

Summary and conclusions: towards the institutional theory of crisis

In the approach to the crisis phenomenon our project aims to compare two perspectives, namely that of political science and the other, economic. We have focused on an analysis of four elements of the crisis, namely: (1) the development problem, (2) the structural problem, (3) the management problem, and (4) the problem of the weakening legitimacy of a specific crisis-stricken system¹. This is our proposal for a methodological approach to the evaluation of crisis reality, and to research the ways of overcoming the crisis by state authorities. The four aspects of the analysis we have proposed are an attempt to view the crisis from various perspectives, which are interrelated but not always possible to be clearly separated. In this summary of the entire research I am attempting to draw a major conclusion in each of the four analysis' segments, and then to make a theoretical synthesis.

The starting point for further reflections will be by reiteration of the definition of the crisis embedded in our research. There are various types of crises and the same can be said about their scale, dynamics and duration; this follows from objective economic indicators and also – as Marek Cichocki argues – from social perceptions and dominant cultural values in a given community. This latter approach is close to the constructivist theory, because it makes the crisis phenomenon dependent on social perceptions and core values. Theoretical perspective of this kind is most completely visible in our study with regard to the issue of political legitimacy. Returning to the definition we recognise that in the case of major crises we deal with the highlighted dysfunctions and limitations of a given system. This may follow on from inherent institutional gaps or internal contradictions². A crisis is manifested via several emerging economic problems, which lead to a loss of political stability. In our interpretation this signifies first of all a disturbance or even suspension of existing economic development processes, which then bring about political consequences. A crisis in the

¹ For a broader discussion see: T.G. Grosse (2013) (red.): *Między polityką a rynkiem. Kryzys Unii Europejskiej w analizie ekonomistów i politologów*, Warsaw: Uczelnia Łazarskiego.

² B. Badie, D. Berg-Schlosser, L. Morlino (eds.) (2011): *International Encyclopedia of Political Science*, vol. 2, London: Sage, pp. 489–493.

economic domain contributes to the weakening of the potential in the international arena of a given political entity and disturbs prior processes in its internal policies, which - by the way - hamper the possibility to manage the crisis. Another manifestation of the crisis in the political sphere is by the weakening of the legitimisation for the authority, which may impact on those in power or even challenge the entire political system.

(1) Development challenge

A Marxist approach is close to our understanding of the crisis and this is what Marek Cichocki points out in his chapter. In view of the said theory, a crisis disturbs the development of the capitalist system by revealing its internal contradictions. As representatives of the discussed school of thought argue, these first of all concern any discrepancies between the interests of capitalists and the proletariat, which gradually accumulate as the system develops, and eventually lead to a systemic crisis, i.e. a revolution. An interesting observation of Marxists is that the forces which guarantee the development of capitalism (i.e. to secure capital accumulation) also lead to its downfall, or at least a crisis. The growth of capital accumulation causes a widening of economic disparities which translate into increasing polarisation between social classes, and eventually leads to the outbreak of dissatisfaction and political rebellion³. Marxists also point out that maintenance of the capitalist system development follows from asymmetric access to political power between social classes for the benefit of capitalists.

It appears that some crisis phenomena identified by representatives of the Marxist school can be used for the analysis of contemporary crises and in view of other theories too, as in the case of our research. For example, the Eurozone crisis after 2010 followed on from the contradictions inherent in the said system, first of all between the states which based their economic development model on the export of capital, production and services and those that imported the products, while basing their own model largely on exogenous growth factors⁴. The axis of this division was brought about by the different levels of economic

³ J.A. Caporaso, D.P. Levine (1992): *Theories of Political Economy*, Cambridge: Cambridge University Press, pp. 70–71.

⁴ Exogeneity of economy in this paper signifies the dependence of developmental processes of a given economy on access to external investments, technologies or developmental aid, and consequently on strategic

competitiveness between the two groups of states, but also resulted from different economic development models adopted in particular countries. Consequently the functioning of the Eurozone was based on the accumulation of macroeconomic imbalances between these two groups of states, which was manifested among other things by the differences between their respective current accounts, something that sooner or later was bound to lead to a serious crisis. The same reasons that drove the Eurozone development at the beginning of its existence – for example, the expansion of trade and financial investments from the richest and most competitive states to the remaining parts of the Eurozone – later became the cause of crisis phenomena, by increasing the sovereign debt in the states importing external goods, services and capital. Macroeconomic imbalances followed largely because of improperly designed Eurozone institutions and institutional gaps within the system.

It is worthwhile pointing out that the institutional approach was the theory most frequently used by the researchers. For example, Łukasz Hardt asserts that properly designed regulatory system assessment institutions can be an important development instrument. Moreover, overcoming multiple problems or even crisis phenomena in the Polish development policy system requires a fundamental institutional correction. According to the new institutional economy approach, properly designed public institutions can exert a positive impact on economic development processes, e.g. to better define strategic targets and then better design public policy instruments, including regulatory ones⁵.

According to rational choice institutionalism, the shape of the designed institutions is a reflection of the interests of dominant political actors⁶. According to these assumptions, the design of the single currency regime resulted from political bargaining between member states; and in those negotiations the decisive voice belonged to the richest and most competitive states, which later also derived the greatest economic benefits from the European single currency system. The asymmetry of political power within the Eurozone led to an uneven distribution of benefits and costs related to its functioning. Exactly the same

decisions made mainly by external political centres or investors. See: T.G. Grosse (2014): *The golden straitjacket of Poland's membership in the EU*, Yearbook of Polish European Studies, vol. 17, pp. 117-138.

⁵ See: D. Acemoglu, J.A. Robinson (2012): *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*, New York: Crown Publishing; T. Legiędź (2013): *Nowa ekonomia instytucjonalna a zmiany paradygmatu rozwoju gospodarczego*, *Ekonomia – Economics*, 4 (25), s. 77–91.

⁶ P.A. Hall, R. Taylor (1996): *Political Science and the Three Institutionalisms*, *Political Studies*, 44, s. 936–957; K. Shepsle (2005): *Rational Choice Institutionalism*, Cambridge: Harvard University Press.

rule became manifest during the crisis and as part of the anti-crisis policy undertaken by Eurozone policy-makers. What is more, as I argue in my chapter – the aforementioned institutional dysfunctions were not fundamentally overcome during the crisis and the costs of the said crisis were largely transferred onto troubled states, which at the same time had a much weaker position in the political power system.

The chapter by Marek Cichocki associates crisis phenomenon with a strategy designed to overcome the crisis. The author demonstrates that the most important aspect of such a strategy is the dimension of social and political mobilization, which is much less about the possibility to implement all of the provisions outlined in such a strategy⁷. It seems that such an anti-crisis strategy may be referred to attempts at restoring development on the basis of prior mechanisms and sources or at finding new development opportunities, both in the economic and political domain. Cichocki points out two general anti-crisis strategies: defensive and offensive. The former tries to defend the *status quo*, i.e. to restore the arrangement of political and economic forces that would enable a return to a previously pursued development mode. In the case of the Eurozone this would translate into maintenance of the prior division of power and distribution of economic benefits within the system. On the other hand, the offensive strategy is tantamount to expansion towards new growth factors and such reconstruction of the political system that would secure improvement of its internal controllability and growth of its international power. In the case of the European Union this would mainly translate into an „institutional breakthrough” towards a political federation or at least into a deepening of political integration within the Eurozone. It appears that the anti-crisis strategy in Europe was the defensive one, largely aimed at restoring the *status quo*⁸. However, as I assert in the chapter on that topic – it significantly modified the prior model governing the functioning of European integration, something I call the systemic tendency towards an *asymmetric confederation*. It is based on the expansion of intergovernmental governance and a growing power hierarchy between the biggest and richest states and those immersed in troubles ---or located on the peripheries.

⁷ See: M. Dobry (1995): *Socjologia kryzysów politycznych*, Warszawa: PWN, pp. 19–20.

⁸ T.G. Grosse (2015): *Overcoming Crisis in the Process of European Integration*, in: K.A. Wojtaszczyk (ed.), *Crises in the Process of European Integration and Approaches to their Management*, Warsaw: ASPRA-JR, pp. 61–80.

According to Jan Fałkowski, stimulation of economic development is an indispensable element of exit from a debt crisis. From such a viewpoint, the anti-crisis strategy pursued in the Eurozone was crucially opposite, as it was based on an austerity policy, which at least in the inception phase restricted economic growth opportunities, increased unemployment and led to serious tensions within the political system. It inadequately contributed to a change of the economic development model in the crisis-stricken countries, particularly as concerns enhancement of the competitiveness of local enterprises.

Regardless of the undertaken anti-crisis strategy, one can also imagine an (unintentional) outcome of the crisis that will have a disintegrating dimension for the economic regime or political system in place before. Thus it will reduce opportunities for further development, at least within the earlier institutional framework. With regard to economic theories this is the scenario of the so-called *creative destruction* of Schumpeter⁹, for example, aiming to replace the old development model with a new one. In the case of the European Union or Eurozone this could translate into the replacement of one regional integration formula with a new one (or new ones). At least in its assumptions (and after a period of turbulence following from the said change) it could secure opportunities for a more stable internal and geopolitical development for the new arrangement.

Piotr Koryś refers to the economic development model in the context of the Asian crisis of 1997. He asserts that the majority of South-East Asian states based their development on the exogenous model, which was challenged by the crisis. The aforementioned model was based on the liberalisation of financial markets and the powerful inflow of foreign capital, and on the quite superficial economic competitiveness in the said countries. It was related to a cheap workforce and the relative weakness and stability of the local currency in the initial prosperity period. What began as the development force of the model, i.e. the opening up to foreign capital inflows, in 1997 became the cause of the crisis resulting from the sudden outflow of capital from the said capital. The superficial competitiveness disappeared in the situation of the local currencies' appreciation on the wave of investment inflows before 1997, including speculative investments. The strong inflow of external capital in the said period caused the same side effects in the Asian states as those we observed just before outbreak of the crisis in the slowly developing states in the south of the Eurozone. The

⁹ J.A. Schumpeter (1994) [1942]: *Capitalism, Socialism and Democracy*, London: Routledge, pp. 82–83.

pressure on salary rises and inflation increased, the speculative bubble of certain assets, particularly of real estate, grew; moreover, there was a leapfrog of growth in lending volume and private debt, largely in foreign currencies. The disturbances in the financial area in both of the aforementioned crises (related among other things to the escape of foreign capital, a decline in the banking sector, and in addition, to the devaluation of local currency exchange rates in Asian countries) rapidly translated into real economy and then also into problems of the political system.

It is worthwhile pointing out that the approach to development policies in Asian states combined openness to globalisation and economic liberalism with state interventionism, as well as selective protectionism and industrial policy targeted at export promotion¹⁰. Some experts point out that the development model preferred in Eastern and South-Eastern Asia quite swiftly became differentiated into countries which based their competitiveness on cheap production costs (mainly wide availability of workforce), which was visible particularly in the south-eastern part of the continent, and into such states as Japan, South Korea, Taiwan, and later also China, which later, shifted their development model towards innovation and advanced technologies. So these were the different strategies governing the use of endogenous resources for the promotion of economic growth based on export¹¹. The capital needs of dynamically developing economies and pressure from the International Monetary Fund (IMF) and the US government in the 1980s and 1990s led to the liberalisation of capital flows in that part of the world as well as the opening up to external investors¹². The main problem was because of the excessive inflow of short-term and speculative capital in mid 1990s. Economists point out that the shared feature of the above mentioned crises was the inflow of external capital, which excessively stimulated consumption, plus external debt and financial speculation, while it was inadequately targeted at investments in production or for the building of competitive advantages of local economies¹³.

¹⁰ M. Woo-Cumings (ed.) (1999): *The Developmental State*, Ithaca: Cornell University Press.

¹¹ T.B. Pepinsky (2015): *Political Business and External Vulnerability in Southeast Asia*, in: T.J. Pempel, K. Tsunekawa (eds.): *Two Crises, Different Outcomes*, Ithaca – London: Cornell University Press, pp. 137-162 [140]; R. Doner (2015): *Success as Trap? Crises and Challenges in Export Oriented Southeast Asia*, in: T.J. Pempel, K. Tsunekawa (eds.): *Two Crises, Different Outcomes*, Ithaca – London: Cornell University Press, pp. 163-184.

¹² S. Greenville (2000): *Capital Flows and Crises*, in: G. W. Noble, J. Ravenhill (eds.): *The Asian Financial Crisis and the Architecture of Global Finance*, Cambridge: Cambridge University Press, pp. 36-56 [39-40].

¹³ A. Turner (2016): *Between Debt and the Devil. Money, Credit, and Fixing Global Finance*, Princeton – Oxford: Princeton University Press, p. 151; T.J. Pempel (2015): *Two Crises, Two Outcomes*, in: T.J. Pempel, K. Tsunekawa (eds.): *Two Crises, Different Outcomes*, Ithaca – London: Cornell University Press, pp. 17-40 [27].

The Asian crisis particularly challenged the development strategy aspect that was based on the excessive liberalisation of capital flows and which enabled first the inflows and then a sudden outflow of funds focused on fast profits. The post-crisis reforms did not bring about, in each case, a fundamental change to the development model. The most successful in overcoming the crisis were such states as South Korea and Taiwan, which maintained the prior opening to globalisation and export promotion strategy combined with actions targeted at the building of an endogenous basis for economic development. This was done by strengthening the innovation of domestic companies and building the potential of the local scientific and research sector. It seems that in the case of the aforementioned states this was more of a correction of an earlier model than its thorough reconstruction. Both states already earlier had been building internal potential for development, largely based on exports to foreign markets. One outcome of the crisis in the case of the majority of the states of the region was the limitation of capital flows, an improvement of the quality of financial supervision and regulations, which resulted in a reduction of the scope of financial speculations. Moreover, capital reserves in central banks and the banking sector were increased in case of another contingent crisis¹⁴. Another consequence was the impulse for closer economic and political cooperation in the region, also in financial terms, which were manifested by bilateral contracts related to currency swaps¹⁵ and the so called Chiang-Mai initiative¹⁶. There was one more major outcome: a stronger linkage between most states of the region and the Chinese economy. Therefore, the Asian crisis brought about significant changes of a structural nature in the region, both in economic and geopolitical terms.

(2) Structural dimension

The structural aspects of the crisis refer mainly to economy and concern a dysfunctional configuration of production factors, or - more widely - an improper development level and

¹⁴ W.W. Grimes (2009): *Currency and Contest in East Asia: The Great Power Politics of Financial Regionalism*, Ithaca: Cornell University Press.

¹⁵ A currency swap is a contract whereby the parties (in the case of contracts between states, the parties are their central banks) decide to exchange specific amounts with due interest in different currencies for a specified time.

¹⁶ The Chiang Mai initiative was initiated by a series of bilateral swap contracts at the meeting of ASEAN+3 group on 6 May 2000. Then it evolved towards a multilateral agreement within the group. The agreement takes advantage of a part of the currency reserves of central banks; in 2012 it concerned the total amount of 240 billion USD.

economic competitiveness. According to some economists¹⁷ the recent global crises, and first of all the Great Recession which began in 2008, are manifestations of the structural problems of the neoliberal capitalism formula, which is characterised by growing social inequalities, excessive deregulation of financial markets, speculative financial institutions and underinvestment of the production sphere (or so-called real economy). A good example of structural problems was the development model preferred by some Asian states in 1990s. It was based on the liberalisation of capital flows, the stabilisation of the exchange rates of local currencies to the USD and additionally by quite shallow competitiveness following from cheap production costs accompanied by a growing current account balance deficit (particularly in the south-eastern part of the region). Such a development model was initially functional, but later proved to be a structural trap, which brought about excessive debt, appreciation of local currencies, inflation growth and declining competitiveness, and eventually resulted in a monetary, financial and real economy crisis.

In addition, in the research carried out, we were interested in the structural dimension in the geopolitical sphere. As Piotr Koryś asserts, the Asian crisis brought about serious changes in this respect, mainly related to the growing position of China in the region and the weakening influence of Japan and the USA. A fundamental role was played by economic processes, including the replacement of Japan by China as the country having the core role in the economic exchange in the region. This situation also brought serious implications for the geopolitical structure in this part of the world. Another consequence was the intensification of economic and political cooperation within ASEAN¹⁸ in connection with China, Japan and South Korea (ASEAN+3)¹⁹.

The Eurozone crisis can be also analysed in a structural dimension. In economic terms, strong macroeconomic differences became manifested within the Eurozone, including deepening disparities related to the competitiveness of particular economies. The structural

¹⁷ D.M. Kotz (2015): *The Rise and Fall of Neoliberal Capitalism*, Cambridge: Harvard University Press. Critical opinions about liberalisation of capital flows, and the austerity policy applied during crises instead of fostering economic growth were also put forward by leading IMF economists; see: J.D. Ostry, P. Loungani, D. Furceri (2016): *Neoliberalism: Oversold?*, Finance & Development, June 2016, 53 (2), pp. 38–41.

¹⁸ The Association of Southeast Asian Nations (ASEAN) established on 8 August 1967 in Bangkok, whose seat is located in Jakarta. The members are (in the sequence of accession): the Philippines, Indonesia, Malaysia, Singapore, Thailand (the founding states), Brunei (since 8 January 1984), Vietnam (since 28 July 1995), Laos and Myanmar (Burma) (since 23 July 1997), Cambodia (since 30 April 1999).

¹⁹ T.J. Pempel (2015): *Two Crises, Two Outcomes*, in T.J. Pempel, K. Tsunekawa (eds.): *Two Crises, Different Outcomes*, Ithaca – London: Cornell University Press, pp. 17-40 [36].

reforms forced by the crisis encountered resistance, and the main burden of economic adjustments was transferred onto trouble-stricken countries. At the same time a deterioration of the economic situation strongly influenced geopolitics, both internally within the EU, and in external relations.

The leading theory for a structural analysis in international studies is so-called structural realism²⁰. According to this approach, international relations create systemic relationships and power hierarchy between particular actors in the regional and global arena and the basic element of the said structure is the distribution of power or of geopolitical potentials between particular entities. Disturbance of the geopolitical is the cause and at the same time a manifestation of international crises. The crisis is also an opportunity to rebuild the international system, and establish new power relations, i.e. a new hierarchy between particular actors. In the case of the Eurozone, the structural disturbances took place in at least three dimensions even before 2008, and they intensified during the crisis. First, between the great powers and particularly between the weakening France and increasingly powerful Germany. Problems of the single currency even in the transitional period led to making Germany a state with an almost hegemonic status in Europe. Second, disproportions between core and periphery states within the said system deepened while some states previously recognised as core states experienced a significant decline in their international positions and of their influence over EU and Eurozone policies. On the one hand an example of such a country is Italy, which was gradually losing its economic significance and became immersed in internal problems. On the other hand, the geopolitical role of the United Kingdom in European Union policies was declining, mainly because it remained outside the Eurozone, but also because it increasingly distanced itself from integration processes. Third, the relationship has deepened between the asymmetry of political power and distribution of the costs and benefits from European integration between particular member states. The aforementioned process was dramatically accelerated in the crisis for the benefit of the richest states - those having the biggest political influence in the EU. It created an opportunity to exert structural pressure by the biggest states on those stricken by crisis, mainly in the economic dimension, which also resulted in deepening of the hierarchy within the political system. This then, was the pressure of geo-economics, whereby economic

²⁰ K. Waltz (1979): *Theory of International Politics*, Reading: Addison-Wesley Publishing Company.

instruments were undertaken on the basis of existing asymmetry of power and then additionally deepened.

The institutional theory, particularly its rational choice school and historical school, may also offer a good explanation for structural changes in the Eurozone. According to both of the aforementioned currents of thought, institutions are tools for the realisation of interests in the strategic dimension, and they also reflect the asymmetry of power between particular actors, e.g. states. Because their own potentials differ, these are mainly the countries with the biggest resources that contribute to the shaping of international institutions, and doing this in accordance with their own rationalities and interests²¹. In line with such an approach, the anti-crisis institutions in the Eurozone were designed by the most influential states, and first and foremost in conformity with their interests and preferences of their domestic constituencies, while much less accounting for the rationality of the functioning of the entire Eurozone or election preferences in the most crisis-stricken states. In my chapter, I called the described phenomenon as the “asymmetry of rationality” which in my opinion brought negative consequences for crisis management.

(3) Management problems

The concept of maintaining controllability over the crisis situation seems to be of fundamental significance for crisis management. This can be understood as the ability to control the crisis and influence it in such a way as to solve the sources of problems and not only their symptoms, and consequently to aim at recovering from difficulties and restoring development processes. It seems that one of the elements of controllability so understood is „power over oneself”, i.e. the fact that a given entity has adequate resources and political power to be able to perform anti-crisis measures effectively. I propose referring the analysis of controllability over the crisis to an external dimension with internal determinants. The attention of researchers under our project focused again first of all on the institutions that might restrict or facilitate crisis management, both those defined in the context of external influence on policy-makers and those treated as internal determinants.

²¹ P.J. Katzenstein (ed.) (1978): *Between Power and Plenty: Foreign Economic Policies of Advanced Industrial States*, Madison: University of Wisconsin Press; S. Saurugger (2014): *Theoretical Approaches to European Integration*, Houndsmill: Palgrave Macmillan, p. 93.

Restrictions for crisis management can be brought about e.g. by external political pressures, which impose reforms or other internal adjustments aimed to overcome pressing problems. Other external restrictions on management may be by the impact of ideas, values or international regulations, which e.g. may enhance the exogenous development (or block the possibility to channel the economy towards endogenous development). Norms of that type may lead to a reduction of controllability over the crisis, particularly when sources of the crisis are to be found in the dysfunction of the existing development model.

The Asian crisis was an example of the aforementioned external determinants. The IMF influenced the applied anti-crisis policy through stabilisation loans granted in exchange for reforms expected by this institution. Those reforms were not only very difficult for the states receiving financial supports, as they transferred the burden of economic adjustments onto local authorities. They also upheld the exogeneity of the economic models in the said countries, putting stress on the openness of those economies to liberal financial markets, and also supporting privatisation and attracting foreign investors. As Piotr Koryś points out, the local elites in many states responded with efforts aimed at regaining autonomy towards the external pressures, which resulted either in the swiftest possible exit from IMF aid programmes or even in rejection of any external support and of conditions related to recovery measures. As an example, Malaysia tried to restore the internal autonomy through a strong turn towards protectionism: the protection of internal markets, as well as control over capital flows and import substitution. It is worthwhile pointing out that the aforementioned Chiang-Mai initiative was supposed to improve the region's independence from the IMF's conditionality and enhance the bargaining position of particular states in potential future negotiations with the IMF or other financial institutions²².

Koryś thinks that the states of the region that had better economic and political institutions, including among other things more deeply and firmly established democracies, coped better with overcoming the crisis. It seems that the autonomy of those states was of great importance, and particularly the possibility to lever the features of the exogenous economic model towards the stimulation of endogenous development factors, while maintaining openness to regional and global economies. Success was particularly secured by such policy

²² T.J. Pempel (2010): *Soft Balancing, Hedging, and Institutional Darwinism: The Economic-Security Nexus and East Asian Regionalism*, *Journal of East Asian Studies*, 10, pp. 209–238; W.W. Grimes (2009): *Currency and Contest in East Asia: The Great Power Politics of Financial Regionalism*, Ithaca: Cornell University Press.

that built the competitiveness of the local economy on the basis of technological innovations accompanied by the building of safeguards against speculative investments.

During the Eurozone crisis we observed the same struggles of crisis-stricken states against external pressures from international institutions (the IMF, the European Central Bank [ECB] and the European Commission). Those institutions imposed a strategy for overcoming the crisis, which largely transferred the adjustment costs onto the aforementioned states while offering them very limited scope to negotiate recovery measures. Therefore, all states aimed at the swiftest possible exit from aid programmes, and more precisely from the necessity to implement restrictive political conditions accompanying the granted loans. This then was an effort on the part of those states which, to the greatest extent, aimed to regain internal autonomy and to relax the austerity policies imposed by international institutions and the states financing the aid programmes. An extreme example of an attempt to regain autonomy was Greece, which in the summer of 2015 openly revolted against the anti-crisis policy dictated in the Eurozone. This was manifested by the announcement of a referendum, whereby the society rejected such a policy. Nevertheless, the Greek government neither regained autonomy in crisis management nor did it reject the austerity policy imposed by external actors.

The question of the effectiveness of anti-crisis reforms undertaken under external pressure is also raised by Jan Fałkowski. On the one hand he argues that many states experiencing public finance (and excessive sovereign debt) problems are characterised by a very low level of fiscal competence, i.e. a given state's capacities with regard to the effective acquisition of public funding. This may entail the necessity to provide external support to improve those institutions and imitate the best foreign models with a view to strengthening the power of the state²³. On the other hand, a negative perception of external pressures by the society and local elites may greatly hamper changes of this type. What is more, external pressure may lead to the introduction of desirable reforms, but may also serve external economic and political interests, e.g. ones related to the exogenous development model or the existing hierarchy of power in international relations.

²³ See: T.G. Grosse (2007): *Koncepcja state capacity i jej odniesienie do współczesnej praktyki politycznej* [The concept of state capacity and its reference to the contemporary politics], *Studia Polityczne*, nr 20, pp. 35–62.

The concept of isomorphism created as part of institutionalism, addresses the aforementioned issues. It investigates the possibility to transfer institutions from one economic and social context into another one. The same institutions are not always equally effective, for example, in states with strongly developed regulatory systems and a legal culture, against those with weak structures of the rule of law and widespread corruption²⁴. The isomorphism concept, therefore, attaches stress to an institutional context, including in particular the local political and social culture in which a given solution is applied²⁵. Equally important is the ability to adapt external institutions in accordance with local development interests, and with a view to maximising benefits for the local economy and society, and not e.g. to building competitive advantages for foreign entities, unilaterally benefitting from such transfer of norms. Such action may result in a lack of „institutional adequacy”, which is evident in some integration processes in the EU, i.e. a match between European norms and local institutional determinants and economic interests in the member states²⁶.

Having internal autonomy, therefore, serves controllability over the crisis because it allows better matching of the anti-crisis strategy to local determinants, as well as social and local interests. This is of fundamental importance for the proper definition of the goals for such a strategy, as well as selection of the best instruments for its implementation. This also allows for better respect for the rules of democracy, and for adjustment of the costs of overcoming the crisis to the endurance of the local society, and for selection by such a society and its elites of such a strategy of exit from the crisis that creates the greatest chances of returning to a stable economic growth path.

The second aspect of the crisis management analysis is through internal determinants. Historical institutionalism draws attention to the role of history for the political decision-making process, including those referring to a crisis situation. They are path-dependent, which means that past institutional choices – including those related to norms, ideas or regulations, as well as procedural or organizational solutions – influence later decisions²⁷.

²⁴ P.J. DiMaggio, W.W. Powell (2004): *The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields*, in: F. Dobbin (ed.): *The New Economic Sociology. A Reader*, Princeton – Oxford: Princeton University Press,.

²⁵ M. Granovetter (1992): *Economic Institutional as Social Constructions: A Framework for Analysis*, *Acta Sociologica*, 35 (1), pp. 3–11.

²⁶ T.G. Grosse (2012): *W objęciach Europeizacji* [Embracing Europeanization], Warsaw: ISP PAN, pp. 69–70.

²⁷ P. Pierson (2004): *Politics in Time: History, Institutions and Social Analysis*, Princeton: Princeton University Press.

This fundamentally limits the possibilities to manage the crisis, which requires the disabling of prior systemic contradictions and dysfunctions, i.e. institutional creativity instead of imitation of past solutions. This particularly concerns a crisis of systemic nature, which disavows the fundamental functioning principles of a given arrangement, and consequently requires the introduction of new rules and institutions. Overcoming such a crisis is almost impossible under the old institutional arrangement or with reference to old recipes and action methods. European integration processes are examples of strong path dependency, making all changes incremental and distributed across time, rather than radical. Integration processes are the gradual layering of successive institutions²⁸ where rarely a punctuated equilibrium²⁹ or institutional breakthrough³⁰ takes place. Sometimes old institutions or configurations of interest related to them preclude any change or aim to uphold (rebuild) the political *status quo*. Therefore Schumpeter's creative destruction is not a method to overcome European integration problems. The described trends compound management in the EU of serious crises, because they lead to the undertaking of minimalist and partial actions, of a temporary or reactive nature, rarely responding to the real causes of the crisis, focusing to a greater extent on their manifestations or the postponing of problems in time.

Historical institutionalism argues that an institutional change does not always bring about the expected results, and at the same time is highly unpredictable. There are too many factors which can influence change and policy-makers designing new institutions do not fully control the consequences of their actions³¹. This, to a certain degree, recaps the conclusions drawn by Marek Cichocki, when he questions the possibility of attaining the goals of anti-crisis strategy owing to the complexity of the reality, as well as several variables and dynamics of social and political processes. In consequence to this, crisis management is a great challenge, although in the case of the Eurozone there was an additional problem of the improper definition of goals, and also of the instruments of anti-crisis policies. Policy-makers decided this was the crisis of the excessive debt of some monetary union states and therefore applied austerity policy instruments. But the real source of the crisis was mainly

²⁸ C. de la Porte, E. Heins (2015) : *A new era of European Integration? Governance of labour market and social policy since the sovereign debt crisis*, *Comparative European Politics*, 13 (1), pp. 8–28.

²⁹ V. Lowndes, M. Roberts (2013): *Why Institutions Matter. The new Institutionalism in Political Science*, New York: Palgrave Macmillan, pp. 112–120.

³⁰ T.G. Grosse (2016): *Eurozone crisis*, in this volume.

³¹ J.P. Olsen (2009): *Change and Continuity: An Institutional Approach to Institutions of Democratic Government*, *European Political Science Review*, 1 (1), s. 3–32.

systemic macroeconomic disparities in the zone, including in particular the difference of economic competitiveness levels and development models between the core and periphery states of the monetary regime. The proper goal should have been rather aimed at attempting to overcome those differences, with anti-crisis instruments being used to stimulate economic growth and structural changes towards the improvement of competitiveness in the south of the Eurozone. The erroneous crisis diagnosis therefore, led to the improper design of strategic goals and implementation measures.

It seems, however, that this was not an incidental situation but rather a function of the political arrangement in place in the monetary union. Such a definition of the goals for an exit from the crisis was related to a calculation of the implementation costs of various strategy variants, and in a broader dimension, also of the benefit distribution within the monetary union, and finally of the social approval for a given anti-crisis policy. The aforementioned calculations were made by entities which had the greatest influence over the decision-making process and first and foremost favoured their own interests, economies, fiscal situations in their states and domestic constituencies. The interests of politically weaker states, particularly the troubled ones, were much less reckoned with. Also much less cared about was a lack of consent on the part of the societies in those countries for such difficult reforms. What appears to be of equal importance is the particularistic interest of dominant states, mainly of Germany, and the rationality of anti-crisis actions of German politicians, which prevailed over the interests of the entire Eurozone, as well as over the rationality behind the functioning of the monetary union. I understand the latter first and foremost as being aimed at overcoming the fundamental problems and contradictions of the said system and the rebuilding of long-term and stable development under the monetary regime. I termed the described phenomena as *asymmetry of rationality*. It was the fundamental feature characterising the method of monetary union crisis management, and it also fundamentally hampered a swift recovery of the said crisis, rather contributing to increased political costs and unexpected side effects. Jan Fałkowski also draws attention to this aspect of crisis management. He argues that the particularistic approach – instead of the general one – hampers reforms aimed at the improvement of fiscal competences and the inability to cope with excessive debt. This happens whenever policy-makers are guided e.g.

by the interests of the political class and its clientele, instead of the needs of the state or strategic challenges related to economic development policies.

(4) Legitimacy challenge

According to Seymour Lipset, legitimacy involves the capacity of a political system to engender and maintain the belief that existing political institutions are the most appropriate and proper ones for the society. The basic aspect leading to engendering such a belief is the effectiveness of the government or its actual achievements³². Therefore, the legitimacy of any political system is based on the effectiveness of the governance and utility of the given system, which covers both the qualifications of the political elites in power, and also – in a wider dimension – of the political institutions that elect a given governing party and enable the effective performance of governance thereto. Legitimacy authorises the political system, both the elites and political institutions, and also determines efficiency of governance because it may either facilitate or hamper the implementation of political decisions. A particular test for any political system is by going through an economic crisis, which because of the deterioration of social welfare and emerging economic and social problems exerts pressure on the reduction of political legitimacy. At the same time a declining legitimacy may contribute to difficulties when making and implementing anti-crisis decisions, particularly ones entailing costs, which for that reason are unpopular or even rejected by the society.

So a crisis is a difficult situation for politicians and the entire system, exactly in the context of growing legitimacy problems. Particularly dangerous are those crises that are profound or systemic, i.e. ones that cannot be swiftly overcome, bring about even more dysfunctions and new challenges. Another type of danger is because of weak foundations of a given system's legitimacy. Fragility of legitimacy in the times of prosperity is not a problem for political power, but when a protracting crisis takes place; such fragility becomes a systemic challenge.

We were dealing with the aforementioned challenges in the Eurozone. First, the crisis was a major one, it was not adequately or efficiently managed, which not only made it difficult to overcome the crisis, but also gave rise to serious side effects and new problems. More crises

³² S.M. Lipset (1960): *Political Man: The Social Bases of Politics*, New York: Anchor Books.

emerged, including immigrants, geopolitics and relations with Russia, which fuelled old problems and added new ones. Second, since its establishment the European Union has been struggling against the problem of legitimacy weakness, which is also sometimes defined as democracy deficit. Democracy was the basis for the legitimacy of political power in Western Europe after WW2. Democracy is the political system in all EU member states. Therefore, democratic values and procedures are the basis of political culture in Europe; this also means that the political power of the European Union should be authorised in reference to democratic criteria. And at the European level the latter are inadequately met³³.

If “permissive consensus” for integration progress prevailed among European societies before the crisis, then economic difficulties brought about the phenomenon of “constraining dissensus” towards further integration³⁴. Dissatisfaction of the constituencies with protracting and accumulating crises was initially aimed against politicians currently in power at the national level, which led to a series of early elections and changes of governments in several EU states. Later this dissatisfaction gradually became anti-systemic. It was aimed at the EU and the existing political elites supporting European integration. This phenomenon was manifested in the popularity of new political groups, frequently euro-sceptical, challenging the existing integration processes, proposing among other things the restriction of EU regulations, as well as partial denationalisation of EU policies, withdrawal from certain integration areas and even from the EU itself.

The political system that took shape in the EU is two-tier, i.e. it functions simultaneously at national and European levels³⁵. The exhaustion of ideas upholding this system in EU societies was an element of the legitimacy crisis. Criticism aimed at the Union largely concerned management ineffectiveness, but it was also aimed at the unfair distribution of power as well as at the costs and benefits following on from integration within the system. The

³³ V.A. Schmidt (2004): *The European Union: Democratic Legitimacy in a Regional State?*, *Journal of Common Market Studies*, 42 (5), pp. 975–997; V. A. Schmidt (2006): *Democracy in Europe. The EU and National Politics*, Oxford – New York: Oxford University Press; T. Risse, M. Kleine (2007): *Assessing the Legitimacy of the EU’s Treaty Revision Methods*, *Journal of Common Market Studies*, 45 (1), pp. 69–80; A. Follesdal, S. Hix (2006): *Why There is a Democratic Deficit in the EU: A Response to Majone and Moravcsik*, *Journal of Common Market Studies*, 44 (3), pp. 533–562; T.G. Grosse (2012): *Changes in Western democracy: a systemic crisis, or a chance to overcome it?*, *Politeja*, 21 (3), pp. 133–154.

³⁴ L. Hooghe, G. Marks (2009): *A postfunctionalist theory of European integration: From permissive consensus to constraining dissensus*, *British Journal of Political Science*, 39 (1), pp. 1–23.

³⁵ T.G. Grosse (2012): *Dwupoziomowy system polityczny w Europie* [Two-tier political system in Europe], *Przegląd Europejski*, 25 (2), pp. 7–26.

double-dealing and hypocrisy of the European idea, therefore, was pointed out, as they increasingly masked the real political interests and processes, which did not serve the purpose of building a better political practice. Particularly stressed were the meagre democratic foundations for decisions made in the EU, as well as for any actions of European institutions that undermined or limited democratic power in the member states. This is how the foundations for political legitimacy of the entire system were disavowed. It was not by accident that opponents of integration used the institution of a democratic referendum as their main weapon. This is how the European anti-crisis policy was challenged – e.g. in Greece regarding the recovery actions in the Eurozone (in 2015), in the Netherlands with regard to the Association Agreement with Ukraine - being an attempt to stabilize the geopolitical conflict (2016) - and in Hungary in connection with methods for overcoming the migration crisis (announced in 2016). Referenda have also become methods to challenge staying in the EU, with the notable example of the United Kingdom (2016), but similar trends are increasingly visible in other states too, mainly in France and Italy³⁶. Therefore, accumulation of the crises that started back in 2008 brought about a relaunch of the “revolt of the masses” in Europe³⁷ or revolutionary sentiments towards the two-tier political system in the EU and in defence of national democracy³⁸.

This led to profound divisions between the “old” and “new” elites within particular societies and between EU states. Instead of performing a fundamental correction of anti-crisis policies, the pro-European mainstream responded to legitimacy problems by trying to marginalise euro-sceptical groups or remaining silent about decisions of voters that collided with anti-crisis measures or integration ideas.

The institutional theory analyses the issue of political legitimacy quite well, particularly from the perspective of constructivism and discursive institutionalism³⁹. In the latter case, legitimacy is based on normative discourse, and its dominant values and ideas are a source of authorisation (or challenging) of the existing political system. According to Michel

³⁶ The Ipsos survey of April 2016 indicated that 58 per cent of Italians and 55 per cent of the French would like to have a referendum held on staying in the EU similar to the British one. See: *Brexit vote set to fuel more referendums*, Financial Times, 9 May 2016, p. 2.

³⁷ J.O. Gasset (1994): *The Revolt of the Masses*, New York - London: W. W. Norton & Company.

³⁸ T.G. Grosse (2015): *A Potential for Revolution in Europe?*, in: B.J. Góralczyk (ed.): *European Union on The Global Scene: United or Irrelevant?* Warsaw: Centre for Europe, University of Warsaw, pp. 203–223.

³⁹ V.A. Schmidt (2008): *Discursive Institutionalism: The Explanatory Power of Ideas and Discourses*, Annual Review of Political Science, 11, pp. 303–326.

Foucault, discourse is a tool used to impose meanings, exert control over weaker or subordinated entities and to define the rules in a given political system⁴⁰. The same happened also during the single currency crisis when narration coming from European institutions and major EU capitals stressed the necessity to respect prior commitments related to the observance of fiscal criteria and the need to introduce austerity measures in the states that lived above their fiscal and economic capacities. Consequently the aforementioned arguments were intended to mobilise implementation of the anti-crisis policy preferred by EU policy-makers, primarily German politicians⁴¹.

It is also worthwhile pointing out that narration during each crisis is by nature delegitimising because it specifies the problems and dysfunctions that will sooner or later encumber the elites in power as well as inadequately efficient political institutions and hold them accountable for any emerging troubles. As I have already mentioned this mainly concerns the situation of a protracting crisis which particularly and painfully affects such systems that have fragile legitimacy foundations. As Piotr Koryś points out, democratic institutions were much stronger or more resilient to the economic crisis in Eastern and South-eastern Asia than those of an authoritarian nature. This provided a greater flexibility in responding to economic troubles in democracies, although at the same time resulted in a change of the ruling party or a rise in the popularity of extremist political groups. Nevertheless, this does not translate into anti-systemic movements, which are particularly dangerous for authoritarian regimes. It seems that authoritarian political systems also have more difficulty with the implementation of anti-crisis policies. Jan Fałkowski arrived at similar conclusions, asserting that democratic institutions ensure a better legitimacy, and consequently a more effective deployment of difficult fiscal reforms. In this context the pressure from international institutions, which may have a weak or no democratic mandate at all – can hamper political authorisation for such reforms.

Łukasz Hardt also pursues his reflections on legitimacy in an institutional context. On the one hand a fundamental role is played by democratic legitimacy, which assigns primacy in regulatory decision-making to elected politicians. On the other hand, their decisions can be

⁴⁰ M. Foucault (1990): *Politics, Philosophy, Culture: Interviews and Other Writings, 1977-1984*, London: Routledge; Revised ed. edition.

⁴¹ M. Matthijs (2016): *Powerful rules governing the euro: the perverse logic of German ideas*, *Journal of European Public Policy*, vol. 23, no. 3, pp. 375-391.

enriched by reflections of experts in a given field, as part of properly designed regulatory impact assessment (RIA) procedure. The author defines this type of enrichment of a given public policy as procedural or substantive legitimacy. At the same time he asserts that such a function is not fulfilled by the superficial application of RIA, which “is just a simple administrative exercise” aimed at justifying decisions already made by politicians. This means that technocratic legitimacy must bring about a real substantive effect, and not only window dressing. This seems to be the fundamental pre-condition for any type of legitimacy. If any institution has no greater influence over reality and only feigns actions – it cannot effectively fulfil the legitimising function⁴². Moreover, there is a hierarchic dependency between various types of legitimisation. Technocratic (or procedural/substantive) legitimacy is clearly complementary to democratic legitimacy. This is how Hardt builds the institutional model for RIA, under which decisions are made exclusively by politicians holding a proper electoral mandate (and superior democratic legitimacy), while at the same time experts supply relevant information about regulatory impact, which enriches the knowledge of the politicians and makes the decision-making process more comprehensible and transparent for citizens (in accordance with the complementary technocratic legitimacy). The challenge is in building such technocratic institutions that provide maximally professional, transparent and objectivised (so not politicised) knowledge about the adopted regulations.

From such a viewpoint the institutional trends in the EU mentioned by Hardt seem alarming, because the boundaries between politicians and civil servants are becoming blurred under the designed system assessing EU regulations. On the one hand, the Regulatory Scrutiny Board can gain the capacity to stop the legislative process, i.e. it will make decisions without a proper democratic mandate. On the other hand, the inclusion of politicians into regulatory assessment under the tripartite panel composed among others of representatives of Parliament and the Council, makes this panel rather a political forum than a group of independent experts responsible for supplying objectivised knowledge about regulatory impact.

⁴² T.G. Grosse (2014): *Wyzwania legitymizacji demokratycznej w Unii Europejskiej. Przykład wzmocnienia roli parlamentów narodowych* [Challenges of democratic legitimacy in the European Union: strengthening the role of national parliaments], in: A. Paczeński, R. Wiszniowski (red.), *Europejska scena partyjna i jej aktorzy*, Wrocław: Wyd. Adam Marszałek, pp. 30–57.

(5) Summary

In conclusion of the reflections so far I will refer to the institutional theory, particularly in the context of relations between power and institutions. Under the discussed theory, certain threads related to the notion of power are addressed, although they do not always have the leading role or are adequately explained⁴³. The results of our project indicate that the power category is central particularly for the understanding of crisis management. A great deal of importance for such management is having „power over oneself“⁴⁴, i.e. the ability of a given entity to make decisions in order to overcome a crisis or to be autonomous towards external pressures, which may impose a strategy for exit from the crisis which may be disadvantageous to them. The fundamental challenge for policy-makers is not just to overcome any existing problems, dysfunctions or contradictions within a given system. The basic challenge is by the adoption of an optimal path out of a crisis, one that will be relatively swift, entail minimum social and political costs, and will lead to the initiation of long-term economic growth processes and to the most beneficial development model. So the anti-crisis strategy is at the same time an attempt to optimize the crisis costs, reinforce or reconfigure the system of political power, and finally to build the institutional foundations (including those related to management, main economic processes and competitiveness factors), which will define the economic development model emerging from the crisis.

It seems that both for the Asian and Eurozone crises, it has been of fundamental importance about which economic model will be in place once the biggest problems are overcome, what its long-term competitiveness and stability will be, and last but not least, what the benefits and costs of its functioning will be. All those elements are determined by the power, and various categories of institutions (regulations, principles, procedures, ideas) and are subject to political games, instruments of anti-crisis actions and elements of post-crisis architecture of the political system and economic models. In the case on international relations, power is of a geopolitical and structural nature (in the understanding of hierarchical relations between particular entities). It is dependent on the potential of particular actors to perform strategic actions, to have control over crisis situations and influence other entities.

⁴³ See more: P. Pierson (2016): *Power in Historical Institutionalism*, in: O. Fioretos, T. G. Falleti, A. Sheingate (eds.), *The Oxford Handbook of Historical Institutionalism*, Oxford: Oxford University Press, pp. 124-141.

⁴⁴ See: V. Lowndes, M. Roberts (2013): *Why Institutions Matter. The new Institutionalism in Political Science*, pp. 78-79.

Institutionalism identifies two groups of actors: rule makers and rule takers. Both parties have their own interpretations of rules, norms, values and ideas⁴⁵. However, it is the distribution of power between them that determines how institutions emerge and how they are implemented later. Powerful actors seek to institutionalise their advantages – that is, they use their power to change “the rules of the game” to create further advantages down the road⁴⁶. These rules include both formal and informal institutions, as well as public policies. Winners get to impose their policy preferences on the losers. This often means imposing arrangements to which losers must adjust. The exercise of authority is not just an exercise of power; it is potentially a way of generating power⁴⁷. A crisis is a unique opportunity to rearrange an institutional framework for the benefit of the most powerful players. New institutions or policy regimes are often the main prizes awarded to the victors during “critical junctures”⁴⁸, which are major events that disrupt the existing political and economic balance. In institutional terminology “critical junctures” refer often to crisis situations and anti-crisis institutional reforms. In an international context power over-rules, and their making or implementation, is most frequently of an asymmetric nature. This was the case among other things of the Eurozone crisis, which highlighted the prevalence of a small group of the most influential member states, which determined the anti-crisis strategy and the new institutions established to overcome the problems. Particular stress was attached to the execution of anti-crisis actions in the monetary union. Concentration of power refers to the actor-oriented institutionalism concept, according to which only entities with the biggest potential may initiate strategic actions, including anti-crisis ones⁴⁹. These are the actors who on the one hand have the greatest resource of „power over oneself”, and on the other hand, have the greatest capacities to influence other entities. In the case of the Eurozone crisis, the dominant actor was first of all Germany, with France lagging slightly behind. In critical situations a significant influence was exerted by an external actor, i.e. the United States of America, and also international institutions such as the IMF and ECB.

⁴⁵ W. Streek, K. Thelen (eds.) (2005): *Beyond Continuity: Institutional Change in Advanced Political Economies*, Oxford: Oxford University Press.

⁴⁶ P. Pierson (2016): *Power in Historical Institutionalism*, in: O. Fioretos, T. G. Falletti, A. Sheingate (eds.), *The Oxford Handbook of Historical Institutionalism*, Oxford: Oxford University Press, pp. 130-131.

⁴⁷ L. Gruber (2000): *Ruling the World: Power Politics and the Rise of Supranational Institutions*, Princeton: Princeton University Press.

⁴⁸ J. Hacker, P. Pierson (2014): *After the Master Theory: Downs, Schattschneider, and the Case for Policy-Focused Political Analysis*, *Perspectives on Politics*, vol. 12, no. 3, pp. 643-662.

⁴⁹ See: F. W. Scharpf (1997): *Games Real Actors Play: Actor-Centred Institutionalism In Policy Research*, Boulder: Westview Press.

Another popular institutional concept is that of the principal – agent model⁵⁰. It assumes a hierarchy of relations between particular entities, under which those having the greatest power (or political legitimacy) make decisions and then delegate their implementation to agency institutions. The aforementioned model was developed in the context of research over European integration and aimed at explaining relationships between member states and technocratic institutions in the EU⁵¹. With reference to the Eurozone crisis, the division into policy-makers and entities implementing political decisions, largely overlapped with the divisions into lending states and those who became their debtors, who had to subordinate themselves to the political will of their creditors. The role of technocratic (agency) institutions in the EU became largely that of instruments for the execution of that dependency. During the Asian crisis the role of the principal and main lender was fulfilled by the IMF, although the most influential western states with the USA in the lead remained in the shadow of the said organisation.

Another concept indicates concentration of power in political elites, as well as elites in administration, army and business⁵². However, in the case of a crisis, it is not only elites that matter, but societies too. This is most clearly visible with regard to the legitimacy aspect. Economic difficulties undermine legitimacy of power, and consequently contribute to bottom-up questioning of the elites in power or even of the existing institutional foundations of the political system. This might lead to rejection of both hitherto elites and political institutions, something we may call the „revolt of the masses” or „revolution” towards the existing system.

The above reflections lead me to an attempt to outline a theoretical model explaining relationships between power and institutions (see: the chart). In the very core there is political power, which is of a structural character, so it should be understood in a geopolitical (or geo-economic) perspective. Political power enters relations with various categories of institutions (they are located around the central power box). I identified four fundamental

⁵⁰ B. G. Peters (2005): *Institutional Theory in Political Science: The 'New Institutionalism'*, (2nd ed.) London: Continuum.

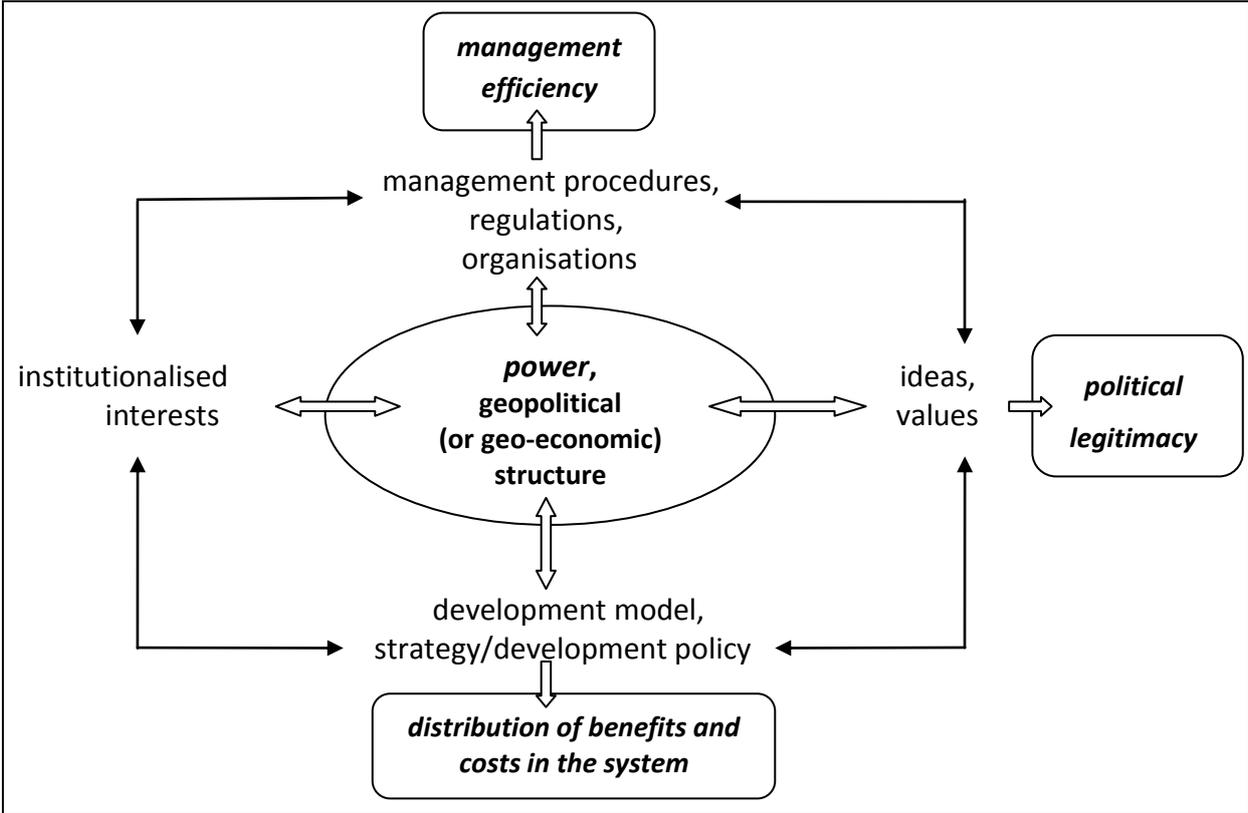
⁵¹ M.A. Pollack (1997): *Delegation, agency and agenda setting in the European Community*, *International Organization* 51 (1), pp. 99–134; H. Kassim, A. Menon (2003): *The principal–agent approach and the study of the European Union: promise unfulfilled?*, *Journal of European Public Policy*, 10 (1), pp. 121–139; S. Billiet (2009): *Principal–agent analysis and the study of the EU: What about the EC's external relations?*, *Comparative European Politics*, 7 (4), pp. 435–454.

⁵² C. Wright Mills (1956): *The Power Elite*, Oxford: Oxford University Press.

types of institutions. First, there are organisations, including international ones, but also regulations, procedures and all other mechanisms serving the purpose of management. The second institutional category is comprised of ideas, norms and values, which are of fundamental importance among other things for legitimacy of power, but also for the mobilization of societies in support for a specific policy, e.g. with a view to recovering from crisis⁵³. The next institution is the economic development model, a preferred development policy, political vision or strategy. Among other things it is responsible for the distribution of costs and benefits within a given economic regime or political system, and consequently it is closely related to political economy. And finally the fourth category is that of interests, i.e. the perception of the benefits of particular actors or social groups, which is rooted in a specific political and economic arrangement, and consequently is of an institutionalised character.

⁵³ Cf. M. Blyth, O. Helgadóttir, W. Kring (2016): *Ideas and Historical Institutionalism*, in: O. Fioretos, T. G. Falletti, A. Sheingate (eds.), *The Oxford Handbook of Historical Institutionalism*, Oxford: Oxford University Press, pp. 142-162.

Chart: Power relation model with various institutional categories



(author’s own elaboration)

The relationship between power category and institutions is bilateral. For example, power creates and uses institutions for the attainment of its own goals, including the reinforcement of an existing hierarchy of power or for the rebuilding (reconfiguration) of a specific political arrangement. A crisis becomes an excellent pretext for such actions. At the same time, however, institutions are a limitation on power. This concerns both the existing regulations and procedures, which may hamper an efficient decision-making process in a crisis. The situation is quite similar with norms and ideas, which narrow down the scope for political actions, sometimes to the detriment of the effectiveness of the attainment of goals, including the capacity to efficiently overcome a crisis situation. Similarly, the development model can be initially the source of benefits, to change later into a development trap, which not only contributes to problems and costs but also constitutes a serious challenge for a political system. It seems that particular categories of institutions can interact with each other (e.g. ideas shape regulations, and interests influence the preferred economic development model).

We can define a crisis itself with reference to the outlined model. A crisis could disturb the entire arrangement, also with regard to the power structure, the development trajectory (economic model), the distribution of benefits and costs within a system, management quality, the satisfaction of social interests and aspirations, as well as guiding ideas, values and political legitimacy.