of the banal reason of being the last theory that became part of the big macro-sociological theories (so called “grand

² There are numerous variations of systems theory; they can be found in various sciences as well as in various specializations in the framework of social and political sciences. When talking about sociological systems theory I describe theoretical opus of Niklas Luhmann as well as more sophisticated upgrade of his implementations, done by Helmut Willke. Only exceptions to that are those parts of the text, where can be clearly seen from the context, that I am talking about Luhmann’s work.

theories”)³. This led to important consequences. First of all, it has to be emphasized that despite Luhmann’s stressing about his intention not being the search for new insights on the basis of exegesis of sociological classics but the integration of discoveries of interdisciplinary studies – incorporation of concepts from the field of research on bio-organisms could be included here (see Škerlep, 1995) – his work represents upgrade or modification of existing approaches, at least to some degree. In that regard numerous points of contact between Luhmann’s and Parsons’ systems theory can be particularly highlighted (Leydesdorff 2010, Adam, 1990). Relation to older and alternative conceptualizations of the role of the state can thus be established on the basis of Luhmann’s systems theory. At the same time it can serve as a good foundation for analysis of actual trends in the field of research on steering, especially various approaches within the frame of the theory of networks (van Assche et al. 2011; Messner, 1997; Castells, 1997).

The concept of system differentiation is also important. It describes the establishment of partial systems within the frames of already existing systems and enables the analysis of relations between collective actors, situated on different levels. It is not an attempt at integration of micro-macro or agent-structure (see Ritzer and Goodman, 2003) but communication between actors, situated on different levels, is important for comprehension of concrete strategic practices. Particularly in research on steering of economic development and creation of strategic orientations dialogue and interpenetration between various levels usually do occur. Model for analysis of systemic competitiveness, developed by Esser and co-authors, thus incorporates no less than four levels: micro, mezzo, macro and meta levels (Esser et al., 1996). When researching economy it is not hard to imagine functional differentiation. The existence of economy as independent social sub-system – insofar as

³ Two other similar attempts from the time period of Luhmann’s creative opus should also be mentioned here. First is Habermas’ work *Theorie des Kommunikativen Handelns* (Habermas, 1981). Second is Giddens’ analysis in the framework of many studies, especially *The Constitution of Society* (1984) where he presented theory of structuration.

it fulfils this criterion – itself is a result of functional differentiation (more on that later). We have to deal with differentiation also in the frame of economy, which further differentiates itself into various branches, for example. On micro level, partial sub-systems developed in a form of various specialized departments in larger enterprises, each of them fulfilling its own role (purchase, production, marketing, staff management, public relations ...). Examples of this are business clusters, where it comes to a linkage between more or less flexible and *specialized* enterprises, performing at the particular level in the process of creation of new value (more on this in third chapter).

The issue of steering of economic development, as it is outlined in present study, is not just narrow technological issue; instead, it is connected with broader questions of developmental trajectories, social evolution and relations between social sub-systems, despite my decision not to stay at the macro level of empirical analysis. Systems theory is macro theory and this is why it is at this point more appropriate than numerous mezzo theories about the role of the state, like for example public-private partnership (Kouwenhoven, 1993), neo-etatism and competitive state (Weiss and Hobson, 1995), minimal state (Nozick, 1974) etc. This is complex issue and one needs complex categorical apparatus in order to be able to explain it. In this regard, systems theory is universal theory. This universality reveals itself in three aspects (Willke, 1993a: 1-4). First, it doesn't focus on research of particular area or aspect of sociological thought, instead it tries to provide a frame within which one can search for answers to all questions (*fachspezifische Universalität*). Second, general systems theory as interdisciplinary science was developed on the basis of astounding similarity of system problems, arising within the frame of various sciences. Sociological systems theory can thus be regarded as part of universal heuristic programme (*interdisziplinäre Universalität*)⁴.

⁴ Some authors criticize this aspect of Luhmann's systems theory. Typical case is the concept of autopoiesis; Luhmann took this concept from Maturana and Varela, who used it in research of bio-organisms. Maturana and Varela themselves insisted, that social systems aren't autopoietic (Cadenas and Marcelo 2015; Škerlep, 1995).

Third, social relations in modern societies are complex and cannot be reduced to simple categories (Universalität des Problems der Komplexität). When analyzing complex problems, sociological systems theory thus represents adequate pillar, despite numerous critics of its (too) comprehensive conceptual apparatus, (too) numerous experiments of thought and innovations that are sometimes an end in themselves⁵.

It should be particularly emphasized that systems theory dealt exhaustively with issues of mechanisms of steering of development (possibilities and limitations of evolutionary/market and hierarchical principles) and role of the state or political system. Within the frame of discussions about individual sub-systems one can also pose a question about relations between economy, state and workforce within the frame of neo-corporatist discursive mechanisms, or – at the mezzo level – about establishment of communication between various actors that participate in forming business clusters. In some more refined forms it came to innovative attempts of upgrade of classical mechanisms for self-steering of modern societies (at the concept of contextual intervention) and to conceptualization of new mechanism (system discourse) (Willke, 1993). Some authors showed that sociological systems theory can be used for analysis of strategic processes in the frames of organizations (Seidl and Mormann 2015; Hendry and Seidl, 2002; Seidl, 2003).

In empirical part I will deal with ex-socialist societies or, more precisely, hypotheses will be supported or refuted on the basis of comparisons between East-European countries and countries with richer tradition of democratic political system and market economy. Because of this, the fact that Luhmann's "systems theory and its concept of functional differentiation can have quite a lot of explanatory power when dealing with issues of communist society and post-communist modernization" (Makarovič, 1996a: 249) is not an unimportant one. Its explanatory power was particularly proved in analysis of changing of functions of political sub-system in ex-

⁵ This critique occurs mostly at Luhmann's version of systems theory, which is at the same time between the most influential ones.

socialist societies and in analysis of changes of relation of political system in regard to other sub-systems, in my case in regard to economy.

State as the central point of society: Hegel, pluralism, Keynesianism

Modern debates about mechanisms of social steering and the role of the state at the formation of developmental measures didn't come into being in vacuum, they originate from rich tradition. To better understand the content and the consequences of conclusions, reached by authors in the frame of systems theory, it is necessary to be familiar with theoretical context within which it developed. To this end I will review those basic aspects of various theories of steering that are relevant in the context of present study.

These discussions were mainly evolving around – if I simplify a little – dilemma if coordination of society should be reached by using mechanisms of hierarchical intervention or if it should be spontaneous evolutionary process. Or, if I use a more known contrariety, they were evolving around disputation about the state versus the market. As was shown by the progress on the area of research on social coordination and steering, this dilemma has been exceeded for some time now. This is borne out by more sophisticated approaches that are still within the frames of these discussions – here it should be particularly emphasized the work of Helmut Willke (1993), the conceptualization of new ways of social (self)steering (reflexion, contextual intervention and systemic discourse) – as well as by literature dealing with the research on network forms of coordination.

First theories of social steering regarded hierarchy as key or even as sole mechanism and by this they made a long-term mark on the trends in the area of research on social steering. These theories evolved on the basis of regarding the state as unified, hierarchically superior and sovereign centre of decision-making. This approach can also be found in the work of Max Weber, who defined the state as an

entity which claims a monopoly on the legitimate use of violence. From this period is also the conceptualization of state as an entity which steers social development using two mechanisms: law and power. The state was described as the top of the social pyramid, as “nervous centre of the organism that regulates public affairs...” (Messner, 1997 : 47). Despite the distinction between the state and civil society which was made by Hegel, state is not limited to exercising only the external sovereignty. Fundamental assumptions of internal sovereignty are separation of state and civil society – systems theory would call it systemic differentiation – and supposition of hierarchical superiority of the state over the “civil society”. Hegel defines civil society as stage of difference which intervenes between the family and the state. This is the reason why concept of civil society in the period after “the great transformation” (Polany, 2001), when economic activities moved out of the framework of all-embracing family into the framework of specialized subsystem, embraces economic system too. It follows from that that sovereignty of the state also holds good for the economy.

Numerous later theories couldn't liberate themselves from “state-centred” paradigm as well. Some theories that are quite close to economic liberalism could also be placed amongst them. Messner (1997) also places pluralism amongst them. This approach regards the state as centre of society, executing binding decisions. It focuses especially on researching mechanisms of parliamentary democracy, within the frames of which interactions between various interests take place. They transform themselves into political power or incorporate themselves into processes of influencing the bearers of political power. Despite the state being the core of society, this fact *per se* does not presuppose hierarchical principles of steering. In the framework of state institutions (parliament) runs competition that leads, as it holds good also for market mechanisms, to the establishment of equilibrium. In the frame of pluralistic theories majority of attention is focused on politics dimension of policy, while polity remains the black box, where we observe input and output. Policy dimension, so important for research on steering – in the context of this study in the research on politics for stimulation of

economic development – is dismissed with the assumption that output (for example concrete programmes and measures) is manifestation of equilibrium. That's why this part of analysis is neglected.

Schumpeter (1934) corrected this simplified theory in the frame of his concept of elitist democracy, but he too interprets the state as the centre of social decision-making. Still, inclusion of polity dimension can be noted within the frame of his approach. Schumpeter describes political process, unrolling in the context where state is alienated from society, as process of competition between elites. Equilibrium is thus not determined by equal competition between all interested actors, it is determined by elitist state. Because other actors cannot articulate the need, the state is the one that has to be able to detect problems when they are still in the early stage.

In first decades after Second World War, key theoretical orientation, falling within the frames of state-centric paradigm, was Keynesianism, which in practice manifested itself in the form of welfare state and “planned” capitalism. Keynesianism headed for “policy” dimension of policy. Contrary to pluralistic approaches, it interprets the role of the state as the centre of society in the positive way. Growing range of activities of the state caused growing interest for polity dimension, for institutional framework, i.e. for political-administrative institutions in the frame of which politics and policy are unrolling. This vision rests on three pillars (Messner, 1997: 56):

1. Some premises from the theory of democracy – harmonistic ideas about processes of decision-making and equilibrium of interests that originate from pluralism (politics dimension).
2. Interventionist and welfare-oriented state apparatus (polity dimension) which was able to construct a system of social security (policy dimension).
3. On the level of economic politics an important role is played by orientation toward limitation of instabilities of capitalist development and creation of preconditions for social justice and equal opportunities.

In this framework the state was responsible for stimulation of economic efficacy and socially balanced development, which was achieved by the use of economic politics (particularly by the use of macroeconomic instruments and stimulation of demand) and by the use of restrictive measures for the purpose of social transfers.

In this sense legitimacy of the state and suchlike arrangements depends on successfulness of economy (capacity to generate resources for redistribution) and on loyalty of social actors. This model was prevalent until the beginning of the 70-ties of the 20th century, when Keynesian macroeconomic management wasn't able to provide high levels of economic growth and full employment any more.

Rather predictable and stable environment, which was in part the result of international financial arrangements (Bretton Woods) and externalization of costs (low prices of oil) became more dynamic and less predictable. This slowly led to the awareness about limitations of such approach.

Partial decentralization: neo-corporatism

Rising of social corporatism (Schmitter, 1979) or neo corporatism in the middle of the 70-ties and in the 80-ties of the 20th century (Lehmbruch, 1979; Katzenstein, 1985) represents an important alternative to the pluralistic and Keynesian comprehension of the state as the centre of society and with that to the sphere where confrontation and communication between various interests are taking place. In contrast to competition and confrontation as a way toward the equilibrium, neo-corporatism emphasizes positive effects of cooperation, political stability and achievement of compromises. Attention is, contrary to the principles of state's hierarchical steering, paid to the voluntary communication between actors.

Katzenstein analysed neo-corporatist arrangements that were in the periods after the Second World War established in seven small European countries. Regardless of their form, be it liberal

(Netherlands, Belgium, Switzerland) or social neo-corporatism (Austria, Sweden, Denmark, Norwegian), there are three characteristics, typical for this system. First characteristic is ideology of social partnership in solving issues of economic and social politics that permeates into everyday politics and appeases social conflicts between employers and trade unions. It does not mean that there are no unresolved issues. On the contrary, many dilemmas and disputes exist in society. But it is important that these conflicts are continually being solved in the frame of negotiating mechanisms in the frame of inexactly determined, but solid general consensus about public interest. One could also call it developmental consensus. Second characteristic is rather centralized system of interest groups which ensures the control of lower levels and obedience to resolutions that were adopted on the highest level. This also ensures greater inclusion (of employees and employers). Third characteristic is voluntary (and informal) coordination of conflicting goals in the processes of ongoing negotiation between interest groups, state and political parties (Katzenstein, 1985).

Neo-corporatism thus does not represent a complete alternative or paradigmatic shift in the true sense of the word. It would be more accurate to say that it tries to upgrade some previous approaches. This approach also didn't relinquish the concept of hierarchical steering and this is one of its important characteristics. On the one hand it doesn't accept clear functional differentiation between the state and other partial systems, but on the other hand it rejects the simplified logic about competition between them (Messner, 1997: 71). In pluralism the state is the centre of society (and is influenced by various pressure groups) and polyarchy and competition exist between interest groups. In neo-corporatism more or less equal communication exists between systems that do not compete with each other, are internally strongly centralized and hierarchically regulated. In this sense other actors are not separated or isolated from political process but are integrated into it.

Majority of authors analyses neo-corporatist arrangements as an instrument for coordination of economic politics. Also Katzenstein's analysis of corporatism is a study of adapting

strategies of small countries which are forced into the opening to the international environment. Neo-corporatist discussions are important because they provided new insights into relations between various politics and showed the complexity and interdependence of various aspects of development, specifically the dependence of economic development from other dimensions, in this case especially from social dimension and consensus.

But while neo-corporatism provided some new insights into the problems of steering, it also has numerous weak points. The most important criticism comes from the above-mentioned fact that neo-corporatism emphasized too much the principle of hierarchy in social steering and that it limited itself to the research on relations in the triad state-employers-trade unions. By following the principle of hierarchical relations in internal structure of each of the three partners, neo-corporatism was supposed to enable high degree of inclusion and to solve the problems pertaining to implementation of developmental policies. But exaggerated concentration on above-mentioned three partners led to others potentially relevant actors being left out of the analysis and process of decision-making. With that Keynesians headed mostly for research on centripetal forces and issue of redistribution (Messner, 1997: 76) and missed two issues. First, there are numerous centrifugal forces that exist in society. In the context of societies where there is no “culture of conflict”, it can come to a paralysis of communication, or, such relations can lead to the promotion of particularistic interest, to patron-client relationships and to endless compromises which also paralyse developmental potentials of developed societies. Examples of this are some rigid welfare states in some socio-democratic countries, like Germany (Esping-Andersen, 1996). Second, if communication is focused on the question of redistribution, this can lead to problems in those politics, where production of resources that cannot be produced by classical redistribution mechanisms, needs to be done. In highly developed and complex societies which don't compete on the basis of natural resources, cheap labour force and other “fundamental factors” (Porter, 1990), but where systemic competitiveness (Esser et al., 1996) and developmental

performances (Adam et. Al, 2001) depend on numerous intangible factors.

Certainly, important positive contribution of studies of neo-corporatism is that they show how issue of steering is not just issue of technocratic capacities of the state; instead, it is a broader issue that could be labelled as “self-steering capacities of society”. This is the reason why steering in the conditions of growing complexity is not just technocratic problem, which could be solved by growing investment into the capacities of state apparatus.

Inability of steering: economy as complex system

Complexity, nonlinearity, chaos in economy

Paul Ormerod stated that modern orthodox economic science – here he refers to neoclassical analysis – is in the methodological and epistemological sense isolated from its roots from 18th and 19th century, when classics like Malthus, Smith, Ricardo or Marx weren't afraid to theorize, but they used this theory to describe reality. In contrast to this, in research on action of market mechanism of self-steering there are so many unrealistic, simplified assumptions⁶ integrated in sophisticated econometric models, that it seems that professional culture which exalts “esoteric irrelevance” (Ormerod, 1994), has developed in the frame of economy.

Disregard of complex reality can also be found in theories of steering and forming of policies which are based on suppositions about the possibility of successful rational steering of economic development in modern societies. Multilayered problems of self-steering capacities are thus reduced on the level of technocratic problem. Strategic steering in line with Simon's synoptic rational model of comprehensive planning would only be possible if some

⁶ In 1968 mathematical economist Roy Radner proved the existence of competitive equilibrium. But Radner himself showed that in order for his proof to be valid, every economic actor should possess complete information and limitless calculating abilities (Ormerod, 1994: 89-90).

presumptions would hold true. These presumptions were exposed by Ernst-Hasso Ritter. First, the environment is structured in a rather simple way. Second, politics and measures implemented by the state influence the environment in accordance with rather simple causal relationships. Third, similarly as in the construction of models of market action, there is an assumption of complete information, available to the actors of planning, i.e. the state. Fourth, goals defined by central actor have to be unconditionally accepted by other actors too (Ritter in Messner, 1997: 59). Helmut Willke likewise pointed at three fundamental suppositions of theories of rational steering that are problematic because of the complexity of the environment. First, goals and priorities, as well as means, resources and instruments needed to obtain these goals have to be clearly defined, together with clear causal relationships. Second, criteria for goals attainment like profitability, effectiveness and efficacy have to be clearly defined. Third, the basic presumption is that individual actors will aggregate their behaviour in rational action with optimal effect (Willke, 1992: 114).

However, empirical evidence clearly indicates that these suppositions aren't valid. Numerous studies recognized the complexity of developmental trajectories. On the level of broader social development an excellent example of this is presented by the study of David Landes (1999) about the rising and falling of great empires, which tries to embrace numerous complex interdependencies of factors, specific for individual empires (each has its own story). Study of European industrialization in the 19th century, made by Berend and Ranki (1982) or research on great differences in development of each of the four Asian Tigers (Kim and Nelson, 2000; O'Hearn, 1998; Castells, 1998) or research on the Asian Drivers, whose economies embody markedly different combinations of state and capitalist development compared with the industrialised world (Kaplinsky and Messner 2008, p. 5) can also be

classified as such. Modern societies are complex societies and developmental processes are complex processes⁷.

Luhmann calls an interconnected collection of elements "complex" when, »because of immanent constraints in the elements' connective capacity, it is no longer possible at any moment to connect every element with every other element« (Luhmann, 1995: 24). Considering this definition, economy is without doubt a complex system, because all actors that meet between themselves in supply and demand on market cannot be simultaneously linked to one another, but are making a selection between relevant units. However, here I am also interested in another aspect, connected to all this. Great number of actors and emergent nature of social phenomena, whose nature is not equal to the linear sum of actions of individuals (so called thesis about emergence) (Adam, 1995) result in the establishment of difficult to determine causal relationships, which cannot be reduced into the frames of linear models. In this

⁷ For example: Dunford and Liu (2017) argue that the crisis of neo-liberal globalization, the progressive slowdown of the economies of the North and of Japan that led global economic growth up to the 1970s, the end of the third wave of multiparty representative democracy, the rise of new powers with distinctive social models and the erosion of a unipolar world and Western global leadership are a set of interconnected trends, which are fundamentally changing the macro-geographies. According to them, these macro-geographies are consequences of uneven and combined development (U&CD) and the analysis of these processes "should draw on a twofold conception of the evolving global system as (1) a set of processes of capital accumulation, unfolding at a variety of scales and (2) an assemblage/constellation of interacting and asymmetrically integrated/inter-connected national institutional configurations and interests that shape economic trends and can result in 'tectonic spatial shifts'. These economic, political and cultural drivers are associated with specific mechanisms of differentiation and equalization of the conditions of production, distribution, consumption and exchange, whose relative weight and character shape comparative development. In capitalist societies enterprises/institutions/countries that are less developed are pressured and able to appropriate technical and social gains from the more advanced. These gains are combined with existing conditions, jumping over intermediate steps, yet generating new contradictions. Outcomes depend on institutional/governance capacities and the degree of support from/ability to resist more advanced rivals. Outcomes involve an unfolding combination/articulation of different stages of development/modes of production and differentiated historical pathways to modernization" (Dunford and Liu 2017, p. 4-5).

sense complex systems can be regarded as systems where nonlinear, contextually specific and chaotic trends are taking place.

Research on complexity of economy strongly attached itself on the theory of chaos. It should be emphasized that the term “chaos” in the context of this theory carries a specific meaning that is different from its meaning in the everyday use. Walter Buckley describes chaotic system as a system where all elements are so weakly linked that there is an equal chance of any element linking with any other element (Buckley, 1998). However it has to be emphasized that in theory of chaos chaotic doesn't equal erratic and if individual social system is described as chaotic it does not mean that this systems is falling in pieces or is uncontrollable. Chaos is entangled mixture of order and disorder, regularity and irregularity. There are patterns of behaviour which are irregular but still recognizable as broader categories of behaviour within the frame of which unlimited individual variability exists (Stacey, 1997). Contrary to the theories that assume formation of equilibrium, chaotic systems are mixture of stability and instability. This was also noted by Willke: “In the background of the question about conditions of possibilities of social order ... is not an interest for order, but assumption about normality of chaos. Order represents itself as an improbable state which can be reached under special conditions.” (Willke, 1997: 22) However, both Buckler (1998) and Willke came to the conclusion that social systems nevertheless time and time again surprise us with their self-preserving capabilities. “It is obvious that all social systems, including societies, manage to establish robust order again and again”. (Willke, 1993: 23)

Issue of social systems as chaotic systems is thus essentially connected to the issue of social order. This social order – the state of equilibrium – can crumbles any time, but it also always re-establishes itself. There is perpetual alternation between order and chaos, which originates from the fact that “condition of its stabilization is at the same time condition of its peril; specific level of complexity that enables order at the same time undermines it” (Ibid: 23). This conclusion was also reached by Stacey in his study of management in chaotic systems: “When nonlinear systems are

pushed from equilibrium into chaos, they are able to spontaneously produce unpredictable, more complex forms of behaviour in the process of self-organization” (Stacey, 1997: 36). More complex forms of behaviour and more complex social structures are thus the answer to growing complexity.

Of course, here we need to ask if empirical evidence confirms the statement that economy as social system is also a complex – nonlinear and chaotic – system. Stacey poses a question, why would economic systems, characterised by numerous feedback loops, be an exception in regard to complexity that was discovered in other spheres of life (Stacey, 1997: 19). Brock and co-authors are of opinion that for the discovery of chaos by the use of statistical methods one would need data, polluted by stochastic factors, which is rare. At this they also emphasize, that traditional statistical methods are more appropriate for analysis of trivial and less for analysis of chaotic systems (Brock et al, 1991).

Despite that, in literature we can find evidence about nonlinear as well as chaotic nature of economic processes. Let me first bring forward two examples of nonlinear linkages that can have important implications for developmental strategies. In first case it is about the issue which is still relevant also in the context of numerous post-socialist societies, namely about the influence of economic reforms on economic growth. De Melo and Gelb (1996) discovered on the basis of empirical data that in countries where very limited economic reforms were implemented (in the direction of liberalization of economy), further smaller steps have negative influence on economic growth. Influence of economic reforms on economic growth became positive only after specific threshold was reached.

Despite mentioned problems with data, some proofs of chaotic behaviour in economy do exist. Typical case is represented by Phillips’ curve about correlation of inflation and rate of unemployment. It says that negative correlation exists between those two phenomena: with growing rate of inflation comes falling of unemployment, and vice versa.

Ormerod analysed data about correlation between unemployment and inflation in USA in the period 1953-1992 (Ormerod, 1994: 129-132). At first glance it seems that there is not assumed correlation between both phenomena. Formal statistical methods even verify positive correlation. But when he sorted data in numerous groups it turned out that Phillips' curve really exists. It didn't show in the quick overview of data because three, maybe even five various Phillips' curves existed in the mentioned period (it depended on the criteria that were used). This happening can be explained by theory of chaos or explanatory apparatus of theory of dissipative structures. When system is influenced by external energy, state of equilibrium crumbles. But this does not mean the collapse of the system. State of equilibrium or state of order establishes itself in new form, at new coordinates. Possible range of coordinates is limited by so called strange attractors. Because individual curve doesn't sport only successive years it can be seen that in the analysed period there were even more such shifts or "collapses of order" than discovered Phillips' curves.

Steering of nonlinear/chaotic systems

Steering of chaotic systems differs greatly from steering of trivial systems. In trivial systems every cause has only one single consequence. It means that designers of measures deal only with additive effects, even in the case of combined effect of various causes. In this case we are not dealing with the phenomenon of emergence and such (linear) systems can be understood with the help of analysis of individual components. Whole does not exceed the sum of its individual parts. Steering of trivial systems is based on the supposition of negative feedback loop, where strategic actors try to stimulate specific state or trend with measure or series of measures. They control results with the help of various mechanisms (system of monitoring) with which they measure the discrepancy between current and desired state. On the basis of this discrepancy they form

new measures. They repeat the procedure until they manage to establish desired state.

But in nonlinear systems one single cause can have great number of consequences; and minimal differences in variation of factor or in variation of state of the system can have unforeseen consequences. In contrast to trivial systems, nonlinear systems sport emergent characteristics. System is more than just sum of its parts. It means it is hard to make a research on it by using the analysis of individual parts of the system. Holistic approach is needed. Because of the nature of the system, it is hard to foresee and measure potential consequence, and consequently, steering in nonlinear systems is completely different from steering in trivial systems. Hierarchical approach to steering in chaotic systems isn't possible or doesn't bring desired outcomes, because there are no expected negative feedback loops leading to equilibrium or social order. Chaotic environments demand different approach to formation of strategies. These systems are characterized by positive feedback loopholes, acting in the opposite way. Instead of decreasing difference between current and desired state, feedback loopholes in the form of various measures continue to increase these differences. Positive feedback loopholes are not just theoretical possibility or result of laboratory experiments. Phenomena like bandwagon effect, self-fulfilling and self-negating prophecies, chain reactions, vicious and virtuous circles... bear witness to that. This will be more detailed in subchapter about measures for strengthening social capital.

Planning in nonlinear systems is problematic also because of the fact that measures in ideal planning should take into account all possible relevant combinations of causal relations. If small error occurs in planning, it can happen – or not – that mechanisms of positive feedback loops magnify this error. In this case system starts to behave in an unpredictable way, and strategies and measures have unplanned consequences. Numerous cases of developmental strategies, implemented in countries of the Third World and in some traditional communities by international developmental institutions, where consequences were exactly opposite of what was expected, bear witness to the fact that such possibility is not a

completely negligible one. It came to unplanned consequences in the form of disintegration of traditional relations of solidarity, which enabled the survival of the community (Torsvik, 2000). Planner, like actor on market, needs to have the ability of determining the optimal strategy in order for rational decision-making and this ability is limited by his information and calculating capacities. Complete information about complex causal relations doesn't suffice. Planner must also have complete information about future environment and about behaviour of other actors. As it has been shown in previous subchapter, economy is a nonlinear system. This also applies to business organizations. This has important consequences for theory and practice of steering of economic development. Possibilities for rational, hierarchical, long-term planning are severely limited. Instead, it is more likely that those processes of self-organization that enable the formation of structures which increase the adaptability of the system to changes in the environment and in the systems itself, will be more successful.

According to Stacey (1997 : 17), there are two options. First option is to stabilize enterprise or economy by limiting it with rules, regulations and plans, which results in stagnation. The alternative option is to free the enterprise or the economy so that it can rely on self-organising interactions, learning and market processes, which provides the possibility of creativity. But these processes cannot be interpreted only by the use of classical distinction between the state or hierarchy versus the market, as it was done by Stacey. It is about the establishment of new organizational type of "networks of autonomous actors" (Zeleny, 1997: 251). It does not mean that the state doesn't play the role in the steering of development any more – it means that the state cannot achieve this by classical mechanisms of hierarchical intervention. Her role and mode of action need to change. Answer to the question about possible modes of action in the framework of nonlinear systems can be searched for in an example of small and medium enterprise networks as a form of organizationally open and structurally closed nonlinear autopoietic and self-organizing systems. This system has to be embedded into the environment which is more complex than small and medium

enterprise networks. This environment influences the system and system is open to its environment. Even more, it is in the constant process of “structural” coupling and as such it is adaptable. Its survival is enabled by organizational autonomy as well as by structural attachment to ever-changing and chaotic environment (Zeleny, 2001). On the other hand, organizationally open and structurally closed systems, which include hierarchies, command systems, etc., are not capable of structural adaptation to environment. In complex environment such systems operate sub-optimally, because they are structurally rigid and incapable of adapting.

Adaptation of system that is not structurally linked to its environment depends on “symbolic or interpretational information feedback” (Zeleny, 2001: 203), that usually represent the only communication canal with the environment. Without this canal, system would act as a foreign body in environment. That’s why hierarchical systems in observation of their measures depend on mechanisms like various forms of collection, calculation and interpretation of data, formation of various models, etc. This aspect of observation is without doubt a very important one. But over-reliance on mechanisms of observation of environment in formation of strategic orientations could be used even as an indicator of separateness and structural closure of the system from its environment. In this way systems rely on “filtered” description of environment’s operations. Meanwhile, structurally open systems can react directly to these operations, to happening in the environment:

“Organizationally closed systems respond to coordinated action and do that by structurally coupling themselves with their environment. Organizationally open systems can only respond to information (description of action) feedback *because* they are not structurally coupled with their environment, but are separate or even isolated from it”.

(Zeleny, 2001: 203)

Karl Deutsch showed that efficiency and cohesiveness of societies depend on “capacities of transferring information with more or less small losses of information” (Deutsch, 1969: 21, in Messner 1997: 136). Because of this, state has to search for its possibilities in direction of making direct contacts with its environment and decreasing its reliance on systems of “filtered” information feedback.

Transition from socialist to post-socialist systems can also be observed from the perspective of chaotic processes in the framework of nonlinear systems. Various versions of planned economy as one of the forms of social systems are no exception. In the frame of opening to international trade these nonlinear systems received some external inputs to their structure, which were by the mechanisms of positive feedback loop strengthened to the point of the collapse of the system. At the beginning of transition final consequences of these processes couldn't have been accurately predicted, or, one could say that numerous expectations about quick development, which would follow the implementation of parliamentary democracies and market economy, haven't been realised in all cases.

Influence of complexity of environment on discussions about steering

Awareness about inability of hierarchy as key mechanism of steering of development started to penetrate discussions about steering of social development. Amitai Etzioni found out – as far back as the end of 60-ties of the 20th century, when Keynesian model of macroeconomic management was still successful – that strictly rational action isn't possible in complex modern societies, because some necessary conditions aren't fulfilled. According to Etzioni these conditions are, first, to be informed about all possible directions of action and their consequences. Second, to determine the consequences of these alternatives for various combinations of resources and at the same time take into account various values. Third, to have a consensus about values on the basis of which, measures and consequences should be interpreted. Fourth, to make

an exhaustive analysis of all alternatives. In view of such demanding conditions, the conclusion is clear: “Societal bearers of decision-making don’t have basic abilities for rational decision-making” (Etzioni, 1968: 264-265).

In the beginning of 70-ties of the 20th century Fritz Scharpf published a text titled “Complexity as an obstacle to political steering” (Scharpf, 1972) in which he problematized approaches that see hierarchical management as technocratic problem which can be solved by improvement of processes and increase of resources.

“Although politics in its information and decision-making system does achieve the level of differentiation of its own internal structures that suits the level of differentiation in the environment, it has always been proven, up to now, that is it very difficult, maybe even not completely doable, to reproduce actual co-dependencies, which exist in the problem context in socio-cultural environment”.

(Scharpf, 1972: 169)

In his opinion, this is the consequence of – in the language of systems theory – of political-administrative system not being able to establish “structural coupling” (Luhmann, 1995; Zeleny, 1997; 2001) with its environment, which is of socio-cultural nature. Political-administrative structures are not capable of facing the problem of complex mechanisms of co-dependence that exist in environment. Political-administrative structures differentiate themselves by specializing individual units for special problem domain. But this specialization isn’t upgraded with the establishment of coordination between these domains, which leads to inefficacy.

It is probably not hard to find concrete examples of failures in establishment of structural coupling. In making policies to promote economic development, policy-makers have to consider complex factors that influence the competitiveness of national economy; studies like study about factors of competitive advantages of nations (Porter, 1990), which deals even with the issue of differentiated influences of individual factors, or model of systemic competitiveness (Esser et. Al, 1996), which is looking for factors of

developmental successfulness on four different levels and in linkages between those four levels, bear witness to that fact. But there are numerous obstacles to the successful linking between various Ministries (of economy, of education, of science...) or between administrative institutions on different levels (local, regional, national, supra-national).

Renate Mayntz identified reasons for the failure of such approach :

"Policy failure can be the consequence of cognitive mistakes in planning. Cognitive failure could involve data, theory, or both. Information about the details of a perceived problem could be insufficient, and policy decisions might be based on a wrong theory of the causal factors and causal connections at work in the policy field. Another cause of failure to reach a given policy goal can be the choice of an inadequate instrument, or the lack of appropriate resources, be they financial or legal. There are for instance, constitutional barriers to the choice of given political interventions, and budget constraints can stand in the way of introducing financial incentives, or engaging in costly programs of public provision. It was also recognized that the way policy-making is organized affects the substantive content of a policy."

(Mayntz 2016, p. 260).

She further cautioned that "the best policy design can result in failure if its implementation is deficient" (Mayntz 2016, p. 261), specifying that "implementation does not simply mean enactment of rules: deficits in the capacity of public administration, individual and organizational interests, and diverging normative convictions of the agents of implementation easily lead to divergence between policy goals and policy outcome" (Mayntz 2016, p. 261).

Steering in Luhmann's systems theory

Niklas Luhmann is aware of the problem of growing complexity of social systems and he takes it into account when theorizing about mechanisms of social (self)steering:

“ ... planning can only establish the premises of future behaviour, not the behaviour itself, which at the time of planning has not yet occurred....Besides, as system planning, planning must orient itself in some way to the system's complexity. It must make a model of the system, by which it can direct itself, thus introducing a simplified version of system's complexity into the system. This second complexity, this simplified second version of the system's complexity, emerges through planning”.

(Luhmann, 1995: 470).

Planning which is an attempt to confront social system with the complexity of environment, produces new, even higher level of complexity. This results in a *hyper-complex* system, i.e. system, oriented towards its own complexity and by that »it also creates new kinds of possibilities for unforeseen reactions« (Luhmann, 1995: 471). Because of this, planning cannot be an adequate mechanism for confronting the system with the complexity of environment. Solution to the growing complexity is unplanned differentiation of the system. Even forms of differentiation themselves depend on social evolution: »...the only forms of differentiation able to survive are those that can mobilize processes of deviation-amplification (positive feedback) to their own advantage...« (Luhmann, 1995: 190)

Differentiation and economy in modern societies

Differentiation of social systems is a solution, with which society in evolution adapts itself to the growing complexity of environment

(Luhmann, 1995: 189-191). Only those forms of differentiation that enable successful adaptation to growing complexity thus managed to preserve themselves in modern societies. Three different types of differentiation exist simultaneously in modern societies: segmentary, stratification and functional differentiation (Luhmann, 1990). When describing various types of differentiation, Luhmann didn't deal explicitly with the analysis of economic processes, however, all three types of differentiation play important role in forming organizational forms and strategies for confronting economy with the problem of complexity of the environment.

Segmentary differentiation

First type of differentiation, described by Luhmann, is segmentary differentiation. It is »differentiation into similar units (segmentation)« (Luhmann, 1995: 190). It means that when particular system cannot manage the complexity anymore, it differentiates itself into numerous, mutually independent smaller units – which are similar to one another in hierarchical and functional sense – that can manage the complexity of environment more easily. Of course, significant differences in other aspects can exist between these units. In spite of this type of differentiation preceding the other two types in evolutionary sense, it is a type that is still rather important for analysis of steering of economic development.

Between key developmental problems, confronting the majority of developed societies, are regional differences. Central state cannot confront this problem, which is in essence the problem of complexity of environment, and thus the differentiation into smaller units that can more easily manage this complexity, makes sense. This type of differentiation is even considered in the frame of European structural policies and the principle of subsidiarity. As typical example of such differentiation one can mention regions, which represent the principle of division in the frame of structural

policies of European Union⁸. Here it should be particularly emphasized that because of the principle of subsidiarity⁹, which also applies to these developmental policies, segmentary differentiation has precedence over the stratification differentiation, which in the evolutionary sense emerges later, as a consequence of growing complexity of environment.

Segmentary differentiation that evolved in primary human societies caused the problems of coordination of units, differentiated in such a way (Makarovič, 2001: 31). Today, this is not so prevalent, as various forms of differentiation exist at the same time, and besides, segmentary differentiation is not a key type of differentiation in modern societies.

Stratification differentiation

Evolutionary, stratification differentiation emerged later and as such it already presupposes particular form of coordination between differentiated units (Makarovič, 2001: 32). This is about hierarchical forms of coordination that enabled the formation of first larger systems (early civilizations). In the beginning, stratification coordination was tied to the need for coordination, which arose because complexity of environment was such that individual small separated multi-functional units could not manage it any more. But with growing complexity even this form of coordination became inadequate as it didn't enable the adaptation of the system to the complexity of environment anymore. With that, individual systems could no longer optimally perform their functions.

In steering of economic development stratification differentiation lost its former importance, as hierarchical superiority of some subsystem (for example, political system) to economic

⁸ This is about the division in the frame of NUTS classification, where level NUTS 1 represents national states as the first level of segmentary differentiation. Lower levels represent regions and local communities.

⁹ Subsidiarity was implemented as a mechanism that was supposed to offer protection from too great transfer of competences on the level of European Union. This principle dictates that if possible, decision should be reached on lower level, i.e. on national, regional or even local level (Nugent, 2003). Decision-making is thus transferred to that level of subsidiary units that is still capable to successfully confront the complexity.

system leads to situation, where economic system can no longer adapt to its environment in line with its needs and criteria, but instead, it has to comply to external criteria. With that optimal functioning becomes very questionable. In order for hierarchically superior unit to be capable to perform its role in complex environment, its complexity would have to reach the level of complexity of environment; this is, by definition, impossible, as environment is always more complex than the system (Heyligen, 1992).

Despite that, one cannot completely neglect stratification differentiation because it is still present in some forms and it even plays an important role in the frame of development of theories of organizations. Enterprise presents alternative coordination mechanism to the market, in the frame of which transaction costs, originating from social relations, are lowered (Williamson, 1975). While resources on the market allocate themselves with the help of price mechanism, in enterprises mechanism of hierarchy is used (Williamson, 1991) and hierarchy represents an important part in research on big corporations (M-form) (Chandler, 1977). Hierarchical coordination can also be present in relations between enterprises, in the frame of monopsonistic clusters (Proprius, 2001). In research on clusters some authors lay key stress on the issue of power (Whittam and Danson, 2001) or at least highlight the need to take into account the unequal power relations that underpin interfirm relations (Cumbers et al. 2003). In spite of that, stratification differentiation is less important in formation of strategies of economic development, because of above-mentioned limitations, originating in the complexity of environment.

Here the difference between hierarchical superiority and centrality should be emphasized. Inequality between the units in regard to resources does not equal stratification differentiation. Stratification differentiation also includes an ability to control and to steer (Makarovič, 2001: 33). But such inequality in regard to resources can be important from the aspect of developmental steering. Unit that has greater resources can assume *central role* in strategic process. This role is not fulfilled with mechanisms of

hierarchical intervention, but by enabling, promoting and coordinating between actors. This is especially important in cases where other actors are weak and don't have sufficient resources at their disposal. Examples of this present numerous developmental initiatives in underdeveloped or crisis areas, where international organizations perform their role in such a way (Rončević, 2002). In more developed societies, where the state has developed competencies and has sufficient resources at its disposal, the state itself can perform the role of central actor (*primus inter pares*).

Functional differentiation

In the first two forms of differentiation, whole multifunctional system differentiates itself into smaller systems, which still perform numerous functions. In segmentary differentiation each such individual system performs all functions that were previously performed by the whole. In stratification differentiation, new partial systems are, likewise, multifunctional, but here it already comes to differentiation in steering and executive parts (Makarovič, 2001: 37). In the case of functional differentiation it comes to formation of new systems on the basis of specialization in performing certain functions; every system performs certain function and at the same time all systems are complementary to each other and together they perform all functions that would otherwise have to be performed by the whole.

Functional differentiation can be found on different levels. In modern societies it came to formation of economic, political, scientific, legal etc. system on macro level. On mezzo level functional differentiation is, for example, manifested through business clusters, where individual organization specializes in performing particular part of production process or certain accompanying services (research, employment agencies, business consultations and interventions....). On micro level one can observe the existence of numerous specialized functions on the level of enterprises: production, finances, human resources management, marketing....

Functional differentiation is characteristic for modern societies and can be an indicator of modernity of individual society. In this sense various authors described post-socialist societies as by-modern (Bernik, 1989) or deformedly modern (Adam, 1989), because of the penetration of political system into other systems. With the help of this concept we can also explain the formation of autonomous economic system. Before, these functions were performed by various multifunctional units like families or various forms of feudal units. Preconditions for greater efficiency of individual partial systems emerged in the process of differentiation. Mechanism of functional differentiation itself is oriented toward greater efficacy, because it isn't tied to external criteria in the process itself: »with the transition to functional differentiation, the schematic of differentiation is chosen autonomously; it is directed only by the functional problems of the societal system itself, without any correspondences with the environment«. (Luhmann, 1995: 193).

Mentioned three forms of social differentiation are complementary to each other. Already mentioned example of segmentary differentiation in regions bears witness to that. Regions are multifunctional units by definition. But these units also have to face a very complex environment. Because of this they have to differentiate internally, which leads to hierarchical differentiation as well as functional differentiation. All three forms of differentiation can be found within the frames of larger enterprises as well (segmentary differentiation in the form of various branch offices, stratification differentiation in the form of superiority of some departments to others, functional differentiation in the form of specialization of departments in performing various business functions). If some authors can claim that functional differentiation is the criterion for modernity of particular society, it could also be claimed that criterion for modernity is harmonization of various forms of systemic differentiation as well. Here Luhmann neglects the significance of other forms of differentiation in steering of modern societies.

Functional differentiation leads to autonomy of individual partial system in the performance of its function. If this system loses its autonomy in the performance of its function because of the intervention of some other system (usually political), we can talk about regressive dedifferentiation. Therefore, social modernization has an interesting influence on abilities to steer these processes. On the one hand, differentiation implicates better capacities for confrontation with problems, emanating from the complexity of environment. On the other hand, this is exactly the factor that can prevent successful steering in two cases, if it comes to troubles with providing sufficient level of social integration in the form, where actors from various subsystems exaggerate in the promotion of particularistic interests without regard to the needs of the system as a whole (Messner, 1997: 44). Processes of functional differentiation can thus lead either to "active society" (Etzioni, 1968) or to its opposite, "blocked society" (Crozier, 1970).

Role of politics in steering

Between the most often discussed examples, when self-reference of partial systems leads to troubles, are ecologic problems, produced by modern societies, especially in the frame of economic system. Luhmann concludes: "Modern society's principle of differentiation makes the question of rationality more urgent - and at the same time insoluble. Any retreat to a traditional semantics of rationality would fail in the face of this situation." (Luhmann, 1995: 477). But he is of opinion that: "Our outline of the problem of rationality does not assert that society must solve problems of this kind in order to survive. Evolution is all that is needed for survival". (Luhmann, 1995: 477). Luhmann's conclusion thus comes as no surprise: "All planning is notoriously inadequate. It does not achieve its goals, or at least not to the extent that it would like, and it triggers side-effects it did not foresee" (Luhmann, 1995, p. 496).

On the basis of the analysis of Luhmann's text Makarovič concluded that Luhmann sees the following limitations of planning that originate from complexity (Makarovič, 2001: 124):

- Limitations of possible knowledge and perceptions of planning
- Limitations of possibilities to implement planned measures and
- Growing complexity which originates from the process of planning itself.

According to Luhmann, the possibility of rational planning in modern societies is thus severely limited because of functional differentiation. Because of their own self-reference and operative closure, partial systems have difficulties in understanding special needs of other systems that operate in accordance with different codes. Besides that, partial system is rather unsusceptible to perception of systemic rationality, i.e. needs of the whole systems. Question arises, if system is even capable of reaction to measures that are supposed to intervene into it. If this measure does not take into account the specific code of individual partial system, system overlooks it. Here is an example from economy and research sphere. Stimulation of science as such does not lead to greater competitiveness of economy, if those measures aren't oriented toward the stimulation of applicative research, whose results can be understood by economy (or concrete enterprises). Of course, economy can also understand basic research, if it has such capacities – in this case, such investments are of course justifiable and lead to results. At this point it has to be stressed that planning itself leads to growing complexity of the system.

Luhmann's analysis of possibilities for steering in modern societies is very important, as it correctly points to numerous limitations and troubles that originate from the processes of functional differentiation; here Luhmann comes to conclusions, similar to those of numerous other authors before him (Etzioni, 1968; Mayntz et al., 1978; Scharpf, 1972). At the same time his derivations, that social steering isn't possible, are very controversial (Makarovič, 2001: 124). If Luhmann's derivations are point of

departure, then first of all it could be maintained that in the context of modern societies, classical hierarchical steering isn't possible anymore. But this tells us nothing about other forms of planned steering that exist in modern societies.

According to Luhmann, politics is no exception in regard to processes of functional differentiation. It means that politics transformed from hierarchical centre of society to specialized partial system, which is not superior to others or does not have resources for steering other systems at its disposal, instead it can steer mainly itself. Politics became only one of social systems.

Luhmann does not pay enough attention to coordination that occurs – empirical evidence bears witness to that – between partial systems.

Refined mechanism of (self) steering: Helmut Willke

Helmut Willke, Luhmann's disciple, colleague, interpreter and in many aspects also his critic, revised chiefly those aspect of sociological systems theory, that deal with the issues of steering of social development and with the role of the state or political system in steering. In his analysis he rejected approaches that stress the significance of political system and mechanisms of hierarchical intervention, as well as adequacy of exclusive reliance on market mechanisms and spontaneous evolution – Luhmann's version of systems theory belongs among these.

“In developed societies creation of order ... is not solely the problem of the state anymore. Social order is only possible on the basis of specific mutual action of autonomous actors... Social order, based on hierarchy and planning is as obsolete as liberalistic formula of order, based on evolution, became dangerous”.

(Willke, 1992: 143)

In his discussions, Willke balances between apology and revision of Luhmann's approach (Adam, 1996). At this point I cannot deal in-depth with all aspects of his approach. I will not deal with those aspects that he resumed after Luhmann, but will limit myself mainly on those, where he approached revised, and especially on some of the most important innovations, particularly in description of three mechanisms of steering of social development that enable us to exceed autopoiesis, self-reference and operative closure, which act as the biggest obstacle to social steering and lead into the blind alley of evolutionary development: reflexion, contextual intervention and systemic discourse. Contrary to Luhmann, Willke does see the possibility of the reformation of the world (positivisation) and he even regards it as one of the three key indicators of modernity, alongside with functional differentiation and self-reference. That's why he is interested in "sociological and social-theoretical relevance of the state and law as fundamental areas of social reality" (Willke, 1993: 34). It is not unimportant that possibility of steering of economy or partial systems in the frame of economy often finds itself in the centre of his analysis.

Reflexion

Functional differentiation and operative closure of partial systems create a need for integration and coordination. Of course, a need by itself does not mean, that it will actually come to the establishment of such mechanism: needs must not be confused with causes (Makarovič, 2001: 40). Utilitarian inference, to which Luhmann contributed to, that partial systems are urged toward cooperation by need and interest for coordination, is falsified by empirical reality itself. Despite obvious proofs about numerous advantages of establishing horizontal and vertical links between enterprises (more on that in next chapter) or about mutual usefulness of linking for enterprises as well as for research institutes, great differences in establishing cooperation between enterprises or between enterprises and research institutes exist (data in *World*

Competitiveness Yearbook, 2018, see also Adam et al., 2001). Existence of ineffective institutional arrangements was successfully explained in the frame of neo-institutional analysis in economy – as a consequence of transaction costs, connected to this (see North, 1990).

In analyzing dynamics of differentiation and integration Willke came to the conclusion that while developed societies do react to the need for integration of functionally differentiated partial systems, this reaction is insufficient. Reason for this he sees in the problem that “actors or subsystems have no need for coordination with other actors, unless if they put themselves into unusual position: if they see what they don’t see and notice what they don’t notice – namely the effects of their operations in their environment” (Willke, 1993: 111). This ability to conditionally exceed self-reference he describes as reflexion: “observation of effects of one’s own identity in the environment (including especially relevant reverse impacts of this effects on the system itself) in comparison with effects created by other systems in their environment” (ibid.: 113).

What this means for the steering of economic development? An important conclusion is that from the description of the reflexion derives that in the description of surpassing Willke didn’t relinquish the concept of self-reference. It means that in observing the environment, an enterprise or economic system as a whole can only interpret impulses in accordance with its specific code of action (for example market share, extent of production, profit). In this sense Willke stays rather firmly in the frame of discourse which firmly separates economic sphere and rationality, tied to it, from other spheres. However, such separation is not appropriate.

It is interesting that Willke in cases of various negotiating mechanisms notes that abilities for reflexion developed in various partial systems. But he explains them with the help of the principle of autopoiesis. Despite not excluding the actors from the analysis (unlike Luhmann), he neglects completely the obvious fact that actors trespass from one life-world to another. In modern societies the economy is the system, which is embedded into environment

(Granovetter, 1985) and in which the influence of culture is particularly important. Evidence of this can be found on various levels. On micro level an enterprise represents one of the most dynamic areas of sociability, with individuals entering into it and exiting from it more or less every day (workday). It would be illusory to expect that individuals would leave all their values and beliefs, originating from their culture, in front of the doors of the enterprise (1995: 6). On mezzo level there is comprehensive evidence of intertwining between enterprises, research organizations, public administration, labour unions etc. being the thickest in the most developed societies, where functional differentiation is highly developed. In socialist societies that dealt with important aspects of stratification differentiation, which eliminates the problem of social coordination by itself – social coordination is executed by hierarchically superior system (Makarovič, 2001: 40), the thickness of such linkages is much lesser (more on that in sixth chapter). Etzioni too, states that modern societies are in fact more responsive to broader set of individual units than were traditional societies (Etzioni, 1968: 504).

Contextual intervention

Regardless of problems of closure there is empirical fact that even in highly complex societies particular systems successfully intervene into other systems. Here one first of all thinks of cases where political system interferes with other systems by mechanisms of hierarchical intervention. But if we consider the principle of decentralization of society, then we have also give consideration to the possibility, that there are cases when actors of intervention are from other systems. In the context of this study I am of course interested in capacities of economy for intervention into other systems. Without doubt, economy does make use of that. As an example we can of course conceive communication between enterprises and research institutions as such. In accordance with the principles of operative closure later without doubt operate in compliance with principles of

scientific research in sense that no other system can determine scientific truth without danger of causing regressive dedifferentiation. But enterprises do influence the operation of scientific systems in a certain way; by financing particular studies they – in line with the economic logic of enterprises – stimulate researchers to work on certain scientifically relevant problems that would otherwise perhaps remain unaddressed. One could find a range of other examples, for example policy of promoting business clusters (more on that in third chapter).

Certain possibilities of planned influence on other systems thus do exist. But one has to ask, what kind of intervention is needed in order for the system which it is suppose to influence to recognize it as relevant and to not lead to systemic dedifferentiation or – through mechanisms of positive feedback loop – to disintegration of partial system.

To fulfil these two demanding criteria political intervention – or intervention of any other system – has to be organised in such a way that it “takes into account the operative closure and specific dynamics of individual systems. Interventions are thus possible only as a *conditioning of contextual conditions* that are included in the data basis of the systems, into which one intervenes, as noted differences (Willke, 1993: 120, accentuation is in the original). Willke thus replaces the idea about linear causal steering, which is because of the complex nature of social systems the least impossible, but definitely rendered difficult and suboptimal, with the much softer idea about “steering to self-steering”. As I will show later in the chapter about policies for strengthening social capital, contextual intervention is the only possible way to promote the development of intangible factors that cannot be strengthened with the help of classical mechanisms for redistribution.

Systemic discourse

Reflexion and contextual intervention still don't enter aspect of communication in relations between systems. This is the role of

systemic discourse as third mechanism of steering of modern societies, which enables the overcoming of operative closure and determination of guidelines of modern functionally differentiated societies: "Systemic discourses mark the attempt to manage divergent rationalities and interests of organized and collective actors in negotiating systems" (Willke, 1993: 125). This is not about direct communications between partial systems, instead it comes to creation of new, "negotiating" systems. Formation of these systems is also a part of the process of functional differentiation of modern societies and at the same time a solution to problems of social coordination which creates them. Some authors are also of opinion that such negotiating systems develop their own autonomous logic (Marin, 1992).

In the frame of systemic discourse actors despite various interests try to come to common solutions that satisfy specific needs of every partial system. While this is about particular form of confrontation, this confrontation is limited – by self-restricting behaviour of involved parties. Because this is about communication in the context of decentralized society, no higher instance, leading and directing this confrontation, is present. In suchlike communications "...actors have to lead themselves. They themselves have to define rules of their interaction and come to an agreement about validity of these rules." (Willke, 1993: 127). Willke is of the opinion that he solved the problems of communication between self-referential actors with the conceptualization of three mechanisms of steering: "Only linking of reflexion, contextual intervention and discourse enables the procedure in which the paradoxicalness of compatibility – not harmony! – can develop itself" (Willke, 1993: 125).

Here one has to ask how Willke pictures establishment of mutual communication of functionally differentiated subsystems or actors. In his theoretical approach one can find certain inconsequentialities or even clear inconsistencies, originating from the fact that he doesn't explicitly relinquish certain aspects of Luhmann's "orthodoxy"; here one can mention especially the concepts of self-reference, autopoiesis and operative closure (see

Adam, 1996: 234-236). Willke sees communication as “transfer of understandable information” (Willke, 1993: 100) which occurs when system understands offered information and accepts it. It can only understand it when information is adapted to its specific code.

It seems that Willke despite important conceptual innovations remains too moderate in his conclusions. In his opinion principal function of discourse isn't the creation of consensus – discourses are headed toward dissensus – but generation of such understandable information that can be understood by specialized partial systems; with that systems also understand the influence of their own actions on environment and returning influence of the environment on actions of partial system (Ibid: 128). However, with that he doesn't solve the question how can this new partial system generates the information, understandable to all other self-referential, autopoietic and operatively closed systems, in the first place.

It has to be stressed that Willke understands the concept of consensus very narrowly: as a common truth or common criterion of correctness. With this he implicitly presupposes the situation of zero-sum game, in which the systems with divergent interests aren't supposed to be able to come to formation of common interests. But everyday empirical evidence confirms that search for consensus as an agreement about common interests on the basis of divergent interests is actually possible (for example in successful examples of social dialogue). If one comprehends self-reference of partial systems as absolute, as Luhmann does and which Willke does not renounce, then systemic discourse is impossible and strategic steering of development isn't possible. Empirical evidence of course indicates that absolute self-reference doesn't exist and that the level of closure of individual systems is empirical question (Adam, 1996). Critics searched for the solution of this dilemma in the concept of *transference*, which Willke already introduced into his theory with the concept of “transferential operation”. Concept of transference describes systems that are open and closed at the same time:

“These still preserve some internal autonomy, but with reference to them, one cannot talk about asymmetry between closure and openness or about primacy of closure (self-reference).... Only systems defined in such a way are capable of surpassing their own identity in the sense of ability for reflexion on the basis of empathy.... Only this enables partial system to become aware of effects of its operations on environment... and to reconstruct self-description of other partially systems as an observer. This is point of departure for instructive interaction and systemic discourse, without which we cannot even imagine steering in the sense of functional coordination”.

(Adam, 1996: 236)

Economic system that has to be able to interpret also those impulses from the environment that aren't completely in accordance with its specific systemic code is also necessarily placed between transferential systems. Before-mentioned case of fundamental science that can also be interesting for economy bears witness to the ability of economy to develop mechanisms for understanding or translation of other codes. One of such most typical cases is peaceful usage of nuclear energy, which was based on theoretical physics. Economy is probably transferential system *par excellence* that has to pay attention to numerous impulses from the environment and understand them.

It is hard to avoid the impression that Willke, because of his leaning against some aspects of Luhmann's theory, didn't develop his analysis to the level that he could have. Numerous conclusions of sociological systems theory are undoubtedly true. Two evolutionary principles (functional differentiation and operative closure) can represent problem of modern society. First leads to growing interdependence between actors and second leads to increasing of their closure. But this growing of dependence and independence is precisely the cause for growing density of communications. Analysis should be furthered by searching for answers to questions about the basis of these communications. Concretely, why can linkages that

contribute to stimulation of economic development (neo-corporatist negotiating systems, links between organizations in the frame of business clusters, etc) establish themselves in certain environments? Which one is that common semantic frame on which the *transference* of social systems is based? Question of *common semantic frame* that enables transferential operations in the first place, avoids Willke's attention.

Network phenomena: toward the upgrade of systemic analysis

Both discussed approaches in the frame of systems theory without doubt have important explanatory potentials in steering of modern societies. However their approach – especially Luhmann's – sometimes doesn't have a very good contact with reality. When reading their texts uncritical reader might think that modern societies are completely disintegrated and are on the brink of collapse. Despite that social systems in modern societies surprise with their stability and ability to establish robust order and at the same time with the exceptional variety of inter-systemic communications and relations between individual and collective actors. This confirms that processes of functional differentiation don't lead to social disintegration but instead create conditions for formation of more complex forms of social coordination that unrolls in the frame of networks. That's why these approaches have to be used in such a way that one can start answering the questions they pose; these questions are also the most interesting and strongest part of this theory: "Luhmann's questions are more interesting than his answers" (Messner, 1997: 104), namely the question about foundations of communications between partial systems and preconditions for these communications – and with that also about preconditions of strategic steering of development. At the beginning of 90-ties of the 20th century Fritz Scharpf stated that:

“In the light of present state of the theory it seems that need to explain the growing of everywhere noticeable chaos is lesser than the measure of intra- and inter-organizational, intra- and inter-sectional coordination and reciprocal certainty of expectations that *exists despite everything*. Beyond the market, the hierarchical state and discourses about control there are obviously increasingly efficacious mechanisms of coordination and steering in internally differentiated and internationally integrated modern societies than scholars empirically discovered and theoretically grasped up until now”.

(Scharpf, 1993: 57, emphasis is in the original)

The concept of network marks self-organization and self-coordination that established themselves between autonomous actors. “These network forms of organization and steering, based on them, can be interpreted as reaction to phenomena of increasing social, political and economic differentiation, specialization and interdependence” (Messner, 1997: 148). It could thus be said that networks (connection, communication and cooperation that unroll within these frames) solve essential problems of social modernization. In this sense research on networks represents an upgrade of sociological systems theory. This theory stopped because of limitations, presented to it by before-mentioned concepts, which – empirically unfoundedly – presupposed absolute exclusion of the environment from the system. Social modernization doesn’t presuppose such exclusivity, but represents the motor of formation of network type of organizing. Because of this, networks are the essential expression of social modernization (Mayntz, 1993) and key to understanding of the fundamental social structures (Messner, 1997: 178).

Messner (1997: 180) states that networks are innovations that can solve complex problems which cannot be successfully confronted by classical forms of steering. Market forms of allocations can produce negative externalities, and more importantly, long-term strategic vision of intentional action cannot be reached by market mechanisms. At the beginning of this chapter I already discussed

limitations or even inabilities of hierarchical steering in the conditions of high complexity. On the other hand, functional logic of networks is characterised by the combination of elements of these two basic patterns and as such it represents higher level of action. This is characterized by: 1. existence and action logic of autonomous, de-centrally organized actors, which appear on the market (at least in ideal type) and 2. action strategy, which is oriented toward definition of mezzo- and long-term common goals and toward definition of resources, needed for achieving of these goals.

Comprehension of growing presence of these phenomena started to awaken in studies in the frame of approaches that analyse policy networks. These approaches are relatively new and up until now haven't yet constituted themselves in the form of new school or structured approach, such as can be said for two fundamental orientations that can be distinguished by the distinction market versus the state. Currently it hasn't yet come to an agreement about what policy networks actually are. Is this a metaphor, methodological approach, analytical method or even real theory (Borzel, 1998: 253)? A possible definition of policy network could be the following: "a set of relatively stable, non-hierarchical and mutually dependent relations that connect various actors with common interests about policies and that exchange resources in following these common interests, taking into account that cooperation is the best way to achieve these common goals" (Borzel, 1998: 254).

Despite that a quick overview of bibliographical data basis easily reveals that notion of network became very present, not just in research on steering of development and not even just in social science. This concept is – similarly to the concept of system – useful for application in various sciences. Common denominator of these various uses is dealing with complex problems. Notion of network has become, so to speak, "a new paradigm of architectural complexity" (Kenis and Schneider, 1991: 25).

"...network perspective implies new perception of causal relations in social processes... The core of this perspective is

decentralized concept of social organization and steering.... Mechanisms of control are dispersed and information is distributed across a multitude of action units. Coordination of these units is not a result of “central steering” or certain type of in advance determined harmony any more, instead it establishes itself in intentional interactions of individual actors¹⁰ that are qualified for parallel action with the exchange of information and other relevant resources.”

(Kenis and Schneider, 1991: 26)

Here I will not discuss the expansive problems of analysis of forms of policy networks in more detail (see Jordan and Schubert, 1992; van Waarden, 1992; Atkinson and Coleman, 1989; Benson, 1982; Rhodes, 1997, Rhodes 2007, Blanco et al. 2011, etc). Possibilities for the use of this conceptual frame are numerous. Grantovetter researched on role of weak and strong networks in the career path (Grantovetter, 1973) and role of social networks in development of Silicon Valley (Castilla et al., 2000). Walker and co-authors researched on establishment of industrial networks (Walker et al., 2000). Nieto and Santamaria analyzed the role of different types of collaborative networks in achieving product innovations and their degree of novelty (Nieto and Santamaria, 2007). Similarly, Zeng and colleagues were interested in the relationships between different cooperation networks and innovation performance of small- and medium-sized enterprises (Zeng et al., 2010). Ranchod and Vas (2019) focused on the need for better linkages between evidence and policymaking, discussing the utility of a policy community network between academic researchers and policymakers. This conceptual frame was also often used in research on transitional processes in post-socialist Europe (Benton et al. 2015, Angelusz and Tardos, 2001; Grabher and Stark, 1997).

I am more interested in the question of preconditions for possibilities of efficacious network linkages. There must exist the minimal common semantic frame – system that wishes to intervene

¹⁰ Here authors refer to individual collective actors.

into other system has to understand and consider the conditions that determine its operating – and an ability for reflexion and learning (Adam, 1996).

Society of networks and developmental dynamics

“Network phenomena” can thus be explained as a consequence of modernization trends, which, more than in the case of segmentary and stratification differentiation, put modern societies before the question of social integration. These processes also led to the lessening of the probability of successful hierarchical coordination and successfulness of spontaneous evolution. Networks can offer part of the solution to the problems of social coordination that originate from developmental dynamics of modern societies. Transformational processes that accompany social modernization led to the strategic process of formation of network forms. I summarize Messner’s description of these trends (1997: 150-153):

1. *Trend in the direction of organizing society.* Numbers of collective actors and their influence on the steering of social development and acceleration of developmental dynamics are growing. Advantages, derived from linking are also pooling of limited resources and combining various competences and forming new, emergent ones that exceed the sum of resources of individual actors.
2. *Increasing sectorization of economy and society.* This is about a process that we named functional differentiation before. Complementary process of specialization unrolls together with this process. This leads to establishment of conditions for increasing importance of individual partial systems or individual actors in society.
3. Consequence of inclusion of these actors into the process of decision-making is *supersaturation of the policy process.*
4. Differentiation of partial systems leads to *the growth of policy.* It means that because of the risks, emanating from the decline of

systemic rationality on account of target rationality, it comes to the increasing volume of state interventions (there are more and more domains and possible situations that have to be regulated). At the beginning there were no sufficient attempts of innovative forms of steering and this led to (over)load of the state.

5. In the long run this process led to *decentralization and fragmentation of the state*. It means that various forms of intervention and steering started to emerge in the framework of the state. It also came to the shifting the responsibility on lower levels (regional, local).

6. With decentralization came various forms of cooperation between the state and other actors. *Border between policy-makers and recipients of policies became blurred*.

7. In some domains development led to the state completely losing its abilities for autonomous making of policies. Input from other actors cannot be neglected without this having consequences for quality of formed measures. It came to *the loss of the autonomy of the state inwards*. This is not just about classical loss of the autonomy because of the processes of globalization and regionalization, but also about loss of the autonomy in the relation to other partial systems.

8. From this arose the need for *cooperative or negotiating state* that has to learn to impart responsibility to lower levels and other actors and of course to support the capacities of these actors for successful cooperation in policy processes.

9. Conditions for *active society* (Etzioni, 1968), in which strategic processes unroll in interaction between relevant actors and partial systems, are established on the basis of previous trends. This is at the same time the only successful solution to growing mutual dependency. These interactions establish relations of inter-systemic coordination which differ from market or hierarchical relations.

10. Globalization, regionalization of economy and integration of national states into supra-national organizations contribute to *the loss of the autonomy of the state outwards*.

Different explanations of formation of new forms of social coordination also exist. The most famous of them is the approach of

technological determinism, which Manuel Castells explained at the beginning of his most famous work "The Rise of the Network Society": "A technological revolution, centered around information technologies, began to reshape, at accelerated pace, the material basis of society. Economies throughout the world have become globally interdependent, introducing a new form of relationship between economy, state and society". (Castells, 1997: 1). In this sense Castells also explained the downfall of socialistic systems as a consequence of their inability to adapt to demands that revolution of information technology put before them (Castells, 1998). In this he made a thesis statement similar to that of Berend, who states in his texts that East European societies developmentally lag behind because they are not capable of adaptation to demands that are put before them by continually emerging new industrial revolutions (Berend and Ranki, 1982; Berend, 2001). Despite different point of departure he came to similar conclusions about the role of the state and forms of policy processes.

Steering role of the state in network society: primus inter pares

In the beginning of 90-ties of the 20th century David Held stated that today we deal with hybrid system, in which on the one hand despite different trends system of sovereign national states still persists, but on the other hand systems of plural structures is also developing (Held, 1991). National state represents only one of the existing centres of power in broader network, where it often confronts other centres that limit its autonomy (Castells, 1998: 304). This is even more so the case with the European Union, whose regulatory powers are being constrained and defined by the Member States. However, this doesn't mean that the decline of national state is coming, but it indicates the change in execution of the role which state can play in strategic processes: ..."while global capitalism flourishes and national ideologies throughout the world explode, it seems that national state, created in modern era, loses its power, but, and this is essential, *not also its influence.*" (Castells, 1998: 243).

As I have already stressed, the state doesn't lose its autonomy only outwards, but also inwards. Castells states that subordinate social groups gain access to policy processes, especially on lower levels. "Thus, a complex geometry emerges in the relationship between the state, social classes, social groups, and identities present in civil society." (Castells, 1997; 271). In this way, lower levels, so called "local state", become important strategic instances (Warner, 1999). In this way, local and regional governments become manifestation of decentralized political power, point of contact between the state and other social subsystems. In this way, networks, within which it comes to policy-making, become much more complicated. An example of this is presented by policies of European Union with the principle of subsidiarity, which complicates the analysis of networks with the introduction of analysis of multi-level steering (Scharpf, 1997; Benz and Eberlein, 1999; Eberlein and Kerwer, 2004; Stephenson 2013).

Hirst and colleagues (2009) criticize as well those simplifying visions which in economic globalization and rise of the power of multi-corporations see reasons for irrelevance of national state. As literature about "localization" of competitive advantages indicates, role of national states really is changing, internally (relations between central, regional and local levels) as well as towards other actors. Instead of traditional macroeconomic measures that are necessary, but insufficient condition for economic competitiveness, other factors, which can only develop in cooperation of various actors, come forward.

"The emerging forms of governance of international markets and other economic processes involve the major national governments but in a new role: states will come to function less as all-purpose providers of governance and more as the authors and legitimators of an international 'quasi-polity'; the central functions of the nation-state will become those of providing legitimacy for and ensuring the accountability of supranational and subnational governance mechanisms which exercise various forms of 'private' authority"

Linda Weiss states that reaction of the state to these pressures of functional differentiation wasn't uniform. In regard to political-institutional differences two answers formed. In both cases it is about upgrade of coalitions: "upwards", in the direction of construction of interstate coalitions on regional and broader level, and "downwards", in the direction of formation of coalitions with internal actors, for example in the form of connection with economy. She termed states that avail themselves of building of these coalitions, "catalytic states". This means that in reaching goals, these states don't lean predominantly on their own resources – this is what "integral states" do – instead they try to reach them as a central or dominant partner in the frame of coalitions of states, transnational institutions or private actors, where they try to be indispensable link of particular strategic coalitions and at the same time they try to stay relatively independent in relation to other actors (Weiss, 1998).

National state in network society actually finds itself under pressure from very different actors, spanning from capital and production networks to supranational structures and organized crime (Castells, 1997: 304). But it doesn't mean that those actors successfully exercise their influence or strengthen their autonomy. Shrinking of the autonomy of the state doesn't presuppose automatic strengthening of the autonomy of other actors (Messner, 1997: 151-152). To this clearly bears witness an example of post-socialist societies, where actors have insufficient resources and consequently cannot give effect to potentials that derive from systemic transformation. Nielsen and co-authors thus stated that "post-socialist state... has to increase powers to reduce powers" (Nielsen et al., 1995: 11). Strategic capacity of individual actors and constellation of relationships between them are those two factors that determine their role in social steering. Question about actual role of individual actors or partial systems can be answered by empirical analysis. About actual role of the state in steering of social

development we can make inferences only on the basis of analysis of strategic competencies of actors.

Suppositions for networks

Numerous analyses about market failure at coordination exist in the literature about market and state. In this study I indicated some suppositions and circumstances of failure of hierarchical forms of steering. Of course, it mustn't happen that networks would be regarded as "panacea", as universal formula that can solve problem of integration and steering in modern societies. In literature one can find quite a few cases which indicate that existence of networks doesn't suffice for successful steering by itself or that networks can also have negative impacts. Banfield's case study of small village in the south of Italy in 50-ties of 20th century, that he named "Montegrano", can be placed amongst classical studies. In this case study he researched on too strong connection in the frame of family networks; a connection that isn't upgraded with extensive networks on other levels ("amoral familism") and hinders cooperation and socio-economic development (Banfield, 1959). Gambetta's study (1989) about mafia networks and studies that focus on researching negative aspects of social capital (Pillai et al. 2015, Labianca and Brass, 2006; Porters, 1998) can also be placed among such studies. On the other hand, possibility of direct failure of networks as mechanism of social steering is also an important one. Coordination of relationships in network is the most sophisticated and consequently it puts the most difficult demands before the members of network. This is demonstrated by an example of cooperation in the enterprise. Of three forms of internationalisation (passive, autonomous and cooperative) the later is the most difficult and at the same time the least likely one – though it would be because of the speed of internationalisation in principle the most wished-for one. It poses set of questions to members of network: question of trust between partners, question of control, fear of partners' power (abuse

of dominant position)... (Česen and Jaklič, 1998). Because of this, the possibility of network failure should also be addressed here.

In frame of networks numerous causes can lead to failure (Messner, 1997). First is the problem of the number of actors in network. If there are too many actors, negotiating processes for reaching of consensus become impossible: with the number of actors the possibility for reaching consensus, satisfactory for all, lessens. Second, a question occurs in time dimension – can institutional environment guarantee that formed strategies don't follow short-term impulses but are instead oriented toward long-term goals? Third, there is a problem of institutional consolidation of networks. After the beginning phase, network consolidates and exit from network can have significant costs for the one exiting from it. This puts actors under the pressure to stay in the network even after the membership isn't optimal for them anymore or doesn't fulfil their needs. Because of this members of network can be forced to make compromises that paralyse common action. Fourth, problems of coordination arise also because of the fact that compromising to improve common benefits is rendered severely difficult, if consensus doesn't bring individual benefits that surpass the status quo to every individual member of network. Fifth, particular "motivational" factors for efficacy of network exist. Mutual trust and cooperative orientation are of key importance here, but they are put to the test when question about division of costs and benefits arises. Sixth, there is the question of power. In the frame of network resources are usually unevenly distributed. Particular actors have strategic resources that are more important than resources of other actors. Networks aren't *a priori* free and democratic and asymmetry of power can lead to erosion of cooperative orientation. Seventh, both conflict and cooperation appear in the network at the same time. Balance between the two is optimal. Excessive "harmony" can paralyse innovation potentials, while excessive conflict leads to paralysation of decision-making and disintegration.

All above-mentioned problems can lead to blockade of decision-making or to structurally conservative action orientation. However, empirical evidence bears witness to the fact that in some

environments network failure occurs more frequently than in others. Analysis of networks cannot satisfactorily explain why this is so: “Why and how individual actors act analysis of policy networks can only partially explain by describing linkages between actors” (Borzel, 1998: 259). In this sense suchlike analysis didn’t markedly succeed in surpassing deficiencies of sociological systems theory. In searching for an answer to these questions authors in the frame of approaches which focus on socio-cultural presuppositions of behaviour, especially on the role of social capital and culture, were much more successful.

However, until quite recently, the sociological literature has generally sought only to explain the conditions under which network forms of organization are functional while largely ignoring what happens when those conditions do not obtain. Schrank and Whitford (2011) tried to fulfil this gap by developing a theory of “network failure”, thereby contributing to the development of sociology’s toolkit for theorizing networks that are “neither market nor hierarchy.” They provided a candidate framework that establishes the social conditions of network governance—that is, institutional safeguards against incompetence and opportunism—and distinguishes between two types of *absolute* network failures that occur in extreme cases of their joint absence or underdevelopment: (i) the breakup of already existing relationships, which they refer to as *network devolution*; and (ii) the nonappearance of potentially profitable or productive networks, which they refer to as *network stillbirth*. They then identified two varieties of *relative* network failure that occur when one—but not both—of the aforementioned safeguards is absent or relatively underdeveloped: (i) networks can “permanently fail” due to a lack of competencies, in which case they label the network *involved*; (ii) or they can “permanently fail” due to opportunism, in which case they label the network *contested*. And, finally, they showed that while each of these forms of network failure is in a sense distinct, they can nonetheless be usefully and systematically related to each other and to existing theories of network governance. Their theory thus theorizes network failures not as the simple absence of network governance, but rather as a

situation in which transactional conditions for network desirability obtain but network governance is impeded either by ignorance or opportunism, or by a combination of the two and depicts network failures as continuous rather than discrete outcomes.

Innovation 2.0 for smart and inclusive growth: towards intentional strategic action

Systems theory is, on account of swearing on the concept of autopoiesis of social systems, oriented mainly toward research on non-intentional and recursive action. However, innovative processes are *per definitionem* intentional action. Even more, Innovation 2.0 for smart and inclusive growth is even more so, on a more complex scale, since it is based on Quadruple Helix Model where government, businesses, academia and civil society work together to co-create the positive societal change (i.e. innovation) and drive structural changes far beyond the scope of what any one organization or person could do alone. This model thus renders obsolete the idea non-intentional and recursive action.

In spite of that, some starting points for research on possibility of strategic steering of social development and course of strategic process do exist in the frame of systems theory. Besides before-mentioned Willke's innovations, two concepts that were offered by Luhmann in the frame of his theoretical opus can also be mentioned. First is the concept of *episode*, which he denotes the sequence of structured communication, which organizations temporarily stop routine structure of discourse, communication and hierarchy and in this way they open the place for reflexive strategic practice (Luhmann, 1995: 268). In this sense we can with this concept embrace all those aspects of dynamics of strategic processes where we deal with rather consistent and permanent manner of confronting of social system with environment (autopoiesis), which is in certain circumstances interrupted by rather radical strategic redirection (episode). Second concept, which Luhmann explicitly ties to the concept of strategy, is concept of *programme*. "Programs can be designated as strategies if and insofar as one provides for them to change, on occasion, while they are being carried out« (Ibid.: 577). Specification of particular information is thus an opportunity for changing certain aspects of the programme, which can change in advance determined selection between options.

However, mentioned concepts cannot be used for the analysis of developmental steering. First of all, use of both concepts, especially the concept of episode, in the frame of Luhmann theoretical opus is rather “episodic” and these two concepts don’t occupy the most important position. Consequently he didn’t develop theoretically important consequences in more detail. From the viewpoint of our discussion it is also important that Luhmann attributes capacity for production of episodes – and with this, intentional strategic changes – to psychic systems (Luhmann, 1995: 268) and in accordance with his theoretical orientation neglects the possibility of strategic action of partial systems.

Significance of these two concepts is – similarly as with Willke’s conceptual innovations – in alerting on important questions about social presuppositions of processes of strategic steering. First, at Luhmann supposition about the acentric nature of the society one has to question suppositions and course of processes of constituting strategic programme on the level of society. In this context it is also important question who is “holder” of this programme? As concept of programme also embraces orientation towards goals or conditions of action, this is at the same time question about that, which actors take part in determining these goals (legitimacy of goals) and in their execution. Second, it alerts on discussion about the relation between intentional strategic action and structural obstacles that originate from (social and cultural) environment. In strategic episodes it is important that despite temporary stoppage of routine structures of discourse and self-reproduction of systems, these processes don’t unroll in vacuum, but are based on sedimentary preceding interactions. With the help of episodes it can come to forming of social structures that are non-congruent with the already-existing ones and in this way episodes contribute to subsequent sedimentation and structuration of this environment. In this chapter we will deal with these questions.

Towards the concept of a strategy of societal development

Studies of strategic steering have a rich tradition in social sciences. However, while studying this rich tradition, we can see some specifics with important consequences for studies of social development. Firstly, the concept of strategy as a form of social action is relatively poorly defined (Whittington, 1993). Consequently, we have a number of difficulties while studying strategic steering. Key problems are related with delimitation of research object, which leads to incomparable operationalisations, data and conclusions. These problems are aggravated by the fact that more recent, sociologically oriented approaches (i.e. strategy as practice approach) the object of research by definition reaches over the limits of specific organisation or subsystem and also includes field of culture and values. Additionally, due to smaller relevance of hierarchical forms of steering, strategy-making process cannot be ascribed only to specific 'strategists'. Consequently, almost every activity taking place in organisation, subsystem or society can be studied as a part of strategic practice (Hendry and Seidl, 2002:3).

Secondly, most studies in this field focus on research of individual profit or non-profit organisations (companies, administrative institutions, NGO's etc.). In this sense, most of this literature belongs to the narrow field of strategic management. More sociologically-oriented approaches attempt to integrate micro and macro approach. However, these attempts are guided primarily by the interest in the impact of wider socio-cultural field on specific strategic practices that are taking place in specific organisations (Whittington, 2002). While studying steering of social development, we need to have interest in mutual effect of both levels.

We should also emphasise some common traits. First, in the framework of both studies of organisational strategies and studies of strategic steering of social development there is a need for reduction of complexity. Strategy is *a tool for reduction of complexity*. Economic system is not trivial subsystem, it is a complex subsystem and this quality influences ability to steer developmental trajectories. Organisations are complex systems as well and this complexity has

to be reduced, i.e. there is a need for reduction of possible options, among which we can select. Strategy reduces complexity to the extent that it is possible to select between options that emerge in the system and in the environment. In this sense, we can understand strategy as “the activity of selecting, and selectively combining, forms of complexity reduction” (Seidl, 2003: 3). Selection between different options can lead to either declarative or authentic *consensus about the goal* we are to achieve; selection renders other options (at least temporarily) irrelevant. Secondly, strategy is a concept, which allows us to deal with theoretical and practical consequences of social changes. In this sense, we can understand strategy *as activity to steer changes*. Here we come close to sociological theories of social practice, which are dealing with interrelationship between macro level (societal structures) and micro level (actor). During strategic processes there is more or less successful implementation of *control over changes*, in the context of this study, control over social changes.

When trying to answer whether society is capable to establish strategic steering processes we have to answer the question whether it is capable to establish, first, developmental consensus¹¹ and secondly, control over developmental processes. Goal setting is relatively simple process with companies and other types of organisations. These are determined by stakeholders, who are in many cases external factors (i.e. owners, members, founders etc.) These goals are also more or less clearly defined, i.e. as a profit market share, services output etc. Even in cases of family businesses, which can be quite distinctive form other types of enterprises, we can notice specific goal setting, i.e. employment and decent income for family members Control over achievement of goals is relatively simple; capability to implement strategy is measured by proxy, i.e.

¹¹ Sočan is discussing four types of developmental consensus. Autocratic consensus implies that the ruling elite is making the relevant decisions, sometimes including input from experts or other actors. This consensus is enforced. The second type of consensus adopted by democratically elected political elites, excluding other actors. The third type of consensus derives from antagonistic relations between social actors. This is a fragile consensus, based on constant compromises. The most solid consensus is emerging in the most developed countries of northern and western Europe, where actors are increasingly aware of complementarities of their interests (Sočan, 2003: 77-78).

achievement of set goals. On the macro system or subsystems level we are dealing with inability to do so, as legitimate goals cannot be set by some 'supreme' instance in contemporary societies. Any such goals can be declaratively determined, but in such a case their implementation is questionable at least.

Ability to build consensus about developmental trajectories and capability of societies to control its implementation are, according to Amitai Etzioni (1968), key dimension of social steering. He analytically distinguishes four categories of societies, according to these two criteria:

1. *Passive societies* are societies with low ability to build developmental consensus and low level of control over development. This group of countries consists mostly of poorly developed societies (e.g. Third World).
2. *Over-managed societies* are societies with high level of control and low level of developmental consensus. There is a big number of these countries, especially among various authoritarian regimes. High level of social control does not necessarily imply effectiveness. In many cases we are instead dealing with "omnipresent, but weak states" (Syrett, 1995), with negative impact on economic development and entrepreneurial initiatives (de Soto, 2000).
3. »*Drifting societies*« are societies with high level of developmental consensus and relatively low level of control. Western democratic societies are typical example of this category.
4. *Active societies* are societies with high level of developmental consensus and also high level of control over developmental trajectories.

This typology implies that active societies are those that have the capacity for strategic steering of social development. Active societies are Etzioni's normative ideal, as they enable influence of all relevant social actors and not only those with biggest social power; this is the only authentic consensus (Makarovič, 2001: 169). Including all relevant and interested actors is not only relevant to ensure social justice and equality, but also to contribute to solving technocratic problems, which emerge while formulating and

executing (control) developmental strategies. Societies, which quickly combine the goal of successful economic development (growth) with social cohesiveness and cultural prosperity, are societies that solve their dilemmas through organisational and political pluralism (Messner, 1997). There are some specific and very successful examples of undemocratic states in East Asia (steering development as developmental states), where authorities legitimised themselves through economic development. However, in addition to remark that it is difficult to talk about cultural prosperity and quality of life in view of obvious repression and violation of human rights, we can also observe that these undemocratic consensus building processes contributed to development of negative externalities, i.e. development of militant trade union movements. Economic development led to either democratisation (South Korea, Taiwan) (Castells, 1998), or knowledge about negative impacts of paternalism, hindering inventiveness and creativity, which are in fact a necessary condition for most sophisticated production processes. (Wee, 2001).

This implies that successful developmental strategies are formulated and implemented in constant interlinkage and dialogue – both formal and informal – of all relevant actors. Equal dialogue between partners is a necessary condition of successful strategic process. Elinor Ostrom is writing about ‘coproduction’, which describes joint involvement of public and private actors in productive processes, where both sides make their contribution (Ostrom, 1997). When contribution of both actors is complementary, cooperation can lead to significant synergetic effects. Peter Evans (1997) also emphasises possibility of synergy stemming from cooperation between state and society.¹² He emphasises two basic principles. The first is complementarity, as with Ostrom’s approach. By complementarity he describes mutually supportive relationships between private and public actors. This also presupposes clear division of work, which is based on qualities and competences of

¹² Evans adopts Hegellian notion of society, i.e. everything not in the state. This also includes, for example, civil society, rural communities, business sector etc.

individual actors. The second is the concept of embeddedness, describing linkages between public and private actors.¹³ Application of this concept makes analysis of strategic processes more difficult, as numerous interactions presuppose establishment of formal and informal institutional arrangements and networks, which can have both positive and negative consequences. But at the same time they increase the possibility to build authentic consensus and successful control over development. This is why cooperation of competent strategic actors is so important for processes of strategic steering. Evans is discussing the need for communication between strong state and strong society. (Ibid.).

In this relationship between competent strategic actors relationships are formed in two ways. They can be the outcome of communicative process between actors and planning (deliberate strategies) or derive from actions of relevant actors. These are ideal types. Planned or deliberate strategies presuppose control over implementation of plans. This is equivalent to Etzioni's control over developmental trajectories. They do not allow process of learning, equivalent to Etzioni's developmental consensus. Emergent strategies presuppose processes of social learning and exclude active control (Mintzberg, 1989: 32). Ideally, we tend towards combination of both approaches, which allows learning and control over implementation of strategy. This is the quality of developmental societies. Active societies are the best equipped to steer social changes in conditions of complexity. This is also manifestation of adaptive nature of modern social systems. Active society strongly emphasises communicative aspect and search for complementarity of divergent interests.

Actors of strategic steering have to take into account limitations coming from the environment. These can be quite 'objective', e.g. coming from natural environment, but they can be also social and cultural limitations. This includes interests of other strategic actors and also many other institutional constraints and

¹³ Evans is aware that these linkages can lead to both constructive linking of interested actors, as well as to establishment of corruptive and rent-seeking behaviour (Evans, 1997: 180).

social structures. Hence, process of strategic steering is not only technocratic problem, but also – or above all – social process.

Strategy as a social process

Henry Mintzberg (1998) developed, on the basis of his research in strategic management, classification of various definitions of strategies. First is *strategy as plan*. In this category are concepts, which define strategy as intentional plan or guidelines for action (blueprint). This approach focuses on two characteristics of strategies: they are intentional and purposeful, and they are formulated before the action itself (e.g. Drucker, 1974). Second category, *strategy as ploy*, is quite similar to the first and could perhaps even be classified as its subcategory. It is a specific manoeuvre to 'outwit' the opponent. These concepts are appropriate to deal with competitive situations or negotiation processes (Porter, 1980). Third category, *strategy as pattern*, focuses on behaviour related with formulation and implementation of strategy. These definitions focus on a pattern in stream of actions. Fourth category of definitions, *strategy as position*, deals with relationship of strategic actor (individual or collective) and its environment. Strategy is a 'intermediary' between strategic actor and the environment, i.e. internal and external context (Thompson, 1967). The fifth category of definitions, *strategy as perspective*, seeks to locate the organisation in external organisation. This approach depends on strategic actors' perspective of their environment. One such approach is Selznick's discussion of 'character' of organisation (Selznick, 1957).

Differences in approaches, which focus on different aspects of strategic processes, point to the conclusion that strategic steering is not only a simple technocratic process. Instead, we are dealing with multi-layered and complex social processes. Strategic processes are social processes and while dealing with possibility of strategic steering of development, we are also dealing with some of the key sociological questions. One such question is the relationship

between actor and structure (micro-macro in American sociological tradition). In the framework of *strategy as plan* (also *strategy as ploy*) and *strategy as perspective* approach we can also ask the question of possibility of intentional influence on social structure. The question of relationship between actor and structure is most clearly emphasised in the framework of approaches that define strategy as intermediary between internal and external environment. *Strategy as patter* approach, focusing on sequence of strategic actions, points to time dimensions of strategic interactions between actors mutual influence between actors and social structures. This is not only about other actors in term of dyadic relations or their influence as a sum of individual influences, but about actions of emergent entity.

While studying steering of social development, we have to dedicate special attention to these questions and issues. Dealing with debates with ideological and disciplinarily burdens, e.g. should the state play the key role in steering social development or should it be left to markets, is counterproductive as it diverts debates from some of the key questions about formulation and implementation of strategy and strategic processes.

Dimensions of strategic process

Sociology intensively deals with social changes from its early beginnings. After all, it was formed as a science in response to intensive social changes more than one hundred years ago. Nevertheless, until now it dealt more with non-intentional action and less with forms and consequences of intentional action. It seems that studying this form of action remained in the domain of economic science, primarily dealing with *homo economicus*. In the framework of sociology, intentional action remained in the domain of rational choice theory. In spite of that, in the last period sociological approach to research of strategic processes started to develop. A number of authors started to analyse strategy as a form of social practice (e.g. Whittington, 2002; Samra-Fredericks, 2000; Hendry, 2000; Bukovec 2009). In this *strategy as practice approach* some researcher

successfully applied more recent sociological theories of practice (Giddens, 1979; 1984; Bourdieu, 1990; de Certeau, 1988) and started dealing with one of the basic sociological questions through analysis of strategic processes: relation between actor and structure (European sociological tradition) or macro and micro level (American sociological tradition).¹⁴

At this point we again encounter aforementioned difference between strategic steering of organisation and strategic steering of social development. The first started to deal with actor-structure through research on influences of environment on social actors. The other are dealing with research on possibility of influence of social subsystems or collective actors on developmental trajectories. Foundations were laid by Etzioni's concept of the active society (Etzioni, 1968: 393).

Interesting starting point for discussion on relation actor-structure is theory of structuration proposed by Anthony Giddens. (1979; 1984). In his theory he rejected functionalist and structuralist approaches, which presupposed too great social determination of human being or actor. This was denounced even much before that by Dennis Wrong as "over socialised conception of man" (Wrong, 1961). Giddens understands social reality as constantly changing and fluid object of research. Society exists in interactions between actors. Therefore, he changes static notion of structure to more dynamic notion of structuration. "The structural properties of social systems are both medium and outcome of the practices they recursively organize". (Giddens, 1984: 25). He terms this theorem 'duality of structure'. The motor of structuration are individual and collective actors.

Margaret Archer (1988) argues in her "theory of morphogenesis" that social systems are capable of radical restructuring. The source of these changes are individual and

¹⁴ Question whether social reality is constituted from individual and their actions or supranational social structures, is according to Adam one of the key sociological questions. This is present in following dichotomies: nominalism vs. holism, micro level vs. macro level, voluntarism vs. determinism and actor (action) vs. structure (Adam, 1995: 10). While studying dimensions of strategic processes we are dealing with dichotomy strategic action vs. structure.

collective actors. There are complex exchanges between action and structures, which result in social changes; formation of structures is taking place in practical interaction. Unlike Giddens, Archer argues for the principle of 'analytical dualism', which should replace 'duality of structure'. This implies that there is a need to introduce analytical distinction between action and structure. Namely, emergent qualities, that characterise socio-cultural systems, imply discontinuity between initial interactions and their products, complex system (Archer, 1988: 61).

These theories represent important starting point to study strategy as a social process, because they deal with possibility of individual and collective actors to intentionally influence structure of social systems. However, both Archer and Giddens did not develop apparatus that would allow us to locate strategy or strategic processes in the context of social processes. If society exists in interactions between social actors, we have to ask where to search and analyse these processes. Is strategic process as intentional action taking place in relationship between people or perhaps at the individual level? Archer's theory invites similar questions. Both individual strategies and collective strategies, which are the result of communicative processes among various actors; have to take a number of limitations – posed by social structures – into account.

»*Social becoming*«

Sztompka's theory of social processes, *social becoming*, is more appropriate to model dimensions and levels of strategic processes. He shapes his vision of social reality on the basis of two analytical dichotomies. First, he distinguishes between two levels of social reality: level of *individuality* (people as individuals or as members of specific collectivities, e.g. groups, associations, communities, movements etc.) and the level of *totality* (abstract social wholes of superindividual sort, social reality *sui generis*). He does not interpret social whole as a metaphysical entity, but as a structure. Individuals are neither passive objects nor completely autonomous, but as "bounded agents" (bounded rationality) (Sztompka, 1994). Second, he distinguishes between two forms of social reality: *potentiality* (inherent tendencies, capacities, capabilities) and actuality

(processes, transformations, activities, development etc.). Table 1 shows Sztompka's vision of social reality, developed on the basis of these two dichotomies. Actors – we could also call him strategic actor – is actualised through social action. Structure, which is social context of strategic process, is actualised in operation.

Table 1: Sztompka's image of social reality

| | <i>Potentiality</i> | <i>Actuality</i> |
|---------------|---|--------------------------------|
| Totality | Structure (social context of strategic process) | Operation (relevant processes) |
| Individuality | Agent (strategic actor) | Action (decision) |

Reworked after

Sztompka, 1994: 214

Relevant structures, which represent social context of strategic process, have emergent quality. This implies that the structure is not only sum of quality of individual agents. The same goes for operations (relevant social processes); although action is component of operations, operations cannot be reduced to individual actions; they have new specific emergent qualities.

According to Sztompka, structures can have individual dynamics. It is based on three principles. The first is *inertia*, implying that it is more likely that functioning (e.g. developmental trajectory) will continue in the same direction than experience radical change in direction. Ghemawat calls this phenomenon 'commitment'; specific organisation insists with the same strategy for various reasons, although relevant actors are aware that it does not provide optimal or even acceptable solution. However, after sometime significant change in strategy takes place (Ghemawat, 1991). One such case is Ireland, which changes very unsuccessful strategy of self-sufficiency and import substitution in the 1950s and 1960s, after holding to it unsuccessfully for decades (O'Hearn, 1998). One can also mention Germany, not being able to break the trap of rigid institutions of welfare

state (Esping-Andersen, 1996). The second principle is 'momentum'. This implies that once the process is in place and it achieves certain level, it is almost impossible to stop it and return to starting point. It is more likely that the process will continue and that actors will try to modify it. The third is principle of 'sequences'; phases of the operation contain pattern, which often cannot be altered.

However, actions performed by actors are not only realisation of social trends. Actors are autonomous in relation to operations of structure to certain extent.

Unlike Giddens and Archer, who insist on 'duality of structure' and 'analytical dualism', which contributes to aforementioned problem of location of strategy at individual or supra-individual level, Sztompka introduces the third, intermediary level. It is located between levels of individuality and totality and Sztompka claims that it is the only real substance of social reality, specific social tissue (Sztompka, 1994: 217). According to Sztompka, each social event or process, which is the building unit of society, represents a fusion of both levels. It is therefore difficult to differentiate them, even if only for analytical purposes. He terms this intermediary level *praxis*:

"Praxis is where operation and action meet; a dialectical synthesis of what is going on in a society and what people are doing. It represents the confluence of operating structures and acting agents, the combined product of the momentum of operation (at the level of totalities) and the course of action undertaken by societal members (at the level of individualities). In other words, it is doubly conditioned (constrained and facilitated): from above, by the phase of functioning reached by wider society; and from below, by the conduct of individuals and their groups. But it is not reducible to either; with respect to both levels, of individualities and totalities, it is a new emergent quality".

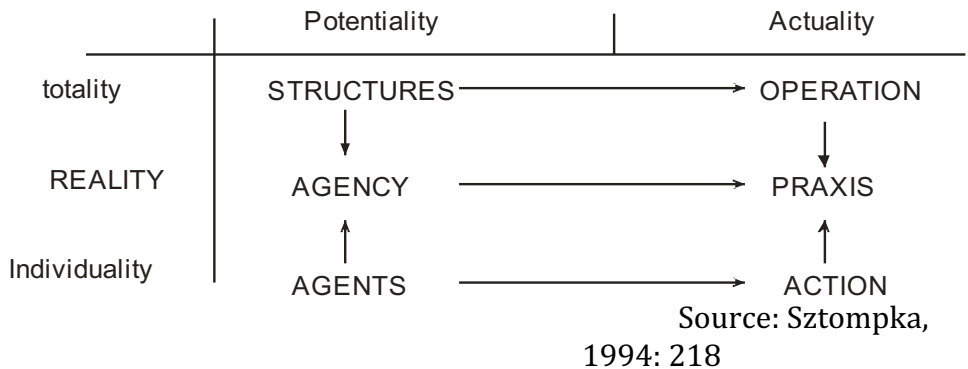
(Sztompka, 1994: 217)

Praxis is actuality. Therefore, there is also potentiality. Sztompka terms it 'agency'. It is area where structures and actors

meet. It is also doubly conditioned and is synthetic product of structural circumstances and capacities of individual and collective actors. However, like in the case of praxis, agency cannot be reduced to sum of qualities of actors or to expression of the environment. It is a new, emergent level.

Praxis and agency are connected. Just like agent is mobilised in action and structure is unfolding in operation, agency is 'eventuating' in praxis. Sztompka uses the notion of 'eventuation' to show that agency can be actualised as a social event, which is the basic unit of social reality in his theory. In the context of our research, this process is the strategic process. It is possible that potentiality is not eventuated. In this case the society does not realise its strategic potentials.

Scheme 1: Dimensions and levels of social process



However, this model is not sufficient, as it contains the idea of linear development, which is expressed in unidirectional linkages from potentialities to actualities. In reality, the level of actuality has a reverse impact on potentiality. This is why Sztompka introduces three feedback loops. First, on the level of totalities redefinitions of structures takes place, as a consequence of social operations, in 'structure building' process. Secondly, on the level of individuality, 'moulding of agents', as a consequence of agents' actions, takes place.

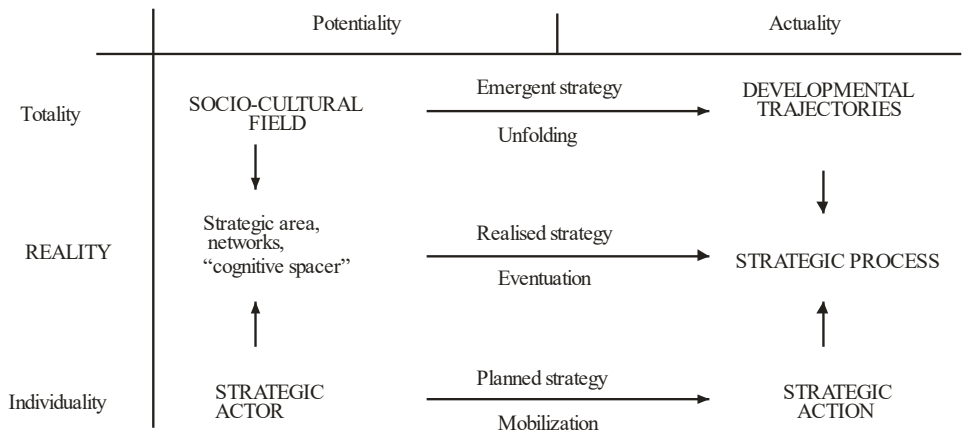
Finally, on the intermediary level of social reality, 'agency-construction' takes place as a consequence of praxis (Sztompka, 1994: 218).

Sztompka developed his 'social becoming' approach as a generic model of social processes. In the context of this paper, however, we are interested in implications of this model to explain or model strategic steering of social development. On the basis of model of dimensions and levels of social process we can design a model of dimensions and levels of strategic processes, which includes our debate. On the level of individuality, the analysis focuses on strategic action of strategic actor as a potentiality. This can be both individual and collective actor. On the level of totality there is a socio-cultural field, which includes social and cultural factors that limit the set of options for strategic actors. Sztompka uses the notion socio-cultural field, to denote multi-dimensionality of inter-individual 'social tissue'. Social tissue consists of four types of linkages, which are interpersonal, emergent in nature. He describes these dimensions by using INIO typologies: ideal (I), normative (N), interactive (I) and (O) opportunity. At the first level, continuous formulation, legitimisation and reformulation of ideas is taking place. At the normative level continuous institutionalisation, reaffirmation or rejection of regulations, ethical codes, etc. is taking place. At the action level there is continuous establishment, differentiation and reformulation of interactive channels and linkages at different levels. At the interest level there is continuous crystallisation, petrification and redistribution of opportunities, interests etc. (Sztompka, 1994: 11). Ideal (ideal) and normative (rules) linkages contribute to culture. Interactions and interests contribute to social tissue (structures) (Sztompka, 1994: 10-11). Socio-cultural field is unfolding as developmental trajectory through emergent strategies.

At the intermediate level, which is, according to Sztompka's model of social processes, level of social reality with the event as a basic unit of sociological analysis, we can locate – as a potentiality – strategic area, network, cognitive space. It is eventuating in strategic

process. Realised strategy is a result of emergent and planned strategy (Mintzberg, 1998: 36).

Scheme 1: Dimensions and levels of the strategic process



Actors can mobilise their capacities and resources in the form of strategic action. However, this is not the necessary outcome. In certain circumstances these resources are not utilised in processes of strategic steering of social development and remain a potentiality. We have do touch the question of necessary conditions for effective utilisation of existing resources. This is not only theoretical problem, but a highly relevant one in the context of formulation of developmental policies. For example, do we have to invest new resources in improvement of specific factors of development (e.g.

increase R&D funding), or should we instead attempt to increase efficiency of already existing inputs (e.g. by improving cooperation between R&D institutions and business sector). This is highly important because strategic action contributes to changes in strategic capacity of actors, either through virtuous circle or vicious circle.

Socio-cultural field represents important element of the environment, limiting the options of strategic actors. Sztompka is discussing two types of environment, natural environment and social consciousness. In this paper, the aspect of natural environment is less important, although we cannot ignore it. However, the role of natural resources in competitiveness and ability for steering social development is reducing (Porter, 1990: 4). Hence, we are focusing on that aspect of the environment, which we term socio-cultural environment and it cannot be ignored while studying systemic competitiveness (Esser et al, 1996).

The above model is designed with the purpose of sociological analysis of strategic action. Similar approach was developed in organisational sociology and economic geography, dealing with social construction of enterprises in communication with their environment. It is analysis of 'business systems framework', which was used to study national specifics in structure and actions of businesses and business sector (Whitley, 1996; Sorge, 1996). Conceptual framework was designed by Richard Whitley (1992; 1999) and further developed by Scandinavian researchers, especially in the framework of Copenhagen business school (Karnøe, 1999; Kristensen, 1999). Unlike neoclassical economic analysis, which ignores importance of history, institutional arrangements and collective actors, enterprises are understood as embedded in nationally and regionally specific institutional context. This context is a 'host' of certain type of economic organisations (inter- and intra-organisational forms and practices). Local economic and social institutions represent broader environment, which determines set of possibilities (Karnøe, 1999: 9-10). Analysis of business system focuses of the role of these arrangements in current and future action as a part of historic process. From the perspective of this study, their

conceptualisation of institutional context of business system – its environment – is especially interesting. It is divided to *proximate social institutions* and *background social institutions*. The former are ‘classical’ economic institutions (financial systems, educational systems, tradition of state interventionism, industrial relations...). These institutions are also socially constructed; their functionality is relative and depends on respective business system. The latter are dominant beliefs, conventions, moral codes etc., that lead interaction and cooperation. Here we are referring to cultural aspects of the environment.

Starting from the general issues of rationality linked to the steering of societal development and considering – though very briefly – several relevant sociological theories, we have thus reached a comparatively feasible and more specific model that may contribute to the further understanding of the strategic steering of development.

Path-dependency and social development

Analysis of strategic action of developmental latecomers shows that it is an issue that touches the very core of sociological analysis. It is, at the same time, an issue that strongly touches economic theory. This overlap is perhaps strongest in the framework of neoinstitutional analysis, which deals with classical macrosociological issues – emergence, preservations of institutions, institutional changes – and at the same time integrates economic and sociological approaches (Nee in Brinton, 1998: xv). Furthermore, neoinstitutional analysis in sociology is also important to study strategic processes, as it deals with the idea of contextually dependent rational action. It focuses on socio-cultural context within the frame of which individual interests and cultural elements, important for determining strategic actions of actors (culture as a

tool kit, Ann Swidler), develop, as well as reciprocal role of norms and interests in transformations of institutional environment.

Neoinstitutional analysis in sociology attempts to explain strategic action as a type of action that is taking place in the context of incomplete information and mental models, which contributes to transaction costs. Strategic actors regularly deal with these conditions (Nee, 1998: 1). It is important to note that transaction costs are important part of costs of production and exchange in contemporary economies. Therefore, alternative institutional arrangements can be the difference between economic growth, stagnation and recession (North, 1990; Nee, 1998). This is also valid in the case of strategic action of actors. Reciprocal action of strategic actors is connected with numerous potential costs. (This is expressed in situations like prisoner's dilemma, etc). Capacities for harmonious action between them can mean a difference between potentiality and actuality, which eventualizes itself in the form of successful strategic process. Analysis of factors that enable mobilization, eventuation and uncovering – i.e. transformation of potentiality into actuality, is of key importance for analysis of strategic processes, in same way as specification of conditions that encourage actors to form efficient institutional arrangements (North, 1990) is of key importance for explanation of economic growth.

The concept of *choice within constraints* is the theoretical centre of neoinstitutional analysis. Networks of interrelated norms and regulations are formal and informal constraints, shaping selection of options for the actors (Nee, 1998: 8). They can solve the problem of coordination and enable collective action. Norms are a type of social capital, enabling us to solve dilemmas and leading to optimal collective result. Suboptimal results occur when individual actors follow their specific strategic goals (goal rationality) and ignore rationality from the perspective of the system as a whole (systemic rationality). Norms of cooperation enable systemic discourse and systemic rationality.

One of the key questions is, as already mentioned, whether developmental trajectories can be influenced by strategic choices or

whether development is “path-dependent”? By adopting “choice within constraints” approach, neoinstitutional analysis also adopts “path-dependency” approach to development. Regardless of the discipline, contemporary neo-institutional analysis has one common notion: “path-dependency” (Raadschelders, 1998: 569). Douglass North, one of the most relevant neoinstitutionalists, develops an approach which is closer to choice within constraints, in which social structures and culture do not determine, but limit set of options: on each step of the path there are choices, political and economic, which help to determine proper alternatives. “Path-dependence” is a method of conceptual reduction of available choices and not a story about inevitable future (North, 1990).

"At every step along the way there were choices - political and economic - that provided real alternatives. Path dependence is a way to narrow conceptually the choice set and link decision making through time; it is not a story of inevitability in which the past neatly predicts the future".

(North, 1990: 98-99)

Process is “path-dependent” in cases, when initial movement in one direction determines future direction. Sequence of events influences new events in a way that developmental trajectories limit set of options for future trajectories (Kay, 2003: 2). This is consistent with two other phenomena. Firstly, in chaotic systems, which also includes social (and economic) systems, we are dealing with positive feedback loops. These are self-reinforcing mechanisms, which are intensifying social processes. Secondly, social structures usually have emergent quality and independent dynamics, which is manifested in principles of inertness and sequences (Sztompka, 1993a).

Aforementioned definition of “path-dependency” is leading to specific methodological status of this approach. One has to take into account that we are not talking about a typical theory or model of development as it does not offer a general list of relevant variables, which could be utilised for “diagnostic and prescriptive research”

and does not offer hypotheses about generally valid causal links between these variables (Ostrom, 1999: 39). “Path-dependency” is empirical category, which can be utilised for explanation of a specific type of process in time dimension, which is becoming more and more important in social research. (Sztompka, 1993; Berend, 2001; Kay, 2003a). This approach does not offer generalised explanation about why systems sometimes develop in this way. Instead, researchers, using this concept, have to develop “explanatory frameworks, theories and models, explaining *microfoundations of ‘path-dependent’ processes*” (Kay, 2003a: 406-407).

It follows from this that not every developmental trend or set of decisions can be understood with the help of the concept of path-dependency. Sociologist must be careful when using this explanation, as correlations between starting conditions, general lawfulness and path-dependence has to be taken into account. There is no single “the best” method of analysis for explanation of specific developmental trends; adequacy of particular method depends on the phenomena that we wish to explain. Use of path-dependency explanation would be less adequate for the explanation of phenomena or trend that occurs frequently, but on the basis of various starting conditions. In this case one would have to search for the explanation on the basis of theory of rational choice – this would lead to convergence of developmental trends. For the explanation of phenomena that occurs only sporadically, but on the basis of similar starting conditions, one should search for the solution in specific general lawfulness which connects certain starting conditions with certain results. With the help of path-dependence we can in the first place explain specific trend that occurred only once, despite existence of similar starting conditions somewhere else. Of course, one has to take into account the possibility of spreading by diffusion, like for example first industrial revolution that occurred as such only once and then spread further (Goldstone, 1998: 841).¹⁵

¹⁵ Other industrial revolutions were different, in their genesis as well as in their consequences. In this sense only the name connects them.

Neo-institutional analysis also focused, with the help of path-dependency explanations, on question what enables the survival of societies, economies and institutional arrangements which operate sub-optimally or are ineffective¹⁶. Douglas North is of the opinion that the reason for this is that institutions don't come into existence in the framework of zero transactional costs: "But if the process by which we arrive at today's institutions is relevant and constrains future choices, then not only does history matter but persistent poor performance and long-run divergent patterns of development stem from a common source" (North, 1990 : 93). In accordance with evolutionary approach ineffective institution should perish in the process of selection on the account of more effective ones. But this is not so, which was proven decades ago, when modernization and convergence developmental theories were falsified. This is the reason why we can't regard certain way as optimal from the aspect of assuring of development or expect that "optimal" forms will establish through the process of selection. Attention must also be paid to the role of intentional action in formation of institutional arrangements.

Developmental paths of successful latecomers: Ireland and Finland

»Path-dependency« approach has, in comparison with classical development studies, certain advantages in analysis of developmental strategies and factors. Numerous authors note excessive paradigmaticity (Moore, 1997) or dogmatism (Kiely, 1995) of development studies. Authors also ascribe them some other partialities, like for example evolutionism, functionalism, negligence of changes in global order (Kiely, 1995), or, which is especially important from the viewpoint of this analysis, negligence of significance of social relationships in development (Moore, 1997; Escobar, 1995). Role of social relationships is treated very narrowly

¹⁶ North uses the term efficient to "indicate a condition where the existing set of constraints will produce economic growth" (North, 1990 : 92).

and contradictory, therefore there couldn't be constructive policy suggestions (Woolcock and Narayan, 2000). These and other shortcomings of development theories also contributed to the emergence of post-development theories, contesting the very meaning of development itself (Rapley, 2004).

Common denominator of all these deficiencies is unjustified reduction of complexity. States are situated on qualitatively different developmental levels, where different developmental factors play differently important role. At this great differences in the strategies of individual states need to be taken into account. In research on neo-corporatist arrangements in small European countries Katzenstein discovered that focus on external conditions is the common characteristic of studies of economic development of small countries. These countries reacted in different ways on similar conditions. One of the causes for this are differences in internal structure of small countries, which is the factor that was completely neglected in such studies from the 70-ties of 20th century (Katzenstein, 1985: 37). Katzenstein in his study pointed to important differences that exist between seven highly developed European countries. This is not about the difference between liberal and social forms of neo-corporatism, but about important differences that led to one or the other type of institutionalization. Here it has to be stressed that he researched on group of the countries that is rather homogenous (rather equal) in certain aspects of development and that all included countries were small countries.

We will continue this paper with a short analysis of development of two successful latecomers, Ireland and Finland. Intent of this paper is not comprehensive and detailed presentation of development trends of these two countries or analysis of their development policies. Such problems were already thoroughly discussed in literature (for example Jaklič, 1994; Sočan, 2001). The goal is to point to "path-dependence" dimensions of their developmental trajectories. To do that, one has to point to, first, existence of a situation of choice within constraints. Secondly, one has to prove that at a certain point there was an important strategic decision, which led to strategic shift. Thirdly, I will point to a systemic

discourse as the only option for successful impact of strategic actors on developmental trajectories. More comprehensive analysis would surpass the intents of this paper. Ireland and Finland are interesting from the perspective of this study for a number of reasons. The first one is rather banal one: in the European context these two countries represent the only cases of successful latecomers, which joined the group of core countries after WW2 in Europe. In the global context one could also emphasise four Asian tigers, with their spectacular growth rates from the 1960s to 1990s (see O'Hearn, 1998).¹⁷ However, Asian cases are far less interesting from the perspective of this study; their developmental trajectories were rather specific if compared to European societies.¹⁸

Twenty years ago, when the successful transformation started, Finland and Ireland were perhaps closer to the level of better off east-central European countries today. In the beginning of the 21st century they are among the most developed and competitive European economies. This is not evident only from their GDP levels. Both countries have also substantially improved their innovation capacities. Finland belonged to technological core already in the late 1980s, but not at the very centre. However, in past twenty years the density of innovations increased by three times, which is the highest growth in the group of technologically advanced countries. Ireland

¹⁷ Before their astonishing economic development, the four Asian tigers were Third World countries. Huntington makes an interesting comparison. In the beginning of the 1960s, the level of development of South Korea and Ghana was remarkably similar. Level and structure of GDP were comparable. Exports were based on products from primary sector. Levels of foreign aid were comparable. Only three decades later, Ghana was in a similar situation. South Korea was industrial giant with fourteenth largest economy in the world. Numerous Korean multinationals are successful competitors in the global markets in automobiles, electronics, communications and other more or less sophisticated products. (Huntington, 2000: xiv).

¹⁸ This is not only the case for EU and EFTA countries, but also in comparison with post-socialist countries of East-central Europe. In their authoritarian period, these countries went through process of forced partial modernisation and extensive industrialisation, which caused rapid deindustrialisation in the beginning of the 1990s. Asian tigers, on the other hand, went through a prolonged and sustained process of upgrading its development processes in direction of more complex products and services.

managed to enter the group of the most innovative countries. Next to Ireland and the four Asian tigers, Iceland is the only country with such an achievement.

Ireland

Irish economic history and policy can be, generally speaking, split to two distinct periods. The first period was between 1922 and the beginning of the 1960s. In this period, starting with Irish political independence from the UK, it is rather difficult to talk about Irish national economy. Even after political separation, its economy continued to operate as a regional economy of Great Britain (accounting for 90% of all Irish exports and almost entire imports). As predominantly agricultural country it served Great Britain with food and other primary products¹⁹ (Battel, 2003). Thus, political independence did not lead to substantial shift in economic orientation and developmental performances. In the first few years, developmental policies were directed primarily to ensure stability of newly created state, building basic infrastructures and preserving free trade with Great Britain. These policies consolidated as *import substitution model*, especially after 'customs war' with Great Britain in the 1930s, which had both nationalistic (national identity) and economic goals (Battel, 2003).

In this period, economic policies were not determined by a rational economic calculation. Namely, any substantial changes were not possible in the first period, as Irish nationalists would interpret opening of its economy as an act of betrayal to foreign masters. This orientation persisted, even though it caused structural problems, low economic growth, continuing mass migrations and – ironically – continuing economic dependence on Great Britain.

¹⁹ There was even a process of deindustrialisation of Irish economy in the period between 1821 in 1841. The share of employment in industrial production was reduced from 43% to 28%. (Battel, 2003: 94-95). This was not a consequence of increase in services, but a flight to subsistence agriculture.

Economic problems continued after WW2, in the period when economic growth started to accelerate on the continent.²⁰ It became obvious that established policies fail to deliver desired results. Hence, after a decade-long “commitment” to specific strategic orientation (Ghemawat, 1991) a strategic shift took place. However, complete discontinuity with the past was not possible, which is also consistent with “path-dependency” thesis. Such structural vacuum is only possible in theory. It is therefore not surprising, that the new economic policy in the 1950s, part of which was also opening to international trade and foreign investments, was started by the nationalist party Fianna Fail, which was the ruling party after 1932.²¹ The first steps were conducted under leadership of Eamon de Valera, teoiseach (prime minister) for many years, and his successor Sean Lemass – both veterans of independence war (Battel, 2003: 97-99). The breaking point was 1958, when the programme *Economic development* was written, as a reaction to severe economic crisis. This was the beginning of the second phase of Irish economic history and policies. In the next few decades Ireland became one of the most attractive locations for FDI in Europe. Decisions taken in this period effectively narrowed down the list of available options.

This is very relevant from the perspective of strategic steering of development. Namely, several decades passed between strategic shift and the time when this shift started to produce more tangible results. Economic data shows that this only happened towards the end of the 1980s. In the meantime, the situation was rather unfavourable, e.g. in the 1970s, when public debt increased dramatically and Ireland became one of the most indebted countries in Europe, inflation and unemployment were very high and Ireland was one of the four poorest EU Member States, failing to achieve any substantial convergence.²² This is especially valid if we take level of

²⁰ Ireland received only small part of the aid from Marshall plan, as it did not actively participate in the war and consequently did not suffer direct war damages.

²¹ Fianna Fail even accepted the law which required that the Irish had to be the majority in management of all newly established enterprises.

²² In 1960 Spanish GDP was 60% of the GDP of the countries EU-12 and in 1990 it was 78%. In this period GDP in Greece grew from 39% to 53% and from 39% to 53% in

GDP as a criterion, as Ireland was in the 80-ties of 20th century typical case of a country where economic growth is “statistical artefact” (Walsh, 1999), where favourable tax legislation led to multi-corporations artificially rising the level of GDP (O’Leary, 1997). Nevertheless, fast change in policy orientation – perhaps towards the old patterns – was not possible.

The situation changed dramatically in the 1990s. Ireland achieved staggering GDP growth rates. For example, in the period 1994-1998 the Irish average annual GDP growth was 7,5%, while EU average was 2.5% (Walsh, 1999).²³ There is no agreement on causes of this sudden growth. Most authors notice that it was influenced by a number of factors, which have been in place for a rather long period of time prior to that, but with no obvious results (Walsh, 1999; Battel, 2003: 99-101; Barry, 2000: 1382). In the next chapter, I will develop a thesis that a new factor, systemic discourse, started to operate as a catalyst of existing resources. This discourse was institutionalised in the form of a long-term and binding social partnership with substantial “spillover effects”.

Finland

Finland is less obvious, but nevertheless very interesting case of developmental strategic processes. One has to emphasise, that we are not dealing with underdeveloped country. However, it was constantly lagging behind the most developed European countries. “Typical Finnish company” was capital intensive and focused to reproduction of natural resources, building its competitive advantage on the basis of privileged access to these resources. (e.g. pulp and paper and furniture production) and aggressive investments intended to gain economies of scale. This strategy

Portugal. In Ireland, which had the best starting point (61%), GDP in this period grew to 69% (Kennedy, 1992)

²³ Ireland reached EU GDP average in 1998 and is today one of the EU members with the highest GDP. In 1987 its public debt was 114% of GDP and unemployment level rose to 17%. In one decade its public debt fell to 60% of GDP and unemployment level below 6% (Barry, 2000).

resulted in a small number of large, vertically integrated companies (Lilja in Tainio, 1996: 159).

Strategic shift took place in the wake of a great economic crisis, which started at the end of the 1980s and beginning of the 1990s, due to various reasons (old industrial structure, loss of markets in the former Soviet Union etc.). Strategic redirection majority of researchers connects with one company, Nokia. While it seems surprising that redirection of economic strategies is connected to one single company, data proves the correctness of this orientation and great importance of Nokia in Finnish economy. This company represents the core of Finnish cluster in the domain of information technology and it enabled development of numerous small, specialized and flexible companies (more than 3.000) that work not only for Nokia, but also for other companies and many of them are the leading ones in their domains on global scale. This cluster, that in 2000 employed only 3-4% of labour force, created 1/3 of common export and 45% of Finnish GDP (Castells in Himanen, 2002: 23). So, at the end of this process, Finland was one of technologically most developed European countries, a leader in the field of mobile communications, and above-average value added even in low and medium-tech industries (Castells and Himanen, 2002).

Nokia was leading actor in transformation of Finland from industrial society to “network society”. In the period of very extensive spreading of business on very unlinked activities in 70-ties and the beginning of 80-ties of 20th century – information technology and telecommunications represented only small part of activities – Nokia developed in rather typical Finnish conglomerate with hierarchical structure and capital-intensive ways of spreading. Because of various causes – inadequate structure of management, problems with employees, etc – company faced great crisis at the end of 80-ties of 20th century. New management introduced radical strategic redirections that were based on three premises: new product and industrial structure (specialization in domain of mobile technology), change of financial structure (moving away from bank financing, bigger autonomy) and introduction of network forms of organization of the company (application of network forms of

organization) (Ibid.: 31-34). Nokia succeed and its success on global level also had strong consequences for Finland as small country.

In 90-ties of the 20th century Finland managed to join the countries that compete in global markets with the most sophisticated products with highest added values and into which the biggest amount of knowledge is built. Castells and Himanen (2002) present Finland as model example of information society, together with Silicon Valley in California and Singapore. In this, Finland presents a very special case, because it managed to avoid numerous less favourable aspects that often follow big developmental success. First, in this country, effectiveness of the state as well as its democracy is at a high level (data on this is in the chapter 4). Modernization and growing of international competitiveness didn't emerge with the help of "disciplining" by interventionist state that supports market processes (disciplinary modernisation) as was the case with Singapore (Wee, 2001). Position in the area of regional development also stayed rather favourable. Studies exposed clear trends of convergence in economic development between 88 Finnish sub-regions in the time period 1934-94. Rate of convergence was even faster after 1964. In this it is especially important that none! of the sub-regions were excluded from these trends and that different groups didn't establish amongst them. Helsinki, as the most developed sub-region, doesn't present special rank in relation to others, in contrast to London or Dublin (Kangasharju, 1999). Preservation of welfare state, expressed in relatively low rates of poverty, income inequality and social exclusion, is perhaps the most important difference and point of interest. These rates are lower than in Ireland or Singapore and also lower than in the set of other developed countries (Luxembourg Income Study). In spite of this, Finland is, according to various scales of international competitiveness, one of the most competitive countries in the world²⁴.

²⁴ In 2001 Finland was placed first in *Global Competitiveness Report*. In *World Competitiveness Yearbook 2002* it was placed second in 2002. All of the most competitive global economies were included in these studies.

Path-shaping as a coordination through systemic discourse

Due to “choice within constraints” approach, discussion on path-dependency includes – “path-shaping” dimensions. In his analysis of institutional reforms of welfare state –undoubtedly a case of institutional arrangements where it is difficult to achieve fast changes due to numerous vital and expensive interests – Jacob Torfing shows that changes in well established arrangements are indeed taking place, but policy-makers and other stakeholders have to take complex constellations of interests into account. He defined policy path as a relatively stable way to organise and regulate certain policy field. Policy path is not just a policy-making method for regulation of objects, processes and actions. It is a discursive terrain at which objects of regulation, regulatory agencies and institutional forms of regulation are mutually structuring (Torfing, 2001: 286-287).

Formation of strategies thus unrolls in complex interaction between intentional measures, long-term traditions, processes of learning and also random events. In this process more or less coherent whole emerges from different elements and this whole represents reproduction of particular path. As we already mentioned, this path isn't necessarily optimal from the aspect of reaching systemic rationality.

“Path-shaping” is therefore possible through coordination between individual actors, which leads to coordinated strategic action. In this way strategic process can have realistic possibilities for success. But even in the case of successful coordination, total discontinuity is not possible. Old arrangements and structures exercise some influence on the new ones. “Path-shaping” and “path-dependency” are complementary notions. The first is based on the assumption of changes in existing institutional arrangements and the second is based on inability for complete change. It is therefore not possible to discuss institutional vacuum even in such rapid social and

institutional changes like the post-socialist transition. (Nielsen et al, 1995).

Institutional design is difficult process, because we face two problems, "hyper-rationality" and "mental residuals" (Offe, 1995). Therefore, two conditions have to be met in order to achieve successful institutional design (1995: 54-55). Firstly, institutional arrangements have to be discredited and without legitimacy and ability to deal with challenges that come from their environment. In the case of economic development this could be the situation of a deep and lasting economic crisis, which cannot be solved in the framework of existing arrangements (e.g. aforementioned cases of Ireland and Finland). Secondly, they have to offer alternative vision. Therefore, such models are usually not "structured" in a specific social setting, but are in their initial form imported from different and more successful one. They are adapted to local circumstances. If these two conditions are not met, institutional reforms will most likely meet serious obstacles.

Offe claims that too great effort to change institutional arrangements can lead to lack of trust. Too radical and insufficiently defined reforms overestimate the trust of stakeholders, which is a key prerequisite for successful systemic discourse. Alternatively, they tend to support great expectations regarding success of reforms (Offe, 1995: 56), i.e. the myth of designer capitalism (Stark, 1995). Survival and success of new institutional arrangements depend primarily on trust of people and their willingness to meet the costs related with transition to new institutional arrangement (Offe, 1995: 57).

2.4.1 Systemic discourse in developmental latecomers

Transition to new level of developmental performance also requires changes in approach to developmental steering. This is not only about the content of developmental strategies and policies, but also

about forms of strategic process, i.e. ways of forming these strategies, itself. A number of successful cases (e.g. Ireland, Finland, Asian tigers) show that not only the contents, but also the type of strategic process has changed substantially, especially in the direction of a systemic discourse.

The state systematically intervened in all cases of successful latecomers in the past decades (Castells, 1998, O'Hearn, 1998; 2000; Ó Riain, 2000). However, the state was not the *only* relevant actor, as it was the case in centrally-planned economies. It was the *central* actor, assuming the role of initiator, moderator and facilitator. In many cases it assumed the initiative in evaluating the potential of technological and product developments, which is the key factor of developmental success of these societies (Castells, 1998: 256). In early phases the capacity to reallocate resources and ensure institutional and macroeconomic stability plays the key role. It is not surprising, that between 1960s and 1980s some undemocratic developmental states played important role in enhancing economic development (Castells, 1998).

However, while entering higher levels of development, intangible resources gain importance and developmentally oriented state has to establish communication with other actors. In the case of Asian tigers the role of the state started to change in the 1980s and more decentred types of communication started to develop. In the cases of Ireland and Finland the systemic discourse was the catalyst of developmental resources and it enabled higher levels of developmental performance.

Ireland

The Celtic tiger phenomenon coincided with the introduction of a system of rather strict social partnership agreement in the second half of the 1980s. This was a consequence of difficult economic situation, which led the state, employers' associations and trade unions to start a tri-annual social agreements. The first, *Programme for national recovery* (1987-1990), was negotiated and

signed in 1987.²⁵ These agreements were taken very seriously by all stakeholders and the first strike against the agreement took part only in autumn 1999, when the general strike of nurses took place. In spite of some criticisms regarding uneven distribution of social costs and creation of deprived groups of population, excluded from the benefits of the Celtic tiger (Kieran, 2000; tuidi O'Hearn, 1998), there is a general agreement that this arrangement – taking other factors into account – contributed to Celtic tiger phenomenon.²⁶ Systemic discourse was a catalyst of other factors of development.

In the framework of new institutional arrangements, National economic and social forum (NESF) was created in 1993. This structure offered a formal framework for communication between social partners, the state, elected representatives of political parties and academics. Nongovernmental organisations were also included in 1997. Communication between different partners was also transferred to regional level, where it is taking place in the framework of 38 regional partnerships (McCashin, 2002; Sabel, 1997). NESF was initially conceptualised as a mid-term mechanism to solve fiscal crisis. However, it evolved to institution promoting permanent economic growth (Hardiman, 2002: 17). NESF is nowadays an institutional form with a number of positive externalities in the form of systemic discourse.

Finland

²⁵ This was followed by *Programme for Economic and Social Progress* (1990-1993), *Programme for Competitiveness and Work* (1994-1996), *Partnership 2000* (1997-2000) and *Programme for Prosperity and Fairness* (2000-2003) (McCashin et al, 2002).

²⁶ These criticisms are in some respects justified. Income inequality in Ireland is among highest in Europe (*Luxembourg Income Study*). Number of working poor is also increasing, as well as difference between profits and wages (Kieran, 2000). However, the convergence between Ireland and EU-12 was higher with productivity of work than standard of living already in the period between 1960s and 1990 (O'Leary, 1997).

In the case of Ireland, most authors are focusing on systemic discourse, which is taking place in the framework of social partnership arrangements. In the case of Finland, on the other hand, most authors are focusing on communications, which are taking place in the framework of national system of innovations. This difference is also due to the fact that developmental leap in Ireland was to a much greater extent based on substantial inward FDI, thus increasing the importance not only of a stable macroeconomic, but also political environment. In Finland it was to a greater extent based on mobilisation and development of indigenous resources. In this context we should emphasise that Finland – unlike Ireland – is a global leader in the field of information-communication technology. Castells and Himanen describe Finland, together with Singapore, as a model of network society (Castells in Himanen, 2002).

Genesis of the Finnish national system of innovations started in the 1960s, when the state started to strengthen – both financially and in terms of human resources – system of higher education and to expand the network of higher education institutions. This is also the period, when Finland established some of the institutions, which are now the most important elements of developmental policies.

Finnish system of innovations consists of a number of important elements. The first element is ICT cluster around Nokia. Nokia is the most important, but by far not the only important company.²⁷ The second element is a network of technological universities and polytechnics, which are the knowledge base of the system. Because of the strategic action of other actors, the university system in Finland is rather technologically oriented. Third element is the Council for scientific and technological policy. This council has an important role with supporting human resources and financial foundations of national system of innovations, as well as in creation of investment-friendly environment. The Council is subordinated to

²⁷ Nokia has more than 300 suppliers in Finland, but there are more than 3000 companies in the cluster as a whole (Castells in Himanen, 2002: 27). Nokia's suppliers are not working only for this company only, but are in many cases world leaders in their own production niche.

the prime minister, who is also heading the sessions. Amongst its members are also eight key ministers, ten highest representatives of Finnish universities, industry, scientific academy, Tekes and social partners. Scientific and social policies are created together. The fourth element is Tekes, public agency for R&D, which is the main canal for applied research funding to support the projects of the business sector. It is quite effective in financing prospective projects. Tekes is relatively autonomous, which enables it to pursue long-term orientation. In this way, process of decision-making can be involved in actual trends in the domain of applied research. Tekes encourages connections between companies by increasing the share of funding. Tekes takes part in these connections and consequently has rather big amount of knowledge that can be shared with others and sometimes the agency itself acts very pro-actively. The fifth element is Sitra. This agency is a supplier of risk capital for establishment and development of prospective technological companies. Tekes and Sitra are involved in active communications, as they are involved in most projects. Sitra is the biggest supplier of risk capital in Finland, but at the same time operates as a think-tank, which is developing new ideas. (more on this see Castells and Himanen, 2002: 54). All elements of this system are involved in intensive communications.

Path-dependency in Slovenia: a less successful latecommer

What is so special about Ireland and Finland and why is Slovenia not so special? It is at a developmental crossroad. Slovenia is semi-peripheral country, whose competitiveness is depending on investments in infrastructures (material, intellectual, institutional, informational) and investments in renewal and upgrading of production programmes and leadership of enterprises (Sočan, 2001: 53). In this sense, Slovenia is facing the challenge to become the member of the croup of the most developed European countries, its core. These are the countries with defined and well-developed infrastructure for the (re)production of knowledge, development and transfer of technologies and capital, and numerous linkages and communications among different actors. In fact, one could even say

that Slovenia is approaching the limits of its current developmental paradigm and needs to make a decisive step forward.

Slovenia is also a country, whose development is based on relatively inefficient utilisation of factors of development, but could aim to become a society, which effectively utilises individual factors of development in a synergetic effect. To move to higher level of development there is need for more heterarchical societal organisation. Strategic orientations and developmental policies will have to be based on sophisticated mechanisms of contextual intervention and systemic discourse. This will be evident in increased level of communication between actors at the micro and meso levels (e.g. non-capital linkages among enterprises, bottom-up formation of business clusters...) and between social subsystems (i.e. formulation of authentic developmental consensus and successful social dialogue).

Interestingly, empirical evidence on non-capital linkages among enterprises and on linkages among different social subsystems in Slovenia is not systematic, but rather weak and anecdotal.²⁸ This is a consequence of a lack of research interest for this type of linkages. The only evidence that we have is the one coming from international comparative studies (e.g. *World Competitiveness Yearbook* and *Global Competitiveness Report*). It shows that these linkages and communications are rather limited, not only in comparison with more developed EU Member States, but in some cases even compared to countries which are at similar level of development, e.g. east-central EU Member States.

Slovenia is, according to a number of indicators, a typical small country (Adam, 1998). This implies that there are certain static qualities, which hinder development. However, smallness can also be an advantage, as witnessed by a number of cases of small successful countries of the European core, including Finland and Ireland. However, this potential advantage can become developmental

²⁸ Tripartite social agreements between employers, trade unions and the state are, on the other hand, relatively well researched (e.g. Stanojević, 2001).

resource only if certain preconditions are met. Kuznets clearly formulated that small states are (economically) at distinct disadvantage. Therefore, they have to compensate with the quality of their social institutions (Kuznets, 1966). On the other hand, it is very important that small states perform policy discourse, based on realistic evaluation of developmental options. Such discourse has to enable formulation of developmental mechanisms, which are realistic in view of obstacles coming from the processes of European integration and globalisation (Scharpf, 2000).

Developmental leap from semi-periphery to the core is qualitatively different than leap from periphery to semi-periphery. It implies different types of policies and different types of social arrangements; more of the same is not enough. Consequently, strengthening “traditional” policies, like stability of macroeconomic environment or improvement of educational structure of the population is not sufficient. Free choice of policies is not possible, or at least not without substantial social costs.

Role of the culture in steering of economic development

Up to this point mainly social structures and institutional arrangements were discussed on the level of potentialities. Culture represents other part of these potentialities. By culture one can also explain why institutions like Irish NESF or The Science and Technology Policy Council of Finland can exist in numerous countries, yet their action and influence significantly differ, they might even act only *pro forma*, as debate club, without significant influence and effect.

Cultural explanations of developmental successfulness are present in sociologically in culturologically coloured studies since the classical study about development of capitalist systems, Max Weber's “The Protestant Ethic and the Spirit of Capitalism”. In 40-ties and 50-ties of 20th century sociologists stressed knowledge of culture as key element of particular society, also in the frame of

explanations of economic and cultural development²⁹. With the rise of modernization theories and theories of dependent development interest for cultural factors diminished. Interest for cultural factors of developmental successfulness appeared again as late as at the end of 80-ties and in the 90-ties of the 20th century (Harrison, 1985; Fukuyama, 1995; Putnam, 1993; Huntington, 1996).

Overview of literature reveals three different approaches to the research on influence of culture:

1. Battel (2003) states that the “Riverdance” factor should be added to the factors of Irish developmental success³⁰. Exceptional economic growth is supposed to have different or additional meaning for Irish people, meaning that surpasses exclusively economic benefits. Economic development was important part of construction of new Irish post-colonial identity that wasn’t based solely on the “non-Britishness”. Growing interest for Ireland and its rich cultural heritage contributed to changing of centuries-old stereotypes about lacking intelligence, work ethics, backwardness and reticence, to which terrorists’ excesses negatively contributed as well. In early 90-ties of the 20th century spreading interest for Irish culture caused that negative stereotypes were replaced by the image of Ireland as young, educated, vibrant, stable, English-speaking country, where traditional intertwines with modern infrastructure. This – together with low taxes and wages – strengthened the conviction of American multi-corporations about Ireland being very suitable location for direct investments.

²⁹ Amongst these authors are Margaret Mead, David McClelland, Edward Banfield, Alex Inkeles, Gabriel Almond, Sydney Verba, Lucien Pye, Seymour Martin Lipset (Huntington, 2000: xiv).

³⁰ “Riverdance ballet” is very popular dance group that performs all over the world, dancing modernized form of traditional Irish dance. This – as a side effect of commercial activity of the group – spreads interest for Irish culture and increases its popularity.

2. Second and more important complex of approaches deals with the possibilities of intentional influence on cultural patterns, the intent being to make them more “suitable” for economic development. Despite the fact that culture changes very slowly (Inglehart, 1997) some authors allow for the possibility of successful intentional influence on cultural patterns: “More sophisticated analyses of cultural influences make it clear that culture is not a once-for-all influence but ongoing process, continuously constructed and reconstructed during interaction. It not only shapes its members but also is shaped by them, in part for their own strategic reasons” (Granovetter, 1985: 486). This is also happening in Singapore with the conclusion of disciplinary modernization (Wee, 2001). Etounga Manguelle questions the necessity of programme of cultural changes in Africa, which would – through educational programmes – influence negative aspects of the culture that impede developmental success: hierarchical distance, surrendering to uncertainty, ignoring time limitations, etc (Etounga-Manguelle, 2000). Lopez-Claros and Perotti (2014) discuss the role of culture as a determinant of economic development and how certain cultural traits may have favored economic development, arguing that one of the consequences of globalization is the emergence of a universal set of values that characterize developed and progressive economies.
3. Most common approach is research on influence of cultural context on developmental strategies and developmental measures. An example of such approach was already mentioned in this paper, in the frame of analysis of social background of business system. As this is most influent approach, it needs to be looked at in more detail.

Below I will present an approach that was developed by Ann Swindler (1986) in her famous text “Culture in Action: Symbols and Strategies” and that is particularly suitable for understanding influence of the culture on strategic action of actors. In her opinion troubles with operationalization originate from flawed

comprehension of causal mechanisms which connect culture and strategic practices. Majority of authors assumes that culture shapes action by supplying ultimate ends or values toward which action of the actors is directed. This approach is as flawed as is flawed the position according to which actions of individuals are shaped exclusively by interests and rational calculation.

Swindler defines culture as set of symbolic vehicles of meaning (beliefs, ritual practices, etc) and informal cultural practices (language, stories, rituals of daily life). In her approach she departs from three suppositions. First, culture isn't unified system that pushes action in a consistent direction. Instead she adopts Hannerz comprehension of culture as tool-kit which actors use in solving different types of problems (Hannerz, 1969) in such a way, that they select from existing repertoire differing pieces for constructing lines of action. Second, in order to analyze before mentioned causal mechanisms, she focuses on research on strategies of action, which she doesn't define as a plan, but as persistent ways of ordering action through time. Third, she sees culture's causal significance not in defining ends of action, but in providing cultural components that are used to construct strategies of action. In this way culture shapes strategic capacities of actors from which strategies of action are constructed.

Actors don't form their action by choosing actions one at a time as efficient means to a given end instead they construct chains of action beginning with at least some pre-fabricated links. Culture influences action through the shape and organization of those links, not by determining the ends to which they are put. If culture influences action through final values/determination of goals, actors in changing circumstances should hold on to their preferred ends while altering their strategies for attaining them. Contrary to this, strategies of action are much more persistent and preserve even in circumstances when they are not the most effective ones any more. This is in line with the usual research practice, when one invokes culture to explain continuities in action in the face of structural changes.

However, influence of culture differs in different circumstances. Swindler distinguishes two situations in which culture works very differently. In one case, culture account for continuities in “settled lives”. The second case is that of “unsettled lives”. In settled lives, culture is intimately integrated with action; it is here that we are most tempted to see values as organizing and anchoring patterns of action; and here it is most difficult to disentangle what is uniquely “cultural”, since culture and structural circumstances seem to reinforce each other (Swindler, 1986: 278). Culture doesn’t determine actions of actors, it provides the materials from which actors construct strategies of action. Such cultural resources are diverse and enable certain selectivity in choosing. Actor has thus possibility of independent action in the frame of set of choices, determined by culture. Culture has independent causal influence in unsettled cultural periods because it makes possible new strategies of action – constructing collective actors that can act, shaping the styles and skills with which they act, and modelling forms of authority and cooperation (Swindler, 1986: 280).

Cultural Political Economy and the EU³¹

In first two chapters I discussed many times those “intangible” factors that influence on: if working network forms of coordination will establish between actors; if certain potentiality will activate itself in actuality; if it will come to strategic discourse that enables influence of actors on structures, which otherwise wouldn’t be possible. I will continue this study with research on these factors and in the following chapter I will focus on the Cultural Political Economy of the EU.

The European Union (EU) has been continuously rethinking its position in the globalized world mainly by attempting to formulate strategies to increase its competitiveness. However, the EU has a long record of substantial policy implementation deficit. This is also generally recognized for the initially ambitious EU development strategy, commonly known as the Lisbon Strategy, which has been perceived as a relative disappointment. After the revisions of the strategy in 2005 this widespread impression has remained and the new version of the strategy was developed under the title Europe 2020. The causes of failure have been attributed to various factors such as the lack of focus in setting the goals and inefficient governance structures.

The central purpose of this part is to test and demonstrate, whether and how strategic steering can be considered a discursive practice influenced by semiotic and extra-semiotic factors, which implies that success or failure of strategy essentially depends on one’s ability to steer the discourse. The implementation problems, however, do not necessary affect the latent function of the Lisbon Strategy (and its further modifications), namely to contribute to the reproduction of the European Union as a self-referential social system through the discourse. It will be argued that it is not only the generation and implementation of the strategy that depends on the

³¹ This chapter is co-authored with Matej Makarović and Janez Šušteršič.

discourse but the subject of strategic steering as well. The EU is not simply a 'naturally' given spatial object but a social system that reproduces itself as on-going communication.

The problems of macro level strategic steering can only be understood in broader theoretical framework taking into account some of the key features of the modern social systems such as the EU. Its key features particularly relevant for our discussion are rationality and complexity. While high levels of rationalization and reflection capacities are supposed to increase the strategic steering potentials, the latter are also clearly limited by the increasing societal complexity. Social systems, as presented for instance by Niklas Luhmann's social systems theory, can handle the enormous amount of selections required in the context of high complexity only by increasing their functional differentiation. The situation is even more complex at the European supra-national level due to significance of segmental differentiation, which remains particularly important for the functioning of the political system (particularly in the sense of nation states, sub and supra national regions), both as a potential and an obstacle for the strategic steering.

Strategic solutions at the macro level can only be found in the directions of sophisticated contextual steering instead of any direct and centralized interventions. We are looking for the analytical and practical solutions to the problem of steering in complex social setting in evolutionary mechanisms of variation, selection and retention of strategic discourses. These mechanisms are notably formulated in 'cultural political economy' approach, a theory which provides us with the tools to analyze shaping of strategic discourse by applying semiotic and extra-semiotic mechanisms.

Finally, we intend to analyze the EU strategic documents ranging from the Lisbon Strategy to Europe 2020 from the aspects of discourse and differentiation and present their failure to start functioning as successful economic imaginaries at the European and national level.

It may be argued that the potentials and problems with the creations and implementations of strategies at the European Union level may be related to the relationship between the two aspects and

their particular limitations, namely rationality and complexity. While rationality makes strategies at the macro level possible, complexity may have the opposite effect, though the factual relationship between them may be somewhat more sophisticated. To demonstrate this, we need to explicate some basic points about the features, limits and mutual relationship of both rationality and complexity to explain their impact on the EU (in)ability to generate and implement viable strategies.

The features of modern social systems: rationality and complexity

For Max Weber rationality was a key feature of western modernity (Weber, 1905/1992) with the superior steering potentials of bureaucratic organizations and the potentials of modern rational-legal state authority based on the rule of law and representative democracy. Increasing rationality of modern societies has also been seen as a way of societal steering at the macro level towards a better society. An early sociological manifestation of these views can be found in the works of Lester Ward, whose evolutionary theory focuses on the shift from the earlier historical stage of spontaneous societal evolution called the genesis to the stage of telesis or the human led societal evolution (Peel, 1972: xxxviii; Sztompka, 1994: 106). Some contemporary authors address the similar issue under the concept of reflexive modernization emphasizing the ability of late modern societies to reflect their own modernization and respond to these reflections (Beck, Giddens and Lash, 1994).

However, the Weberian concept of rationalization and its application at the macro level in order to generate and implement societal strategies have not turned to be necessarily compatible. Weber himself clearly noted that rational behavior of individuals generates emergent social phenomena with the life of their own – forming the ‘iron cage’. Similarly, his contemporary Georg Simmel emphasized the growing tendency of human social and cultural creations to start the life of their own as more-than-life (Simmel,

1921/2009). Moreover, many individual rational actions within market economies and the representative democracies generate 'collective intelligence' (Willke, 2009: 125-126), whose results may be quite different from the expectations and desires of many or sometimes even most of the participating individuals.

For a classical account on the limits of rationality one may refer to Herbert Simon (1947) and his concept of bounded rationality. He claims that even the supposedly rational actors, either individual or collective, are unable to generate optimal solutions – instead, they have to satisfice, i.e. to find a solution that they see as the best within the limited understanding of the existing reality and the even more limited chances of predicting the actual outcomes of their actions. The concept of bounded rationality implies that market based choices are far from optimal since they are not based on reality but only on an actor's perception of reality (Foxon, 2006). However, the rationality of the decision makers at the macro level is (at least) equally bounded, while the consequences of their (misjudged) decisions may be even more significant. Following Simon, the limited rationality among the policy makers emphasizing 'the incremental, random, non-rational, and sub-optimized nature of public governance' (Duit et al., 2010: 367) was described by Lindblom (1959).

The limits of rationality have also been taken into account by Amitai Etzioni (1968). His ideal active society is supposed to combine superior intentional steering mechanisms with the strong mechanisms of authentic consensus building. Being aware that actors' choices can hardly be fully rational Etzioni proposes a mixed-scanning approach that gets closer to 'muddling through' policies in the sense of Lindblom (1959) in everyday issues while trying to build and implement consensus only concerning the most strategic issues.

The concerns of Simon, Lindblom and Etzioni are in fact related to the issue of complexity. It may be argued that it is the relative amount of complexity compared to the abilities of the 'rational' actors (or controlling/steering systems) that prevent the optimal choices. Complex systems are inevitably only partially identifiable, only partially observable and only partially controllable

(Dimirovski et al., 2006: 105). For the purposes of this paper we are limited to what Manson (2001) calls aggregate complexity implying the particular relationships between systems' components. In this sense, complex systems exist in a (co-evolutionary) relation to their environments, and are characterized by emergent qualities, learning capacities and self-organization, as well as circular causality and irreversibility related to path-dependence (Nooteboom, 2007: 648; Manson, 2001; Urry, 2003). Within this framework, we can refer to Niklas Luhmann's claim that a system should be called complex when because of the number and/or features of the system's elements each element cannot be related to each other element at the same time (Luhmann, 1990a). Complexity thus provides a wide variety of options among which selections are required – it generates both the opportunities given by the variety of options and the threats of selecting the wrong ones.

Rational strategic steering may have ambivalent impact on systems complexity. By strategically reducing the possible options complexity may decrease. On the other hand, the existence of elaborated plans as the description of the system within the system generates new complexity, even changing the very parameters on which the strategy has been based (see: Luhmann, 1990b). Moreover, following Ashby's law of requisite variety (Bailey, 1994), complexity can only be dealt with by complexity since the steering mechanism should be complex enough to foresee and properly respond to the complex systems features. This does not mean, however, that complexity may increase indefinitely without running into certain limits. Increasing complexity comes with a price and may lead to 'diminished returns' (Tainter, 2006: 93).

It should be added that at least a partial but a very common solution of this problem lies in differentiation that distributes the potentials and burdens of complexity between new, smaller units. The result of differentiation is that nobody has to deal with the entire complexity but only with certain aspects and segments of it, while new type of complexity may emerge at the level of interrelations between the newly differentiated units that often needs to be coordinated. Differentiation thus deals with complexity by placing it

at another level. Historically, the most typical differentiation was segmental based on the coexistence of mutually similar and relatively self-sufficient units (e.g. clans, tribes, empires, ethnicities, nations), while a typical trend of modernization is the growth of functional differentiation based on the different, highly interdependent, specialized units. This distinction is based on the classical contribution by Emile Durkheim (1933) on mechanical and organic solidarity, while the concept of functional differentiation has the long established tradition in the 19th century evolutionism (Spencer, 1896), Weber's autonomous social orders (Gane, 2002: 32), Parsons' (1966) structural functionalism, Bourdieu's (Bourdieu and Darbel, 1990) semi-autonomous social fields, and Niklas Luhmann's (1995) social systems theory, which is taken here as the major point of departure.

EU as a complex social system

Since a societal evolution tends to be characterized – among other aspects – by the growth of complexity (Makarovič, 2009), The European Union as the emergent entity composed by some of the world's most modern societies is an extremely complex social system, demonstrating high levels of functional and segmental differentiation.

Luhmann's social systems theory also provides a good starting point since it reaches beyond the old concept of society, typical for classical sociology and classical geopolitics, where society has been understood strictly as a political societies represented by a nation-states (Kessler and Helmig, 2007). From this traditional perspective the EU can either be understood as a union of states-societies or as a new super-society. From the aspect of Luhmann's social systems theory it is neither of these. For Luhmann, the concept of society as such is not based on political organization and/or other aspects of integration but simply on communication as its only constitutive element, which enables the society to reproduce itself in

an autopoietic sense producing communication by communication (Luhmann, 1995). Luhmann thus takes the single world society as his starting point – as the sum of all communication. Neither the EU nor its member states can thus be considered societies according to Luhmann but only segmentally organized subsystems of the world society. The borders between these subsystems can only exist through communication – as the only material they are made of. Nation states and the European Union thus exist as much as they are communicated. Mutually overlapping combinations of localities, nation states, sub- and supra-national as well as macro-regions may thus coexist through compatible or competitive discourses.

This constructivist nature of social systems, however, does not imply the ability that they can be readily changed and reconstructed by some simple voluntarist actions. On the contrary, autopoietic self-referential systems are operationally closed, according to Luhmann, developing the principles of their own. They cannot be readily re-formed from their environments following some expectations from the ‘outside’, for they are in fact the ones that construct their perceptions of their respective environments in their particular way. Intervening to the auto-poietic self-referential social systems may thus produce the effects very different from the expected ones.

According to Luhmann, modern (world) society is increasingly differentiated into functional subsystems, such as the economy, politics, science, intimate relations, law, religion, education, etc. While strongly interdependent because of their specialized nature, they are also increasingly autonomous and based on their specific internal principles. Social systems theory thus abandons the old functionalist notion of stability based on value and normative consensus since no super-system of values can exist above all the other systems in a differentiated de-centric society. Consequently, Willke (2009) claims there may be no more single morality above the world of differentiated subsystems. Instead, one should rely on the formal-legal (democratic) procedures that replace any value-normative content by increasingly cognitive decision making. It may be added that in the same manner that a single

morality is becoming impossible, one can also hardly speak of any single central rationality. What is rational for economy is not necessarily rational for science and what is rational for science is not necessarily rational for politics. Any kind of macro-strategy should take this into account.

This does not necessarily imply that the social systems should be left at the macro level to the blind evolution as implied by Luhmann (1995). To overcome the lock-in problems (Foxon 2006, 364; Vasileiadou and Safarzyńska, 2010) and the potentially destructive effects of particular subsystems appreciating only their own perspective, one cannot rely on the spontaneous order only. While order may be for free, since some kind of order forms by itself, the desired order is not (Osborn and Hunt, 2007). 'Investment' into sophisticated models of coordination between the differentiated systems taking into account their particular principles, strengthening their reflection abilities and intervening in highly contextualized terms (Willke, 1995) thus seems to be a necessity.

We should add that the situation is even more complicated as claimed by Luhmann who tends to project the relevance of segmental subsystems into the past emphasizing only the functional differentiation of modern society. We argue instead, while acknowledging the increasing primacy of the functional differentiation that segmental divisions remain significant and should be taken into account as well. Speaking of the global world society, these divisions become even more visible and obvious. Clearly, they are dynamic, unstable and overlapping but they do exist and they do have their own particular logics. It may be argued that the self-referential operations of the segmental systems are based on the concept of belonging (in the sense of 'us' /'them' distinction). However, to remain consistent with Luhmann's social theory, belonging should not be understood as the people actually being a part of the social system (since the latter only consists of auto-poetically self-reproduced communication) but as continuously communicating the belonging issue. One should not understand belonging to the system in a literal sense as a person and organism being a part of a system but as communicating the belonging

(Makarovič and Rončević, 2010, p. 26) to a nation-state, a region, an ethnicity, etc. (cf. Eriksen, 2004).

In the case of the European Union we are thus dealing with functional boundaries that 'are orthogonal to territorial boundaries' (Kessler and Helmig, 2007: 578). Strategy at the European level thus requires the sophisticated coordination of both aspects, which may be particularly difficult when the spatial perception of different subsystems do not overlap, i.e. when different functional subsystems do not perceive segmental divisions in the same way. These inconsistencies, particularly between the spatial perceptions of the economy, politics and education contributed, according to Kessler and Helmig (2007), to the failure in the implementation of the Lisbon strategy. We assume that some additional understanding of the Lisbon strategy and its implementation problems may also be found in the discursive logics of both the European Union and its strategy building capacities.

Managing complexity through discourse steering

Since European Union is continuously (re)produced through communication processes the discourses themselves are a major part of the EU operations. From the perspective of social systems theory it can also be argued that discourse management is one of the key tools for encouraging reflection, contextual intervention and systems discourse (Willke, 1995). One could even hypothesize that discourse management is perhaps the only way of management in the "multi-scalar governance" of the EU (Jessop, 2008). We could even say that the Lisbon strategy is perhaps a very useful indication of strategic processes in the EU. Jessop (2008: 208) claims that Lisbon strategy and the White paper on governance are as the latest phase of search for appropriate forms of meta-governance at the EU level.

The policy-making at the EU level is indeed extremely complex and is in itself a very good example of the hyper-complex nature of contemporary social systems, where continuously

repeated attempts towards complexity reduction themselves contribute to ever increasing complexity. When it comes to the EU we should not only take the core EU apparatus, but follow the strategic-relational approach and include ever growing ensemble of all relevant actors into our analysis: “EU policies are evolving in a larger framework of agenda-setting and policy-making by international institutions, supranational apparatuses, intergovernmental organizations and forums transnational think tanks, and transnational interest groups and social movements” (Jessop, 2008: 216). In spite of often claimed lack of legitimacy of the EU it is quite obvious that it is not existing in isolation from other actors, but is embedded in wider political system at multiple levels – in fact, the EU structure is designed to accommodate this.

Here we can turn to Jessop’s cultural political economy, distinctive post-disciplinary approach to analysis of capitalist social formations, including the EU with its formal institutional structures and complex multi-level governance structures and discourses, both formal and informal. Cultural political economy seems especially useful here for a number of reasons. First, it builds on the well-known general evolutionary mechanisms of variation, selection and retention, which are also present in some advanced variants of social systems theory. Second, this approach is applying evolutionary mechanisms in the analysis of path-dependent and path-creative semiotic and extra-semiotic aspects of political and economic systems (i.e. actually existing economies). Finally, it allows us to conceptualize and analyze path-shaping potential of strategic documents and practices, hence also the Lisbon strategy. Therefore, by applying its conceptual apparatus, we can diagnose the causes for relative failure of this EU’s most recent attempt to become the most competitive economy.

According to Jessop and Oosterlynck (2008), economic imaginaries have a crucial constitutive role in creation of actual existing economies. Economic imaginary is a semiotic order, i.e., a specific configuration of genres, discourses and styles and, as such, constitutes the semiotic moment of a network of social practices in a given social field, institutional order, or wider social formation

(Fairclough, 2003). Lisbon strategy is a typical economic imaginary. Those economic imaginaries that are successful have their own constitutive force in the social, political, institutional and material world. A very good example is the imaginary “knowledge society” in Scandinavian countries. Namely, they can identify, privilege and stabilize some forms of political, economic and cognitive action over others.

However, why is it relatively difficult to introduce new economic imaginaries? The strategic process has to go through five different mechanisms as developed by Fairclough (2003) and Jessop and Oosterlynck (2008). First, there is continuing variation in discourses and practices. With every challenge, crisis and opportunity new discourses are proposed. Very few succeed, many fail. However, this is not a market type of competition. The second mechanism is selection of particular discourses. Some discourses are privileged, while others aren't. Some are even overtly disapproved. Some discourses resonate in broader debates, while other echo off without being noticed by a larger and relevant audience. Not only semiotic, but also material factors can play a role here. The third mechanism is retention of some resonant discourses. This implies that they are included in actors' habitus, hexis and personal identity. They can become part of organizational routines, become part of the official and unofficial rules, are objectified in the built environment etc. The fourth mechanism is reinforcement, where through some planned mechanisms some discourses can be privileged and others can be filtered out. Mechanisms can be both semiotic and material. Finally, there is the mechanism of selective recruitment, inculcation and retention by relevant social groups, organizations institutions etc.

Discourse and differentiation in the EU strategic documents

Although Lisbon Strategy was obviously favored, becoming the official strategic document of the EU and its Member States, the distinction between planned and emergent strategy is indeed

substantial – but also with significant differences in implementation between the member states themselves.

We can distinguish between the three distinctive periods in the creation and implementation of European strategic documents. The first started in 2000, when the initial Lisbon Strategy was adopted. Although originally planned with a ten year time horizon, broad disappointment with the results led to refurbishing and re-launching the strategy in 2005. This begun the second period. The third and the last one so far started in 2010 with a new comprehensive strategy known as Europe 2020.

Our account of these three periods is based on official wording of the strategies as adopted at the highest political level that is by each year's EU Council conclusions. Heads of States and Governments meet every March to discuss, among other issues, the progress in implementing the Union's development strategy. Almost every year they add some new priorities and targets, and in some years, as noted above, they may also comprehensively refurbish the strategy.

Council conclusions reflect the highest political agreement on priorities and implementation structure of the strategy. As such, these documents are rather diplomatic in wording and require careful scrutiny and comparison to understand the subtle, but important variations in emphasize and content. Our purpose is to use these documents to analyze the characteristics of the strategic steering of development policies at the EU level. Our discussion is organized along the lines set out in the theoretical part of the paper. We present the changes in the level of functional differentiation and segmentation as well as the developments in the political discourse about the Lisbon Strategy.

To assess the level of functional differentiation, we look at the broadness of goals and functional policy areas included in each period's strategy. More importantly, we also assess whether there was an ambition to integrate different functional areas under one comprehensive approach, or whether, alternatively, functional areas were left to follow their own internal logic while constraining each other at the margin.

The original Lisbon strategy of 2000 set the famous goal for Europe "to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion" (Council of the EU, 2000). Such goal setting reflected the idea of Lisbon Strategy being the highest strategic document for fostering sustainable development, understood as a balance among economic, social and environmental dimensions. Accordingly, the document covered many policy areas: information society, research and innovation, business environment, internal market, financial market, macroeconomic policy, education and training, employment, social protection, and social inclusion. Goals and targets were set for all these areas at the 2000 and subsequent spring Council meetings. Grouping many policy areas and targets into one overall document, trying to integrate them into one comprehensive and balanced approach, reflects a low level of functional differentiation in strategic steering.

The 2005 European Council recognized this comprehensiveness to be among the main reasons for disappointing implementation. It "refocused" the strategy on only two priorities, namely economic growth and employment, and "re-launched" it under the label of "Growth and Jobs Strategy" (Council of the EU, 2005). While still paying lip service to the broad concept of sustainable development, it also narrowed the number of policy areas to knowledge and innovation, investment and work conditions, and growth and employment. Many important areas, such as social inclusion and environmental sustainability, were addressed chiefly from the economic point of view and were expected to be dealt with in more detail by other strategic processes at the EU level. This reflects a conscious decision to increase the level of functional differentiation in strategic steering, whereby each functional area (economy, social development, sustainable issues etc.) is addressed by specific strategy, while each of these sets marginal conditions for the others. For example, the economic strategy puts emphasis on

research and development, but selection of priorities areas also includes technologies important for sustainable development.

In 2010, growth and employment were also made catchwords of the new strategy for the next decade, but a strong effort was made to integrate them more fully with issues such as climate change, energy sources, education, social inclusion, and territorial cohesion. The underlying integrating force between all these issues was expected to lie in innovation, technological progress and knowledge, as the basis both for increasing European global competitiveness and addressing the social and environmental concerns at the same time. The third period, therefore, is a move back to less functional differentiation. In contrast with Lisbon 2000, which aimed at integrating different areas in a balanced way, the most recent strategy looks for a small number of integrating issues, such as knowledge and innovation.

To assess the level of segmental differentiation, we discuss the changes in so called governance of the Lisbon strategy. The basic problem for any kind of European level strategic steering is that many important policies are left to discretion of member states. To deal with this issue, the EU Council in 2000 invented the so called Open Method of Coordination (OMC). It is a rather controversial approach to governance. On one hand, Council Conclusions (Council of the EU 2000) stress that it should be "a fully decentralized approach", used "as the means of spreading best practice and achieving greater convergence towards the main EU goals." This presents the OMC as a voluntary process of mutual learning and working together for the same goal. On the other hand, the conclusions opened the door to setting "quantitative and qualitative indicators and benchmarks against the best in the world", thereby "translating European guidelines into national and regional policies by setting specific targets and adopting measures", as well as for "periodic monitoring, evaluation and peer review organized as mutual learning processes".

During the years to follow, the European Commission tried to develop a common set of structural indicators for measuring countries' progress towards Lisbon goals. It also used the peer

review process to informally monitor member states' policies and to formulate proposals for country specific policy recommendations to be adopted by the Council in the framework of Broad Economic Policy Guidelines. This meant that what on paper should be a truly decentralized learning process was gradually transformed into a process of a centrally coordinated monitoring exercise. Therefore, we classify this period as one of low segmentation in strategic steering.

Such approach increasingly became a matter of criticism from influential member states. It was stressed that any comparisons on the basis of a set of indicators are necessary incomplete and neglect differences in national preferences for (economic) policy outcomes. The implicit role of the Commission as headmaster was seen as inappropriate.

To deal with these issues, the mid-term review of the Lisbon Strategy in 2005 introduced the concept of national ownership. This meant that all member states should prepare their own National Reform Programs, on the basis of common guidelines, but amended to local situations, discussed and possibly endorsed by a wide array of national stakeholders. Member states were also required to report on program's implementation every year.

Stressing the role of national political process and ownership meant a move towards a more segmented steering approach. There were also no major changes to this approach by the 2010 Council.

The discourse of the first period reflected to some extent an ambitious idea to cover a wide variety of functional subsystems based on establish common principles for both functional and segmental units. The catch-words of competitiveness and sustainability seemed to be suitable for this task. The second period brought forward a clear shift in the discourse, which become more strictly focused on the economic issues of growth and jobs, while also appreciating the existing segmental differentiation (the "national ownership" concept). The third period discourse again tried to catch a variety of functional areas by a few key concepts such as knowledge and sustainability.

Clear shifts in both differentiation and segmentation dimensions can be noted. We have shown that such changes were introduced as a reaction to perceived weaknesses of existing approaches. This indicates that there is some flexibility in European strategic steering.

It seems that the low differentiation – low segmentation mix (Period 1) was inferior, as would also be predicted by our theoretical considerations of strategic steering in complex situations. It is, however, hard to say whether high segmentation is better combined with high differentiation (Period 2) or a low one (Period 3), since they were implemented in very different economic environments, i.e. booming economy vs. economic crisis.

Communication and Education as a tool for implementation of grand strategies

The shifts in the developmental discourses, repetitive adjustments of the EU grand strategies and their implementation deficit clearly indicate that strategic steering of the European Union is not a straightforward, but a rather difficult and lengthy process, often resembling trial-and-error learning. Is this a consequence of the failure of policy-makers to grasp increasing functional and segmental differentiation of the European Union? Or is it a consequence of the fact that the Lisbon Strategy was immensely ambitious, underestimating the complexity of the EU itself?

In any case, the idea of the first version of the Lisbon Strategy was based on the flawed assumption that functional and segmental divisions of the European social system could be relatively easily overcome by clear common principles supposed to be represented by the discourse the strategy had put forward. This mistake was soon recognized by the EU as the Strategy was refocused half-way through its planned duration. After 2005 its newly adopted economic focus took into account the functional and segmental differentiation of the EU, but to no avail. This approach failed as well but it is nevertheless surprising that the new adjustment, leading to the Europe 2020

strategy, returned to the initial positions of catching a wider variety of fields – through the discourse emphasizing knowledge and sustainability as general principles – while taking into account the national (segmental) differences.

On the positive side, one could argue that the shift in focus and approach in 2005 and 2010 demonstrate the flexibility of the EU decision making process and its ability to realistically reflect the results of their actions, as well as its ability to propose new and different approaches. However, these shifts could not prevent the failure of the Lisbon Strategy. Furthermore, this casts a doubt on the implementation of the current Europe 2020 document. This is even more relevant given the gloomy prospects of the current financial and economic situation of the European Union and its staggering competitiveness as compared to the newly emerging centers of economic growth, especially in Asia.

We have to emphasize that its failure is not due to the changed economic circumstances that could not have been foreseen when the initial document was adopted. Namely, the failure was quite evident and the first changes to the Lisbon Strategy were conducted well before the current economic and financial crisis. The main reason for the failure is the fact that it failed to establish itself as a hegemonic economic imaginary throughout the European Union, its member states and sub-national units. It failed to progress through all five evolutionary stages as described by Fairclough (2003) and Jessop and Oosterlynck (2008) but has only passed through the first two instead. The Lisbon strategy was produced as a relatively new and original discourse (variation) and it was selected by the decision makers (the European Council, other EU institutions and the national governments) as a privileged discourse resonating in a variety of relevant debates reaching a wide variety of relevant audiences, all the while being supported in semiotic and also in material ways (it was the basis for the EU financial mechanism, privileging certain types of projects over the others). However, it never reached the level of retention, as we cannot find evidence that it became a part of individual's habitus through general population. Hence, it also failed to become a part of organizational routines and a variety of official

and unofficial rules. Consequently, it could also not be reinforced and recruited by all the most relevant groups, organizations and institutions.

However, we cannot claim that the Lisbon Strategy was a complete failure. Firstly, it was a part of valuable collective learning process, pointing to dimensions which can be steered and where it is impossible to do so. It contributed to our knowledge about the mechanisms of the EU steering, their potentials and limitations. We have also learned that the EU is becoming a hyper-complex social system, with a unique interplay of segmental and functional differentiation. As a consequence, intentional creation, selection, retention, reinforcement and recruitment of new economic imaginaries proved to be an extremely difficult task.

Secondly, this experience proved that the European Union can be relatively flexible in spite of its complexity. Consequently, recurrent crises can actually serve as an additional stimulus to increase the European integration. Interestingly, the European strategic failures as well as the recent global economic crisis have not led to national protectionism and disintegration but to the search for new common strategies (cf. Jones et al., 2010). Another such example is the EU response to public debt problems in a number of its member states.

Finally, communicating the Lisbon strategy has in fact been a process of communicating the European Union itself. Local communities, nation states and also sub- and supranational entities are not some pre-given 'natural' entities, they are social systems produced and reproduced through communication. European Union is no exception to this general rule. It exists as it is communicated and it only exists in communication. Hence, the EU grand strategies are not only more or less successful economic imaginaries with a constituting role in the material world, but also the tools applied to continuously (re)constitute the European Union itself. This provides one very obvious mechanism for improved implementation of grand strategic documents: education. We tested this educational approach as a part of Jean Monnet Chair action *Cultural Political Economy of Europe 2020* and demonstrated that if used properly, it can be an

effective mechanism for making them part of personal habitus and, as a consequence, of organizational routines (Rončević, 2019).

Conclusion

In line with present discussion, successful steering of development could be operationalized as steering, unrolling on the basis of strategies, about which the social consensus about directions of development was reached and whose implementation is controlled. In searching the answer to this question, one has to derive form strategic processes, characteristic for highly developed societies and from level of development of before-mentioned post-socialist societies.

Analysis' point of departure is ascertainment of complex nature of economy. Reality doesn't confirm implicit simplified assumptions (about simple structure, simple causal relationships, complete information, consensus about goals, resources and instruments, etc), which appear within the framework of modern orthodox economy science and within the framework of "state-centred" theories of developmental steering. Economy is – just like the other social systems – chaotic system. Because of the mechanisms of positive feedback loop, this limits the possibilities of successful hierarchical intervention.

Growing complexity of modern societies is mostly consequence of processes of differentiation of modern societies; here Luhmann and Wilke primarily expose functional differentiation, which causes formation of specialized partial systems, which are autonomous in performing their function, but at the same time they lose the possibility of performing other functions. In this, also the political system lost the possibility of autonomous steering of development. This process is in the joint domain of all relevant systems or actors. They have to use more refined mechanisms of steering; here Wilke stresses reflexion (observing one's own impacts on the environment), contextual intervention (one indirectly impacts on the actions of other systems, by changing contextual conditions) and systemic discourse (searching for divergent

interests by communication within the frame of negotiating arrangements).

Nevertheless, it is clear that these mechanisms activate themselves primarily in the most developed societies. On concrete cases of developmental late-comers, Ireland and Finland, it was demonstrated that establishment of specific forms of systemic discourse is the key factor, which triggered developmental shift in mentioned societies – other factors were already present for decades.

Our analysis demonstrates that implementation of grand strategies demands transformation of strategic processes, change of relations between various partial systems and change in the nature of policies. Partial systems will have to develop capacities, which will enable reflexion and the most sophisticated forms of communication. This of course means that partial systems and collective actors will have to use mechanism of contextual intervention in their attempts at strategic steering. Developmental consensus will be reached on the basis of systemic discourse. Without it, it will, in middle- to long-term, come to exhaustion of developmental potentials of innovation competitiveness and to stagnation³².

These conclusions have significant implications for research and practice of developmental steering. Primarily for the comprehension of the role of the state in conditions of contextual differentiation and complex environment, which hinder or even disable classical mechanisms of hierarchical intervention. But some theses about its dying, as a consequence of these processes, aren't valid. Developmental successfulness of highly developed countries depends on more and more intangible factors (Adam et al., 2000) and in a way, role of the state is consequently even more important and quality of its institutions even more essential than in the case of omnipresent, but (because of low competency) weak state. In conditions of globalization, state can preserve its influence only if it

³² Singapore represents partial exception. In Singapore even economic development didn't lead to distinctive internal communication. However, more detailed analysis reveals existence of intensive communications between politics and certain segments of economy (multi-corporations).

acts as a relevant link in the network of actors. Power constellations in these networks are such, that actually none of the actors can execute absolute power. But within the frame of the network, state is the one that could execute significant influence as generator of impulses for systemic discourse, in which bearers of strategic competencies participate in negotiating mechanisms of steering. Reflexion must, of course, come from all involved sides. Enterprises and other actors on mezzo level thus have to be capable of reflexion and self-reflexion.

In conditions of radical technological and organizational changes state faces new challenges. It will not be possible for the state to avoid the role of initiator, coordinator and stimulator (Esser et al., 1996; 25). Promotion of short-term interest is one of the key dangers of networks, in which actors with lacking strategic competencies participate. That's why the state will have to especially ensure that developmental processes will be based on middle- and long-term perspective. However, active and anticipatory structural policy, initiated by the state, in no way means that indicative plans will be sketched by state agencies with limited knowledge. It would be unrealistic to expect something like this in the frame of heterarchical networks. Making of developmental strategies must be based on "national dialogue", in which relevant actors participate and in this way they become key elements of the concept of "directed economic change" (Esser et al, 1996: 26).

"Creative actions by government organizations can foster social capital; linking mobilized citizens to public agencies can enhance the efficiency of government. The combination of strong public institutions and organized communities is a powerful tool for development. Better understanding of the nature of synergistic relations between states and society and the conditions under which such relations can most easily be constructed should become a component of future theories of development" (Evans, 1997: 204). In the case of semi-peripheral societies, because of the weakness of other actors, the next question is also important: to what degree is the state capable of conversion from generator of strategic directives to generator of impulses for a-centric approach to strategy-making;

i.e. to what degree is the state capable of that, which Willke calls “civilizing the power” (Willke, 1993)? This is about the transition from classical hierarchical intervention to contextual intervention, in the frame of which the state takes into account specific logics of action of other subsystems and tries to steer them by interventions into their environment. This is the first step to the achievement of synergy. Measures for stimulation of social structures have to become the key aspect of developmental strategies. These strategies have to be directed to mezzo and meta level. Cooke and Morgan pointed out that the capacity for fostering associational behaviour is one of the most important components of the recipe for successful corporate strategies and more efficient public policies (Cooke in Morgan, 1998: 10). Acceleration of social structures has to become integral part of developmental strategies.

In doing this it has to be taken into account that certain social structures aren't a priori more suitable than others. "There is no single degree of integration, or form of firm or industry organization, that suits all purposes" (Robertson in Langlois, 1995: 17). Enforcement of networks as a method of social coordination doesn't mean, that other forms aren't important. In modern societies numerous forms of coordination co-exist and intertwine (Makarovič, 2001). As explained by Cooke and Morgan (1998 : 17), hierarchies or networks *per se* are not important, but how these forms operate in regard to the nature of product market, extent of technological changes, existence of the economies of scale, etc., is. Considering this environmental conditions the key question isn't organization's form, but its capacity for creation and maintenance of robust architecture for producing and using knowledge from a wide range of resources, i.e. its association capacity. In this regard there is no sharp difference between hierarchies and networks, because hierarchies are embedded in the wide spectre of inter-organizational networks.

From this perspective, attempts at stimulating faster development of post-socialist societies by fast implementation of free markets and parliamentary democracy reveal incomprehension of genesis of social systems, strategic processes and dynamics of post-socialist societies. In this sense, especially two assumptions are

erroneous. First, the fact that capitalist systems in developed societies didn't come into existence over the night, was neglected. Karl Polany described this process in his work "The Great Transformation" (2001[1944]). His description of development of capitalist systems in West Europe encompasses period from the end of the 18th century to the second half of the 20th century, when he wrote his book. To this one has to add a very dynamic period of the last half of the century, in which, after all, information-communication industrial revolution occurred. Capitalist system in the West thus structured itself for more than two centuries. In this sense, policies of economic development, which in stimulation of modernization processes rely mainly on strengthening of the markets and diminishing the role of the state, often underestimate weakness of markets and enterprises and also the weakness and low capacities of the omnipresent state (Messner, 1997: 33). High costs, inefficiency and slowness in implementation of market mechanisms and parliamentary democracy into transitional countries of East Europe (and in some cases, complete failure of such policies) are typical example. It thus comes as no surprise that in limited period of approximately 15 years countries with better starting positions more easily faced the challenges of transition. In these countries, capacities of actors for participation in processes of strategic steering were more developed. These are the capacities of learning, social organization and integration, with simultaneous self-organization and watching over partial interests. Only in development of these capacities actors will be able to place imported knowledge and tools into domestic social context, which is a condition for the successfulness of developmental and catching-up strategies (Bučar, 2003: 54). Second, external experts were of the opinion that institutional vacuum formed in post-socialist societies at the beginning of the transition. This was in reality systemic vacuum (Nielsen et al, 1995) and existing institutions were incompatible with imported "recipes". Because of this, reforms failed numerous cases.

In making developmental measures, strategic actors in more successful post-socialist societies in Middle and East Europe will

have to take into account that success in catching-up with the most developed European countries doesn't depend only on change of priorities in the frame of classical redistribution approaches, i.e. on greater expenditures for relevant strategic goals like science, education, information-communication structure, etc. These countries won't reach the third level of development by intensifying existing developmental paradigm. New developmental paradigm will have to take into account that developmental performances are closely tied to establishment of systemic discourse.

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