Defining, censuring, and resolving crisis: The European Bank for Reconstruction and Development, collective organic intellectuals and fail forwards neoliberalism in Eastern Central Europe

Abstract:
The paper asks what role the European Bank for Reconstruction and Development (EBRD) plays in coordinating policy reform in post-crisis Eastern Central Europe (ECE). How did the EBRD attempt to mitigate the effects of the crisis and what role did the institution play in the configuration of a post-crisis European political economy? The paper analyses the content of the annual EBRD Transition Reports (TR) as representation of thinking in the EBRD Chief Economist’s Office on the salient concerns relevant to its region of operations. The paper analyses TRs from 2007 to 2013 assessing the discursive shifts inside the EBRD establishing (1) how the TRs frame whether the region is in crisis, (2) apportioning censure for causing crisis and (3) how the EBRD TRs delineate the development of appropriate policy responses to the crisis. In conclusion the paper situates these processes as evidence of a further iteration of ‘fail forwards’ neoliberalization.
1. Introduction
Policy efforts to resolve the crisis in the European political economy since 2007 have resulted in the ongoing and uneven application of what we now term austerity. In different times and in different locations we have called it structural adjustment or shock therapy. As with structural adjustment or shock therapy different national and international forms of policy response coordination have emerged (Dunlop & Radaelli, 2016; Regan, 2017). A complex and often contradictory bricolage of responses to crisis has embroiled multiple actors in efforts to reconcile policy coordination alongside legitimacy. As Mertens and Thiemann claim, enduring crisis has also focused attention on certain “backstage operating actor[s]” such as the European Investment Bank (EIB) and national development banks, who have been “called upon by policymakers to expand their activities to fuel investment across the [EU]” (Mertens & Thiemann, 2017, p. 2; Clifton, Díaz-Fuentes, & Gómez, 2017). One institution that continues to be absent from scholarly analysis of the crisis is the European Bank for Reconstruction and Development (EBRD), eastern central Europe’s (ECE) development bank.¹

The EBRD warrants our attention for a number of reasons. By ignoring the activities of the EBRD we miss an opportunity to critically engage with functional and institutional accounts for shifting forms of European political economy. In a period of crisis such a lacuna in our knowledge of germane responses is vital to remedy. The EBRD plays an indeterminate role in the European political economy, part of its novelty, in contrast to the EIB, is that it traverses a liminal zone between state and private sector (Robinson, 2009). In contrast to Babb’s dismissal of the EBRD as having “played little role in either debates over economic development or the dispensing of policy advice to borrowing governments”, the paper sets out to assert the importance of the EBRD for a number of reasons (Babb, 2009, p. 35).

This is not a development bank analogous to its national or regional equivalents. The inimitability of the EBRD resides in its simultaneous activities as a development bank in articulation with its role as private merchant bank.² Beyond unravelling the nebulous identity of the EBRD (Shields, 2016), this invokes a number of puzzles to ruminate on; not least that development banks, of any complexion have become increasingly relevant in coalescing policy responses to crisis (Clifton et al., 2017). Given the technocratic element of such responses, it is pivotal to garner some consideration of the coordination mechanisms inherent to the politicisation/depoliticisation dynamic of international financial institutions (IFIs) like the EBRD (Burnham, 2014; Macartney, 2013; Peck, 2010b, p. 170). The post-communist states sit uncomfortably in our categories of Global North and South, crucially adduced in the ‘morality tale’ of the crisis in the European political economy narrative of “Northern Saints and Southern Sinners” (Matthijs & McNamara, 2015). To that end, the paper sets out to answer the central research question of what role the EBRD played in coordinating policy reform efforts in post-crisis ECE? How did the EBRD respond to and attempt to mitigate the effects of the crisis and what role then is this rather abstruse institution playing in the configuration of a post-crisis European political economy?

The paper remedies an unusual absence from our accounts of the European political economy and situates the EBRD’s efforts to ameliorate the effects of the crisis through an analysis of the content of the annual EBRD Transition Reports (TR) that represent an ongoing account of thinking in the Chief Economist’s Office about the salient concerns relevant to the EBRD’s operations. It focuses on the TR because the Office of the Chief Economist advises the EBRD’s senior management team on both strategic and operational economic concerns. As the EBRD itself recognises, the Chief Economist’s Office has “developed the intellectual underpinnings of the transition concept and its application to countries, sectors and projects” (EBRD, 2010, p. 3), undertaking research linking the EBRD to policy makers and academia,
ensuring that the EBRD remains at the forefront of understanding the challenges facing ECE and formulating appropriate policy responses. Alongside navigating its own macroeconomic forecasting and risk management it assists economists and policy makers in ECE with macroeconomic analysis and economic forecasting. Another way of thinking about this is to ask how does the EBRD control the narrative of post-crisis neoliberalisation at a time when populations in the region might be more receptive to alternatives? It provides thought leadership inside and outside of the EBRD on economic issues related to the Bank’s work in its countries of operation (EBRD, 2015b, p. 1) thus helping to construct the common sense where particular social forces in ECE have been active participants in the processes that have created and maintained the region’s peripheral position within European political economy (Laszlo Bruszt & Vukov, 2017). The paper bookends its analysis from the TR of 2007 to 2013 to reveal the discursive shifts inside the EBRD that establish how the TRs frame whether the region is in crisis, secondly then how they identify and apportion censure for the crisis and then third how the EBRD TRs delineate the development of appropriate responses to the crisis. As the special issue indicates, neoliberalisation has travelled from the Global North, to the Global South, and back again. Here is an institution at the very heart of that project that originally translated neoliberalisation for post-communist ECE, but now also does so for EU members like Greece and Cyprus.

The discussion is configured around three key moves. First the paper unpacks the political economy context of the EBRD by discussing the role of IFIs in ECE. Rather than search for a typology of IFI or RDB activities as per much of the existing literature on European Varieties of Capitalism or rationalist political science interpretations of policy transfer, it outlines how it may be more fruitful to examine the social function of such institutions in the global political economy and analysing the EBRD’s activities in the resolution of crisis as a collective organic intellectual in the Gramscian sense. Section two, then contextualises the discussion by offering a necessarily truncated and synthetic review of the European crisis in ECE. The paper overcomes the tension evident between the global, the regional and localised responses to the crisis by directing attention towards the linkages between deep marketisation and fail forwards neoliberalisation (see Carroll, Clifton, & Jarvis, forthcoming). Third, it uncovers how the EBRD TRs represent the shifts in EBRD thinking about the crisis. In this section the paper focuses on how the reports achieve three key objectives: defining the crisis; identifying the causes of the crisis or more bluntly asking who is to blame for the crisis; and then discussing how the TRs reproduce possible solutions for the problems identified and the way ECE might emerge from the crisis. The paper concludes with some reflections on the implications of the analysis.

2. International financial institutions and post-communist transition - the EBRD as collective organic intellectual

In this section of the paper I want to show how recent work in critical IPE, drawing on Gramsci’s notion of the organic intellectual, can offer a useful analytical tool to tease out the political economy of IFI agency in neoliberal reforms, in particular the role of RDBs. The section commences by briefly noting the role of IFIs, including the MDBs in ECE. It then reflects on Gramsci’s formulation of the organic intellectual and how it has been brought to bear and developed by a number of scholars in IPE. By drawing on the notion of the organic intellectual to emphasise how IFIs have assisted in the legitimisation and stabilisation of a historically specific configuration of neoliberal hegemony. This rejects any mechanical interpretation of how IFIs merely construct the rules and norms of reform. As one of the seminal accounts in critical IPE stresses, popular ‘common sense’ becomes a critical terrain of political struggle (Rupert, 1995). In a discussion of the outsourcing of knowledge in neoliberal development, Mittelman adroitly captures how organic intellectuals occupy a crucial political space: not just mulling over issues but contributing powerfully to social forces and catalysing
The role of international actors in ECE is well worn territory so I will not spend inordinate amounts of time revisiting this, but crucial interventions in the discussion include Jacoby’s seminal work on elite learning from IFIs (Jacoby, 2001), and studies of the international pressures for domestic change have tended to use a conditionality lens since the early 1990s, whether examining the conditionality of the IMF (Stone, 2002), or Western policies of conditionality for spreading democracy (Whitehead, 2001), or the expansion of the European Union (Grabbe, 2005; Vachudova, 2005). Levitsky and Way (2006) condensed previous attempts at categorising international factors into two concepts, linkage and leverage, while Bruzt and McDermott neatly summarise this situation regarding ECE as, the role played by a new form of ‘FDI’ (Foreign Direct Involvement): the inclusion of a large diversity of external state and non-state actors in assisting and monitoring domestic institutional change. This combination of direct involvement of supranational actors in domestic institution building with enhancing capacities of domestic state and non-state actors is a new and still understudied aspect of transnational economic development (Bruszt & McDermott, 2009, p. 55).

While there are clearly examples aplenty of the IMF, World Bank, and the EU exerting influence in ECE, there exists almost silence around the EBRD.

It is not as if similar institutions to the EBRD have been ignored elsewhere, as a small sample testifies. Cupples, et al. note in their discussion of postdevelopment, how development banks buttress the instabilities of hegemonic formulations “[becoming] adept at the crucial techniques of discursive articulation, disarticulation, and rearticulations” (Cupples, Glynn, & Larios, 2007, p. 787). Park and Vetterlein (2010) for example, provide a wide-ranging survey of constructivist accounts of how MDBs maintain certain policy norms across time and space. Whilst Wade (2011) uncovers notable continuities since the global financial crisis in the IMF and World Bank policy repertoire, others demonstrate a certain consonance between the emergence and growing intellectual hegemony of global value chain analysis in development studies and a neoliberalising project that includes exploring the role of the Inter-American Development Bank (Werner, Bair, & Fernández, 2014) or demonstrating how particular notions of risk are embedded in influential literatures on the political economy of reform within the social risk management strategy of the Asian Development Bank (ADB) since the crisis (Cammack, 2012). The pivotal role of RDBs in the contemporary global political economy revolves around their increased salience since the global financial crisis alongside other cognate institutions such as the potential BRICS bank and China’s AIIB. RDBs are vital agents in the politics of development despite a relatively limited body of existing literature when compared to the multilateral development banks and IFIs.

In attempting to think of the way that RDBs have spread neoliberalising strategies Gramsci’s notion of the organic intellectual is a useful starting point. For Gramsci, everyone is an intellectual, though not everyone has the professional social function of the ‘traditional’ intellectual situated in their social function of maintaining hegemony; something more than just thinking about “the process by which knowledge about policies, administrative arrangements, institutions and ideas in one political system (past or present) is used in the development of policies, administrative arrangements, institutions and ideas in another political system” (Dolowitz & Marsh, 2000, p. 5). Gramsci’s critique of common sense shows how organic intellectuals seek to develop knowledge that is a challenge to the existing social and material order, creating social change through learning and persuasive discourse that reconfigures a conception of the world (Gramsci, 1996, p. 173). Gramsci was obviously inclined towards a
progressive politics emerging from what he maintained was the subaltern class developing their own cadre of ‘organic intellectuals’ to articulate an alternative hegemony by discrediting the existing hegemony and new forms of consent could be propagated. Remember, for Gramsci the central (collective) organic intellectual was the Italian Communist Party (Gramsci, 1971, pp. 15–16). Intellectuals offer transformative ideas as social praxis undermining the existing hegemony through sustained multiple site struggle. However, as the success of the hegemonic constellation of neoliberalisation illustrates, it is the intellectuals of neoliberal hegemony who have been most capable of elaborating their own interests across multiple hybrid spaces,

革命ary activity … has little or nothing to do with inciting people to rebel; instead, it consists in a painstaking process of disseminating and instilling an alternative *forma mentis* by means of cultural preparation (i.e., intellectual development and education) on a mass scale, critical and theoretical elaboration, and thoroughgoing organization (Buttigieg, 1995, p. 14).

One wonders who has paid closest attention to Gramsci?

Vital to this success has been the way neoliberalisation has not identified a single unitary hegemony though. It waxes and wanes, always shifting, always contested, negotiated and reinforced, an unstable equilibrium reconfigured across sites of social power such as RDBs that regularise existing forms of social reproduction. Knowledge is not neutral or universal but constructed for specific social purposes, for the critical development and praxis of organic intellectuals. As Piccolino illustrates in a very different case there is not a unidirectional teleology to neoliberal hegemony; that organic intellectuals are part of ongoing processes that could be counter to hegemonic ideas and practice, but by dint of “intellectual construction and communication” (Piccolino, 2012, p. 13), they articulate what is variegated and contingent as natural, transhistorical, and ‘common sense’ to reproduce social relations.

The establishment of hegemony requires actors “intellectuals play a key role” capable of “[evolving] a clearly distinctive culture, organization, and technique” among a broad coalition of subaltern classes (Cox, 1983, p. 168). Relations of power are often unclear and concealed and organic intellectuals play a crucial role in this; institutions like the EBRD play a vital function in constituting particular meanings around the development strategies pursuable by states. Biccum’s work demonstrates how one such organic intellectual, the Organisation for Economic Co-operation and Development (OECD), prepared particular forms of subjectivity to further global economic competitiveness appropriate for neoliberal hegemony through education (Biccum, 2015). Recall that Gramsci argues that:

> Every social group, coming into existence on the original terrain of an essential function in the world of economic production, creates together with itself, organically, one or more strata of intellectuals which give it homogeneity and an awareness of its own function not only in the economic but also in the social and political fields (1971, p. 5).

Van der Pijl develops the notion of the organic intellectual further as the managerial and technocratic bureaucratic elite that transcends both private and public spheres. This cadre class are mediating functionaries entrusted with the managerial tasks of running the economy and the state (van der Pijl, 1998, Chapter 5). This is not some bureaucratic monolith though. There will be micro-level disputes within institutions like the EBRD, but the cadre’s shared expert knowledge ultimately configures a commitment to coherent collective identities. Cohesive and enduring ideas are structured as shared understandings of the limits of the possible. Remember that within Gramscian perspectives, “ideas are granted significant theoretical weight, to the extent that a central element of the Gramscian approach centres upon the material structure of ideas and the manner in which ideas function akin to materiality within the international political economy” (McCarthy, 2011, p. 1217).
Organic intellectuals need not just be individuals, but also collective, they do not simply produce ideas, they help to affirm, homogenise, and articulate ideas and strategies in complex and often contradictory ways due to their class position and proximity to the leading groups in production and the state. Or as Cox puts it, they “perform the function of developing and sustaining the mental images, technologies, and organizations which bind together the members of a class and of a historic bloc into a common identity” (Cox, 1983, p. 132). They organise the social forces they belong to and contribute to the development of the hegemonic project through generation of defensive and offensive legitimating ideologies. If the hegemonic project stems from the economic sphere it also transcends this into the political and social spheres incorporating broader issues that harmonise the interest of the leading and subordinate classes (Pichler, 2015, p. 512).

I want to pause for just a moment and reflect a little further on the role of the collective organic intellectual. These actors are vital interlocutors for the perpetual mobilisation of constructing and maintaining hegemony. Many will be familiar think tanks asserting corporate and state policies that advocate and disseminate knowledge of particular ways of organising social relations. They constitute structures of communication and strategising (Gill, 1990, Chapter 6), “often [participating] in informal planning councils, which play a key role, as collective ‘organic intellectuals’, in forging the dynamic consensus underpinning a comprehensive concept of control” (van der Pijl, 2001, p. 283). As Gill indicates collective organic intellectuals have been intimately entwined with the frameworks of governance of the post-Cold War world order and its main juridical, regulatory and political mechanisms. They stabilize, modify, extend and legitimate ruling institutions, the distribution of power and, as such reinforce the global capitalist status quo … devising durable methods, mechanisms, and institutions … to help sustain an unequal international order that is premised on the primacy of capital, [and] the world market (Gill, 2015, p. 1).

The EBRD is clearly part of this legal and regulatory framework, what Gill calls the “new constitutionalism of disciplinary neoliberalism”, where there is a crucial commitment to the discipline of the normative projects associated with narrow framings of appropriate policy modalities within the contours of so-called ‘good governance’, ‘best practices’ or ‘competitiveness’.

The IFIs were reliant on specialised knowledge produced by academic experts in Western business schools and Economics departments, funded by Western foundations, and academics like Jeffery Sachs and Anders Aslund (Wedel, 2015). A canon of ‘transitology’ theory lent credibility and authority to the IFI policies. Transitology is derived from the orthodoxy of neoclassical economic theory (Stiglitz & Ellerman, 2001) that, as the science of the not yet, Stark belabours can be applied to everything from complex financial instruments to employment law for the construction of ‘designer capitalism’ (Stark, 1996). It is in the reaffirmation of the ‘canon’ that the EBRD matters, assuring that the intellectual space for alternatives to neoliberal reforms is narrowed until relatively superficial changes within the neoliberal common sense can be articulated as something novel and transition is renewed without serious challenges to neoliberal interests.

This means collective organic intellectuals, van der Pijl’s cadre, reify a particular form of knowledge in the broader ideational and socioeconomic changes that undergird neoliberalisation.
The EBRD may well be producing leading ideas in performing a collective organic intellectual and cadre function. They produce inter-scalar regimes of rules by translating the wider panorama of ideas into actionable and specific policy reforms suited to specific contexts. This is facilitated by what one former EBRD researcher declares in a discussion of corruption, is the “revolving door – the flow of personnel from government offices to financial entities and vice versa” a major driving force behind regulatory capture (Wirsching, 2018, p. 1). Another discussion of the mix of technocrats, policy experts and advisers on shadow banking regulation discusses the “revolving door between the BIS and the international civil service track offered by international development banks (World Bank, EBRD, IADB), international think tanks (OECD, Woodrow Wilson) and the IMF” (Ban, Seabrooke, & Freitas, 2016, p. 7). Note the mention of the EBRD. So while the paper may not be able to deliver proof of a direct causal link between the EBRD and neoliberalising policies, much remains suggestive and the paper assumes that such strategic and consultative institutions are the backdrop for policy making.

As the remaining sections of the paper illustrate this is entirely consonant with the EBRD “mediating the extremes and socialising technical discoveries, and finding compromises between and ways out of extreme solutions” (van der Pijl, 1998, p. 109). Below the paper turns to the data from the TRs to show how the content of these reports has fallen forwards over the period of the crisis across three primary discursive frames: defining, censuring and resolving crisis. Thus a specific ideology is expressed in universal terms by institutions like the EBRD. Roccu, for example, underscores the crucial role played by the form of ideology secreted in everyday practices by capitalist social relations in the institutional materiality of the state and the practices of power in Egypt’s transformation (Roccu, 2013). It is in this sense that the EBRD can be understood as a historical organiser of consent producing enabling strategies for neoliberalisation to ‘fail forwards’, a point the paper returns to in the next section.

2. Eastern Central Europe and the global financial crisis – fail forwards neoliberalism
The previous section of the paper outlined how the Gramscian-inflected notion of the collective organic intellectual as further developed by Cox, Gill, and van der Pijl might enable us to draw out useful (non-positivist) linkages between actors (like the EBRD) and the imposition of the discipline of capital through the construction of authoritative and popular knowledge in capitalist development, thus cultivating the consent of a wider population. In this section the paper begins to turn attention to how this is manifest in ECE in institutional terms, in particular as mediated through the now seemingly permanent crisis of 2007. The second part of this section then focuses on the way that those agents of neoliberalisation have been able to utilise the crisis in ECE (and of course elsewhere) to continually develop new iterations of, what the previous section briefly noted as, fail forwards policy.

ECE states have corralled themselves to the existing EU institutional framework as a way to establish and then corroborate their credibility and reduce trial and error in the process of building up economic institutions. For more mainstream analyses, this corralling, is a strategic and normative “intervening mechanism” (Schimmelfennig, 2001, p. 48). While these approaches may privilege supranational actors (obviously one in particular the EU and its associated institutions), privileging institutional decision making structures and ignoring transnational actors (like the EBRD), and the wider context of the global political economy thus downplays the social purpose of this corraling. As Bohle (2018, p. 4-6) indicates such approaches overlook the role of transnational actors and considers states to be the most important actors focusing on the method of reform rather than the social purpose.

What has been the outcome of this corralling? The majority of ECE states are open
economies in terms of trade, they have well developed markets that have contributed to growth and a framework for comparative advantages (Bohle & Greskovits, 2012). This is underpinned by capital from the EU institutions which acknowledged the scarcity of technology and infrastructure. FDI substituted for the lack of management experience and helped address technological backwardness, and antediluvian HR practices in the host economies (Contrepois, Delteil, Dieuaide, & Jefferys, 2011). The social costs of transition have predominantly been borne by workers adaptability and since 2004, mobility. However, the problem (particularly evident in the IPE literature) is that ECE’s place in the global political economy is often insufficiently developed (Shields, 2012, p. 81). Where is the global financial crisis in ECE positioned in this literature? Thorough surveys of these responses have mainly focused on specific state responses (see for example Myant, Drahokoupil, & Lesay, 2013; Kattel & Raudla, 2013). There have also been some attempts at situating the financial crisis in ECE in the global political economy (Hardy, 2014; Onaran, 2011).

If we attempt to locate these more immediate developments in light of the longer-term historical processes of global restructuring and acknowledge that the world is increasingly integrated into a unified single world market (Nölke & Vliegenthart, 2009). Although ECE has been the most affected of all emerging markets by the long interregnum since the global financial crisis, the global economic crisis plunged much of the post-socialist Europe region into a deep recession, with the region, on average, suffering a more severe reversal of pre-crisis output trends than any other region of the world economy. While the worst case scenarios of systemic currency and banking crises did not occur, the magnitude of the recession was extremely severe (Connolly, 2012, p. 64).

Equally, Drahokoupil & Myant (2010) have argued that the financial crisis was largely an external shock that affected ECE in different ways. The unfolding crisis in ECE could not be understood as just internal adjustment to an external crisis stimulated by the international financial meltdown in the United States and Western Europe (Walter, 2016). For Hardy, “the large amount of foreign capital that dominates the financial sector in CEE, where this amounted to between 60 per cent and 90 per cent of total assets compared with between 5 per cent and 15 per cent in the UK, US, France and Germany” (Hardy, 2014, p. 151). For Myant, Drahokoupil and Lesay the policy response to the crisis in the Czech Republic, Hungary, Poland and Slovakia has not led to any really significant new ideas relating to economic management. Instead, the responses can be
interpreted as more or less social-democratic or neoliberal. This means that there has been an increase in the significance of classical left vs right in the party politics in these countries, which perhaps represents a break from the immediate past. Generally, however, neoliberal policy responses have won the day, and these neoliberal responses partly went beyond mere crisis management to a broader fulfilment of the neoliberal project: “The legacy of the crisis so far looks like being a move towards a smaller state and more unequal society” (Myant et al., 2013, p. 408).

An even bleaker interpretation of this recalls the region’s subordinate integration into existing European political and economic structures following the collapse of the Soviet system contributed to the vulnerability of ECE to the global financial crisis (Smith & Swain, 2010, pp. 22–25). Rival varieties of post-communist market-led economic development, and especially the role of the financial sector within those varieties, and their associated capitalist development projects produced the economic unevenness in the region and beyond that were the prime cause of the global financial crisis (Bongini, Iwanicz-Drozdowska, Smaga, & Witkowski, 2017). A more understated approach to this might be that domestic banks in ECE adjusted their practices to a market-based banking model based on short-termism rather than patient capital (Gabor, 2010). The new financial markets of the region were considered novel junctures for finance capital and contributed to a period of growth and profitability of finance. Remember, this was a region of the global political economy where financial markets and commercial banking had been limited at best. Credit markets and opportunities for portfolio investment and FDI in the banking systems of ECE were prised open and ECE came to rely on external financing across the region as result of the glut of liquidity in the financial system (Smith & Swain, 2010, p. 3). This is a crucial dimension of the crisis ignored since one of the ‘international’ aspects of the crisis was how it was extended by Western European banks’ subsidiaries into ECE. The subsequent response mobilised by the EBRD led to the ‘Vienna Initiative’, as “many Western European governments moved quickly to protect their own domestic financial institutions at the expense of other EU member states as the crisis broke” (Johnson & Barnes, 2015, p. 543). See section three for more on the Vienna Initiative.

These events have been a crucial point of policy intervention for the EBRD. The EBRD argues that the region’s financial integration into the European banking system acted as a buffer by reducing the reversal of capital flows associated with previous crises (EBRD, 2009). Without fear of repeating a familiar story, it is worth reminding ourselves that one significant absentee in these discussions is the EBRD given it is ECE’s RDB and of course that the institution itself has intervened extensively (Berglof, Yifu Lin, & Radosevic, 2015). This intervention is framed in such a way that national (and lower level) policy makers are constantly seeking innovative methods to adapt the local to systemic constraints. The disciplinary tone and implication is also clear. Manfred Schepers, Vice President and Chief Financial Officer of the EBRD discusses the EBRD’s commitments in 2014. Among other things the EBRD maintains a strong local presence through its 39 offices across the countries of operation; local currency financing and development of local capital markets; lending to micro, small and medium-sized enterprises to support entrepreneurial initiatives; building stable financial sector, sound balance sheets and risk practices in financial institutions; and scaling up policy dialogue to address weaknesses in institutions and policies. (Schepers, 2014). We can start to see how this might be interpreted as a form of collective organic intellectual.

In the rest of this section the paper turns to one mechanism the collective organic intellectuals of neoliberalisation have developed to reinforce their policy interventions aimed at ‘resolving’ the current crisis, enabling strategies for neoliberalisation to ‘fail forwards’, drawing on the recent crucial intervention by Nunn whose work on fail forwards neoliberalisation and
the role of IFIs speaks directly to RDBs like the EBRD. Neoliberalisation in ECE is premised upon a set of development practices that alloy progress from the backwardness of the state socialist period and a better future achieved through reform. As Peck comments, neoliberal reforms are always failing, but failing forwards and, Can only exist in messy hybrids. Its utopian vision of a free society and a free economy is ultimately unrealizable. Yet the pristine clarity of its ideological apparition, the free market, coupled with the inevitable failure to arrive at this elusive destination, confer a significant degree of forward momentum on the neoliberal project. Ironically, neoliberalism possesses a progressive, forward-leaning dynamic by virtue of the very unattainability of its idealized destination (Peck, 2010a, p. 7).

This means that there is an inherent tendency in neoliberalisation strategies to fail forward because of the “manifest inadequacies … repeatedly [animating] further rounds of neoliberal invention” (Peck, 2010a, p. 6). Any inadequacies though are never the fault of neoliberalism, instead such generative failures are the absence of full participation in the reform process and the frequently unrealised transformation of neoliberalism. The irony and contradiction is that there are always neoliberal solutions to neoliberal failures. For organic intellectuals like the EBRD this permits experimentation.

The policies commonly associated with the popular rhetoric of neoliberalism is their supposed anti-statism, of course what fail forwards neoliberalism also emboldens is the “strong state” (see for example, Bonefeld, 2012, pp. 634–636) and simultaneously the submission of policy mechanisms to audit and consultation. As Nunn intimates:

in a system where competition-competitiveness is a wired-in characteristic, many and ultimately households and individuals) must inevitably fail … the generalised characteristic of competitiveness mandates that the route out of failure is to further embed and internalise competitiveness {Nunn 2019@xx}.

Neoliberalism is “always … on the move” (Peck, 2010a, p. 39), always ambivalent, always hybrid, always maintaining state power, always detouring around it, creating the constitutions for its own failure; forwards. The commitment to competitiveness propagates neoliberal common sense that fails forward into the next hybrid of state and non-state reform maintaining forward momentum. Nunn continues,

management technologies have a key role to play in the coordination of economic, political and social agency. Performance management, benchmarking, quality standards and the like are central to efforts to maintain control between scales in large corporate structures. In neoliberalising policy reforms these technologies have also been put to use to coordinate policy reform efforts that run between scales {Nunn 2019@xx}.

This is axiomatically not merely convergence around any universal neoliberal policy, rather it is constant modulation, articulation and innovation between actors at a variety of scales from the global to the local is constantly conflicted with the messy reality of neoliberalisation ‘on the ground’ and either delivering or failing, but always enabling further implementation. The current crisis in ECE has concentrated the benefits, and diffused the losses before once again failing
forwards. In the next section the paper explores empirical material from the EBRD TRs illustrating how one such historical organiser of consent attempts to bring structure and coherence to the messiness.

4. The EBRD transition reports: defining, identifying blame, and resolving crisis

In this section, the paper builds on the notion of the collective organic intellectual explored above and thinks about how the EBRD has participated in the establishment of neoliberal hegemony in ECE, and increasingly well beyond, since the crisis began. The section assesses how the TRs represent modifications in EBRD thinking about the crisis in the role of organic intellectual, with “active participation in practical life, as constructor, organiser, ‘permanent persuader’ and not just a simple orator” (Gramsci, 1971, p. 10). It does so analysing how the TRs accomplish three key objectives: defining the crisis; identifying who is to blame for the crisis; and then proposing resolutions for how the region might emerge from the crisis.

Defining the crisis

The starting point for TR 2007 is the “striking contrast between strong growth and improving living standards on the one hand and broad dissatisfaction with the outcomes of transition on the other” (EBRD, 2007, p. vi) rather than any overt deliberation over the start of the financial crisis. There are allusions in the 2007 report to turmoil, turbulence, and rare mentions of a global liquidity crisis. According to EBRD Chief Economist at the time, Erik Berglof, “The recent turmoil in international financial markets has raised questions about whether market conditions will remain benign” (EBRD, 2007, p. 8). Ultimately the global financial crisis that began in summer 2007 was having limited effect on the transition countries according to the EBRD.

The crisis proper appears in the 2008 TR. A whole chapter (Chapter 2: The global credit crisis and the transition region) is dedicated to the financial crisis, in contrast to the text box in TR 2007. TR2009 is unequivocal, “The past year has witnessed the worst crisis in the transition region since the output collapse that followed the end of central planning in the early 1990” (EBRD, 2009, p. iv). By 2010 the content of the reports has adjusted again from crisis to recession. TR 2010 notes that “most of the countries in the EBRD region have begun to recover from their worst recessions since the early transition years” (EBRD, 2010, p. 30).

By 2012 the arrival of a new crisis is being broadcast, instigated by the Eurozone and brought into ECE. In this report, this new crisis has suddenly hit the region. Therefore, the reoriented focus is on both crises, defining them under different terms and underlining their differences and similarities. Chapter 2 in TR 2012 pointedly addresses the second crisis and is entitled “Transition region in the shadows of the eurozone crisis”. The EBRD identified two chronologically distinct crises. The first crisis is the 2008-9 crisis. Note that the EBRD discusses how “some countries have not yet fully recovered from the impact of the 2008-09 crisis, and a few have slipped into recession again … in many labour markets never fully recovered from the 2008-09 crisis” (EBRD, 2012, p. 29). The second crisis arrived in late 2011, after a slow recovery in most of ECE, and is delineated as the eurozone/sovereign debt crisis. Berglof’s foreword to TR 2012 reveals the institutional thinking and the small shifts within the internal discourse.

The nature of the crisis has changed fundamentally since 2008. What started as a banking crisis in a small group of countries has transformed into a sovereign crisis in the eurozone which has in turn weakened European banks and led to a withdrawal of funding from emerging Europe and to some extent from the southern and eastern Mediterranean (EBRD, 2012, p. 4).
Unlike 2008, the new crisis has not hit ECE at the height of an unsustainable boom and certain implications follow from this.

_Censuring those responsible for the crisis_

What did the EBRD consider to be the cause of the crises? In TR2007 the initial cause of “market turmoil lay in the US mortgage markets” (EBRD, 2007, p. 14) but this cause disappears by 2008:

The manifestations of the crisis are everywhere. Stock markets have plunged and several countries have experienced rapid capital outflows and pressures on their currencies. Inter-bank rates have also increased markedly. … There are now increasing signs that the wider economy is being affected, with industrial production slowing down and even contracting in many countries (EBRD, 2008, p. vi).

These changes emerge not only from increasingly expensive credit and a rapid reduction of growth in key Eurozone export markets, but also increasingly from the shutdown of traditional lending channels, as asserted in an IMF working paper (Kapan & Minoiu, 2013, p. 6). In addition, governments are impacted through lower ratings and speculation against individual currencies that in some cases forced ECE states to seek support from the IFIs, with significant corrosive implications for populations across Europe (Prosser, 2014). I return to this point below.

The dangers are discussed at length in TR 2009:

While economic integration was a powerful driver of growth, it also set up the transition region for the crisis … first, by creating potential channels for contagion in the event that exports, remittances and other financial inflows declined; and second, by contributing to macroeconomic and financial vulnerabilities, particularly between 2005 and 2007, which coincided with a period of high global output growth, soaring commodity prices and abundant liquidity (EBRD, 2009, p. 42).

By 2010 the post-crisis agenda is consolidating around which reforms should be undertaken by ECE governments to embark upon the recovery process. From 2010 onwards then there is less assertion in the EBRD material on the causes of crisis, and more on the path towards recovery.

What is crucial though, as already stated in the previous TR2009, the problems for the EBRD region originated from pre-crisis vulnerabilities, and not necessarily from the crisis itself. That is why a new or at least revisited reform agenda is not only necessary, but mandatory: “For the most part, however, the need for a new growth agenda (if not a new growth model) comes in response to a problem that has little to do with the crisis” (EBRD, 2010, p. v emphasis added).

TR2012 engages with this criticism and analyses proposals for a supranational banking union in the EU, indicting how the “benefits of an integrated banking system in Europe were not seriously doubted. Cross-border and multinational banking was viewed as a natural element of economic integration and trade services” (EBRD, 2012, p. 48). However, something vital has changed in the perception of this integrated banking system after the first crisis: “Foreign banks seemed to be a (or even the) main culprit of the 2005–08 credit bubble in foreign currency, which burst by 2009 and contributed to large falls in output of about 6 per cent on average in ECE]” (EBRD, 2012, p. 48). Multinational banks have gone from being lauded for their development prospects to being a conduit for crisis from the West. Prior to this point the impact of foreign banks had been considered as relatively positive allowing more firms and households to access credit despite concerns over speculative practices and the lack of depth to bank engagement as opposed to beneficial financial innovation (Caporale, Rault, Sova, & Sova, 2015, p. 50). Indeed by 2012, the TR affirms that “foreign banks mutated from paragons of integration
to pariahs of the crisis within barely a year” (EBRD, 2012, p. 48).

What does this tell us about how the EBRD views the crisis and those responsible? It underlines the regional systemic importance for the EBRD in framing the extent of crisis as transmitted by foreign banks. The significance of the crisis in ECE was not that it offered new insights into banking practice, but that in the EBRD’s own words it “[taught] a lesson on just how much damage these risks could cause in unprepared countries” (EBRD, 2012, p. 50). Preparation mattered to confront the return of political uncertainty in the crisis. For the EBRD political risk was back (if it ever went away) in a context where the growth outlook was feeble, when foreign banks were reducing their exposure in the region by deleveraging and other emerging markets were competing for FDI.

Resolving the crisis
While defining what is a crisis and identifying those responsible for crisis clearly matter, the real point of the discussion is to think about the politics of the solutions to that crisis. This is something the EBRD has much experience of (see Shields, 2016). By 2013 the main problem facing ECE states according to the EBRD, as neatly indicated in the subtitle of TR2013 is the peril of becoming stuck in transition rather than the crisis itself. If anything the crisis has become a mechanism to escape being stuck; an intercession for further forwards failure. The focus of the 2013 Transition Report is on how policy makers can exit this immobility and what possible solutions can be found to reach future sustainable growth. As a result, there are no longer discussions or causes listed for either the 2008-09 turmoil nor the Eurozone crisis, rather opportunities for further reform, for failing forward again, have been opened up.

The EBRD TRs reproduce the limits of the possible solutions for the problems identified and the way ECE might emerge from the crisis. What are the possible solutions the EBRD diagnoses? In TR2008 Berglöf is unequivocal about the resolution to the financial crisis: long-term growth must be preserved, despite the short-term uncertain environment,

The challenges now are to implement the often more difficult and protracted market-sustaining reforms (such as competition policy, governance and company restructuring) that are essential for long-term growth, while trying to surmount the shorter-term pressures thrown up by events in the international economy. Failure to keep inflation under control and to ensure the stability and functioning of the financial system will make it hard, if not impossible, to implement effectively policies aimed at raising the long-term growth potential of these economies” (EBRD, 2008, p. vi).

A year later and concerns regarding the effective implementation of reform lead the EBRD to opine “in light of the crisis, what is the likelihood of such reforms actually being implemented? Will this crisis act as a catalyst for reforms, or will it lead to a backlash against the market model?” (EBRD, 2009, p. vii). The old growth model needs to be adapted. Policy changes are mooted to “internationally integrated, private-sector driven economies supported by market-enabling government institutions” (EBRD, 2010, p. v emphasis added).

To quickly summarise then, what the next tranche of TRs highlight is that only a renewed commitment to reform can aid recovery and ensure that ECE overcomes the vulnerabilities accumulated during the transition period. For the EBRD this will be the great challenge ahead, “in recovering economies, where memories of the crisis are still fresh, conditions for reform should be favourable. But the opportunity could be missed” (EBRD, 2010, p. v). Yes, ECE states may well be stuck in transition, but the EBRD is here to offer sage advice on and sound investment in the effective direction of reform as each iteration of reform fails.
The institutional outcome of attempts at ‘coordinated crisis management’ by the EBRD, private sector actors (mainly banks), other IFI and EU institutions led to the creation of the ‘Vienna Initiative’ in 2009, and further responses again in 2011. The EBRD played a crucial role in implementation of this initiative to minimise systemic risks in ECE and banks’ home countries, shifted focus to domestic production and finance, and a now permanent emergency response to crisis in the region. Taking the opportunity to renew commitment across the region to neoliberal reforms, the EBRD did not waste a good crisis to nurture fail forwards neoliberal transitions,

Most countries are demonstrating continuing commitment to market reforms and democratic processes. A crisis can lead to reversals, but can also create new opportunities in healthier and stronger systems. The EBRD is committed to being the catalyst in this process” (EBRD, 2008, p. 21).

The outcome the EBRD is targeting is how to extend the neoliberal transition agenda. The policy packages over the last 30 years focused on the business environment and a well functioning state has produced meagre results and a reinvigorated far right. These have been entirely accommodated by the variegation of fail forward neoliberalisation as intellectually propelled in the EBRD TRs. The EBRD makes the leading contribution amongst IFIs in ECE.

Conclusion

This paper has argued that the EBRD can be fruitfully understood as a collective organic intellectual that interprets the articulation of crises as new historical circumstances that necessitate supposedly novel thinking to commit the embedding and dissemination of a particular ‘common sense’ about neoliberalisation. The social function of RDBs as collective organic intellectuals like the EBRD is to elaborate a dominant ideology in order to ensure the reproduction of neoliberal social relations. As should be evident, this is a political project of agenda setting to prevent the emergence of legitimate alternatives as a new modality of post-crisis reform is emerging in ECE (and indeed in Western Europe). The EBRD is central to repeatedly establishing the limits of the possible as contiguous with neoliberalisation in transition.

Unlike most commentary on the so-called ‘global financial crisis’ that ostensibly began to unfold in 2007, this paper sought to locate these more immediate developments in light of the longer-term historical processes of global restructuring. Responses to the crisis have appeared configured as an often incoherent and contradictory bricolage. These partially coordinated political responses are being deployed in the context of concerns about failing democratic legitimacy and, in some places not least ECE, significant social unrest. The EBRD does not the resolve the contradictions of neoliberalisation but with each failure reproduces them in new and developed forms. The paper is also not just about what RDBs do but also hints at problems extant in Economics in general. As the section on the TRs shows the EBRD discourse is heavily technicised, and it is difficult to engage unless you know the discourse, the language. One look at the minimal responses to EBRD consultation papers should be enough to illustrate the lack of expertise, the lack of interest to comment. The crisis concentrates the benefits, and diffuses the losses, and yes, perhaps the discourse frays at the edges, but that is all, before once again failing forwards, replaced with new narratives of neoliberal coherence.

This area of investigation undoubtedly requires further conceptualisation and empirical analysis, in particular how private interest is privileged over the interest of the broader public of ECE, but for now the paper has begun to uncover the implications of collective organic
intellectuals and their blueprints for the further failing forward of neoliberal hegemony. Hegemony occurs where this becomes considered to be the only common sense alternative. As the paper illustrated, hegemony is never complete. It requires constant adaptation, constant mediation as social relations shift. The EBRD has been adept at recalibrating or inverting what is considered neoliberal ‘common sense’ in transition states to ensure the supremacy of capital over labour.
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Notes

1 There was limited academic engagement with the policy role of EBRD after it was set up in the early stages of post-communist transition (Bronstone, 1999; Weber, 1994) alongside occasional mentions of the institution as part of a broader analysis of the impact of regionalisation in ECE (Smith, 2002). The little current research that exists on this institution has periodised the EBRD’s reform strategies in ECE (Shields, 2016), appraised the gendered dimensions of EBRD policy formulations (Shields & Wallin, 2015) and explored the indicators adopted to evaluate country progress in transition (Myant & Drahokoupil, 2012). For an institution that invested €9.4 billion across Europe, Asia, and the Middle East in 2015 alone (EBRD, 2015a), this remains a serious lacuna in our knowledge of the contemporary IPE. There is of course though a veritable landslide of material produced by the EBRD itself, as even the most cursory glance at the institutional website affirms, and the institution remains “the primary source” of data on transition for academic and other IFIs (Carvalho, Nepal, & Jamasb, 2016, p. 1332). In this section, the paper builds on the notion of the collective organic intellectual explored above and thinks about how the EBRD has participated in the establishment of neoliberal hegemony in ECE, and increasingly well beyond, since the crisis began. The paper offers some brief contextualising comments on the EBRD’s establishment that might be helpful at this point given the general absence of the EBRD in the literature.

2 The EBRD was formally established on 29 May 1990 and was operational in less than a year, on 15 April 1991 (Shihata & Attali, 1990). The EBRD, a mix of Western lenders and ECE borrowers, is the largest single investor in the private sectors of ECE. The EBRD is owned by its 64 member states and two intergovernmental institutions (the EU and EIB). Since 1991 it has participated in 4065 projects, investing €90.1 billion. This is a substantial player in regional development, and as noted, long ignored in academic debates. Alongside investment in the private sector the EBRD also invests in state owned enterprises committed to privatisation. It is open about its parallelism alongside the OECD, the IMF, the World Bank and UN specialised agencies. One recent example would be the Life in Transition survey collaboration with the World Bank to analyse and understand how transition has affected the lives of people in the countries of operation (EBRD, 2011). The most obvious recent example of this is the Vienna Initiative set up in 2008 to prevent foreign capital flight after the global financial crisis (EBRD, 2009, p. 18). This included the EBRD, EIB, European Commission, IMF, and the World Bank.

3 The post-colonial comparison sits uneasily with many scholars of the region, but critical political economy engagement with institutions like the EBRD start to expose something akin to a form of Bayart’s extraversion whereby ECE has actively participated in the processes that have created and maintained the region’s peripheral position within European political economy. As Bayart notes, “forces which constituted the colonial state and the colonial relations of production were not all exterior to the society which was being colonized” (Bayart, 2000, p. 231). There is a long history in ECE of elites being imbricated in the colonial/post-colonial process, see Wolff, (1994) for historical exploration of this and (Zarycki, 2014) on the contemporary synthesis of peripheralisation and the role of the intelligentsia.

4 As Gramsci indicated this communication is crucial, The popular element ‘feels’ but does not understand or know. The intellectual element ‘knows’ but does not understand and, above all, does not feel … One cannot make history-politics without passion, that is, without being emotionally tied to the people, without feeling the rudimentary passions of the people, understanding them, and hence explaining [and justifying] them in the specific historical situation and linking them dialectically to the laws of history, that is, to a scientifically elaborated superior conception of the world: namely, ‘knowledge’ (Gramsci, 1996, p. 173).

5 Beginning in 1994 the EBRD produced a set of nine transition indicators designed to measure
individual countries’ progress (EBRD, 1995, p. 11; see also Smith, 2002). In this way the EBRD created a discursive standard as a benchmark of transition, which meant countries’ progress could be compared with one another and over time. Such benchmarking is far reaching, despite, “[Sounding] like a fancy word for goal setting, but its meaning is rather different. Benchmarking refers to the practice of a firm or agency undertaking internal reforms on the basis of studying and then importing the practices of other, more successful firms or agencies. In other words, benchmarks are set by industry leaders, and benchmarking represents the process of non-leaders understanding, distilling, and then implementing the practices that make those leaders successful (Brown, 2015, p. 136).

The paper does not seek to engage with the indicators, but just notes their important here as one of the mechanisms at work for the construction of neoliberal rationalities. For one of the few serious critical engagements see Myant & Drahokoupil (2012).

6 Perhaps other tangential evidence might be helpful? In a European Parliament report on Transitional allowances for former EU office holders, “Room for improvement is identified regarding the effectiveness of transitional allowances, e.g. in terms of preventing conflicts of interest” (European Parliament, 2017, p. 55). Which institution features as a regular destination of former EU office holders? The EBRD.

7 It is worth noting that Egypt is now one of the EBRD’s countries of operation, (Shields, 2016).

8 For mainstream affirmation of this, see Becker, Jäger, Leubolt, & Weissenbacher, 2010; Berglof, Yifu Lin, & Radosevic, 2015, p. 90; and a critical account in Gill (2017, p. 638–641).