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1

Introduction: Social Policy Pathways, Twenty Years after the Fall of the Berlin Wall*

Alfio Cerami and Pieter Vanhuysse

The year 2009 marks the fifth anniversary of the accession of eight formerly communist states in Central and Eastern Europe to the European Union,[1] and the twentieth anniversary of the fall of the Berlin Wall. This latter event ushered in a new post-Cold War era and a new wave of democratization and free markets in the heart of the European continent. Twenty years on from that eventful autumn day on 9 November 1989, the institutions and procedures of liberal democracy and the predominant role for free markets in economic life are well established as the only game in town in most though not all of the post-communist region, and they are solidly established in every one of the new EU member countries. But many challenges remain even in this latter group of eight (plus two, since 2007[2]), not least in the domain of welfare states. The long-term social consequences of transition still have to be ascertained, and already population ageing looms large as the next big threat in the decades ahead. Economic crises have repeatedly materialized in all countries of the region since 1989, most recently and severely in October 2008 in Bulgaria, Hungary, Latvia, Lithuania, Estonia and Romania. As Claus Offe notes in this volume, compared to the EU-15[3] member states, after 1989 even post-communist reform leaders, on average, were nevertheless confronted with generally higher levels of unemployment, poverty, social exclusion and income inequality and with lower levels of economic wellbeing and social justice.[4] These social ills are now likely to increase still further, widely across post-communist Europe. In addition, the export-led economic model embraced by Central and Eastern European (CEE) countries based on liberalized trade and capital markets and a high dependence on foreign direct investments has now turned into a possible impediment (Barysch, 2009). Whether the impact and extent of the global financial crisis are still unknown for Western European countries, their potential negative consequences for the less developed CEE countries are more obvious precisely because of their larger social ills and their particular economic models.

Against this background, there is no better time than now to explore what post-communist welfare states do, and how they have evolved over time and adapted to changing circumstances. The contributors to this book concentrate their attention on the main institutional, economic, political and social changes that have occurred in Central and Eastern Europe before, during and after communism, trying to assess the causal factors and institutional mechanisms that have been instrumental in shaping alternative welfare state pathways in the region. Specifically, they discuss the transformations and adaptations that have taken place in nine countries spanning three distinct post-communist sub-regions: the Czech Republic, Hungary, Poland and Slovakia (the Visegrad region), Estonia, Latvia and Lithuania (the Baltic area), and Bulgaria and Romania (South-Eastern Europe's new EU members). This choice of cases reflects institutional diversity within and between sub-regions. While all nine countries share a similar communist history with Bismarckian welfare institutions established in the pre-Second World-War period and readapted to communist and post-communist needs, there are significant country-specific and sub-regional peculiarities, including the respective legacies of the pre-war Austro-Hungarian (the Czech Republic, Hungary, Slovakia), Turk-Ottoman (Bulgaria, Romania), Prussian (Poland) and Soviet (Estonia, Latvia, Lithuania) empires. The three sub-regions display peculiar developmental problems. The strong economic ties established with Western Europe have greatly influenced the initial positive economic performance of the four Visegrad countries, while the slow rural–urban modernization of South-Eastern European economies may have hindered a fast catching-up process.[5] Far from being settled from the start, however, the question on the relative degrees of unity and diversity is one of the main topics tackled throughout this volume. Indeed, individual chapters entertain a lively debate on this issue, as they differ in the relative emphasis placed on homogeneity and heterogeneity within Central and Eastern Europe.

Tomasz Inglot's chapter, on the one hand, highlights intra-regional institutional differences and their historical origins predating the communist period. Inglot's review of the Czech, Polish, Hungarian and Slovak cases compares the distinct pathways that have evolved in these welfare states, with respect to their ideational foundation, their institutional consolidation, their maturation in terms of coverage and spending, their expansion and retrenchment cycles, and their major post-communist reforms. Inglot's case studies serve to bolster his theoretical claim that scholarship on contemporary Central and Eastern European welfare states until now has focused too narrowly on post-1989 developments, without fully understanding the influence of the pre-war and interwar period. Welfare states in this region, Inglot argues, ought to be conceived as deeply historically rooted, multi-layered and evolving entities that have accumulated successive layers of ideas, bureaucracy and social insurance schemes. In this account, Central Europe's history of instability, authoritarianism and meddling by foreign

powers has led its nation states to develop 'emergency' welfare states – meant to be temporary, but which have become permanent over time. One of the main causal mechanisms in this account is institutional layering. Over the past century, moments of crisis and regime change have mainly added new layers onto already existing structures (see also Inglot, 2008; Thelen, 2004; Streeck and Thelen, 2005a; Cerami, this volume). As a result, says Inglot, path-departing welfare state changes in this region today tend to occur mainly at the margins, as new adaptations, rather than radical reforms.

The chapters by Haggard and Kaufman and Szikra and Tomka, on the other hand, tend towards the view that intra-regional commonalities were far greater than the differences, not least because of the transformative and homogenizing impact of the communist regime itself. The causal mechanisms involved in this process, these authors argue, are inherent to the economic, political and organizational logic of communist state ideology itself. Communism's very commitment to full employment, to the provision of cheap basic consumer goods and housing, and to the absence of private markets necessitated 'premature welfare states' (Kornai, 1992, 1996) or 'great redistributive systems' (Szelenyi, 2009a, 2009b) involving the state's full-scale involvement in social welfare and health on a wide if not universal basis (see also Cook, 1993; Offe, 1993, this volume). After the post-war communist takeovers, welfare benefits that were extended initially to urban workers naturally widened in coverage as the relative share of industrial employment grew over time, as a result of fast industrialization and the far-reaching collectivization of agriculture (with the partial exception of Poland). Other contributions provide a more variegated picture of institutional transformation in the region. For instance, the arguments by Cerami on mechanisms of institutional change, Vanhuysse on power politics and the policy causes of welfare status separation and ethno-linguistic segregation, Cerami and Stanescu on welfare transformations in South-Eastern Europe, and Szikra and Tomka on gender, highlight several complementary mechanisms that have taken place simultaneously, with elements of path-departure not necessarily materializing at the margins but rather within the core of the welfare architecture.

Mechanisms of path-dependency and path-departure in neo-institutional analysis

Neo-institutional scholarship has traditionally emphasized lock-in processes, self-reinforcing mechanisms, vested interests and influence of veto points as fundamental factors of institutional transformation.[6] Change in existing institutional settings is seen here as the product of a cumulative sequential transformation in which timing and sequencing are determinant. The possibility of abrupt institutional change, while not denied a priori, is viewed predominantly as caused by 'critical junctures' and/or

the need to surmount unprecedented challenges which would otherwise put existing institutions under strain. The 'exhaustion' or 'cessation' of the main welfare functions makes abrupt transformative change more attractive than the status quo. But institutional change is not always the exclusive product of either a sequence of small incremental institutional adjustments or an unprecedented and unexpected environmentally generated catastrophe. There is often room for path-departing, path-breaking or path-creating transformations to operate. This volume addresses these issues, highlighting similarities as well as diversities in the variegated and multidimensional process of the CEE welfare state pathways since 1989.

Influential historical-institutional accounts[7] have tended to shy away from analysing path-departing, path-breaking or path-creating elements of institutional change. All too often, perhaps, the focus of analysis has concentrated on those elements that lead to status quo, gradual adaptive change and, more recently, path-stabilization. Recently, however, Ebbinghaus (2005) and Hall and Thelen (2009) have usefully analysed path-stabilization in terms of marginal adaptations to environmental changes without changing core principles: *plus ça change, plus c'est la même chose*. Stability is ensured through the institutionalization, reinforcement and consolidation of existing institutional practices, whereas lock-in processes, self-reinforcing mechanisms, vested interests and veto points can be both drivers of incremental institutional transformation and important path-stabilizing elements in an ongoing process of institutional consolidation (Ebbinghaus, 2005, p. 17). For example, when analysing Western pension reforms, Ebbinghaus (2005, 2006) distinguishes between unplanned 'trodden trails' that emerge through the subsequent repeated use by others of a path spontaneously chosen by one individual, and 'road junctures' that constitute a branching point at which one of the available pathways must be chosen. While the first model stresses the spontaneous emergence and subsequent long-term entrenchment of institutions, the second looks at the interdependent sequence of events that structure the alternatives for future change. Yet, in both models, institutional inertia remains the leading explanatory variable. Very little attention is paid, for example, to the diffusion of innovative ideas or the change of power coalitions that could create or enforce alternative pathways. Ebbinghaus (2005, p. 17) further distinguishes path-*departure* – the gradual adaptation through partial renewal of institutional arrangements and limited redirection of core principles – from path-*breaking* (or path-cessation) – the intervention that ends the self-reinforcement of an established institution and may give way to a new one. Finally, the creation of a new path can also occur through new forms of 'recombinant transformation' that result in the formation of unique institutional hybrids (Stark, 1996; Campbell, 2004; Crouch, 2005; Cerami, 2006, 2009a).

As regards post-communist welfare pathways, the authors of this volume share the view that the emerging model or models of post-communist

welfare are likely to lead to peculiar institutional hybrids not responding closely to Esping-Andersen's (1990) three-worlds typology or other typologies that have followed in its wake. Like Ekiert and Hanson (2003), and Cook (2007a), this volume re-affirms that both history and politics matter. However, it also demonstrates that this has not precluded elements of innovation and path-departure. This volume portrays a distinctly dynamic picture, in which several drivers of institutional innovation have contributed to the establishment of multidimensional pathways of welfare transformation in Central and Eastern Europe. Socioeconomic factors, political competition, public beliefs and popular and interest group preferences, ideational diffusion and gendered political decisions and battles have all been influential in the process of welfare state innovation. As highlighted by Haggard and Kaufman (this volume), economic and developmental variables have provided incentives not only for path-stabilization but also for path-departure, path-cessation and path-creation. This volume explores the various institutional practices, veto points, lock-in processes and self-reinforcing mechanisms, as well as the role of supranational actors, ideational diffusion, and distributive conflict and elite strategies, that have alternatively driven and constrained the possibility for welfare state change and have influenced not only the stabilization of previously 'well-trodden paths' but have also opened windows for path-departure, path-cessation and path-creation, continuously creating new 'road junctures', 'blind alleys' and 'emergency exits'.

Drivers of institutional innovation in post-communist welfare states

New welfare institutions in post-communist Europe have been influenced not just by public beliefs and interest group preferences. Economic and institutional ideas as diffused and promoted by the most influential international organizations, such as the IMF, the World Bank and the European Union, and by other epistemic communities and advocacy coalitions, have also been key, as highlighted by Orenstein, Theobald and Kern, and Sirovátka and Rákoczyová (this volume). New privatization-based ideas and discourses created new synergies among the different elites (Stark and Bruszt, 1998), and they altered the existing 'power politics' by introducing new strategic policy instruments, in the form of three-pillar pension schemes, public–private mixes of health care, decentralization and privatization in the management of the social security, and basic safety nets in social assistance policies. In conclusion the new power politics of Central and Eastern European welfare state restructuring largely depended on existing historical institutional settings and socioeconomic cleavages where the battles of different national elites took place, but it was also mediated and influenced by international institutions such as the IMF, the World Bank

and the European Union, and by other epistemic communities and advocacy coalitions. Sirovátka and Rákoczyová highlight the strong potential for institutional learning regarding the European agenda of social inclusion, which has changed the discourse and process of policy-making in the Czech Republic. While not a new topic in comparative welfare state research (e.g. Hall, 1993; Heclo, 1994), the relation between welfare restructuring and social learning has until recently only rarely been applied to the CEE case. Like Lendvai (2005), Vachudova (2008) and Hemerijck (2010), the chapters by Cerami and Stanescu, Inglot, Orenstein, Theobald and Kern, and Offe make some headway in this regard.

Consistent with a recent theoretical renaissance in Western scholarship, a number of contributions to this volume indicate that ideas and discourses, not least those promoted by influential international institutions, have been key to institutional innovation in CEE.[8] New economic paradigms historically emerge not only because important institutions have suddenly become dysfunctional but also because a new consensus among specific epistemic communities or advocacy coalitions is found.[9] In Central and Eastern Europe, several attempts to reform the central planned economy through the introduction of new forms of state-socialism took place, as was the case in Hungary during the Kádár era or in the Czech Republic during the Prague Spring. After 1989, new social policy ideas, often promoted by the World Bank, IMF, OECD and the EU, have involved privatization in pensions (Orenstein, this volume), health care (Cerami, 2006), elderly care (Theobald and Kern, this volume), decentralization (Van Mechelen and De Maesschalck, this volume) and social inclusion policies (Sirovátka and Rákoczyová, this volume). Similarly, battles for a more gender-equal society resulting from the transition to post-industrial and knowledge-based economies and the emergence of new social risks have had important repercussions for the institutional make-up of both Western and Eastern European welfare states.[10] Szikra and Tomka's chapter provides interesting insights in this regard, highlighting the different forms of 'maternalism' and 'familism' that characterize CEE countries, while sketching the historical pathways of transformation with their associated patterns of political mediation and contestation. During the Cold War, for example, different forms of 'implicit familism' became the leading feature of the communist system of social protection. Most social benefits were tied to employment status, but a dense network of childcare facilities was established to promote female labour market participation levels. At the same time, the provision of parental leave for mothers only meant that the regime wanted to stress the traditional gender roles in the family, against the initial Marxist idea of freeing women from domestic work. In the early years of post-communist transition, by contrast, an explicit maternalist discourse prevailed, aiming to withdraw mothers from the labour market into household functions. A more diverse discourse evolved during the EU accession process, supported

by EU priorities for gender mainstreaming, which aimed at the increase of female employment, even though it was substantially higher than in many Western countries.

Permanent emergencies, causal configurations and welfare regime convergence

Which causal configurations and developmental strategies can be expected to be dominant in accounting for welfare state pathways? In their sweeping new historical-institutional theory, Stephan Haggard and Robert Kaufman (2008, this volume) highlight the regionally specific combinations of three distinct causal factors as crucial for explaining welfare regime pathways in the middle-income countries of Latin America, East Asia and Eastern Europe (excluding the Baltic area). These factors are 'critical realignments' in social policy formation, economic-industrial national development strategies, and regime type (democracy vs. autocracy). The notion of critical realignments is, of course, next-of-kin to the political coalitions studied in histories of Western welfare states (Esping-Andersen, 1990; Iversen, 2005; van Kersbergen and Manow, 2009). It is defined here as significant changes in the power equilibrium between political elites and key welfare state actors, especially unions, peasants and popular political parties. These latter groups were newly excluded/repressed or included/co-opted during these realignments; processes which subsequently determined their political and organizational capacity.[11] A second element in the Haggard and Kaufman account regards the specific macro-economic developmental strategy adopted in each region. In Latin America, uneven developments between the urban working class and the peasantry combined with an Import Substituting Industrialization development strategy without wide human capital investment. This led to social policies that were deep but narrow, mainly targeted at the urban working class. In East Asia, decolonization strategies combined with export-oriented growth strategies to encourage investments in education predominantly, at the expense of more standard social policies. In communist Eastern Europe, lastly, state-led industrialization and export strategies aimed at the Soviet Union led to 'universal' social policies and large perceived welfare entitlements that strongly narrowed the scope for post-communist welfare retrenchment.

How have these causal configurations been at play in post-communist welfare pathways? King (2002, 2007) distinguishes between two principal developmental models that have been pursued in the entire post-communist region: a backward patrimonial type in the post-Soviet CIS[12] that has relied heavily on raw materials exports, and a more economically progressive liberal type in CEE[13] relying on massive capital imports and manufactured exports. The capital-imports/manufactures-exports combination of course goes some way towards explaining the economic and budgetary troubles

that have affected nearly the entire region so strongly since autumn 2008. *Within* post-communist Central and Eastern Europe, however, a crucial further distinction is the one made by Bohle and Greskovits (2006, 2007) between a 'straightforward neo-liberal' and an 'embedded neo-liberal' or social-liberal model of economic development.[14] The Baltic states have preferred the first model, combining flexible, deregulated labour market institutions with low taxation levels and low-value-added export strategies based on resource-intensive and/or unskilled (cheap) labour-based industrial production. This strategy has co-evolved with high growth rates, leading it to become known over the course of the 1990s as the 'Baltic Tiger' model. It has been functionally compatible with the increasingly liberal direction of welfare pathways in the Baltics, as described in the chapters by Jolanta Aidukaite and Pieter Vanhuysse, on which more below.

In contrast, the four Visegrad countries have adopted an embedded neo-liberal strategy, as a compromise between liberalization and social protection, one that is somewhat reminiscent of post-war continental Western European 'embedded liberalism' (Ruggie, 1983), but which places a much higher emphasis on social protection as a way to accommodate and facilitate the dominant macro-economic developmental goals of neo-liberal competitiveness (Bohle and Greskovits, 2007). The neo-liberal macro-economic dimension of the Visegrad model has been centred mainly around foreign direct investment and more complex exports (mainly of automobiles), based on production strategies that combined complex capital, technology and more advanced industry-specific human skills (on FDI, see Drahokoupil, 2008). The subordinated embedded side of the Visegrad model has consisted in its reliance upon a generous but ad-hoc and politically targeted welfare state architecture, as described in this book by Tomasz Inglot, Stephan Haggard and Robert Kaufman, and Pieter Vanhuysse. Compared to earlier analyses of social policy in Central and Eastern Europe,[15] these contributions jointly make theoretical progress by setting out more clearly the different sets of causal mechanisms and power configurations that have driven welfare pathways since 1989. In the process, they entertain a lively scholarly debate about the relative weight of communist legacies in post-communist transition, and how these legacies differed within the region.

Adding a power dimension: distributive conflict and strategic social policies

A further issue of crucial importance regards the relative weight of institutional mechanisms versus (elite) actor strategies in shaping post-communist welfare pathways. Pieter Vanhuysse's discussion of the cases of Hungary, Poland, Estonia and Latvia revisits 'generous' or 'emergency' welfare state interpretations as put forward in this volume also by Inglot, Haggard and Kaufman, and Szikra and Tomka. In particular, Vanhuysse concurs with the

view that new democratic governments, especially in Central and Eastern Europe, have attached an uncommonly high priority by international comparison to setting up early safety nets aimed at compensating at-risk workers. But his chapter complements these accounts by adding an analysis of power-as-distributive-conflict and elite strategy. This once again brings to the forefront Haggard and Kaufman's concept of 'critical realignments'. Vanhuysse highlights how power-holders have chosen which social risks or status groups to accommodate in transition, and which social cleavages to play down or accentuate.

In the case of Hungary and Poland, policymakers have gone beyond providing generous 'emergency' safety nets by significantly *reshaping* the distributions of transition winners and losers, and welfare state contributors and dependants. Policies such as extensive early and disability retirement were used to separate seemingly similar at-risk workers into different interest groups with clashing material interests and weakening social network ties. The key causal mechanisms involved in Vanhuysse's account are sociological and material. They include decreasing weak ties among marginalized labour market outsiders as well as distributive conflict over ever-scarcer welfare state resources among once-similar actors, and individualistic coping strategies such as informal work, which replaced the pursuit of public goods through collective action. As time went by, there were likely to be further feedback mechanisms contributing to the progressive pacification of the polity.[16] Beyond safety net provision, Vanhuysse argues, social policies have modified the patterns of distributive conflict in the polity, by reducing the political salience of class cleavages and increasing that of the pensioner constituency relative to other groups of claimants of state resources. This helps to account for why even after the partial privatization of pensions systems, discussed by Mitchell Orenstein in this volume, and despite demographically still relatively young populations, these countries have witnessed public pension spending well above the OECD average (see also Vanhuysse, 2001). Moreover, the relative economic welfare of pensioners improved markedly after 1989–1990, both when compared to other at-risk groups and when compared to their own situation in late socialism.

The cases of Bulgaria and Romania, which entered the European Union in January 2007, provide further insights into the role of power politics. As Cerami and Stanescu show, these South-Eastern European countries have undergone important transformations since the early years following the Ottoman occupation. In the battles for social and economic modernization that have often pitted urban elites against rural elites, welfare institutions have helped to pacify largely underdeveloped and highly divided agricultural societies, thereby allowing a faster modernization process and facilitating fragile compromises between rural and urban elites with different modernization priorities. The Baltic welfare states, lastly, have been balancing between 'old' legacies of universalism and 'new' neo-liberal ideas in a

larger context in which a weak civil society and a relatively mild influence of the EU social model have led to a top-down, elite-driven policy regime. Like Aidukaite (this volume), Vanhuysse (this volume) notes that non-citizens in Latvia and Estonia do not enjoy eligibility and voting rights in national elections. But he notes that even though non-citizens in both countries may have been nominally entitled to all social rights, they have, in actual practice, been marginalized, and pacified, along ethnic lines. Vanhuysse highlights the way in which the new titular elites have reshaped the distribution of transition winners and losers after Baltic independence in ways that made existing levels of ethno-linguistic heterogeneity politically more salient, at the expense of class and other social cleavages. These power strategies helped to break up the Russian speakers' capacity to coalesce with socioeconomically similar transition losers for class-based economic protests, which left them further marginalized *as* an ethnic minority. This shows how recent studies indicating the negative effects of ethno-linguistic heterogeneity on social solidarity (Alesina and La Ferrara, 2005; Putnam, 2007) could be complemented with more explicitly strategic analyses enquiring when (and how) such ethnic cleavages are made politically salient.

A closer emphasis on the power politics of social policy can also inform the larger debates about path-dependence and path-departure discussed above. The six cases discussed above constitute clear instances of path-departure, beyond mere incremental change or institutional layering. The dramatic reversal of the political clout of Russian speakers vis-à-vis titulars after independence in Latvia and Estonia was precisely *that* – a reversal, and a far-reaching instance of critical realignment. And the *de novo* creation of hundreds of thousands of working-aged Bulgarian, Hungarian, Polish and Romanian pensioners, while a well-known template from late socialism, accelerated so much in speed and scale after 1989 that it significantly perturbed the work-welfare composition of society. At a crucial juncture, supply-side policies reshaped the prevailing logics of distributive politics in these polities, *after which* mechanisms of institutional path-dependence could once again gather force.

Outline of the book

This book is divided into three main parts. Part I focuses on historical trajectories (Dorottya Szikra and Béla Tomka), mechanisms of institutional change (Alfio Cerami) and power politics (Pieter Vanhuysse) in CEE welfare pathways.

Dorottya Szikra and Béla Tomka (Chapter 2) discuss the main welfare state transformations that have taken place in East Central Europe since the first establishment of social insurance institutions at the end of the nineteenth century. Compared to previous studies on the topic, which have often neglected the gender dimension of social security reforms, Szikra and Tomka

emphasize the different understanding of 'familism' and 'maternalism' in the historical development of CEE welfare states, and they denote current social protection regimes as hybrid systems that have gone through highly complex pathways of institutional transformation.

Alfio Cerami (Chapter 3) discusses the main mechanisms of institutional change transforming CEE welfare states. Cerami investigates the micro–macro linkages involved in any process of institutional transformation, highlighting also the relational and organizational character of institutional change. He discusses a wide array of complementary mechanisms that have influenced CEE welfare state institutions across three interconnected domains – ideas, institutions and interests. In order to make sense of the various patterns of institutional change, Cerami identifies an aggregating mechanism of recombinant transformation, or bricolage, as having played a key role in the overall process of welfare state restructuring.

Pieter Vanhuysse (Chapter 4) argues that post-communist rulers in Hungary, Poland, Latvia and Estonia have used their state power to design policies aimed at the preservation of social order via *protest* avoidance, as a necessary political alternative to *blame* avoidance (see Weaver, 1986) in a context of high social costs of fast reforms. At the critical juncture of post-communist transition, elites have proactively *reshaped* the distributions of economic winners and losers of transition in all four cases. In the two Visegrad cases, they have created Great Abnormal Pensioner Booms (Vanhuysse, 2004) by sending hundreds of thousands of working-age citizens into early and disability retirement, increasing all pensioners' policy clout in the process. In the two Baltic cases, political elites have designed public policies to silence and subdue their formerly powerful Russian-speaking minorities, in an effort to break their political voice in terms of electoral clout, collective action capacity and access to scarce state resources.

Part II is dedicated to country studies on the Czech Republic, Hungary, Poland and Slovakia (Tomasz Inglot), Estonia, Latvia and Lithuania (Jolanta Aidukaite), and Bulgaria and Romania (Cerami and Stanescu).

Tomasz Inglot (Chapter 5) compares the Visegrad systems of cash transfers and discusses national developmental pathways according to five dimensions: welfare discourse, the type of institutional consolidation, the timing of the maturation of the welfare state, sequencing of expansion and retrenchment, and prioritizing and timing of major social policy reforms. Emphasizing the relevance of historical and discursive institutionalism (see Schmidt, 2008) in these four countries, Inglot argues that although path-dependence prevails, rare path-departing openings can also occur, especially under conditions of national political reconstruction, as illustrated by the case of Slovakia.

Jolanta Aidukaite (Chapter 6) reviews Baltic social policy developments and concludes that historical legacies have had a greater impact on social policy change than right–left power resources or Europeanization. Important

moments of path-departures such as the partial privatization of pension insurance, have nevertheless substantially altered the previous social insurance structures.

Alfio Cerami and Simona Stanescu (Chapter 7) review elements of path-dependence, path-departure and institutional innovation in the main welfare states' transformations in Bulgaria and Romania since the first establishment of social insurance institutions in the early twentieth century. In order to explain the main factors and causes of institutional change, they propose a modified version of the 'misfit' model whereby a misfit between new environmental requirements and existing institutional structures is a key driver for institutional change, together with mediating factors such as ideas, interests and institutions, and enabling factors such as socioeconomic variables, political conflicts and cleavages, and ideational diffusion.

Part III contains sectoral analyses of specific social policy areas: pensions and international organizations (Mitchell Orenstein), elderly care (Hildegard Theobald and Kristine Kern), minimum income schemes (Cristina Rat), the devolution of social security arrangements (Natascha van Mechelen and Veerle De Maesschalck) and the impact of the EU social inclusion strategy (Tomas Sirovátka and Miroslava Rákoczyová).

Mitchell Orenstein (Chapter 8) advances a transnational perspective on welfare state development and change, arguing that transnational actors have had a major impact on pension privatization in Central and Eastern Europe and the former Soviet Union. Extensive interviews and documentary evidence demonstrate the direct involvement of transnational actors in putting reform on the agenda, funding reform teams and ensuring implementation through post-reform technical assistance. According to Orenstein, advocacy coalitions and policy diffusion of ideas are crucial additional influences on institutional change, fostering path-departure and institutional innovation.

Hildegard Theobald and Kristine Kern (Chapter 9) highlight the profound changes that elderly care systems have faced in many Continental, Southern and Central and Eastern European countries, with a special emphasis on bilateral transfer processes between countries. They show intense processes of cross-country policy learning and ideational and policy transfer in different parts of Europe.

Cristina Rat (Chapter 10) investigates minimum income-guaranteed schemes in Bulgaria, the Czech Republic, Hungary, Poland, Romania and Slovakia. She draws attention to the social divisions which make certain categories of citizens particularly vulnerable to the inadequacies of social inclusion policies. Within the larger set of social inclusion policies, minimum income-guarantee schemes are last-resort benefits, which ought to secure subsistence while maintaining incentives to work. However, in the strongly polarized CEE member states, with poverty thresholds well below the EU-15 average, Rat argues that 'securing subsistence' means helping households far

below the poverty threshold to obtain a minimal income, rather than the prevention and tackling of the different forms of poverty.

Natascha van Mechelen and Veerle De Maesschalck (Chapter 11) focus on decentralization reforms in CEE countries. They argue that despite sound theoretical arguments in favour of decentralization, the dominant assumption in this region remains that redistributive policies ought to be performed at the central level. Van Mechelen and De Maesschalck's analysis shows that although extreme forms of decentralization are generally associated with inadequate minimum income provision, more restricted versions of decentralization do not necessarily result in low benefit levels. Social assistance benefit packages are invariably below the poverty line in countries where municipalities decide autonomously on most of the package. But they are usually above the poverty line where central governments set the basic social assistance rates and housing benefits while sharing funding liabilities with the local government level. The authors conclude that the current trend towards more local involvement in minimum income provision in CEE countries should not necessarily lead to inadequate benefits, provided that there is strong central steering.

Tomáš Sirovátka and Miroslava Rákoczyová (Chapter 12) explore how Czech governments have implemented the new EU agenda of social inclusion, and how key actors at the national, regional and local levels perceive the problem of social exclusion, formulate strategies and implement policies. They conclude that while the agenda of social inclusion may bring positive future effects in terms of institutional learning and policy innovation, the low legitimacy of the social inclusion agenda, implementation deficits and contradictions between the national and local (regional) levels still represent significant barriers to policy change.

The last two contributions to this volume draw many threads together and offer a particularly broad-sweep analysis. Stephan Haggard and Robert Kaufman's essay (Chapter 13) compares the main developmental strategies put in place in the middle-income countries of East Asia and Latin America with those of the countries studied in this volume. In line with their previous work, Haggard and Kaufman emphasize the role of historical legacies and the importance of political mediation in the overall process of welfare state transformation. They also argue that a fruitful agenda for future research on CEE welfare pathways ought to include the construction of clear metrics to capture path-dependent and path-departing changes and the continued collection of qualitative and quantitative data that will permit more focused comparisons.

Finally, Claus Offe's epilogue reflects upon two sets of factors at the very beginning and the very end point of welfare state transformation: values, ideas, attitudes and expectations regarding social policy on the one hand, and the actual achievements and outcomes of social policies on the other. Regarding the first, Offe points to the legacy of pervasive popular

expectations, discussed in a number of chapters in this volume, of a particularly comprehensive 'paternalist care' welfare state. With characteristic lucidity, Offe goes on to suggest that, far from vanishing simultaneously with the corresponding communist-type welfare policies, these paternalist state expectations may actually have survived or gained in strength in the post-communist context of reform hardship and nostalgia for the past among many sub-sectors of society. Regarding outcomes, Offe highlights the fact that the post-communist countries studied in this book, even the frontrunners among them, have actually been relatively poor performers in a wider international context, whether viewed in terms of the social justice of public policies such as poverty prevention, education, labour market performance, social expenditure on health and cohesion, income distribution, intergenerational justice and anti-discrimination policies (Merkel and Giebler, 2009), or in terms of the subjective satisfaction with conditions in post-transition and post-accession, particularly among older and poorer citizens (EBRD, 2007). Added to the current context of post-EU-accession *reform fatigue* and the unexpected global economic crisis of 2008–2009, which will undoubtedly reduce the macro-fiscal financial leeway, this particularly unsavoury constellation of conditions might well lead to new political dynamics for party competitition, democratic stability and social spending in the region. After this new critical juncture of CEE welfare pathways, which coincides with the twentieth anniversary of the fall of the Wall, path-departures, institutional ruptures, permanent emergencies and zero-sum distributive conflict are likely to figure prominently.

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