

An Application of Interpretive Economics in Slovenia

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Abstract

This paper first justifies the need for interpretive forms of economic study and then deals with their practical application in Slovenia. The need for new approaches in economics is argued in Fullbrook (2004) and in Lawson's seminal books (Lawson 1997; 2003). The need for interpretive forms of economic research derives from the difference between the kind of data available for use in the study of the phenomena of physics (as a natural science) and economics (as a social science). The basic difference is in that the data of physics are directly connected to underlying physical quantities, while the data available for study in economics are operational numbers (in the sense of Gillies 2004), which have no direct correspondence to an underlying physical quantity. The need for interpretive methods follows from this difference, as is explained in the paper.

The kind of reflexivity characteristic of interpretive methods has been largely absent from modern economics, which has led to the non-reflective implementation of simplistic economic ideas in much of post-communist Europe upon the fall of communism. The devastating consequences in most of the region were notably less pronounced in Slovenia, which took a very gradual approach to economic transformation, undergoing relatively smooth economic transformation while maintaining a remarkable level of social stability and life satisfaction. After giving a brief overview of the historical development of Slovenia (under a system of workers' self-management without private ownership of productive capital), I discuss ongoing research in a project (Turk 2005) on the *Habitus of the Slovene Manager from 1960 to 1991*. In this project we use a biographic-narrative approach, interviewing some of the key managers who had to implement the specific Yugoslav communist ideology as it evolved, and figure out how to make it work in practice at home, while fostering international trade and industrial networking. Some of them were actually fairly successful. The focus of this research is thus not on the construction or testing of abstract economic models. Instead it is an interpretive investigation into how the models are implemented and made to work (whether or not successfully) by the managers directly involved in one particular social setting during a certain historical period. As the title would suggest, the project is a practical example of research into the development and functioning of the *habitus* of these managers, a term developed by Bourdieu (1977; 2005) for use in analysing social and economic behaviour. We take a realist approach to societal change, similar to that promoted by Archer (1997; 2003). Justification for the specific biographical approach we choose can be found in Chamberlayne et al. (2000) and our methods roughly follow those outlined in Wengraf (2001).

Introduction

This paper is divided into five parts. The first part is an overview of selected current literature on methodological problems in economics as well as problems related to how ideas from formal economics have been implemented in the developing and post-communist countries, typically with rather poor results. The purpose of this section is to highlight why Slovenia is an important country to study, since it enjoyed one of the least traumatic transitions of any of the post-communist countries.

The second part then complements the critique of the first part of the paper with the development of ideas and methods for improving the study of situated economic development. The idea is to fully embed economics – or more precisely, the study of the phenomena usually covered by economics – within a framework of realist social science. Here we follow Archer (1995) in arguing that social structures, and thus economic structures, are (socially) real and irreducible to the people that act within them. We can thus separate the people from the parts, both having irreducible causal powers, and consider how the people interact with the parts, thus reproducing or restructuring them. This allows us to consider how certain key individuals perceive and interact with pre-existing structures, thus modifying those structures, yielding economic change. We discuss the Biographic-Narrative Interpretive Method as detailed by Wengraf (2001) as being particularly well suited to analysing the narratives of key managers and the essential role these narratives played in driving economic/structural development.

The next two parts of the article deal with the specific case of Slovenia and why it is an ideal country for using these techniques. The first of these two parts uses various comparative statistical studies to place living standards in Slovenia into an international perspective. I argue that so far Slovenia has done relatively well by international comparison, despite numerous societal changes over the past decade and a half. I first touch on various indicators of human development around the world from the United Nations Human Development Report. I then discuss the particular case of Slovenia, which has the lowest level of self-reported social exclusion among its underprivileged population, as well as an overall level of life satisfaction that is even higher than that of the average for the fifteen EU member states from before the last round of enlargement.

In the fourth part of the paper I give a brief historical overview of development in Slovenia, especially pointing out the development of characteristically large companies, which I argue were a key factor in Slovenia's development and ease of transition.

Finally, I discuss a research project that my colleagues and I have recently begun in order to better understand the development of the Slovene social/industrial system and the training of the people who would later manage Slovenia's post-communist transitional period. Since this is ongoing research, I can only give hints about expectations and possible implications and lessons for economics.

The paper examines how people constructed and lived within their own particular social system. It is thus about what *did* happen in the real world during one unusual period, as opposed to what *should* happen under a given economic theory or ideological system.

Part I. The failure of economics

In this first part of the article I refer to current problems in economic methodology and in the way ideas from economics are implemented in the real world. Since this is a backdrop for the study of the particular case of Slovenia, which is the focus of the paper, I only briefly sketch the issues.

Tony Lawson has written two of the seminal books on the problems that modern economics has in its study of, and application to, the real world. These two important books are *Economics and Reality* (1997) and *Reorienting Economics* (2003). As an introduction to the growing criticism of contemporary economics, we recount Lawson's (2003: 3) 'four theses on the state of modern economics':

- Academic economics is currently dominated to a very significant degree by a mainstream tradition or orthodoxy, the essence of which is an insistence on methods of mathematical-deductivist modelling.
- This mainstream project is not in too healthy a condition.
- A major reason why the mainstream project performs so poorly is that mathematical-deductivist methods are being applied in conditions for which they are not appropriate.
- Despite ambitions to the contrary, the modern mainstream project mostly serves to constrain economics from realising its (nevertheless real) potential to be not only explanatorily powerful, but scientific in the sense of natural science.

Thus, according to Lawson, there are problems with the way that mathematical methods are used in mainstream economics, and these problems prevent economics in its current state from realizing its potential.

Along these lines, Gillies (2004) asks: ‘Can mathematics be used successfully in economics?’ He suggests:

The physical world appears on the surface to be qualitative, and yet underneath it obeys precise quantitative laws. That is why mathematics works in physics. Conversely economics appears to be mathematical on the surface, but underneath it is really qualitative. This is why attempts to create a successful mathematical economics have failed (Gillies 2004: 190).

He introduces the concept of ‘operational numbers’ to differentiate data used in the social sciences from that derived through measurement in the hard sciences:

Whereas numbers in physics are estimates, which may be more or less accurate, of exact quantities which exist in reality, operational numbers do not correspond to any real quantities. They are a convenient, but sometimes misleading, way of summing up a complicated, qualitative situation. Moreover their values depend to a large extent on conventional decisions and procedures and are therefore arbitrary to a degree. Operational numbers are the numerical surface form of an underlying reality which is qualitative in character (Gillies 2004: 191).

The problem here is the attempt to apply to social phenomena the same methods used in, and appropriate for, the physical sciences, where they have arguably performed very well in allowing human understanding of the physical world. Along with Gillies, we would argue that this usage is not appropriate. This is because the data used in fitting mathematical models to physical phenomena derive from actual measurements of presumed existing physical quantities; whereas the data used in the social sciences, including economics, is almost always socially produced (from thinking people filling in tax returns, compiling statistical tables of reported quantities, answering questionnaires, etc.), so the connection between that data and some underlying physical reality is vague or absent. This is a fundamental difference between connecting mathematical models to an underlying reality in the physical as opposed to the social sciences. Simply stated, there are no economic laws, or at least none that could be fit to really existing quantities in the world, such as is done in the physical sciences.

Despite the inherent problems in using mathematical models in economics, many people, not just economists, give them credence and turn to them for guidance. Stiglitz (2002a) rues:

That such models prevailed, especially in America's graduate schools, despite evidence to the contrary, bears testimony to a triumph of ideology over science. Unfortunately, students of these graduate programmes now act as policymakers in many countries, and are trying to implement programmes based on the ideas that have come to be called market fundamentalism.

Furthermore, in the section on failed transitions in his recent book, Stiglitz (2002b: 151) notes:

Seldom has the gap between expectations and reality been greater than in the case of the transition from communism to the market. ... Only a few countries—such as Poland, Hungary, Slovenia and Slovakia—have a GDP equal to that of a decade ago. For the rest, the magnitudes of the declines in incomes are so large that they are hard to fathom.

Nevertheless, Bourdieu (2005: 220) discusses the difficulty in trying to change the economic orthodoxy despite its shortcomings:

The difficulty with any attempt freely to rethink the foundations of economics arises from the fact that economic orthodoxy is doubtless one of the most powerful discourses for speaking about the social world, particularly because mathematical formalization confers on it an ostentatious appearance of rigour and neutrality.

Given this brief sketch of powerful economic discourses and their implementation and failure in much of post-communist Europe, it becomes fair to wonder why Slovenia has enjoyed such a remarkably smooth period of transformation, the results of which are discussed in Part III of this paper. However, before getting into the study of Slovenia, we need to propose a method to use as an alternative to the techniques of mainstream of economics.

Part II. Realist social science and interpretive methods

After having highlighted some of the problems in the disconnect between the models of economic ‘science’ and the real world of post-communist economic transformations, this part of the paper proposes ways of embedding the study of economic change within a framework of realist social science. We will use Margaret Archer’s formulation of realist social theory (Archer 1995), and in particular, her ideas on the “internal conversation” as the mechanism mediating between structure and agency (Archer 2003). At the practical level, however, we will use the Biographic-Narrative Interpretive Method (BNIM) as developed especially by Gabriele Rosenthal and Wolfram Fischer-Rosenthal within the QUATEX group in Berlin, and outlined in Wengraf (2001).

First, like Lewis (2005), we should note the similarities between the realist approach that we propose here and Austrian economics, which has long paid attention to interpretive issues in economics. As Lewis notes, Austrian economists such as Peter Boettke are also critical of mathematical modeling in economics: ‘At the heart of Boettke’s critique lies the claim that the tools utilized by orthodox economists – notably formal mathematical modeling – are unsuitable for the analysis of the socio-economic world’ (Lewis 2005: 83). Furthermore: ‘Only if economists tailor their methods more closely to the nature of their subject-matter – in particular by displaying a greater willingness to express their theories discursively, in natural language, as opposed to the mathematical language of formal modeling – will the realities of economic life be re-engaged and the discipline be in a position once again to make significant progress’ (Lewis 2005: 83). The critical difference between Austrian economics and our (critical) realist approach is that realists maintain that ‘the past’s legacy to the present comprises more than just webs of intersubjectively agreed meanings’ (Lewis 2005: 99-100). There is an intransitivity to social structures that is not reducible to people’s current interpretations of them. In what follows, then, we make explicit use of realist social theory, but note that in any case, much of what we do is also compatible with Austrian economics.

Biographical methods are becoming increasingly prevalent in the social sciences as a way of addressing the dynamics social change from the perspectives of those affected (Chamberlayne et al. 2000). The BNIM approach has been refined and used extensively for dealing directly with the personal accounts of people experiencing the problems associated with the profound societal changes in contemporary Europe (Chamberlayne et al. 2002). As the social theoretical background for the BNIM methodology involved in that latter study, Wengraf (2002: 313) explicitly states that they ‘found Archer’s (1995) formulation more than adequate for [their] purposes.’ We therefore begin with a brief recounting of the basics of Archer’s realist social theory.

Archer stresses the necessity of fully accounting for the *deliberated* actions of agents within their social context:

Fundamentally, we cannot account for any outcome unless we understand the agent’s project in relation to her social context. And we cannot understand her project without entering into her reflexive deliberations about her personal concerns in conjunction with the objective social context that she confronts.

Indeed, it is what agents seek to do, the precise projects that they pursue, which are responsible for the activation of the causal powers of constraint and enablement otherwise, structural and cultural

properties which are constitutive of situations remain real, but their causal powers are unexercised. Yet once an agential project has activated a constraint or an enablement, there is no single answer about what is to be done, and therefore no one predictable outcome. Conditional influences may be agentially evaded, endorsed, repudiated or contravened. Which will be the case and what will be the outcome only become intelligible by reference to the agent's own reflexive and therefore internal deliberations (Archer 2003: 131).

With this in mind, she then provides us with a succinct summary of the dynamics of realist social theory:

... the process of mediation between structure and agency must be considered as entailing three stages, which capture the interplay between objectivity and subjectivity, as follows:

- (i) Structural and cultural properties *objectively* shape the situations which agents confront involuntarily, and possess generative powers of constraint and enablement in relation to
- (ii) Agents' own configurations of concerns, as *subjectively* defined in relation to the three orders of natural reality – nature, practice and society.
- (iii) Courses of action are produced through the reflexive deliberations of agents who *subjectively* determine their practical projects in relation to their objective circumstances.

Taken together, these three propositions seek to capture the interplay between the objective and subjective components of the mediatory process, whereby structural and cultural influences condition agential doings. Obviously, the last thing that such an account attempts to do is to transcend the difference between objectivism and subjectivism, precisely because it respects the independent causal powers possessed by both structures and agents, and usually exercised by each to some degree. In interplay with one another they determine the practical courses of action adopted by agents ..., whose own interaction is ultimately responsible for the reproduction or transformation of society – or a sector of it (Archer 2003: 135).

Archer's brief summary of the realist social theory she proposes is a perfectly adequate backdrop to BNIM research practice, to which we now turn. The essence of the method is to gain access to Archer's internal conversation. Ideally one would like to listen in on that internal conversation and witness how agents use it in manoeuvring within and reproducing or restructuring their social context. Since this is difficult to do in practice, what we settle for is a reproduction of that conversation in as pure a form as possible, comparing the narrative as it is told to what can be learned as objectively as possible about the lived life of the narrator; and then examining the influence of the told narrative – as presumably a reproduction of the operative internal conversation – on both the lived life of the narrator and the objective changes in the social context. The BNIM approach thus focuses on separate analyses of the twin tracks of (subjective) told story and (objective as possible) lived life, examining the interplay at a later stage of analysis. This approach dovetails well with Archer's concern not to transcend the difference between the objective and subjective, but to capture their interplay, respecting the independent causal powers of agents and social structures.

The trick of course is in accessing that internal conversation. Therefore the method requires strict adherence to the principle of uninterrupted narrative and non-interference by the interviewer. Wengraf explains:

As for the interviewing part, ... its characteristic is that the interviewee's primary response is determined by a single question (asking for a narrative) which is not followed-up, developed, or specified in any way during that sub-session. In this first sub-session, after the posing of the initial narrative-seeking question, interventions by the interviewer are effectively limited to facilitative noises and non-verbal support. Any other type of intervention effectively terminates the session with extreme prejudice to the research purpose of the BNIM interview. ...

This makes it rather distinctive. One way of understanding the philosophy behind a minimalist-passive reception of interview narrative is that of the *Gestalt* principle, ... which requires the spontaneous pattern of the speaker to complete itself fully and so be fully exposed for analysis. (Wengraf 2001: 113)

Unfortunately the past is always recalled from the present perspective, which necessarily complicates analysis of the operation of the past internal conversation in context. Wengraf (2001: 285) addresses the problem with the assumption: 'that the perspective on the past that I have now (a) is not

the same as I had in the past, but (b) that it has emerged from the past in an intelligible way that I am attempting to reconstruct.’ Furthermore:

One task of the researcher into the life history is to attempt to reconstruct what may be several phases in which the retrospective perspective of the individual changed, in order to understand through what history of lived experience the present retrospective perspective came to be formed. A narrative constructed by the researcher about that evolution is called ‘the (or ‘a’) BNIM case-history’. (Wengraf 2001: 285)

A very complex analysis is thus involved in using present narratives and historical sources to try to untangle the past interplay between agents and the evolving structures they lived within and helped mould.

And once the analysis of individual cases has been completed and a good understanding of the interplay between internal conversations and external structures has been attained for these individual cases, the question remains: What have we added to social science? Given that this is an endemic problem in qualitative research, it must be addressed. However, before beating a hasty retreat to positivist economics, let us remember why we are left with little choice but to embrace more qualitative approaches. As discussed in Part I, abstract mathematical approaches are not appropriate for the study of human social systems. Although the methods we propose here cannot yield a mathematical description of the underlying laws of economics, we do not pretend that those laws are there to find. Realist social science fully embraces the messiness and difficulty of social reality. What we propose is something akin to the constant comparative method (Glaser & Strauss 1967) discussed by Wengraf (2002) as a way of bringing added value to social science from the use of BNIM research. This entails a drawn out process of comparing theory to cases, cases to cases and cases to theory, constantly and iteratively refining each in light of the other. Theory will remain historically contingent, as it must. Indeed, as Archer (1995: 344; italics in the original) argues:

Practical social theorizing cannot avoid the work of producing ... a narrative each and every time the aim is to explain why things structural, cultural or agential are so and not otherwise, at a given moment in a given society. These analytical histories of emergence are explanatory, retrodictive and corrigible accounts. Therefore analytical narratives cannot be ‘grand’ since the need to narrate arises *because* contingency affects the story and its outcome; they can never be unanalytical because what is narrated is the interplay between necessity and contingency; and they cannot be purely rhetorical because they are avowedly corrigible, dependent upon the present transitive state of knowledge and revisable in the light of new scholarship.

Keeping these theoretical-methodological considerations in mind, we now take a look at why Slovenia is a particularly interesting country for study.

Part III. Present day Slovenia

In this part of the paper I argue that Slovenia is an ideal country for the application of realist social science to economic issues. Slovenia is unusual in having rather successfully navigated the enormous challenges of the recent past, including:

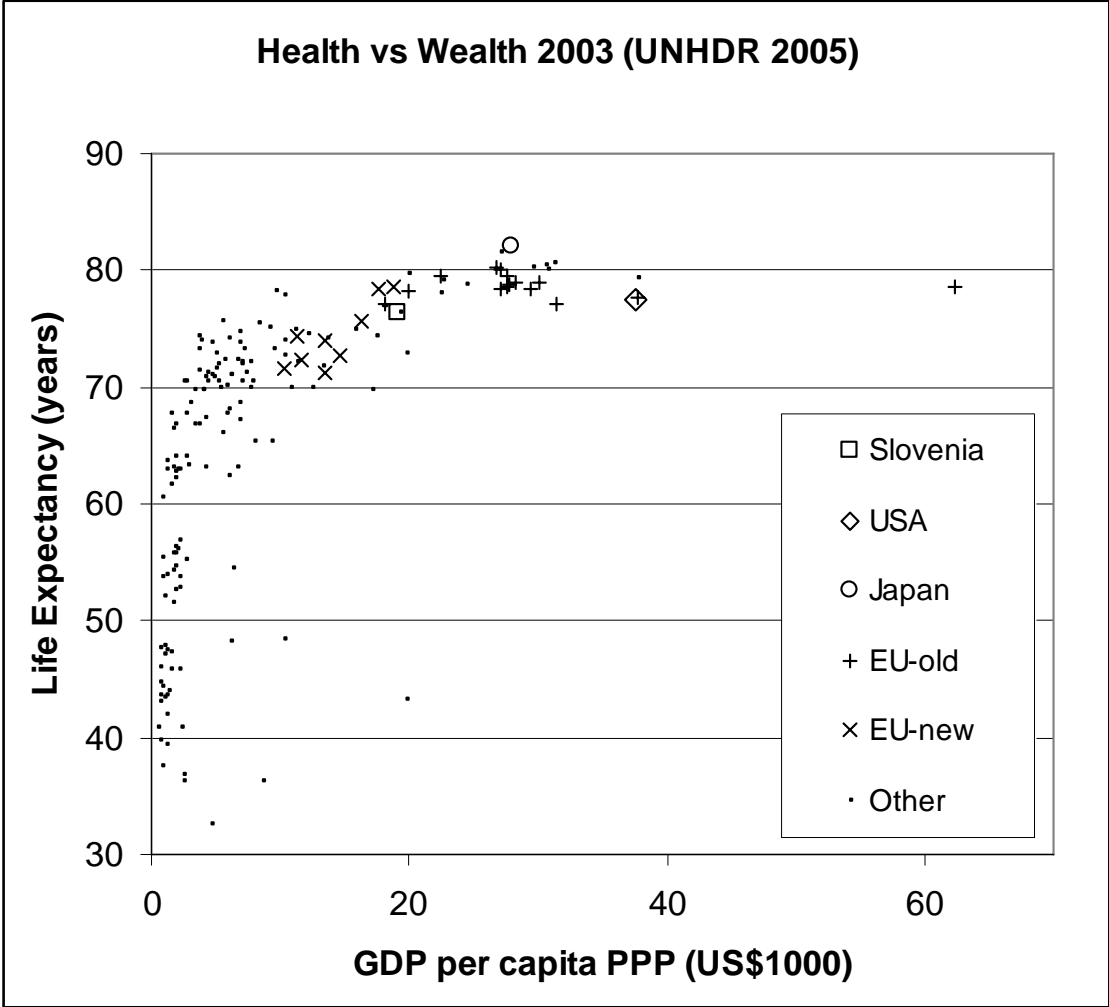
- numerous changes in its socio-political situation— including independence from the former Yugoslavia and persistent conflict in the immediate neighbourhood;
- leaving behind an economic system that prohibited private ownership of capital;
- achieving independent statehood for the first time; and
- joining the European Union – giving up some sovereignty.

Slovenia today compares relatively well to the other current EU countries in various measures of the quality of life: Slovenes report among the highest levels of life satisfaction in the European Union, as well as among the lowest levels of social exclusion.

Using data from the United Nations Human Development Report (UNDP 2005), we can make a scatter plot of life expectancy at birth and per capita GDP by purchasing power parity (PPP) method, as shown in figure 1. Since we will later focus on the countries of the European Union, we highlight the fifteen countries from before the latest round of enlargement as well as the ten new member states.

Since this paper is focused on the case of Slovenia, it is marked separately from the other nine new member states. Japan and the United states are also indicated in the plot for comparison.

Figure 1. Health versus Wealth from the Human Development Report, 2005.



Source: Data from the United Nations Human Development Report (UNDP 2005). All 170 countries where both life expectancy at birth and GDP per capita information are provided appear in the plot.

One curious feature of this plot is the *negative* correlation between wealth and life expectancy among the twenty countries having per capita GDP above US\$25,000 by PPP. While we do not suggest that all of human well-being should simply be measured as life expectancy, we do suggest that life expectancy is a fundamental measure; and that the attainment of a relatively high life expectancy does not require the accumulation of high levels of wealth.

We should also mention that although this plot features only two of the most commonly used measures of human development, it would be difficult to capture all of the elements of human development in any set of objective indicators, even if we did include measures of education or other factors. We therefore now take a deeper look at some *subjective* indicators, which derive from people’s own perceptions and evaluations of how well they live. The set of countries is restricted to Europe, but the richer information set allows for a better comparative picture of these countries.

The European Foundation for the Improvement of Living and Working Conditions, in conjunction with the European Commission, undertook a series of comparative studies of the social

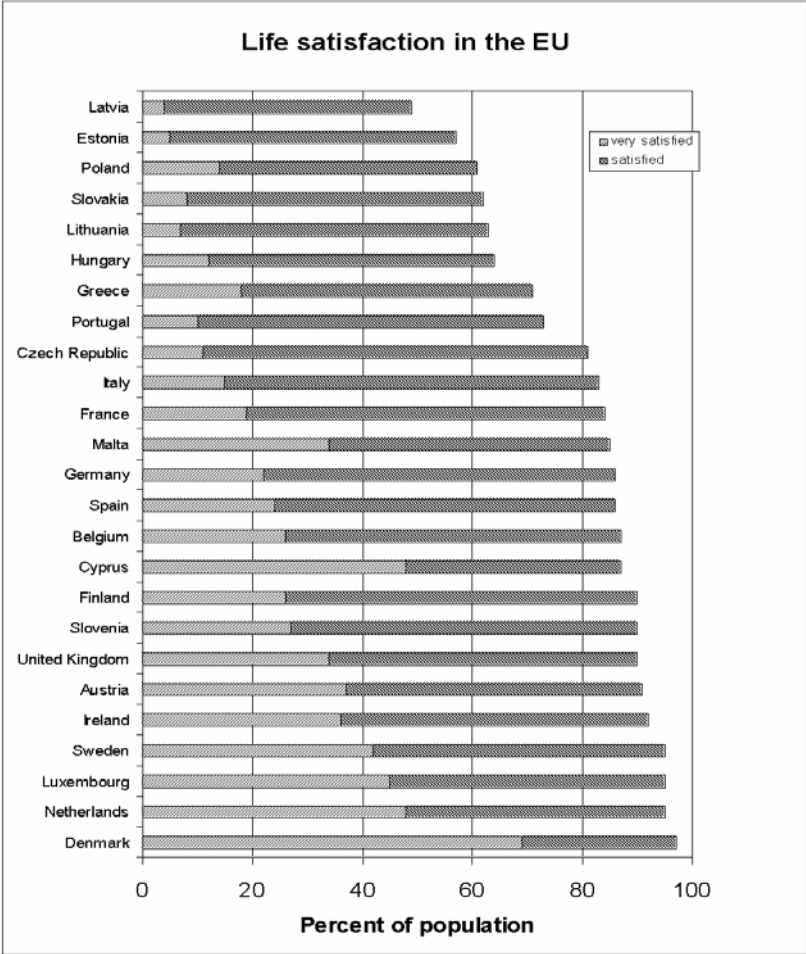
conditions in the now twenty-five states of the European Union and the candidate countries of Bulgaria, Romania, and Turkey.

Delhey (2004) provides a very thorough accounting of factors contributing to the quality of life in the member states of the European Union based on several Eurobarometer (EB) surveys published by the European Commission for the then fifteen member states from 1998 to 2001, as well as a special Candidate Countries Eurobarometer (CCEB) study done in 2002 for what were then the candidate and accession countries. The quality of life, as considered by Delhey, is evaluated along several dimensions: ‘It comprises what people have (‘having’), how intact their intimate social relations are (‘loving’), how well integrated into wider society they are (‘being’), and how healthy they are (‘living’)’ (Delhey 2004: 67). All of these dimensions are important, although the relative importance of each dimension varies among the different European states. Delhey further discusses the ‘subjective quality of life’, which he defines

... as the sum of people’s experiences of the opportunities open to them, the actual choices they make and the life results they achieve within their social contexts. [He] focuses mainly on levels and determinants of satisfaction as cognitive-driven evaluations of certain living conditions or of life as a whole (68).

While the Delhey study is well worth reviewing in full, we will only make use of his summary table of life satisfaction by country, which is shown in figure 2.

Figure 2. Life satisfaction in the European Union.



Source: Delhey (2004) p. 32; based on Eurobarometer data (CCEB, EB 52.1).

Note: The population averages (vertical lines) refer to the share of citizens satisfied with life (fairly and very satisfied combined). Question: Please tell me whether you are very satisfied, fairly satisfied, not very satisfied or not at all satisfied with your life in general.

However, as Delhey notes, '[t]his life satisfaction question is a tried and tested instrument, and the central indicator in subjective well-being research' (31). The table compiles responses to the question: '*Please tell me whether you are very satisfied, fairly satisfied, not very satisfied or not at all satisfied with your life in general.*' Only Denmark (97%), the Netherlands (95%), Luxembourg (95%), Sweden (95%), Ireland (92%), and Austria (91%) reported higher levels of general life satisfaction than Slovenia (90%).

We can also consider Böhnke's (2004) study on perceptions of social integration and exclusion in the enlarged Europe. According to Böhnke (2004: 1),

... social exclusion is viewed in terms of social relations and captures a sense of subjective marginalisation. Perceiving oneself to be on the margins of society might result in a dissenting attitude to consensual moral and political values, it might increase ignorance of generally accepted rules and laws, it is very likely to diminish well-being and result in aggressiveness, depression or socio-psychological breakdown; all in all, widespread selfperceptions [sic.] of marginalisation could threaten social order and the stability of society.

Consequently, overall recognition and a sense of belonging are taken as indicators of successful integration, and the lack of them as an indication of serious integration deficits.

Böhnke creates an operational index for the term as follows: People were asked whether they agree or disagree with the following statements:

- '*I don't feel that the value of what I do is recognised by the people I meet*' (this measures perceived worthlessness and a sense that recognition is lacking),
- '*I feel left out of society*' (paraphrasing perceived marginalisation),
- '*I don't feel that I have the chance to play a useful part in society*' (uselessness), and
- '*Some people look down on me because of my income or job situation*' (feeling of inferiority and lack of acceptance)....

[A]greement with these four items was taken to construct an *index on perceived social exclusion* (15).

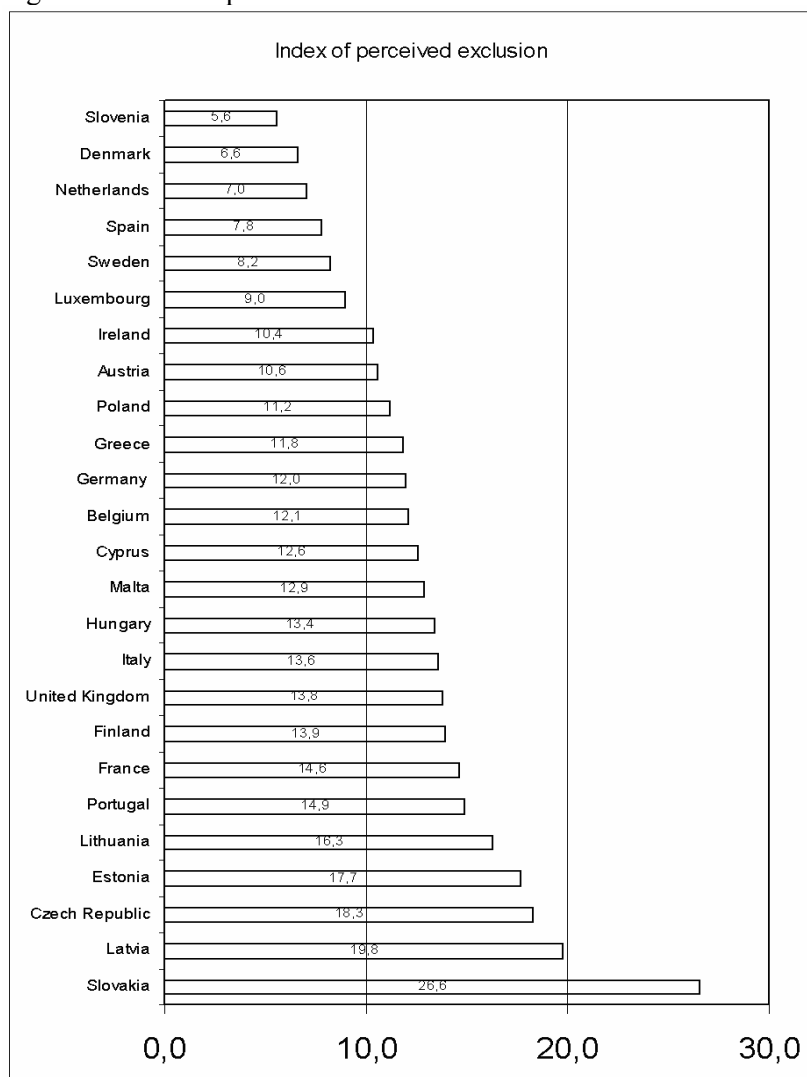
Figure 3 summarizes this index, taken from that study, for the different European countries. We find that Slovenes report the lowest degree of perceived social exclusion in the enlarged European Union, a factor at least partially responsible for the disproportionately high level of perceived life satisfaction for Slovenia's relatively moderate per capita GDP.

The study unfortunately does not specifically address why Slovenia in particular should be so successful in avoiding perceived social exclusion. In any case, Slovenia tends to stand out in these studies as a fairly socially cohesive country enjoying a relatively high level of life satisfaction for its level of general wealth. The next section considers the historical context contributing to this situation.

Part IV. By what course did Slovenes come to enjoy such a high level of life satisfaction?

One of the most important lessons of the post-communist transition period is that history matters. The profound and radical transition to a more mainstream capitalist type system following supposedly proven economic laws is strikingly reminiscent of the earlier, equally profound and radical transition to communism under supposedly scientific Marxism. So rather than arbitrarily starting history upon the collapse of communism, it is useful to examine the long historical process of building socialism, living under socialism and then abandoning socialism in order to build capitalism. Therefore, in order to understand how Slovenia has maintained a relatively cohesive society with a fairly high degree of life satisfaction throughout the tumult of the past decade or two, we review some of Slovenia's recent history. The important points to note are how Slovenes (as part of Yugoslavia) constructed a very different social system than those of the developed Western countries, while still promoting business relations with those countries. As part of communist Yugoslavia, Slovenia went through a turbulent but rather rapid period of industrialization and growth. Development was domestically orchestrated through ties with business partners in the developed countries under a system without private ownership of industrial capacity, which was instead socially owned.

Figure 3. Index on perceived social exclusion.



Source: Böhnke (2004) p. 17, based on Eurobarometer data (CCEB, EB 56.1). Here the index on perceived social exclusion is calculated by summing up agreement with four statements indicating the perception of social exclusion. The respective items are: 'I don't feel that the value of what I do is recognised by the people I meet', 'I feel left out of society', 'I don't feel that I have the chance to play a useful part in society' and 'Some people look down on me because of my income or job situation'.

In 1991 Slovenia became an independent country, breaking ties with the former Yugoslavia. Despite the loss of the Yugoslav market and persistent armed conflict in that region, Slovenia suffered only a relatively mild and short-lived depression. Upon independence Slovenia had an economy dominated by a few internationalized large companies with subsidiary plants spread around the country, a result of the planned form of regional development. Slovene companies have been able to operate in foreign markets while retaining domestic management. Slovenia has enjoyed relatively stable economic growth over the past decade and, perhaps more importantly, life expectancy continues to rise.

A review of Slovene development since the Second World War should make clear that rather than a coherent "model," the process of Slovene development is better presented as a somewhat haphazard flux of changes resulting from internal power struggles, economic crises and geopolitical dynamics. In reviewing that history it is important to keep in mind that everyone, especially company managers, had to navigate these rough seas of constant change, while the eventual outcome of it all was a fairly well-developed and stable independent state. In other words, Slovenia did not develop

according to a coherent and fixed plan; nor would I argue that a stable, coherent, and identifiable Slovene model emerged through the process of development

At the end of the Second World War there was very little functioning industrial capacity in Slovenia as part of Yugoslavia. At first Yugoslavia followed the Soviet example of total centralized control. It was not until a few years after the falling out with Stalin that Tito came to reject the Soviet model. The reason that the Yugoslavs created their own brand of socialism was that they saw that in the Soviet model, a 'new class' of 'state capitalists' had emerged that had taken the place of individual capitalists as the owners of productive assets. In this system of state capitalism, workers were being exploited for the benefit of the central bureaucrats (Milenkovitch 1971: 92–93). The way around this was to remove the power of the central bureaucracy by giving decision-making directly to the workers' collectives. This was supposed to be the next stage in the progressive transition to true socialism—where the state withers away and free associations of producers make their own decisions.

The problem arose, then, that if the workers own the factories, which are allowed to follow market rules, this is again a form of capitalism. New concepts were needed to counter these dilemmas. First, direct ownership was never given to the workers. Ownership itself was problematic. The workers were envisaged to have rights to manage productive assets, but these assets were to remain in "social ownership," which is more of a negation of the concept of ownership than a true form of ownership. Specifically the state was *not* to be allowed ownership of productive assets, but then again, neither was anyone else. This was a way out of the dilemma of either allowing private capitalism to develop on the basis of privately owned companies (even if owned by collectives rather than individuals), or of going back to a Soviet type model of state capitalism. Workers were allowed to use assets, but not to sell them unless they somehow replaced what was sold (Prout 1985: 86).

A second issue was that of developing a managerial class, which might also appropriate labour's surplus value. The way out of this dilemma was to break down productive units into the smallest sizes feasible, and enforce a system of mass participation by which the workers participate directly in the management of their own production. Smallness would ensure that workers would be allowed to participate directly. By requiring the collectives to vote for managers that would serve for limited terms, the emergence of a managerial class would be suppressed.

It is not difficult to see how breaking down enterprises into the smallest possible units would cause chaos and confusion. The solution was the use of self-management agreements and social compacts, introduced in the 1970s. Social compacts were a vertical arrangement that linked the government through 'business chambers' to the production organizations themselves. Investment and development could be coordinated through such compacts, as well as income distributions for companies and employees, according to the principle of equal pay for equal work (Dyker 1990: 86). Self-management agreements were the horizontal counterparts to the social compact. They served as contractual inter-enterprise linkages. 'Similar in scope to the social compact, the role of the self-management agreement was clearly seen in terms of backing up and consolidating the process of *concertation* outlined by the pyramidal framework of the social compact' (Dyker 1990: 86).

A new development orientation in Slovenia from the early 1980s was largely focused on the development of the large industrial combines, such as Iskra (electronics), Gorenje (household appliances), Tam (cars and trucks) IMV (cars) and Lek (pharmaceuticals) (Prinčič: 186–87). Large companies such as Gorenje and Iskra also began to locate plants in some of the less developed areas of Slovenia while becoming increasingly involved with foreign partners (Prinčič: 188).

By the early 1980s innumerable economic problems brought the Yugoslav economy to the verge of collapse. Inflation was increasing, the balance of payments deficit was enormous and the foreign loans came to a halt. By 1982 Yugoslavia was no longer able to make payments on its massive debt. 'The once-vaunted Yugoslav economy had lost all its strength and reputation and had slipped so far that it was now among the least developed economies in Europe' (Prinčič: 193).

During the months from an effective declaration of economic independence in March 1990 to December 1991, the Slovene economy effectively disengaged from the Yugoslav economic framework (Prinčič 197). After a relatively mild economic slowdown following secession from the

former Yugoslavia, the economic situation in Slovenia quickly stabilized. By 1993 Slovenia had already achieved positive real growth in GDP.

The outcome of the slow process of privatization in Slovenia was that typically 60 percent of the ownership of companies remained in the control of internal owners, while 40 percent went to dispersed external owners. Thus top managers were able to maintain a high degree of control; which meant that privatization did not lead to a major change in governance as compared to the previous system. External owners still exercise relatively little control over enterprises, and managers actively work to maintain this favourable ownership structure.

Jaklič (1998: 13–18) explains Slovenia's relatively successful transition by the existence of social cohesion, which enabled the economy to function continuously despite political transitions. He explains this cohesion as an outcome of the close relationship between village communities and industrial enterprises. In the aftermath of the war the partisan network was pretty much the only standing institution. The partisans had to play the part of quasi-entrepreneurs in building a functional economy. Since, unlike in other East European countries during that period, the continuous changes and reforms in Yugoslavia made it difficult for central planners to take full control, a strong institutionalized central planning system was never successfully implemented in Yugoslavia. The system of mutualism and reciprocity that developed within the network of partisans served to regulate mutualism and reciprocity at the local level. The mutual competition among managers that arose in the Slovene system may partially explain why Slovenia did relatively well compared to other areas under socialism. It further highlights how social cohesion played an important role in the development of Slovenia, which may still account for the lack of perceived social exclusion in Slovenia in the post-Yugoslav period.

In broad strokes the main features in Slovenia's trajectory of development since the Second World War are summarized as follows:

- Slovenia developed mostly within the framework of communist Yugoslavia.
- A system of workers' self-management developed that was intentionally different from the Soviet model.
- *Social* (not private or state) ownership of productive assets was implemented.
- Several large internationally active companies were strategically developed for purposes of employment and regional development.
- Slovenia fought a brief war for independence—initiating violent dissolution of the former Yugoslavia (1991).
- It became an independent state for the first time, introducing its own currency and independent state institutions.
- Lost most of its former “domestic” market.
- Underwent a relatively slow transition to capitalism without much foreign investment.

The outcome of all of this, as we have seen above, is a country with a remarkably high level of life satisfaction and the lowest degree of self-reported social exclusion in the European Union. In light of this peculiar historical trajectory, several questions naturally arise: Why did the Slovene social system prove so remarkably resilient under such systemic shocks? How were Slovenes able to acquire the skills and confidence for a relatively smooth transition? The ongoing research project outlined in the next part of the paper is designed to help answer these questions.

Part V. Doing research: *Habitus of the Slovene Manager*

In order to further our understanding of the importance of development of large companies in Slovenia and their importance in providing training and durable infrastructure for the transition period, we have begun a research project, *Habitus of the Slovene Manager between 1960 and 1991*, to gain

insights from some of the key managers during the period up to the formal break with communism. The research project deals with society and biography: we closely consider the micro narratives of insiders in order to answer the question of how did these particular agents participate in the construction of their particular industrial and social structures, which would later provide a remarkably sturdy and resilient foundation upon which to build a post-communist Slovenia. We are interested in the intertwining of the personal biographical narratives of influential managers with societal development: how they were socialized into their positions, and how they understood and played their parts in the development of Slovene society.

The term 'habitus' in the title of the project of course makes reference to the concepts of *habitus* and *field* popularized by Bourdieu (1977) and used by him for analysing the economy:

... the social agent is *a collective individual or a collective individuated by the fact of embodying objective structures*. The individual, the subjective, is social and collective. The habitus is socialized subjectivity, a historic transcendental, whose schemes of perception and appreciation (systems of preferences, tastes, etc.) are the product of collective and individual history. (Bourdieu 2005: 211; italics in the original.)

For Bourdieu, agents embody a habitus, while the objective structures external to them but within which they operate are conceptualised as a field:

The relation of the habitus to the field – a relationship that is obscure in practice because it lies below the level of the dualism of subject and object, activity and passivity, means and ends, determinism and freedom – in which the habitus determines itself in determining what determines it, is a calculation without calculator and an intentional action without intention ... In the particular (and particularly frequent) case in which the habitus is the product of objective conditions similar to those under which it operates, it generates behaviours that are particularly well suited to those conditions without being the product of a conscious, intentional search for adaptation ... (Bourdieu 2005: 213-214).

For our research purposes, we are interested in both the historical development of the habitus of the individual managers as well as its operation in the manager's particular developing field. This conceptualisation is perfectly compatible with the realist social theory of Archer, who also analyses the people separately from the parts or structures.

Our expert on the historical development of the Slovene economy under communism is Jože Prinčič, one of the leading economic historians of that period in Slovenia (see especially Prinčič 1999). Our expert on the use of interpretive techniques in research is Jurij Fikfak, who is at the forefront of the development of qualitative research in Slovenia (see especially Fikfak 2004). We are also joined by Tatiana Bajuk Senčar, an expert on economic anthropology in Slovenia (Bajuk Senčar 2001).

We have contacted and are now interviewing some of the key managers of the ten or so largest and internationally most active companies that have had an enormous impact of the development of the Slovene industrial system. The techniques we are using are deliberately made compatible with the BNIM techniques as described above. This means that after a brief discussion of the kinds of stories we would like to hear about their personal experiences in developing the Slovene industrial system, the managers are left to tell their self-selected stories in the manner they choose. Given the wealth of experience these managers have, we have made arrangements for hours of taped interviews over as many sessions as the managers need.

The economic historian is preparing detailed histories of the selected companies to be used in reconstructing the lived lives of the managers in the context of their companies. Given that this is really a cutting edge area of research, we have also made arrangements for Prue Chamberlayne and Tom Wengraf, two of the leading experts on biographical research in Europe (see Chamberlayne et al, 2000; 2002), to hold a special intensive training session on BNIM techniques in Ljubljana in November, 2006.

Unfortunately, since this is a research project that is just in its starting phase, we have no results yet to report. I hope, however, that this introduction to the reasoning behind the approach is worthwhile in its own right.

Concluding remarks

A major part of the research work we are now beginning is to develop new ideas and approaches for use in correcting what might be wrong with economics. Rather than trying to impose models from modern economics that are of questionable relevance to the workings of real economic systems, we can learn from how some (somewhat unusual alternative) economic ideas were actually put into practice, which is particularly important since the resulting system has proven remarkably resilient under the shocks of transition. In this respect the social experiment of Slovenia's path of development provides rich material for social research.

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