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THE FAILURE OF ECONOMICS AND SLOVENIA'S REMARKABLE DEVELOPMENT

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Abstract

This article deals with the problems of modern economics, especially in light of how the zealous implementation of economic theory in most of post-communist Europe has had devastating effects, which were notably less pronounced in Slovenia. I briefly touch on some current issues in economic methodology and in the implementation of economic theory in practice, especially in post-communist Europe. Slovenia is an interesting country because it took a gradual approach to socio-economic change upon independence, undergoing relatively smooth economic transformation while maintaining a remarkable level of social stability and life satisfaction. After giving some general evidence on the different aspects of the quality of life, I review some of the important historical characteristics of social and economic development in Slovenia, which I argue account for much of the relative smoothness of the economic changes.

Introduction

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

The next two parts of the article deal with the specific case of Slovenia. The first of these two parts uses various comparative statistical studies to place living standards in Slovenia into an international perspective. I argue that so far Slovenia has done relatively well by international comparison, despite numerous societal changes over the past decade and a half. I first touch on various indicators of human development around the world from the United Nations Human

Development Report. I then discuss the particular case of Slovenia, which has the lowest level of self-reported social exclusion among its underprivileged population, as well as an overall level of life satisfaction that is even higher than that of the average for the fifteen EU member states from before the last round of enlargement.

Next I give a brief historical overview of development in Slovenia, especially pointing out the development of characteristically large companies, which I argue were a key factor in Slovenia's development and ease of transition. Finally, I discuss a research project that my colleagues and I have recently begun in order to better understand the development of the Slovene social/industrial system and the training of the people who would later manage Slovenia's post-communist transitional period. Since this is ongoing research, I can only give hints about expectations and possible implications and lessons for economics.

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

The failure of economics

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

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

- Academic economics is currently dominated to a very significant degree by a mainstream tradition or orthodoxy, the essence of which is an insistence on methods of mathematical-deductivist modelling.
- This mainstream project is not in too healthy a condition.

- A major reason why the mainstream project performs so poorly is that mathematical-deductivist methods are being applied in conditions for which they are not appropriate.
- Despite ambitions to the contrary, the modern mainstream project mostly serves to constrain economics from realising its (nevertheless real) potential to be not only explanatorily powerful, but scientific in the sense of natural science.

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

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

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

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

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

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

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

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

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

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

Given this brief sketch of economic ideas and their implementation in post-communist Europe, it becomes fair to wonder why Slovenia has enjoyed such a remarkably smooth period of transformation, the results of which are discussed in the next section.

Present day Slovenia

In this part of the article I argue that Slovenia is unusual in having rather successfully navigated the enormous challenges of the recent past, including:

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

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

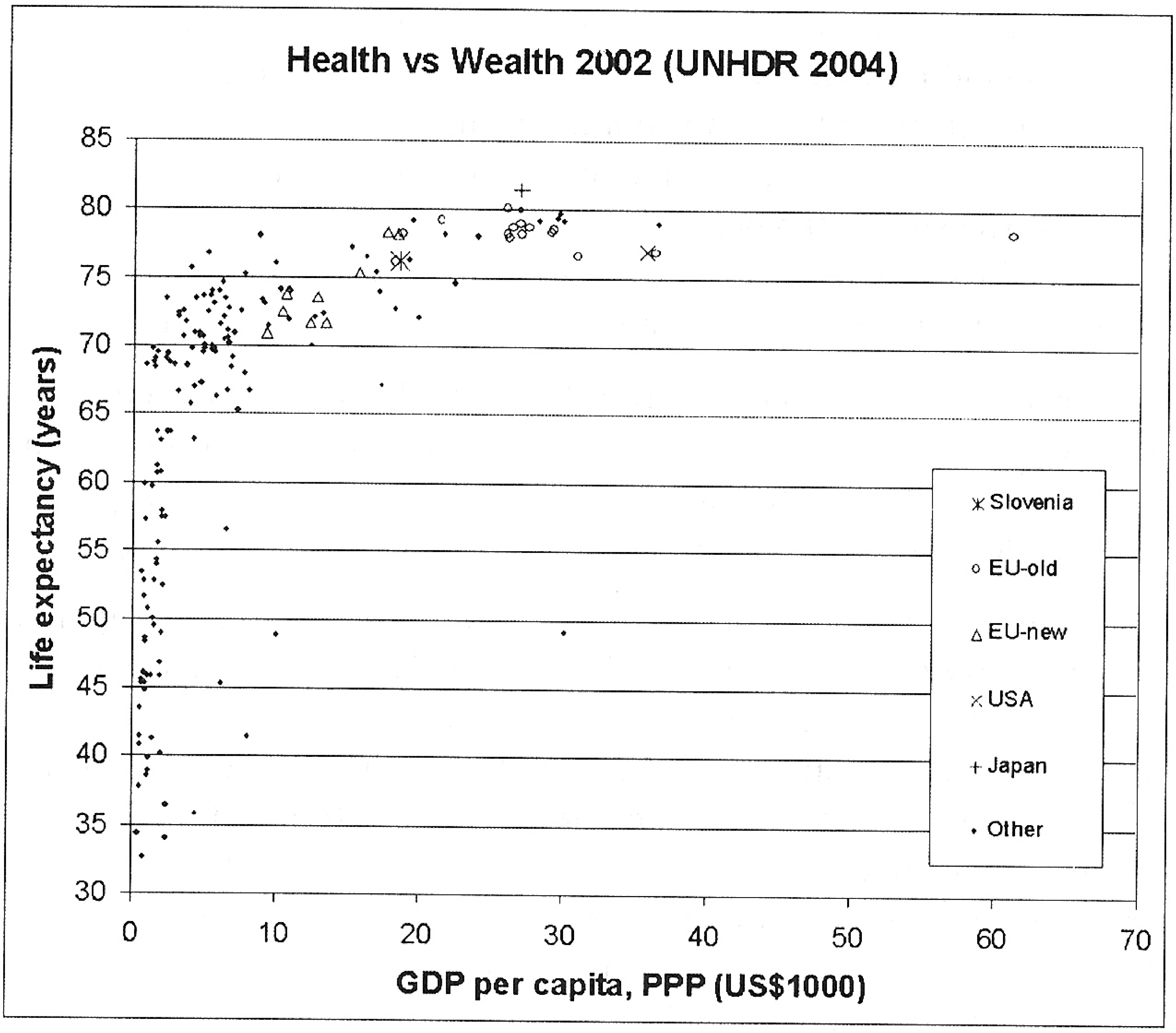
Using data from the United Nations Human Development Report (UNDP 2004), we can make a scatter plot of life expectancy at birth and per capita GDP by purchasing power parity (PPP) method, as shown in figure 1. Since we will later focus on the countries of the European Union, we highlight the fifteen countries from before the latest round of enlargement as well as the ten new member states. Since this paper is focused on the case of Slovenia, it is marked separately from the other nine new member states. Japan, and the United states are also indicated in the plot for comparison.

One curious feature of this plot is the *negative* correlation between wealth and life expectancy among the twenty-two countries having per capita GDP above US$25,000 by PPP. Note that Equatorial Guinea, the very low outlier with life expectancy of 49.1 years, was not included among those twenty-two wealthiest countries; the rapid rise in per capita GDP in Equatorial Guinea was due to exports of recently discovered oil reserves, which are being exploited by foreign oil companies. The rapid rise in GDP there has not been matched by a similar rise in life expectancy.

Furthermore, Costa Rica, with per capita GDP of US$8,840, reports a respectable life expectancy of 78.0 years, which is comparable to that of the five wealthiest countries: Luxembourg (78.3 years), Norway (78.9 years), Ireland (76.9 years) the United States (77.0 years), and

Denmark (76.6 years), all of which report levels of per capita GDP above US$30,000 by PPP.

Figure 1. Health versus Wealth from the Human Development Report, 2004.



Source: Data from the United Nations Human Development Report (UNDP 2004). All 175 countries where both life expectancy at birth and GDP per capita information are provided appear in the plot.

While we do not suggest that all of human well-being should simply be measured as life expectancy, we do suggest that life expectancy is a fundamental measure; and that the attainment of a relatively high life expectancy does not require the accumulation of high levels of wealth.

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

The European Foundation for the Improvement of Living and Working Conditions, in conjunction with the European Commission, undertook a series of comparative studies of the social conditions in the now twenty-five states of the European Union and the candidate countries of Bulgaria, Romania, and Turkey.

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

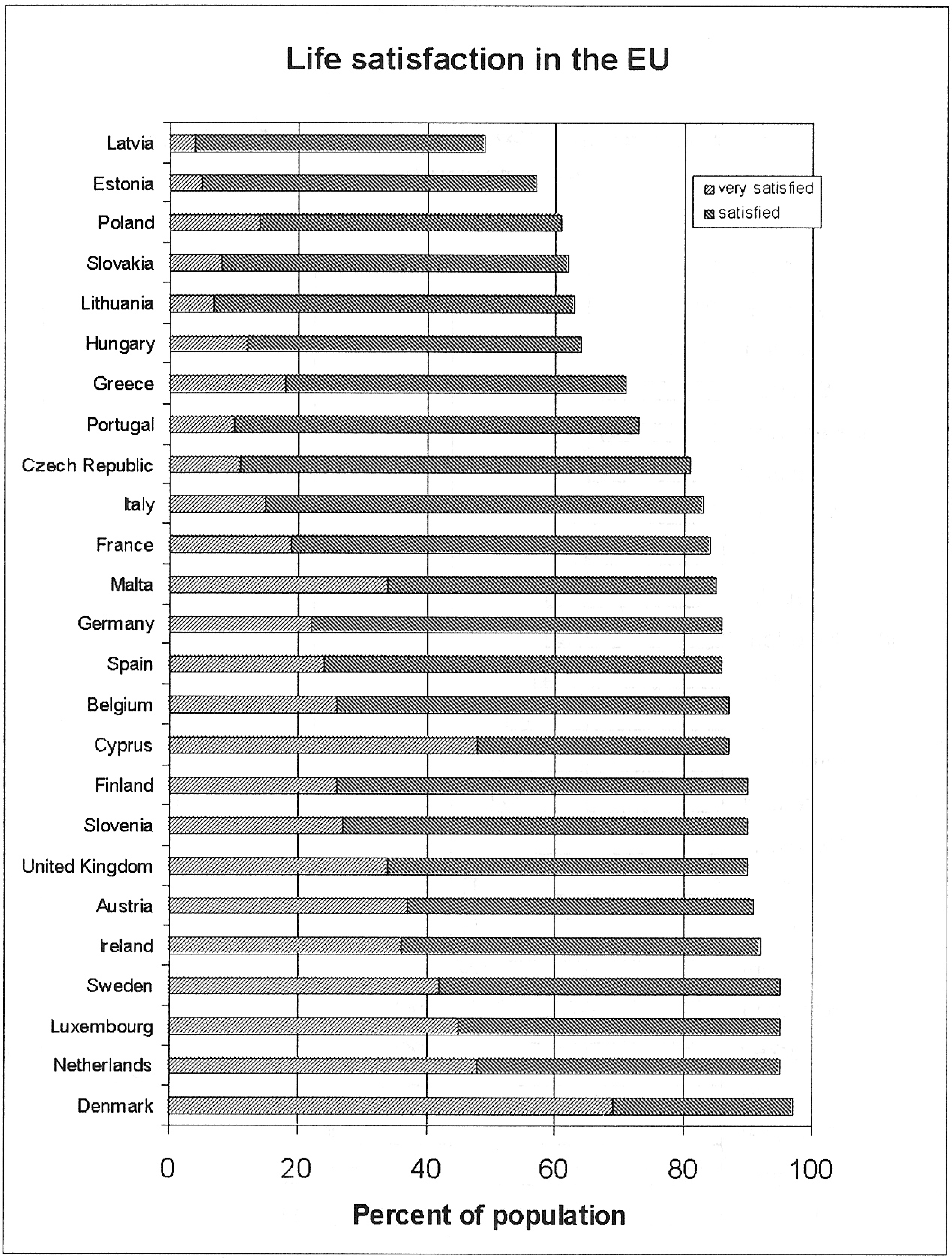
> ... as the sum of people's experiences of the opportunities open to them, the actual choices they make and the life results they achieve within their social contexts. [He] focuses mainly on levels and determinants of satisfaction as cognitive-driven evaluations of certain living conditions or of life as a whole.
>
> Subjective assessments of quality of life are highly valuable—and even indispensable—to policymakers in three ways.
>
> First, asking people's opinions about quality of life is the easiest and best way to get an idea of what people really want. Without such information, there is a danger that policy will not serve the true needs of the population.

> Second, satisfaction measures, especially overall life satisfaction, are the best available indicators of the degree to which true needs are met. In other words, only subjective indicators can reveal how central certain life domains are to the quality of life of Europe's citizens.
>
> Third, only subjective indicators allow for truly comprehensive assessments of quality of life. It is not possible to make an overall assessment of the quality of life of individuals, groups or nations with piecemeal objective information alone.
>
> These three advantages of research into subjective quality of life can help policymakers improve living and working conditions in Europe. This, however, requires insights about the relationships between certain dimensions of life, and about the underlying mechanisms of how Europeans evaluate and summarise subjective quality of life (68).

While the Delhey study is well worth reviewing in full, we will only make use of his summary table of life satisfaction by country, which is shown in figure 2. However, as Delhey notes, "[t]his life satisfaction question is a tried and tested instrument, and the central indicator in subjective well-being research" (31). The table compiles responses to the question: *"Please tell me whether you are very satisfied, fairly satisfied, not very satisfied or not at all satisfied with your life in general."* Only Denmark (97%), the Netherlands (95%), Luxembourg (95%), Sweden (95%), Ireland (92%), and Austria (91%) reported higher levels of general life satisfaction than Slovenia (90%).

Figure 3 shows the percentage difference between the life satisfaction scores of those in the top income quartile compared to those in the bottom quartile. Thus differences in life satisfaction due to income status are comparatively low in Slovenia, indicating a fairly high degree of social cohesion.

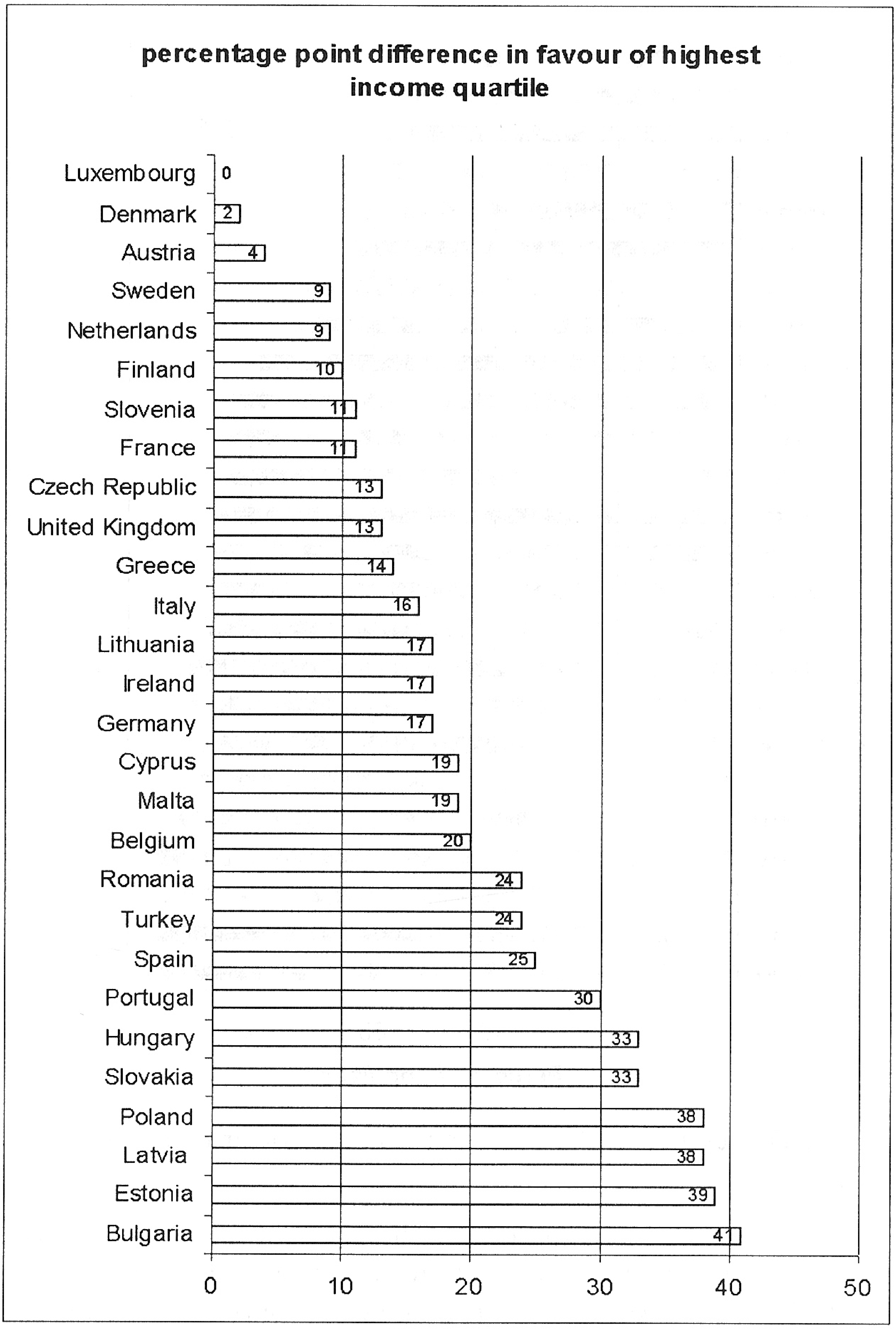
Figure 2. Life satisfaction in the European Union.



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

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

Figure 3. Social cohesion in life satisfaction: Percentage point differences in levels of life satisfaction between the highest to lowest income quartiles.



Source: Delhey 2004, 53; based on Eurobarometer data (CCEB, EB 52.1).

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

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

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

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

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

Agreement with these four items was taken to construct an *index on perceived social exclusion* (15).

Figure 4 summarizes this index, taken from that study, for the different European countries. We find that Slovenes report the lowest degree of perceived social exclusion in the enlarged European Union, a factor at least partially responsible for the disproportionately high level of perceived life satisfaction for Slovenia's relatively moderate per capita GDP.

The conclusions of the Böhnke report are that:

> All in all, there is a European consensus about what the important providers of social integration are: labour market attachment, education and material resources are regarded as important preconditions of a basic standard of living. In addition, family integration and social support are also seen as important forces that protect people from being left out of society. Differences primarily concern the different value family integration has in different parts of Europe (57).

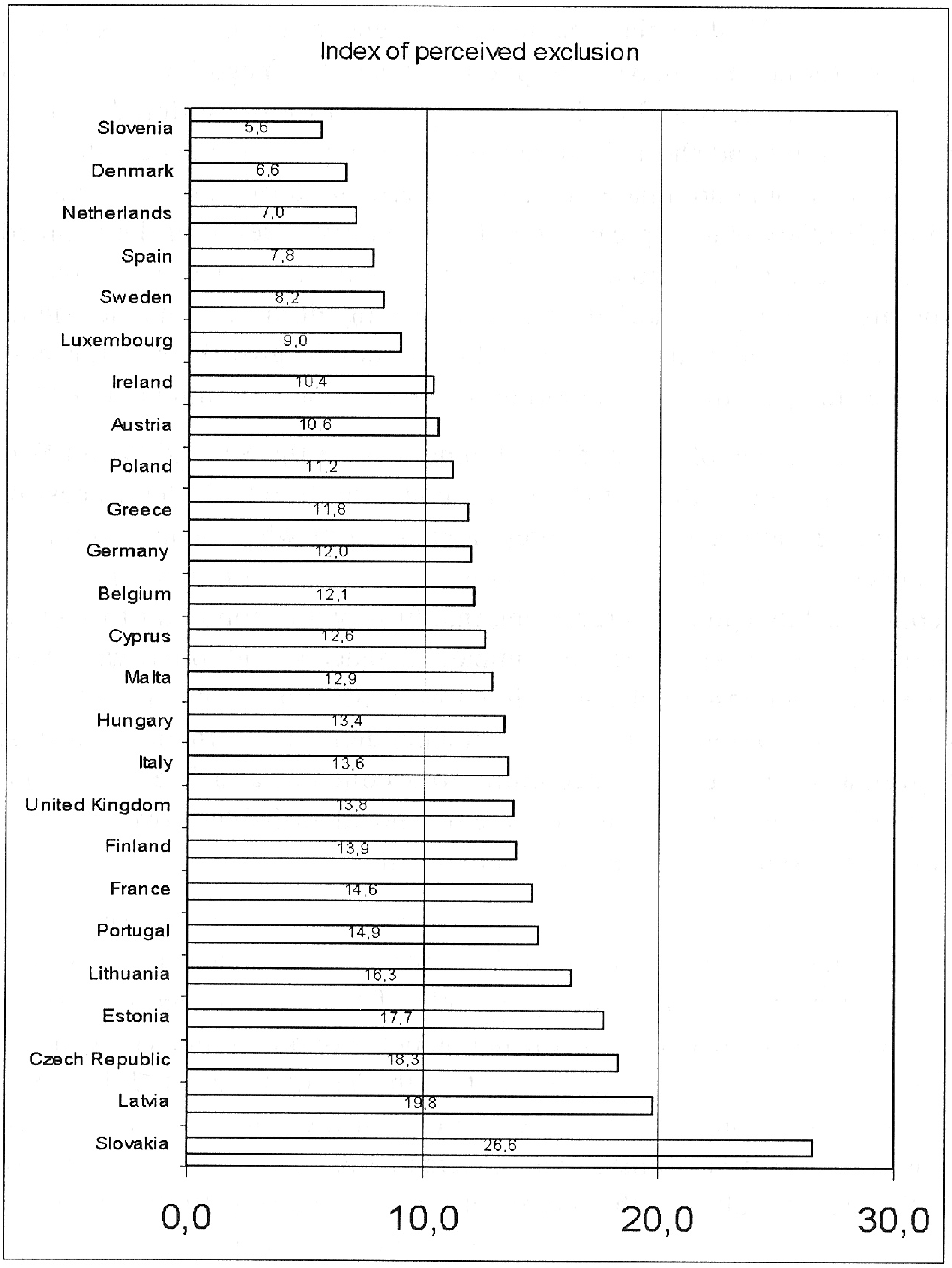
However, the study unfortunately does not specifically address why Slovenia in particular should be so successful in avoiding perceived social exclusion.

In any case, Slovenia tends to stand out in these studies as a fairly socially cohesive country enjoying a relatively high level of life satisfaction for its level of general wealth. The next section considers the historical context contributing to this situation.

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

To understand how Slovenia has maintained a relatively cohesive society with a fairly high degree of life satisfaction throughout the tumult of the past decade or two, we review some of Slovenia's recent history. The important points to note are how Slovenes (as part of Yugoslavia) constructed a very different social system than those of the developed Western countries, while still promoting business relations with those countries. As part of communist Yugoslavia, Slovenia went through a turbulent but rather rapid period of industrialization and growth. Development was domestically orchestrated through ties with business partners in the developed countries under a system without private ownership of industrial capacity, which was instead socially owned.

Figure 4. Index of perceived social exclusion.



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

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

A review of Slovene development since the Second World War should make clear that rather than a coherent "model," the process of Slovene development is better presented as a somewhat haphazard flux of changes resulting from internal power struggles, economic crises and geopolitical dynamics. In reviewing that history it is important to keep in mind that everyone, especially company managers, had to navigate these rough seas of constant change, while the eventual outcome of it all was a fairly well-developed and stable independent state. In other words, Slovenia did not develop according to a coherent and fixed plan; nor would I argue that a stable, coherent, and identifiable Slovene model emerged through the process of development

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

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

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

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

An amendment to the Constitution in 1971 introduced the institutions of social ownership and associated labor (Čepič et al. 1979, 916). The basis of decision-making authority was to rest within the smallest self-managed unit compatible with technological realities, instituting a means of direct democracy. These smallest units were given the name Basic Organization of Associated Labor (BOAL), and these units could be connected into Work Organizations (WO), which could be federated into large conglomerated Composite Organizations of Associated Labor (COAL). The republics and municipalities took over many responsibilities from the federal authorities, and from then on various units of associated labor—based on the BOAL—had great discretion over the use of social assets. In practice it was a complex, inefficient bureaucratic system, organized and implemented by the League of Communists at all levels, rather than growing spontaneously. However, the system thus formulated did survive all the way to 1988, and "with the help of foreign loans it was able to provide a relatively high standard of living" (Prinčič 1999, 186).

A new development orientation in Slovenia from the early 1980s was largely focused on the development of the large industrial combines, such as Iskra (electronics), Gorenje (domestic appliances), Tam (cars and trucks) IMV (cars), Lek (pharmaceuticals), *etc.* (Prinčič 186–87). Thus while the implementation of self-management structures meant that companies became fragmented at the level of BOALs, these BOALs were stacked together in increasingly larger COALs. The consolidation of the companies Iskra and Gorenje in particular was seen as providing the greatest hope for Slovenia, since these "two companies were economically powerful, well organized and expanding with modern technology, and they generated 16 percent of the total income in Slovenian industry, employed 12 percent of all employees in the republic, and accounted for 7.3 percent of Slovenia's total exports" (Prinčič 188). Large companies such as Gorenje and Iskra also began to locate plants in some of the less developed areas of Slovenia while becoming increasingly involved with foreign partners (Prinčič 188).

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

Before moving on to the post-Yugoslav period we should discuss social cohesion in Yugoslav Slovenia. Jaklič (1998, 13–18) explains Slovenia's relatively successful transition by the existence of social cohesion, which enabled the economy to function continuously despite political transitions. He explains this cohesion as an outcome of the close relationship between village communities and industrial enterprises. To understand this better we look in depth at how the network of partisans came to form the basis for the Slovene economy. In the aftermath of the war the partisan network was pretty much the only standing institution. The partisans had to play the part of quasi-entrepreneurs in building a functional economy. Since, unlike in other East European countries during that period, the continuous changes and reforms in Yugoslavia made it difficult for central planners to take full control, a strong institutionalized central planning system was never successfully implemented in Yugoslavia. Allocation in the economy was not so much guided by central plans, but more the result of negotiations within the network of former partisans. The system of mutualism and reciprocity that developed within this network also served to regulate mutualism and reciprocity at the local level.

The socially owned enterprise system that developed in Yugoslavia also differed from the state-owned enterprise system typical of the Soviet bloc countries. Managers in this system had a high degree of autonomy and discretion, and this carries through to the present. Local authority could be maintained by the group attitudes of the compact communities where factories were located, rather than by elaborated systems of incentives or disciplinary measures. Thus, organizational and managerial techniques could be kept quite simple and it was very unusual for workers and managers to create conflicts, as the local communities would punish those who did not work according to the rules of a "fair day's work" (Jaklič 1998, 14–15).

At least up to the early seventies a manager's source of power was the position maintained within the old partisan network. Since negotiations and decision-making over allocation were highly informal, the rules and strategies of the game could only be learned through continuous participation. This meant that managers from local enterprises with longer experience participating in the system would be better at playing the game. Workers could in principle use the formal rules of self-management to replace their manager, but they would then lose the built-up networking capabilities of the old manager, which might lead to financial losses for them.

Assessment of their managers' performance was a straightforward task for the workers of the enterprises and the populations of the individual localities. Managers were assessed by how well they provided jobs, loans, housing, and other such services for their patrons as compared to other managers in the same or neighboring communities (Jaklič 15–16). Again, the formal rules of the Yugoslav self-management system could be invoked to replace managers who fell short in such a comparison. The mutual competition among managers that arose in the Slovene system may partially explain why Slovenia did relatively well compared to other areas under socialism. It further highlights how social cohesion played an important role in the development of Slovenia, which may still account for the lack of perceived social exclusion in Slovenia in the post-Yugoslav period, which we cover next.

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

After a relatively mild economic slowdown following secession from the former Yugoslavia, the economic situation in Slovenia quickly stabilized. By 1993 Slovenia had already achieved positive real growth in GDP.

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

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

- Slovenia developed mostly within the framework of communist Yugoslavia.
- A system of workers' self-management developed that was intentionally different from the Soviet model.

- *Social* (not private or state) ownership of productive assets was implemented.
- Several large internationally active companies were strategically developed for purposes of employment and regional development.
- Slovenia fought a brief war for independence—initiating violent dissolution of the former Yugoslavia (1991).
- It became an independent state for the first time, introducing its own currency and independent state institutions.
- Lost most of its former "domestic" market.
- Underwent a relatively slow transition to capitalism without much foreign investment.

The outcome of all of this, as we have seen above, is a country with a remarkably high level of life satisfaction and the lowest degree of self-reported social exclusion in the European Union.

In light of this peculiar historical trajectory, several questions naturally arise: Why did the Slovene social system prove so remarkably resilient under such systemic shocks? How were Slovenes able to acquire the skills and confidence for a relatively smooth transition?

In my own work (Turk 2003) I have focused on the importance of the characteristic cultivation of large companies in Slovenia with plants dispersed throughout the republic that served as cognitive hubs connecting the Slovene domestic social system to the outside world. Although certainly not the only internationally active large company in Slovenia, Iskra in particular stood out in my research, because companies connected to the former conglomerate were disproportionately involved in close cooperation, including joint development of products, with foreign partners.

In order to help understand why connection to Iskra might be important, we should take a look at how Iskra developed. A brochure of Iskra from 1984 (3–17) provides the following information:

- Iskra was founded in 1946 as first electro-technical company in Slovenia, with 850 employees (Iskra 1984, 3).
- In the 1960s they founded their own institute for development (3).

- By 1983 they had 32,493 employees, or 4% of employment in Slovenia and 20% of Yugoslav employment in the electro-technical industry (16).
- They accounted for 25% of Yugoslav production in that industry (10).
- By 1984 they had plants/factories in twenty-seven municipalities in Slovenia (3), as part of regional development.
- They were the second largest exporter in all of Yugoslavia (11), with relatively sophisticated products.
- They had a network of twenty-seven business units in nineteen countries on five continents (11):
  - Factories for electrical tools in Switzerland, Spain, and Ecuador (8).
  - Sales companies in Switzerland, W. Germany, UK, Italy, U.S., France, Belgium, and Venezuela (12).
  - Other offices in the USSR, Czechoslovakia, Poland, East Germany, Sweden, Turkey, Egypt, Iran, and Iraq (13).
- They had cooperative relations with several western European partners: Bosch, Renault, Citröen, Volkswagen, AEG, Braun (8).
- They had their own internal bank and Institute for Quality and Measures (9).
- They also offered scholarships for 2000 students per year, on-the-job training for another 2000, and opened their own educational center for additional employee training (17).

Thus Iskra was a very important company for providing training opportunities for Slovenes in international business, production, and sales. Other companies played similar roles.

Further research: Habitus of the Slovene Manager

In order to further our understanding of the importance of development of these large companies in Slovenia and their importance in providing training and durable infrastructure for the transition period, we have begun a research project, Habitus of the Slovene Manager, to gain insights from some of the key managers during that period. The research project deals with society and biography. Instead of looking for mathematical laws governing industrial development, we will closely consider the micro narratives of insiders in order to answer the question of how did these particular agents participate in the construction of their particular industrial and social structures, which would later provide a remarkably sturdy and resilient foundation upon which to build a post-communist Slovenia. We are interested in the intertwining of the personal biographical narratives of influential managers with societal development: how they were socialized into their positions, and how they understood and played their parts in the development of Slovene society. In carrying out this research we will combine insights from economic history, ethnology, anthropology, and sociology.

A major part of the research work we are now beginning is to develop new ideas and approaches for use in correcting what might be wrong with economics. Rather than trying to impose models from modern economics that are of questionable relevance to the workings of real economic systems, we can learn from how some (somewhat unusual alternative) economic ideas were actually put into practice, which is particularly important since the resulting system has proven remarkably resilient under the shocks of transition. In this respect the social experiment of Slovenia's path of development provides rich material for social research. And if I may offer my own variation on a theme overheard at a recent workshop on biographical methods, instead of trying to reduce the ballads of life to a thin score conducted mechanically by an invisible hand, we should learn to appreciate the harmonic improvisation of the virtuosos performing the biographical symphony.

Scientific Research Center of the
Slovene Academy of Sciences

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POVZETEK

NEUSPEH EKONOMSKE ZNANOSTI IN IZJEMEN RAZVOJ SLOVENIJE

Ta prispevek obravnava probleme moderne ekonomske znanosti, predvsem z vidika uničujočih učinkov, ki jih je imelo vse preveč vneto izvajanje ekonomske teorije v večini postkomunističnih držav Evrope. V Sloveniji so bili ti negativni učinki precej manj opazni. Bežno se bom dotaknil tudi nekaterih aktualnih vprašanj ekonomske metodologije ter prenašanja ekonomske teorije v resnični svet, predvsem v postkomunističnih državah Evrope. Slovenija je zanimiva, ker je po osamosvojitvi uvajala družbeno gospodarske spremembe postopoma, njena gospodarska preobrazba pa je bila sorazmerno neproblematična, pri čemer je Slovenija ohranila tudi visoko stopnjo družbene stabilnosti in splošnega zadovoljstva prebivalstva. Potem ko bom predstavil nekaj splošnih vidikov kakovosti življenja v Sloveniji, bom podal še zgodovinske značilnosti družbenega in gospodarskega razvoja Slovenije, ki so po mojem mnenju v veliki meri prispevale k sorazmerno neproblematičnemu poteku gospodarskih sprememb.