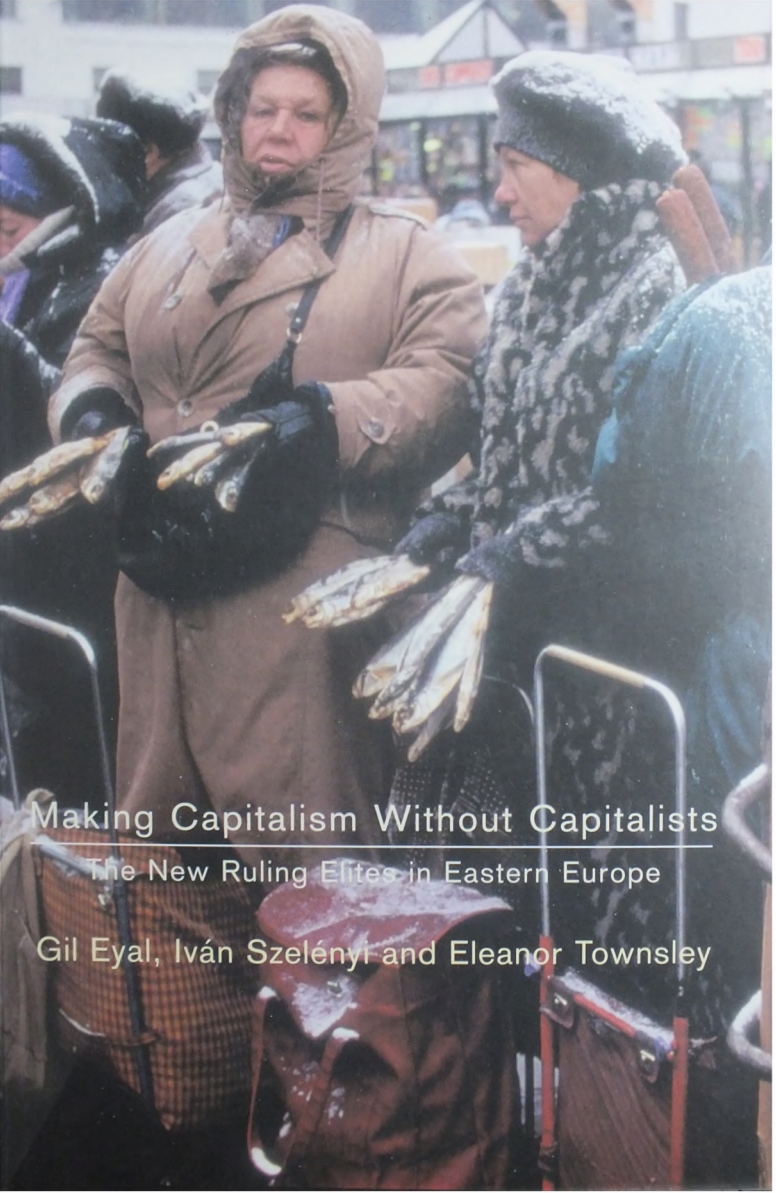




Making Capitalism Without Capitalists

The New Ruling Elites in Eastern Europe

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*Class Formation and Elite Struggles in
Post-Communist Central Europe*



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Contents

ACKNOWLEDGEMENTS	vii
INTRODUCTION	1
1 Classes and Elites in the Changing Structures of Twentieth-Century Central European Societies	17
2 The Second <i>Bildungsbürgertum</i> : Intellectuals in the Transition from Socialism to Capitalism in Central Europe	46
3 The Ideology of the Post-Communist Power Elite	86
4 Post-Communist Managerialism: Theoretical Controversies and Social Struggles Over the Making of the New Propertied Class	113
5 Conclusions: The Contested Terrain of Class Formation in Post-Communist Central Europe	159
<i>Appendices</i>	
I Data Sources: Social Stratification in Eastern Europe after 1989	197
II The 'Master List' of Elite Populations	209
III Data sets created by TARKI	228
NOTES	229
BIBLIOGRAPHY	250
INDEX	266

Introduction

This book offers a new theory of the transition to capitalism, by telling the story of how capitalism is being built without capitalists in post-communist Central Europe. We theorize *capitalism without capitalists* as a distinctive new strategy of transition adopted by technocratic–intellectual elites in societies where no class of private owners existed prior to the introduction of market mechanisms. Note, however, that capitalism without capitalists is not necessarily capitalism *without a bourgeoisie*. If one thinks of the bourgeoisie as plural – thus, if one conceives *bourgeoisies* as a social group composed of both possessors of material property (the economic bourgeoisie) and possessors of culture or knowledge (the cultural bourgeoisie) – then one can claim – and we do so in this book – that post-communist capitalism is being promoted by a broadly defined intelligentsia which is committed to the cause of bourgeois society and capitalist economic institutions.

This approach to analyzing the transition to capitalism in Central Europe necessarily differs both from the classical social and economic theories of Adam Smith and Karl Marx and from twentieth-century visions of corporate, managerial, or other kinds of post-capitalist societies, such as those proposed by Ralf Dahrendorf, Berle and Means, or Daniel Bell. On one hand, classical theorists assumed that there must have been *capitalists before capitalism*. For this reason, these theorists expended much scholarly effort investigating the process of the ‘original’ or ‘primitive accumulation’ of capital. The rationale was that both logically and historically, private capital accumulation must have occurred before market institutions could operate.¹ On the other hand, a recurrent theme in the study of existing capitalist systems, particularly since the 1930s, has been that the importance of individual private owners is waning. Observing the growth of large corporate organizations, the increasing role of financial institutions, or the

growing importance of science/knowledge, varied theorists of 'late' capitalism have argued that the role of capital as the main source of economic growth is ending.² There is little doubt within this group that the capitalist system itself remains robust; what is in contention is the shape of *capitalism after capitalists*. Our theory of the transition to capitalism in Central Europe borrows from both these theoretical traditions, but differs from and builds upon them by imagining the historical possibility of *capitalism without capitalists*.

First, like 'capitalists *before* capitalism', ours is primarily a theory of transition. Our central aim is to understand and explain how capitalism can emerge in an economic system with no propertied bourgeoisie. We want to know what agents are building post-communist capitalism, and on whose behalf and for what purposes they act. One possibility is that the technocratic elite of former state-socialist societies may turn itself into a new propertied bourgeoisie and thereby fulfil the classical condition for capitalist development. Indeed, some analysts claim – rather prematurely, in our view – that such a transformation has already occurred. Another possibility is that the liberal intelligentsia will act as an 'intellectual vanguard of the economic bourgeoisie', creating a new class of proprietors from agents other than itself. Having fulfilled its historic mission, the intelligentsia may then return to creative writing, research, or teaching, or it may keep managing capitalist enterprises owned by others.

Within this field of possibilities, however, it is not inconceivable that capitalism will be built without a class of individual proprietors. In this case, we would expect an economic system which looks like those envisioned by twentieth-century theorists of 'capitalism *after* capitalists'. If it is true that the future of capitalist economies will be systems in which individual proprietors do not play a major role (and this proposition has been forcefully challenged by Zeitlin, Domhoff and others³), it is possible that Central European societies will emerge as corporate or post-capitalist societies without the historical intervention of a *grande bourgeoisie*. In other words, it is conceivable that post-communist elites will take a historic short cut and move directly to the most 'advanced' stage of corporate capitalism, never sharing their managerial power (even temporarily) with a class of individual owners.

At the current moment, all these possibilities remain open. Indeed, our originating premiss is that the rapidly changing world of property rights in Central Europe is contested terrain where intense social struggles take place with an as yet unknown outcome. This observation is central to the burgeoning field of *comparative capitalism* which, since the advent of post-communism, has subsumed the comparative study of socialism and capitalism.⁴ Our ambition is to contribute to this emergent field of social science; thus we hope that this book will not be read narrowly as 'transitology' or as something of concern only to 'East European area specialists'.

Indeed, we believe that as a research site, Central Europe provides strategic research materials for exploring the development of new capitalist possibilities all over the world and into the twenty-first century. To put it even more boldly: the fall of communism can be understood as an invitation to sociologists to revisit those old sites which were investigated by classical sociological theorists like Marx and Weber. As neoclassical economics emerged with the demise of the welfare state, so the fall of communism offers the opportunity to launch a new research program, to set the research agenda for a neoclassical sociology. Neoclassical sociology, much like the classics of sociological theorizing, will be primarily concerned with the origins and character of modern capitalism. With the fall of communism, however, there is an important shift in emphasis. For Marx and Weber, the question was: what are the preconditions which give rise to modern capitalism? They assumed that the destination was given. The only question was whether or not the preconditions would be met. Today, however, capitalism is being made within the ruins of socialism, and the transition is being led by former communists. Neoclassical sociology is less concerned with preconditions, then, since it appears that the most unlikely agents, starting from the most inconceivable point of departure, are the ones who are building capitalism. What neoclassical sociology emphasizes is the diversity of emergent capitalisms – in short, the subject matter of neoclassical sociology is comparative capitalisms.

In an endeavor to pursue these possibilities without being overburdened by inherited theoretical viewpoints, we pursue a threefold analytical strategy. First, we begin from the observation that there are different paths leading towards capitalism. Therefore, we compare transitions to capitalism in different times and places to discover what, if anything, is particular to the Central European case. Second, we argue that capitalism has never been, and will never be, a single destination. Capitalism will always be a generic term describing a diverse set of social actors and institutions. For this reason, we contrast different types of capitalisms to explore the range of possible actors and institutions that can sustain a functioning capitalist system (including a capitalist system without capitalists). Third, we believe that the social attributes of actors, their class capacities, and the historically contingent outcomes of struggles between them, are likely to be decisive for explaining the particular kind of capitalism which is being built in Central Europe. We are interested, therefore, in a comparative study of various kinds of capitalists, or bourgeoisies.

Comparing our research site of Central Europe with other sites – other conditions for capitalisms and bourgeoisies – we find two unique features which we believe will be deeply consequential for the kind of capitalism that will be built in the region. First, we find that the transition from socialism to capitalism has very different dynamics from the classical transition from

feudalism to capitalism. Although the institution of private property in feudal societies was far from identical to that of capitalism, in both systems property rights were sufficiently similar, and the transition to capitalism sufficiently lengthy, to allow the growth of a propertied capitalist class and a gradual 'blending' of the aristocracy with the bourgeoisie.⁵ This was inconceivable in the abrupt transition from socialism to post-communist capitalism. Under socialism, property was fully socialized, and even in the most liberal reform communist countries, private property ownership was marginal. Thus it was not surprising that former second-economy actors did not claim political or economic power when the communist system broke down. Instead, power was grabbed by the technocratic fraction of the former communist *nomenklatura*, or by former dissident intellectuals, or by an uneasy coalition of the two. This is not to suggest that second-economy actors did not play important roles in the delegitimation and gradual erosion of the state socialist system – they did.⁶ However, it does imply that those who had enjoyed success in the second economy were not the main beneficiaries of system breakdown. Indeed, more recent analysis shows that a significant proportion of former second-economy actors are among the big losers of the post-communism transition.⁷ In this context, the transition to capitalism in Central Europe clearly could not follow the classical, West European path of 'capitalists *before* capitalism'.

The second distinguishing feature of our research site is that despite the absence of a propertied class in Central Europe, the transition to capitalism was undertaken in the context of a relatively highly developed 'civil society'. The building of capitalism was begun under the leadership of an intelligentsia which continues to believe that its historic, ethical mission is to create capitalist institutions under the watchful eye of democratically elected parliaments, exposed to the scrutiny of free media. In this context, the making of a class of private proprietors appears to have fallen substantially behind the growth of new market institutions. To explore this point further, and to inquire why the growth of a class of proprietors after system breakdown has been slower than expected by classical and neoclassical theorists, we note that 'capitalism *without* capitalists' appears to be particular to Central Europe. It runs counter to the theoretical expectations of political capitalism in the region, and it does not seem to characterize the social systems of Eastern Europe/Russia.

From about the middle of 1988 onwards, as the old communist elite prepared itself for the system breakdown they knew was to come, a broad range of commentators suspected that communists would enact privatization laws to enable them to convert *nomenklatura* positions into new forms of post-communist privilege.⁸ In this book we offer evidence that in contrast to the Russian case, there is relatively little evidence of this sort of political capitalism in Central Europe. While there have been instances of the successful

conversion of political capital into individual private wealth in all Central European societies, they seem to have been the exception rather than the rule. By contrast, the evidence from Russia and China suggests that the political capitalism hypothesis has greater explanatory power for these cases than in Central Europe.⁹ In Central Europe the evolution of market institutions appears to have outstripped the development of private property, but in Russia the accumulation of wealth in private hands is far ahead of the establishment of market institutions. Unlike 'capitalism *without* capitalists' in Central Europe then, Russia might be cited as a case of *capitalists without capitalism*.

It is possible that the growth of civil society – and, in particular, the earlier development of parliaments and free media – made institutionalized, widespread corruption in Central Europe less likely than it was in Russia. Some analysts even attribute this difference to the greater moral integrity of Central European elites. But this is speculation, of course. It is challenged by widely held public perceptions of a 'great robbery' by the Central European *nomenklatura* which is supported by extensive anecdotal evidence, and even some statistical data.¹⁰ Indeed, for this reason, when we began our investigation of post-communist capitalism in Central Europe, we, too, proceeded from the political capitalism hypothesis. As we began to gather and analyze more systematic data, however, we were forced to reformulate this initial hypotheses.¹¹ We were struck by how many members of former communist elites had lost their grip on power in Central Europe, how modestly they now live, how little business activity they report, how limited managerial ownership appears to be, and how little concentration of property in individual private hands we found. Of course, it is possible that our respondents did not tell the truth about these highly politicized issues, and for this reason we have tried to keep an open mind about the validity of our data. At the same time, however, we observe that the evidence offered in support of the political capitalism thesis is even less systematically collected. There is little reason to suspect, therefore, that our data are any less reliable, and a number of good reasons to believe that they are far more representative and systematic. The punch-line is that more systematic research is needed in Russia (and also in Central Europe).

Despite these qualifications, then, we believe that the distinctiveness of the Central European case and the quality of our data have much to contribute to theories of capitalist transition in general, and to an understanding of the contemporary possibilities for capitalist development in Central Europe in particular. What evidence we have supports a *prima facie* case that there is a distinction between the two post-communist regions: 'capitalism without capitalists' in Central Europe, and 'capitalists without capitalism' in Russia. Moreover, 'capitalism *without* capitalists' suggests a range of intriguing possibilities for capitalist organization, and challenges many of our

deeply held assumptions about transitions to capitalism. For this reason, in what follows we outline our theory of 'capitalism *without* capitalists' in more detail before proceeding to an analysis of the actors and institutions of this historically novel strategy of capitalist transition.

Thesis 1. Post-communist society can be described as a unique social structure in which cultural capital is the main source of power, prestige, and privilege. Possession of economic capital places actors only in the middle of the social hierarchy, and the conversion of former political capital into private wealth is more the exception than the rule. Indeed, the conversion of former communist privilege into a post-communist equivalent happens only when social actors possess the right kinds of capital to make the transition. Thus, those who were at the top of the social hierarchy under state socialism can stay there only if they are capable of 'trajectory adjustment', which at the current juncture means if they are well endowed with cultural capital. By contrast, those who relied exclusively on now devalued political capital from the communist era are not able to convert this capital into anything valuable, and are likely to be downwardly mobile.

Chapter 1 offers a comparative analysis of post-communist, communist, and pre-communist societies in Central Europe. In this analysis, our aim is to develop a structuralist theory which is dynamic and can be cast in historically specific, conjunctural terms. Our point of departure is Bourdieu's theory of social structure, which we reconstruct using Weber's distinction between rank and class societies.¹² In this way, we hope to bring a comparative-historical dimension into Bourdieu's framework, which was designed initially to explain reproduction rather than social change. (No criticism is implied here: Bourdieu's research site is contemporary French society, where reproduction is the overwhelming trend; we study the recent social history of Central Europe where turbulence and large-scale social change have predominated.) From Bourdieu we borrow the ideas of three forms of capital, social space, and habitus. On this basis, we distinguish between social, economic, and cultural capital, and we conceptualize social structures as 'spaces' which are differentially stratified by various distributions of these types of capital. Individuals 'travel' in these spaces, and if changes in the relative importance of one or another type of capital occurs in their lifetimes, they try to reshuffle their portfolio of different types of capital and convert devalued forms of capital into revalued forms in order to stay 'on trajectory'. On this basis, there are several specific innovations we propose to explain the nature of social change in Central Europe.

1. *We conceptualize pre-communism, communism, and post-communism as three different stratification regimes defined by the dominance of different types of capital. While Bourdieu used the three types of capital to describe contemporary French society, where economic capital is dominant and the other*

forms of capital are subordinate, in the ever-changing landscape of Central Europe during the past fifty years we distinguish three qualitatively different social spaces, each of which is defined by the dominance of a different form of capital.

2. *We claim that post-communism is a historically unique system of stratification in which cultural capital is dominant.* This enables us to develop a new theory of post-communist social structure which is consistent with our argument about the crucial roles played by the technocracy and former dissident intellectuals in the transition from socialism to post-communism. We define capitalism as a class-stratified system in which economic capital is dominant, and communism as a system in which social capital – institutionalized as political capital – was the major source of power and privilege. With the decay of state socialism and the rise of post-communism, the importance of political capital is declining, the role of cultural capital is increasing, and economic capital is sufficient only to locate its possessors in the middle of the social hierarchy.
3. *The transition to post-communism is a shift from socialist rank order to capitalist class stratification.* Drawing on Weber, we conceptualize communism as a society based on rank order. Social capital was dominant, and resulted in a socialist form of patron–client relations. Compared to societies where economic capital was dominant – which we understand, with Weber, to be class-stratified societies – communist societies were examples of modern rank order. With this understanding, we can argue that the transition from communism to capitalism is, in principle, a transition from rank order to class society, and thereby introduce the dynamism of Weber’s historical sociology into Bourdieu’s structural analysis. Actually existing post-communism, however, as a system of ‘capitalism *without* capitalists’, occupies a middle position on this scale from rank to class. The *Bildungsbürgertum* is neither a rank nor a class. Rather, it combines the characteristics and contains the possibilities of both logics of social stratification.
4. *Converting devalued forms of capital into new, more valued forms is the preferred way individuals cope with changes in social structure.* In analyzing social change, we want to move agents to the center of our analysis; therefore we invoke Bourdieu to enrich Weber’s analysis. We proceed from the observation that individuals, or groups of individuals, try to stay on trajectory and maintain their relative social positions in the face of massive social change. Each individual possesses a portfolio of ‘stocks’ of different forms of capital, and when they confront social change they try to reshuffle this portfolio to get rid of forms of capital which are losing value, and convert them into forms of capital which are more valuable. The conversion of one form of capital into another is a tricky business. One has to time it well, and one is usually in a much better situation to

convert a devalued form of capital if one is *already* well endowed with a revalued type. In the post-communist transition, for example, those who are well endowed with cultural capital may be able to convert their former political capital into informal social networks, which can then be usefully deployed to take advantage of new market opportunities. By contrast, those who do not possess much cultural capital may find that their former political capital is a disadvantage to them.

5. *There is a dialectical interaction between habitus and institutional position: new positions change incumbents, but new incumbents rely on their habitus to interpret how an institution ought to operate.* When the objective characteristics of social space change, the value of one form of capital is reduced, the value of another form is increased, and the criteria for recruitment into a new position or for the retention of an old one change. Confronted with this kind of pressure, individuals who try to stay on trajectory – who try to keep their positions, or gain a new position with the same power, prestige, and privileges as the one they lost – will pursue a dual strategy. One is adaptation to the new challenges. Individuals will reshuffle their portfolios to get rid of ‘stocks’ which have lost their value, and try to acquire other capitals which have gained in value. Second, people also try to learn the new rules of the game and adjust their habitus in order to fit new positions in new institutions. Habitus, however, has a certain degree of ‘stickiness’, and in every society – and especially in small ones like those of Central Europe – there is a limited pool of individuals who can possibly occupy key positions. The result is a creative interactive relationship between the characteristics of individuals who are recruited or retained in various institutional positions and the characteristics of those positions. This is a fundamental process which underlies the process of social change: the new positions change the habitus of individuals, but individuals who are recruited into those positions also affect the way institutions operate.
6. *Social change can be understood as a process of trajectory adjustment. This implies that evolutionary adjustment to new challenges and the path-dependent transformation of previous institutions/behaviors occur simultaneously. Furthermore, individuals whose habitus may not serve as a reliable compass in times of social change may also invoke ‘archeology’ – that is to say, in the process of trajectory adjustment, pre-communist social experiences, which were repressed in the collective subconscious during communist times, are also recalled.* This last innovation highlights the value of ‘archeological knowledge’ in the interaction between individual habitus and the characteristics of the positions individuals occupy. On the basis of this observation, we offer a synthesis of two competing theories of social change. The first is evolutionary theory, which underpins both neoclassical economics and rational choice Marxism. The assumption of these two schools of thought is that if you create the proper

institutions, they will shape the individuals who occupy them so that individual behavior will conform to institutional constraints and imperatives. In the context of the post-communist transformation, this is the idea of capitalism-by-design: you destroy the old state-socialist institutions and replace them with institutions that are known to work in advanced market economies. In this way, actors will learn how to operate within new constraints: cadres will become entrepreneurs, clients will be transformed into wage laborers.¹³ The second theory of social change which dominates current scholarship on Central Europe is evolutionary theory, or the theory of path-dependent transformation.¹⁴ This approach assumes that post-communist institutions are created out of the ruins of state-socialist institutions. The transition is not from plan to market, but from plan to clan. Our theory of trajectory adjustment makes three propositions which, we believe, offer a synthesis of these competing theories while minimizing their contradictions. First, the individuals who will be able to stay on trajectory in times of change are those who are capable of learning; the individual who is able to reshuffle their portfolio of 'stocks' and alter their habitus is indeed a part of a process of social evolution, adapting to meet social change. Second, however, this learning is not copying. When individuals adjust their social trajectory, they do so in a path-dependent way. They collectively reinterpret the roles they have to play, and in so doing they draw on shared experiences, ways of knowing, and common understandings. Third, when individuals are confronted with abrupt breaks, such as the one which occurred in 1989 in Central Europe, they realize that the habitus they carry from the immediate past is not appropriate to altered circumstances, and look for other models of behavior and society which are accessible to them. In this process, the logic of the 'negation of negation' often operates: pre-communist ways of doing business are invoked. The logic is that if communism got it wrong, we should go back to the way things were done before communism, especially if those ways of thinking and behaving were rejected by communism.

Thesis 2. Since state socialism constrained the development of a class of private proprietors in Central Europe, it is a cultural bourgeoisie (the 'second Bildungsbürgertum') which has assumed the historic mission of creating bourgeois society and a capitalist economic order. So far, however, it appears to have been more successful in establishing the market institutions of modern capitalism than in creating a class of individual private proprietors, especially in the corporate sector.

Chapter 2 traces the strategy of 'capitalism without capitalists' to the late eighteenth and early nineteenth centuries, analyzing its roots in the relationship between Central European intellectuals and bourgeois society.

Inspired by the work of the German social historian Jürgen Kocka, we observe that Central European intellectuals have been attracted to various ambitious historical projects to reshape their societies, and we argue that whatever else they may be, the power bloc that rules contemporary post-communism is heir to these projects. There have been at least three of these historical projects.

In the first project, nineteenth-century Central European intellectuals defined themselves as a *Bildungsbürgertum*. That is to say, they viewed themselves as part of the bourgeoisie, and believed that their historic task was to promote the ideals of bourgeois society and to foster the growth of the weak Central European propertied class. It was well understood at the time that those countries east of the Elbe in the German sphere of influence were economically backward, and had relatively underdeveloped business classes. At the same time, however, these countries boasted relatively large and Westernized educated middle classes, who were seen – and viewed themselves – as part of the bourgeoisie. In this context, it was argued that the task of modernization might be carried out not only by the class of proprietors (the economic bourgeoisie, in German the *Wirtschaftsbürgertum*), but also by the educated middle classes (or the cultural bourgeoisie, the *Bildungsbürgertum*). During most of the nineteenth century, then, the Central European intelligentsia saw itself as a *Bildungsbürgertum* which, in alliance with an enlightened civil service bureaucracy, would implement what was seen as the *utopian project* of bourgeois society.¹⁵

The second project of the Central European intelligentsia was, in large part, a reaction to the slow pace of modernization in the region. Ever more disenchanted by the ideals of bourgeois society, the core opinion-making leaders of the intelligentsia became interested in anti-bourgeois ideas. Motivated either by altruism in bringing about modernization, or by self-interest to enhance their own social positions, key segments of the intelligentsia began searching for short cuts to modernization which would bypass capitalist development.¹⁶ By the beginning of the twentieth century the *Bildungsbürgertum* project was all but abandoned. Instead of viewing themselves as the historic agents who would promote the spread of bourgeois values, intellectuals turned increasingly to right- and left-wing radicalisms, and became hostile to the very term 'bourgeois'. Indeed, by the 1920s the term *Bildungsbürger* was used pejoratively to mean bourgeois philistine.¹⁷ Key segments of the intelligentsia began to style themselves the 'vanguard of the proletariat', or at least as the possessors of a rationality which could supersede the irrationality of the 'invisible hand' of capitalist markets. Despite less than uniform support for such ideas among the intelligentsia, by the end of World War II, as is well known, anti-bourgeois ideologies were hegemonic in Central Europe.

The third intellectual project undertaken by Central European

intellectuals was born of the communist era. With the defeat of right-wing radicalism in World War II, and in the face of Stalinist censorship and counterselection, dissident intellectuals slowly rediscovered bourgeois liberalism. By the end of the communist period, dissidents had joined forces with the technocratic fraction of the communist ruling estate in a commitment to transform the socialist economy and build capitalism. Their aim was to overthrow the communist order and try to make capitalism without capitalists. Although the anti-bourgeois project among Central European intellectuals lasted well into the 1960s, and despite the fact that it took more than a decade for the originally left-radical dissident intelligentsia to begin to see itself as a new *Bildungsbürgertum*, by the end of the communist era this third project – which we interpret as a *second Bildungsbürgertum* project – was well under way.

In some respects, however, the second *Bildungsbürgertum* faces even more formidable challenges than the bourgeois educated middle class faced two hundred years ago. It has to promote the utopian project of bourgeois society with an even smaller and weaker propertied class than the pre-communist one. Moreover, with the collapse of communism it has also become obvious that no single intellectual fraction can undertake this project alone. Different segments of the intelligentsia are learning to form alliances across the old divisions within the intellectual elite. The second *Bildungsbürgertum* reflects this in its composition as an uneasy alliance of former dissidents and former communist technocrats. It is a marriage of convenience rather than love at first sight, but – as Chapter 2 shows – this post-communist project to build capitalism has deep historical roots in the collective biography of the Central European intelligentsia.

Thesis 3. The spirit of post-communism can be traced back to the times when the second Bildungsbürgertum was formed, thus to reform communism and anti-communist dissent. As the second Bildungsbürgertum emerged as the alliance of dissident intellectuals and reform communist technocrats, this spirit found its roots in the idea of civil society on the one hand and economic rationalism on the other. It was in this way that managerialism became the ideology of the new power bloc. Managerialism does not simply or primarily imply that managers or technocrats rule. Rather, managerialism is a mentality, or govern-mentality, which cements the diverse fractions of the post-communist elite into a hegemonic power bloc.

Chapter 3 begins with an analysis of the ideology of the post-communist technocracy. We claim that the core of this ideology is monetarism. Confronted with the challenges of post-communist institutional restructuring, however, the technocracy has had to reinterpret its monetarist ideals. The reality of post-communist economic policy is budgetary restraint which, instead of distant guidance by an invisible hand, demands close, hands-on

management of economic processes. We suggest that such a reinterpretation of monetarism into a policy of budget cuts comes easily to former communist technocrats. They are accustomed to running the economy this way, and the resulting system of subterranean redistribution also creates spaces for enterprise management to engage the technocracy in the practice of budget-bargains, reminiscent of the plan bargains of communist times. This sort of bargaining is important for building cooperation between technocrats and enterprise managers, since firm-level management is usually suspicious or resentful of monetarism, and is most comfortable with a government which offers subsidies and has industrial, employment, and foreign trade policies.

The former dissidents – who have constituted themselves as the opinion-making intelligentsia of post-communism – have also traveled a long way from their starting point to broker a common cause with technocrats and managers. The point of departure for former dissident intellectuals is the idea of civil society. Like technocrats, dissidents believe that an invisible hand can regulate the economy. To this belief they add the idea that social control can be exercised from a distance rather than ‘up-close’, as in the communist system. As the reality of governing has shaped them, however, former dissidents have developed a range of hands-on strategies of social control. Specifically, because civil individuals and civic culture must be created from a polluted communist reality, the intellectual vanguard of the post-communist revolution has developed rituals which serve as tools to manage the social and cultural matters of a society during the process of transition. Chapter 4 identifies three such rituals: purification, sacrifice, and confession. These rituals were cast initially in anti-communist terms: the communist system was impure, it had to be purged to create civil individuals; this would demand sacrifices from all, and would work only if those who lived under communism confronted their collective guilt in the ritual of public confession. Understandably, this latter ritual did not appeal to former communists at the core of the new power bloc. As a result, in post-communist practices of social management the anti-communist overtones of these rituals have been muted and redeployed as tools to legitimate the policies of budgetary restraint pursued by the technocracy. These recast rituals no longer call for purification from communist officials, but emphasize instead the need to purge the population of non-market modes of behavior, such as dependence on government assistance. Sacrifice has also been reinterpreted in economic terms. Former dissidents now preach that market transition requires the postponement of gratification: communism was a system in which people lived beyond their means, and now they have to learn not to spend what they have not earned. This economic reconfiguration of the rituals of purification and sacrifice also have the benefit of making dissident discourse about civil society palatable to the former communist technocracy. Indeed, these reconfigured rituals now serve technocratic purposes. The

managerialist ideology of post-communism was thus born of the contradictory social practices of remaking societies and individuals in the process of transition. Eventually, it was adopted by actors with diverse interests who arrived at post-communism from very different intellectual origins, and traveled very different intellectual trajectories. Managerialism works, however, because the govern-mentality of the society in transition demands that the ethos of close hands-on management be shared by those who remake the economic, political, social and cultural institutions of former socialist societies.

Thesis 4. The general theory of political capitalism does not offer a compelling explanation of the class dynamics of post-communist transition. Contrary to its predictions, many members of the former communist elite have not retained their positions in the post-communist transformation. If they possessed only political capital and no cultural capital, they lost their privilege, power, and prestige. At the same time, however, if former cadres possessed cultural capital, they were likely to be among the winners of the transition. Indeed, most of the economic command positions in the post-communist corporate sector are occupied by former communist technocrats who were younger and much better educated than senior cadres. Even this group, however, has not pursued political capitalism: former communist technocrats exercise managerial authority, but there is little evidence to suggest that they have acquired substantial private wealth. Moreover, this group of former communists is unable to exercise power alone; and therefore it has formed an alliance with the new polity and the opinion-making intellectual elite, many of whom are former dissident intellectuals.

Contrary to our original expectations, and the predictions of the theory of political capitalism, we present evidence of substantial downward mobility among former communist elites. Many of those in very high positions during communist times took early retirement and quit the workforce before they reached the age of sixty or sixty-five. Moreover, former political capital – that is to say, membership of the Communist Party – seems to have exercised a negative effect on the survival chances of *nomenklatura* members, with those who were not members of the Communist Party being more likely to keep their jobs during the transition. It is also difficult to substantiate the claim that early retirees entered private businesses in large numbers. In fact, we found that those who were able to keep their jobs reported more business ownership than those who opted for early retirement. In short, substantial numbers of former *nomenklatura* members are among the losers in the transition; the conversion of political capital into economic wealth has been less than automatic. These findings cast doubt on the validity of the political capitalism hypothesis formulated by Staniszkis and Hankiss, which argued that the communist *nomenklatura* was establishing itself as a new *grande bourgeoisie*.

The next finding presented in Chapter 4, in a way, contradicts the first one: while there were losers among former members of the *nomenklatura*, it is also true that the big winners of the post-communist transition are former communists – specifically, the technocratic fraction of the communist ruling estate. The contradiction, however, is more apparent than real. Our data provide strong evidence of the fragmented nature of late state-socialist elites, a characteristic of late communism first theorized by Erzsébet Szalai.¹⁸ Indeed, 1989 might best be understood as the successful revolution of the technocratic fraction of the communist ruling estate against its bureaucratic fraction – it was a victory of ‘experts’ over ‘reds’. The overwhelming majority of the incumbents of economic command positions during the post-communist epoch come from the ranks of former management, especially middle-level management. Most of these managers not only possessed political capital but were also well endowed with cultural capital.

In one respect, however, our findings diverge from Szalai’s predictions. Staniszkis and Hankiss anticipated that former communists would use their power to become the new corporate owners of post-communism, while Szalai argued more specifically that the technocratic–managerial elite was the most likely candidate to achieve this aim. Our data suggest, however, that both these predictions miss the mark. Managerial ownership, or the management buy-out of state-owned firms, is not the major story in post-communism. Indeed, the majority of corporate and industrial managers have acquired no business property at all. Furthermore, fully half of those who own businesses possess stakes not in the firms they manage, but in small subcontracting firms. Finally, we find that those who own shares in the businesses they manage are likely to be managers of smaller firms, and typically own only a small fraction of the assets of these firms. In other words, the former communist technocracy do not hold ultimate economic decision-making power as owners, as Szalai predicted; rather, they exercise power as experts and managers.

While data available to us on ownership relations in large firms are sketchy and may not be sufficiently representative, the evidence at our disposal supports hypotheses put forward on the basis of ethnographic observations by David Stark and Larry King.¹⁹ Stark found that ownership in Central European corporations is ‘recombinant’, that is, it is neither private nor public. King found firms with ‘recombinant’ property, too, but he also identified a number of alternative strategies of privatization, most of which have not led to ownership by identifiable individuals. Our data on property also document diffuse patterns of ownership in post-communist Central Europe, and with the exception of foreign-owned firms (which are really significant only in Hungary), it is not easy to tell who the real owners are. Direct or indirect public ownership, institutional cross-ownership,

ownership by banks that are owned by the government or state privatization agencies, and self-ownership (firms owning firms, which own them) are all typical. Together, this creates the material base for the substantial autonomy and power exercised by non-propertyied technocrats and managers.

Finally, while the big winners of the post-communist transition are former communist technocrats, we find that they cannot rule by themselves. They have been forced to create a hegemonic power bloc together with the new politocracy and the opinion-making intellectual elite, and these two groups are composed largely of former dissident intellectuals.²⁰ Immediately following the fall of communism, the new politocracy and opinion-making intellectual elite made an attempt to squeeze the former communist technocracy out of power. They soon learned, however, that neither fraction of the intellectual elite could rule alone. During the second post-communist elections, many former dissidents were dropped from the politocracy, and the late communist pragmatists joined the new political elite. These are strange bedfellows indeed, who form the 'unholy alliance' of post-communism.

Thesis 5. The formation of classes under post-communism is a highly contested process. There are diverse candidates who could constitute a new propertyied class – the technocratic–managerial elite, foreign investors with their comprador intellectual allies, and the new entrepreneurs who are starting small businesses in the hope that they will grow big.

It is possible that post-communism will culminate in a system in which a class of private proprietors is formed. At the present time, however, the formation of such a class is highly contested. Its members may eventually be recruited from among former communist technocrats and managers. Alternatively, new private entrepreneurs may give former apparatchiks a run for their money, or these socioeconomic systems may operate, in the long run, with a marginal domestic bourgeoisie and with the key productive assets owned by foreign investors. It is also conceivable, as we have argued, that technocrats and managers will successfully reproduce diffuse property relations and retain economic control without ownership. At the very least, we expect that the nature of the bourgeoisie-in-the-making will be deeply affected by the fact that the transition project was invented and implemented by a post-communist power bloc with deep roots in historical struggles between fractions of the intellectual elite. What the outcomes of ongoing struggles for ownership and control will be, however, are as yet unclear.

In a casual conversation once, we tried to explain the punch-line of this book to an old friend, an Australian Labor Party faithful. He listened attentively to the story of former communists now busy making capitalism. He shook his head in disbelief: 'Are you telling me that those characters who

screwed socialism in Eastern Europe are now going to screw capitalism too?' Trendy sociologists like to say nowadays: agency matters. This is what our friend meant. You do not have to accept the implied Left Labor Party political message (socialism was screwed because the wrong people tried to implement it) to be receptive to the substantive point: not only do institutions shape actors, the collective biographies of actors who make history will also leave their imprint on the institutions within which they are compelled to operate.

Chapter 5 concludes that capitalism can be most fruitfully perceived as a variety of possible destinations. The reality of the world after the fall of socialism is not the making of a unitary system from the Chicago School's economic textbook. Rather, it is a world of capitalisms – that is, a world of socioeconomic systems with a great diversity of class relations and institutional arrangements.

This concluding chapter is a call for a study of comparative capitalism. It is a call for something which could be called 'neoclassical sociology'. This is a research program which, like classical sociology, views its main task as the exploration of the origins and nature of capitalism. Classical social theory focused its attention on the 'preconditions' for making modern capitalism. Since those preconditions were numerous and precarious, capitalism was thought to be a miracle – it was a miracle that all these conditions could be met at the same time in the same place. The neoclassical project, however, begins its analysis by observing how capitalism is being made by the most unlikely agents in the most inconceivable sites. In our case, capitalism is being made within the ruins of socialism by former communist apparatchiks and their former left-wing critics. Classical sociologists from Marx to Weber conceptualized capitalism as a single (though in the Marxist tradition not the final) destination. With the disappearance of any feasible alternative economic system, however, it has suddenly become clear to the neoclassical sociological commentator that actually existing capitalism is a mosaic of the most diverse socio-economic structures and institutions. Thus, the task is not to explain why capitalism emerged 'in the beginning'. Instead, the question before us is: how do the initial conditions of capitalist transformation affect the kind of capitalism that will be made, where it will be made, and by whom it will be made?

Conclusions: The Contested Terrain of Class Formation in Post- Communist Central Europe

The process of class formation in post-communist Central Europe is highly contested. On the one hand, post-communist capitalism has been a project of the intelligentsia, broadly speaking. Specifically, it has been a second *Bildungsbürgertum* project, as we formulated it in Chapter 2. For this reason, a central question about the class structure that will emerge is: how visible and how influential will the intelligentsia be in the future? We think that they are unlikely to disappear from the political scene altogether, but they may move into the background. Some intellectuals may begin to develop a cautious critical distance from the political elite and the emerging propertied class. They are already expressing disgust with the *nouveaux riches*. However, we also believe that intellectuals are likely to remain a 'loyal opposition', because the project they have realized – the *Bildungsbürgertum* project – is one of civil society. The success of this project means that the intelligentsia is deeply entrenched in the big, weak states of Central Europe – state-run foundations are the source of intellectuals' incomes, and underpin their exercise of cultural-administrative power. On the other hand, we also think that the developing class structure of Central Europe is likely to contain a propertied bourgeoisie, since there are signs that one is slowly emerging. We argue, however, that this class is likely to be weak relative to other class and state actors. Precisely how weak the propertied bourgeoisie will be will depend on the social origins and habituses of the agents who will comprise it, and in this connection the trajectories and alliances of the intellectual fractions of the post-communist power bloc that we have identified are likely to be consequential.

That said, we should acknowledge that this book has presented an analysis of class structure 'from above'. On this basis, our readers may dismiss us as elitists, arguing that we ignore society. Against such a criticism, we would

emphasize that our analytical focus on the top of society is justified by strong historical reasons. We think that the capitalism which is being made in Central Europe is being made from above. We do not think this is the only way capitalism can be built, and we are aware that in other historical sites capitalism from below has been as important as capitalism from above. For this reason, in the last section of this last chapter we examine the importance of intellectuals in the post-communist transition, and ask whether or not capitalism from above was inevitable in Central Europe. Finally, we examine the forces of change operating from below, and assess the extent to which they are likely to affect the scenario we are describing.

The 'New Class' project for the fourth time?

We have been careful not to call Central European post-capitalism a class society, and in particular we have explicitly avoided referring to technocrats and managers, or the intelligentsia as a whole, as a dominant class. Rather, the key to our theory of post-communist managerialism and the conception of 'capitalism without capitalists' is that the formation of a propertied bourgeoisie has been relatively slow: market institutions have developed much more rapidly in Central Europe than a capitalist class. It is precisely this weakness of a domestic propertied bourgeoisie which has made it possible for a power bloc, composed of different fractions of intellectual elites, to retain a hegemonic position. At the same time, our answer to the 'Whodunit?' question – that is to say, 'Whose project is post-communism?' – is that it has been the project of the intelligentsia, or at least certain fractions of the intelligentsia. So it seems that the idea of the 'New Class' haunts us – the post-communist power bloc is neither a new nor an old class, but it is composed of intellectuals, and these intellectuals are pursuing a power project.

During the last century – starting with Bakunin in the early 1870s, and stretching to Gouldner in the late 1970s – the idea of a 'New Class' of intellectuals dominating and leading society has haunted the social sciences. In the West, it was thought that intellectuals would replace the propertied bourgeoisie. In Central Europe, it was believed that they would replace the old-guard bureaucracy of communist regimes. And while successive predictions of the imminent rise of the intelligentsia to power proved false, social scientists never seemed to learn their lesson. They kept creating new theories about societies in which intellectuals would dominate. Such theorizing came in waves, was fashionable for a few years, and then discredited for a while, only to be reborn in a somewhat altered form some years later. In an essay published a few years ago, one of us suggested that the stubborn return of the idea of the New Class requires explanation.¹ We argued that while neither the intelligentsia as a whole, nor any of its strata, ever

succeeded in establishing itself as a new dominant class, it was probably historically true that intellectuals formulated such 'projects' for power. On this basis, we interpreted the different waves of New Class theorizing as critical or apologetic – albeit premature – generalizations of such power projects. It may be instructive to think about post-communist managerialism from this perspective, and to contrast it with earlier intellectual class projects.

Between 1870 and 1970 we can identify at least three distinct waves of New Class theorizing, and possibly three intellectual power projects.

We identify the first wave as the 'intellectual class' theory advanced by anarchists of the late nineteenth and early twentieth centuries. This theory contended that Marxism was really the ideology of an intellectual elite, which was trying to use the working-class movement to smuggle itself into a position of class power. When a Marxism-inspired social order was established in the post-revolutionary Soviet Union – taking form as a dictatorship of the Stalinist bureaucracy rather than class rule by 'socialist scholars' – this theory died a peaceful death. However, this does not mean that the anarchist analysis of Marxism as an intellectual ideology was completely without insight. From our perspective, it helps to explain why Central European intellectuals abandoned their *Bildungsbürgertum* project at the turn of the century, and why so many of them were attracted to left-wing radicalism.

The second wave of New Class theories – fashionable in a period roughly from 1930 to the 1950s – consisted of 'bureaucratic-technocratic class' theories. In the version which addressed the social conditions of advanced Western capitalism, New Class theorists argued that the technocratic and/or managerial stratum would fill the gap created by the decline of family capitalism and individual private property.² We think these theorists were probably correct in identifying 'New Class' aspirations among managers and technocrats at this time, but they erred in taking the ideologues of managerialism at their word, and underestimating the power of the old moneyed class. Critics of managerialist New Class theories, like Zeitlin and Domhoff, were correct when they observed that managerialism in the United States and Western Europe failed because it confronted a strong propertied bourgeoisie.³ We tend to side with the critics in this debate, since there is strong evidence that the old propertied bourgeoisie is alive and well. Indeed, it seems that today the concentration of wealth in the United States and Western Europe is even more marked, and fewer people own more of the productive assets than ever before.

The third wave of New Class theories, created in the 1960s and 1970s, was comprised of theories of 'the knowledge class'. In their right-wing version, these theories of the new class interpreted the radical movements of the 1960s as a power plot by the counter-cultural intelligentsia to dominate society. By contrast, social scientists on the political Left emphasized that as science became an increasingly important factor of production, scientists

would begin replacing property owners as the dominant group in advanced Western societies.⁴ Some of these theorists, most notably Gouldner, were not thrilled by the prospect of a society ruled by a new class coalition of the technical intelligentsia and humanistic intellectuals merged together by the 'culture of critical discourse', but given the alternatives, they believed that it might be 'our best card in history'. As the left radicalism of the 1960s faded away, however, and as counter-cultural intellectuals were replaced by Yuppies preaching neo-liberalism, this wave of theorizing also withered away.

What about post-communist managerialism? Is it possible that we are witnessing a fourth New Class project this century? Is it possible that intellectuals are indeed in power, even though it is 'by default' this time, since managers have no enemies able to resist their newly found dominance? Have the prophecies of Berle and Means actually turned out to be correct – not for the advanced West but, ironically, for Central Europe? Or is post-communism, as we have analyzed it, simply a step in the transition to market capitalism as we know it from the advanced West? Or are we witnessing the transformation of existing elements into a new *Gestalt*, of which we have no adequate conception? We know that we are shooting at a rapidly moving target, and social scientists are poor snipers even when the target does not move.

In this context, it is difficult to answer the question of whether or not managerialism will last. It is difficult to predict the chances that the post-communist power bloc will reproduce itself and the social and economic order it governs. It is unclear whether or not the post-communist elite will resist the encroachments of international capital, and the attempts of propertied middle classes to accumulate capital and take hold of the command posts of the economy. Reproduction is a possibility, however. It is conceivable that managers will consolidate their powerful institutional base by allying with national and international fiscal institutions and, with monetarism as their ideology, continue to govern post-communist capitalism as managers. The appropriate positions are ready, the adequate consciousness has been prepared, and the actors feel comfortable in their positions and are deeply committed to their ideology. Furthermore, in post-communist societies the alternatives seem to be difficult. The nationalization of property has been a process with far-reaching implications, and is possibly irreversible. As the old joke puts it: we know how to make fish soup from an aquarium, but how can we build an aquarium from a bowl of fish soup? East European economists enjoyed citing this joke before 1989, but they quickly forgot it after 1989. Indeed, one major underpinning of managers' power is their claim to be the only ones with the knowledge of how to conduct the complex task of privatization. And the more complex the task, the more it is practically impossible to convert former public property into identifiable individual private property; thus the more power managers have. Thinking

about post-communist managerialism as the 'fourth wave' of an intellectual project for power is useful, then, since it helps us to ask these intriguing questions. Moreover, thinking in this way means that we do not simply assume that managerial power is a transitional phenomenon; it allows us to ask: what will society be like if managerialism reproduces itself?

To push our luck even further, we may even wonder whether or not Central European post-communist developments have any relevance for the rest of the world. To put it differently: is Central Europe the future of the West? After all, Central European managerialism may not be all that different from the way Western capitalism operates today: property rights are diffuse, managers exercise a lot of power, and monetarist ideologies are powerful and widespread. As we have already noted, however, these questions about the future are tricky ones, and social scientists are notoriously bad at answering them. Perhaps it would be best to pose the question in a different way and ask: 'If managerialism was a project during the interwar years, as Berle and Means suggested, and if it failed, why did it fail?' Approaching the issue in this way is likely to make us skeptical about the spread of managerialism around the world. Since we argued that managerialism was successful in Central Europe because it did not face powerful enemies like a large propertied bourgeoisie, we would predict that the chances for managerialism in the rest of the world, and especially in the countries of advanced Western capitalism, are slim indeed.

Furthermore, before we go very far with the analogy of post-communist managerialism and previous New Class projects, we should note that there are some historically novel characteristics of post-communist managerialism which make this 'power plot' (if it is a power plot) of intellectuals very different from other New Class projects. First, unlike the three earlier New Class projects, the post-communist power bloc has no explicit or implicit anti-capitalist intentions or ideologies. On the contrary, the post-communist power bloc sees itself as a historical vanguard whose mission is to create capitalism – even to create a class of proprietors. The post-communist power bloc sees itself as a new *Bildungsbürgertum* – the very opposite of the 'vanguard of the proletariat' which characterized intellectual identities during the first New Class project. Second, while it seems to be true that the new post-communist power bloc exercises authority unchallenged by a propertied bourgeoisie, the formation of a propertied class is under way. Indeed, although the different fractions of the power bloc watch each other to make sure that none of the others can use privatization for self-enrichment, none the less some of their members slip through the cracks and have already become rather wealthy. Many more may follow their example. There are also other candidates who might become a new *grande bourgeoisie*, so the position of the post-communist power bloc is rather shaky, and it is their own pro-capitalist ideology which is likely to undermine their power.

For all these reasons, we conclude that post-communist managerialism is unlikely to be the future of advanced Western capitalism. What is still at issue, however, is the shape of the class structure to come in Central Europe, and here a wide range of possibilities open up. In what follows we assess the current capacities and possible futures of different groups in an effort to map the widest range of futures possible in post-communist Central Europe.

The alternative futures of Central European post-communist capitalism

The social structure of Central Europe after the fall of communism is in flux. Which groups of actors will be able to act collectively, where social cleavages will stabilize, where the boundaries around classes or other social actors will form, and what kinds of actions will be taken are all still being negotiated and struggled over. In such rapidly and dramatically changing conditions, the analysis of class is the analysis of processes of *class formation*. Indeed, we think it is relatively unproductive to analyze classes by wondering if a given group of individuals constitute a class, asking what their objective class position in society is, and trying to map the class structure a priori. The reality of social change is in the formation and dissolution of classes. To put this another way, the empirical question is: 'What is the degree of 'classness' of collective actors'? Even in the analysis of classes *par excellence* – namely, the analysis of nineteenth-century capitalism – the bourgeoisie and proletariat were never really fully formed. Different fractions of the bourgeoisie have always been suspicious of one another, and during the nineteenth century they allied themselves with the aristocracy against other bourgeois fractions. In the twentieth century, by the time the capitalist class was finally as closed and as fully formed as it ever was, it had begun to disintegrate.

In this section, we examine changes in Central European social structure following these principles. In this connection, the very idea that this is 'capitalism without capitalists' has to be taken with a pinch of salt. There are, of course, already some propertied capitalists in Central Europe, and there are clear signs that a propertied bourgeoisie may form, or that a struggle is taking place over its formation. Our crucial point is that for the degree of economic development already reached, for the level of economic concentration already achieved, and given the extent of capital accumulation which occurred during the socialist period, this propertied bourgeoisie is rather embryonic. Its wealth is modest, if not trivial, and its political power is virtually symbolic. If we think about the early post-communist period as a 'transition to capitalism', then, it strikes us that market institutions are much closer to those we know from the West than property rights are. In other words, there is unevenness in the development of capitalism in Central

Europe, and this is particularly true for the development of individual private property, the evolution of class structure in general, and the development of a propertied bourgeoisie in particular.

Although the making of a *grande bourgeoisie* is certainly possible, then, we think that the question of what agents will comprise it is greatly contested. How the struggle over property and class formation unfolds, and in particular whether or not any single actor or coalition of actors will be able to form a propertied class, is not predetermined by any iron law of history. Rather, the historically contingent outcomes of struggles between actors will be consequential for what kind of society develops. From this perspective, our thesis of managerialism can be formulated either strongly or weakly. The strong hypothesis states that it is conceivable that managers will continue to operate as managers, their competitors will prevent them from becoming proprietors, and they will prevent their competitors from becoming a propertied bourgeoisie. Under these conditions, we are likely to see the reproduction of managerial society in the strong sense of the term. The weak hypothesis is that managers or their competitors will become a propertied bourgeoisie. In this eventuality, 'managerialism' will be understood as a strategy for making capitalism, and will describe how the transformation was managed. Note that even this weak hypothesis implies that capitalism was created in Central Europe without capitalists, and that the struggles between the historically specific groups identified in our analysis will leave their imprint on this region of the world for decades to come.

Political capitalism in Central Europe and beyond

In Chapter 4 we reviewed political capitalism theory at length. We pointed out that some of the most eminent observers of Central European development believed that those people who would become wealthy as the result of privatization were those who had oppressed these societies for decades: the communist *nomenklatura*. Indeed, in some cases this was not written as a forecast, but was presented as a statement of fact: the old *nomenklatura* was transformed into a new propertied class.⁵ What Elemér Hankiss and Jadwiga Staniszkis predicted in 1988 – that political power was being converted into private wealth – was presented as an established fact by Frydman and his collaborators in 1996.

Our theory of post-communist managerialism fundamentally challenges this. We contend that there were clear political limits on the conversion of political power into private wealth. Some of these limits have been set by fractions of the power elite, and in particular by opinion-making intellectuals. In some ways, as we suggested in Chapter 4, Hankiss's and Staniszkis's theories became 'self-defeating prophecies' in Central Europe. Even if

former party functionaries intended to steal public property and enrich themselves, theorists like Hankiss and Staniszkis alerted society early enough for the media, the parliament, its subcommittees, social scientists, and the police to start to monitor the process of privatization, making it very difficult for the *nomenklatura* simply to walk away with national property. So although any Central European can cite a case, or identify a former party official who is a rich person and a successful entrepreneur, we do not think this is the main economic story of post-communist privatization.

Let us briefly recapitulate the main findings in this respect in Chapter 4. First, our survey data showed that about 1–2 percent of the managers of larger firms in Central Europe in 1993 were party or state functionaries in 1988. Thus the phenomenon of political capitalism does exist, but it appears to be relatively small-scale. This statement, however, needs qualification. Precisely because of the public outcry against the *nomenklatura* bourgeoisie, it is safe to assume that our survey data underestimate the extent of political capitalism in Central Europe. Whatever successful conversion of political power into private wealth occurred, it is likely to have been hidden. Furthermore, some party and state functionaries were probably smart enough to jump the boat before it sank, and they were already in business in 1988. These qualifications do not undermine our argument, however, since our data, and other data collected over the period, document that political capitalism is a much less significant phenomenon than managerial power.

The political capitalism thesis, however, may cut more ice when it is applied to Russia, Romania, Bulgaria, and Belarus. And while we do not have Slovakian data yet, events in Slovakia – for example, the cancellation of voucher privatization and the institution of direct, unscrutinized sales of state enterprises – indicate that Slovakia is on the Russian road rather than the Central European one, at least in this respect. While our data indicate that the proportion of former party–state apparatchiks among managers is under 2 percent in Hungary, Poland, and the Czech Republic, in Russia about 10 percent of enterprise managers in 1993 reported having held state or party jobs in 1988. This corresponds to the general trend in Russia, which is elite reproduction.⁶ The former Russian *nomenklatura* seems to have been much more successful than its Central European counterpart in converting its political power into either private wealth, or managerial or political power. Even the new Russian politocracy has been recruited from the old guard. Moreover, the opinion-making intelligentsia is much more marginal, and the evidence suggests that it is also intimidated: there have been reports of journalists murdered, beaten, and harassed in Russia and Slovakia. The government in these countries has the key media, radio and television, under tight control.

To formulate the contrast sharply, we might say that *if we see Central Europe*

as a system of capitalism without capitalists, the East European post-communist regimes might be characterized as systems of capitalists without capitalism.

The freedom of the media is crucial for the defeat of political capitalism projects among the former *nomenklatura*, and nowhere has it been born without struggle. Even in Central Europe, post-communist governments tried to reign in the media, to gain control of radio and television and even the daily newspapers. It may be coincidental, but from our point of view it is quite telling, that the same Hankiss who formulated the theory of political capitalism became the President of Hungarian Television. In this position, he fought a heroic and eventually successful battle against the attempts of the first Hungarian post-communist government to control the media.

In order to understand the prospects of political capitalism in the region, then, we argue that one has to analyze the balance of power among key actors in late socialism and post-communism. Central European elites were fragmented even before the fall of communism. As we argued in Chapter 4, bureaucratic power was challenged by a strong technocracy in late state socialism, and technocrats gradually came to view their role as different from that of the bureaucracy. With the advent of post-communism, elites diversified further, with different fractions checking the power of the others and monitoring each other's actions. The conditions for this kind of power-sharing were the victory of the technocracy over the bureaucracy, and the identification of technocrats with opinion-making intellectuals and their former enemies, the dissidents, at the end of state socialism and the beginning of the post-communist period.

In contrast, the development of elites during late state socialism in Russia and in the whole of Eastern Europe proper was quite different from that in Central Europe. Not only did the technocracy fail to depose the bureaucratic elite in Russia, it is questionable if the distinction between technocracy and bureaucracy holds for Russia at all. Both fractions come from very similar social backgrounds, and – as Eyal and Townsley have demonstrated elsewhere – both fractions of the post-communist elite were much more likely to be sons and daughters of fathers who held *nomenklatura* positions than either technocrats or bureaucrats in Central Europe.⁷ Even the habits and mindsets of technocrats and bureaucrats seem to be similar in the Russian case. And although there was a great change of personnel at the top of the social hierarchy following Gorbachev's reforms of the 1980s,⁸ the relatively homogenous pool from which new personnel could be recruited limited the change that could occur. New people were promoted to top positions in Russia but they looked like the old people – they were simply younger. Indeed, it makes sense to call the *nomenklatura* the 'ruling class of the USSR', as Voslensky has suggested,⁹ since it was closed to all other social classes in a caste-like manner, reproduced itself through marriage ties, and made sure that only its sons and daughters had access to positions of power.

In Central Europe this was never the case. In Poland there was always an influx into the *nomenklatura* from the popular classes, particularly from the peasantry, and in Hungary, positions of power were open to young technocrats and the children of intellectuals during the last two decades of socialism. This is why political capitalism theory makes more sense in the Russian case than in Central Europe. And while we would hesitate to say that political capitalism is the main story in post-communist Russia, the idea of a *nomenklatura*-bourgeoisie makes much more sense in Russian conditions than in Central European ones.

Our conclusion, then, is that in Central Europe the Communist Party and state apparatchiks, with few exceptions, missed the opportunity to convert themselves into a propertied *grande bourgeoisie*, and their chance to do so will never return. By contrast, in the regions further east – in Romania, Bulgaria, Serbia, and especially in Russia – it is conceivable that a substantial portion of the political *nomenklatura* became proprietors, and may constitute an important component of the propertied classes that will develop in these countries.

Managers become owners

As Chapter 4 showed, there is much more support for the proposition that managers – rather than former political bosses – acquired private property during the early post-communist transition, and that at least some of them are beginning to look like members of a propertied bourgeoisie. Our data suggest that this process is most advanced in Hungary. Almost half of the CEOs we interviewed in 1993 in Hungary reported ownership of some business property, compared to only 20 percent in the Czech Republic and Poland.

Note, however, that this managerial ownership displays some unusual features. About half the CEOs who reported business ownership own property in firms other than those they manage. Many of these are subcontracting firms which managers have created as satellites of their main company.¹⁰ As Larry King shows, these satellites are of two types. In some cases, managers set up ‘permanent parasitic satellites’ owned by themselves or members of their family and/or fellow members of firm management to siphon off income from the mother firm. This sort of arrangement does not undermine post-communist managerialism. Rather, ‘permanent parasitic satellites’ are products of this system, since such firms can be owned and operated by managers only as long as ownership of the mother firm is diffuse – that is to say, as long as there are no owners who might closely supervise managers.¹¹ Furthermore, as long as managers are allowed to operate these parasitic satellites, there are no incentives for them to become owners of the mother firm. It is safer to leave ownership of the mother firm and the risks

associated with it to others – ideally to the taxpayers and to the government – while profits are milked by the satellites. Of course, such managers may consider becoming full owners of these satellites and retire from their positions as CEOs altogether, but we think this is unlikely, because they would have no guarantee that their small firm would keep receiving lucrative subcontracts from the mother firm. Whatever the case, note that the system of permanent satellites constitutes a unique form of property and a novel form of capitalism in which the advantages of private proprietorship are realized only if you are also a managerial employee of a corporation, other than the one from which you gain your profit. In as much as this kind of arrangement characterizes the post-communist economy, post-communism can indeed be seen as ‘managerial capitalism’. This is not the managerialism of Berle and Means, but post-communist managerialism as defined in this book.

The other kind of satellite which King identified is a vehicle for management buy-out. In this case, the CEO and/or his partners in management create a subcontracting firm in anticipation of the privatization of the mother company. They sell the most valuable assets of the mother firm to their subcontracting company at the lowest possible price, leaving all the debt and liabilities in the original company until it is declared bankrupt and auctioned off. At this point, the tiny but wealthy subcontracting firm can buy the devalued corporation cheaply. Of course, there is little about this process that is distinctively Central European, post-communist, or unique: this is the classical strategy of management buy-out in the West. The only difference is that in post-communist Central Europe, the mother firm is often state-owned (or owned by the State Privatization Agency, which is probably the loosest form of state ownership in history); hence the managers’ buy-out does not take place under the scrutiny of a Board of Directors, whose personal money is at stake, nor does it occur in competition with other capitalists. Under post-communist conditions, managers who attempt management buy-out have to come to terms only with the politocracy, and the ‘supervision’ of the buy-out process is rather indirect, except for nosy journalists and an overworked prosecutor’s office. In this context, this management buy-out strategy may be an important way in which post-communist managers become a capitalist class.

Note, however, that our data do not distinguish between permanent parasitical satellites and satellites that are part of managerial buy-out strategies. All we know at this point is that some combination of these two strategies can be detected in about a quarter of the Hungarian firms which were large enough to be listed on business registers in 1993 (and, by all accounts, occur in fewer firms in the Czech Republic and Poland). Larry King’s ethnographic research in about three dozen Czech and Hungarian firms

finds a similar proportion of firms engaging in one or other of these strategies. So we are probably not too far off the mark when we claim that the proportion of firms in 1993 which was subject to management buy-out or manager-owned subcontracting firms was not more than 25 percent of all firms, and may be as few as 10 percent.

Our data provide further evidence, however, that direct management buy-out also characterized the early years of the post-communist transition. About a quarter of the managers we interviewed in Hungary reported some ownership in the firms they managed (again, this proportion appears to be significantly smaller in the Czech Republic and Poland). Typically, however, these were small ownership stakes (no more than 10 percent), and they were mostly in small firms. And when we speak of large firms, we do not mean corporate giants: we mean that in firms with 100 employees or more, managerial ownership was negligible.

In addition to direct and indirect managerial ownership, about as many firms in Hungary reported employee ownership as reported ownership by CEOs in 1993. King's ethnographic work confirms that employee ownership was of some significance in the Czech Republic also. It is not known to what extent 'employee ownership' stands for ownership by fellow managers, or whether it is ownership by employees proper. Regardless, we would like to make two points about employee ownership. First, to the extent that it represents ownership by managerial personnel, this is still not individual private ownership by *the* manager. If the top five or ten people in a firm have to coordinate their action while owning 10 or 15 percent of its stock, their ability to act in unison will be limited. They are likely to be divided on a number of issues, and may search for competing constituencies among other stockholders. Second, if employee ownership represents ownership by non-managerial personnel, it is likely to increase the decision-making power of the CEO, but limit his ownership rights exactly along the lines our theory of post-communist managerialism suggests. Ownership by non-managerial employees has some analogies with socialist 'workers' self-management' in the former Yugoslavia. Critics of self-management pointed out that in this system it was managers who called the shots; workers did not have the information, the technical knowledge or the connections to offer alternatives or to overrule the decisions made by managers with reference to their competence.

To sum up: the phenomenon of managers becoming owners was real in 1993, but it was relatively insignificant. Against the common wisdom of economists and sociologists, which held that management buy-out was the royal road to capitalism, we argue that this was not the case. Although the situation may have changed since 1993, at that time managerial ownership was a relatively minor story.

Does this mean, then, that our analysis of managerialism is an analysis of

only a 'transitional' – hence inconsequential – phenomenon? We do not think so. If the capitalist class which emerges is recruited from former managers, who in some way or another managed to get hold of state assets, we think that this will be extremely significant for the future of capitalism in Central Europe.

Data collected during 1996 by TARKI in Hungary indicate that individual private ownership – which probably, in the majority of cases, represents ownership by current or former members of management – grew substantially between 1993 and 1996. By 1996, a third to half of all small and medium-sized firms reported ownership by domestic individuals, or groups of individuals. To repeat our remarks in Chapter 4: we urge readers not to make too much of these findings. First, evidence of the rapid increase in domestic private ownership is for Hungary only, where it may have been caused by shifts in the balance of political power following the electoral victory of the successor party of the Communist Party. We need data from the Czech Republic and Poland to assess whether the growth of management buy-outs follows the 'iron laws' of making capitalism, or if it is the result of actions by the former Communist Party rewarding its political allies among former communist managers and technocrats. Our second observation is that our most recent data on the corporate sector – thus on firms with 500 or more employees – show that they continue to be publicly owned, or they can be characterized among Stark's recombinant property forms. Continuing high levels of public ownership are challenged by foreign investment, and there is little evidence, as of spring 1997, of the formation of a propertied bourgeoisie in this sector.

Finally, we observe that even if some managers successfully acquire substantial amounts of private property – enough to justify the label '*grande bourgeoisie*' – they are likely to carry their managerial habitus with them. The establishment of market institutions will probably reshape their habitus in significant ways, but these market institutions, and the property relations in which they act, will themselves bear the imprint of the socialist-managerialist habitus of their makers. We have already seen the variety of rituals and strategies these actors have employed to negotiate post-communist conditions. They look very different from the behaviors and understandings of dynamic Schumpeterian entrepreneurs. For this reason, we think that managers who have become owners will look very different from Western capitalists. We know that the gentry habitus transformed prewar Central European economic and social institutions, and kept reproducing a 'gentroid' society, even as Central European economies were being integrated into the world capitalist economy. The managerial habitus and mentality does not, of course, have the attraction and magic of the gentry way of life, but it could operate in an

analogous way, leaving a lasting imprint on social conditions well beyond post-communism.

The phenomenon of habitus is usually seen as describing the process of reproduction of social structure: individual dispositions are shaped by the structures among which they operate, while these dispositions serve to fit people into positions so that the logic of the whole structure is maintained. In short, the habitus of the incumbents of a position, and the nature of that position, are connected in an interactive and mutually determining relationship. Not only are habituses shaped by institutions, but institutions are also remade as the incumbents of positions follow their habituses to navigate their social circumstances. This is the theoretical reason why it is important to sociologists if the personnel of elite positions are changing when the logic and institutional structure of a society is also being changed. Simply speaking, it is quite reasonable to assume that capitalism run and managed by former communist apparatchiks, or their sons and daughters, will be substantially different from a capitalism which is run by the sons and daughters of Rockefellers.

So, even if Central European managers become private proprietors, the capitalism which is likely to emerge will probably be quite different from advanced Western capitalism. We think it might look like the political capitalism Weber wrote about. Weber's notion of political capitalism is quite different from the neo-Marxist one which we criticized above. The questions neo-Marxists asked were simply: where do capitalists come from, and how does original capital accumulation take place? Political capitalism is held to exist when political office-holders use their political power to appropriate private wealth. The question for Weber, by contrast, concerns the logic of the economic system and the relationship between economics and politics. Political capitalism is capitalism in the sense that it is oriented towards the rational acquisition of profits, but it is political because this happens under the tutelage of the state and/or in conditions of systematic political interference in the economic system. There are many reasons why managers who have become owners might feel more comfortable navigating a Weberian world of political capitalism rather than a world governed by the conditions of *laissez-faire* competition. As former socialist and post-communist managers, they know the rules of the game in a system in which economics and politics are interconnected. Moreover, the processes of managerial buy-out described above are likely to create clientelistic relationships between manager-owners and the politocracy.

In conclusion, it is a little far-fetched to assume that former socialist managers will become entrepreneurs in the Schumpeterian sense of the term overnight. They were managers because they wanted to acquire higher incomes for themselves than the rest of the population enjoyed, and now they use the opportunity to privatize parts of their firms because they seek

to supplement those incomes. For many, the motivation for their economic action is consumption rather than entrepreneurial innovation. For this reason, we think that even if they come to constitute a capitalist class it is likely to be a *rentier* class: it is difficult to see how the future Soros of Central Europe can be made quickly from the stuff which is found among the ruins of state socialism.

Compradore capitalism: socialist technocrats become capitalist managers

There is a variety of ways in which managers could be tempted to take advantage of the post-communist transformation. So far, we have described the temptation to maximize managerial decision-making power by creating and maintaining diffuse ownership relations. This is especially tempting if it can be done through the creation of permanent parasitic satellites which allow managers to appropriate substantial incomes without taking any entrepreneurial risks. A lesser temptation – but a powerful one none the less – is for managers to become the owners of the firms they manage. These paths to managerial ownership were described above. Here, we turn to another important temptation – namely, managers facilitating the sale of their company to their old foreign business partners, demanding, in exchange for good purchase conditions or a good price, lucrative managerial employment in the new foreign-owned firm.

This managerial strategy offers high incomes as well as greater security than management buy-out. It also provides the intangible but quite powerful lure of the prestige of the West. Managers and technocrats who were dealing with Western companies during the years of state socialism may see this as the realization of a dream: finally they can run a firm which is properly managed, properly owned, and properly equipped. With the influx of foreign capital – which is frequently a condition of the privatization of state-owned enterprises to foreigners – the company can suddenly jump the queue and become the most modern in the nation.

Hiring former managers, or even former party or state functionaries, is also appealing to foreign companies and world monetary institutions. Employing these personnel as managers, advisors or consultants provides the foreign corporation with a solid and well-connected local representative. Foreign investors are fully aware of how important social networks and personal ties from the communist period are for doing business in post-communist conditions. They know that you do not necessarily hire the best and the brightest; rather, you hire the best connected. The last communist Prime Minister of Hungary, Miklós Németh, stepped out of office straight into a position as one of the vice-presidents of the European Bank of Reconstruction. Personally, we know two former senior officials of the Central Committee of the Hungarian Communist Party who now work for

multinational companies – one of them half-jokingly and half-seriously calls himself a ‘compradore intellectual’.

This is a useful term if we can detach it from the value judgements placed on it by neo-Marxists who despise the ‘compradore bourgeoisie’ of Third World countries, who, they argue, are responsible for neo-colonialism and the ‘development of underdevelopment’. We would like to use the term analytically to refer to the existence of ‘compradore intellectuals’ who make it possible for foreign capital to penetrate post-communist markets. These intellectuals create trust and confidence so that these foreign firms will export capital to Central Europe. Whether or not the influx of foreign capital is beneficial for post-communist economies is a complex question to which no hard-and-fast answer is forthcoming. Some of the foreign investment which occurred immediately following the fall of the old regime was probably not advantageous. Some of it was predatory, aiming to eliminate competitors by dominating their domestic and foreign markets. A lot of this foreign investment was in retail, and was monopolistic in character: foreign investors bought up entire communist monopoly retail chains, filled them with cheap Western consumer goods, and damaged the domestic production of such goods, making it more difficult to break away from state-socialist monopolies or to develop alternative retail activities. Some foreign investment, however, was highly productive. It resurrected viable factories, created well-paid employment opportunities, and even brought in badly needed managerial know-how and technology.

On the whole, we are inclined to believe that in the specific Central European conditions of post-communist transformation, where one of the gravest economic problems is the lack of capital, foreign investment is likely to be beneficial rather than destructive. Even though the country in Central Europe with the highest foreign investment *per capita* – Hungary – is the country with the worst economic performance in the first six or seven years of transformation, there is evidence that most of the destructive investment took place in those first years. Moreover, Hungary’s poor economic performance arguably has more to do with its foreign debt burden and incompetent domestic macro-management than with foreign investment. Indeed, how well foreign investment works depends a great deal on the character of the compradore intelligentsia and its relationship with the new power elite. A country is more likely to pursue foreign investment judiciously and beneficially when compradore intellectuals are well integrated into the power elite, rather than in conflict with those branded a ‘kleptocratura’.

Note, too, that foreign investment in 1993 accounted for a rather small fraction of the economies in most Central European countries. In Hungary, which was the country most open to foreign capital, only 25 percent of firms large enough to be in major business registers reported any foreign

ownership in 1993. Moreover, only 14 percent of all firms were under foreign control. Between 1994 and 1996, however, Hungary moved quickly towards a capitalist system in which the compradore intelligentsia are among the most important actors in domestic social structure. As public ownership declined, foreign ownership grew rapidly. Indeed, it seems that privatization in Hungary did not result in management buy-out benefiting managers so much as in heightened foreign investment.

Competition for private ownership between new entrepreneurs and managers

There is, however, another group of agents who may have a chance to become a member of the future propertied bourgeoisie: those new entrepreneurs who could not or did not want to take advantage of the privatization of the corporate sector, but started their own small businesses in the hope that they would grow bigger. Some of these entrepreneurs were ordinary workers during socialism, and became involved in the second economy during the 1970s and 1980s. Others were professionals; some even came from middle-level management, but opted for their own private business during the late state-socialist period or soon after the fall of communism.

Our data on the managers of larger firms indicate that new entrepreneurs were relatively rare among the CEOs of these firms in 1993. Only about 1–2 percent of the CEOs of larger firms were already in the private sector before 1989, in contrast with over two-thirds of CEOs who were managers in socialist business corporations prior to the fall of the old regime.

One should not underestimate, however, the extent and dynamism of small business in post-communist Central Europe. This is attested to by the overwhelming growth of the private sector in all these countries. The single biggest change in the social structure following post-communist transformation which is common to all these countries is the growth of self-employment. The self-employed constitute over 10 percent of the economically active population. This category doubled its size during the first five years of post-communism in Poland and Hungary, and in the Czech Republic it grew from zero.

Not all self-employment stands, of course, for dynamic economic growth and embourgeoisement. As Eric Hanley demonstrates, the category of self-employment subsumes two distinct destinations: one is only a 'refuge from unemployment', a substitute for lost jobs (this is true only for Hungary and Poland, where the number of jobs was dramatically reduced, while in the Czech Republic unemployment is negligible); the other is dynamic small businesses, the most active sector of the economy, in which some small businesses are growing big.¹² Operators of businesses in this dynamic sector are

an alternative pool from which a future *grande bourgeoisie* may be drawn and, for this reason, may constitute a competitive threat to other actors, like managers, whose goal is to lead and dominate the emergent propertied class.

Who are these small business operators? Eric Hanley shows that recruitment into the two different destinations of self-employment is regulated by different social factors.¹³ The first destination is primarily the route of workers faced with unemployment. The second destination, in contrast, is a channel of upward mobility and recruits people variously from among former second-economy entrepreneurs, families who were on an *embourgeoisement* trajectory before communism, and from the ranks of former cadres – probably former petty, local cadres for the most part.

Unlike the managers discussed above, this upwardly mobile petty bourgeoisie is likely to have a *habitus* which conforms more easily to the rules of a genuine market. So although very few of these individuals have made it into the corporate world to date, it is not inconceivable that they will eventually begin to compete with larger firms and with former socialist managers. This competition may intensify as privatization comes to an end. The Central European strategy of market transition has been aimed primarily at changing property relations in the corporate sector, rather than encouraging small businesses to grow bigger. This priority of privatization has tended to favor the insiders in big enterprises, namely the managers. Managers had inside information, they had the connections, and their privatization proposals were well received in the ministries and privatization agencies. This privatization game, however, is now coming to an end. It remains to be seen to what extent former socialist managers – whose power and privilege are based partly on social capital, that is, their skill in operating clientelistic networks – will be able to adapt to the competitive environment of real markets. Moreover, it is not inconceivable that those businessmen who had to start from scratch, in the basement or garage of their homes, will have an advantage. While they may have had to struggle to overcome the disadvantages they faced owing to early post-communist policies which prioritized the transformation of the corporate sector, as the privatization of the public sector comes to an end, those entrepreneurs who learned the rules of market capitalism on a competitive basis may do extremely well.

For all these reasons, we believe that the struggle between the technocratic-managerial elite of the corporate sector and the new entrepreneurs who started from scratch is far from over. Indeed, it has just begun. The outcome of this struggle is unpredictable, and it will probably be determined not merely by considerations of economic rationality but by the historically contingent outcome of the political struggles among the actors involved.

Capitalism from above and its alternatives: The journey from civil society to capitalism

Post-communism is capitalism from above – it is a strategy used by managers to convert a state-socialist economy into a market-capitalist one.

It was relatively late in the socialist game, sometime during the 1980s, that intellectuals in socialist societies clearly formulated their goal as one of transforming their societies into capitalist ones. In previous decades, from the late 1950s to the early 1970s, a great deal of intellectual energy had been directed towards reforming socialism to make it more efficient and humane. The best minds were occupied with the tasks of 'rationalizing' the planning system, creating a mix of market and redistribution, and democratizing the party structure. None of these reforms fundamentally challenged the hegemony of public ownership, or the Communist Party. Eventually, however, Central European intellectuals lost faith in the possibility of reforming the socialist system. They were astonished to discover that at the same time as their reform scenarios were being sabotaged by the bureaucracy, other far-reaching and fundamental changes were taking place in these socioeconomic systems – namely, the emergence of a second, underground market economy. The former reform intelligentsia and the future dissidents had nothing to do with these changes; they did not foresee them, and they certainly did not plan them. Indeed, they hardly noticed them before their disillusionment with the system. But from the 1970s onward, particularly in the former Yugoslavia, Poland, and Hungary, capitalism was in the making. This was not reform by design; it was reform by default. It was capitalism from below. In agriculture, the service sector, the construction industry, and even in some of the industrial branches – part-time or full-time, legally, semi-legally or illegally – small producers began to produce goods and offer services on price-regulating markets, acting as new 'socialist entrepreneurs'. When the intellectuals first discovered these entrepreneurs, their initial response was positive. They saw a force in the 'second economy' which would eventually subvert bureaucratic power. Even at this early stage, however, intellectual attitudes towards these actors were not free from ambiguity. Intellectuals detested the new entrepreneurs for being uneducated and greedy, and wondered if this was the civil society for which they were waiting.

We cannot date precisely when the term 'civil society' was first used by Central European intellectuals as a critique of state socialism. But during the mid 1970s it caught on very quickly, substituting for the term 'democratic socialism'. As we have pointed out, Central European intellectuals were on a long journey from seeing themselves as socialist reformers to reconstituting themselves as a new, second *Bildungsbürgertum* whose mission was to make capitalism. While they were traveling on this road, civil society was the puff

of smoke for which they were groping. Many intellectuals, both dissident and non-dissident, knew that they did not want socialism, but very few of them were ready to concede that capitalism was the only alternative. Indeed, when the idea of privatizing state enterprises was first suggested by a Polish economist at the national convention of Solidarity in autumn 1981, it was received with a mixture of ridicule and disbelief.

Civil society was the theory that gradually de-socialized intellectuals from a socialist, communitarian value system and reeducated them in capitalist, individualistic virtues. What was so intellectually powerful about the discourse of civil society was that it implied civility, liberty, individual autonomy and responsibility without mentioning the bourgeoisie, inequality, private property, exploitation, or domination. Civil society is a discourse about a classless society – it is a discourse of freedom which never confronts the question of inequality.

This is not the first time in the history of ideas that the notion of civil society has been used in this way. It was formulated during the eighteenth century in France and England as a critique of rank order and absolutist power from the perspective of an idealized – and, at that time, a nonexistent – market society. After that, the discourse of civil society was dormant for over a century. The term was virtually never used by philosophers or political theorists, and certainly not by sociologists. It was reinvented in Central Europe, partly because Central European intellectuals of the 1970s and 1980s faced an analogous situation to that of eighteenth-century contractarians. The Central European task was to find tools to critique a new type of status society, the absolutism of socialist rank order. The idea of citizenship and social contract was ideal for highlighting late socialist paternalism and its ambient logic of communist patron–client relations. In the early stages of the development of this theoretical tradition, Central European intellectuals vehemently rejected the accusation that civil society really meant capitalism. Civil society, they argued, was really supposed to be something which was neither Soviet-type communism nor Western capitalism. This is why the Western Left – which, by the late 1970s, began to distance itself from ‘socialism’ – immediately fell in love with the notion. The way the notion of civil society developed in Germany is particularly telling. While there is a precise German term – *bürgerliche Gesellschaft* – for the phenomenon of civil society, the German New Left began speaking about *Zivilgesellschaft*, making the point that they were not advocating a bourgeois society.

Central European intellectuals did not confront this ambiguity inherent in their use of the term civil society until 1988, and to some extent the contradiction between civil society and bourgeois society continues to mark intellectual discourse today. During the late 1970s, however, when this contradiction was less apparent, some thinkers conceptualized socialist

entrepreneurs not as the forerunners of a capitalist society but as representatives of an emergent civil society. Most intellectuals, however, remained suspicious of second-economy entrepreneurs. In searching for some empirical content for the abstract concept of civil society, they usually referred to their own activities or to the lifestyles of their intellectual parents and grandparents. Civil society, therefore, came to mean a community of those who speak a new discourse, a community of those 'who think otherwise'. Paradoxically, there is an exclusivity in this otherwise inclusive concept. 'They' are excluded and this 'they' might mean the communist power elite, often conceptualized as the 'powers', but it also could mean second-economy petty-bourgeois entrepreneurs, who were often perceived not only as not subversive but also as complicit and co-opted, a safety-valve in the reproduction of communist social order.

While dissident intellectuals were engaged in this somewhat narcissistic reading of civil society, technocrats and managers in the party and state apparatus were also becoming much more radical. Their job was to try to make firms work, to produce, to sell their product on the world market, to balance budgets, and to manage foreign debt and trade deficits. By the mid 1980s many of them just threw up their hands and declared that the task of managing state-socialist economies was impossible. Socialist managers and technocrats began to formulate the following ideas: socialism is not reformable, state property cannot be made efficient, state firms will never have hard budget constraints. They argued that what was needed were hard budget constraints and the radical separation of the economy from politics, so that politicians were out of the economic process and managers could get their jobs done. Managers and technocrats quickly recognized that what they were talking about was capitalism. They realized that redistributive institutions would have to be dismantled, and that not only consumer goods but also labor and capital would have to be allocated on self-regulating markets among competitive actors. Most importantly, these actors realized that the property vacuum created by state ownership would have to be filled with identifiable owners, preferably private and/or individual owners.

Socialist managers and technocrats could not achieve their aims as long as the bureaucracy was in power. In their struggle with the bureaucracy, the major weakness of the technocracy was discursive. In the still-hegemonic linguistic code that the bureaucracy used, there were taboos (such as the taboo on private ownership, or capitalism) that did not allow the managers to express their new ideas. As a result, many of them were thrilled to read the *samizdat* writings of dissident intellectuals and to discover the new, powerful discourse of civil society. This discourse purported to have no taboos, and although it did not regularly use terms like private property, capitalism, bourgeoisie, and so on, it offered a way to speak about them. The discourse

of civil society delegitimated the discourse of communist taboos and created a space in which an explicitly pro-capitalist language could be elaborated. At the same time, it provided the basis for a coalition between technocrats and dissidents.

This was the process and the context in which the project of capitalism from above was made acceptable to managers, technocrats, and intellectuals alike. The crucial break occurred sometime around 1988–89, when the technocracy successfully made privatization a public policy priority. Until then, it appeared that the making of capitalism would come through the gradual growth of the private sector and the slow development of pragmatic mixes of property forms and mechanisms of economic integration. In this view, there was a long timeframe for building capitalism, since it was assumed that small private firms would grow into large capitalist ventures only gradually. The corresponding policy was one of deregulation, which would fully legalize private activities and would be sector-neutral, applying exactly the same rules to public and private property, not prioritizing one over the other.

After 1989, however, there was no pretension to sector neutrality, and precious little gradualism. Small businesses growing big now appeared to be the nineteenth-century road to capitalism. It was mere 'garage capitalism'. It was the 'Third Way' leading to the 'Third World' rather than the royal highway of privatization leading directly 'back to Europe', to the heartlands of the most advanced Western capitalist nations. In order to pull off this historic coup, one needed courage and wisdom. One could not wait for the slow maturing of small enterprises, one had to change the whole system in one fell swoop. An economy which was 90 percent publicly owned had to be converted in one hundred days, or five years, into an economy which was 100 percent privately owned.

Privatization itself could have proceeded in different ways. Indeed, early in the post-communist transition one of the most prominent views was that the reason for privatization was to find identifiable – preferably individual – owners, and transfer state assets to them. It was believed that one should proceed rather slowly, and wait until sufficient capital was accumulated in private hands, so that public property could be sold at market value during the privatization process. Privatization projects in countries like Austria, England and Taiwan had materialized in this way, and 50 percent public ownership – which characterized all these countries after World War II – was reduced to 15 or 20 percent over a period of about twenty years. This was not to be the fate of Central Europe. Instead, managers, technocrats, and former dissident intellectuals opted for immediate corporatization. In the process of corporatization, it was irrelevant whether the owners were identifiable individuals or not. The important thing was that the governance structure of corporations was monetary, and that it approximated to

the form of Western corporations. As a result of these policies, former socialist firms structured themselves along the lines of Western corporate giants overnight.

Such a vision could be formulated only by an alliance between socialist managers and anti-communist dissident intellectuals. Privatization through corporatization was a managerialist strategy to transform socialism into capitalism from above. Indeed, one of the main messages of this book is that it is a commonly held and fundamentally flawed assumption to think of late state-socialist managers as corrupt, selfish, greedy individuals. Obviously, privatization via corporatization served their interests – it certainly increased their discretionary power as managers and, in some cases, greatly enriched particular individuals. But if we are to understand why these people opted for capitalism from above, it is impossible to separate analytically or empirically their self-interest from their commitment to professional ethics. They acted as responsible managers in the best interests of their firms and their employees. They searched for ways to preserve the companies they had worked in for years, and to protect their employees' jobs. These were 'their firms' – not because they owned them or intended to acquire ownership in them, but because they worked in them, because they managed them.

If managers wanted to privatize their firms rather than search for identifiable owners, dissidents wanted to persuade the population that a sacrifice was needed to purify society from the evils of communism. As Chapter 3 argued, dissidents believed that this was a task that could not wait for gradualism. The soul of Havel's greengrocer had to be rescued quickly, even at the expense of his shop, so that he could live in truth, even though it might also mean he would live in poverty. In the minds of intellectuals, shock therapy was not only a means of rescuing the economy, it had an important educational value. Its goal was to transform socialist man into a citizen of civil society – that is to say, into a private individual who was ready to take responsibility for his own affairs. The consciousness of the people was backward. Public opinion polls indicated that majorities of the Polish, Hungarian, and even Czech populations still subscribed to socialist values: they wanted more equality, they were suspicious of wealthy people, they wanted the government to guarantee their employment, and they supported government provision of free healthcare and education. In this context, former dissidents argued that successful capitalist transformation required that people's consciousness be transformed first. The managers' focus on privatization and corporatization, and the intellectuals' desire to purify society and reeducate the people, combined to produce capitalism from above.

None of this is to suggest, however, that the cooperation of former socialist managers and former anti-communist dissidents was free of conflict. This was a sour-sweet relationship from the beginning, rooted in

mutual suspicion and deep distrust. Intellectuals could not forget the communist past of many managers. They suspected managers of belonging to a 'kleptocracy' that would steal public goods and convert them into private wealth. On the flip side, managers thought that intellectuals were rather irresponsible and unreliable, remembering that many had risked their jobs or been willing to go to jail for a good point or an idea that they thought was original. Despite their distrust, however, managers and intellectuals share the enormous task of post-communist transition to which both groups are deeply and ethically committed. This forces them to work together, since both realize that neither group can negotiate the transition alone.

Their shared and increasing fear of capitalism from below – capitalism made by the socialist petty bourgeoisie – further strengthens this alliance between managers and dissident intellectuals. Managers and technocrats, for their part, simply cannot see the point of capitalism from below. It does not have the benefit of economies of scale, small producers are not equipped to compete on world markets, and small businesses are too risky for most investments and loans. Managers also see capitalism from below as a competitor with state policies of capitalism from above, since one uses resources either to privatize state firms or to extend credit to small producers who intend to create new businesses. Pursuing both strategies at once is not considered feasible. The intellectuals, for their part, consider capitalism from below as a form of populism. They dislike the petty bourgeoisie, whom they see as money-grubbing, and they invoke the common wisdom that this group is a potential political base for populist parties.

We would like to stress emphatically that no conspiracy theory is implied here. The process we are describing is heavily contested among different class and elite fractions, and the outcome may well be one that is not desired by any of the major actors described above. For instance, another major actor in this struggle is the new politocracy, which, along with the technocrats and the opinion-making intellectuals, is one of the leading members of the new power bloc. In their capacity as politicians, members of the politocracy have mixed interests. There is a lot of pressure on them to make room for capitalism from below, and some of them may even be ideologically committed to such a project. For example, some members of the Democratic Forum (which formed the core of the first Hungarian post-communist government) flirted with the idea of the 'Third Road', which on one reading is similar to the idea of capitalism from below. Similarly, the politocracies in all Central European countries have faced tremendous pressure for restitution – a lot of it for ideological or legitimation reasons – and restitution policies have been particularly successful in the Czech Republic and East Germany. Another feature of the uneasy relationships within the power elite is the fact that during the first year(s) of post-communist

transformation, the new political class made an effort to remove former communist technocrats from civil service jobs and the command posts of the economy. The lustration law in the Czech Republic and similar policies in Poland, and the sacking of many leading economic experts by the first post-communist government in Hungary, are all evidence of the power struggle that was taking place over the making of the new power elite in the early years of post-communism. Eventually, however, the politocracy learned that if it were to consolidate its power, it had to make major concessions to the technocrats and managers. After its initial hesitation, therefore, the new political class lined up behind the project of capitalism from above. How capitalism is to be achieved in this way, however, remains a matter of contestation. Arguably, the political defeat of the liberal-conservative coalition in Poland and the Patriotic-Christian regime in Hungary during the second free elections can be attributed to the fact that they were unable to come to terms with the challenges of this task, while the ex-communist parties and Václav Klaus have managed to balance those conflicting sets of interests up to this point. What are these conflicting sets of interests over privatization?

So far, we have used the terms 'managers' and 'technocrats' interchangeably, but this is something of a simplification. In addition to the fault-line separating managers and technocrats from intellectuals on the one hand, and from the politocracy on the other, there is a significant conflict of interest between managers on the one hand, technocrats and opinion-making intellectuals on the other. By managers we mean, specifically, the CEOs of corporations, and in particular the CEOs of industrial firms. By technocrats we mean social scientists, economists, management experts, and finance experts working in banks, civil service jobs, and consulting firms. While managers also have a high stake in capitalism from above, they would like to see it implemented in a more gradualist way. They are uneasy, to say the least, with shock therapy, radical monetarism, and the ideology of sacrifice and purification. They would not mind a government with well-formulated industrial policies, and instead of budget cuts and monetary restrictions they would like the state-socialist system of subsidies to be maintained.

The ex-communist parties returned to power in Poland in 1993 and in Hungary in 1994 because they were able, at least temporarily, to reconcile these different interests and visions of how to proceed along the road to capitalism. In Hungary, the communist successor party received not only the votes of the technocracy, but also their political and intellectual support. The single most important reason for the electoral success of the Hungarian Socialist Party in 1994 was that it was viewed as competent: its major electoral slogan was 'A vote for Socialists is a vote for competence'. As successors of the former Communist Party, they were able to secure the confidence of

industrial managers as well. The successor party promised that it would apply as little shock therapy as was absolutely necessary, and it went without saying that they were unlikely to engage in acts of purification. The message was: pursue the radical transformation of the economy, privatization, and monetary sobriety, but with caution, and with sufficient attention to the needs of state enterprises, their managers, and even their workers.

Was capitalism from above inevitable, then? Both managers and intellectuals have claimed that it was. They point out that capitalism from below during the late socialist period was a dead-end street. The second economy and the emergent new private sector coexisted with the state economy in a symbiotic way that could not be counted on to produce dynamic evolution towards a fully fledged capitalist economy.

These are very persuasive arguments, as long as one does not consider comparative evidence. In the contemporary world there is an alternative road out of socialism, the most successful example being China after 1977. Arguably, China is building capitalism from below. The most dynamic sector of the Chinese economy is village industry. This industry is typically small-scale; it operates with new firms which are either privately owned or can be described as a hybrid property form in which elements of private ownership can be detected. According to Chinese official statistics, about 10 percent of non-agricultural GNP is produced by private firms properly speaking; another 40 percent comes from what the statistics call cooperatives or municipally owned enterprises; and the remaining half is still produced by publicly owned corporations. This may underestimate the size of the private sector, since some of the so-called cooperatives may be private enterprises. Our point, however, is that the private sector is still relatively small; it is composed of firms which employ few people; and it is extraordinarily productive. Another important feature of the Chinese path out of socialism is that privatization of public firms has not been adopted as official policy at this point. Without having privatized its public sector, the Chinese economy has been the most dynamic economy in the world for the past ten or fifteen years: it grows at about 10 percent a year, despite the fact that its public sector basically stagnates. It is difficult not to attribute China's extraordinary economic achievement to its strategy of building capitalism from below.¹⁴ We should also add that China follows the example of Taiwan in this respect. In the early 1950s about half the Taiwanese economy was in public hands. Unlike South Korea, Taiwan based its economic development on the growth of family businesses, and only when these family businesses accumulated sufficient capital did the Taiwanese government begin to transfer public firms into private hands.

When China entered its reform phase in 1977, Chinese economic policy-makers carefully studied the economic reforms in Poland, Yugoslavia, and Hungary where, arguably, some 'capitalism from below' was taking place.

While none of the East and Central European countries opened up as much room for private ownership before 1988 as China had by the mid 1980s, there is little doubt that the initial impetus for China's move in the direction of market reform came from Central Europe. With the Chinese experience in mind, one should consider whether or not capitalism from below was doomed to inevitable failure in Central Europe. It is possible that it merely got stuck in what appeared to be a dead-end street, since communist reformers were half-hearted and did not go far enough with property reform. The key to success was making spaces for new private businesses in China; the reason for stagnation in East and Central Europe, by contrast, was that East European reformers got cold feet about allowing proper private business to get off the ground – they hoped to fix the economic problems of socialism through decentralizing decision-making and adopting market-regulated prices.

This evidence should be enough to raise doubts about whether or not capitalism from below was impossible in 1989, as technocrats and intellectuals claimed. The fact that Central Europe opted for capitalism from above cannot be attributed exclusively to its superior economic rationality. Rather, we argue that it was the constellation of class forces around 1989 which explains the choice of capitalism from above as the strategy for post-communism. The victory of the technocracy over the bureaucracy, its ability to forge a loose alliance with the intelligentsia, and the weakness of the small propertied bourgeoisie all contributed to this outcome. Analogously, in China the development of capitalism from below depends on the fact that the balance of forces between the bureaucracy and the technocracy has not been tilted in the latter's favor. If the Chinese technocracy did manage to oust the bureaucracy, China might very well adopt the policy of systematic privatization.

Having made the comparison with China, we would emphasize that it would be a grave mistake to idealize the 'Chinese way'. While its economic growth is truly astonishing, China still has a Byzantine, repressive political system, and it is unclear that this political system is in any way connected to its economic success. Indeed, it is possible that China's political authoritarianism may obstruct its economic development.¹⁵ For this reason, Chinese economic strategies should be monitored carefully to assess what is relevant for Central European problems of the transition to capitalism.

Moreover, it is possible that not only was capitalism from above the only strategy available in Central Europe in 1989, but it may have contributed to the depth of the post-communist crisis during the transformation. Although the severity of the crisis varies across countries, it is true that GNP dropped by some 30 percent in most Central European countries during the first five years of the transition, about a third of all jobs were eliminated, and inflation raged in double digits. No single cause can

be held responsible for this economic devastation. The problems inherited from socialist economies, the difficulties of reconstructing the economy to meet the demands of contracting world markets, and the disintegration of COMECON all played a role. And privatization via corporatization, implemented as the core of the shock therapy package, made its contribution to the general misery. In retrospect, it was probably not a great idea to walk into an economy which was 90 percent publicly owned and declare the public sector moribund. In declaring that all productive firms would be privatized, state privatization agencies created formidable disincentives for the management of these firms to keep investing in these ventures. Indeed, it created a major incentive for managers to rescue valuable productive assets from public companies while they were still in charge. And as we have shown, in this context some managers created subcontracting firms for themselves, their family members and friends, and sold the most valuable assets of public corporations to these firms at very low prices. As a result, the main company was devalued and moved rapidly towards bankruptcy. This was in the interests of management if they anticipated that some outside buyer would come and purchase their firms, or if they anticipated buying the firms themselves. The fact is that privatization produced disinvestment, and the destruction of jobs and productive capacities. Some of this could probably be called 'creative destruction' which cleared away the ruins of socialism and created room for modern capitalist enterprises. Some of this destruction, however, was simply a siphoning off of resources from large firms, often into private pockets or for the conspicuous consumption of managers.

To sum up: making capitalism without capitalists was a strategy to create capitalism from above. It was invented and implemented by the technocratic-managerial elite with the assistance of the new political elite and opinion-making intellectuals. Despite substantial social costs, it achieved far-reaching economic restructuring, and laid the foundations for the basic institutions of the market and parliamentary democracy. We do not believe, however, that capitalism from above was the only road Central Europe could have taken in 1989. Indeed, the purpose of this book has been to emphasize the importance of the composition of elites, intra-elite struggles, and the unevenness of class formation as factors which explain why capitalism emerged in this way in this part of the world. The social structure of Central European societies is still in flux. From this point of view, the most important issue pending is whether a domestic propertied *grande bourgeoisie* which could challenge the hegemony of the current power bloc will emerge and, if it does, on what basis it will exercise power, and which actors will comprise it. We believe that the answers to these questions will depend on the balance of social forces and the contingent outcomes of their future struggles.

Conclusion

This book does not suggest that a propertied class will not emerge in Central Europe. Nor do we doubt that fully institutionalized private property as we know it from the West is also in the making. By any definition, the countries of Central Europe are capitalist. We do claim, however, that the struggles over the formation of private property rights and class relations will be highly consequential for the nature of the capitalist agents that will emerge. This book is about transition. As we argued in Chapter 2, any society in which the holders of cultural capital are dominant is a transitional one. The historical role of cultural capital is often revolutionary, and it seems unable to institutionalize itself as the dominant logic of a stable system. Indeed, it appears to be virtually inevitable that the routinization of the charismatic rule of cultural capital leads either to the formation of a rank order in which social capital is dominant, or to a class society in which economic capital is dominant.

We have made many outrageously immodest claims in this book. First, we have presented a new theory of social change. In this we believe we 'out-Webered Weber' by replacing his theory of charisma with the idea of cultural capital as a revolutionary historical force. Second, we suggested synthesizing evolutionary, neoclassical economic theory and neo-institutionalist path-dependency theory with our idea of trajectory adjustment. Third, we claim to have reconstructed Bourdieu's theory, shifting it from a static explanation of social reproduction into a dynamic, comparative-historical theory which is able to explain social change. Fourth, we have rewritten the history of intellectuals through the prism of Jürgen Kocka's concept of the *Bildungsbürgertum*. This is a new sociology of intellectuals which conceptualizes them in search of a historical project of remaking society: from the vanguard of the bourgeoisie to the vanguard of the proletariat (to the New Class – to put it ironically), only to return to their project of making a bourgeoisie and constituting themselves as the second *Bildungsbürgertum*. Finally, our most immodest claim is that we are initiating a new sociological paradigm, *neoclassical sociology*. The reader should take this idea with a pinch of salt, but let us develop it a little to spice up the debate!

The origins of sociology can be found in the crucial question: what are the origins and character of modern capitalism? For classical theorists of sociology, the answer to this question was that modern capitalism was either a miracle or a necessity. In its most sophisticated and complex formation, in Weber, the coming together of diverse actors, conditions, and ideas to form modern capitalism was seen as amazing and miraculous. For those of us located in the late twentieth century, however, whose perceptions are informed by the fall of communism and who have witnessed the international blossoming of capitalism in a globalizing world, the making of

modern capitalist socioeconomic systems appears to be the rule rather than a miracle. What would be a miracle for us would be that capitalism had converged on a single destination: that capitalism was characterized by the same property relations, identical market institutions, and exactly the same class relations everywhere. Neoclassical sociology consists in reformulating these classical questions. The question is not 'what are the preconditions of capitalist transformation?' but, rather, 'how do the various conditions of capitalist transformation shape and diversify actually existing capitalist systems?'

So the project of neoclassical sociology is to explain these diversities of capitalisms and the differences in their origins and operations. This can be done in a variety of ways. Many sociologists today focus on pre-capitalist institutional legacies, and how they shape the emergence of capitalist social relations. In this book, however, we have directed the analytical spotlight elsewhere. We have argued that the formation of capitalist classes – bourgeoisies – is deeply consequential for the type of capitalism that will develop in any particular time and place. Let us be more specific about what we mean by class formation here. What we hope to offer is a non-teleological idea of class formation by analytically distinguishing between three questions.¹⁶ First, what is the subject matter out of which a capitalist class is formed? What different *agents*, class fractions, and alliances of agents are implicated in the formation of capitalist classes? Second, what is the mode in which these disparate groups are being drawn into capitalist class relations? In other words, what are the *positions* they will occupy as class actors? What are the characteristics of the institutions they will operate within? Finally – and most importantly – what is the spirit or *consciousness* which imbues these agents? In the terms developed in this book, what is the *habitus* of these agents?

There are novel agents struggling with each other in post-communism: dissident intellectuals, communist technocrats, petty entrepreneurs, foreign investors, technocrats of multinational financial and business organizations, and liberal-populist-ex-communist politicians. In this book, we observe shifting alliances and conflicts among these actors, and it is as yet undecided who will compose the new capitalist class, how much power that class will have, and how such a class will be related to other powerful social actors like political elites, foreign economic actors, and so on.

These unusual actors operate within an institutional context which is in constant flux. This context is one of diffused property relations. Private property with hard budget constraints exists in post-communist Central Europe, but so does state property (whose privatization potential is only nominal), and there are many organizations which diffuse property relations by transferring liabilities to the state, obscuring liabilities in complex patterns of cross-ownership, or siphoning off income through subcontracting satellite

firms. There are marketplaces in which supply and demand set prices, but there is also subterranean redistribution in which shrewd former communist officials can use their old networks to protect their firms from hard budget constraints. Political institutions are also in flux. Political parties still vet members in terms of their backgrounds. The Communist Party now views itself as a Social Democratic Party, but implements the most cruel anti-labor policies, serving the interests of the cadre-bourgeoisie. Former anti-communist intellectuals claiming to have formed neo-liberal parties often find themselves advocating the causes of the oppressed and the exploited. The notions of Left and Right, conservative and liberal, are still being renegotiated. Hence the site of the formation of the new capitalist class (and all other collective actors in post-communist capitalism) remains contested terrain. In the end, the eventual shape of these institutional terrains will probably be decided by who wins and who loses in the struggles over these institutional resources in a new global capitalist context. At the same time, however, the weight of institutional legacies, or the pressures from outside to create new institutions and abolish old ones, may favor certain actors over others. The point is, as we have labored it in this book, that actors and institutions interact.

Finally, we think that the spirit which inspires these actors, the consciousness to which they subscribe, and the habitus which guides them are quite diverse, and sometimes contradictory. For example, there is the habitus formed by climbing the socialist ladder. This is the apparatchik mentality which knows how to manipulate party organization and how to use ideological slogans. There is the habitus of the reform communists – especially the technocrats – who think they know how to get things done, who do not think it is important what color the cat is as long as she catches the mouse. There is also the habitus of the pre-communist middle class who were hiding in ‘parking orbits’ during communism, living in ‘internal exile’ in their bourgeois apartments in old Prague or Buda Hill, who knew all along that the ‘old ways of doing things’ were the right ways of doing things. This habitus may carry gentry characteristics in Poland or Hungary, and petty-bourgeois features in the Czech case. Moreover, this habitus carries significant symbolic potency in a society which practices ‘the negation of the negation’. There is also the habitus of the dissident intelligentsia, which is comprised in the mix of New Left compassion towards the poor and the oppressed and a neophyte commitment to the most doctrinaire of neo-liberal ideas. In an almost masochistic way, the intelligentsia struggle with the antinomy produced by these two commitments, convinced that both ideas are moral, both are ways of ‘living in truth’.

Hitherto, we have claimed that the making of capitalism without capitalists has been consequential; and above, we have identified the mechanisms through which this is happening. At this point, our readers are

probably wondering what is at issue. In what ways is post-communist capitalism different from any other capitalism? To put it in Walter Mondale's terms: 'Where is the beef?'¹⁷ Who cares who makes capitalism as long as it is made? Show us that there are indeed lasting qualitative differences between capitalist systems.

We are not fully prepared to complete this task at this point. What we can offer here is a preliminary research agenda for a neoclassical sociology of comparative capitalisms, which compares different capitalist systems, their class relations, their institutional arrangements and the characteristics of their social structure, or the shapes of their social spaces. A library of literature exists which contrasts, for instance, Latin American, Japanese and East Asian capitalisms with North American or North Atlantic versions. Such work points to the difference the state plays in economic development, the unique features of property relations, and the unique features of class structure. The kind of research on post-communism that this book proposes builds on this tradition, extending it by moving away from identifying types of capitalism with geographic names. In Table 5.1, we offer an extremely simplified schema which compares three types of capitalisms: the 'Classical Core', the 'New Core' and 'Post-Communism', along three dimensions. (The table does not contain that part of the world which is usually referred to as the 'periphery',¹⁸ or the 'Third World', or 'post-colonial countries', since that phenomenon proved to be too diverse for us to be able to interpret as one form even in such a schematic way.) Table 5.1 can be read as our attempt to define the 'dependent variable' for the study of comparative capitalism. What is that 'thing' which collective actors struggle over which defines them, what sort of habitus do actors carry within themselves, how do they 'match' existing institutions, and how do they reshape them?

Note, too, that Table 5.1 should be understood relationally. If we suggest, for instance, that the working class of the 'Classical Core' is 'small and well organized', it is meant to describe the working class in this context in comparison with the 'New Core' and with 'Post-Communism'. The working class in the 'Classical Core' is much less organized than it used to be only thirty years ago, but it is still 'well organized' compared to working classes in the 'New Core' and 'Post-Communism'.

So what characterizes post-communist capitalism? In terms of class relations, these are societies with small, weak¹⁹ domestic propertied bourgeoisies but large intelligentsias, which have resisted historical pressures to professionalize. In terms of their institutional arrangements, post-communist societies are likely to be characterized by big, weak states (which David Stark has called the 'non-developmental state' of post-communism). Their property relations are also specific. While private property properly speaking is emerging, and public ownership is rapidly retreating, privatization

Table 5.1 *A research agenda for a neoclassical sociology of comparative capitalism*

	Classical Core	New Core	Post-Communism
<i>Class relations</i>	propertied class working class intellectuals	large and strong small and well organized large and professionalized	small and weak large and poorly organized large and non-professionalized and non-bureaucratized
<i>Institutions</i>	relations in the state property rights	small and strong well-defined individual property rights	big and weak recombinant property coexisting with a decaying public and emerging private ownership
<i>Distributions of capital</i>	dominant capital dominated capital subordinate capital	economic cultural social	cultural social economic
<i>Examples</i>	United States, England, France	Japan, Taiwan, South Korea	Hungary, The Czech Republic, Poland

often leads to recombinant ownership, quasi-government ownership, and diffuse ownership relations. Finally, in terms of the determinants of their social spaces, these societies are dominated by cultural capital, complemented by social capital. While economic capital is gaining rapidly in importance, it remains a clear third in terms of determining the distribution of power and privilege.

Using the comparisons in Table 5.1, let us elaborate briefly what we think the lasting characteristics of post-communist formations are likely to be. In almost any scenario we can imagine in Central Europe, the domestic bourgeoisie will be weak. The main reason is that even after the second *Bildungsbürgertum* has completed its task, and a propertied bourgeoisie is fully formed, intellectual organizations and identities will remain an important part of Central European societies. Central European intellectuals will always invent new historical projects for themselves, new missions to reconstruct society. In this respect, post-communist capitalism will be more similar to Germany and France, with long histories of strong intellectual class fractions, and very different from capitalism in Japan or the Anglo-Saxon world.

The second reason we think the domestic bourgeoisie of post-communism will be weak is that habituses from the communist past will not predispose future property owners towards autonomy. Although we do not know the social origins of the new bourgeoisie, we do know that most of the actors who aspire to this sort of position carry within themselves habituses deeply rooted in the communist past. They are about as far as they could possibly be from the ideal Schumpeterian entrepreneur. Their main creative activity is to find loopholes, to find patrons or to mobilize clients. Given the continued importance of social capital in this context, we think that post-communist capitalism will more closely resemble Japan or the United States than Western European capitalism in this respect.

The third reason we think the bourgeoisie will continue to be weak in post-communism is because we think that the Central European state is much more likely to affect the formation and development of the bourgeoisie than occurred in other countries where capitalism was born of feudal relations. In England, for example, the problem of capitalist class formation was one of accumulation. Capitalist actors accumulated resources and petitioned the state to lift legal restrictions so that they could extend and further enjoy their capital. By contrast, the task in Central Europe was privatization, not accumulation. Accumulation occurred under state socialism, and the task of post-communist capitalism is to individualize it. In this context, the state can enrich people overnight, and this is what we might be seeing with the growth of middle-level corporate ownership between 1993 and 1996 in Hungary, as the neo-socialist government rewarded its clients. And – unlike the capitalist states of East Asia, which intervene in markets to create economic growth – the neo-paternalistic states of Central Europe seem to be on

an incremental growth trajectory, reinforcing their own autonomy, rather than being relatively autonomous from a powerful capitalist class. The Central European state is not necessarily strong, but it is very big. It is ironic that after the fall of *state* socialism, the anti-statist post-communist government bureaucracy continues to grow, often in the shape of 'privatization' bureaucracies. Indeed, some economists have suggested that the incomes from privatization are about as high as the cost of administering privatization – this is a good example of what we mean by a big, weak state. In short, what we are predicting in Central Europe is a small, weak propertied bourgeoisie operating within the framework of a big, weak state under the gaze of a big, strong *Bildungsbürgertum*.

MAKING CAPITALISM WITHOUT CAPITALISTS

The New Ruling Elites in Eastern Europe

GIL EYAL, IVÁN SZELÉNYI and ELEANOR TOWNSLEY

Making Capitalism without Capitalists offers a new theory of the transition to capitalism. By telling the story of how capitalism is being built without capitalists in post-communist Central Europe it guides us towards a deeper understanding of the origins of modern capitalism.

'Identifies the distinctive features of capitalism as constructed by former Communist Party technocrats and dissident intellectuals on the ruins of a socialist system.'

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