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Capitalism by Democratic Design?

Democratic Theory Facing the Triple Transition in East Central Europe

CONVERGENCE THEORIES OF THE 1960S AND 1970S PREDICTED THAT THE two rival political-economic systems would more or less rapidly assimilate each other and inevitably move toward one another. The East was to be enriched with market elements, while the “mixed” economic order of Western capitalism had already adopted elements of state intervention into production and distribution processes. The problem with this theory, as is now becoming apparent, was that only the West was capable of “mixing,” whereas the socialist societies were constantly on the verge of “capsizing” through concessions made to political liberalization (party competition, freedom of opinion), national independence, decentralized forms of ownership, and competitive price formation, to say nothing about “economic democracy.” Western admixtures were regularly taken back. Everywhere the self-transformation of socialist societies foundered on the political elites’ justified fear of downward paths. The “oil-spill thesis,” which predicts that the entire system will be spoiled when just a single “alien” element or move is introduced, turned out precisely not to apply to those systems for which it was meant to hold true in the 1920s by von Mises—that is, Western capi-

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talist democracies. All the more clearly, however, was it corroborated for the state-socialist regimes. As is shown by the results of the debates of the '60s and '70s over economic reform in the Eastern bloc, these regimes did not manage to incorporate their opposite principle in both sufficient and harmless dosage.

Resolute "reforms from above" were ruled out in the eyes of the Soviet leadership, for, as was suspected there, they would lead to incalculable complications and destabilizations—even to dangerous encouragement to "reforms from below" or, still worse, a "revolution from below." What was left over in this blocked-up situation was a way out, which seemed as unlikely before as it looks inevitable after the fact: the way of a "revolution from the top," for which the name Mikhail Gorbachev stands. This Soviet revolution from the top created the conditions necessary for the success of the reforms and revolutions from the bottom that followed on its heels in the other countries belonging to the crumbling Warsaw Pact and the Council for Mutual Economic Assistance.

This upheaval is a revolution without a historical model and a revolution without a revolutionary theory. Its most conspicuous distinguishing characteristic is indeed the lack of any elaborated theoretical assumptions and normative arguments addressing the following questions: Who is to carry out which actions under which circumstances and with what aims? Which dilemmas are to be expected along the road? And how ought the new synthesis of a postrevolutionary order be constituted, and what meaning should be assigned to the notion of "progress"?

In all of the revolutions of the last two centuries some kind of answers to these questions had been available, although most of them proved wrong. These answers of revolutionary theorists were formulated independently of the immediate contexts of action and were known to the participating agents; in that sense, they were theoretical answers. However, in the case of the Eastern and Central European upheavals of the second half of the '80s, these questions remain for the

time being unanswered or are only given tactically colored answers in the form of self-explications and situation-bound ad hoc assessments by participating actors. The rapid flow of events not only broke out unexpectedly; they were also not guided by any premeditated sequence, or by proven principles and interests about which the participants would be clear. Instead of concepts, strategies, collective actors, and normative principles, there are acting persons and their discoveries of the moment with their deliberately opaque semantic content. Among them are the catchwords *glasnost*, *perestroika*, and the metaphor of a "common European home."

The distinctly "a-theoretical" character of the upheaval is reflected in the literary forms that accompany it. Entirely absent are all analytical expressions and grandiose directives by revolutionary intellectuals. Where the social theorists express themselves at all, they do so not in the form of global interpretations of the events and their driving dynamics, but rather in more modest descriptions of single aspects, if not in the role of mere citizen and concerned person and without claiming any professionally privileged insight. This upheaval, so it seems, for the time being forces the ideologues and theoreticians to a welcome silence, while being simultaneously the great hour of such literary forms as the diary, reportage, the letter, and the autobiography. In the absence of any valid, or, for that matter, *any* kind of prescriptive "ex ante" revolutionary theory, the task of the social scientist is to understand in retrospect what actually happened.

Under the label "transition to democracy," an important and successful research branch in the social sciences has concerned itself over the last decade with comparative studies of political modernizing processes since the Second World War (O'Donnell, Schmitter, and Whitehead, 1986). Three groups of countries stand at the center of these investigations: the "postwar democracies" (Italy, Japan, and West Germany); the Mediterranean democratic processes of the '70s (Portugal, Spain, Greece); and the collapse of authoritarian regimes in South America (Argentina, Brazil, Uruguay, Chile, Paraguay) during the '80s.

The suggestive temptation to add a fourth group to these—the Central and East European states—and to analyze them with the proven instruments supplied by this tradition turns out, however, to be unsuitable and misleading. The revolution taking place in the former socialist countries is, indeed, basically different in two respects from the countries mentioned above. First, in the case of the postwar democracies (with the exception of divided Germany), and the southern European and South American countries, the territorial integrity and organization of each country were largely preserved. Nor did the process of democratization in those countries occasion any large-scale population migrations. These states retained their populations, and the populations remained in their states. In Central and East Europe, the situation is different: there the scene is dominated by territorial disputes, migrations, minority or nationality conflicts, and corresponding secessionist longings (again, not to mention the German exception of the only national merger of two previously separate states).

Even more important is a second difference. In the aforementioned cases of “transition to democracy,” the modernizing processes are of a strictly political and constitutional sort; that is, they concern the *form of government and the legal relationships between the state and society*, whereas at the end of socialism the additional task of *reforming the economy* is the order of the day. In the countries that underwent a transition to democracy, capital remained in the hands of its owners, and as a rule the owners remained in charge of their capital. On the other hand, the Soviet Union and its former satellites are faced with an acute and altogether different as well as more demanding problem: the transfer of the hitherto state-owned productive assets to other forms of property, and, to this end, the creation of an entirely new class of entrepreneurs and owners in a way that has to be decided and justified in a political way and through politically visible actors. The revolutionary installation of an entrepreneurial class (i.e., of a previously nonexistent category of agents who are now to partake

in market competition on the basis of property rights) is a task that none of the previous transitions had to accomplish (and that is rather belittled by the revolution's being described as just "catching up") (Habermas, 1990: 179-204).

The unique and unprecedented nature of the East Central European process of transformation—and the challenges to democratic theory emerging from it—is fully highlighted only if we remind ourselves that any operative political system is the combined outcome of three hierarchical levels of decision making (cf. Easton, 1965, chaps. 10-13). At the most fundamental level a "decision" must be made as to who "we" are; that is, a decision on identity, citizenship, and the territorial as well as social and cultural boundaries of the nation-state. At the second level, rules, procedures, and rights must be established that together make up the constitution or the institutional framework of the "regime." It is only at the highest level that those processes and decisions go on that are sometimes mistaken for the essence of politics, namely, decisions on who gets what, when, and how—in terms of both political power and economic resources.

Arguably, each of the three levels stands in close affinity and invokes one of the three human capabilities that early modern political philosophers have distinguished. The first relates to passions, virtue, honor, and patriotism, the second to reason, and the third to interest.¹ This three-tiered model clearly suggests links of upward determination: "normal politics" that is going on at the third level is embedded in identities and constitutions. In most political systems, this determination is *unilateral* and *causal* rather than intentional. By unilateral I mean the asymmetrical relationship that the lower levels determine the higher ones, but that the causal arrow only rarely if ever points in the opposite direction. For instance, the constitution will govern normal politics much more often than it itself becoming the *object* of normal politics, resulting in constitutional change. There is simply not much retroactivity. By causal (rather than intentional) determina-

tion I mean that the effect that the lower level(s) will have upon the higher one(s) is not due to some purposive action or design. It is exactly because procedures are made certain by constitutions that outcomes are contingent, as Przeworski has argued. That is to say, inserted among the three levels are veils of ignorance that result from, among other things, the markedly different temporal structure of our three levels: we tend to believe—and experience tends to confirm—that nations last for centuries, constitutions for many decades, and governments or positive law passed by legislatures for just a few years. If this is so, how could any conceivable actor design the boundaries of a nation-state with the purpose of thereby determining the much more contingent downstream phenomena of constitutions and regimes, governments, and allocation decisions? As long as decisions at the two lower levels must be taken as fixed, the system is highly path dependent, and its parameters are strategy proof.

As far as the third of these three levels is concerned, democratic theory provides good answers, both positive and normative. Troubles and paradoxes begin if we move down one level: should the players be allowed to decide on the rules of the game they are in the process of playing, as well as the scope of what the game is “about?” And, if so, under what precautionary conditions may they do so? Can democracy itself be democratized (cf. Holmes, 1988: 195-240)? And, if the answer is no, in what sense can we still speak of a “democracy” and its implication of “popular sovereignty”? Even more thorny questions relate to the first level, that is, those of nationhood, collective identity, and territorial boundaries. Whatever the constitutional rules are, only those who already enjoy citizenship rights are admitted to an active role in the game. But does that mean that those basic admission rules can be based only on the unilateral decisions of those who are, due to their place of birth or inherited citizenship rights, already admitted to the game, or, alternatively, upon the brute facts of international or civil wars, at best constrained by the fragile web of international law and transnational regimes? Or can democratic theory transcend its home territory of

“normal politics” and provide criteria according to which both constitutional change and the definition of boundaries can be ascribed the quality of being more or less “democratic?”

During the past two years, these questions have moved from their secluded place on the agenda of philosophical seminars into widely perceived practical problems invoked by daily front-page news. What used to be the second world of the Soviet empire is now undergoing a triple transformation affecting all three levels of nationhood, constitution making, as well as the “normal politics” of allocation. The very simultaneity of the three transformations generates decision-loads of unprecedented magnitude. Unlike the situation in the Western democracies, there is no time for slow maturation, experience, and learning along the evolutionary scale of nation building, constitution making, and the politics of allocation and redistribution. And there are no model cases that might be imitated or, for that matter, no victorious power that would impose its will from the outside, as was the case with the new East and West European postwar regimes. As a consequence, the decisions made on all three of these levels may easily turn out to be incompatible so as to obstruct each other rather than forming a coherent whole.

This risk resulting from simultaneity is exacerbated by a second one. The situation of extreme contingency invites opportunism, and the veil of ignorance is lifted. Now actors are in a position to *see* which constitutional design and which ethnic boundaries of a state will best serve their interest in policy outcomes, or their passions for ethnic identities and resentments. The situation is replete with opportunities, rightly perceived to be unique in their scope, to improve one’s “original endowment,” or to take revenge. Correspondingly, the amount of “moral effort” increases that is required to overcome these temptations generated by a situation that is no longer strategy proof. In the absence of the requisite amount of such effort, everything—boundaries, rights, procedures, and the allocation of power, legal rights, and material resources—will be argued for and advocated in consequentialist terms,

rather than on the basis of historical antecedents and principles of justice, freedom, and peace.

THE DILEMMA OF SIMULTANEITY

In view of these two added dimensions, the revolutionary transformation in Eastern Europe can be analyzed only with conceptual means whose use has not been called for in almost all of Western and Southern Europe since the First World War. In the Soviet Union and most of its former satellites are simultaneously at stake

- ▶ the territorial issue²—that is, the determination of the borders for a state and a population, and the consolidation of these borders within the framework of a European order of states (“common European house”)
- ▶ the issue of democracy—that is, the dissolution of the monopoly claims of a party and its replacement by a constitutionally tamed exercise of authority and party competition in the context of guarantees of basic human and citizen rights (“glasnost”), the issue of the economic and property order, and the orderly political management of pressing production and distribution problems (“perestroika”).

The stages of a process, which in the case of the “normal” Western European examples were mastered over a centuries-long sequence (from the nation-state to capitalism, and then to democracy), must thus be traversed nearly simultaneously in Eastern Europe, just as both components of a “modern” political economy, namely, democracy and private property, had been also simultaneously abolished by the October revolution. This occasions not only gigantic decision-making burdens, but also mutual effects of obstruction. It may well be that each of those problems will admit of being solved only when the situation makes it possible to assume that one of the other two problems has (or even both have) already been solved or is (are) presently not in need

of a solution. In the following I wish to examine the phenomenon of mutual blockage of solutions to problems and thereby to show that although the proverbial advice to do "one thing at a time" rather than "everything at the same time" may have good grounds speaking in its favor, the protagonists may well find themselves in the tragic situation of having to refuse taking this piece of advice and to decline recognizing these good grounds with equally good grounds.

All of this would amount to idle considerations if it were to be shown that the opening of the hitherto planned economy to a market economy and the democratization of the political decision-process do not exclude and mutually impede each other, but rather reinforce and enhance one another. In point of fact, there are analyses of the existent socialist systems that attempt to establish that such an interaction does take place between the two goals—already desirable by themselves—of economic and political modernization. Taking into view the political and economic development in Czechoslovakia prior to 1968, Jiri Kosta has tried to show "that the process of reforming the economy [which was forced on the regime at the beginning of the '60s by the manifest inefficiency of the planning procedures] . . . would over the course of only a few years change to a democratic movement, which would sweep away the old leadership" (Kosta, 1991: 302ff). To be sure, there remained the problem that this virtuous circle allegedly obtaining between economic liberalization and political democratization was broken by the third issue, that of national integrity and sovereignty, namely, by the events of August 1968 and the proclamation of the Brezhnev doctrine.

A PANDORA'S BOX FULL OF PARADOXES

Today, on the other hand, the field is dominated in all of the concerned disciplines and political camps by rather pessimistic vicious-circle assumptions. The only circumstance under which the market economy and democracy can be simultaneously implanted and prosper is the one in which both are forced upon a society from the outside and guaranteed by international relations of dependency and supervision for

a long period of time. This, at least, is arguably the lesson offered by the war-ruined postwar democracies of Japan and, with qualification, of the Federal Republic of Germany—and perhaps soon of the former German Democratic Republic. Otherwise, there reigns everywhere an (at least) asymmetrical antagonism: “The market requires the development of a democracy, but democracy does not demand the emergence of a market. . . . If perestroika founders, then it is also soon over with glasnost”³ (Engels, 1989: 110). The members of the former Polish, Bulgarian, Romanian, and Soviet bureaucracies who are newly oriented toward economic reform may feel in complete agreement with this resolutely free-market message, when they plead that the iron hand of a strong presidential regime is now required, and not a “premature” democratic opening, which is feared by them to invite all kinds of counterproductive conflicts. The Stalinists who rescued themselves to the shores of postcommunism diverge from the free-market thesis only to the extent that they proclaim that if perestroika is not to founder, then glasnost must be forgotten.

A further dilemma may be outlined as follows: a constitutional and democratic political system finds its appropriate content of issues and cleavages, the smooth processing of which in turn continuously reproduces its legitimacy, only if a certain measure of autonomous economic development has already taken place and when interest coalitions, collective actors, and themes of conflict have—in contrast to what is the case in the forcibly homogenized societies of existent socialism—emerged from the system of the social division of labor. Only a somewhat developed free-market society with a relatively high level of wealth enables competitive democracy to work as a procedure for the arbitration and reconciliation of interests (Lipset, 1981: 469-476). In a society in which a labor market is unknown and where the overwhelming majority of the adult population consists of so-called *Werkttitige* (“working people,” *trudjascijsja*) with similar incomes and uniformly regulated educational, dwelling, and living conditions, competitive democracy lacks, due to this atomized (cf. Schopflin, 1991: 235-250)

social structure of repressed "difference," sufficiently formed protagonists, collective actors, and issues considered worth processing through the machinery of democratic politics. Or, alternatively, the lack of a developed complexity in civil society leads to the dominance of themes that, albeit suited to conflict, are not also suited to compromise. In both of these seemingly polar cases, perfect homogeneity and deep antagonism, the social structure lacks the requisite degree of differentiation: that is, division of labor, status, interest, and cultural identity that only a developed market society will generate. But homogeneity may just be the surface appearance of repressed antagonism. The Polish sociologist Jadwiga Staniskis has that case in mind when she writes: "As long as the economic foundations for a genuine civil society do not exist, the massive political mobilization of the population is only possible along nationalist or fundamentalist lines" (Staniskis, 1991: 326). She implies that such themes of mobilization would lead to the rapid perversion of the democratic openness into a populist authoritarian regime hostile to internal or external minorities. As a consequence, not only the free-market economy but also democracy itself would go to ruin if the latter were too hastily introduced. What this seems to suggest, again, is that the market must precede democracy.

On the other hand, already prior to the introduction of private property and the market economy, procedures are requisite which hold the political elites accountable and enable participation on the part of the majority of the population—in other words, at least rudimentary democratic procedures are necessary at the *initial* stage of the transformation. This is so not only because democratic concessions will alone, apart from being a minimum condition for much-needed economic aid, be able to appease the indignation at arbitrariness and paternalist authoritarianism that were practiced by the old regime, but also because from a certain point of view democratization appears—despite the three opposite points made before—as the precondition of economic transformation. In contrast to its Western pendant, the market economy that is emerging in Eastern Europe will be, if it in fact

emerges, "political capitalism." It is a capitalism designed, organized, and set into motion by reform elites. Its driving motive is not the pre-political datum of the owner's (Lockean) natural right to his property and its free enjoyment. Rather, the driving motive is what in the case of the Western countries was only discovered subsequently as a welcome functional side effect of an economic order based on the freedom to property, namely, the fact that an efficient economic mechanism serves at least arguably and in the long run the overall interest of society. Thus the reform elites, by taking responsibility for and helping to start a capitalist economic mechanism, represent the interests of society, without, however, being able in the process to rely upon and comply with the demands of an already existing class of capitalist owners and their interests, power, and ideological propositions.

Again, the contrast to the Western pattern of the growth of capitalism is obvious. There, a class of proprietors claims rights that it bases upon moral and ideological arguments that are critical of the forces and institutions of the absolutist, mercantilistic, and feudal old regimes; efficiency, economic growth, and eventually prosperity are mere by-products of the victorious ideological initiatives taken by early entrepreneurial and commercial class protagonists. There, in contrast, privatization and marketization are not rights-driven but outcome-oriented; not class-based but elite-initiated; not creeping and halting but sudden and highly visible; not supported by moral and ideological arguments on rights and freedoms but defended in the name of vehemently and universally desired economic prosperity.

That the introduction of property rights and market mechanisms is actually in the interest of society as a whole is, however, typically not reliably recognized and appreciated by the empirical will of the majority of the population. Such reluctance to believe in the desired beneficial outcomes proclaimed and promised by reform elites is due to two quite sound reasons: First, the population has grounds to suspect that the privatizing initiatives of the new reforming elites might not necessarily be in the service of the universal improvement of economic

conditions, but contribute in the first place to the enrichment of the members of the state apparatus and its clientele. Second, no one can guarantee that the envisaged improvement of the economic situation will in fact occur, and that it will come about without massive and at least passing absolute economic deprivation of a sizable portion of the population. These two misgivings—that the powerful will enrich themselves and that the powerless will fall victims to the market—can be cleared, and their destructive potential restrained, only if the elites in charge of reform secure a solid democratic mandate for their privatizing initiatives and recognize a fair accountability to the majority of the people. Such a mandate can in turn be obtained only through democratic means—which leads to the paradoxical result that in the case of economies of the Soviet type and when a state-managed withdrawal of the state from the economy is to be undertaken, democracy is a necessary precondition of economic transformation. This is obviously the exact, albeit no less compelling, antithesis of the inferences set forth above.

Even though in many instances and according to the reformers' doctrinaire aspirations the reformed economic order may represent a "purer" variety of capitalism than is anywhere to be encountered in the West, it remains a *political* project according to the postsocialist mode and its statist form of realization. This "capitalism by design" (or capitalism without capitalists as active promoters of their class interests) depends in every detail on highly visible *decisions* that require justification, and its development cannot rely on blind evolutionary emergences, which has largely been the pattern in the history of pioneering Western capitalisms. The new class of entrepreneurs (and, correspondingly, the new class of employees, into which the previous "working people" see themselves reconstituted) is created according to a blueprint designed by political elites.

In any event this blueprint contains multiple parameters, each of which is contingent and might be set in numerous different ways (cf. Stark, 1990: 351-392, and Stark, "Privatization Strategies in East

Central Europe," ms.). Should all productive assets be privatized, or should state enterprises be maintained? In which sectors and over what stretches of time should the structural transformation take place? How should the new owners acquire their property—for example, through the gratuitous distribution of the capital stock (or a portion thereof) to the population or to the employees or managers of enterprises? Or should it happen by auctioning off the capital stock to any possessor of money capital? Or by being returned to the possibly still-living former owners? Or also to their heirs? Should it be returned only to native or also to foreign interested parties? With or without liberalization of the capital market? With or without qualifications concerning such vital issues as categories of persons authorized to purchase, upper limits of capital acquisition per capita, maximum prices and minimum wages, the license to engage in foreign trade or not, and dozens of further variables? It is barely conceivable that one can take a single step into this vast arena without arming oneself with strong legitimating reasons, which cannot be gained otherwise than through democratic politics.

Even if an extensive societal consensus were to be assumed about whether the constitution of the economy should henceforth be "capitalist"—whether it should be characterized by private property and marketization of goods, services, capital, and labor—this consensus could not be a substitute for a democratic mandate for reform initiatives. The point is precisely what is meant in operational terms by the only seemingly unequivocal concept of "capitalism" or "market economy"—to say nothing about "social" market economy. But not even such a global and diffuse consensus in favor of capitalism—as a structure and process, as opposed to prosperity as the supposed outcome of both—can be assumed seriously. For the situation that took place in the Soviet Union after the "revolution from above," and which set the ball rolling in the other countries of Central and Eastern Europe, cannot be compared to the overwhelming imperative force of the "zero hour" as it hit the Germans in 1945 after their total military, moral, and material defeat and implied an inescapable commitment, enforced

by the occupying powers, to a new political and economic beginning whose parameters were fixed and enforced by the occupying forces. The Romanians and the Bulgarians are not alone today in seeming far removed from the consciousness of such a commitment, and no one can block their conceivable way back into some form of a state-managed economy. Instead, the political majority culture of an “authoritarian egalitarianism” that seems to prevail in at least these two countries stands in the way of both a market economy and of democracy as uncontested goals for the process of reform. This pattern, as cultivated by and inherited from the old regime (and beyond that, by much of the East European historical experience) (cf. Schopflin, 1991), does not allow a market economy to unfold. For the latter functions under the premise that a general increase of output can be achieved only at the price of a minority’s being in a position to increase its income far more substantially and more rapidly than the majority, which, at least for an interval of unknown duration, may even lose out. The market economy produces, along with the growing output of goods, a growing inequality—a tendency that is resisted by the egalitarian resentment. As for democracy, it is reproached with burdening the decision process with frictions, uncertainties, and discontinuities that threaten to interfere with the already precariously poor level of economic performance. This constellation of expectations and fears (which can of course also be activated by the memory of frustration with so many failed attempts at reform and broken promises in the past) would obviously have the consequence that, precisely because the economic situation is so dire, promising attempts at economic reform—and at its democratic legitimation—are blocked by a majority of the population.

To summarize the propositions that I have discussed so far: A market economy is set in motion only under predemocratic conditions. In order to promote it, democratic rights must be held back to allow for a healthy dose of original accumulation. Only a developed market economy produces the social structural conditions for stable democracy and makes it possible to form compromises within the framework

of what is perceived as a positive-sum game. But the introduction of a market economy in the postsocialist societies is a "political" project, which has prospects of success only if it rests on a strong democratic legitimation. And it is possible that the majority of the population finds neither democracy nor a market economy a desirable perspective. If all of these propositions hold true at the same time, then we are faced with a Pandora's box of paradoxes, in the face of which every "theory"—or, for that matter, rational strategy—of the transition must fail.

The core problem of the political and economic modernization of the former socialist societies resides in their lacking any noncontingent "givens" that would be suitable fixed parameters of the politics of reform. Precisely because the system is at such a deadlock, everything becomes contingent, and nothing can self-evidently remain as it is. The absence of a fixed set of trustworthy or at least uncontested social facts and binding institutions forces the reform politicians to some gigantic "bootstrapping act" (Elster, 1990). For this reason also, the quest for reliable foundations of societal and political accord clings to national identities and desires for ethnic self-assertion. Or, as Staniskis reports from Poland, it clings to "exemplary communities" and doctrines such as the Roman Catholic social doctrine, which is now called on as a binding guide in the strategy to maintain political order. Others stylize the doctrines of neoclassical political economy to the status of a revealed doctrine of salvation. Others think that they have found the Archimedean point for the lever gear of reform policies if in their countries they simply reproduce minutely one of the tested Western constitutional systems (such as the German Basic Law). These attempts at inventing traditions, exemplary models, and dogmas are hardly promising, since the element of arbitrariness is evident with which the political movements and elites choose these allegedly "prepolitical" fundamental truths and proclaim them as their program.

This unavoidable circularity is particularly patent when, as in Poland, Bulgaria, Romania, and Czechoslovakia, the newly elected parliaments also function as constituent assemblies. This indeed means

nothing other than that the players determine the rules according to which the future game will be played, and with which it will be decided who will be a fellow player. Actors are judges in their own case. Even though in the struggle over constitutional principles they appear as persons arguing in accordance with norms, they will be defenseless against the suspicion that in reality they are conducting their deliberations solely with their own interests in mind.

This suspicion is radicalized by the citizens' movements in Eastern and Central European countries. The "logical" difference between their way of proceeding and the activities of "new social movements" in the West lies in the fact that the Western movements operate within the context of already created and solidly established democratic institutions and focus on overcoming some of the built-in biases, deficiencies, and blind spots of these institutions. In so doing, they can base themselves on a core of institutionally stable principles (Habermas, 1985: 79-99).⁴ At times, they have criticized political elites and constitutional practices by referring to the "spirit" of the constitution itself and established principles of political culture.

This reflexive pattern is not available to our Eastern neighbors. There the citizens' movements often have an unconditionally anti-institutional, if not outright antipolitical, bent to them, which is all too understandable in view of their past experiences. Because they cannot refer to already established routines and call for the redemption of the principles embodied in them, they are exposed to the danger of wearing themselves out in idle populist expression, of romantically overrating direct democracy and extraparliamentary forms of action, and of thereby overlooking the capacity for negotiation and compromise that would alone be capable of converting social mobilization into political power. As is to be expected, if this transformation fails, the mobilization will collapse and, in an abrupt reversal, give way to symptoms of apathy, cynicism, and withdrawal into privacy among the majority of the people. At the end of such a cycle, the initial "atomized" state of the post-totalitarian society would not be somehow overcome, but

rather reproduced and reinforced. Because the negative coalitions of dissidents and citizens' movements do not have a coherent political and economic project of their own, there is a risk that they will fall to pieces at the very moment when the bureaucracy of the old regime is deprived of its power and thus is eliminated as the only factor in relation to which the opposition is unified.

Jon Elster has attempted in a series of recent works (Elster, 1990) to explore and conceptualize the interdependencies and antinomies that arise in the process of carrying out political and economic reforms. In the case of economic reform, the two components at issue are those of price reform (deregulation, and dismantling of the system of permanent subsidies provided for by soft budget constraints) and property reform (privatization). A price reform without a property reform would induce the temptation in the managers of state-owned firms to ignore price signals and to keep on squandering public capital by using it inefficiently. A price reform with a property reform would of course establish a complete capitalist system of control, that is, one with labor and capital markets, which is to say one with extensive layoffs and business collapses. It is today entirely unclear—although on the whole it seems rather improbable—whether in this respect promising and feasible intermediate solutions are available. They could be democratic with regard to the enterprise level (i.e., of a cooperative sort): in that case, one would have a capital market without a labor market. Or they could be democratic as regards the economy as a whole: there would then be a labor market without a capital market, and in place of the latter the investment funds would continue being allocated through some state agency.

The political reform also consists of two measures: constitutional guarantee of citizens' rights and democratic rights of participation. The first one without the second would amount to a classical liberal constitutional state, in whose framework, as was shown above, the vast decision-making burdens of the project of "political capitalism" could not be handled.

Additionally, liberal constitutional guarantees would easily be exposed to the opportunistic grip of political elites if the risk of

their being democratically voted out of office did not stand in their way: "Power must be divided to ensure that the constitution will be respected." The second one without the first (for example, mass democracy without freedom of the press) would be equally absurd and in Eastern Europe would have to boil down to forms of authoritarian populism, for they are lacking in sufficiently powerful intermediary collective actors (political parties, associations, trade unions, churches, local governments) which could exercise a function of control vis-à-vis the demagogic presidential regimes.

From these assumptions in the model, Elster derives the conclusion that property and price reforms as well as the guarantees of freedom and democracy condition each other mutually, that the guarantee of liberty and the reform of property stand in a harmonious relationship, but that there is an irreconcilable antagonism between democracy and property and price reforms, if the consequences of both of these economic reforms (namely, unemployment and inflation) are going to be as disastrous for the former countries of the Council for Mutual Economic Assistance as must be anticipated. The core of this antinomy is obvious: people do not want to wait until the blessings of the market economy reach them too and the shock waves of the transition have subsided. And neither are they willing to see the new economic elites (which may often be composed of elements of the old ones) becoming rich at their expense. In this mixture of the feelings of fear, resentment, and envy, they are encouraged by their own dispositions acquired under the old regime, as well as by the interested parties in the "conservative" circles of the old political elites. Add to that the fact that intermediary institutions and agents are largely lacking that would be capable of making the individual costs and risks of the transition a subjectively acceptable burden, and of guaranteeing that the pains and burdens of the economic transition would eventually be compensated for by equitable returns.

One way to elaborate and refine Elster's model further might be the following. Each of the two reforms, constitutional and economic, involves three steps: institutional framework, unfolding process, and

desired outcome. Democratic reforms thus consist in setting up a constitutional framework of citizen rights and parliamentary government. These will supposedly lead to “normal” competitive democratic politics and the allocation of power and material resources through it. The overall result is the peaceful resolution of social and political conflict. Similarly, economic reforms consist in property rights and privatization, an unfolding process of competitive price-setting, and the desired result of productivity gains, growth, and prosperity. Moreover, both chains of structure-process-result are intertwined and are supposed to mutually reinforce each other. If this is the theory, practice may have a number of unpleasant surprises in store. The seven most likely and plausible of them are these:

- ▶ Democratic politics may block or distort the road to privatization and hence marketization.
- ▶ Privatization may succeed, but fail to lead to marketization and hence to growth and prosperity; this could be due to the conservation of cartels and monopolistic structures that make the transition one that occurs not from “plan to market” but “from plan to clan” (D. Stark).
- ▶ Privatization may succeed, but lead to the obstruction of democratic politics through powerful interferences originating from domestic or international owners of capital.
- ▶ Democratic politics may evolve, but fail to lead to the peaceful resolution of social conflict as it is dominated by ethnic, territorial, and minority conflicts that do not lend themselves to democratic forms of compromise.
- ▶ Marketization may succeed, but fail to generate the reality of (or even the widely perceived prospect for) an equitable distribution of its benefits.
- ▶ Accumulated disappointments and frustrations with these failures may give rise to demands for a type of “democracy” that is based on an institutional structure *other* than civil liberties and representative government—for example, populist presidential dictatorship.

- ▶ Conversely, frustrations with economic performance and distribution may also lead to demands for marketization *without* private property; for example, a return to state ownership of productive assets.

THE TUNNEL EFFECT AND THE POLITICAL ECONOMY OF PATIENCE

Decisive is the temporal structure of processes. This applies not only to the macroscopic level, where, as the Western model teaches us, a sufficient time interval between the three modernizing thrusts (nation-state, market economy, democracy, and finally the welfare state) as well as different degrees of rigidity among our three levels fosters their cumulative success, but also to the microscopic level of individual actors. They must, if the simultaneous mastery of the three tasks of modernization is to succeed, be ready to muster a large measure of patience, confidence, and trust. As macroevents have assumed an incredible speed, the painful task of patient waiting falls upon individuals. They must quickly adapt themselves to the new circumstances and then be ready to wait long for the fruits of this adaptation. They need this patience in order not to interfere with the “creative destruction” that will follow the price and property reform in a perfectly intended manner, although by making use of their newly won civil rights they would be quite capable of doing so. Not only must they be sufficiently disciplined to willingly undergo shock therapy, but they must also hold fast in the process, in spite of commonly available evidence to the contrary, to the (perhaps self-fulfilling) belief that the shock will actually be a therapeutic one. Requisite are therefore precisely the virtues and moral resources of flexibility, of patient waiting, of deliberating, probing, and weighing one’s short-term vs. long-term and individual vs. collective preferences, and of tolerance for highly unequal distribution patterns, which over the course of two (three in the case of the Soviet Union) generations of the “construction of socialist society” were either discouraged and entirely under-

utilized or, to the contrary, excessively put to the test, and frustrated as a result. Who would predict with any confidence that these virtues would flourish precisely now?

Albert O. Hirschman has modeled this problem of the ability to wait, or of the political economy of patience, to the metaphor of the tunnel effect (Hirschman, 1981, 39-58). The analogy is that of a tunnel for cars in which there are two traffic lanes going in the same direction. There occurs a nasty traffic jam. In both lanes the automobiles come to a standstill, and no one sees what is going on. Suddenly, the cars in the right lane begin moving and pass by the vehicles still blocked in the left lane. The occupants of the latter are now enduring a cognitive and emotional dynamics ranging from hopeful relief ("Well, after all, it'll soon be our turn to go!"), through envy of the lucky ones and indignation at an obviously unfair traffic regulation, to open aggression on the part of those who try to force themselves illicitly into the moving traffic of the right lane and through the ensuing collisions bring the traffic to a renewed complete standstill. The question is: Why is it that this nightmarish scenario sometimes unfolds more swiftly, sometimes more slowly, while at other times it does not unfold at all—the latter in the happy case when the civilized behavior and the patience of the less-fortunate ones prevail until the jam clears up of itself or when, for that matter, some of the more-fortunate drivers in the right lane voluntarily cede their right of way? And there is the additional question: is it possible to *generate* this kind of patience and civilized behavior where they are lacking by the judicious use of political resources and institutional reforms?

Transferring this question to the political economy of the post-socialist transformation processes yields at least four conceivable categories of answers. The first and simplest one is that, thanks to advantageous circumstances, not much patience is *necessary* in the first place. This corresponds to the case of the "economic miracle," or a vigorous takeoff into self-sustained growth. The gains in prosperity are so rapid and steady that all the participants find it an obvious dictate of good sense to keep to the rules; and, in the process, getting used to

the value of the rules comes easily, and compliance with rules thus becomes more robust.

The second response is a mixture of positive and negative encouragements and incentives, arising from the international system. External support of the new order (Marshall Plan, occupation regime) was—along with, and as a necessary condition of, the “economic miracle”—the key to the success story of the Federal Republic of Germany and other postwar democracies. Since in the case of the Eastern European transformation it is a matter neither of a postwar nor of a cold war situation, military threats have no role to play here—or only negatively, as strategy of the discontinuation of military threat, that is, of a consistently continued politics of disarmament and detente. Besides, this policy of refraining from the threat of military intervention would have the desired effect of canceling a part of the conceivable pretexts for intervention on the part of the former Warsaw Pact countries militaries. Some form of military intervention would, however, have to be kept on reserve in case “reactionary” regimes in Southeast Europe should try to resist transformation by military aggression and civil war. But, in contrast to the situation after World War II, there is no obvious “patron power” that would be a natural candidate for the task of supervising and enforcing the peaceful nature of the transition process.

Neither is there an obvious candidate that would be able to dispense the carrot along with the stick. It all depends on the robustness and the capacity to act of supranational regimes such as the European Community and the Commission for Security and Cooperation in Europe. The reward would consist in a policy of granting international credits and transfers, whose function, so to speak, would be to subsidize the population’s patience. Built into such loans for the external subsidization of the transition would be the soft, disciplining threat that the credit grantors could suspend their aid or favorable trade agreements in case the intended integration of profitable economic and political developments in the countries benefiting from the credits failed to materialize. This strategy of providing “support from the outside”

poses difficulties for a number of reasons. The necessary volume of loans may exceed the capacity of the lending countries, which may have more narrowly defined priorities. Or the latter expose themselves to the beneficiaries' suspicion (justified or not) that the real intention behind the loans is not the subsidization of patience, but rather the long-term exploitation of the recipients, which would be consequently more likely to occasion impatience. Or the transferred funds have the unintended effect not of subsidizing patience for the uncertainties that attach to the process of economic and democratic renewal, but on the contrary of making bearable the costs which arise from the conservation of structures, from the waiving of renewal.

A third method to buy the time and to engender the moral credit and thrust requisite for the simultaneous transition to a market economy and democracy consists in an effective sociopolitical mitigation of the pains of transition by a continued and fine-tuned mechanism of internal redistribution. Granted, such mitigation has thus far not even occurred under the extraordinarily favored special conditions of the former German Democratic Republic. Presumably, tolerance for a transformation toward a market economy, in the course of which inequality inevitably increases (for some must do a lot better quickly in order for all to do somewhat better in the long run), will be more likely to be summoned up if the danger that a substantial part of the population will be, and for some extended period of time, absolutely worse off is ruled out. Here the design question boils down to whether you want to provide *status security* to the economic *core groups* or the unconditional guarantee of an adequate subsistence minimum for *everyone*. At any rate, the beneficiaries of the transformation to a market economy would have to be made to compensate the victims of the transformation with some kind of welfare-state security and unemployment benefits. This would certainly constitute an inversion of the sequence of Western constitutional development as it was postulated by T. H. Marshall (i.e., the sequence: liberal constitutional state, democratic state, and welfare state), and the welfare state would be recognized as the precondition for both the market and democracy (just as democracy, in another

inversion of the Western "model," would be the precondition for the market, as argued above). So far this has succeeded nowhere; at best, it foundered in such a way that (as in the case of Argentinean Peronism) a kind of welfare state was designed to serve as a permanent *substitute* for liberal democracy. The difficulties are plain to see: the resources which are earmarked for the social insurance against "creative destruction" do make the latter less destructive, but they may also make it less creative. Correspondingly, the prospects for a politically successful privatizing of the system of production, and for concomitantly governing the distribution of incomes and services by means of state guarantees, are viewed pessimistically nearly without exception (cf. Deacon and Szalai, 1990). This is all the more so because social security and protection can also easily be denounced as being ideas inherited from the old regime and thus as interfering with the unfolding of the new economic order and its hoped-for fruits.

Even more difficult to realize would have to be a fourth solution to the problem of patience, which would consist in forming collective actors such as associations, federations, trade unions, parties, and local authorities within the East European "civil society." If each person could be assured of enjoying the protection of a robust representation and negotiation capacity from such mediating bodies, whose constitutions would have to make it impossible for them to form "exploitative coalitions" or "clans" that would work at the expense of excluded third parties, then at least a part of these fears would lose their weight—fears that otherwise might turn into a "democratic" blockage of the transformation toward a market economy and eventually make democracy itself, due to its allegedly adverse economic consequences, pointless. These mediating bodies would not be allowed to be state artifacts and would have to enjoy constitutional guarantees that would make them relatively unavailable to opportunistic strategies. At least, they would be able to "deliberate" and find "synthetic solutions" to the conflicting preferences that prevail within their respective constituencies. Also, they would have to be able, due to the representational monopoly granted to them and the strength they derive from it, to explore

the availability of their opponents for cooperative strategies without running the risk of ending up as the “sucker” (cf. Bates, 1988: 387-401). Third, they would have a moral basis in the feelings of solidarity and mutual obligation within “civil society.” If such a combination of the institutional as well as moral patterns of “civic republicanism”-cum-“democratic corporatism” is a rarity even in the affluent societies of the West, how could it flourish on the soil of the atomized social structures of postsocialist societies? Instead of that, and corresponding to the atomized state of the society, we see ahead of us, at least in some of the countries undergoing the triple transformation, a type of “charismatic” politics and presidentialist constitution-making unmediated by intermediary structures, in the shadow of which the forces of a civil self-organization beyond market, state, and ethnic “community” are having an exceedingly hard time to assert themselves.

Translated by Pierre Adler.

NOTES

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1. I owe this parallel to the unpublished work of J. Elster.
2. In their expectation of a proletarian world revolution, the founders of the Soviet Union have dispensed themselves with indicating the geographical placement of the state in its official name, the Union of Soviet Socialist Republics. This is probably the only modern case of a state's doing so without naming its place in space. Even the United States of America operates with such a self-localization, although it is a misleading one since it concerns the entire continent. In the case of the Soviet Union, what was perhaps meant as an invitation to other “Soviet Republics” that might be emerging elsewhere in the world to join the Union turns precisely into an invitation to all the bearers of hitherto oppressed and denied ethnic and national identities to secede, for they no longer have any reason to include themselves in the now empty category of “Soviet citizen.”

3. The words are those of Wolfram Engels, a leading German neoclassical economist and editor of *Wirtschaftswoche*, a major business weekly. He also refers to the exemplary cases of Pinochet's Chile and South Korea.
4. Cf. J. Habermas's defense of "civil disobedience" as conducted in the name of widely shared norms and values of civility itself.

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