

Contemporary Theories of Political Economy and the Welfare State.

Tracing the Paths of Social Protection Policy in Croatia and Slovenia.

by Ivan Saric

Submitted to Central European University
Department of Political Science

In partial fulfillment of the requirements for the degree of Master of Arts

Supervisor: Professor Bela Greskovits

Budapest, Hungary

2014

Abstract

This thesis examines contemporary theories of political economy and power with regards to welfare state development in the countries of former Yugoslavia. Two republics were selected for examination – Croatia and Slovenia. The first part of the paper examines external constraints – EU and IMF conditionalities – and concludes that they were insufficient to explain the outcome of neocorporatist welfare state. The second part of the paper deals with actors in the domestic political arena. The findings support Crowley and Stanojević (2011) but suggest that the lack of a strong nationalist movement was equally important to securing a neocorporatist outcome in the Slovenian case. Labor power and the Yugoslav legacy are confirmed as the leading factors effecting social protection spending levels.

Acknowledgments

I would like to thank my family for their continued support. My parents have been a source of unconditional love mixed with a lot of understanding for a son still finding his way in the world.

Special thanks go to my mentor, professor Bela Greskovits, without whose insight, patience and knowledge this paper would not have been written.

In addition, the CEU support staff are to blame for an enjoyable and well organized stay in Budapest that enabled me to experience the city in addition to finding the time for performing my academic duties.

Unfortunately, a confusing and tenacious set of health issues prevented me from completing this thesis earlier and I would like to thank the departmental administrative and academic staff for showing understanding, even when it had evaded me.

Table of Contents

Abstract.....	i
Acknowledgments.....	ii
List Of Figures.....	iv
List Of Abbreviations.....	v
1. Introduction: Post-Communist Welfare States.....	1
1.1 Shared legacies and differing paths: Croatia and Slovenia.....	4
1.2 Polanyian double-movements: market, state and polity intertwined.....	11
1.2.1 Polanyi in Yugoslavia: Compromises and breaks.....	14
1.2.2 – Polanyian perspective on welfare.....	16
2. External effects shaping domestic social policy.....	18
2.2 The “Europe Effect” and retrenchment reconsidered.....	20
3. Domestic politics reconsidered: Employers, Labor, Legacy and Nation.....	28
3.1 Labor strength and mobilization in Croatia and Slovenia.....	29
3.2 Employer associations – VOC in Croatia and Slovenia.....	34
3.3 The legacy of Yugoslav Workers Self-Management and Social Ownership.....	41
3.4 Nationalist movements and labor in Yugoslavia: The fight for mobilizing cleavage....	43
4. Conclusion: Combining theoretical frameworks and methods.....	47
5. References.....	54

List Of Figures

Index of Tables

Table 1: Selected Macroeconomic and Social Indicators	4
Table 2: Social Protection Benefits by Function as Percentage of Total (2010).....	6
Table 3: Net Change in Social Protection Expenditure Levels.....	22
Table 4: Union Organized Public Assemblies in Croatia.....	31
Table 5: Factors and Outcome in the 1990's.....	43
Table 6: Factors and Outcome in the 2000's.....	46

Index of Graphs

Graph 1: Social Protection Expenditure By Clusters.....	20
Graph 2: Union Organized Public Assemblies in Croatia.....	31
Graph 3: Yugoslavian Foreign Trade.....	34
Graph 4: Complex Export as % of Total Export.....	36

List Of Abbreviations

HDZ – Hrvatska Demokratska Zajednica (Croatian Democratic Union)

SDP – Socijademokratska Partija (Social-Democratic Party)

LDS – Liberalni Demokrati Slovenije (Liberal Democrats of Slovenia)

IMF – International Monetary Fund

EU – European Union

MUP – Ministarstvo Unutarnjih Poslova (Ministry of Internal Affairs, Croatia)

B&G – Bohle and Greskovits (2006) Neoliberalism, Embedded Neoliberalism and Neocorporatism

1. Introduction: Post-Communist Welfare States

The welfare state is a powerful conceptual building block in understanding capitalist societies and their institutional environment. Whether referred to as an ideal model which sees the state as the procurer of universal and comprehensive welfare or as an empirical category which describes the collection of government, independent and voluntary organizations which provide social protection to citizens, it captures an essential double dynamic of capitalism as an economic system.(Bohle 2007) As Karl Polany observed in his seminal study *The Great Transformation* (2001.) economic activity is embedded within human society and dependent on social institutions for its support. Unfettered liberal capitalism of the 19th century collapsed spectacularly with the outbreak of two world wars and amidst social and political upheaval of a magnitude that was never before seen. The existence of a pure market society has always been a utopia and attempts at achieving it have failed amidst tremendous political and social upheaval.

The provision of a “safety net”, even in the most limited sense has thus far proven itself as a systemic necessity. This minimal understanding of the welfare state captures a wide array of cases but it can also conceal varying qualitative effects of different welfare policies. As Bohle and Greskovits (2007) point out the varying strategies of social protection may produce effects that go beyond poverty indicators. In their study of CEE varieties of capitalism, the authors point to varying quality of democratic regimes that follow the pattern of welfare regime differences. I will examine their typology in greater detail and confront it with long term spending data from the EUROSTAT database in Section 2.

In 1989 a wave of contention swept through Central and Eastern Europe, signaling the end

of the so called “real-socialist” regimes. Within the countries and societies of the region a formidable process of transformation had begun that entailed both a transition from a centrally planned economy to a market economy and the establishment of a liberal democratic regime. The challenges faced in such a transformation are multiple, with each one being a potential source of political instability that could retard or even reverse this process. (Offe 1991) Although all of the countries had chosen to pursue the same basic goals, twenty years after this process began we can observe differences between the new states in their responses to the challenges of economic development, democratic governance and maintaining social cohesion. (Bohle and Greskovits 2007a) This transformation can be understood as functioning interdependently with diverse state policy packages merging together with past legacies and structural conditions to produce a wealth of regime variety. This presents the starting point of the analysis that will be laid out in the rest of the paper.

I will focus on two aspects of social policy. The first is spending. As I will show in the following subsections, the Croatian and Slovenian states differ only marginally in their ratio of social protection spending relative to GDP across two decades of economic and political developments. How can we explain this similarity?

Hypothesis: The similarity in spending levels between the Croatian and Slovenian states stems from the shared legacy of Yugoslavian Workers Self-management and the strength of their local labor movements which is both a product of said legacy and the main factor of its continued survival.

Legacy remains a widely used theoretical component in understanding post-communist welfare systems and economic development and civil society. (Stambolieva 2013; Inglot 2008; Saxonberg and Szelewa 2007; Robinson and Tomczak-Stepien 2001; Lehmann and

Walsh 1999; Marinov and Marinova 2002; Dimitrova-Grajzl and Simon 2010) Before the transition, local population had strong attitudes towards economic equality. This effect was present to a greater extent in non-Soviet part of the Warsaw pact and Yugoslavia. (Murthi and Tiongson 2009) Likewise, in the cases considered it also played favorably for the strength of Labor movements. However, Legacy is also subject to change. I will examine whether this is the case in the two countries. (Collier and Collier 1991)

Could this be explained by influences stemming from outside of these two states. Indeed, contemporary literature points to two major trends that explain spending levels – the “Europe Effect” and the retrenchment hypothesis. Both of these hypothesized broader trends could have effected our two cases, at least partially. I will examine them in detail in Section 2 and show whether they apply and if so, to which extent.

In order to provide support for this claim I will demonstrate two key points. First, was the Yugoslav legacy different than its Warsaw Pact and Soviet counterparts? Given that these countries have exhibited a greater degree of social inequality in recent times and were all nominally socialist regimes, this would seriously endanger the argument. If we rule out external influences mentioned above as at least a partial driver of change, this assumption must be confirmed. Second, I need to show that the impact of legacy has not eroded through time and that its main components – a strong, militant labor movement and a broader populace that resonates with issues of economic justice – remain salient factors in local politics. Section 3 deals with these issues and examines competing theory's that offer alternative explanations.

The second aspect I will deal with in the paper is the variations in spending structure present in the two cases. The two cases differ in two areas: Slovenia devotes a significantly

higher percentage of social protection to Old Age pensions. In contrast, Croatia devotes more spending to Disability pensions. This aspect of difference is attributed to the effect of warfare in the Croatian case. Due to the effect of wartime destruction in Croatia a substantial portion of people that would have gone into Old Age pensions have instead received Disability pensions for injuries in the war.

1.1 Shared legacies and differing paths: Croatia and Slovenia

The topic of this research paper is the development of welfare state regimes in the countries of former Yugoslavia. The paper will test current competing theoretical frameworks on welfare state formation and change on the two cases using descriptive statistics, policy discourse analysis and comparative historical research in order to gain an in-depth and precise understanding of the independent variables at work in the two cases. In essence, broad population based trends are tested on the two cases, by examining whether elements predicted by theory were present in the cases and assessing the degree of influence it had on the dependent variable – the welfare state.

Table 1: Selected Macroeconomic and Social Indicators

	Croatia		Slovenia	
	1990's	2000's	1990's	2000's
GDP P/C AT PPP MEAN	9326.5	15342.8	17261.2	23621.8
RECOVERY YEAR (GDP >= 1989 GDP)	2003		1996	
GINI INDEX MEAN	25.77	31.26	28.79	30.37
SOCIAL PROTECTION SPENDING (% GDP)	22.71	23.56	21.55	23.63
AT-RISK-OF-POVERTY RATE AFTER SOCIAL TRANSFERS (% POP)	N/A	18.08	N/A	11.45
FDI P/c	242.42	4248.89	1048.16	4228.56
FDI (% GDP)	4.97	37.47	11.34	22.21
EBRD TRANSITION REPORT MEAN GRADE	2.7	3.5	2.7	3.5
FREEDOM RATING	4.0	2.0	1.5	1.1

Adapted from: World Bank, EBRD Transition Reports, Freedom House, UNCTADstat, Cronomy.org, EUROSTAT

Looking at selected indicators from Table ! we can see a marked difference in the level of development between the two republics. This gap was present during their shared history in the Yugoslav Federation and has remained stable through time. What is interesting is that the spending levels have remained consistent even with the spread of globalization and the integration of these two economies into a global market with low levels of regulation. The two states pursued different strategies of global market integration. Croatia opted for financial deregulation and enjoyed a spike in FDI at the close of the 1990's. Slovenia on the other hand choose to nurture a homegrown, national capitalism which featured a large number of worker shareholders. It's FDI buildup had slowed at the close of the decade when it became clear that the government had opted for insider privatization. (Bohle and Greskovits 2012; Franičević 1999) We can see the result of these different choices in the contribution of FDI stock to

GDP. While slow to start, the Croatian case exhibits markedly higher levels of dependence than the Slovenian case with trends projecting a further growth in discrepancies. (UNCTADstat, 2014) However, both cases exhibit similar levels of income equality and social protection spending. This is attributed to the shared legacy of the now-defunct Yugoslav federation. Despite predictions on “the race to the bottom” and the risk of capital flight, these attributes have remained constant. This small examination highlights a central problem in researching the cases in question. While legacy remains powerful in its explanatory force, the dynamic nature of political and economic life in all its aspects leaves us to wonder why or if it has not eroded through time.

Table 2: Social Protection Benefits by Function as Percentage of Total (2010)

Social Protection Benefits by Function as Percentage of Total (2010)	Croatia	Slovenia	Difference*
Sickness/Healthcare	34	32,29	-1,71
Old Age	27,29	39,48	12,19
Housing	0,09	0,04	-0,05
Social Exclusion n.e.c.	0,25	2,39	2,14
Unemployment	2,35	2,75	0,4
Survivors	10,42	6,99	-3,43
Family/Children	8,11	8,88	0,77
Disability	17,51	7,2	-10,31

*(- for Cro; + for SI)

Source: EUROSTAT

As we can see in Table 2, the main difference in spending structure between the current social protection regimes of Croatia and Slovenia are found in of Old Age pensions and Disabilities. This is explainable in a large part through the different experiences with warfare during the early transitional period. With a greater number of casualties and effected people and tying together care for survivors and war veterans, the spending difference does not come

out as surprising. However, as we shall see in greater detail in section 2, the spending levels remain relatively constant. This represents a point for the legacy argument.

The position of this research paper is that monocausal explanations cannot help us understand the variation or lack of the same between the two cases. We are left with two obvious choices. One, an interaction effect between separate factors in which case the effect of each on its own is meaningless and without effect. This builds on the research strategy espoused by the QCA approach. (Ragin 1987) The second choice comes from the school of quantitative statistical analysis. Here, factors are understood to contribute in effect to the dependent variable independently of each other. While this school of thought has a rich and respectable tradition, this paper follows the first strategy and attempts to combine in depth accounts and secondary sources with interpretation of descriptive statistics. Besides the obvious hindrance of lack of reliable quantitative data for constructing models, it is the view of this paper that the assumption of equifinality is better respected with the first choice. Further more, the assumption of causal symmetry posited by the second school, remains in doubt. It is possible, as I will show in this paper, that factors contributing do the development of an outcome in one set of circumstances, can be a deterrent to its development in another set. (Mahoney, Kimball, and Koivu 2009) In lieu of this frequentist approach, I will do my best to offer a view grounded both on qualitative reports and interpretation of the numbers. Both approaches have their specific strengths and weaknesses, however, I hope a combination will allow me to gain a stronger insight. (Silver 2012)

The cases selected are valuable as their proximity and shared history provide an excellent control for shared legacies and proximity sensitive variables. Slovenia and Croatia spent the better part of the 20th century integrated with the other south-slavic nations under various

arrangements. Beforehand, they shared a common master under the rule of the Habsburgs and the latter reformed dual monarchy of Austro-Hungary. This paper takes the position that historical legacies are an invaluable theoretical component in understanding recent developments, they cannot help us understand the more subtle variations or changes in apparently similar paths. The weight of the past is significant but even inertia can be overcome if circumstances prove right. The '90s functioned as a critical juncture. (See Collier and Collier 1991) Economically, the Yugoslav federation was suffering a long-term crisis of growth and price instability. Political conflicts were mounting between all levels of government and without a mechanism for their resolution. National tensions were on the rise and, since the beginning of the 1970s, were garnering more attention in the public discourse. (Bicanic and Franicevic 2003) The major political and societal actors of the Yugoslav federation abandoned their historic compromise and decided that it was time for a major shift in strategy.

In order to explore the nature of these causal relationships, the cases are studied over two distinct time periods – the early transitional environment of the 1990's and the latter consolidated democratic states of the early 2000's. The potential causal factors are divided according to the domestic/international or external/internal cleavage in order to assess the degree of independence the two states have faced in the selection and implementation of their social protection strategies. The underlying assumption is one of qualitative change both in the international environment and in the domestic political arena. The 1990's were a time marked with the collapse of the system of real-socialist states in which there was a widespread belief in the final triumph of western democracy and a highly deregulated liberal world economy. Likewise, domestic politics had its own order of issues and disputes. In the

former Yugoslavia, it was primarily the challenge of constructing independent nation-states – determining their borders and distributing the heritage of the former Yugoslav federation. The second main question was one of integration with the outside world – both in terms of international markets and trade and of joining adjacent integration projects – the EU and NATO. State policies shaping the welfare state could have faced external restrictions due to conditionalities imposed in these accession processes. I will deal with this issue in the following section, where I will examine the impact of external actors in detail. After tracing these effects and examining relevant evidence, the paper turns to the domestic political arena and examines relevant actors and structural conditions that could plausibly have impacted welfare state formation.

Slovenia's post-communist welfare system has been described as being built on a major societal coalition that distributed the weight of transitional losses equitably across all groups. A mixture of labor activism stemming from the favorable legacy of Yugoslav Workers Self-Management coupled with a strong complex export sector and broad mobilization from the political left produced the most socially friendly of all post-communist regimes. (Crowley and Stanojević 2011) Indeed, in the development of their triple typology of CEE capitalisms, Bohle and Greskovits (2007) cite that in comparison with other regime clusters in the region, Slovenia stands out in terms of social protection spending and indicators of poverty as well as the quality of democratic governance. The Baltic states have, after initial reform delay, opted for a minimal, neoliberal-type of welfare state that left the market to accomplish the task of lifting its citizens out of poverty. The Visegrad states – Hungary, Poland, Czech and Slovak Republics – have taken a middle course, and followed marketization policies with generous, although non-negotiated welfare policies. Given this observed phenomenon of clusterization

it is possible that the Croatian and Slovenian cases have developed along similar lines. The advantages of clusterization are primarily that of cooperation. If this is not the case, then we are left to wonder how sustainable these models will prove to be? How far can legacy go in explaining the changes in the two cases?

While Crowley and Stanojević make a convincing story in explaining the case of Slovenia, their comparison did not extend to Croatia or any other former Yugoslav Republic. Their approach was interdisciplinary and provided a strong overview of competing theories. This paper aims to expand on their efforts by assessing the relative strength of these factors in comparison with the similar but different circumstances of the Croatian transition. The same is true with the early Bohle and Greskovits typology. In the latter case, the authors have included Croatia in their recent book, however, I believe a stronger focus will yield useful insights. While all of the countries north-east of Slovenia are described as starkly different regimes, to truly understand the significance of these explanatory factors they cannot be assessed without including countries more similar to Slovenia in terms of legacies and production profiles.

So far, we have avoided the question of democratic governance and its relationship with our dependent variable – the welfare state. I will address this issue by following the blueprint that Karl Polanyi left behind in the Great Transformation. The underlying assumption here is that democratic governance, social protection and market liberalization exist on the macro-level in a causal feedback loop, with each process shaping and being shaped by the other. Therefore, we depart here from Offe's grim scenario of policy overload and instead examine how this interaction could also effect these variables in a favorable manner.

1.2 Polanyian double-movements: market, state and polity intertwined

Polanyi's work proves especially useful in understanding the development of the post-yugoslav republics. In his work *The Great Transformation*, the author examines the creation of a new pact for stability at the end of the second world war. The previous two wars, Polanyi insisted, were the malignant side effects of a global market civilization gone wrong. The pathology of this system was centered around the notion that the pursuit of profit was man's ultimate motivation and one that would be harnessed by the forces of a free and unfettered market for the ultimate good of humanity. Polanyi's main assertion is that, while trade and barter existed long before modern capitalism, markets were always heavily embedded in past human societies. The function of the market was always subordinated to local culture and the need of the local community to self-reproduce. With the advent of the industrial revolution, free-market capitalism became the dominant ideology of the West. Polanyi showed that the creation of a society where the market played a dominant role, and other social relations were subordinated to it, or rather were thought of as subordinate, was the product of strong state intervention. Rather than springing into existence by the sheer removal of legal barriers, the 19th century market society required a great deal of social engineering to function.

The central problem in this new type of society were its internal contradictions which arose due to the commodification of labor, land and capital. According to the ideas underpinning the market society, human labor had to be traded in a free market and subject to the instabilities of supply and demand like any other commodity. The inherent contradiction in this idea and real tendency was that human beings were limited in their ability to function as such, due to their biological and social needs. Without mechanisms to shelter people from

the shocks of the market, increasing conflict and social destruction was wrought upon society. Its ability to self-reproduce was threatened. Similarly, threats came from the commodification of land, which was neither produced for sale nor mobile the way a perfect commodity should be. Instead, it plays a central role in human society as its habitat. With its subjection to market trading, large parts of man's environment have been ravaged and their ability to sustain life seriously compromised. The commodification of capital and its subjection to the rule of the market, instead of the regulation of a sovereign state, meant that society was stripped bare of its last defense mechanism against shocks coming from external trade. Short-term shocks that could be avoided or lessened through the manipulation of currency and with negotiations with other states, become instead grave losses and bankruptcies of businesses that could be sustainable in the long term. To cope with the damages done to society through the movements to market society, Polanyi speaks of counter-movements that sought to protect it. This double dynamic or tension was the essential fact of life in a capitalist society. The counter-movements should not be understood as social movements in the prevailing sense that rallies around a particular shared interest. Often they were constituted by individuals coming from diverse parts of society and we would be unable to calculate their motives from looking at their socioeconomic background and assuming individual self-interest as rational choice theory would have us believe. (Caporaso and Tarrow 2008)

The internal contradictions highlighted above ultimately culminated in the birth of fascism and the eruption of two world wars which ended more than a century of continuous peace. Although the champions of fascism were defeated on the battlefield, for Polanyi it remains a fervent warning of things that might come again. Fascism, similarly to socialism,

was a means to control the market and subordinate it to the needs of society. However, this solution removed any consideration of the individual in its plans and reduced each member of society to an identical, atomistic point in the system. In protecting society, fascism destroyed personal freedom. Socialism on the other hand, sought to free people from the direct demands of the market and give them the chance to develop themselves freely. One could hypothesize that such individuals would better serve society as a whole but this was not the imperative behind Polanyi's logic. Rather, it was freedom for freedom's sake.(Block 2001)

Polanyi's approach, although similar to Karl Marx in some aspects (Özel 1997), stressed voluntarism as a key point in its world-view. Human beings were specific because they make choices that impact their future. The saving grace of free-will combined with the knowledge of the frailty and finality of human life is what gives people the ability to stand against fascism and to conceive of a society which protects the social as well as the political freedoms of its members.(Burawoy 2003)

The post-WW2 global economic system was built around the institutions of the so-called Bretton-Woods agreement. For Polanyi, these institutions provided the basic protection against the arbitrary ravages of the global market. John Ruggie (1982) aptly termed this state of affairs “Embedded Liberalism” because it combined elements of the free-market system with controls that were designed to stop the worst of its shocks. The “tendency to make international economic policy conform to domestic social and economic policy” was a hallmark of the new system. This state of affairs is approximated to last until the late 1970's. The Bretton Woods system was abolished amidst high inflation and neoliberal economic ideas began to dominate discussions on international economic institutions. In such an environment, a stable exchange rate and minimal state were once again touted as a

panacea for all economic ills. The collapse of the Soviet Bloc served to reinforce this view and some scholars made predictions about the final triumph of western liberal democracy based on a deregulated free market. This would ultimately bring down oppression and allow scientific progress to accelerate and create a blessed future for all mankind. (Fukuyama and Bloom 1989)

Considering that the international stage seemed rigged against protectionist policies in the style of Polanyi and even John Maynard Keynes, it would seem that the transforming post-communist states would have to move radically away from their current models or face ever greater international isolation. However, as we see, regime diversity was great during the transition in CEE and a great majority of states did not radically downsize their social budgets. The Yugoslav story has its own turn, mired by warfare and in some cases extreme nationalism that naturally follows a process of constituting independent nation-states.

1.2.1 Polanyi in Yugoslavia: Compromises and breaks

The stability of the Yugoslav federation was itself based on a historic compromise between industrial workers, peasants and socio-political elites that promised ever-rising living standard to workers in exchange for quiescence in the workplace and the forum. This is comparable to the post-WWII compromise of embedded liberalism. Although we are talking about different types of economic systems, the compromise had similar functions or goals – legitimization of the present political regime through a guarantee of social security and continuous improvement of the living standard of workers. In his critique of Stanojević's account of Yugoslav Self-Management Legacy, Arandarenko (2001) stresses that formal power guaranteed to workers through self-management councils was largely nominal in

nature. Managers held a strong advantage in terms of information and free time that enabled them to steer Socially Owned Enterprises (SOE) with a large degree of independence. While workers did not live up to the ideal of laborers/ managers of their own enterprises, they did enjoy unprecedented political power. An open strike was a mark of failure for the system. It was to be avoided. If one was called, the use of repressive force was not authorized for reasons of political legitimation. The use force against workers would put the Yugoslav regime on the same footing as the capitalist west or the stalinist state socialist block. Nevertheless, the compromise was vital for maintaining social peace at the federation level and it shaped expectations of future political and economic development. Furthermore, it solidified the notion that political legitimacy had primacy over purely rationalist economic legitimacy. (Županov 1996)

The collapse of the federation was preceded by a period of economic disintegration, both on the republic and enterprise levels. At the same time, democratic governance was being formalized and the first steps towards political pluralism were being made. This, however, does not mean that the two were mutually incompatible. Rather, as we can see today, the disintegration of one federation set its successor states and their respective economies on a path of economic integration. The Croatia and Slovenia of today have expanded their private sectors, strengthened their democratic governance and successfully entered the EU economic, social and political integration program.

Although focused on analyzing the struggles and harrowing conditions of English labor in the 19th century, Polanyi's scope of inference was global. He expected countermovements fighting for the protection of society to spring up in any locality where commodification of labor, land or capital threatened the survival and reproduction of society. In his criticism of

Polanyi, Burawoy (2010) points out the erroneous assumption that the defeated idea of market utopia would never return to drive global development. The second wave of globalization, beginning at the end of the 1970's and spreading further east with the collapse of realsocialism occurred under qualitatively different circumstances. Apart from the mobility of capital, which has existed before, under the first Great Transformation, the mobility of labor is ultimately greater than before. National borders are now more permeable for migrant workers. International vocational standards make possible the transference of both manual and intellectual labor where ever global capital creates demand. The commodification of land has progressed steadily as well. This process is more visible within regional economic integration pacts such as the EU.

1.2.2 – Polanyian perspective on welfare

The most famous use of Polanyi's theoretical framework in welfare state research is Esping-Andersen (2013) seminal work *The three worlds of welfare capitalism*. Building on Polanyi's concept of the commodification of labor, land and capital, Esping-Anderson constructed the concept of decommodification which measured how far a particular welfare state shielded its population from the direct ravages of the market. According to Guardiancich (2007) both Slovenia and Croatia inherited elements of a Continental European type of welfare state that developed from the time of Bismarck in the German Empire. Under such a system, social benefits were a reserved “workers privilege” rather than a universal right. In combination with a commitment to full employment, as was the policy during the Yugoslav period, this line of demarcation was less obvious. The two welfare legacies fused together under strong political constituencies that are determined to protect them.(Guardiancich 2004)

As I have outlined in the preceding subsections, social protection had a dynamic role to play in Polanyi's view of the market-based society. On the one hand, it was an inevitable product of the havoc that the market was wreaking on the cultural and social institutions of humanity. As such, protectionist counter-movements sprung up spontaneously in both state and society in order to protect the population from the ravages of the market. On the other hand, it brought with itself a different set of dangers that would again necessitate a push towards liberalization.(Drahokoupil 2004) In Polanyi's view, the only sustainable option was permanent embedding. This could take two shapes – a socialist version that respected the uniqueness and rights of the individual or a fascist regime that sacrificed this hypothetical individual for the benefit of society

2. External effects shaping domestic social policy

This section provides a detailed examination of external factors that are hypothesized to effect national-level social policy and the welfare state. The process of economic globalization has, it is vehemently posited, burdened the nation-state with an ever-increasing array of constraints on its actions. Regulatory and interventionist actions are subject to the judgment and punishment of global capital markets. The increasing mobility of capital in contrast to the territorial nature of the state threatens the autonomy of state policy.

As Bohle and Greskovits (2007) write in their seminal study on CEE varieties of capitalism, although integration into international markets has constrained state choices and in some cases led to less interventionist social policy, the majority of regimes choose to provide some sort of compensation to offset the social cost of the transition. In the Slovenian case, integration into international markets was accomplished via domestic capital competing for foreign trade. Foreign direct investments remained at a comparatively low level throughout the 1990's. The Croatian case has similarly evaded early FDI flow, though for different reasons. The outbreak of warfare on its territory and a delayed decision on the strategy of privatization, coupled with political pressure regarding authoritarian practices led to low investor interest at the beginning of the transition process. After these issues were resolved, FDI inflow spiked and has continued in a strong upward trend since.

We are left with two possible interpretations stemming from contemporary economic thinking: social protection spending as a compensation tactic developed in order to buy time for reforms and prevent a backlash from transition “losers”(Hellman 1998); or a

market-strengthening interpretation in line with the Varieties of Capitalism approach (Hall and Soskice 2001). The first instance is based on the notion that economic transition, even though beneficial to all in the long run, creates substantial social losses in the near run due to restructuring costs and the building and habituating of new institutions. These losses are unevenly distributed among the population – some are winners and others losers.. The principle threat to reform progress stems from a political and social backlash coming from transitional losers. Following this line of reasoning, the logical conclusion would be that social protection expenditure would decrease as reform progressed and the general economic situation improved. The second interpretation posits that social protection promotes market efficiency by solving coordination problems in the economy and relieving employers of the costs of training new workers. (Estevez-Ave and Iverson 2001)

However, looking back at our Polanyian perspective, a third option presents itself. Polanyi views social protection as springing from the internal contradictions of a capitalist society. The goal of social protection is to secure the means by which society reproduces itself. Under this interpretation, social protection can have malignant effects on the society in question in terms of the effect on the moral quality of the individual and their capacity to function in society. Protective outbursts would be most evident in cases where economic liberalization was successfully promoted to mainstream policy. Although a macro-level concept, the Polanyian view resonates with the Hellman's position as described above. Social protection is a compensation although it does undermine the very economic system it seeks to promote. (Drahokoupil 2004)

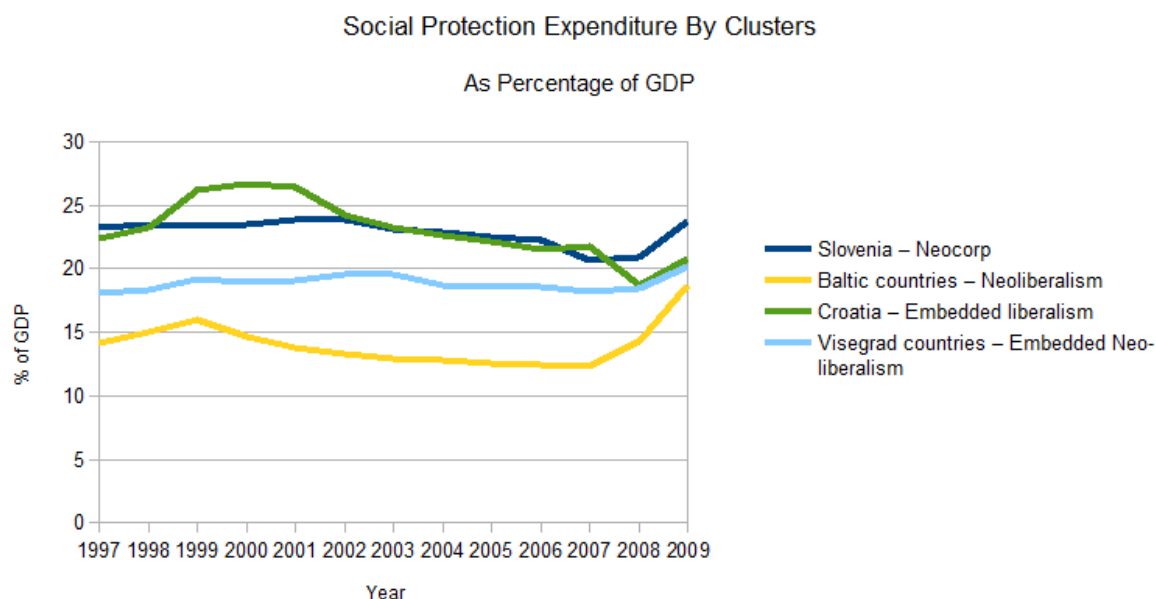
The preceding paragraphs framed social protection through the lens of domestic processes primarily. Due to increasing globalization and transnationalization of the world, it

is also possible that states behave more responsively towards external factors even when it comes to matters that were once thought of as purely domestic policy issues. I will now consider them.

2.2 The “Europe Effect” and retrenchment reconsidered

In the literature on comparative welfare states, we can identify two main external trends which have shaped social policy – retrenchment and the “Europe effect”. (Orenstein and Haas 2005; Pierson 2001) This subsection of the paper first deals with the retrenchment thesis in detail and examines evidence from the Croatian and Slovenian cases regarding social spending, policy actors and policy discourse in the first two decades since the start of the transition process.

I will now examine the “Europe Effect” hypothesis in detail. This hypothesis claims that post-communist states included into the EU integration process faced policy constraints and positive incentives to develop strong welfare states similar to their West European counterparts. The conditions for accession presumably enforced such a policy direction. On the surface it seems that such move has a bare-bones economic rationality to it- the fear of cheap labor and unregulated hiring conditions in new member states undermining the competitiveness of the economies of existing member-states. Adding to this are the fears voiced by right-wing parties opposing further EU expansion – a wave of underprivileged, poor migrants flooding into old member-states in order to take advantage of their more generous welfare regimes.



Graph 1: Social Protection Expenditure By Clusters

Compiled by author. Sources: EUROSTAT, IMF Database

Although these arguments make intuitive sense, evidence from the field does not support it. The accession process proved to be less focused on harmonization of welfare spending and policy and more focused on market integration. The chief dictum of first wave integration of post-communist countries was underpinned by a neoliberal discourse whose primary concern was that of market efficiency and integration. (Bob Deacon and Stubbs 2007) Accession negotiations and the signed accession agreements often had very little to say about social policy, let alone making robust operational indicators by which to gauge the new member-states compliance. However as Caporaso & Tarrow (2008) point out, although explicit mechanisms for enforcing social policy are absent, activism from EU Court system has led to several interventions in national-level welfare systems. The authors successfully identify a possible pathway for the creation of a unified European welfare system.

The retrenchment hypothesis states that the modern state is facing increasingly strong regulatory competition from other states owing to the mobile nature of capital against the territorial nature of states. States enter into a mutual competition of lowering regulatory and redistributive practices in hopes of attracting more capital investment. This model of capital behavior assumes all other factors pertaining to choice of investment location to be either equal or irrelevant. (Basinger and Hallerberg 2004) Coupled to this are demographic pressures to pension models resulting from an aging populace that produces fewer workers per pensioner and supposedly inhibit the standard PAYG models from functioning in a fiscally sustainable manner. (Lee 2003; Barr 2002; Bryant 2004) In the Croatian state all these pressures were further complicated with a long transitional recession, much longer than in the Slovenian case, and an initial shock of warfare on its home territories. Warfare affected heavily industrialized regions of the country and effectively cut them off from external and sometimes internal markets. War damage from shelling and stolen or otherwise mismanaged equipment was also widespread. Although both countries have implemented the World Bank recommended three-tier pension schemes, their market components have yet to prove sustainable. Both states remain the chief financiers of their respective pension systems. (Bejaković 2011; Vidović and Pauković 2011)

	Average Share - 90's	Average Share - 2000's	Change (%)
Croatia	22,71	23,02	1,36
Slovenia	21,55	23,12	7,28
Visegrad States	18,01	18,96	5,27
Baltic States	14,45	13,68	-5,32
European Union (15 countries)	26,24	26,54	1,14

Table 3: Net Change in Social Protection Expenditure Levels

Adapted by author. Source: EUROSTAT, IMF Database

I have compiled relevant social protection expenditure data from the EUROSTAT database in order to examine long-term trends in the two cases and compare them with other groups of countries. I followed the clusterization scheme developed by Bohle & Greskovits (2007). Today we have the advantage of more than 15 years of quality data collection with a unified methodology that enables us to make meaningful comparisons.

Examining Graph 1, we can confirm that regarding the aspect of social protection spending, the B&G typology consistently holds up through most of the examined period. The Baltic states, which have pursued a dominantly neoliberal reform strategy, have produced cheap and minimalist welfare states thus leaving the market to do job of lifting their citizens out of poverty. As such, their spending levels are consistently among the lowest. The Embedded Neoliberal regimes of the Visegrad states have avoided direct negotiations over social policy but have chosen to provide a comparably generous set of benefits to their constituencies. While not as generous as the Slovenian variant, they have maintained a middling level of spending throughout the examined period. Finally, the Slovenian and Croatian cases come closest to the spending levels exhibited by the old core of 15 EU

member-states. This analysis yields two anomalies in the typology. First, Croatian classification as Embedded Neoliberalism does not hold up regarding social protection expenditure until recently when the trendline begins to come close to the Visegrad group. Second, examining Hungarian expenditure upon disaggregating from the Visegrad group yields values that are closer to the Neocorporatist group.¹ Although full Neocorporatist institutions have never successfully functioned in the two cases, a possible interpretation is that they present somewhere along the continuum between Neocorporatist and Embedded Neoliberalism.

Although all of the countries examined have by now become full fledged member-states, these two cases, along with Hungary lately, are the only ones to come close to Western Europe expenditure levels. If EU accession was enough to produce strong and generous welfare states, the effect should be more visible across the entire group. Therefore, we can reject the Europe Effect hypothesis as a sufficient condition for producing said outcome. However, the graph seems to leave no room for the retrenchment hypothesis to stand either. There are no obvious downward trends as the hypothesis would predict. The Baltic states are the only group to show even a slight overall decline. They are also the group which has to the greatest extent exposed its economy to global market inputs. If the retrenchment hypothesis has any explanatory power, it is only so when the case in question also contains a state that has pursued an aggressively neoliberal style of economic reforms.

Table 2 helps us view the story purely in numbers. We can see that change across both periods that we examine has been fairly minimal. The change is below levels that most statistical tests would consider as significant. If anything it shows a slight support for the

¹ The Hungarian case was omitted from the graph as it is not in the focus of this thesis and for ease of viewing as it would obscure other trend lines.

Europe effect hypothesis over the retrenchment hypothesis. However, if we examine the cases according to their economic policy choices, as described by B&G, we see that expenditure levels show consistent differences. The neoliberal baltic regimes that remain the only supporting case for the retrenchment hypothesis are also the regimes which have given up the most of their economic policy sovereignty to global markets. On the other side, the Slovenian Neocorporatist regime, which has sided towards firmer state control and regulation, maintains generous levels and even shows the biggest positive change in the two periods examined.

Looking at the dynamic changes in spending levels exhibited in the Croatian case, the years corresponding to major spikes are more easily explained through the turbulence of domestic political life. Both the starting upward trend and the following spike at the close of the 1990's were years when Croatian democracy was being consolidated. It marks the first time that the incumbent right party was defeated and the first time that economic issues and quality of life became serious topics in elections. Therefore, I must conclude, in line with B&G, that the dynamism of domestic politics had the strongest impact on spending levels and indeed mediated the effect of external factors on the home countries. The following section will deal with the domestic political arena and examine competing theories which attempt to explain its developments.

It is interesting to note that the Croatian case exhibited formidable spending levels while still going through the last throws of its democratization process. The post-war phase of the 1990's was highly conflictual in political and economic spheres. According to the democratization literature on Croatia, the authoritarian practices of the Tadjman regime and the worsening economic situation provoked strong contentious actions. (Zakošek 2008; Kasapović 2000) With national independence now firmly secured, the regime lost its main

point of legitimation. Economic issues were starting to gain increased attention. Although Tudjman refused to liberalize his style of governance, higher expenditure should be seen in the context of buying continual peace and political power. The ravages of war brought a sharp increase in the number of disabled and displaced persons. Caring for war veterans and their families became a new focus point for regime legitimation. Besides welfare spending from the central state they were also the beneficiaries of certain state privatization funds. In essence it created client constituencies that moved the system further away from either a universalist or a work-fare model of welfare. (Paul Stubbs and Zrinščak 2009) In conclusion, there were two goals to the increase in welfare spending — offsetting social costs and protecting the political stability of the regime. There was a lull in economic recovery at the end of the decade. This in combination with the death of Franjo Tuđman provided space for the opposing coalition to successfully campaign on universal economic issues and further political liberalization. The further rise in spending when the coalition came along can be seen in the context of attempting to secure popular consent. The HDZ had previously constructed its voter base through clientelistic practices. (Vuković 2011) Without matching their strategy, the success of the coalition would be short lived. This proved to be the case after all as the patchwork coalition began to collapse on its own and without sufficient time to solidify its own constituencies. With the SDP-led coalition in power, they increased social spending as the country had by then accumulated a host of grave social problems and they had won the elections by campaigning on a social-democratic platform. (Vidović and Pauković 2011)

In conclusion, we have seen in this section that neither the Europe Effect nor the Retrenchment hypothesis present us with strong empirical evidence to support their validity.

If anything, analysis of the B&G clusters spending data points us toward the conclusion that domestic economic policy strategies or lack thereof played an important role in setting mid- to long-term spending levels. We must then turn towards domestic political dynamics in order to explain the social protection puzzle. The following section examines competing theories of political economy and society that hinge on domestic political actors and forces.

3. Domestic politics reconsidered: Employers, Labor, Legacy and Nation

Our examination of the literature on forces shaping the welfare state has thus far focused on external factors that functioned as constraints on national states and societies. We have concluded that external factors show only a weak effect when examined across both period. Furthermore, we have shown that the effect size and consistency of impact of these factors was heavily influenced on coinciding events in the domestic political arena. The national state has remained the chief mediator with regards to issues and effects of globalization and European integration.

Following our stated research design, this section will examine events and processes in the two cases by dividing them into two distinct periods. The first beginning with the start of the transition process in the early 1990's and terminating approximately with the end of the decade. This was a period of intense conflict for the newly independent Yugoslav republics. Economic crisis was combined with warfare and humanitarian catastrophes. The collapse of the Soviet block meant that trade with the East was severed in the short to mid term. Slovenia managed to get through this period with almost no armed conflict. Shortly after the country could rely on a steady stream of Western trading partners that ensured that it was among the first of all former communist countries to emerge from transitional recession. For Croatia, the environment was much more unfavorable. As an ethnically mixed country, the dissolution of the Yugoslav Federation mired Croatia in prolonged and bloody fighting on its own territory. This produced extensive economic damage and population displacement. It also enabled the right-wing government of the HDZ to run the Croatian state virtually unopposed.

The second one begins with the new millennium and culminates with the global financial crisis, or rather the start of its local impact around 2009. In this period, democracy has already become entrenched as a political system and receives widespread although sometimes lackluster support from the populace.

As we have seen in the previous chapter, despite serious economic and social challenges, both cases preserved a higher level of spending in comparison to the rest of the countries in the post-communist group. Given that we have examined plausible explanations with external factors in the previous section, I will now turn to examining domestic political actors and circumstances. The following subsection deals with Labor power and its influence on social policy.

3.1 Labor strength and mobilization in Croatia and Slovenia

According to the power resources approach, the shaping of social protection policy and the implementation of national-level bargaining institutions hinges on the presence of a strong and organized labor movement that can successfully build policy coalitions with other political and social actors. Unions representing workers put pressure on capital and the state through strikes and contentious actions, forcing them to give in to social demands in order to purchase social peace. The shared life risks and lack of individual economic resources that connects the working class, gives rise to preferences towards collective management of these risks. (Korpi 2006) Based on these principles, we would expect a strong and organized labor movement to produce generous and strongly decommodifying welfare states.

The core concept of power relations theory is, of course, class as a socioeconomic category. The working class sought here would be a collection of individuals connected together through shared life-course risks and expectations. Being exposed to the same

working conditions, uncertainty in case of unemployment or sickness, a strong working class would demand the state to intervene and create institutions that would mitigate these risks through social insurance. In Yugoslavia there existed a Bismarckian welfare system combined with a commitment to full employment that provided comprehensive coverage for workers that included comprehensive healthcare, wage indexation, protected vacation and sick leave and even went as far as to include company vacation facilities on the Adriatic coast, where workers could relax after a hard year of working. While some have claimed that legacy had a negative effect on labor power throughout the former communist block, in the countries of former Yugoslavia this was not the case. (Crowley 2005) The industrial working class enjoyed a privileged position not just due to its size and role in production but also as one of the main blocks of legitimation of the state socialist Yugoslav regime. Thus, unlike the Polish or Czech cases, the Yugoslavian legacy is positive regarding the structural and organizational resources of labor.

One would expect that such a class would meet the challenges of transition in a well-organized manner – mobilized and ready to fight to preserve its privileges. Any attack on the welfare state would be a daunting task indeed, almost certainly doomed to end in the political suicide of the primary initiators.

This explanation only partially fits with the two cases. Both Croatia and Slovenia experienced a significant strike wave in the early 1990s that poured over from the Yugoslavian strikes of the late 1980s. In Slovenia the strike wave is credited with toppling a right wing government that showed little interest in negotiating with labor over economic issues in the transition. The following center-left government led by the LDS compromised with workers over privatization strategies and kept a strong, inclusive safety net in place.

Tripartite institutions for ensuring social peace were set up and national level bargaining became the dominant form of wage bargaining among unionized workers. Until the latter half of the 2000's Slovenia retained a shrinking but comparatively high level of unionization at 32%. (Crowley and Stanojević 2011) As a result of this compromise, strike activity had declined in Slovenia at the end of the 1990's, flaring up in the mid 2000's and recently with the increasing effort to implement neoliberal flexibilization policies in the labor market and austerity measures. Unilateral attempts enforce such measures ended with the fall of two governments. Despite further loses in union density. It took the brunt of the global financial crisis to force labor into a wage cutting compromise with the new right-wing government.

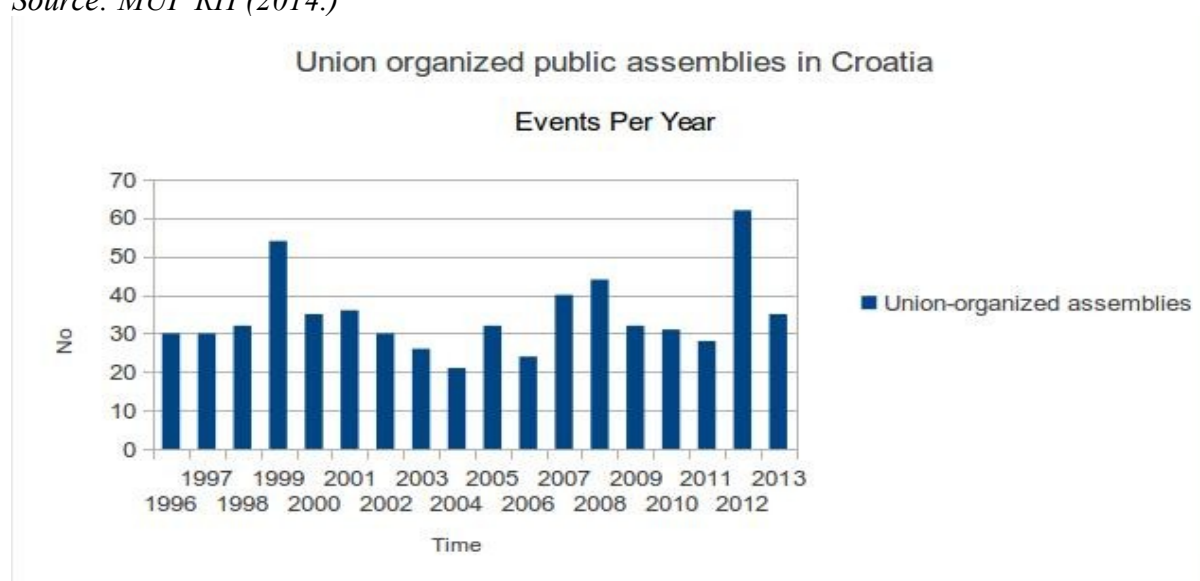
Unfortunately for our comparison, there exists no complete data set on Croatian strike activity. The best we can use are proxy measures. The Bagić (2010) dissertation found statistical data for conflict resolution practices between labor and employer's. Such a practice is a legal institution that unions are obliged to consult prior to proclaiming a legally sanctioned strike in an aggrieved business. The parties air their grievances in front of a certified mediator and if the conflict is not resolved, the unions have a legal right to declare a strike. The issue with this measure is that in the event of failed conflict resolution, no follow-up data is recorded and we have no idea whether a strike was actually called afterward.

A second proxy that can testify to the broader political impact of labor union activity and its mobilization capacity are statistics from the local Ministry of the Interior regarding public assemblies. Union organized activity is coded for in their files and since 2006 they have started adding estimates as to the number of people gathering. We can see in table 4 that since this data has started being recorded 54.02% of all public political event turnout was union

organized. This is a testament to the enduring strength of labor in Croatia, even in the 21st century. In Graph 2 we can see that assemblies held a consistent level throughout with two peaks that correspond to the first democratic political turnover between the left and right sides of political spectrum and again in 2012 when the government announced cutbacks in spending due to the impact of the economic crisis.

Graph 2: Union Organized Public Assemblies in Croatia

Source: MUP RH (2014.)



Compiled by MUP in response to author request per Law on Access to Information

In comparison, the strike data for Slovenia (Stanojević 2001) shows contentious activity peaking in the mid 1990's and the frequency dropping drastically by 2001. As previously stated, although we cannot directly compare this to the Croatian case, proxy evidence suggests a higher level of contentious activity south of the Sava river throughout the examined period. A lack of consensual decision making in Croatia led to workers grievances never being fully addressed. Although governments, both left and right have repeatedly backed down from legislative proposals regarding labor market flexibilization, true dialog

and compromise has not become the norm in Croatia.

Table 4: Union Organized Public Assemblies in Croatia

Year	Number Of Assemblies	Number of Attendees	Number of Incidents
1995	18		
1996	30		
1997	30		
1998	32		
1999	54		2
2000	35		2
2001	36		1
2002	30		
2003	26		
2004	21		
2005	32		
2006	24	44850	
2007	40	30220	
2008	44	43034	
2009	32	10611	
2010	31	8096	
2011	28	4730	
2012	62	23050	
2013	35	7331	
Total:	640	171922	5
	Number Of Attendees (Total)*:	318229	
	Union share (%) :	54,02	
	* All Assemblies, including Union organized		

To provide a more confident analysis, it will be necessary to compile a research team and examine Croatian printed media. Numerous journals have continued publishing from the declaration of independence on to the present day. A search of the top 5 newspapers would yield confident numbers on strikes called. Data on the number of workers participating would be harder to obtain, and it is doubtful a good source could be found without examining state intelligence agency reports. Legal barriers to such a search are at this time too grave to be attempted.

Croatia, much like Slovenia, experienced a broad strike wave in the same period that failed to topple the nationalist populist CDU government, which remained in power until

2000. The very style of privatization strategy that the Slovenian unions manage to stop from coming into effect, was instituted in Croatia. The HDZ government of the 1990's sought to first capture and then to repress the labor movement in Croatia. (Kokanović 2001) The efforts of the government were ultimately unsuccessful and concessions were made. Tri-partite bargaining institutions were set-up, though without a real effect on the legislative process. Although labor failed to achieve the desired effect on economic and social policy initially, they remained a constant thorn in the side of the government and managed to form a winning coalition with left of center opposition parties. Social protection spending levels remained along with Slovenia, the highest among all post-communist countries.

Croatia retains a strong level of union density at the end of the previous decade. It is estimated at 30%. (Grdešić 2008; Bagić 2010)

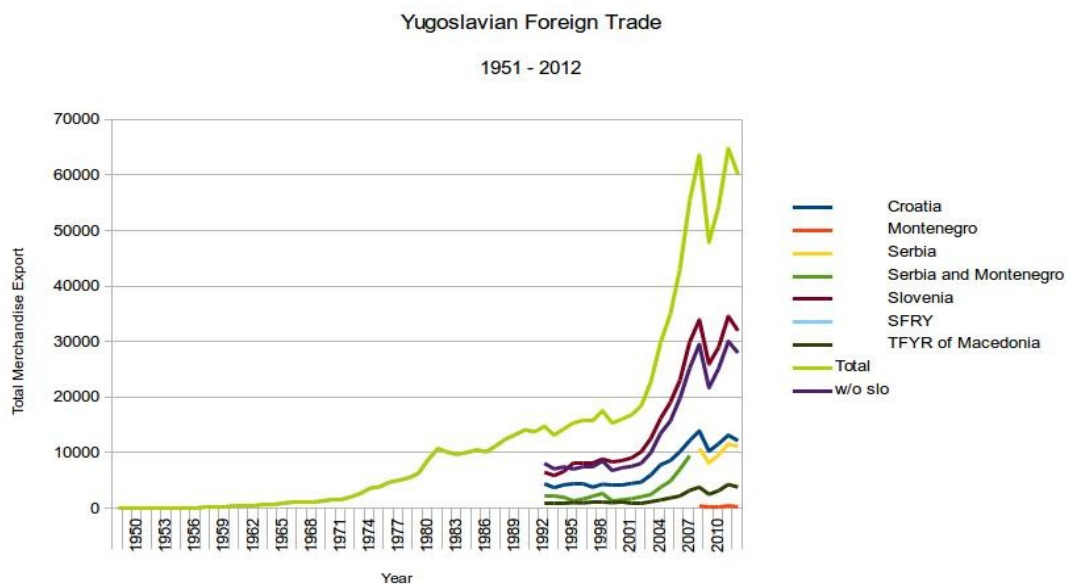
What to make of the situation? It is true that in terms of legacy and societal strength, Croatian and Slovenian unions could be considered close equals. It is also true that Croatian labor unions failed to secure a neocorporatist system of industrial relations like in the Slovenian case. However, while not formally included in the initial policy process, they have managed to win a tacit place at the table and prevent serious cuts in spending as well as further liberalization of the labor market. A strong labor union is therefore a necessary but not sufficient condition for a strong welfare state. Can the Varieties of Capitalism approach provide a better explanation as to why these cases produced strong social protection spending relative to the rest of the post-communist group?

3.2 Employer associations – VOC in Croatia and Slovenia

The Varieties of Capitalism approach (Hall and Soskice 2001) was developed through the study of western developed capitalist democracies and has proved fruitful in highlighting

the major vectors of post-communist political and economic diversity. Initial criticism (Bohle and Greskovits 2009) rightfully pointed to drawbacks in the static analytic framework that produced a simple, bipolar classification and failed to recognize substantially different initial conditions faced by post-communist states and societies in comparison to their cousins in the West. Given the uncertain nature of transformation and following lessons learned from chaos theory and path dependence, we know today that even a small variance in initial conditions can lead to great diversity in outcomes. As the VoC framework hinges on a stable institutional equilibrium, when institutional complementarity is supposed to lock-in a country on a specific variant of capitalism, it is questionable whether this approach is suitable to studying variance in CEE democratic capitalism.

Graph 3: Yugoslavian Foreign Trade



The VoC framework places the profit oriented capitalist firm at the center of its analysis as the main actor of the capitalist economic system. While it is easy to imagine established

channels of interest representation in western capitalist countries or even a pluralist-lobbyist grouping, this model is better suited to explaining consistency rather than institutional change. Whether through market competition or industry associations, firms strategies shape both the informal rules and practices as well as formal regulation and public policy. In the state socialist context, firms and their managers were subordinated to political control and served a parallel function of welfare distributors committed to full employment, no matter the cost. (Županov 1996) As such, it is difficult to imagine them as salient political actors come transition time. As we see from Bagić (2010) and (Grdešić 2008) employers in the Croatian case remain a weak actor in the formal policy making process. This is expected in a post-communist country where private ownership over companies became fully legal only with the start of the transition process. Even with moves towards privatization that Yugoslavia made in the 1980's the industrial giants and large enterprises all fell within the domain of social ownership. Adding to this are the hurdles of Croatian privatization in the 1990's which included two completely failed attempts and led to a short period of Crony Capitalism that failed to produce significant growth. (Bicanic and Franicevic 2003) Employers are fragmented in their representation and only one national level association is recognized. They have shown ability as individual actors in side-stepping labor law *vis a vis* hiring and firing regulations and the compensations required therein but concentrated collective action remains sporadic and lacking a long-term vision. The Slovenian case shows a more active approach through national-level collective bargaining but only after the initial transitional recession subsided and the process matured. (Crowley and Stanojević 2011) One of the arguments highlighted in the Slovenian case for neocorporatism in macro-economic policy and tri-partitism in industrial relations was the mandatory

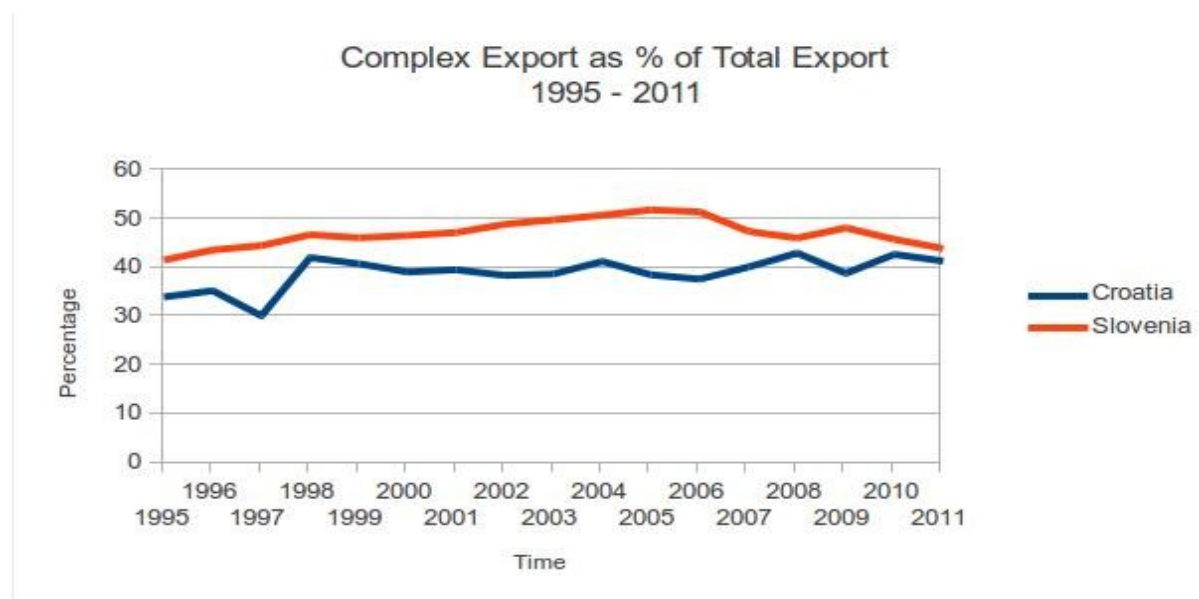
membership in the state chamber of commerce, which functioned as a *de facto* employers associations throughout the 1990's and early 2000's. Comparing this to the Croatian case, we see an identical formal institutional set-up. However, this was not a sufficient condition for true tri-partitism.

The VoC literature identifies employers as key actors in shaping social policy and inter-firm strategies of cooperation. Export sector complex product industry, reliant on skilled labor, sees social protection and institutionalized bargaining as a source of comparative advantage rather than an expense. Due to high training costs and low transferability of firm specific skills, workers have little incentive to invest in new skills without insurance against unemployment and wages lost during the training process. (Thelen 2001) Again, when applied to both the Slovenian and Croatian cases, VoC approach alone fails to explain the divergence between the two cases. Both Slovenia and Croatia had at the start of the transition process a strong export sector dependent on skilled labor. The largest employers' associations represent close to 30% of Slovenian and 40% of Croatian employers.

Bohle and Greskovits (2007a) present an approach that highlights the struggles and uncertainty faced in the construction of capitalist institutions in post-communist soil. Building on Polanyi's (1957) concept of the Double movement, VoTC highlights social protection policies and their outcomes as imperative for understanding the developmental and political dynamics of newly established regimes. In an ideal Polanyian transformation case marketization is gradual and followed toe-to-toe with social protectionism. Social protection is thus an inherent reaction to marketization that stems from the internal contradictions of a market-society. The VOC literature, on the other hand, views social protection as potentially market-strengthening if underpinned with the right institutional arrangements. This is the case

for instance when the state invests in active labor market policies that remove the burden of training costs from the employers (see Estevez-Ave and Iverson 2001) or when transition losers are compensated through inclusion in the policy process and redistributive measures, thereby ensuring political stability necessary to safeguard reforms. (Bohle and Greskovits, 2006.)

Yugoslavian socialism produced a sizable export sector that established ties with both the Western and Eastern blocs. After the historic break with Stalinist socialism, Yugoslavian trade and foreign policy under Josip Broz Tito managed to find a space in between the two competing blocs. The VOC literature posits that a strong complex export sector is both a necessary and sufficient condition for the establishment of a strong welfare state. As we can from Figure 2, Yugoslav trade blossomed after the 1950's. An argument could be made that employers remained weak, at least in the initial period, because trade shocks due to the collapse of the Soviet bloc and domestic warfare crippled the export sectors of the constituent republics. However, the war induced drop in commercial trade appears to span no more than 5 years in the worst case with a sharp increase afterward.

Graph 4: Complex Export as % of Total Export

Compiled by author. Source: UNCTAD database

If anything, market strengthening social protection, as predicted by the VOC, should be the underpinning idea of these welfare systems. Crowley and Stanojević (2011) write that the Slovenian economy had a strong export sector that had already developed significant ties with western trade partners by start of the transition process. Is this the case and was the Slovenian export sector stronger than the Croatian? According to Mencinger (2006) Slovenian export to the rest of the Yugoslav Federation accounted for 56% of total exports. Estimates for Croatia place this figure around 50% as well. It seems that trade loss due to the changing external political circumstances would have placed equal strain on both economies regarding their respective complex export sectors.

Complex industry export as a share of total exports is depicted in Table 4. Shares were calculated using the UNCTAD COMTRADE database. I followed the methodology of B&G. Complex exports are sum of values of SITC 5 and 7 divided by the total volume of exports. We can see that Slovenia holds a marginal advantage through both periods although not

significant. According to Bruszt and Greskovits (2009) this would place both countries in the group of core capitalist countries regarding their production profiles. Considering that such a production profile is consistent with accounts of employer led social protection strengthening, and that Croatian spending levels show a substantial spike close to the same time that the complex export share crossed the 40% threshold this would support the hypothesis. However, although the indicators show a common pattern, the secondary accounts of employer associations actions does not. Employer associations took longer time to consolidate then labor unions and have only showed interest in pushing for the flexibilization of the labor market. Employers showed little interest in negotiating for increased active labor market policies or vocational programs to help secure a stable influx of skilled workers. (Bagić 2010; Bahtijari 2001)

Therefore, I suggest an alternative interpretation. The rise in complex export share meant an increasing number of employed skilled workers. Skilled workers are more likely to unionize. Unions have in both cases thrown their support more often with the center-left political coalitions that were less likely to push for social protection spending cuts. Therefore, in the long run this secured a greater level of spending. The economic recovery of the late 1990's and early to mid 2000's brought back a substantial part of the previously lost complex export sector in Croatia and prevented the Slovenian one from declining. In this context, employers are not the initiators or the active supporters of strong welfare spending but they are willing to tacitly accept – economic growth offered more opportunities for positive-sum conflict interaction. (Korpi 2006) Recent developments in Croatia have seen the new center-left coalition clash with public sector unions over wages, however this is against the backdrop of a global financial crisis where new loans are scarce and ultimately outside the

scope of this thesis.

We have established that the VOC approach alone fails in providing a sufficient explanation for high social protection spending levels.

3.3 The legacy of Yugoslav Workers Self-Management and Social Ownership

The Yugoslavian variant of state socialism has often been considered to be of a different strain than other European Communist regimes, and for good reasons. Although initially set to follow in the footsteps of the Soviet model, the Yugoslavian system diverged from this path in the late forties after a political dispute between the federation and the Soviet Union. With the leadership of the country denouncing the Soviet Union as having strayed from the teachings of Marx, the self-management model was adopted and praised as a means of returning to the true meaning of socialism. The system of self-management tied regime legitimation to the fortunes of the worker. Labor was given significant formal power, which it shared together with managers in self-management councils. Workers identified strongly with their firms and considered themselves the “true” owners. However, management retained *de facto* decision making power as workers had neither sufficient education nor exhibited preferences for getting involved in the daily governing of enterprise. (Franičević 1999)

In the debate on labor power Arandarenko (2001), Stanojević (2003) and Grdešić (2008) analyze labor movements in the former Yugoslavian republics and the impact of legacy on their ability to mobilize and pursue their interests in the post-communist period. In the Slovenian case, unions retained a strong mobilization potential and were accepted by the state as a legitimate bargaining partner. As a result, a corporatist body was created for managing relations between the state, labor and capital and collective bargaining was instituted at the national level. At the same time, Serbian labor proved surprisingly quiescent, while the

Milošević government maintained a tight hold on power, despite failing to ease a sharp economic recession and inviting international sanctions which further worsened the situation. Stanojević argues that the Yugoslavian legacy of worker self-management impacted favorably on labor strength and Arandarenko argues that it in fact was merely a formal arrangement that did not impact the marginalized role of the worker in company decision making process. The article by Grdešić(2008) presents an interesting synthesis of two opposing views expressed in the former articles and a rare case of comparison between all three republics. Grdešić resolves the dispute by differentiating societal strength from formally recognized political bargaining. Following Grdešić, I conclude that Yugoslavia left organized labor with two positive aspects of legacy. First, self-management secured a greater legitimated role for labor in the political system. Workers strikes were for the most part resolved not through repressive force as this would invite comparison with the regimes ideological enemies. Rather they often resulted in compromises that strengthen labors position. Secondly, the concept of social ownership was successfully propagated throughout the Yugoslav period. Again, the function of this institution was primarily ideological as it enabled Yugoslavia to differentiate itself both from capitalist market-oriented systems and from Statist Socialist systems. It resulted in higher productivity and greater identification of workers with their companies. When the initial stages of transformation began, labor unions agitated for insider buy-outs of socially owned enterprises

The successful capture of labor forces in Serbia by the nationalist movement and the lack of success of Croatian labor unions in pushing for similar reforms as in the Slovenian case is the result of the specific circumstances which manifested themselves at the beginning of the transition period.

The dissolution of the Yugoslavian federation for Croatia and Serbia entailed the start of four years of warfare and governance under a nationalist political elite. In Croatia, the ruling Croatian Democratic Union (CDU) under Franjo Tuđman viewed the collapsing federation as an ever-present threat to Croatian national independence. The socialist utopia symbolized under the slogan of “brotherhood and unity” was in fact a mask for Yugoslavia was perceived as the “dungeon of the people”, an engine for Serbian hegemony over other South Slavic nations. (Tuđman, 1990.) In part, national independence was to be achieved by dismantling the legacy of Yugoslavian Workers Self-Management. It had created a dependent population that was cut off from its heritage. Similarly to the Baltic states, the first government of newly independent Croatia was negatively disposed towards the previously existing industrial system and instead emphatically declared that foreign investors would create new and valuable industries. Industrial policy was neglected. Privatization was supposed to be the decisive fix to the problem. However, foreign capital proved reluctant to come to a war zone and due to the choice of privatization strategy, the local population could not contribute significantly to privatization purchases. It is only through repeated action from labor unions that the government was forced to pay attention to industry, although by then most of the damage had been done. (Ott 2002, 16)

Even though both external and internal political dynamics that could decrease the commitment to legacy were strong in the Croatian case, as evidenced in terms of spending trends and secondary accounts, they have failed to dislodge it.

3.4 Nationalist movements and labor in Yugoslavia: The fight for mobilizing cleavage

It is clear from the previous section that nationalist ideology and sentiment played a

significant role in the Croatian transition. State industrial policy or rather its lack can be successfully traced to ideological-economic thought of President Tudjman and his inner circle which ruled Croatia with a high degree of autonomy throughout the 1990's. In this subsection I will more closely examine the argument of nationalism vis a vis welfare state formation. The nation has been described as an "imagined community" of such size that its members could never hope to personally know every other member. Despite this fact, strong ties of solidarity and a sense of shared history are fused in this construct to create strong responses in human beings. (Anderson 2012)

Grdešić (2006) strongly asserts and Arandarenko (2001) is in partial agreement that the differentiating factor in labor strength and later institutional development across the former Yugoslav republics was the strength of the nationalist movement and its role in the formation of the new states. According to this argument the perception of threat to the national project provides a strong mobilizing cleavage that pushes issues of economic development and economic justice to the background. Initial labor militancy is unable to find broad support in the general population. This inhibits the potential for unions to find allies and create broad coalitions with other societal actors in order to impact state policy and protect its interests. In Arandarenko's account of protests in Serbia nationalist movements were able to capture discontent among workers and turn it to the issue of national independence and of the Serb population living outside the borders of the Republic of Serbia. Labor union leadership in Serbia was captured by nationalist forces and remained a semi-independent force throughout the early 1990's.

In the Croatian case, the early strike wave that followed independence was able to find support among other segments of the population. However, the state was firmly captured by

the nationalist movement led by the HDZ. The party proclaimed national independence as its primary goal. According to their beliefs, the Yugoslav legacy was a hindrance to this independence as it was primarily an engine for ethnic Serb hegemony. Old labor unions were a part of that legacy and therefore a threat to independence. A strong, stable currency was likewise hailed as standard of national independence similar to that of the Baltic countries. (Bohle and Greskovits 2007b; Tuđman 2014)

Ultimately, although the HDZ has tempered its views since its authoritative episode in the 1990's it remains the chief rallying point of the Croatian economic, political and social right. Due to clientelistic strategies and a party system that favors large parties, extremist right wing parties have always had a short life span in the Croatian Sabor. HDZ has always used nationalist rhetoric come election time, and has successfully exploited hurt nationalist sentiment with regard to the ICTY processes and the integration of Serb minorities in the city of Vukovar. We can see the effect of conservative HDZ economic doctrine on social spending levels as they tend to decline when the party is in power, with two exceptions. Both occur at the end of the parties string of mandates – once at the close of the 1990's and the second with coming of the 2007 election cycle. The rises were marginal and could best be explained as short-term concessions in an attempt to secure upcoming electoral victories. In both cases they failed as economic issues took precedence over national and the party has a dismal record in dealing with them.

In Slovenia, the right managed to recover from its crushing defeat at the start of the transitional process. It took power once again in the 2000's but failed when it clashed with labor unions over introduction of neoliberal labor market policies. If we view spending level volatility in light of our chosen Polanyian perspective, then the right wing has in both cases

admirably played the role of proponents of market-liberalization and opponents of protectionist movements. For the most part of our observed periods, the rule of right wing parties coincided with downward trends in social protection spending while the coming of center-left coalitions coincided with upward boosts. In conclusion of this section, the success level of nationalist movements in the two cases had an inverse affect on welfare state spending and on corporatist tendencies within the countries industrial relations systems.

4. Conclusion: Combining theoretical frameworks and methods

Table 5: Factors and Outcome in the 1990's

Factor / Country	SLO	CRO
Legacy	+	+
Labor	+	+
Export Employers	-/+	-
Nationalism	-/+	+
Social Protection:	Strong	Strong

This section concludes our examination of contemporary theories of political economy and their explanatory strength in the cases considered. Thus far we have examined external factors – international markets, EU accession conditionalities and international financial institutions – and domestic political forces – labor, employers and the nationalist movements. This paper has shown that no single factor can successfully explain the development of the welfare state in either of the two cases.

It is a finding of this paper that macro-level social protection spending was not directly shaped by external constraints. The variation in spending level across time does not conform strongly to predictions of the Europe Effect hypothesis or the retrenchment hypothesis. As we have seen, spending levels in both countries remained relatively stable with average rate of change lower than 8%. At best, regarding the Europe Effect, my findings support Deacon and

Stubbs (2007) assertion that the EU affected social policy through knowledge sharing and methodological discussions on the state policy levels. Local political circumstances trumped external institutional conditionalities, supposed or real.

IFI's were vocal proponents of market oriented social protection reforms and labor law flexibilization. In other cases, they have successfully tied financial support with reform conditionalities, at least in the short term. However, in both cases, alternative means of financing and domestic reserves meant that states did not need to subject themselves to IFI influence. Were this not the case, I have no doubt that post-yugoslav welfare state would look vastly different. Most likely, it would be similar to a liberal minimal variant mixed with post-communist elements, such as was the case with the Baltic states.

The confluence of domestic factors affecting social protection policies and spending levels was varied. As we can see, legacy and labor prove to be a sufficient combination of factors to produce the outcome – strong social protection spending. Although Yugoslavian legacy was favorable and could have provided grounds for expansion into a continental type of corporatist welfare state, the outcome failed to occur in the Croatian case, even though it was backed up by favorable conditions as predicted by both the Varieties of Capitalism and Power resources literature. Although it would be easy to dismiss Croatian labor as simply too weak, empirical evidence has proven otherwise. Clear statistical evidence shows that both the 1990's and 2000's were laden with labor unrest, with labor unions organizing 54,02% of all Public Assembly turnout. Each event organized had a specifically economic and labor rights platform.(MUP RH 2014)

Slovenian and Croatian export sectors were equally dependent on internal Yugoslav trade (approximately 50% of export) and would have dealt with the comparatively similar

shocks upon dissolution. The ratio of complex to simple exports was strong in both cases and institutional arrangements in the early transitional period were similar enough to disqualify this factor as being a sufficient condition on its own.

More than general strikes and a strong export sector, what pushed Slovenia on to a neocorporatist developmental path was not the presence of a factor but rather its absence. (Grdešić 2008) Due to favorable circumstances that merit further investigation, the Slovenian nationalist movement was unable to seize control of the state for more than a short period of time. The movement failed to garner broad support from the population and its political power was insufficient to successfully hold control during its first major clash with labor unions and social-democrats of Slovenia. The Yugoslav wars, fought for independence and succession rights, spilled onto Slovenian territory for little over a week. Once the fighting ceased, all military threats had withdrawn to Croatia and Bosnia. The homogeneous ethnic composition of the country guaranteed that none of the neighboring nationalist movements had a hope of raising an uprising or garnering enough support to pose an internal threat.

Once the national movement took hold of the Croatian state, it began to set up a clientelistic network designed to secure popular support. The HDZ had no serious threats to power during the war, as national unity and the close proximity of frontlines negated any thoughts of an internal power struggle. The part of the country which had declared itself for a national Croatian state was acutely aware they were engaged in a fight for survival. Rebel Serbs, backed by paramilitaries from Serbia proper, and armed by the Yugoslav Peoples Army, had likewise dismissed any peace proposals that fell short of full-fledged independence and a guarantee of the right to integrate with Serbia.

In comparison, the national dimension of the Slovenian transition was never perceived

to be threatened enough to merit a strong response. The Yugoslav People's Army had begun to disintegrate through desertion by the time the first bullets were fired in Slovenia. The total casualty list for both sides numbered under 50 people. In contrast, Croatia was at war for nearly five years and lost 20 000 people to violence. At the close of the war, the major part of the population loyal to the rebel Serb republic chose to flee the country, leaving behind an economically underdeveloped area devoid of life. The strongest center of industry in the Croatian east – the city of Vukovar – was thoroughly destroyed, its industrial capacities demolished and its population, upon peaceful reintegration, was divided into two camps between which tensions still remain.

With nationalists firmly in place, they pursued a thoroughly conflictual policy towards labor and insisted that unions were a communist institution that only threatened future progress and national growth. In order to continue holding power while snubbing a still vital labor movement, the government has sought to build an array of client constituencies through the welfare state. (P Stubbs and Zrinščak 2009) However, once the threat of war was removed from Croatia and the territorial integrity of the country was firmly secured, the HDZ government lost its strongest legitimating factor. Economic and social issues – a botched privatization, starving pensioners and steep rise in unemployment – had begun to take the fore in political discussions regardless of the best efforts of the government to avoid them. The death of Franjo Tudjman meant a great loss for the HDZ as the party lost its charismatic leader which was heralded as a new “father of the nation”. It was also a blow to party cohesion as Tudjman had kept tight personal control of the party. Infighting and a bad social situation ensured enough votes to remove the HDZ from power. The new center-left coalition was backed by labor unions and brought with it the promise of economic justice. We can see

that as soon as the impetus of national protection was removed, the labor movements political achievements rose to reflect their mobilization power and societal status.

Table 6: Factors and Outcome in the 2000's

Factor / Country	SLO	CRO
Legacy	+	+
Labor	+	+
Export Employers	+	+
Nationalism	-/+	-/+
Social Protection:	Strong	Strong

In Table 6, we see that although changes in the additional factors of nationalism and Complex Export Sector Employers have changed, the spending outcome remains the same. This further conforms my original hypothesis that legacy and labor were the chief proponents of the high level of social protection spending compared to other countries in the post-communist group.

The findings of this paper support Crowley and Stanojević (2011). A combined theoretical framework oriented around competing explanations has proven again to be the most fruitful in explaining the development of the examined cases. Furthermore, it is clear that the impact of legacy is not linear. While favorable legacy aided both Croatian and Slovenian labor in their struggles against the State, it also motivated Croatian nationalists to taking a hard-line stance against them. Again, the nationalist movement would have had less staying power without the experience of war. These initial conditions set up further

developments. In Slovenia, the center-left coalition cemented a consensual decision making style. Recent attempts at unilateral policy making have ended in the resignation of offending governments. Negotiation rather the suppression or demobilization remains the only successful strategy. While Stanojević and Klarič (2013) claim that this mark of Slovenian exceptionalism has come to an end, I would contrast their predictions with unfavorable global circumstances, take in the relatively small concessions made to flexibilization and austerity according to the authors' own words, and conclude that the corporatist features will endure the temporary effects of the crisis.

In Croatia, although the right has weakened significantly, the clientelistic networks set up in place of true tri-partitism prove to be hard barriers against a shift towards greater social dialogue. An educated guess as to future developments would be to expect Croatia to move towards strengthening its tri-partite institutions but only after it has weather the impact of the global financial crisis and the calls for austerity. The labor movement has shown a healthy level of activity recently with equally militant responses to center-left and center-right coalitions that have attempted to further liberalize the labor market or cut social spending. While studies from other post-communist countries, including Slovenia, show a declining level of union density in the private sector, they also show increased solidarity and cohesiveness in public sector unions. Two things must be taken into consideration. In both cases the public sector remains the most powerful group of employers of skilled labor. The financial crisis has hit the private sector of both countries harder than the public sector. The public sector unions will remain a powerful core group of the labor movement that will continue to vehemently oppose further attempts at pushing a neoliberal agenda.

What I propose is that further studies of political economy in the region of former

Yugoslavia include nationalist movements, their strength, composition and economic ideology, in further research as they have proven successful in altering the course of economic and social development in Croatia. Any serious threat to the dominant legacy is most likely to come from this side of the political spectrum. This study could be fruitfully furthered by including Serbia into the comparison. With EU accession process going ahead in that country, data collection methodology is being synced with EU practices and comparable data should start to emerge very soon. An important point in the Croatian story is a continuing lack of direct quantitative statistics of labor strikes and activities. I was forced to rely on proxy measures that I hope have given the reader a sufficient case for my explanations.

The national dimension of this triple transition, as Offe called it, has been understudied in a political economic perspective. This deficiency will be ever more evident as macro-level studies begin to incorporate South Eastern Europe and the CIS countries. Although it seems that the former Yugoslavian countries have splintered on different courses regarding their industrial relations and social policy profiles, the hard data suggests that the similarities outweigh the differences.

5. References

- Anderson, B. 2012. *Imagined Communities: Reflections on the Origin and Spread of Nationalism*.
http://worldview.carnegiecouncil.org/archive/worldview/1984/07/4183.html/_res/id=sa_File1/v27_i007_a010.pdf.
- Arandarenko, Mihail. 2001. "Waiting for the Workers: Explaining Labor Quiescence in Serbia." *Workers after Workers' States: Labor and Politics in Postcommunist Eastern Europe*. Lanham, MD: Rowman and Littlefield.
- Bagić, D. 2010. *Industrijski Odnosi U Hrvatskoj-Društvena Integracija Ili Društveni Sukob*.
<http://bib.irb.hr/prikazi-rad?lang=en&rad=539683>.
- Bahtijari, H. 2001. "Croatia: Workers Save Their Companies through Strikes and Protests." *SEER-South-East Europe Review for Labour and*
<http://www.ceeol.com/aspx/getdocument.aspx?logid=5&id=8362bf736d99449b963643c03f90560d>.
- Barr, N. 2002. "Reforming Pensions: Myths, Truths, and Policy Choices." *International Social Security Review*.
<http://onlinelibrary.wiley.com/doi/10.1111/1468-246X.00122/abstract>.
- Basinger, SJ, and M Hallerberg. 2004. "Remodeling the Competition for Capital: How Domestic Politics Erases the Race to the Bottom." *American Political Science*
http://journals.cambridge.org/abstract_S0003055404001133.
- Bejaković, P. 2011. "The National Model of the Welfare State Tradition and Changes: 1991-2010. The Case of the Republic of Croatia." *Welfare States in Transition*.
<http://www.academia.edu/download/30284576/08711.pdf#page=59>.
- Bicanic, I, and V Franicevic. 2003. "Understanding Reform: The Case of Croatia." *Global Development Network Southeast Europe*. http://scholar.google.com/scholar?q=understanding+reform+the+case+of+croatia&btnG=&hl=en&as_sdt=0,5#1.
- Block, F. 2001. "Introduction to the Great Transformation." *Beacon Press, Richmond, VA*.
http://scholar.google.hr/scholar?q=fred+block+2001&btnG=&hl=en&as_sdt=0,5#2.
- Bohle, Dorothee. 2007. "The New Great Transformation: Liberalization and Social Protection in Central Eastern Europe." In *Presentation at the Second ESRC seminar: "(Re) Distribution of Uncertainty"*, Warwick Business School, University of Warwick, Coventry. Vol. 2.
- Bohle, Dorothee, and Béla Greskovits. 2007a. "The State, Internationalization, and Capitalist Diversity in Eastern Europe." *Competition & Change* 11 (2): 89–115.
- . 2007b. "Neoliberalism, Embedded Neoliberalism and Neocorporatism: Towards Transnational Capitalism in Central-Eastern Europe." *West European Politics* 30 (3): 443–466.
- . 2009. "Varieties of Capitalism and Capitalism «tout Court»." *European Journal of Sociology* 50 (03): 355–386.

- . 2012. *Capitalist Diversity On Europe's Periphery*. Ithaca: Cornell University Press.
- Bruszt, László, and Béla Greskovits. 2009. "Transnationalization, Social Integration, and Capitalist Diversity in the East and the South." *Studies in Comparative International Development* 44 (4): 411–434.
- Bryant, RC. 2004. "Demographic Pressures on Public Pension Systems and Government Budgets in Open Economies." *February 2004 International Forum of Collaboration* http://www.brookings.edu/views/papers/200408_bdpie164.pdf.
- Burawoy, M. 2003. "For a Sociological Marxism: The Complementary Convergence of Antonio Gramsci and Karl Polanyi." *Politics & Society*. <http://pas.sagepub.com/content/31/2/193.short>.
- . 2010. "From Polanyi to Pollyanna: The False Optimism of Global Labor Studies." *Global Labour Journal*. <http://digitalcommons.mcmaster.ca/cgi/viewcontent.cgi?article=1040&context=globallabour>.
- Caporaso, J, and S Tarrow. 2008. "Polanyi in Brussels: European Institutions and the Embedding of Markets in Society." *RECON-Online-Working Papers*. http://www.ptesc.ssc.upenn.edu/archive/PTESC_Tarrow_Nov_07.pdf.
- Collier, RB, and D Collier. 1991. *Shaping the Political Arena*. <http://polisci.berkeley.edu/people/faculty/CollierD/Collier-Collier SPA Chap 1.pdf>.
- Crowley, Stephen. 2005. "Welfare Capitalism after Communism: Labor Weakness and Post-Communist Social Policies." *Becoming Global and the New Poverty of Cities*.
- Crowley, Stephen, and Miroslav Stanojević. 2011. "Varieties of Capitalism, Power Resources, and Historical Legacies: Explaining the Slovenian Exception." *Politics & Society* 39 (2): 268–295.
- Deacon, B, and P Stubbs. 2007. *Social Policy and International Interventions in South East Europe*. <http://www.google.com/books?hl=en&lr=&id=yJbj-OKgEDsC&oi=fnd&pg=PR4&dq=paul+stubbs,+bob+deacon+social+policy+and+international+actors+in+see&ots=mobD8Qw1pn&sig=nRZQT7lswgYPyXGMz14i3Cxz4zs>.
- Deacon, Bob, and Paul Stubbs, ed. 2007. *Social Policy and International Interventions in South East Europe*. Elgar Publishing.
- Dimitrova-Grajzl, V, and E Simon. 2010. "Political Trust and Historical Legacy: The Effect of Varieties of Socialism." *East European Politics & Societies*. <http://eep.sagepub.com/content/24/2/206.short>.
- Drahokoupil, J. 2004. "Re-Inventing Karl Polanyi: On the Contradictory Interpretations of Social Protectionism." *Sociologický časopis/Czech Sociological Review*. <http://www.ceeol.com/aspx/getdocument.aspx?logid=5&id=ddc040208e5c48fd95aeebe02b931ce2>.
- Esping-Andersen, G. 2013. "The Three Worlds of Welfare Capitalism." http://scholar.google.hr/scholar?hl=en&q=the+three+worlds+of+welfare+capitalism&btnG=&as_sdt=1,5&as_sdtpr=#0.

- 56

<http://cps.sagepub.com/content/42/1/114.short>.

Marinov, MA, and ST Marinova. 2002. "Marketing Implications of Communist Ideological Legacy in Culture in the Context of Central and Eastern Europe: A Comparison of Bulgaria, Romania, and Ukraine." *Journal of*
http://www.tandfonline.com/doi/abs/10.1300/J037v11n01_02.

Mencinger, J. 2006. "Privatization in Slovenia." *Slovenian L. Rev.*
http://heinonlinebackup.com/hol-cgi-bin/get_pdf.cgi?handle=hein.journals/slovlwrv3§ion=8.

MUP RH. 2014. "Izvješće O Javnim Okupljanjima."

Murthi, Mamta, and Erwin R. Tiongson. 2009. "Attitudes to Income Equality: The 'Socialist Legacy' Revisited." <https://openknowledge.worldbank.org/handle/10986/4791>.

Offe, Claus. 1991. "Capitalism by Democratic Design? Democratic Theory Facing the Triple Transition in East Central Europe." *Social Research* 58 (4) (December): 865–892.
 doi:10.2307/40970678. <http://www.jstor.org/stable/40970678>.

Orenstein, Mitchell, and Martine R Haas. 2005. "Globalization and the Future of Welfare States in Post-Communist East-Central European Countries." *Globalization and the Future of the Welfare State*: 130–152.

Ott, Katarina. 2002. "The Underground Economy in Croatia."

Özel, H. 1997. "Reclaiming Humanity: The Social Theory of Karl Polanyi." http://yunus.hacettepe.edu.tr/~ozel/Huseyin_Ozel_Tez.pdf.

Pierson, Paul. 2001. "The New Politics of the Welfare State." *New York*.

Ragin, Charles. 1987. *The Comparative Method: Moving Beyond Qualitative and Quantitative Strategies*. Berkley: University of California Press.

Robinson, I, and B Tomczak-Stepien. 2001. "The Socialist Legacy and Worker Perceptions of Transformation: An Analysis of Post-Socialist Polish Enterprises." *Journal of East-West Business*. http://www.tandfonline.com/doi/abs/10.1300/J097v06n02_02.

Ruggie, John Gerard. 1982. "International Regimes , Transactions , and Change : Embedded Liberalism in the Postwar Economic Order." *International Organization* 36 (2): 379–415. <http://journals.cambridge.org/production/action/cjoGetFulltext?fulltextid=4281432>.

Saxonberg, S, and D Szelewa. 2007. "The Continuing Legacy of the Communist Legacy? The Development of Family Policies in Poland and the Czech Republic." ... *Studies in Gender, State & Society*. <http://sp.oxfordjournals.org/content/14/3/351.short>.

Silver, N. 2012. "The Signal and the Noise: Why so Many Predictions Fail-but Some Don't." http://scholar.google.hr/scholar?q=nate+silver&btnG=&hl=en&as_sdt=0,5#0.

Stambolieva, Marija. 2013. "Welfare and Democratization—Comparing Croatia, Serbia and Macedonia." *Social Policy & Administration* 47 (2): 142–160.

Stanojević, M. 2001. "Konec Dolgega Stavkovnega Vala v Sloveniji." *Teorija in Praksa*. <http://dk.fdv.uni-lj.si/tip/tip20015Stanojevic.PDF>.

- Stanojević, M, and M Klarič. 2013. "The Impact of Socio-Economic Shocks on Social Dialogue in Slovenia." *Transfer: European Review of Labour and ...*.
<http://trs.sagepub.com/content/19/2/217.short>.
- Stubbs, P, and S Zrinščak. 2009. "Croatian Social Policy: The Legacies of War, State-building and Late Europeanization." *Social Policy & Administration*.
<http://onlinelibrary.wiley.com/doi/10.1111/j.1467-9515.2009.00651.x/full>.
- Stubbs, Paul, and Siniša Zrinščak. 2009. "Croatian Social Policy: The Legacies of War, State-building and Late Europeanization." *Social Policy & Administration* 43 (2): 121–135.
- Thelen, K. 2001. "Varieties of Labor Politics in the Developed Democracies." ... of *Capitalism: The Institutional Foundations of ...*.
<http://www.people.fas.harvard.edu/~iversen/PDFfiles/Thelen.pdf>.
- Tuđman, Franjo. 2014. "Govori I Intervjui 1990. - 1998." Accessed March 21.
http://www.slobodanpraljak.com/MATERIJALI/RATNI_DOKUMENTI/TUDJMAN_GOVORI_I_INTERVJUI_1990.-1998/Tablica-Tudjman-intervjui.htm.
- Vidović, D, and D Pauković. 2011. "Welfare State in Transition: Political Transformations. The Case of Croatia." *Welfare States in Transition*.
<http://www.academia.edu/download/30284576/08711.pdf#page=93>.
- Vuković, Ivan. 2011. "Diverging Party Outcomes in Hybrid Regimes: The Cases of Croatia, Serbia, Montenegro." *Romanian Journal of Political Sciences* (02): 81–104.
- Zakošek, N. 2008. "Democratization, State-Building and War: The Cases of Serbia and Croatia." *Democratisation*.
<http://www.tandfonline.com/doi/abs/10.1080/13510340801991130>.
- Županov, J. 1996. "The Social Legacy of Communism." *Društvena Istraživanja*.
http://hrcak.srce.hr/index.php?show=clanak&id_clanak_jezik=51138.