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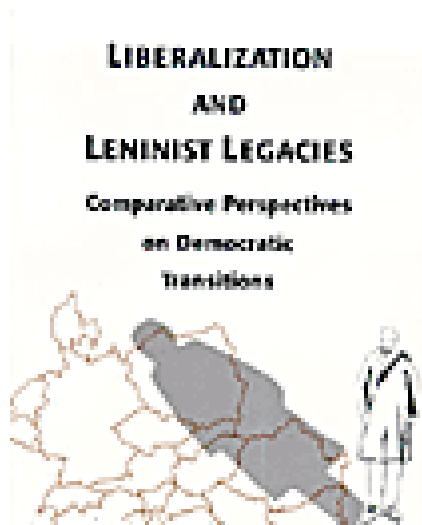
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## **Liberalization and Leninist Legacies: Comparative Perspectives on Democratic Transitions**

Edited by Beverly Crawford and Arend Lijphart

### **Description:**

This volume looks at how the shadow of the past affects the creation of new capitalist democracies in the former Communist world. It not only examines the question of former Communists again holding public office and managing firms, but also looks to the deeper consideration of culture: Do Leninist legacies leave the former Communist world with a political culture that shies away from the public debate and political participation so vital to a robust democracy? The authors examine these issues in comparative perspective, asking whether Leninism was unique and how other new democracies emerging from an authoritarian past are adversely affected by legacies of repression and dictatorship.

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**LIBERALIZATION AND LENINIST  
LEGACIES: COMPARATIVE PERSPECTIVES  
ON  
DEMOCRATIC TRANSITIONS**

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Editors**

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# **OLD LEGACIES, NEW INSTITUTIONS: EXPLAINING POLITICAL AND ECONOMIC TRAJECTORIES IN POST-COMMUNIST REGIMES**

**Beverly Crawford and Arend Lijphart**

## **INTRODUCTION**

The recent wave of political and economic liberalization spreading over much of the globe has unleashed a flood of scholarly speculation about the sources of successful democratic consolidation and economic development in societies that have broken from an authoritarian or totalitarian past. In particular, communism's collapse provides fertile ground for social scientists to both test theories of political change developed in other regions and different time periods and construct new approaches to political and social transformation. What sort of order is emerging from the collapse of Leninism in Eastern Europe? What are the dominant constraints and incentives that shape the direction of change? How are property rights created, and why do emerging conceptions of property rights differ among countries and regions? How do political elites who have discarded old concepts of justice make new choices between competing notions of equity and fairness? Why are some political institutions chosen and others discarded? Why have strong political parties emerged in some regions and weak ones in other regions? Why do some post-Communist countries have strong executives and others have weak ones?

For comparativists, the study of post-Communist transformation is particularly intriguing since much of the world has been swept into the ideological tide of economic and political liberalization at roughly the same time with few alternatives to guide their political and economic futures (Schmitter and Karl 1994). Are we able to discern similar responses to the same liberalization stimulus,

or are responses different, revealing the importance of distinct social, cultural, economic, and political conditions that determine the direction of change? Under what conditions will the transformation of Communist regimes resemble the transformation of authoritarian regimes in Latin America or other liberalizing regions of the world?

In addressing these questions, scholars have explored and employed a range of analytic and theoretical perspectives (Ekiert 1991; Bova 1991; Crawford, ed. 1995; Di Palma 1990, 1991; Janos 1991; Jowitt 1991a, 1991b, 1992; Karl and Schmitter 1991, 1992; McFaul 1993; Terry 1993). Two competing approaches have emerged which have major significance; both attempt to explain how choices and incentives are structured in the post-Communist environment in order to specify the dominant conditions underlying regime change. The first can be termed, as Ellen Comisso suggests in her essay here, the “legacies of the past” approach. Legacies approaches explain post-Communist transformation as a function of the social, cultural, and institutional structures created under Leninist regimes and Soviet domination in Eastern Europe that persist in the present period. In this view, the past casts a long shadow on the present, shapes the environment in which the battle to define and defend new institutions takes place, and may ultimately undermine the liberalization process.

The work of Ken Jowitt (1992) on Leninist legacies is the most important and provides an excellent starting point for comparative analysis. Jowitt predicted that the collapse of Leninism would cause long-term turbulence and confusion that would undermine attempts to build stable post-Communist regimes in the short run. Potentially, however, this environment would be generative of new types of social order, but the order created would not necessarily be a liberal capitalist one. Indeed the Leninist legacy would favor antiliberal outcomes rather than a smooth transition to liberal capitalist democracy. This is because Leninist regimes were long separated from the West; they had little experience with markets, the rule of law, liberal citizenship norms, and the workings of civil society.

An alternative approach emphasizes the “imperatives of liberalization” (Lipton and Sachs 1990; Brada 1993; Aslund 1994). It suggests that new institutions can be crafted and new international pressures can be brought to bear that shut out the negative influences of the past. From this perspective, the head of Leninism has been lopped off, leaving space for the development of new forces to struc-



ture incentives according to the more or less universal rules of liberal capitalist democracy.

We present both approaches as ideal types in order to emphasize their essential differences. Although no single scholar characterizes his or her approach in the stylized way we suggest here, we will show that contrasting the two perspectives can be a useful heuristic device for generating hypotheses about diverse trajectories of East European countries after the collapse of communism. The inductive approach taken in the empirical papers assembled here provides these perspectives with more precision. Stephen Hanson's concluding chapter assesses the empirical evidence provided in these essays and offers a more complete framework upon which scholars can build in the future.

The debate between these two approaches has important implications for comparative research methodology and design. Because the legacies perspective emphasizes the unique historical inheritance of Leninism in the post-Communist world, it suggests the importance of descriptive accounts of individual cases of post-Communist transition. It also suggests the relevance of intraregional comparisons to examine how the particular differences in historical legacies have led to divergent paths from Leninism. The liberalization perspective, in contrast, emphasizes the immediate contextual circumstances that constrain choice and determine the path of transition. To the extent that those immediate circumstances are similar across regions—i.e., to the extent that the model of liberal capitalist democracy or the “Washington consensus” (Williamson 1993) provides strong guidelines for institution-building—cross-regional comparisons can highlight the causes of divergent responses to similar influences. A legacies approach, however, would discourage such cross-regional comparisons with the argument that common influences do not provide an “imperative” to liberalize society and each society's unique set of historical legacies will shape its response to the challenges of post-Communist reality. Indeed although post-Communist countries will certainly respond differently to those challenges, their common experience with Soviet imperialism and Leninist political systems separates their responses from those of other regions faced with similar challenges.

Of course, instead of simply ruling out cross-regional comparisons on the assumption that they are not useful because of the unique

characteristics of countries with a Leninist legacy, this assumption can be tested; indeed cross-regional comparisons can provide an excellent test: if the assumption is correct, there should be significant differences between the group of new democracies who did not experience the Leninist legacy, on the one hand, and the new East European democracies as a group, on the other—even if the East European countries differ among themselves with regard to the strength of the legacy. A liberalization approach might begin with individual case studies but would attempt to increase the number of cases under investigation.

The contributions to this volume explore the utility of each of these approaches. The authors examine the conditions under which the unique Leninist legacy in post-Communist societies obstructs the creation of stable liberal capitalist democracy and the conditions under which the incentives motivating elites lead to liberalizing outcomes similar to those experienced in other regions. Through a critical case study of land restitution in Hungary, through intra-regional comparisons of the origins of political institutions and privatization programs in a number of East European countries, through an illustrative discussion of post-Soviet Russia, and through a cross-regional comparison of the sources of party and executive strength, the essays assembled here examine the sources of political and economic elite behavior in post-Communist Eastern Europe. Does that behavior indicate the perpetuation or eradication of past legacies? Do post-Communist elites behave like elites in similar circumstances in other regions of the world characterized by different cultures, histories, and social legacies?

These articles provide a detailed analysis of when and how past legacies and present circumstances have an impact on the direction of regime change in Eastern Europe. The evidence cumulated here suggests five important preliminary observations. First, cross-regional comparisons are both possible and useful. The strength of political parties, for example, varies across geographic regions. While party strength in Russia and Ukraine is low and about the same as in Brazil and Colombia, party strength in Romania is high and about the same as in Portugal or Venezuela. Because party strength varies among post-Communist countries and because countries within the region resemble countries outside of it more than they do their neighbors along this dimension, some factors other

than the Leninist legacy must be responsible. More generally, there is no distinct pattern of democratic institutional design in Eastern Europe and the former Soviet Union.

Second, however, the particular Leninist legacy specifies an analytic focus on elites in post-Communist societies. In contrast, earlier studies of democratic transitions that concentrated on Latin America and Southern Europe looked at broad social coalitions and how they shaped the identity of political and economic institutions. Authoritarian regimes in those areas were supported by a political elite often in an alliance with the military and other autonomous social and economic actors—e.g., the urban working class and the bourgeoisie, the peasantry, and the landowning elite. Analysis of transitions in these areas focused on the building and disintegration of alliances among these groups in the liberalization process (Kaufman 1986; Przeworski 1986). Leninist regimes, in contrast, were long dominated by a single elite, the absence of support from distinct social coalitions, and few autonomous political actors. Despite mass political action at the moment these regimes crumbled, the revolutions in Eastern Europe and the former Soviet Union were largely characterized by rapid “revolutions from above.” They were facilitated by festering splits within the political elite, its ultimate decision to relinquish power, and—with the exception of Poland, which experienced a slower transition—the emergence of only a small counterelite.

Third, our findings were mixed with regard to the role of pre-Leninist legacies in providing constraints on and incentives to politicians in their efforts to liberalize their political and economic systems. Comisso and Geddes both show that the forty-year period of Leninist rule destroyed traditional parties and weakened traditional classes and interests. Indeed Geddes shows that only in Romania did the traditional parties reemerge and survive in the first round of competitive elections. This contrasts with the situation in Latin America, where authoritarian regimes allowed a semi-pluralistic political environment in which traditional parties could maintain their existence despite barriers to their participation in politics. The totalitarian reality in Eastern Europe was more completely destructive.

Comisso shows that in Hungary, however, new institutions actually helped to preserve some aspects of the immediate pre-Leninist

past. The proportional representation (PR) electoral formula adopted after 1989 permitted political participation of the Smallholders, a party established in 1946, which raised the issue of restitution in 1990. Its commitment to reprivatize the land was calculated to attract the same constituency that had voted it into power right after World War II. Although the Smallholders attracted a rather small percentage of the vote, it was able to exercise disproportionate influence in the restitution debate because it was in a position to make or break the government's majority coalition. Nonetheless, the resolution of the restitution issue showed that the Leninist legacy had decidedly weakened the claims of large landowners and the Catholic Church, who had controlled the land in the interwar period.

Shugart shows that pre-Leninist legacies largely determine the locus of governing authority. In post-Communist transitions, like transitions in other areas, the decision to locate governing authority in the parliament or in the office of the president is almost entirely dependent upon the pre-Leninist democratic experience. All of the countries that had a prior experience with parliamentary cabinets or with hybrids of monarchical rule and parliamentary accountability chose to put governing authority in the hands of a parliament after the collapse of the previous authoritarian or totalitarian regime. Those that chose cabinets accountable to the president lacked a legacy of parliamentarism.

Nonetheless, the actual choice of a presidential system rested on incentives and constraints at work in the current context in which the choice was made. Russia and independent Croatia adopted presidencies in order to assert a national identity distinct from the political identity of the previous regime. In Russia, a presidential cabinet was chosen because politicians committed themselves to an electoral formula that permitted them to focus more on their personal reputations than their party affiliations.

Stephen Hanson accepts much of Shugart's interpretation, but emphasizes that Leninist legacies largely explain the locus of executive authority. He suggests that the closer one gets to Moscow, the more the negative effects of Leninist legacies will be felt and thus the more likely that the establishment of rules favoring strong parties and parliaments will be blocked by "insider" politicians—e.g., former nomenklatura with regional power who are defending the interests of inefficient industries and collective farms.

Fourth, we found that at times the outcomes we were seeking to explain were “overdetermined.” The “velvet divorce” in Czechoslovakia (the peaceful partition into the Czech Republic and Slovakia) may seem to confirm a view of primordial identities prohibiting political compromise or an analysis stressing institutional incentives toward separation governing the behavior of political elites even when populations were reluctant to part. Success in any particular liberalization project may undercut predictions of failure that might be advanced by the legacies approach, but failure may result from immediate circumstances that mitigate against success. Connie Meany shows that the slowdown in the privatization process may have resulted not only from the negative influence of the old nomenklatura, but also from the faulty construction of privatization plans and the rise of distributional coalitions that are bound to form in any democracy. Scholars have argued that to successfully push through economic liberalization policies, reformers in the state apparatus need to be insulated from these distributional coalitions by being granted discretion to operate either outside traditional bureaucratic channels (Waterbury 1992) or within internally cohesive and insulated bureaucracies (Evans 1992). In the post-Communist setting, however, this looks suspiciously like a return to centralized power and undemocratic decision-making procedures that characterized the Leninist era.

Shugart shows that choices made in the transition reflect both pre-Leninist legacies, the speed of Communist collapse, the particular mix of insiders and outsiders in the decision-making process, and the possibility of membership in the European Union (EU) and NATO. All these forces worked together to form the constraints and incentives dominating institutional design.

Finally, this problem of overdetermination has led us to disaggregate the components of each approach in order to formulate testable propositions. What we found is that with the establishment of democratic political systems, legacies became tools of political discourse and mobilization in the competitive political process. The political relevance of Leninist legacies—that is, the usefulness of those “tools”—was dependent upon the pace of reform before 1989 and the speed of communism’s collapse, the particular economic circumstances, and the norms that emerged dominant after the fall of Communist regimes. In other words, the immediate context com-

prised of norms, institutions, and international pressures matters most to the future of liberal capitalist democracy. Both the pace of communism's collapse and particular international forces at work in the present shaped the substance of that immediate context.

In short, our collective findings demonstrate that the distinction between the two approaches is not as sharp as their proponents would claim and that competing arguments must be synthesized and broadened for more nuanced and complete explanations of the direction of change in the transition from Leninism. The remainder of this introduction elaborates on these points. We begin with a discussion of the conceptual debate between the two approaches. We then disaggregate the legacies approach into six distinct arguments and show how each aspect of the legacy fared when confronted with the "imperatives of liberalization." We then examine alternative explanations for the outcomes under investigation. Alternative explanations suggest an approach that emphasizes the immediate context and its impact on the perpetuation or mitigation of past legacies, as well as the degree of support that it offers for liberalizers in the transition process.

### THE CONCEPTUAL DEBATE

Both the legacies of the past and imperatives of liberalization approaches focus on the forces shaping the calculations and choices of political and economic actors in the post-Communist environment. They diverge on the relative importance of the various factors that motivate and constrain those choices, who the central actors are, and their predictions about the ultimate outcome of the transformation episode.

From the imperatives of liberalization perspective, dramatic breaks with the past occur rarely, but they do occur. War, revolution, and economic crises often provide a necessary condition for this break in that they make elites and the population at large available for new identities and create the space for new institutions to structure choices in innovative ways. To paraphrase Barbara Geddes's essay here, if new democratic institutions are constructed, vested interests in those institutions will develop rapidly and will have

long-term consequences that overshadow past legacies. If those institutions provide incentives to economic and political liberalizers and constrain those actors who oppose the liberalization process, the odds that the outcome will be a successful transition to liberal capitalist democracy will increase.

In contrast, those who adopt the legacies approach argue that the forces that shape current choices have deep roots in cultural, political, economic, and social conditions inherited from the past. To the extent that those conditions dominate the social, cultural, and economic environment, incentives to resist the liberalization effort are strong. Proponents of this approach claim that new institutions may be created and new international pressures for liberalization may exist, but dominant social, cultural, and political forces at work in the larger society will determine their identity. It suggests that institutions are simply arenas within which actors driven by more fundamental historical, cultural, or ideological factors seize power or compete for resources. "Liberalizers" counter that liberal institutions can structure preferences and constrain choices in ways that create new political and economic cultures. Those institutions affect the distribution of resources, which, in turn, determines the relative power of both political and economic actors.

How do liberal imperatives overcome Leninist legacies? Under Leninist regimes, power was vested in a single party that prohibited opposition; proponents of the liberalization approach argue that this legacy can be erased if new political institutions are constructed to both resist the intervention of one or another political actor that might wish to reverse the outcomes of the political process (Przeworski 1991) and create a "loyal opposition" and block any incentives on the part of losers to reverse the outcome by force (Hall 1995). The legacies approach counters with the argument that the absence of established successor elites and the persistence of political and economic power will undermine these new institutions and perpetuate structures of power that dominated Leninist regimes.

Communist regimes concentrated political power in a central party and state; the concentration of power could be weakened, the liberalization argument runs, if opposition groups are free to organize and compete for power. Under Leninist regimes, political activity was monopolized by one party identified with the state; for that legacy to be weakened, party systems would have to be created with the

strength to effectively channel the inevitable social struggles over distribution of scarce resources (Haggard and Kaufman 1992a). Furthermore, for the Leninist legacy to erode, regime-coerced political activity would have to be replaced with measures that structured the preferences of voters to enhance political participation rather than subvert political institutions. Thus evidence of institutional strength can be found precisely in the return of formerly Communist parties to power in Poland, Hungary, and Bulgaria: these parties must now form coalitions with other parties to govern, and they can be swept from power in the next election. The key indicator of transformation is that they no longer hold a monopoly of power in society. The legacies approach, on the other hand, suggests that to the extent that centralized states remain in Eastern Europe, elites who control the state will continue to monopolize political and economic activity. Political participation will be weak and economic competition will be thwarted. If former Communist parties come to power, their elites will simply find new forms of clout disguised as new institutions. They no longer require a formal monopoly on power, but they can wield overwhelming power nonetheless. Stephen Hanson suggests here, for example, that in Russia, important subcomponents of the old monopolistic structure have coalesced, becoming the organizational core of Russia's contemporary political parties and parliamentary factions.

With regard to economic transformation, the legacies approach suggests that reforms will fail if the old elites remain in power. Many scholars who argue from the imperatives of liberalization approach claim that if decision-makers can simply "get the institutions right," the economic power base of the old elite can be minimized. The key is a rapid, widespread, and simultaneous introduction of markets in the domestic economy and rapid integration of the domestic economy into the international economic system. A large cluster of simultaneous changes is needed because the main elements of a market economy are interrelated. If old institutions that perpetuate the political power of the entrenched elite are not quickly swept away, those elites will indeed block the reform process (Remmer 1990; Przeworski 1991; Sachs 1994). For example, price liberalization must be accompanied by rapid privatization and by efforts to restructure industry through the elimination of subsidies, anti-monopoly policies, and the creation of agencies to penalize those who persist in the old practices. Unless these reforms are pursued simultaneously, the



argument runs, prices will continue to be distorted by large enterprises who wield monopoly and monopsony power over markets. Given the importance of this legacy, industrial restructuring will undermine the power base of the entrenched managerial elite. Only an industrial structure that includes a significant number of small and mid-sized firms will transmit realistic price signals for production efficiency and increase output diversity (Mann 1991). The managers of these firms will form a new and diverse economic elite. According to this liberal agenda, discussed in Connie Meany's essay, rapid privatization can trigger the necessary industrial restructuring that will create a new elite. The longer the old structures of ownership remain in place, the more opportunity is afforded to existing managers to consume the capital stock and block further liberalization measures. Rapid privatization will create a new entrepreneurial class that will support reforms and erase past legacies.

In short, each perspective emphasizes opposite forces shaping the calculations and choices of the central actors in the post-Communist environment. The legacies approach emphasizes the importance of political culture, social structure, and institutions created under communism in those calculations and choices; the liberal imperatives approach emphasizes the dominance of liberal capitalist democracy as the institutional structure that shapes choice. In the following section we examine particular legacies and the conditions under which liberal imperatives have or have not weakened their impact on choice.

## THE EVIDENCE

Here we explore six key legacies, how they are related, how they affect conditions in the post-Communist environment, and how they might be overcome by the imperatives of liberalization: 1) the cultural legacy: the history of backwardness, victimization, and intolerance; 2) the social legacy: the absence of an established successor elite; 3) the political legacy: weak party systems with shallow roots in society; 4) the national legacy: the interrupted process of nation-building; 5) the institutional legacy: the survival of Leninist institutions; and 6) the administrative/economic legacy: centralized

states and command economies.<sup>1</sup> We then assess a set of institutional, normative, and international forces in the current period that have either magnified or minimized these legacies. Our findings are presented below.

#### CULTURAL LEGACIES: BACKWARDNESS, VICTIMIZATION, AND INTOLERANCE

A central legacy often discussed by scholars of East European politics and society is that of East European “backwardness” and peripheral status in the world economy that predates communism but was perpetuated during the Communist period (Chirot, ed. 1989; Berend 1995). The legacies approach suggests that perceptions of collective inferiority that follow from this peripheral status created a culture of victimization and political helplessness in society at large, as well as among elites, leading to intolerance for opposing views and the inability to negotiate and compromise. These factors were reinforced by Leninist regimes that created widespread aversion to the politics of bargaining, negotiation, and compromise necessary in a democracy. Jowitt (1991a) has made this argument most forcefully: With their failed promises, brutal exercise of power, and enforced political participation, Leninist regimes prevented the emergence of a “public realm” and instilled in their societies a deep distrust of government and general political passivity. Low voter turnouts throughout the post-Communist world have often been cited as an indicator that this legacy continues (Simon 1992).

Stephen Holmes (1995) notes another pernicious political effect of this double-barreled legacy. Under Communist regimes, public bargaining over interests was not only absent, but was also considered immoral. To the extent that this norm shapes political life, new post-Communist parliaments have to fight the dominant perceptions that their very *modus operandi* is illegitimate. This aspect of the Leninist legacy combines with the culture of those actually writing the constitutions in these societies, the constitutional lawyers. These lawyers are committed to principles of natural law rather than principles of bargaining and compromise. Despite the fact that the creation of independent courts throughout Eastern Europe represents an important break with the Leninist past, to the extent that the lawyers’ influence dominates the political realm, this legacy is

likely to persist. Connie Meany and Ákos Róna-Tas argue here that the “shock therapy” approaches to economic transformation have a similar impact: in their attempt to bypass the realm of political bargaining and compromise, they are a form of social engineering—that is, a mirror image of Communist “blueprints” for building socialism in a politically passive society.

Ellen Comisso examines the extent to which the legacy of passive publics, uncompromising elites, and dependence upon political and economic blueprints dominated the outcome of the restitution issue in Hungary in 1992. She finds ample evidence that it did not. She shows that the issue was the subject of intense political negotiation, compromise, and debate in the public realm; divergent points of view were tolerated by opposing sides. Restitution became a rallying cry for a number of parties to mobilize electoral support. The public controversy and the successful elite bargaining that ensued attest to the capability of new democratic institutions to undermine the legacies of backwardness, passivity, and aversion to democratic politics of negotiation and compromise.

Nonetheless, the government’s intended role for the constitutional court in this case shows some evidence that this legacy is still alive. Given the increasing intensity of political controversy over the restitution issue, in early stages, the prime minister requested an advisory opinion from the court in order to sidestep the political debate. Comisso argues that the request was made in order to allow a decision that would rule out reprivatization. The government’s intent was that the decision be made outside the realm of politics in accord with its own preferences. The court, however, did not act according to the predictions of the legacies approach. Its decision was not entirely favorable to the central government, and it ultimately provided fuel for the opposition in the political debate. Most important, it did not remove the issue from the realm of negotiation and compromise. Indeed the case shows that in a number of ways, the court acted as part of the political process.

#### **THE SOCIAL LEGACY: ABSENCE OF AN ESTABLISHED SUCCESSOR ELITE**

A second and closely related legacy focuses on the perpetuation of the power base of the old elite and its social and political effects.

Under Leninist regimes, political power was vested in a small group of people rather than in a set of impersonal rules. The Communist party asserted itself as the exclusive focus of political membership; opposition “parties” were a facade, operating as a source of external legitimization for the single-party state. Communist elites established patron-client relations to achieve their ends rather than building a merit-based bureaucratic organization. The political elite was not “established” in that it did not recognize the legitimacy of all of its members—especially that of opposition elites—in the polity. This legacy reinforced the previous one in that elite political culture was characterized by intolerance, fragmentation, and visceral identification rather than political organization (Jowitt 1992).

The legacies approach suggests that to the extent that this same group of people remains in a position of power and influence, the emergence of a liberal political culture of contestation and mutually respected rights will be blocked. Old elites will work to establish institutions in the post-Communist environment that are expected to contribute to their own future success.

The liberalization approach counters that new rules of political contestation and market competition can be formulated and implemented to remove the *certainty* of power and wealth for the old elite and permit new contenders to enter political and economic competition. Therefore they do not worry that former Communists still occupy positions of power. Their *behavior*, like the behavior of other powerful social groups, will be shaped by the structure of constraints and incentives that issues from the new democratic and market-oriented institutions. And with a political opening, opposition will emerge in the political process.

Barbara Geddes makes the most forceful argument here for the imperatives of liberalization and against the Leninist legacy and its influence. Her evidence shows that because essentially democratic institutions were initially constructed, a competitive political system and an increasingly tolerant political culture has emerged after communism. She shows that once the articulation of opposition views became possible, there was a rapid disintegration of political support for the old Communist political elites. Most important, she demonstrates that Communist elites themselves responded to incentives created by electoral competition in the same way that other politicians in other regions faced with the same choices would have re-

sponded. The behavior of political elites, she argues, shows no evidence of the persistence of a special Leninist legacy.

Given the new institutional imperatives, Geddes claims, it is the balance of power between old and new elites that drives the political transformation process in Eastern Europe. Relative power balances and bargains struck between a few elite actors provide a central explanation for the shape of the new institutional framework (Lijphart 1992). The more powerful the old elite, the greater the odds that new institutions will be fashioned to maintain their strength in the political system. The less powerful the old elite, the higher the odds that electoral laws will be devised to minimize their political power. Both Comisso and Geddes find here that if the old elite has popular leaders, their party affiliation becomes a stigma and they seek to shape electoral laws that minimize party affiliation, such as a directly elected executive. Opposition groups, uncertain about who would survive in electoral competition, sought rules supporting party affiliations that would play down the role of individual personalities. If, however, the situation is reversed, then the perceived need to create parties that can govern is reduced.

Although these incentives and efforts explain elite calculations, they do not always explain the actual institutional choice of elites in power. Recall that the legacies approach predicts that to the extent that old Communists retain positions of power, they will shape institutions to support their positions. Geddes's findings for Poland, Hungary, Bulgaria, and Romania show that despite the fact that Communist parties pressed for a strong and directly elected executive and a majoritarian electoral system in the initial negotiations, the strongest presidency emerged in Poland, the country with the most well-established opposition elite. Furthermore, an electoral system with a strong majoritarian bias was created in Hungary, where the old elite was still strong, but not in Romania, where the old elite was the strongest. The explanation for the Polish case is the pace of collapse: because the collapse of the old regime was slow and prolonged, the Communist Party, though slowly weakened, still had the protection of the Soviet Union; therefore Moscow had a stronger influence in the creation of new institutions. In the Hungarian case, where a rapid collapse of communism occurred, the opposition gained control of the legislature in the first election and was therefore reluctant to change the electoral system when it had the chance to do so.

Matthew Shugart draws on these two factors—balance of power between old and new elites and the pace of collapse of the old regime—to explain the choice of electoral laws that impact the strength of political parties. When the transition was slow and dominated by old elites (“insiders”), politicians looked for ways to disassociate from the old regime and cultivate personal votes. They thus fashioned electoral laws that would give them more individual independence and reduce party strength. Fast transitions, on the other hand, led to electoral laws that provided for strong parties, regardless of whether insiders or outsiders dominated the transition process. He further found that countries with stronger political parties had weaker executives. Where transitions were slow and dominated by the old elite and thus characterized by weak political parties, the rank and file delegated most policy authority to the executive, in the form of a strong presidency with decree powers. Shugart thus provides an alternative explanation to the one suggested by Geddes for the emergence of a strong executive in Poland.

What factors affect the continued strength of the old elite, and does its continued strength in certain countries affect economic reform? Shugart suggests that in those slow transitions where there was no sharp break with the past and no great turnover in personnel, politicians were bent on turning to the most readily available means of advancing their careers: defense of decaying economic interests of the old regime. They would thus seek to block the path of economic reform, whereas fast transitions dominated by a new elite would more readily enact economic policy changes.

Shugart thus supports the legacies argument that suggests that the absence of established successor elites will prohibit the success of market liberalization. The explanation is that the persistence of the old elite in power will prevent the emergence of a market culture that responds to supply and demand signals. Instead, with old management still at the helm of industry and their cronies in government, the exploitation of monopolistic rents, bribery, and exploitation will continue (Poznanski 1992). A number of scholars have argued that post-Communist reforms have simply put *more* wealth into the hands of the old elite, who will rapidly consume it. For example, Ivan and Szonja Szelenyi (1993) cite the findings of the Polish sociologist Jadwiga Staniszkis on this issue: she claims that by the end of 1990, about 20 percent of all productive assets in Poland

were converted to the personal property of the former nomenklatura.

Meany's essay examines the influence of old elites in thwarting the success of privatization programs in Hungary, Poland, and Czechoslovakia. Legacies approaches would argue that privatization creates a dual economy in which the well-positioned old elite as the new property owners are the major actors. Their influence leads to corruption, consumption of public resources, and a political backlash against market reforms. Meany shows that in Poland and Hungary, rapid privatization plans were thwarted or lacked support, while in Czechoslovakia they were successfully implemented. To what extent was the absence of an established successor elite responsible? In Poland, an established successor elite existed in the form of Solidarity, while in the Czech Republic, no counterelites had gained influence before 1989. The Polish failure can therefore not be attributed entirely to the perpetuation of the power of the old elite. In Hungary, too, although no established *political* successor elite such as Solidarity had arisen, a new *economic* elite of successful professionals and small, part-time private entrepreneurs had formed prior to the collapse of communism.

Meany examines the argument that the explanation for the slower Polish and Hungarian effort can be found in the rise and political influence of distributional coalitions (some of whose members were also members of Solidarity) who were bound to be losers in the privatization scheme. In the Czech Republic, in contrast, a new elite espousing a coherent neoliberal ideology quickly formed around Vaclav Klaus and his center-right party, and the new elite was able to push through the privatization program. In neither case, then, did the old elite exercise the influence or exhibit the behavior predicted by the legacies approach. Indeed despite the fact that no civil service reforms had been adopted in any of the three countries as of 1992, employment in the privatization ministries in all three countries is based on impersonal recruitment through job advertising and personal recruitment through old school networks. Meany's findings are supported by Szelenyi and Szelenyi (1993), who argue that in the case of Hungary after 1965, the Kadar regime went out of its way to recruit the most competent and talented university graduates for bureaucratic positions. In Czechoslovakia, the same process was occurring until 1968 until it was crushed and was unable to emerge until after 1989.

Indeed what Meany suggests and what Ákos Róna-Tas demonstrates is that the strength, character, and motivation of the old elite varies according to the timing of reform in the old regime and the pace of its collapse. Róna-Tas's findings, however, contradict Meany's in that he argues that elite legacies do play an important role in explaining the pace and direction of Hungary's privatization, while liberalization imperatives largely explain rapid, voucher-based privatization in the Czech Republic.

Furthermore, Róna-Tas argues that variations in the economic structure in both countries at the time of communism's collapse account for the differing power of the old elite and the differing impact of elite legacies. Those countries that undertook economic reforms under communism emerged with a strong old managerial elite able to shape the privatization process. Those countries that did not undergo economic reform before communism's collapse were left with a very weak old managerial elite who were powerless to shape the post-Communist economic reform process. In Hungary, where the Communist regime introduced enterprise autonomy, commercial banks, and market elements into central planning, tremendous economic power was conferred upon managerial elites under state socialism. These elites with their independent economic power base became relatively independent of the Communist party-state. In contrast, economic reforms in Czechoslovakia were squelched after 1968, and managerial elites were highly dependent on the state and its economic directives. After communism's collapse in Hungary, managerial elites were left strong and intact because they had become relatively independent. Their strength permitted them to successfully block reprivatization efforts and voucher schemes and initiate self-privatization efforts through the enterprises they directed. Managers, then, took the opportunity to become owners of the companies they managed. Managers had an "insider advantage" because of a slow weakening of the Hungarian party-state.

In contrast, Czech managerial elites, beholden to the party-state, were greatly weakened as a social and political force when communism collapsed because the collapse was so sudden and final. They were unable to resist the takeover of the state by liberal "social engineers," who pushed through a reprivatization plan and a privatization scheme based on coupons distributed among the citizenry. They were thus powerless to take over ownership of the previously state-owned



enterprises. This new form of acquiring ownership further weakened the old managerial elite since it operated at the whim of the new owners, who were often capable of firing old employees at will.

Taken together, the essays here show that the pace of collapse can determine the power of old elites in the present setting and that under certain conditions old elites can exhibit new behavior. A fast collapse of the Communist party-state provided an opportunity for the rise of new elites and gave them incentives to organize and exert influence in the post-Communist environment. In the cases examined here, some entrenched elites have switched preferences and responded to new incentives. Opposition parties have formed and a fragile tolerant political culture is emerging. In the economy, new opportunities have arisen in the expanded privatized sector, even in Poland, and developmental coalitions are forming.

#### **POLITICAL LEGACY: WEAK PARTY SYSTEMS WITH SHALLOW ROOTS IN SOCIETY**

A third and related postwar legacy is the Communist Party's largely successful effort to destroy all independent and diffuse sources of political power. The legacies approach argues that this will result in the post-Communist weakness of political parties and the absence of programmatic party platforms throughout Eastern Europe. To the extent that the public realm is discredited and the term "political party" is associated with Communist Party dominance, the social base of political parties will be particularly thin, shifting, or altogether nonexistent. Incentives to resist liberalization are reinforced by this weak party system and its absence of ties to a solid social base. This legacy weakens the efforts of liberalizers in the post-Communist environment: even if they wanted to liberalize political institutions and eschew corruption, they would be unlikely to mobilize the social or political support needed to keep them in office. Therefore, despite the triumph of liberal capitalist ideology and new access to the political system for liberalizers, powerful forces opposing liberal reform have a weighty influence on the political process.

If these arguments are correct, the outcome might not be far from what Guillermo O'Donnell (1992) called "delegative democracy." Here, in a system where parties are weak and sometimes non-

existent, the winner of a presidential election whose political base is a mass social "movement" rather than a political party governs as he sees fit, ignoring the constitution and abolishing other democratic institutions.

Shugart's evidence counters this prediction and undermines the explanatory power of this legacy. While, as noted above, Shugart argues that party strength is a function of electoral laws which are dependent on the pace of transition and on the balance of power between old and new elites, others focus on the societal base of party strength. They suggest that the strength of political parties is linked to the introduction of the market. Market competition creates the basis for political interest group competition and thus creates a social base for political organization along party lines. If political parties have shallow roots in society now, this is likely to change as market reforms proceed (Gourevitch 1992).

Geddes agrees that party linkages to interest groups and interest groups themselves are not well established in Eastern Europe. Nonetheless, those linkages are just now emerging. Although they precede rather than emerge from interest aggregation, political parties are now searching for political bases of support. And as potential social divisions become apparent, party leaders will attempt to formulate programs and policies to capture the support of particular groups.

Hanson's predictions for Russia are more pessimistic. He argues that Russian political parties have not become an effective vehicle for representing broader Russian social interests: "Unlike in Eastern Europe, there are no important Russian labor parties, youth parties, or environmental parties; explicitly religious and ethnic parties have also fared poorly." Centrist parties, which have the most appeal in Western democracies, appear to Russian voters as nothing more than fronts to represent the interests of politicians belonging to them.

A quest for support on the part of emerging political parties appears to be a driving force in the political debate over privatization policy in Eastern Europe. Political parties use alternative positions on the issue to define their identity in opposition to other parties. New parties often adopt a more radical approach in order to distinguish themselves from the more gradualist ex-Communists (Poznan-ski 1995). Meany shows here, for example, that the privatization

efforts of the Olciewski government in Poland were criticized by the opposition, who suggested that privatization was a “sell-out to foreigners.”

Past legacies involving property rights become political campaign issues as parties attempt to mobilize support from different social groups around various issues of distributive justice. In the restitution debate in Hungary, for example, some political parties attempted to gain the support of rural segments of the population who sided with the pre-socialist owners. In this attempt, arguments about distributive justice and the privileged position of land ownership were prominent; other parties attempted to incorporate restitution into general privatization policies in order to gain the support of a wider and more urban population.

Geddes argues that the creation of interest groups in Eastern Europe and the construction of links between interest groups and political parties will proceed differently from the process in Latin America. In most Latin American countries, industrialization resulted in the political dominance of divisions between capital and labor over other social divisions that could potentially be politicized—e.g., ethnic, religious, and urban-rural splits. It is the Leninist legacy, she argues, that explains why capital-labor divisions have not manifested themselves in divisions among organized interest groups and political party platforms. The division was not permitted under Leninist regimes—“worker states”—where capitalism was forbidden. She suggests that given important industrial shifts in the current period, the capital-labor split may not emerge, but rather the most important cleavage may be between the declining public sector and the rising private sector. For Geddes the central social and political divisions will have their roots in emerging economic conditions.

Geddes rightly points out that especially at times of political and economic upheaval, there are a number of ways to define social interests and identify social divisions. Not all of them will, however, become politically central. Comisso argues, for example, that the Hungarian case suggests that the central divisions will *not* be economic. Political parties in Hungary have attempted to mobilize support by exploiting ideological rather than social divisions—i.e., divisions between the Friedmanites, Thatcherites, Social Democrats, and American-type liberals, on the one hand, and the Christians,

populists, paternalists, parochials, and culturally based intelligentsia, on the other. In Comisso's terms, the dominant political division is between the ideology of *Gemeinschaft* and that of *Gesellschaft*.

Geddes notes the social correlates of these *Gemeinschaft-Gesellschaft* divisions: "Politicians have moved quickly to mobilize ethnic differences into party support." This means that problems of nationalism, ethnic and sectarian rights, and minority concerns have become important issues on the political agenda. In the following section we explore the causes and implications of these particular social divisions in post-Communist society. In order to do this, we must again turn to the Leninist legacy.

#### NATIONAL LEGACY: THE INTERRUPTED PROCESS OF NATION-BUILDING

After the Russian Revolution of 1917, communism as a cosmopolitan universalist ideology was supposed to replace particularistic nationalist ideologies as a blueprint for economic modernization; after 1945, this ideology, combined with Soviet domination and cold war divisions, served to repress national discourse in Communist countries. That national discourse as a tool of social mobilization has emerged again.

The discourse of nationalism in Eastern Europe is particularly problematic for the future of democracy. The legacies of imperialism and the varieties of nationalism that have emerged in its wake do not have their origins in the more liberal and inclusive Enlightenment nationalisms of France and England, where membership in the nation was a function of civic behavior. Nor were these nationalisms born in societies that depended on immigrants, a dependence that demanded the acceptance of settlers as equals in the nation-building process (Greenfeld 1993; Chirot 1995). Instead, the nationalisms of post-Communist societies had their roots in the Russian and German traditions of *narod*, *Volk*, blood, and race as the basis for membership in the nation. Collective solidarity within that tradition precluded the development of a strong sense of individualism and solid norms of civic nationalism. The poison of these particular varieties of nationalism in the region was made more potent by the legacies of imperialism. The Ottomans in particular mixed up ethnic and religious groups, redrew boundaries that left large numbers of people

outside their homelands, and left a bitter administrative legacy that privileged one group over others to maintain social control.

This legacy of incomplete nation-building means that the issue of who *is* included in the nation and who is not included (Haas 1986) is now on the new political agenda in most post-Communist societies. To the extent that the issue is not resolved, politicians may be tempted to construct institutions that exclude minority groups or weaken their political power in order to appeal to certain exclusive constituencies. The institutions they construct will make minority groups politically vulnerable and fan the flames of ethnic or sectarian resentment and conflict by forcing minorities to live under political systems that they have not chosen and that do not represent them.

From the liberalization imperatives perspective, this legacy can indeed threaten the liberalization process. If universal citizenship is not assured, loyalty to the state is undermined and illiberal democracies emerge. The corrective is an institutional blueprint to ensure the creation of liberal democracies, a complex web of legal relationships that must affirm equality before the law and protect individual rights and freedoms. These institutions create loyalty to the democratic model and provide a noncoercive form of social mobilization for the state while restricting its control over the population. The success of liberal democracy is dependent upon universal citizenship.

The legacies approach would counter, however, that particularly when liberalizers are trying to gain the upper hand in dismantling the centralized state, when appeals to class are no longer credible, and when material resources are increasingly scarce, some political entrepreneurs will offer an exclusive "national identity" as a resource in exchange for political support. Nationalist parties often attempt to mobilize support by undermining liberalization efforts. Nationalists know that in democratic systems, the mass electorate can oust reformers in the next election and are tempted by nationalist and xenophobic political appeals that offer more than long-term aggregate economic growth rates. Meany offers evidence for this claim. She points out that in Poland, nationalists have attempted to distinguish themselves from more liberal parties by renouncing privatization, claiming that an alliance between the old nomenklatura and Western foreigners has robbed the Polish nation of its resources.

Such nationalist appeals, she argues, may well prove to be successful. Further, Stephen Hanson argues that the nationalist and other anti-Western political forces which currently dominate the Russian parliament have only a tenuous commitment to the rule of law and parliamentary order.

The legacies approach further suggests that in multi-ethnic societies, politicians are tempted to privilege—or promise to privilege—the members of one ethnic group over those of any other residents of the state in exchange for votes. Both the legacy of interrupted nation-building and this need to exchange resources for support in order to seize and maintain political power lead them to define citizenship in exclusive and collective terms and thus to neglect the individual as the basic subject of constitutional law. Individuals are diffuse and their identities are multiple and overlapping. Diffuse groups provide a weak political base for politicians seeking social support. Ethnic and sectarian groups are concentrated, and their characteristics can often be easily defined and distinguished from the characteristics of other groups; they are thus easier targets for political mobilization than diffuse individuals. They may harbor historic grudges that can easily be politically charged (Laitin 1985). Moreover, to the extent that national self-determination as a symbol of sovereignty is associated with freedom from oppression for a specific ethnic group, such exclusivity as a resource to mobilize internal support is reinforced.<sup>2</sup>

When the rights of the “nation” or the rights of a particular collectivity are privileged above the rights of the individual, those privileges are usually justified by national myths of cultural superiority that glorify one’s own history and character and malign the history and character of others. These myths garner political support by providing national identity as a political resource in exchange, and they undermine liberal ideology as a basis upon which to build solid nation-states, markets, and democracy. Needless to say, as these politicians gain positions of political power, *illiberal* democracies are likely to emerge if any aspects of polyarchy remain at all.

Barbara Geddes warns of the importance of this legacy in Eastern Europe. Ethnic differences have been mobilized into political support in almost every East European country. And nationalist myths are invoked in every relatively ethnically homogeneous society. Geddes argues that when ethnic divisions become politicized,

they are likely to remain so if they become enshrined in new political institutions. Illiberal democracies are the likely result.

The potential creation of illiberal democracies and the institutional features that support them can be illustrated by political developments in post-Communist Croatia. The constitution states that ethnic "Croats" are citizens of Croatia, whether they live there or not, and non-Croats do not have full rights of citizenship. Members of minority ethnic groups (Serbs in Croatia) were thus not accorded the same immediate rights of citizenship when the constitution was written (Hayden 1992). The Croatian Democratic Union (HDZ), espousing exclusive nationalist claims, gained control of both the legislature and the presidency in the first election; the president has broad emergency powers; there is little separation of powers and accountability in the government. The judiciary lacks independence; its appointments and dismissals are controlled by the parliament, and there is little freedom of the press. The concentration of political power has given rise to a new elite of party-state functionaries "whose major decisions are made outside the proper government sphere" (Plestina 1993).

Dijana Plestina (1993) has shown how a "faulty" institutional structure can actually perpetuate those past legacies that undermine liberal reform. She shows that electoral laws favored the dominance of the Croatian majority in the political process. While in the country as a whole over half of the seats in the lower house of the legislature were elected by majority vote, PR was the election rule in areas like the Krajina, which, until the "ethnic cleansing" of 1995 were dominated by a majority of the Serbian population; this allowed Croatian parties from these areas to gain seats in the legislature. Majority rule would have provided Serbs with more representation. Further, parties present a closed list of candidates in all of Croatia; this further entrenches the dominant nationalist party in power by giving it priority status on the ballot.

This legacy of incomplete nation-building is perhaps the most important threat to the project of economic and political liberalization in Eastern Europe. Consociational (power-sharing) institutions could help solve this problem, but only one country, Czechoslovakia, has so far turned to this solution. During the short period of its operation as a unified and democratic country, Czechoslovakia was thoroughly consociational with regard to all four of the components of power-

sharing: 1) it had a power-sharing cabinet including representatives of both the Czech majority and the Slovak minority; 2) it was a two-unit federal system consisting of autonomous Czech and Slovak republics with their own governments; 3) it was based on the twin principles of proportionality, including a PR electoral system and minority overrepresentation; and 4) it had a mutual veto in the form of a concurrent majority requirement stipulating that constitutional amendments and major legislation required not only approval by extraordinary legislative majorities, but also by such majorities in the upper house among Czech and Slovak members voting separately.

Czechoslovak power-sharing came to an end in early 1993, when the two former states in the federation became sovereign. A major explanation for this split is that the Czechoslovak system faced the most serious obstacle to successful consociation: the fact that one of its ethnic groups, the Czechs, constituted a clear majority of the total population. Power-sharing can be achieved much more easily and tends to work better when all of the constituent groups are minorities that appreciate the protections offered by consociational rules and institutions, in contrast with the (at best) grudging approval that majorities may be willing to give to minorities.

The partition of Czechoslovakia entailed a relatively clean split between Czechs and Slovaks, as well as a largely homogeneous Czech Republic. But Slovakia has a sizable Hungarian minority—again the unfavorable situation of a majority facing a minority, which makes consociational solutions difficult to achieve. Unfortunately, the same situation was also created by the breakup of the Soviet Union and Yugoslavia: most of the successor republics have an ethnic majority—in fact, most of them carry the name of the dominant ethnic group—and one or more significant ethnic minorities. Although an all-minority situation is not a necessary condition for consociational democracy, its absence weakens the prospects for consociational democracy in Eastern Europe considerably.

The prospects are better for discrete elements of consociationalism, especially PR. As Rokkan (1970) has pointed out, PR was adopted in many heterogeneous West European countries in the beginning of the twentieth century as a nation-building device, and it has clearly contributed to the integration of religious and linguistic minorities in these countries. The new East European democracies have turned to a variety of electoral systems, but most of these are



forms of PR rather than majoritarian methods. If PR gives East European minorities a true measure of political influence, it will help give them a sense of security and belonging to the larger society. Indeed it could help continue the process of nation-building broken off during the Leninist period. Federalism could potentially serve as an alternative or additional nation-building instrument, but the trend is clearly away from federal arrangements with the dissolution of the three most important federal states in the area—the Soviet Union, Yugoslavia, and Czechoslovakia.

#### **INSTITUTIONAL LEGACY: THE SURVIVAL OF LENINIST INSTITUTIONS**

The fifth legacy considered here is that of the survival of old institutions in the post-Communist environment. From an institutional perspective, this legacy would be crucial to the success of liberal capitalist democracy because institutions affect the distribution of resources, determine the relative power of both political and economic actors, and structure their preferences and constrain their choices. As Geddes shows, this legacy has been largely wiped out in the political realm. She assumes that democratic institutions are now under construction, and the focus of her essay is how and why *different* democratic institutions are chosen.

Geddes does show, however, that although the totalitarian state was abolished, some of the political institutions established under communism still exist, and they now serve to shape the balance of power between old and new elites. In Hungary, for example, multi-candidate elections were allowed after 1985 in which a number of opposition members of parliament had been elected in single-member districts who then pressed to maintain a similar electoral system.

Comisso, as well, argues that the fundamental legal basis upon which new institutions are constructed was inherited entirely from the socialist era, and the story that Meany tells here shows that there has been a reluctance to dismantle centralized state control over the economy. Comisso, too, shows that the resolution of the debate over land restitution preserved and protected agricultural cooperatives, an institution created in the Communist period.

Does the persistence of old institutions undermine the project of economic liberalization? Both the legacies and the liberalization

arguments agree that to the extent that the old institutional features of the economy remain in place, former managers maintain positions of economic power and have important incentives to block the reform process. Meany shows here, for example, that in all three countries under investigation, separate ministries of privatization were created so that the process would not be captive to enterprise interests and staffed by officials from the old regime. Nonetheless, these new institutions had to compete with the old Ministry of Industry and its well-positioned former nomenklatura officials, who, in Poland and Hungary, have achieved some limited success in slowing down privatization. In addition, Meany shows that the differing agendas of neoliberal proponents of rapid privatization and capitalists (i.e., investment bankers) employed to assist privatization ministries are also a factor. The latter are not wedded to the idea of dismantling the state and are quite comfortable forming relationships with state agencies.

Comisso, in contrast, shows that surviving institutions from the Communist period *did* matter in the case under investigation but did not threaten the liberalization process. She looks at how “cooperative property” as a form of ownership created in the 1960s in Hungary provided an institutional constraint on the restitution of land to pre-Communist owners. Cooperatives had established a form of property ownership that was separate from state ownership and therefore led to a far more incremental and “reasonable” property rights reform than elsewhere in Eastern Europe. The debate over restitution, Comisso argues, was more about “what to retain from socialism than about how to abolish it.” Indeed in a broader sense, “regime change in Eastern Europe occurred via modifications in existing (socialist) laws and amendments to (socialist) constitutions, according to legal procedures set down under socialism.”

#### **ADMINISTRATIVE/ECONOMIC LEGACY: CENTRALIZED STATES AND COMMAND ECONOMIES**

A final legacy of Leninism concerns the crisis-prone economic policies of the old regime. At one time, political elites had used centralized power to mobilize resources, displace the peasantry, and create a social and economic infrastructure in the interest of rapid economic growth, distributing resources to labor and managerial

elites alike. Leninist elites, like elites in the autarkic capitalist states of Latin America, saw the state as the central economic actor and therefore believed that the central state had to be strengthened in order to achieve the goal of economic development. They also believed that in order to develop, they must be isolated from the international economy.

But these highly centralized regimes could not sustain economic development under conditions of increasing global integration and social and economic complexity. Isolated from international technological change, their autarkic economies were frozen in a previous industrial era. Economic growth, however, depended on the development of competitive exports based on new technologies not available in most socialist countries. Inability to compete in the global economy triggered a decline in living standards. In addition, command economies were wasteful and inefficient; they reduced wealth and therefore decreased resources that could have been tapped by the state.

Further, under Leninism, the state's monopoly of control over the media reduced the flow of information upon which sound policy decisions are made. And as these states increasingly failed to achieve the goals they proclaimed, they had decreasing authority to mobilize the support of their populations for a collective purpose. They were outwardly despotic but inwardly weak.

Elites within the state sector acknowledged the growing weakness of the central state. Recognizing the need to "unfreeze" their economies and restructure industry to achieve competitiveness, Communist regimes, like autarkic capitalist regimes in Latin America, became increasingly dependent on the growth of a scientific and technological elite and an educated workforce where the criteria for advancement derived from politically neutral technical standards. Regimes were forced to promote those individuals and groups with technological competence over those who simply professed ideological purity and party loyalty. The consequence was the growth of two social classes with a high potential for political mobilization: the technological intelligentsia and skilled labor. The increasing importance of a technocratic elite and an educated labor force outside the party apparatus undermined the ideological legitimacy of the state.<sup>3</sup> Therefore, although socialist states possessed the capacity for internal repression, they were ultimately weakened by their own despot-

ism; they could not promote economic growth and could therefore no longer distribute resources in exchange for the support of the population. As their legitimacy dwindled, they became “Wizard of Oz” states: perceived both domestically and internationally as powerful organizations but actually possessing rapidly vanishing power resources.

The collapse of communism, like the collapse of autarkic capitalism, as a “revolution from above” was the result of recognition that the economic crisis had fully discredited the old regime (Hall 1987; Chirot 1991; Janos 1991). In turn, the collapse of communism destroyed the last ideological universalistic and cosmopolitan alternative to liberal capitalist democracy (Fukuyama 1989; Jowitt 1992). Having exhausted their capacity to produce economic growth, elites saw command economies as a fetter on the forces of production.

The legacy of centralization and autarky was the key factor that brought down the old regime in both Latin America and Eastern Europe. But that legacy does not provide an explanation for the future direction that these regimes will take. The imperatives of liberalization—the hegemony of liberal capitalist democracy as the dominant ideology—provide one explanation. When one ideology is hegemonic, it crowds out most others, and elites are not free to choose the norms that guide their policy decisions. The rise of distributional coalitions, however, can change the liberal scenario into a form of Latin American corporatism in the least industrialized states of Eastern Europe.

Is centralized authority shrinking in Eastern Europe? Comisso’s findings suggest that the answer is no, at least in Hungary. The restitution issue demonstrated that government in Hungary exercised strong control over the legislature, that it had little need to compromise with the opposition, and that it paid party elites to lobby government, *not* the parliament. And all political parties relied on the central state to distribute resources to particular constituencies in exchange for support. Meany too shows that stalled privatization in Poland and Hungary preserves centralized state control over economic resources. The concentration of political power within the central state still persists as an important force in shaping the post-Communist reality in Eastern Europe. The state, not society, continues to be the source of political power, and politicians seek to use its resources to mobilize political support. In many areas we have

yet to see the “state-shrinking” that the liberalization imperatives approach would predict.

In sum, this first cut at the evidence suggests that neither the Leninist legacy nor the imperatives of liberalization provides an adequate approach to the study of post-Communist political and economic change. Not all past legacies have become politically relevant. Although among elites, cultural legacies of passivity and intolerance seem to be losing their power in the political process, other legacies, such as the incomplete process of nation-building, are undermining liberalization in many areas. Some institutional legacies provide support for liberalization, and some immediate circumstances, rather than legacies, have worked to undermine economic and political liberalization. We must therefore turn to explanations that provide a more nuanced view of how past legacies and current circumstances interact to explain particular outcomes in the process of regime change.

#### **ALTERNATIVE EXPLANATIONS: INSTITUTIONS, NORMS, AND INTERNATIONAL PRESSURES**

What unites the various arguments presented here is the view that the constraints and incentives that shape current choices arise from the immediate context in which the actors find themselves. It is this context that will determine both which past legacies become politically central and whether there will be a successful transition to democracy and markets in Eastern Europe. Three aspects of that context are discussed in these essays: new institutions, hegemonic norms, and international imperatives.

As we have seen above, for both Barbara Geddes and Matthew Shugart, the calculations of self-interested politicians—whose primary goal is to further their political careers—are the central determinants of institutional choice. Once democratic institutions are chosen, their calculations will determine which specific political rules are constructed.

New democratic institutions, however, do not mean that the project of economic liberalization will automatically be successful. Democratic institutions can give rise to the distributional coalitions

that figure prominently in Meany's explanation for stalled privatization. To the extent that new institutions permit access for these coalitions to the policymaking process, they can disrupt the project of economic liberalization.

As we have seen, institutions figure prominently in Comisso's explanation for the initiation process and resolution to the restitution debate. Nonetheless, she does not find the institutional perspective altogether satisfying. She thus takes the causal arrow one step back to explain both the emergence of particular political institutions and policy outcomes as a consequence of a set of dominant *norms*. She suggests that liberal norms have emerged as central in post-Communist Eastern Europe. Not only did the hegemony of liberal norms exclude socialist claims for distributive justice in settling the issue of property rights at stake here, but they also excluded the claims of those who were powerful prior to 1949. The exclusion of these claims indicated the extent to which Hungarian society had been secularized during the Leninist period and the extent to which bourgeois values were dominant in the policy process.

The role of hegemonic norms in shaping the trajectory of post-Communist change should not be underestimated. With communism (the only ideological rival to liberal capitalist democracy) discredited, a consensus among foreign and domestic elites on simultaneous economic and political liberalization has emerged in both Eastern Europe and Latin America. This consensus on ideological legitimacy could be used as a resource to muster support for reforms. Indeed as Comisso's essay suggests, an understanding of the role of norms is essential to our understanding of the direction of change in post-Communist society. Dominant norms shape institutional identities; they exclude some social elements from access to power, and they include others, setting important limits on political discourse.

Stephen Hanson, however, is not so sanguine about the ability of liberal norms to take root in Russia. He argues that the collapse of Leninism left an ideological vacuum easily filled by the dominant Western world view. But this is not, he argues, necessarily a positive sign. To many politicians and voters alike, liberalism in post-Soviet Russia appeared to be a wholesale capitulation to the West. And after the assault on the Russian White House in October 1993, most disaffected groups in Russian society believed that "liberalism" was a

disguise for naked presidential power. Indeed the ideological consensus about the value of legal proceduralism needed as a foundation for the stability of liberal institutions has simply not emerged.

Finally, international pressures and incentives have an important influence on the direction of post-Communist transformation and on the particular shape of new institutions. The level and kind of foreign aid and investment will greatly affect the competitiveness and efficiency of industrial enterprise; capital flows send important signals felt in domestic political struggles over the shape and identity of post-Communist institutions. Foreign resources can shore up political support for liberalizers on the part of exporters, financiers, and labor in the export sector. Western openness to imports from these transforming economies can have similar political effects: markets in the West provide a magnet for the export industries of liberalizing countries and a spur to their growth. If, however, the West pursues protectionist policies, exporters, agricultural interests, and some sectors of labor will be harmed, thus undermining a large part of the social base that liberalizers draw on for support in the political process. As Shugart suggests, the possibility of membership in a Western organization like the EU or NATO could provide a powerful incentive for the adoption of domestic political institutions that would be in harmony with those in the West.

Connie Meany's essay examines another international force, the role of foreign experts in actually designing new institutions. She shows how privatization plans for the state-owned industrial sector were largely devised by foreign experts and administered in ministries or agencies of privatization created on the advice of foreign experts and employing large numbers of foreign and expatriate talent. To the extent that these actors were able to create privatization plans that "worked"—i.e., plans that created increased economic opportunities—those opportunities have worked to offset the negative effects of Leninist legacies. To the extent that opportunities are not created due to faulty blueprints and distributional coalitions, the old nomenklatura and popular suspicions will work to undermine the liberalization process.

## CONCLUSION

The research findings presented here suggest that the immediate context provides the conditions under which past legacies will or will not play a role in shaping the direction of regime change in post-Communist societies. And liberalization is only “imperative” when key conditions are met: when liberal norms set parameters on political debate and participation, when international pressures support liberalizers in the political process, and when new institutions provide for competition in both the economy and the political arena. Indeed the immediate context that determines which legacies are still alive and which have vanished involves the institutions that developed under communism, the proximity to the West, and the vigor with which Western aid and investment into the region are pursued. The confluence of these forces works to determine which norms will become hegemonic and the institutions that will be built on that normative foundation.

New institutions shaped by these forces have the power to create a competitive political system where once there was none, and in doing so, to weaken the past legacies of political intolerance and inability to negotiate and compromise. They also can provide incentives for the rise of oppositional elites; and those new elites provide an important challenge to the old nomenklatura who still hold positions of political and economic power. When new institutions dominate the process of political and economic change and when liberal norms shape the identity of those institutions, old political and economic elites behave in new ways and old surviving institutions take on new identities that can support the liberalization process.

New institutions also provide society with incentives to participate in the political process. But their norms, rules, and procedures do not always tell us which social divisions will become politically central. To the extent that liberal norms are hegemonic and imbue new institutions with their identity, social divisions along ethnic and religious lines can remain peripheral to the political process. To the extent that liberal norms are weak and resources are denied to liberalizing politicians and economic entrepreneurs, these social divisions—if they exist—are likely to become politicized. Finally, international forces—capital flows, trade regimes, and foreign advis-



ers—can provide support to liberalizers in the political process, or they can undermine liberalizers and permit old legacies blocking liberalization to live on.

### NOTES

1. We do not claim that these are the only legacies at work in the current transformation process. Indeed others include the particular industrial structure of vertically integrated conglomerates that not only left in place a managerial elite positioned to pressure politicians to oppose reform (Aslund 1989; Hewett 1988), but also created a socioeconomic division of labor in which the workplace doubled as the marketplace, becoming the only focus of social life. A legacy approach would argue that this division of labor enforced social isolation on the part of the working population that will work to prevent the creation of civil society (Jowitt 1991b) and will prevent the emergence of a “market culture” (Poznanski 1992). This particular important legacy is not addressed in the papers assembled here.
2. Note the following from a member of Ukraine’s Party of Democratic Birth, now part of an opposition coalition called New Ukraine: “What is at issue is the difference between the emphasis on the individual and his rights on the one hand, and on the nation and national independence as the highest goal on the other” (cited in Brumberg 1992).
3. In Poland, for example, a study conducted by Kazimierz Frieske of Warsaw University’s Institute of Sociology in 1988 found that out of 513 heads and deputy heads of departments in 18 government ministries and central state organizations, only 8–9 percent were Communist career opportunists—i.e., people who had come in directly from the party. Thirty percent were Catholics, and there were no clear indicators that party involvement had advanced individual careers (Clough 1990).

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## **POLITICIANS, PARTIES, AND PRESIDENTS: AN EXPLORATION OF POST-AUTHORITARIAN INSTITUTIONAL DESIGN**

**Matthew Soberg Shugart**

The collapse of communism in East-Central Europe and the former Soviet Union has offered an unusual opportunity to study the design of new democratic institutions in a part of the world with minimal prior democratic experience.<sup>1</sup> Although no country in the region or anywhere else can be said to be a *tabula rasa* as far as the design of new democratic institutions is concerned, the former Communist world is about as close as scholars are likely to get, especially with so many countries in the same region all making democratic transitions at approximately the same time. Is there a common post-Communist democratic format? Are post-Communist countries charting their own institutional path to democracy as a result of legacies of either the Communist or pre-Communist eras? Or are there broad similarities between the post-Communist region and countries in other parts of the world that have made transitions from authoritarianism? In this chapter, I argue that there are indeed generalizations that can be made across regions—and variations within them—about the form that new democratic institutions take.

I argue that at one fundamental level, institutional choice really is no choice at all: whether a country adopts cabinets dependent on the confidence of a president or the parliamentary majority is largely predetermined by the geographic region in which the country is located. As I shall argue, geography is a proxy for other historical factors—namely, the legacy of historic liberalization of monarchies in Europe (especially in the West) and of revolutionary breaks with colonial or authoritarian pasts elsewhere (e.g., Latin America and some African countries). These historical developments have left a legacy of parliamentarism in Europe and presidentialism in most

other regions that no relatively short-term political interests appear to be able to overcome. Nonetheless, there are also legacies of the recent authoritarian past that find themselves embedded in institutions that, I argue, can be understood as choices of rational politicians seeking to advance their short-term interests. An example is the establishment in some countries, such as Brazil and Russia, of electoral systems and constitutional structures of power that help many politicians (who are themselves holdovers from the former regime) defend large (and often inefficient) enterprises from efforts at market liberalization. Thus understanding institutional choices requires a sensitivity to legacies, both long-term and more recent; however, such a sensitivity does not vitiate rational-choice conceptions such as those found in the “imperatives of liberalization” approach.

I focus here on two crucial choices that, I argue, are not foreordained but are made in such a way as to further the rational political career interests of rank-and-file politicians. These choices are how much authority to delegate—via electoral law design—to party leadership and how much independent legislative authority to delegate to the executive. On these dimensions, there is a large variation in post-Communist Europe, and there is also a substantial variation in Latin America and in a broader sample of post-authoritarian democracies where new institutions have been established. For instance, post-Communist Europe has systems of “closed-list” proportional representation (PR), in which candidates for representatives are elected solely on the basis of the share of votes received by the party and the party leaders’ pre-election rank order on the ballot. Examples are Bulgaria since 1991, half the Russian Duma since 1993, about half the Hungarian parliament, and the Czech and Slovak Republics.<sup>2</sup> There are systems in which candidates are elected within party lists, but the order in which they are elected is established solely by personal votes that voters give to candidates directly. Such “open-list” systems are found in Estonia, Latvia, and Poland. Outside post-Communist Europe, there are similar variations, with Venezuela representing in some ways the paradigmatic case of “strong” parties and closed-list PR, and Brazil and Colombia representing highly candidate-centered systems.

On the dimension of executive powers over legislation, there is also wide variation. For instance, presidents in Brazil, Colombia,

Russia (even before Yeltsin's coup in 1993), and Ukraine may issue decrees on practically any policy measure, while most other presidents lack such legal authority. Presidents in Belarus, Chile, Mongolia, Poland, and Russia (since 1993) may veto any legislative bill, and such a veto can be overridden only by a two-thirds vote of the legislature. Many other popularly elected presidents, as in Benin and Venezuela, have neither decree nor veto powers. Other systems, nearly all of which are in Europe, are parliamentary; hence their executives have no independent legislative authority but are dependent on parliamentary confidence for their very survival in office.

The rest of this chapter is organized as follows. After briefly outlining a theoretical framework, I explore choices of electoral laws made during regime transitions. Then I link the choice of electoral law to the choice of executive powers. I examine a set of democracies that have emerged from post-authoritarian transitions since the end of World War II. I find that post-Communist systems have few unique properties and that, instead, they may be explained by a general theory of post-authoritarian institutional design.

## A THEORY OF DESIGN OF CONSTITUTIONS

I employ a theory of institutional design that is built from the bottom up. I ask what the designers of institutions want. Usually it is plausible to argue that rank-and-file politicians are the ultimate shapers of institutions. In some cases, they obviously are not, as when a president or the military intervenes and establishes new rules "from above." I deal with such cases separately. For other cases, however, even where only a few party leaders are engaged in the process of institutional design and rank-and-file politicians appear to be on the sidelines, there is a prior question to be asked: Where did party leaders acquire this authority? I assume that rank-and-file politicians can always choose to leave their parties during times of democratic transition (if not before); even new parties that start out as little more than clubs of a few top-level activists (sometimes dubbed "taxi" parties) must attract followers who are free to select from a variety of potential leaderships. Therefore, the existence of strong parties is itself a choice made by either existing legislators or



aspiring candidates to have an agent—party leadership—to assume much of the burden of organizing the political process.

I take it as axiomatic that the complexity of the policy process in modern states does not permit legislators the luxury of operating without delegating. In a hypothetical leaderless assembly of elected representatives, the problems of cycling and majority-rule instability would prevent politicians from getting anything accomplished (McKelvey 1976; Weingast 1989). So they delegate to a central agent, whom they endow with the authority to impose discipline, set the agenda, provide information, etc. The agent may be the leadership of their parties, granted levers by which to sanction (“whip”) members who deviate from the party line. However, if this were a universal imperative, all democracies would have strong parties. Yet certainly they do not. Brazil, for example, has been democratic since at least 1985 and has parties generally recognized as among the weakest in the world. Even the United States surely has weaker parties than, say, Germany. In some countries, then, rank-and-file politicians have chosen to keep their parties relatively weak. Instead of seeking to further their political careers primarily on the basis of party reputations, they seek to do so on the basis of their personal reputations. In the next section I shall propose hypotheses to explain this preference for party versus personal reputations; for now the question is: If politicians opt for personal politics, then who structures the policy process? I argue that in such cases, politicians grant policy authority to the executive instead of to the party leadership.

Members intent on cultivating a personal reputation are concerned foremost with positioning themselves as loyal servants for a locality or subparty group of voters for which they perform “project, grant, and service activities” (Fiorina and Noll 1979). They seek rules that permit them to maintain a “personal vote” (Cain, Ferejohn, and Fiorina 1987) that will shield them from possible adverse national partisan tides. For them, leadership within the party could impinge on the very autonomy that they need to be able to build their personal reputations. If party leadership can impose sanctions on dissidents but members want to have the freedom to dissent for the sake of serving their constituents, then members will favor lesser party leadership powers.

Having opted for weaker parties, members seeking to build careers on the basis of personal reputations still need an agent to

assist them in accomplishing their agendas. If the policy process is so chaotic as to be in constant cycling, their personal reputations will suffer as they have nothing to show for their work. An alternative to empowering a strong party leadership, then, is to empower the executive. The executive can be empowered with the authority to determine the broad directions in which policy will go. Members are then freed from having to deal with broad national policy concerns and to bear the costs of acquiring detailed information (Krehbiel 1991). They can even score points with constituents by opposing the policy if need be and shift the blame onto someone else if the final decision is less than favorable. In the process of arriving at final decisions, however, rank-and-file legislators are free to extract concessions on other issues that keep them in good graces back home. By such lobbying and deal cutting are personal reputations built.

Note that our rank-and-file members who had delegated policy tasks to their own party leadership are in a position to neither blame someone else nor hold out and demand concessions; the party stands or falls as a collective unit on the basis of the decisions it takes. For them, the risks of establishing a powerful agent within the party are not so great, then, because the incentives of rank and file and leadership are easier to align when all have an interest in the value of the party reputation. But for members who seek to build personal reputations, the interests of party leaders (in imposing discipline) and rank and file (in escaping discipline) are in tension. The advantage of a strong executive as an alternative agent is that its strength need not impinge on activities that enhance personal reputation. In the next section I seek to account for choices on the strength of parties as a product of the nature of the transition itself. Then I consider the relations between this variable and executive strength.

## **PARTY STRENGTH**

The concept of a strong party implies a party that is capable of presenting a coherent face to the voters so that they can assess its collective fitness for government on the basis of its past or likely future performance in office (Fiorina 1981; Powell 1989; Ranney 1962). In order to be strong in this sense, a party must be able to

prevent rank-and-file members from “cheating” on the party label by presenting different viewpoints than those favored by the party collectively or by attempting to entrench themselves through personal services that shelter them from the imposition of sanctions by the party leadership.

#### **ELECTORAL LAWS AND PARTY STRENGTH**

Electoral laws affect the distribution of strength (in terms of assembly seats) across parties and the likelihood of single-party majorities. On these aspects of choice in Eastern Europe and elsewhere, see Geddes’s chapter. Another dimension of party strength that electoral laws affect is how much authority is placed in the hands of party leaders to determine the rank and file’s electoral prospects and to organize the policymaking process inside the legislature. My conception of the role of electoral laws in intraparty relations is similar to Geddes’s, but I extend the notion farther, based on Carey and Shugart (1995). I code electoral laws (for lower houses) on four variables. Party strength is greatest if we can answer “yes” to each of the following questions about party leadership: (1) Does it control who may run for office under the party name? (2) Does it control the order in which members of the party are elected? (3) Does it pool the party’s votes? Finally, outside of the electoral law but nonetheless relevant, (4) Is it a majority party? Each “yes” response implies an increase in party strength and adds one point to an index that starts from a base of zero for an electoral law that gives no incentive to candidates to cultivate party reputations. Half a point is given if an entry is only partially “yes” because of different rules for some seats (e.g., Hungary’s mix of single-member districts and list PR). The index, shown for each case in Table 1, can range from 0 to 4, with parties considered weak if the score is 1 or lower and strong if it is 3 or higher.

#### **CONTROL OF NOMINATIONS**

This variable indicates the extent to which political party organizations monopolize access to ballots. A case is coded “yes” if candidates may not run under the label of a party without having

Table 1

## CASES USED AND INDEX OF PARTY STRENGTH

Country	Year of Constitution	Reference Election	Control Nominations?	Control Order of Election?	Pooling of Party Votes?	Majority Party?	Total Score
Albania	-- <sup>a</sup>	1992	Y/N	Y/NA	Y/NA	Y	2.5
Benin	1991	1991	Y	Y	Y	N	3
Brazil	1988	1986	N	N	Y	N <sup>i</sup>	1
Bulgaria I	1991	1990	Y/N	Y/NA	Y/NA	Y	2.5
Bulgaria II	1991	1991	Y	Y	Y	N	3
Belarus	1992	1992	N	NA	NA	Y	2
Chile	1989 <sup>b</sup>	1989	Y	N	Y	N	2
Colombia	1991	1990	N	N	N	N	0
Costa Rica	1949	1948	Y	Y	Y	Y	4
Czechoslovakia	-- <sup>c</sup>	1990	Y	Y	Y	N	3
Ecuador	1978	1979	Y	Y	Y	N	3
Estonia	1992	1992	Y	N	Y	N	2
Honduras	1982	1980	Y	Y	Y	Y	4
Hungary	1990	1990	Y/N	Y/NA	Y/NA	N	1.5
Korea	1987	1988	Y/N	Y/NA	Y/NA	N	1.5
Latvia	1992 <sup>d</sup>	1993	Y	N	Y	N	2
Lithuania	1992	1992	Y/N	Y/NA	Y/NA	N	1.5
Mongolia	1992	1992	N	NA	NA	Y	2
Namibia	1990	1989	Y	Y	Y	Y	3
Paraguay	1992	1989	Y	Y	Y	Y	4

Philippines I	1987	- <sup>h</sup>	Y/N	Y/NA	Y/NA	N	1.5
Philippines II	1987	1987	N	NA	N	N	.5
Poland	1992 <sup>e</sup>	1991	Y	N	Y	N	2
Portugal	1976	1975	Y	Y	Y	N	3
Romania	1990	1992	Y	Y	Y	N	3
Russia I	1991 <sup>f</sup>	1990	N	NA	NA	N	1
Russia II	1993	1993	Y	Y/NA	Y/NA	N	1.5
Slovenia	1992	1992	Y	N	Y	N	2
Spain	1977	1978	Y	Y	Y	N	3
Ukraine	1992 <sup>g</sup>	1994	N	NA	NA	N	1
Venezuela	1961	1958	Y	Y	Y	Y	4

<sup>a</sup> Albania as of this writing has not adopted a new constitution but has been functioning as a parliamentary system.

<sup>b</sup> Chile conducted its transition under a constitution of 1980, but there were important amendments approved by plebiscite in 1989. The main provisions for purposes of this paper and been in place already in 1980.

<sup>c</sup> No constitution had been adopted for Czechoslovakia as of the breakup of the federal republic in 1993; however, from the transition to democracy, the country operated as a parliamentary system.

<sup>d</sup> In 1992 the Latvian parliament decided to restore the 1922 constitution.

<sup>e</sup> Refers to the "Little Constitution," which regulates executive-legislative relations in the absence of a completed constitution.

<sup>f</sup> The constitution in effect was that of 1977, but the configuration of executive legislative powers analyzed here is that resulting from a series of amendments in 1990–91.

<sup>g</sup> No constitution has been drafted in Ukraine as of this writing. References to Ukrainian executive authority in this paper refer to the constitution of 1978, as amended in February 1992.

<sup>h</sup> The electoral law shown as Philippines I was never used; the one shown as Philippines II (which was used in elections under the Marcos dictatorship and before) has been used instead.

<sup>i</sup> In the 1986 election, one party won a majority; however, defections steadily reduced its share to less than a majority.

received the official sanction of the national party organization. Where no party-registration procedure exists, as in Russia in 1990, the case is coded “no.” In a very real sense, every candidate in such an election is an independent.

#### **CONTROL OVER ORDER OF ELECTION**

In list systems, parties can acquire greater leverage over their rank-and-file candidates if they rather than voters determine which candidates get elected ahead of others. A case is scored “yes” if parties determine the order in which candidates are elected in multi-member districts and “no” if there are multi-member districts but either (1) no party lists, such that every candidate or factional (sub-party) list stands alone, or (2) open lists, in which preference votes are the primary criterion determining election. I discuss single-member districts separately below.

#### **POOLING OF PARTY VOTES**

This variable indicates whether votes won by one candidate (or subparty list) of a party help elect others of the same party by being summed, at least at the level of individual multi-member districts.

#### **SINGLE-MEMBER DISTRICTS (SMDs)**

In SMDs, the last two variables (control over order of election and pooling) are not applicable unless, as is only rarely the case, parties nominate more than one candidate per district. In SMDs a party’s own candidates are not competing against one another for the same party’s voters. Hence, *ceteris paribus*, parties are stronger with SMDs than in multi-member districts in which parties do not control the order of election. Yet SMDs afford each member the opportunity to serve as the sole “ambassador” for a geographically defined constituency. Hence such districts are conducive to either personal or party-based candidate strategies, depending largely on the first variable (nominations) and the next and final variable.

### MAJORITY PARTY

The final factor is whether there is a majority of politicians in the institution-drafting body that are already operating under a common party label. If there is, obviously the value of party label is greater than if there is not, for one simple reason: there is one identifiable party that can be held accountable for government decisions.<sup>3</sup> In other words, even the internal strength of a party is increased relative to situations of multipartism if it is in the majority. So I add a point to the party-strength score in such cases.

### DETERMINANTS OF ELECTORAL LAW PROVISIONS ON PARTY STRENGTH

Given that electoral systems promote or hinder party strength and given further that electoral laws themselves are usually the products of choice by politicians, it may be possible to link the choice of a more or less “strengthening” electoral law to particulars of the transition process during which the choice was made.

I have noted that a premise of this paper is that delegation to party leadership is an alternative to delegation of constitutional legislative authority to the executive. If so, then what are the conditions that promote the choice of the path of delegation to party leadership? I argue that the choice is largely determined by two aspects of the transition process: its pace and the dominant tendency.<sup>4</sup>

The *pace* of the transition refers to whether or not liberalization of the previous regime—a process leading to the incorporation of new actors in advance of the crafting of new democratic institutions—occurred much before the decision point. A slow transition is one in which either the previous regime, although authoritarian, held at least semi-competitive elections, or there was a transitional elected assembly that served as the forum for selecting new rules. A fast transition is one in which there are no elections prior to the decision on election laws; this decision is made in “roundtable” style negotiations or decreed by the executive to benefit his party.

The *dominant tendency* refers to whether or not those who did the crafting were primarily members of the preexisting leadership or dominant party (“insiders”) or representatives of new political forces (“outsiders”). Insiders dominate when either the politicians making the choice are mostly from the old regime’s apparatus or

where the lines between pro-government and opposition forces are blurred. Outsiders dominate whenever opposition parties come to be the driving force, either through a coup or revolution, or by winning a transitional election. There are also mixed transitions, in which neither side dominates, but instead there is bargaining among more or less equal partners.

What is the expected relationship between the pattern of the transition and the choice of electoral law? I assume that slower transitions make for more opportunity for rank-and-file politicians to carve out niches of support and build personal reputations as servants of the locality that they represent or the social group that elected them. Thus *ceteris paribus*, politicians in slower transitions will choose to delegate less authority to party leadership than will politicians in faster transitions. If the politicians in charge of the process of designing election laws are insiders, I expect especially *low* levels of party strength as politicians seek autonomy from constraints imposed by central leaders. Instead, as insiders connected to powerful economic interests established under the old regime, they will seek to develop a reputation for defending the interests that dominate their locality.

If, on the other hand, the politicians in charge are outsiders involved in a slow transition, I expect a *medium* level of party strength. That is, politicians from the outside will have used their years as opponents of the regime to create a party label, a reputation based on collective resistance to the regime. As a result, they delegate more authority to their leadership than do insiders, in order to continue to benefit from a party reputation. However, they share in common with insiders in slow transitions the time afforded by the slower transition to have cultivated personal, localized reputations as well. Hence the option for medium levels of party strength.

Finally, I expect that whatever the dominant tendency, a fast transition does not give rank-and-file politicians the opportunity to cultivate personal reputations. Hence they must rely on collective party reputations, and fast transitions should result in a *high* level of party strength.

Table 2 shows how electoral-law provisions for party-system concentration relate to the pattern of transition. Twenty-four of thirty cases are as predicted (when Bulgaria changed its law after a little more than one year, we could say that twenty-five turned out as



Table 2

**RELATION BETWEEN PATTERN OF TRANSITION AND PARTY STRENGTH FAVORED BY ELECTORAL LAWS**

		Pace of Transition	
		Slow	Fast
Dominant Tendency among Drafters of Law	Insiders	<b>Low:<sup>a</sup></b> <b>Brazil</b> <b>Colombia</b> <b>Philippines</b> <b>Russia 1990</b> <b>Ukraine</b> Medium: Albania Belarus <sup>b</sup> Mongolia <sup>b</sup> High: None	Low: None Medium: Chile Greece <b>High:</b> <b>Ecuador</b> <b>Honduras</b> <b>Paraguay</b> <b>Romania</b>
	Mixed	Low: None <b>Medium:</b> <b>Hungary</b> <b>Korea</b> High: None	Low: None Medium: Bulgaria 1990 <b>High:</b> <b>Czechoslovakia</b> <b>Spain</b>
	Outsiders	Low: None <b>Medium:</b> <b>Estonia</b> <b>Latvia</b> <b>Lithuania</b> <b>Poland</b> <b>Slovenia</b> High: None	Low: None Medium: None <b>High:</b> <b>Benin</b> <b>Costa Rica</b> <b>Namibia</b> <b>Nicaragua</b> <b>Portugal</b> <b>Venezuela</b>

<sup>a</sup> Party strength favored by electoral system is scored low if score from Table 1 ranges from 0 to 1. Medium is electoral law score of 1, 1.5, 2, or 2.5. High is electoral law score of from 3 to 4.

<sup>b</sup> These cases score "medium" only because of the presence of a majority party; the electoral laws themselves would score "low" (see Table 1).

*Note:* Expected level of party strength for each cell shown in boldface type.

predicted), and none of the deviant cases is low where it was predicted to be high, or vice versa. I expected the fast transitions to exhibit high party strength, and twelve of fourteen (excluding Bulgaria) do. Two that do not, Chile and Greece, were devised by military regimes that had no political party associated with them. For this reason, they may have preferred electoral laws that did not emphasize party labels so much. Both are open-list systems. Nonetheless, both systems provide for party control over nominations, and both governments used their position to expand the sway of (national) party leaders at the expense of clientelistic elements that often dominated in the previous democratic era, by reducing district magnitude in Chile (thus necessitating the formation of alliances and leadership decisions on which partner would get the nominations) and by adding some seats elected by a national list and others essentially reserved for party leaders and former prime ministers in Greece.

In the case of Bulgaria, the initial electoral law was negotiated between the ex-Communist (now Socialist) Party and the opposition front, the Union of Democratic Forces (UDF), and provided for half single-member districts and half national list PR.<sup>5</sup> The choice was probably made for the expected advantage of the Socialists (with the UDF expected to compete only for the PR seats and some urban districts) rather than to provide for personalized representation. The later switch to all PR was certainly a result of the obvious decline in the Socialists' fortunes over the ensuing year (as Geddes documents). However, the adoption of PR did not mean it had to be closed-list PR. If the existence of single-member districts for half the seats in the transitional assembly had given these members a chance to cultivate personal ties to constituents, they could have either opted for open-list PR or retained the 1990 system's mix of single-member districts and PR but made the PR seats compensatory, as in Germany. Indeed during interviews in Sofia in July 1991, I was told by several Socialist politicians that they wanted an electoral system that would allow for "independents" to be elected, implying an emphasis on personal rather than party reputations. Nonetheless, the system adopted was closed list. I take this to demonstrate that the relatively fast-paced transition did not in fact permit rank-and-file politicians sufficient opportunity to cultivate personal reputations for them to feel secure with an electoral system that would empha-

size the personal over party. In the event, this proved to be a good gamble. Although the Socialists lost the first election, they soon re-emerged as the pivotal party (as supporters to a minority cabinet) and then won the subsequent election.

Among the slow transitions, five of the eight insider-dominated cases show the expected low level of party strength, and all seven of the outsider-dominated or mixed cases have the expected medium level. Of the three “deviant” cases, two (Belarus and Mongolia) score medium solely because of the continued reliance at the time of constitutional design of a majority of deputies on a common party label; the electoral laws themselves (all single-member districts) provide ample opportunity for personal reputation-seeking (see Table 1).

The slow transitions in which outsiders won control of the assembly all initially held elections under rules that scored very low on party strength.<sup>6</sup> Once these assemblies drafted new electoral laws, they enhanced party strength to medium levels. All of them are variants of open-list PR,<sup>7</sup> except Lithuania, which adopted a mix of single-member districts and (noncompensatory) national-list PR. What separates these cases from the insider–slow cases is the presence of nationalist movements with which many members aligned, thereby cultivating a party reputation. Yet these politicians had already had time to build up personal reputations, too, during the relatively slow transition.

Finally, let us consider briefly the two cases that are coded as mixed tendency and slow: Hungary and Korea. In Hungary there were several members of the parliament elected in 1985 or in subsequent by-elections that had garnered personal, district-level reputations, and they sought to preserve them (Lijphart 1992a). In Korea there had been partially free elections during the authoritarian period. In both cases, however, the drafting of transitional electoral laws took place through a negotiated rupture with the old regime, meaning that neither insiders nor outsiders dominated. Both systems contained mixes of single-member districts and closed lists. Moreover, both score the lowest (1.5) of any of the medium cases, along with Lithuania; the low-medium score in each case is consistent with the relatively long time in which members of the old regime’s legislature had the opportunity to cultivate personal reputations.

I have sought to establish the conditions under which rank-and-file politicians choose varying levels of party strength when design-

ing electoral rules. The overarching conclusions of this section may be summarized as follows. Fast transitions tend to lead to electoral laws providing for strong parties, regardless of the dominant tendency. Slow transitions dominated by insiders lead to electoral rules that provide for weak parties. Slow transitions dominated by outsiders tend to produce medium levels of party strength and apparently are especially conducive to open-list PR. The next section looks at the choices that face these same politicians when choosing how much power to delegate to the executive.

### **PARTY STRENGTH AND EXECUTIVE STRENGTH**

As noted, I am concerned with how rank-and-file politicians empower (or do not empower) party leadership and executive leadership. Here I consider whether the executive is granted an independent means of influencing policy outcomes. Put more simply, I ask two sets of questions: (1) Can a chief executive who does not reflect the preferences of a majority of assembly members nonetheless remain in office?, and (2) If so, does this executive have legislative powers, such as the ability to veto legislative proposals or issue decree laws? The first question may be rephrased in terms of whether the system is presidential or parliamentary (although, as I show presently, the matter is more complicated than that). The second question, which I take up later, implies the existence of a presidency.

#### **NOT PRESIDENTIALISM *VERSUS* PARLIAMENTARISM, BUT PRESIDENTIALISM *OR* PARLIAMENTARISM**

There are many variations on how executive power is constituted. However, for purposes of this discussion, I focus on two basic means by which cabinets (which consist of the heads of day-to-day administration) are held accountable. Cabinets in nearly all democratic systems are accountable to either a popularly elected president or the majority in parliament, or sometimes to both.<sup>8</sup> If the cabinet depends exclusively on the confidence of the majority of the assembly, I term the system one of parliamentary cabinets. If cabinets are

accountable to the president—who, therefore, may dismiss them or individual ministers for strictly political reasons—we have a system of presidential cabinets.

I use the term “presidential” much more narrowly than do many other authors, including some of the contributors to this volume (e.g., Comisso and Geddes). For my purposes, a system is presidential if and only if (1) the head of government (president) is popularly elected, (2) the cabinet is subordinate to the president and not to the assembly, and (3) terms of office are fixed, such that neither the executive nor the legislature can shorten the term of the other for political reasons. That is, not only must cabinets be accountable to the president for the system to be presidential, but also they must be exclusively accountable to the president. If they are jointly accountable to the president and the assembly majority, we have what elsewhere I have termed a “president-parliamentary” system (Shugart and Carey 1992). The distinction is more than semantic; the dual or “confused” cabinet accountability in these systems can lead them to function quite differently from the pure presidential systems of countries such as the United States or Venezuela. Two of the new democracies in Eastern Europe have this president-parliamentary feature: Russia and Ukraine.

President-parliamentary systems are sometimes called presidential, but they are also called semi-presidential in some of the literature (Duverger 1980). The latter term, however, is somewhat misleading, as it can seemingly be applied to systems with provisions for no-confidence votes alongside otherwise presidential cabinets (as in Russia or the Weimar Republic) and to systems with exclusively parliamentary cabinets (as in France and Austria) and even to systems in which the president is not popularly elected (as in Spain before the Civil War, according to Linz 1994). So I eschew the term semi-presidential entirely. Regimes like that in France are “premier-presidential.”<sup>9</sup> Such regimes have an elected president with some powers over government formation (e.g., the right to nominate a prime minister), but once in office, the cabinet is accountable only to the parliamentary majority. In such cases, we do not have presidentialism at all; we instead have parliamentary cabinets, notwithstanding the popular election of a more than ceremonial presidency.

Thus I argue in this chapter that the fundamental dividing line between systems is not whether they have a popularly elected presi-

dency, but to which branch the cabinet is subordinate. Presidential and president-parliamentary systems have presidential cabinets; premier-presidential systems, like parliamentary systems, have cabinets accountable exclusively to parliament's majority.

Variation on this variable of cabinet form is almost entirely captured by geographical and cultural proxies. Thus it would seem that whether cabinets are presidential or parliamentary is rarely a matter of choice, at least not in a real sense of selection from available alternatives. Much ink has been spent in recent years on a "debate" about presidentialism versus parliamentarism (e.g., Linz 1994; Sartori 1994; Stepan and Skach 1994), as though the two regime types were pitted against one another in a contest, and may the best regime win. However, with rare exceptions (e.g., Brazil and South Korea in the late 1980s), records of debates in constitutional conventions do not show that the two forms of cabinet accountability were ever both on the table. Even in Russia the parliament that confronted President Boris Yeltsin in 1993 had approved a preliminary constitutional draft that would have established a presidential system.<sup>10</sup>

The type of cabinet accountability is thus heavily correlated with geography and often appears to be taken for granted by constitution designers, a point noted also by Lijphart (1992b). In fact, in most countries with presidential cabinets—notably in Latin America, as well as in Russia<sup>11</sup>—there is almost always a sitting president at the time the constitution is drafted.<sup>12</sup> However, that probably does not preclude the possibility of adopting a system of nonpresidential cabinets and most certainly does not predetermine other choices, such as how much—if any—legislative authority to give the president.

In Table 3 the first (horizontal) dimension is whether or not there is a popularly elected president, regardless of the powers of the office. The second dimension is whether cabinets depend exclusively on the confidence of the parliamentary majority. The upper right cell consists of "pure" parliamentary systems: no popularly elected president and cabinets that are exclusively dependent on the confidence of the parliamentary majority. There are only six of these systems in the present sample, all on the doorstep of the "homeland" of modern parliamentarism, Western Europe. Although in some of these countries the appointed head of state ("president") is not entirely feckless, he or she has no independent power base. The president in parliamentary systems often has the authority to recommend

Table 3

## RELATION BETWEEN REGION AND TYPE OF EXECUTIVE

		Popularly Elected President?	
		YES	NO
Exclusive Parliamentary Confidence of Cabinet?	YES	<b>Premier-presidential or parliamentary (elected head of state)</b>  Europe (except ex-USSR): Bulgaria Poland Portugal (1982- ) Romania Slovenia  Ex-USSR: Estonia Lithuania  Latin America: None  Africa: None  Asia: Mongolia	<b>Parliamentary (appointed head of state)</b>  Europe (except ex-USSR): Albania Czechoslovakia Greece Hungary Spain  Ex-USSR: Latvia  Latin America: None  Africa: None  Asia: None
	NO	<b>Presidential or hybrid with presidential cabinets</b>  Europe (except ex-USSR): Portugal (1976-82)  Ex-USSR: Belarus Russia Ukraine  Latin America: Brazil Chile Colombia Costa Rica Ecuador Honduras Nicaragua Paraguay Venezuela  Africa: Benin Namibia  Asia: Korea Philippines	<b>"Swiss" model</b>  None in present sample.

a candidate to be prime minister, but almost never may the president dismiss ministers. Nor do any have meaningful legislative powers, with the odd exception of Greece between 1975 and 1986 (discussed below).<sup>13</sup> Thus, contrary to Comisso's assertion elsewhere in this volume, in no sense can any of these presidencies be considered "strong," the public prominence of a few of them, such as that of Vaclav Havel, notwithstanding. Although there is certainly room for enhancing our understanding of the institution of the head of state in parliamentary republics, in this chapter I leave them aside (see Shugart forthcoming). They are not where the real legislative or governmental action is; theoretically, they could be granted more powers than they are, but nonpopularly elected presidencies only very rarely have more than minimal powers. As I use the term here, then, executives in parliamentary systems—the prime minister and cabinet—are "weak" in the sense that their very survival in office is only at the sufferance of the parliamentary majority. To be "strong," a chief executive must have two things: separate election and some powers to shape both government formation and legislation.

In the two cells of Table 3 that consist of systems with popularly elected presidencies, there is a striking divide between those that provide for exclusive parliamentary confidence and those that do not. The former group includes all the cases of East-Central Europe other than Albania, Czechoslovakia,<sup>14</sup> and Hungary, plus Mongolia and Portugal after 1982. Systems in which presidents have both appointment and dismissal powers over cabinets include all three post-Soviet but non-Baltic states (Belarus, Russia, and Ukraine), all the Latin American cases, and some Asian and African cases, as well as Portugal for the first six years of its most recent democratic experience. The upper left cell includes some cases that are just parliamentary systems with an elected head of state (Bulgaria, Estonia, and Slovenia) because the president has no governmental powers. The rest of the systems in the upper left cell are premier-presidential.

In the lower left cell, all these presidents have at least nomination if not full appointment powers over the cabinet, and all may dismiss ministers at will.<sup>15</sup> They thus have full governmental powers, and therefore the "pure" presidential systems are included here. Also included are president-parliamentary systems (Colombia, Namibia, Russia, and Ukraine at least until 1995,<sup>16</sup> as well as pre-1982 Portugal).<sup>17</sup>



What accounts for the geographic distribution of cases shown in Table 3? First of all, it is immediately apparent that exclusively parliamentary cabinets are products of European political development. If we consider the established industrial democracies (Lijphart 1984) as well as those in this set, we find that all but one of the systems with parliamentary cabinets are either (1) in Europe, or (2) former colonies of Britain. The one exception is Japan, where the presence of a monarchy effectively ruled out a popularly elected executive.<sup>18</sup> For these countries, circumstance has already placed them in the top of Table 3; as a result, the decision of where to delegate has already largely been made in favor of party leadership through the mechanism of parliamentary confidence.

For countries in the lower left cell of Table 3, on the other hand, most governmental powers are in the hands of the president; this still leaves open the option of to whom to delegate the bulk of the authority to structure the policy process. This cell is heavily dominated by New World countries that became independent before parliamentarism was a known option. Parliamentarism evolved—it was not initially a conscious creation—in Britain in the eighteenth and nineteenth centuries. Countries that became independent prior to this development adopted either monarchies (e.g., Brazil initially) or presidencies (the United States, the rest of Latin America, and Brazil after the overthrow of the monarchy). The only other presidential cabinets found in this expanded sample (my thirty countries plus Lijphart’s twenty-two) are in Benin, Belarus, Korea, the Philippines (the one former U.S. colony in the set), Russia, and Ukraine. This is an odd set of countries with no immediately obvious variable in common other than not either being in or adjacent to Western Europe or having evolved as a democracy while still a monarchy. In other words, they lacked a legacy of parliamentarism.<sup>19</sup>

In the case of the former Soviet Union and Yugoslavia, the adoption of presidencies can be seen as an effort to assert national identity apart from the disintegrating central state.<sup>20</sup> Having adopted a presidency, politicians in these states still were not locked into presidential cabinets, as Table 3 makes clear: they could have opted for premier-presidentialism or even parliamentarism with the president simply as head of state (as indeed was done in Slovenia). However, in the Russian case, if at the time of constitutional design (1991–93) they were already committed to an electoral formula that would

retain their ability to focus more on personal reputations than party reputations—as I have argued here they were—then the delegation of most policy powers to the president rather than to party leadership effectively foreclosed the option of parliamentary cabinets.<sup>21</sup>

This section has suggested that the choices that I am examining here are constrained in most cases by whether the country is in the realm of parliamentarism or the realm of presidentialism—i.e., by historical and geographic legacies. Yet this choice (or nonchoice) does not preclude other (real) choices on party versus executive strength. Even where there are exclusively parliamentary-dependent cabinets, if there is an elected head of state, there remains the live option of whether to delegate any legislative powers at all to this institution. (As we shall see, there are some presidencies with very limited governmental powers that nonetheless have some important legislative powers.) If, however, the system is “purely” parliamentary, the possibility of endowing the executive with independent legislative powers essentially vanishes because the head of government in such a system can be stripped of all powers at a moment’s notice if he loses the confidence of the assembly majority. If my prediction of an inverse relationship is valid, then parties in parliamentary systems should be given rather strong powers.

The rest of this section on executive powers will be devoted to elected presidencies. When presidents have full governmental powers, there is clearly a second-level decision about whether to delegate policy authority to the party leadership or to the head of the government, for in these systems uniquely, those two institutions may be entirely separate.<sup>22</sup> In previous works I have engaged in an effort to quantify presidential powers (Shugart and Carey 1992). Others have made similar efforts (e.g., McGregor 1994). As long as the analyst is clear on what kinds of powers are being quantified, the effort to rank presidencies by their powers is a valuable exercise in comparative government. For instance, McGregor (1994) is indeed flawed in the efforts to quantify presidential powers because all manner of powers are lumped together, including relatively trivial matters such as the right to grant pardons or to serve certain ceremonial (head-of-state) functions. To avoid such problems, I focus on only two types of clearly definable powers, governmental and legislative. I have already discussed governmental powers, such as the power to appoint or dismiss ministers. In the rest of this section I focus on constitu-

tional prerogatives to affect the legislative outcome. I identify two types of powers over legislation, the power to block legislative proposals preferred by a majority (reactive powers) and the power to establish new laws that would not have been passed by the majority on its own (proactive powers). An example of reactive powers is a veto that cannot be overridden except by an extraordinary majority. An example of a proactive power is a decree that alters the legislative status quo.<sup>23</sup>

Theoretically these powers may be held by either parliamentary or presidential executives. Presidents may hold either or both of these powers even if cabinets are accountable exclusively to the parliamentary majority; in practice, however, there has never to my knowledge been a popularly elected president with proactive powers alongside parliamentary cabinets. (There have, on the other hand, been presidents with reactive powers alongside such cabinets.) Even parliamentary executives (prime ministers or cabinets collectively) may hold such powers. However, I deal only with presidential legislative powers because there are few parliamentary executives anywhere that hold proactive or reactive powers and none in my set of countries.<sup>24</sup> Besides, even with such powers, the executive's ability to use them depends on the ability to avert a no-confidence vote.

#### **REACTIVE AND PROACTIVE POWERS OF PRESIDENTS**

The distinction between reactive and proactive powers is their relation to the status quo.<sup>25</sup> Reactive powers allow the executive to preserve the status quo against a legislative attempt to change it. When the president exercises a veto, for example, he is blocking a policy change proposed by the legislature. He cannot use his veto to get change in policy away from a status quo with which the assembly is content because he acts only after the legislature has made a proposal (Kiewiet and McCubbins 1988). Therefore, the veto ordinarily favors "conservative" presidents (those that want to do less than the assembly wants to do) and disfavors liberals (those who want to do more). Armed with a proactive power like a decree, on the other hand, he can move the status quo closer to his own preference ("ideal point" in the language of spatial modeling). With such power, the

president who is liberal vis-à-vis the legislature is no longer at a disadvantage because, unlike the reactive president, it is he and not the assembly that moves first. Also advantaging a president with proactive powers, whether liberal or conservative, is the fact that with proactive powers the president not only moves first, but also his initiatives already have the force of law, unlike bills sent to the desk of a president who then decides whether to promulgate or veto them. Thus at least potentially, a president with decree power is stronger than one with reactive power, and a president with either power is obviously more powerful than a president with neither. Just as obviously, a president with both powers can virtually dominate the policy process, as long as there is no veto-proof majority opposed to his policy initiatives.

What are the conditions under which one type or the other of legislative powers may be granted to the president? I argue that the choice—when made by party politicians, as is usually the case—depends largely on the degree of party strength. Where rank-and-file politicians have chosen to keep their parties weak, they will tend to endow a president with decree powers (but not a veto). Where they prefer stronger parties, they will tend to give the president (if indeed there is one) neither proactive nor reactive powers. Intermediate cases will be more likely to opt for reactive powers than proactive.

Consider first the case of proactive powers and what sort of policy influence they allow a president to wield. By definition, a proactive power allows the president to establish a new status quo without prior legislative approval. Such power should not, however, be mistaken for presidential dominance of the policy process. The reason is that as long as the president does not also have reactive power, a legislative majority that prefers the status quo (or some other outcome) to the president's decree can change policy back closer to its preference. If a legislative assembly is controlled by a disciplined majority party or coalition, this makes the "decree game" uninteresting: the president's decrees would always be overturned and replaced by the assembly's ideal point. A president could get nowhere by issuing decrees. However, if the legislature is poorly coordinated because of weak parties, the president can exploit the resulting bargaining problems within the assembly and extract policy outcomes closer to his preferences than the assembly would pass on its own. This does not mean that policy will necessarily be at the

president's own ideal point, but only that a proactive president (unlike a reactive president) has the potential for moving policy in his preferred direction, even if he is more liberal than the assembly. Nor does it mean that the president's decrees will necessarily stand as permanent law; a "war of laws" can ensue, as in Russia in 1992–93 (Parrish forthcoming). However, an assembly that confronts high transaction costs because of internal fragmentation may permit decrees to stand provided that the president uses his decree power strategically, trying to discern a point in the policy space where a majority will be willing to allow the policy to stand rather than risk policy instability by undertaking the arduous task of patching together an alternative proposal in the fragmented assembly. Allowing decrees to stand has another advantage to rank-and-file legislators who operate in a context of weak parties: it frees members from having to bear the costs of gathering information about policy, which is costly (Krehbiel 1991), and of less interest to them if what brings rewards is personal ties to constituents.

Are there realistic scenarios in which presidents confront fragmented assemblies, particularly those in which they are more liberal than the assembly? I believe that there are. For instance, in many Latin American countries, presidents' nationwide constituencies make them more representative of "progressive" forces, while congress, especially if malapportioned, is more representative of clientelistic rural areas (Packenham 1970, 1971). In Russia the legislators elected in 1990 had no national party to coordinate their activities (most having abandoned any public commitment to the Communist Party after August 1991, if not before), and many were closely associated with declining state-run industries. The president, on the other hand, was at the time more liberal in the sense of seeking to modernize Russian industry and gain acceptance in the West. Thus a president with decree powers was surely able to extract more policy reforms out of the assembly than the assembly, composed largely of defenders of holdover economic interests, would have agreed to on its own. Generalizing, where legislators are far more concerned with personal than with party reputations, we can expect the presidency to be both more liberal and endowed with proactive powers that enable it to move policy. Thus my first hypothesis about the relationship between presidential powers and party strength is:

Where rank-and-file politicians are involved in designing constitutions, if they have opted for weak parties, they will opt for a proactive presidency.

At the opposite extreme, we find parties that are strong. As argued above, rank-and-file politicians in some transitional settings have little interest in (or potential for) cultivating personal reputations. Additionally, they may have worked within the context of a political movement or party that already has a reputation that they expect to serve them well in elections. Hence they establish strong party leadership. What kinds of executive authority will these members prefer? I argue that they will prefer either parliamentary executives or a president who is potentially marginal—i.e., who has neither reactive nor proactive powers in most (or all) major policy areas. Stated as a hypothesis, we would say:

Where rank-and-file politicians or their party leaders are involved in designing constitutions, if they have opted for strong parties, they will opt for a weak executive.

Obviously not all politicians are at either of the extreme points of preferring weak parties in order to cultivate personal reputations or else strong parties. At the midpoint of this hypothetical continuum of party strength, we could locate politicians whose careers depend on a balance of both types of reputations. If politicians are operating within parties in whose reputations they invest but these politicians nonetheless have personal reputations that they also seek to protect, they face a dilemma of their own. They are likely to face a temptation to deviate from the party line for the sake of their personal reputations. That is, unlike in the case of politicians overwhelmingly dependent on party reputations, the incentives of leadership and rank and file will be more difficult to align. A hypothetical solution to their dilemma is to grant a presidency the ability to impose discipline from outside the assembly by allowing the president to veto bills that have been watered down to favor politicians' individual constituencies. Such reactive powers do not permit the executive to put in place laws without the prior consent of a majority of legislators, but they also do not permit the majority to rule unchecked. In other words, reactive powers are a means by which rank and file can bind themselves against succumbing to the temptation

to overpromise in the course of cultivating their personal reputations to the extent that their own parties' reputations would suffer. Having a reactive presidency establishes a more complex policy-bargaining process, but one in which—unlike in the proactive cases—legislators remain in the driver's seat. The hypothesis may be stated thus:

Where rank-and-file politicians are involved in designing constitutions, if rank-and-file politicians seek to balance personal and party reputations, they will opt for a reactive presidency.

Table 4 shows the relation between executive strength and party strength in presidential, premier-presidential, and president-parliamentary systems. The table deals only with constitutions developed by elected assemblies or multiparty conferences, as these are the constitutions to which the preceding hypotheses are expected to apply. It shows eighteen constitutions (not counting the Portuguese reform of 1982). The hypothesized inverse relationship between the two variables is quite strong. Only three deviate from the strict interpretation of the hypothesis, but even these are not extreme deviant cases, as all are medium cases on one variable that fell to one side rather than the hypothesized medium on the other. One of these, Portugal, was later reformed in a way that conforms to my hypotheses. No case violates the first hypothesis, which links weak parties uniquely to strong, proactive presidencies.<sup>26</sup>

I regard the hypotheses on the extremes of the inverse relationship (weak parties–strong presidents, and vice versa) to be well supported. The hypothesis on reactive presidencies, however, deserves further reflection, as there is an alternative explanation that may also apply. Besides enforcing party discipline around national themes, as I argued, a reactive presidency can also serve to enforce cross-party compromise. In particular, if the president comes from a party that has less than a majority of the assembly but enough seats that it must be taken into account in passing a constitution, it may be in a position to demand that the presidency have a veto.

Do our cases fit this scenario? Two, Korea and Poland, clearly do. The Korean ruling party appears to have gambled that it could win a presidency (elected by plurality) against a divided opposition, but recognized that the combined opposition parties would hold a legislative majority (Beck and Cheng 1994). In Poland the presidency was originally reserved for the leader of the outgoing Communists,

Table 4

**RELATION BETWEEN PARTY STRENGTH AND PRESIDENTIAL STRENGTH IN CONSTITUTIONS DEVISED BY  
MULTIPARTY CONFERENCES OR ELECTED ASSEMBLIES**

Constitutional Powers over Legislation (Presidential Strength)	Party Strength <sup>a</sup>		
	Low	Medium	High
Strong (proactive)	Brazil (Art. 62) Colombia (Art. 215) Russia 1991–93 Ukraine (Art. 114-5)		
Medium (reactive)		Belarus (Art. 100:20) Korea Art. 53:4 Mongolia (Art. 33:1.1) <sup>b</sup> Poland (Art. 18) <sup>b</sup> Lithuania <sup>b</sup>	Namibia (Art. 56) Portugal 1976–82 (Art. 139)
Weak (potentially marginal)			Benin Costa Rica Honduras Nicaragua Paraguay (Portugal 1982) <sup>b</sup> Romania <sup>b</sup> Venezuela

<sup>a</sup>Low is electoral law score (from Table 1) of -2 or less. Medium is electoral score of -1.5 to -1.0, or as low as -2.0 if there is a majority party. High is electoral law score of 0.

<sup>b</sup>Systems with low governmental powers for president and exclusive parliamentary accountability of cabinets (i.e., premier-presidential systems).



General Wojciech Jaruzelski. After Solidarity leader Lech Wałęsa was elected, his allies no longer commanded a majority, but post-Communist forces lacked the two-thirds constitutional majority (Jasiewicz 1993). Hence his supporters had the votes to prevent the stripping of the president's veto power. Perhaps this alternative explanation even applies to Namibia, where the constitution required a two-thirds majority to pass (which the president's party did not have), but opposition parties might have anticipated a higher probability of creating an alliance that could win the presidency than being able to win control of the assembly. The Philippines, where the president established her own constitution but lacked much support within the party system, also may fit this alternative explanation.<sup>27</sup>

A problem with this alternate means of explaining the choice of reactive presidencies is that there are other cases in other cells of Table 4 that also might have fit: Costa Rica, Nicaragua, and perhaps Colombia and Russia. Yet none of these has a reactive presidency. For them—as well as for Belarus and Mongolia—hypotheses based on internal party strength or the interaction of internal party strength and majority status explain better than an alternative based entirely upon interparty bargaining. And for a case like Poland and maybe Korea, either explanation appears to hold. Thus while I recognize that the political logic behind the adoption of reactive presidencies requires more research, I regard explanations of presidential powers based on my conception of party strength as more general than those based on cross-party relations.

#### CONSTITUTIONS ADOPTED BY EXECUTIVES THEMSELVES

So far, I have considered only constitutions in which rank-and-file politicians or nonexecutive party leaders were predominant in the process of crafting. Yet there are some constitutions that are drafted entirely within the executive branch and perhaps ratified by plebiscite. I term these constitutions “executorial” in origin. And I propose the following hypothesis:

Where the executive controls the process of constitutional design—and only in such cases—the executive will be granted both reactive and proactive powers.

We can develop a corollary about the extent of party strength associated with these potentially dominant presidencies:

Corollary: Executorial origins occur in a context of currently or historically low party strength; presidents in such contexts will attempt to move toward medium (but not high) levels of party strength.

Situations in which the executive would bypass elected representatives entirely in creating a new constitution would be most likely where the president is already frustrated by low levels of support in the assembly. If the president is able to impose a constitution that gives him the potential to dominate the policy process, he surely can impose an electoral law too. The president would not favor an electoral law that provided for highly concentrated party strength, as the situation described is one in which he lacks reliable partisan support. In such a setting, establishing strong parties would be to aid opposing leaders and not to create a disciplined bloc of support. (If he could count on that, after all, he presumably would not need both decree and veto powers.) Thus as a corollary to this hypothesis, I suggest that the president may seek to move toward greater party strength to limit internal fragmentation; however, the president would not seek high levels of party strength.

According to the preceding hypothesis, executives with both proactive and reactive powers occur only in cases in which the constitution was drafted without participation of elected representatives. There are only three constitutions in this sample that grant presidents some mix of decree and strong veto powers in the same policy areas: Chile 1980, Ecuador, and Russia 1993. There are also five constitutions in the sample that were created in what I have called executorial processes: the same three, plus Greece and the Philippines. Thus the hypothesis is only partially supported. Only constitutions designed in executorial transitions have the potentially dominating combination of proactive and reactive powers, as expected; however, only three of five executorial constitutions have this combination.<sup>28</sup> The Greek case reinforces the notion that parliamentarism is a difficult legacy for regime designers to break with. The constitution of 1973 initially delegated proactive legislative powers to a president who is elected to a fixed term by an extraordinary majority of parliament.<sup>29</sup> Thus although the president lacked

a popular mandate, he had some potential for exercising power independent of the cabinet, which depended on the confidence of the parliamentary majority. Still, most legislative powers were in the hands of the cabinet, and the president held no reactive powers of any significance. The parliamentary tradition appears to have stymied attempts by the military to create a stronger executive, and in 1986 that tradition fully reasserted itself as the parties agreed on reforms that stripped the presidency of practically all its powers.<sup>30</sup>

I also advanced a corollary that makes claims about electoral laws in executorial transitions. Three of the five cases have a medium level of party strength. Ecuador is high, but a party system that is exceptionally fragmented along regional lines reduces the salience of national parties. The Philippines is low, but President Aquino attempted to move toward medium levels, as the corollary suggests. As I shall argue, each electoral law was adopted in a context in which the preexisting levels of party strength were lower, as the corollary states. Each of these executives, in drafting and promulgating a new constitution, acted in a way that would facilitate some increased party strength, again consistent with the corollary.

In Chile, there was no elected assembly in place in 1980, but the previous party system had been highly fragmented, and the fragmentation was often blamed for the polarization that brought down the previous democratic system (Faundez 1997). General Pinochet imposed an electoral law with small districts that would reduce dispersion in the party system and enhance the representation of conservative interests that were unlikely to have majority support. My index does not capture the effect of the small districts, but by forcing parties to negotiate pre-election pacts, they contribute to the strength of party leaders, who must decide whom to endorse in a given district (Siavelis 1997).<sup>31</sup>

In each of the other four cases of executorial origins, the electoral law that was decreed for the first elections, or the constitution itself, provided for some national closed-list component to what had previously been assemblies elected exclusively from small districts and dominated by regional parties or factions. The election of a substantial portion of the assembly from closed lists and at the nationwide level would enhance the sway of national leaders and help nationalize the party system. The lists gave national party leaders a set of members who would be dependent on party leadership for

their electability, and the national constituency would favor parties that could not otherwise break the hold of the regional interests with which the executive was contending. I have already discussed the Greek electoral law above. In the Philippines, despite being provided for in the constitution (shown in Table 1 as “Philippines I”), the national list was never implemented. President Aquino, apparently under pressure from regional interests within her own coalition, never issued the needed decree to implement this provision in her own constitution. Her intention, as revealed by the constitutional provision for a national list, conforms to the corollary, but the “insiders” won the battle and were able to retain the old system that provided for weak parties (“Philippines II”).

The Russian case is the most illustrative. Yeltsin was being opposed by regionally elected deputies with links to economic interests threatened by his reforms, while his own supporters lacked regional organization. The national list was thought to be favorable to groups like Russia’s Choice of then Prime Minister Yegor Gaidar. Of course, a national list need not favor only pro-presidential parties; it simply favors parties that can transcend regional districts in their support and favors the leaders of these parties vis-à-vis their rank and file. When the election was held, it was the antithesis of the pro-Yeltsin party, Vladimir Zhirinovskiy’s Liberal Democratic Party (LDP), that capitalized on the national list. Having subsequently made his peace with many of the regional interests and largely broken with the liberal reformers, Yeltsin sought in 1995 to decrease the proportion of seats elected by national list (Orttung 1995a, 1995b). Now requiring assembly passage, however, the electoral law that emerged contained the same half-and-half mix that had been so helpful in 1993 to several parties without regionally concentrated support, including the LDP. Thus the shifting positions on national list versus regional elections reflect the changing fortunes of the president, and also the shift in the arena in which institutions were designed from the halls of the presidency to the assembly itself. The president at first sought to enhance the strength of parties at the national level, then later tried to undercut it when he changed alliance partners.

## PARLIAMENTARY SYSTEMS

As I noted, only presidents, with their fixed term (and usually direct election), have the potential for exercising truly independent powers over legislation because by definition parliamentary executives can be ousted from office if they overstep the preferences of the legislative majority. Do parliamentary systems conform to the theoretical perspective developed in this chapter, or are they a separate phenomenon? One way to approach this question is to ask if any parliamentary systems were adopted in countries that had a first competitive election—or prior experience of semi-competitive elections—under an electoral law that did not provide for strong parties. If parliamentary systems tend to be adopted only where parties are already strong at the time of adoption, then we can say that this is an adoption of a form of “weak” executive to go along with strong parties. However, as a glance back at Tables 1 and 3 will reveal, such an explanation will simply not do. There are twelve cases of first elections held under strong party laws (excluding Bulgaria, which adopted such a system for its second election), and only two of them (Czechoslovakia and Spain) adopted parliamentarism! Parliamentary systems are found in every cell of Table 2 that has any cases in it except for the upper left and lower right. Their absence from the upper left is consistent with the notion that parties and executives are alternative agents for giving structure to the policy process. Their absence from the lower right is not, nor is their presence elsewhere, in cells with parties of medium strength. In many of the cases of medium strength, an initial election was held that provided for weak parties; the move to medium-strength parties was made only *after* the decision to opt for parliamentarism. So what explains parliamentary executives?

To understand parliamentary executives, one must go back to the geographic patterns observed in connection with Table 3. If we include all the systems with exclusively parliamentary cabinets (i.e., premier-presidential as well as purely parliamentary systems), we find that there are fourteen such systems. All are in Europe except for Mongolia. All the European cases had a prior experience as democratic or semi-democratic countries with parliamentary executives or with hybrids of monarchical rule and parliamentary accountability. It is hard to escape the notion that legacies in the form of previous demo-

cratic experience are crucial for determining whether a system will have exclusively parliamentary cabinets or not.

An interesting thought experiment is to ponder what might have happened if one of our cases in the upper left cell of Table 2 had been a country on the doorstep of Western Europe, especially one with a prior history (even brief and long suppressed) of parliamentary democracy. The cases in that cell are those in which insiders to the previous regime have remained in charge through a relatively slow transition process—exactly the situation that breeds a preference for cultivating personal over party reputations. I argued that the resulting very weak parties would lead to a preference for strong, proactive executive authority and that this preference would best be met by a presidency. If the insiders (in this case Communists) had remained in power in countries like Hungary and Poland and had not been forced to negotiate with their oppositions, it is possible that they would have adopted the democratic institutional format that would be most suitable for them: weak parties and presidentialism with proactive powers. If so, their institutions would have stood in stark contrast to those of their European neighbors. However, for such politicians, cultivating personal reputations by catering to entrenched interests that remained from the Communist period might have been a stronger lure than the possibility of reintegrating into Europe. On the other hand, for the actual mix of “reform” Communists and outsiders who dominated the transitions in these countries, the appeal of eventually joining Western organizations like the EU and even NATO would be a powerful draw toward adopting domestic political institutions that would be in harmony with those in the rest of the region. That lure would be even stronger to the extent that a former liberal regime had used similar (parliamentary) institutions, allowing the new regime to claim continuity with the pre-Communist era.

Thus it is probably not accidental that the countries that adopted exclusively parliamentary cabinets are those that have some prior record of this type of democracy that so typifies Europe and also tend to be countries whose leadership openly seeks entry into European transnational institutions. Both the short-term political interests (for party over personal reputations) and longer-term legacies and opportunities worked in the same direction, toward parliamentary cabinets and parties that are not weak. However,

many of these parliamentary systems have electoral laws that provide for only medium party strength. This combination is bound to produce tension between personal vote-seeking and the integrity of the party label. Polish institutions, as I noted, partially counteract this by having a reactive presidency. Elsewhere, the combination of medium-strength parties and parliamentary cabinets may lead to efforts to either strengthen parties via electoral reform or the executive, perhaps by giving the appointed head of state a greater policy role—as in Greece before 1986—or even establishing a directly elected presidency with enhanced powers. The former path was pursued in Italy and Japan, but only after decades of often difficult coexistence of relatively weak parties and parliamentarism.<sup>32</sup> The latter path was being debated in Latvia in mid-1995 (Girnius 1995) and was seriously considered earlier in Estonia. As Geddes notes elsewhere in this volume, new institutions generate interests of their own and are difficult to reform. Still, this does not preclude the possibility of institutional combinations being “out of equilibrium” and containing internal contradictions that generate reformist pressures, as I believe is virtually inevitable when parliamentary cabinets function alongside medium (or low) levels of party strength. These combinations stem from mixed legacies: the short-term transitional legacy of politicians interested in retaining some opportunity to cultivate personal reputations and the longer-term legacy of past parliamentary tradition and/or future aspirations to join European transnational organizations.

## CONCLUSION

The evidence from thirty electoral laws and constitutions from nearly every continent and from both capitalist and (post-) Communist economies suggests that there is not a distinct pattern of democratic institutional design in Eastern Europe and the former Soviet Union. The task of comparing the former Communist countries alongside South European, Latin American, African, and Asian cases has merit, as it provides strong support for the notion that politicians respond in ways that rationally further their own political interests when they come to design institutions.

I identified two variables in transitions that explain much of the variance in institutional configurations for new democracies: the pace of the transition and the dominant tendency among institutional designers (insiders versus outsiders). I suggested that fast transitions lead to party-centered electoral laws, while slower transitions lead to electoral laws that give rank-and-file politicians the opportunity to cultivate personal votes. Among the relatively slower transitions, insider-dominated transitions lead to even more focus on personal reputations than do outsider-dominated transitions because these politicians are least likely to have an overarching party with strong policy commitments to coordinate their activities. The slow decomposition of these authoritarian regimes leaves politicians looking for ways to disassociate from the old regime, but also leaves them economic interests from that regime that they can build their reputations defending.

I found as well that these choices of electoral law had consequences for the strength of executive authority adopted—in particular, an inverse relationship between party strength and executive strength. Where rank and file prefer not to delegate much authority to their party leadership (as in, for example, insider-dominated slow transitions), they instead delegate most policy authority to the executive, in the form of a strong presidency with decree powers.

This rationalist interpretation of institutional design has not, however, ruled out the applicability of the perspective of historical legacies as predetermining outcomes in democratization. A new democracy is not a *tabula rasa*. Certain legacies can show up even in the choices politicians make over new institutions themselves. One example is in the weak parties/strong presidents configuration to which I referred. While the choice is rationally predicted from the situation in which politicians find themselves, the situation is itself very much a product of a specific legacy. These are transitions in which there was no sharp break with the past and no great turnover in personnel. The parties and individual politicians that dominated the transition began their careers inside the halls of government and parliament and not in struggles in the streets and factories. This set of factors bequeaths a legacy of politicians bent on turning to the most readily available means of advancing their careers: struggling to defend decaying interests of the old regime. Thus they endow the executive, rather than party leadership, with the power to establish



new policy directions, such as economic reform programs. They thereby leave themselves in a position to try to block or water down change, not take responsibility for it. We should expect that these systems would have the most difficult, halting path to economic reform, while outsider-dominated (or mixed) transitions, especially fast ones, should be more readily able to enact policy changes (*ceteris paribus*).

There are many factors that impinge on the pace and scope of economic reform, and to analyze these factors would be to take a very different path than the one I have taken in this chapter. However, it is perhaps not coincidental that Brazil, Belarus, Colombia, Russia, and Ukraine have featured perhaps the most difficult struggles between relatively reformist executives and recalcitrant legislatures. Such struggles may be simply the institutional manifestation of an “insider–slow” legacy.

A final legacy that appears to be important to post-authoritarian institutional design is geography. Actually, of course, geography is only a proxy for other historical factors. For instance, Latin America began its trajectory toward republican forms of government before modern parliamentarism had been developed; therefore, presidential cabinets prevail. Europe, however, began its earliest transitions to democracy under parliamentarism, often with monarchies intact and therefore precluding popular election of the head of state. Again, it appears to be a result of a legacy of previous (often very brief) experience with democracy under a parliamentary format and a desire to reintegrate with Europe that has made systems with exclusively parliamentary cabinets the *universal* choice in Central and Southern Europe and the Baltics, but almost *nowhere else* in my sample.

While I have elsewhere expressed skepticism over the argument that parliamentary regimes were inherently more conducive to democracy than are presidential systems (Shugart 1995; Shugart and Carey 1992; Linz 1994; Stepan and Skach 1994), I have singled out one form of presidentialism—that with exceptionally strong presidents—as especially prone to inter-branch crises (Shugart and Carey 1992: esp. chs. 8–9). Thus although the December 1993 crisis in Russia is grist for opponents of presidentialism more generally, I would point instead to the confluence of both legacies (absence of parliamentary tradition, presence of industrial concerns sponsored by old

regime) and rational imperatives (opportunity to cultivate personal reputations) in producing the institutional configuration of a strong presidency and weak parties in Russia that set up the crisis. Institutions can be explained as rational choices for the interests of politicians, but those very interests are to a substantial degree the products of both long-term and short-term legacies and historic opportunities.

## APPENDIX

### *Case Selection and Coding Decisions*

This paper deals with new constitutions and new democracies since World War II. I deal only with *new* constitutional choices that were either (1) made in the process of transition from a nondemocratic regime, or (2) adopted in an existing democracy, but through an extraordinary procedure and with the participation of new parties that had been marginalized previously. I exclude countries that became independent after a period of internal democracy if the new constitution (if any) was essentially a continuation of institutions that already regulated political competition in the pre-independence period.<sup>33</sup>

The sample includes countries with over one million population that are currently (mid-1995) democracies. All the countries included have met one or both of the following criteria: (1) a score on political rights, according to Freedom House (Karatnycky et al. 1994), of 3 or better since at least 1991,<sup>34</sup> or (2) an *average* annual Freedom House score of 4.5 or less *and* an alternation in the majority party or executive or both since 1991.

### *Sources Consulted on Individual Cases*

Unless otherwise noted, constitutional texts consulted are from Blaustein and Flanz. For all Latin American electoral laws, I relied on Nohlen, ed. (1993). Most East European electoral laws are summarized by Lucky (1994). Below I list additional sources for each case, as well as explain any difficult coding decisions that are not accounted for in the text.

Albania. Loloci (1994); Szajkowski (1992); personal interviews by the author, Tirana, November 1991.

Benin. Heilbrun (1993); Mozaffar (1995).

Brazil. Hagopian (1993); Mainwaring (1991); Power (n.d.)

Bulgaria. Kolarova and Dimitrov (1994); Nikolaev (1990); personal interviews by the author, Sofia, July 1991.

Belarus. Open Media Research Institute Daily Digests (various).

Chile. The constitution of 1980 was drafted by a commission appointed by military president Augusto Pinochet and ratified by plebiscite. The constitution was amended by similar procedure after Pinochet lost a plebiscite on his continued tenure in office in 1988. See Valenzuela (1991). The president has tremendous fiscal powers, including the right to decree certain expenditures even without congressional authorization (Art. 32:22), and has a strong veto.

Colombia. The constitution of 1991 was drafted by a constituent assembly elected in December 1990, after the previous constitution was abrogated under state-of-siege decree (Archer and Shugart 1997; personal interviews by the author, June 1991).

- Costa Rica. After a brief civil war, a constituent assembly was convoked to draft a new constitution, with previously marginalized parties playing a major role (Lehoucq 1995).
- Czechoslovakia. An electoral law and interim constitutional arrangements were drafted in a roundtable in 1990, as the Communist government was unraveling but had not collapsed (Lijphart 1992a). The electoral law allows for preference voting but makes it difficult for personal votes to affect the order of the list (Lucky 1994).
- Ecuador. The constitution and electoral laws were created by commissions appointed by the military government. See Conaghan (1994). The constitution gives the president decree powers in economic matters and a very strong veto in all areas except the budget (Shugart and Mainwaring n.d.).
- Estonia. Ishiyama (1993); Taagepera (1993); personal interviews by the author, Tallinn, October 1991.
- Greece. Diamandouros (1986); Katz (1986); Mackie and Rose (1992).
- Honduras. Paz Aguilar (1990).
- Hungary. Kukorelli (1991); Lijphart (1992a); Róna-Tas (1991).
- Korea. The sitting parliament established a constitution drafting commission, which produced a constitution and election law that required the support of the opposition because of a two-thirds requirement to pass the assembly and the need for ratification by referendum in a context of high opposition mobilization (Beck and Cheng 1994; Cotton 1989).
- Latvia. Davies and Ozolins (1995); Ishiyama (1993).
- Lithuania. Clark (1995).
- Mongolia. Batbayar (1993); Milivojevic (1991).
- Namibia. UN-supervised elections in 1989 brought to power the South West African People's Organization (SWAPO). However, owing to a very extreme form of PR and two-thirds requirement for passing institutional reform (mandated by the United Nations), SWAPO had to bargain with other parties. See National Democratic Institute (1990); Potgieter (1990).
- Nicaragua. I consider the 1979–84 Sandinista government to have been provisional; hence the decision to consider the regime-designers as “outsiders” relative to the previous (Somoza) authoritarian regime. See LeoGrande 1990.
- Paraguay. The transition to democracy was initiated by a military coup that deposed President Alfredo Stroessner in 1989. Elections returned a constituent assembly dominated by Stroessner's party and its semi-loyal opposition (Riquelme 1994).
- Philippines. Ferdinand Marcos continued controlled electoral contests throughout his regime. Corazon Aquino was placed in the presidency with the assistance of a military uprising and popular mobilization after Marcos declared victory in a “snap” presidential election of 1986; she declared her

government “revolutionary,” and a new constitution was drafted by a presidential commission and ratified by plebiscite. See Hernandez (1986).

Poland. The Communists and Solidarity agreed to semi-competitive elections in 1989. The Communists retained the presidency, but their leader vacated that office in 1990. Thus as of 1991 Solidarity held the presidency, 99 of 100 seats in the upper house, and all of the 35 percent of the seats it had been allowed to contest in the lower house in 1989. Moreover, 31 percent of the seats in the lower house had been reserved for long-pliant allies of the Communists, which by 1991 were no longer pliant. Even these parties had labels of their own, which had never been completely submerged (Jasiewicz 1993; Lijphart 1992a; Rapaczynski 1991; Zubek 1993).

Portugal. Maxwell (1986); Shugart and Carey (1992).

Romania. Shafir (1990a, 1990b).

Russia. An assembly elected under semi-competitive conditions in 1990 approved a bill to establish a presidency and delegated “blanket” decree powers to President Boris Yeltsin in 1991. The decree powers were technically ordinary legislation, passed by the Congress of People’s Deputies. However, the Congress was not the standing legislature, and only the Congress could retract the decree authority, making the delegation tantamount to constitutional delegation. In December 1993 Yeltsin dissolved parliament with the assistance of military force and had a new constitution drafted by a commission he appointed. This constitution, ratified in a plebiscite, granted the president the authority to issue decrees in any areas not covered by existing law (Art. 90) and also granted him a strong veto (Art. 107). (See Ordeshook n.d.; Parrish forthcoming; Remington 1994).

Slovenia. Bibic (1993); Slovenia (1992).

Spain. Maravall and Santamaría (1986).

Ukraine. There is little party development, and no new constitution had been adopted as of mid-1995; however, major amendments to the 1978 constitution were passed in February 1992, including a provision, effective until the adoption of a new constitution, allowing the president to issue decrees on matters of “economic reform,” subject to post-hoc legislative ratification or repeal (Art. 114–5:7–4). (See also W. Clark n.d., Karatnycky 1995, Wilson n.d.; Wilson and Bilous 1993.)

Venezuela. A civil-military coup led to the election of an assembly dominated by the formerly opposition *Acción Democrática* (AD). Under procedures of the temporarily reinstated 1947 constitution (which had been drafted after a previous AD-military coup in 1945), a majority of the assembly was sufficient to send a draft to the state legislatures. Two-thirds of them had to approve the draft; AD controlled over two-thirds of the states (Coppedge 1994; personal communication with Brian Crisp).

## NOTES

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1. Several of the countries of the region had quasi-democratic institutions between the world wars, and a few had one democratic election after World War II. Czechoslovakia was perhaps the only genuine democracy between the wars and again from 1945 to 1948.
2. These last two systems do allow for candidates to receive votes directly; however, as I argue in the appendix, the law makes it so difficult for candidates' personal votes to change the order of election as established by the party that these systems, for present purposes, may be seen as essentially closed list.
3. On the concepts of identifiability and accountability see Powell (1989); Strom (1990); and Shugart and Carey (1992).
4. I explain coding decisions on these variables for specific cases in the appendix.
5. Unlike in Albania and Germany, the PR seats were not compensatory. Thus any party that would win the bulk of the single-member districts would also be virtually assured of winning the largest share of PR seats. It (and similar systems adopted in Hungary, Lithuania, and Russia) is a "softened" majoritarian system, rather than a "localized" PR system.
6. See Table 1 for "Russia I," which would apply as well to all the cases of relatively slow transitions from communism. One partial exception is Estonia, where the opposition-organized Estonian Congress used the single transferable vote (Taagepera 1993), which provides for vote pooling, but at the discretion of voters rather than parties.
7. But variants that clearly require parties to determine who their candidates will be and that mandate transparent and nationally uniform alliance in the case of joint lists. In other words, unlike Brazil, these systems ensure the integrity of the party label while also rewarding individual candidates who cultivate personal reputations. The Slovenian law is an interesting innovation on the concept of an open list. There, multi-seat constituencies are subdivided into smaller districts in which only one candidate per party stands. Seats are allocated to parties on the basis of the multi-seat constituency (and with national-level adjustment), but seats are allocated to candidates on the basis of votes they receive directly in the subdistricts. In this way, candidates are rewarded for personal support (as in any open-list

system), but candidates of the same party are not in direct competition with one another for the votes of the same voters, as in “pure” open-list systems such as those in Brazil and Poland. I regard this Slovenian innovation as a promising model of electoral reform for consideration elsewhere.

8. It is also possible for cabinets to be accountable to neither a president nor the assembly majority. Aside from cases of monarchies that still hold governmental powers, the only case I know of is Switzerland, where a fixed-term executive is chosen by the assembly. In a very real sense, the Swiss cabinet is accountable to no one between elections.
9. Sartori (1994) objects to this term and to the criticism that I have made against the term semi-presidential. Shugart and Carey (1992) suggest that “semi-presidential” implies a regime located about half-way on a continuum running between presidential and parliamentary endpoints. Even though exactly such a conceptualization has been employed in the literature (e.g., Lijphart 1992), Sartori argues that the Latin prefix “semi” has nothing to do with halves or continua. While I do not doubt Sartori’s credentials as a Latin scholar, he is overlooking the fact that the term semi-presidential is not only vague in that it may be employed to identify a wide range of fundamentally different regimes, but also that in modern English usage “semi” does indeed carry “half” as one of its meanings (*Webster’s New Twentieth Century Dictionary*, for example, lists “half” as the primary meaning of the prefix).
10. I refer to a draft that was the last one to emerge from the Russian assembly before Yeltsin’s coup of December 1993. The draft is dated 22 October 1992 and was translated by the Strengthening Democratic Institutions Project. I am grateful to Olga Shvetsova for supplying this document.
11. In Russia the same assembly that was considering a draft presidential constitution had earlier established the presidency. In Latin America the tradition of a presidency with control over the government dates back so long that few of the current democratic constitutions were designed at a time when there was not already a presidency inherited from an outgoing authoritarian regime.
12. This fact had escaped my attention until Barbara Geddes pointed it out to me.
13. Some, as in the Czech and Slovak Republics and Hungary, may return a bill for reconsideration, thus allowing them to delay the implementation of bills with which they disagree, as can the British House of Lords. In the cases just mentioned, a vote to override requires an absolute majority of all members, rather than a simple majority of members present. Thus some vetoes may be sustainable if there are absent members or if some delegations that abstained on the initial vote refuse to support the bill on a second vote. However, it remains true that these presidents, unlike their elected counterparts in the United States or Russia, cannot block bills favored by a majority of members of the assembly.

14. When this country split into its two constituent parts in 1993, each kept the “pure” parliamentary form.
15. Partial exceptions are Belarus and Ukraine, where some ministers may be dismissed by the president only with the consent of the assembly majority.
16. Ukrainian post-Communist institutions have been in flux, with a trend toward presidentialism apparent.
17. I would also place here any systems with fully presidential cabinet, but authority for the president to dissolve the assembly. Such systems would be neither president-parliamentary nor presidential. There are no such systems in this sample, but some of the fledgling African democracies that were too young to be included here are of this sort, including Central African Republic, Malawi, and Mali.
18. No country had had an elected head of government who was not also head of state until the adoption of a reform in Israel in 1996.
19. Even the one case in Latin America where parliamentary cabinets (i.e., premier-presidentialism) were nearly adopted recently conforms to this “legacy” argument: Brazil was once a constitutional monarchy and was briefly parliamentary again in the 1960s.
20. Parrish (forthcoming) makes such a claim for Russia.
21. I am assuming that the combination of exclusively parliamentary cabinets with a president able to determine policy initiatives is ruled out. Such a president could establish new policy independent of the (parliamentary) cabinet, practically ensuring that the cabinet would be in frequent conflict within the executive branch over policy.
22. Of course, they need not be separate, as the case of Mexico makes clear. The point is that they may be separate in presidential systems but are unlikely to be separate in a meaningful sense in parliamentary systems.
23. That is, I am not concerned with so-called decrees that are actually administrative or regulatory acts or that are “emergency” measures, such as suspending constitutional guarantees, unless they imply establishing an entirely new policy status quo in a realm that would ordinarily be left to the legislature. See Carey and Shugart (forthcoming) for an elaboration of these distinctions.
24. Examples of parliamentary executives with proactive powers include the “guillotine” in France, whereby the cabinet may impose a policy initiative unless the parliament votes no confidence in the cabinet, and Italy, where cabinet decrees have provisional effect. The French cabinet also has a wide domain in which only it can initiate policy proposals, which is reactive power in the sense that a parliamentary majority is prevented from changing policy unless the cabinet opens the matter up for debate. I know of no case where a parliamentary executive has had a veto in the sense that the United States and some other presidents have. See Carey and Shugart (forthcoming) for a more complete discussion of these different types of powers.



25. More precisely, I should say the “reversionary outcome,” the point to which policy reverts in the absence of the passage of new policy. This may not be current policy (the status quo) if, for example, an existing program needs to be reauthorized, or, as in the case of U.S. farm supports, there is an automatic formula that calls for increases in spending unless Congress and the president agree on a lower amount.
26. One case of weak parties, the Philippines, is not a case of a constitution drafted by an assembly elected under weak-party rules. Instead, as noted below, the president imposed a constitution before assembly elections and attempted to impose a party-strengthening electoral law too, but was unable to do so.
27. In the case of Portugal in 1976, the presidency was granted an *absolute* veto. Probably this can be understood only because of the prominence of a military not specifically aligned with any political party in the transitional assembly and the fact that a military hero of the transition (General António Romalho Eanes) had already been elected president. This set of conditions is not found in any of the other cases.
28. It is puzzling that President Aquino did not use her executorial constitution-making opportunity to establish a potentially dominant presidency. Perhaps she was keen on clearly distinguishing herself from her predecessor, Ferdinand Marcos, who had ruled by decree. Or perhaps she was in a weaker position than her declaration of a “revolutionary” government implied. The discussion below of the electoral law would suggest the latter.
29. The president could decree new laws under the vague restraint that this power be exercised “under extraordinary circumstances” and on “urgent” matters; he could also declare a referendum on any issue (Article 44). The Greek president is elected by a two-thirds majority of parliament. If parliament fails to muster the required majority, a three-fifths majority suffices. If it still has not elected a president, new parliamentary elections are held, and the new parliament can elect a president by plurality if it first fails to elect one by a three-fifths majority.
30. Outside my sample, there is at least one other executorial transition (though not a post-authoritarian one) in a parliamentary system: France in 1958. Consistent with the spirit of the hypothesis, this constitution indeed granted the executive both proactive powers (the so-called guillotine and package-vote procedures, as described by Huber 1992) and reactive powers (not a veto, but the ability to function as a gatekeeper by keeping matters off parliament’s agenda). However, again, the presidency was not made popularly elected in 1958 (that did not change until 1965), and these executive powers were lodged in a cabinet that can be overturned by a vote of no confidence. This executive is stronger than most parliamentary executives but still weak compared to a presidency with the same formal powers.
31. As noted above, the law also has an open-list provision that works against strong parties.

32. Japan is a rare case of parliamentarism combined with parties that would score weak on my index. Japan had at least two peculiarities that permitted parliamentarism to function there despite low levels of party strength. First, Japan is an advanced industrial state, and the period of hegemony of the Liberal Democratic Party coincided with the country's period of most rapid growth. I doubt such an institutional configuration (weak parties-weak executive) would have functioned so well in a context of a less robust economy. Second, there happened to be in the postwar era two conservative parties that were like-minded enough to fuse together. With a larger Socialist party or deeper partisan cleavages, governmental instability might have been inevitable under Japan's institutional configuration.
33. Hence the lack of former British colonies here. Almost all of them had democratic elections while still dependent, and all those that remained democracies retained the parliamentary format inherited from Westminster (Stepan and Skach 1994). Many would have been excluded on the population criterion anyway.
34. Freedom House has been coding all the countries of the world on two indicators, political rights and civil liberties, since 1972. The scores range from 1 (best) to 7 (worst). I used only political rights because it measures what I am most concerned with, which is reasonably open electoral competition and some give and take between branches of government. In practice, almost all the countries that score 3 or better on political rights also score 3 or better on civil liberties.

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## **FOREIGN EXPERTS, CAPITALISTS, AND COMPETING AGENDAS: PRIVATIZATION IN POLAND, THE CZECH REPUBLIC, AND HUNGARY**

**Connie Squires Meaney**

After 1989 Poland, Czechoslovakia, and Hungary all produced plans for privatization of their state-owned industrial sectors. Disagreements existed in all three countries concerning the speed and sequencing of privatization (sell off state enterprises as quickly as possible or restructure them and then sell), as well as the means (citizen vouchers, direct sale to foreign buyers, direct sales to domestic buyers, auctions, employee buyouts, etc.) (see useful categorization of types of privatization in Stark 1992). Advocates of gradual privatization argue that transfer of ownership of state assets should come late in the process of restructuring, after markets have been established. Meanwhile, a phased, case-by-case approach is desirable. Advocates of rapid privatization see an urgent need to get rid of politicians and bureaucrats who are entrenched in enterprises, who cannot restructure firms because they are weak against pressure groups, and who will not put a lid on wages. Advocates of gradual privatization maintain that a hard budget constraint can be imposed on a public enterprise almost as well as on a private enterprise. Rapid privatization advocates favor schemes that transfer assets to the general public quickly through issuance of vouchers exchangeable for shares, perhaps in tandem with some means to bring in new, professional managers to restructure the firms. Gradual privatization advocates tend to favor plans that feature employee buyout schemes (Kopp 1991; Marer and Zecchini, eds. 1991: 225).

Debates about methods of privatization in Eastern Europe were closely related to the question of "nomenklatura" (or "spontaneous") privatizations: unregulated conversions of state enterprises, parts of enterprises and/or enterprise assets into the private prop-

erty of enterprise managers (Frydman et al. 1993: 183). Proponents of rapid privatization argued that gradual approaches would give the old *nomenklatura* (the industrial managers) a chance to benefit illegitimately from market liberalization, a process that already was underway. Public animosity toward the idea of the old *nomenklatura* taking advantage of market reforms to extend privileges gained under the old regime into the new one was considerable, particularly in Poland and Hungary. Privatization was a strategy of creating private property and market institutions in order to undercut a political-economic class—or a segment thereof.<sup>1</sup>

### MINISTRIES OF PRIVATIZATION

The objective of neutralizing entrenched groups lodged in the industrial bureaucracy produced a particular organizational format for implementing privatization plans in the three countries. Creating a liberal market economy with a minimum of government intervention and influence for “distributional coalitions” in the state sector was seen to require rapid transformation, which in turn required centralized and decisive state action (Staniskis 1991a: 217–18). In all three countries, the agencies assigned to plan and implement privatization were new organizations rather than existing institutions. It was not automatic that a separate ministry for privatization would have been created. A not uncommon method worldwide has been to leave the industrial ministries in charge. But the ministries of industry were suspect and favored “restructuring and improving” the state’s assets and only then selling them. Industrial ministries and especially branch ministries tend to be close to enterprise managements, from whose ranks the branch ministry officials have risen (Frydman et al. 1993: 89). The governments of the three countries to varying degrees have all adopted a centralizing approach to ward off pressure from “enterprise insiders” who want to decentralize control over changes in ownership (into their hands). Insofar as the new privatization ministries had links with the regular bureaucracy, it was with the Ministries of Finance (in Poland and Czechoslovakia).<sup>2</sup>

New ministries of privatization had to recruit new staff. In each country to varying degrees, foreign and expatriate advisers and technical personnel played a significant role in the privatization organizations, as well as acting as outside consultants. Foreigners in the ministries of privatization in the East European countries were financially supported by a variety of sources, including U.S. AID, the EC's PHARE program, the World Bank, and other agencies. Many of the foreign and expatriate personnel involved with privatization were recent graduates or graduate students; others, however, were higher level officials, including in some instances deputy ministers.

The ubiquity of foreigners in ministries of privatization in Eastern Europe is related to the type of expertise the ministries need to access: experience in dealing with investment and commercial banks and Western businessmen. But that is only part of the reason. Staffing with outsiders combined with the separation of the privatization organization from the regular bureaucracy can be seen as an effort to create the functional equivalent of "bureaucratic" autonomy for the project of privatization in a situation where industrial ministries and enterprises are full of holdovers from the previous regime.

Parallels readily suggest themselves between the situation of the East European governments after 1989 and those of LDCs in the 1980s who opted for structural adjustment and privatization policy packages as a result of perceived economic crises, combined with external pressure and influence. Market liberalizers launching privatization and other elements of structural adjustment in LDCs have relied heavily on foreign advisers and consultants not only to access economic and financial expertise, but also to insulate their programs from popular opposition and anti-liberalization distributional coalitions within the state (Haggard and Kaufman 1992a). "Technocratic change teams" of Western advisers can be and in a number of Third World instances have been successful in bringing about the adoption and beginnings of implementation of structural adjustment programs, including privatization of the state sector. The relative insulation of such teams and their domestic counterparts from domestic politics in a developing country setting is what accounts for their success in policy initiation and adoption. However, the same insulation and lack of "embeddedness" is a serious weakness "In the absence of concrete bases of private-sector support . . . it is doubtful that [structural adjustment programs] can be institutionalized by

small change teams of technocrats and expatriate advisers who are heavily dependent on executive officials" (Haggard and Kaufman 1992b: 25; Waterbury 1992: 193–97). Moreover, foreign advising teams may encounter or engender opposition to foreign advisers and their programs as a form of neocolonialism.

Does the above pattern apply to privatization in the East European context? If so, we would expect to find contests between the agendas of distributional coalitions centered around the state industrial sector and those of "technocratic change teams" of foreign and expatriate advisers and consultants and their domestic allies in the government, in which the change teams would ultimately be at a disadvantage.

Such a dichotomy corresponds roughly to the "Leninist legacy" vs. "liberal imperatives" conceptualization of Crawford and Lijphart in this volume. The concept of a Leninist legacy has many dimensions, both cultural and institutional (see Jowitt 1992). In the case of privatization the relevant "legacy" would be the agendas of industrial managers positioned to take advantage of institutional position and connections to prosper as "capitalists" in the new economic environment, plus industrial bureaucrats who want to preserve a role for the state on ideological and job security grounds. We would have to add as well industrial workers who want to protect their standard of living and job security as part of the "legacy." Although non-Communist and Leninist economies may have this characteristic, as indicated by the comparison with LDCs, one could expect it to be substantially greater in the post-Leninist cases due to the size of the state sector and the monopolistic character of the party.

What constitutes "liberal imperatives" in this case? If liberal imperatives are equated with a *rapid* privatization, the picture is fairly straightforward: we can posit a two-way contest between privatizers and distributional coalitions. It is, however, more complicated than that, as rapid privatization is primarily the neoliberal economists' agenda, and there are other promoters of the privatization process who may be at cross-purposes with this agenda but who cannot be classified as part of or representing "distributional coalitions entrenched in the state sector" or "Leninist legacies." Key actors promoting privatization came in two forms, one being economists and the other being investment banking and accounting firms and/or individual bankers and accountants acting as consult-

ants to, and sometimes within, privatization agencies and ministries. Investment bankers are (by definition) enthusiastic about promoting capitalism, but doing deals and getting in on the ground floor of new markets naturally are the prime orientation; their agendas are not necessarily identical with the economists' prime agenda of quickly dismantling the state sector. We cannot assume that actors such as investment bankers involved in advising and implementing privatization programs are agents of market forces in the specifically neoliberal sense. That is, they are likely to be quite comfortable working with state agencies and enterprise insiders and with forming close relationships with state actors rather than dismantling the state.

A further complication is that "liberal" and "neoliberal" (economic) imperatives or agendas are not identical. Political actors with politically liberal agendas may not have neoliberal economic agendas, and vice versa. A rapid privatization agenda may succeed precisely because liberals in the political sense were too unorganized to thwart it. Then there is the question of worker agendas and their placement in a Leninist legacies/distributional coalitions vs. liberal imperatives scenario. Are workers to be considered part of anti-liberal distributional coalitions attached to the state sector or as part of "civil society" and thus bearers of "liberal imperatives" or norms?

#### THE CASE STUDIES

In the following pages I look at privatization ministries in Poland, Czechoslovakia/the Czech Republic, and Hungary (privatization "agency" in the case of Hungary), stressing the comparability of these organizations and the context in which they originated, as well as differences among them. I describe the activities and backgrounds of foreign experts employed or retained by ministries of privatization and the programs they supported. A *neoliberal privatization agenda* is defined here as a rapid privatization scheme, involving some kind of voucher-auction to individual citizens, a prime purpose of which is to transfer state assets to private hands quickly, leaving restructuring to whatever management emerges thereafter. I then identify the degree to which outcomes to date approximated a neoliberal economic agenda of rapid privatization. I distinguish (1) opposition to rapid privatization agendas that we can identify

with legacies or distributional coalitions, and (2) promoters of privatization who may work at cross-purposes with supporters of rapid privatization agendas.

The purpose of this comparison is (1) to see how much of the difference in outcomes can be accounted for by positing a distributional coalitions vs. neoliberal agenda/rapid privatization dichotomy and how much to other causes, and (2) to consider what capitalist activities surrounding privatization are beginning to emerge in Eastern Europe, adding a further dimension to the dichotomy of Leninist legacies (distributional coalitions centered on the state) vs. "liberal imperatives." That is, whether or not enterprise insider or neoliberal agendas have the upper hand, it most certainly is capitalism that is emerging.

In the three countries studied, Poland adopted a plan for rapid privatization that included sale of vouchers to the public but ultimately failed to implement it; insider-friendly schemes prevailed instead. The Czechs adopted and also implemented a rapid privatization scheme with vouchers, together with direct sales to foreigners which may have gotten out of hand. Meanwhile, Hungary pursued a policy of gradual rather than rapid privatization implemented on a case-by-case basis and focused on sales to foreign buyers, although in 1992 advocates of more rapid privatization appeared to be gaining influence.

## **POLAND**

### **CONTEXT OF PRIVATIZATION**

By 1990 "spontaneous" or "nomenklatura" privatizations had become a major issue in Poland. These unregulated conversions had begun in the legal/illegal gray area resulting from the encouragement of certain forms of privatization under the previous Communist government. One form of spontaneous/nomenklatura privatization involved turning a nominally bankrupt enterprise into a commercial company, the shares of which insiders would acquire at a bargain basement price. In another version, insider elites created private companies, some with foreign partners, which made "sweet-

heart deals" with enterprises and drained off their resources in various ways—for example, by leasing state equipment at low prices, exporting goods at subsidized prices, or acting as go-betweens between the state and private sector (Frydman et al. 1993: 183; Staniskis 1991b).<sup>3</sup>

A second issue in Poland concerned workers' councils in industrial enterprises. Workers' councils originally were created during the unrest of 1956, and their role was enhanced in 1981 before the imposition of martial law. Powers assigned to them under the Communist regime at first were enhanced by the successor government.<sup>4</sup> In March 1990 the parliament gave the councils the right to unilaterally dismiss managers without consulting the Ministry of Industry. Following this managers were in fact dismissed in 307 state enterprises (out of 1,700 centrally run enterprises), 90 percent on the initiative of the councils. In the previous year, when the councils had already been given some role in enterprise management, 163 managers were dismissed, 44 at the councils' demand; in the year before that, 72 were dismissed, 6 related to actions of the councils. Members and proponents of the councils emphasized their role as watchdogs on the above-mentioned kinds of sweetheart deals between the nomenklatura and private business. Economists and others, however, saw the councils as an obstructionist force resisting necessary layoffs connected with privatization (see *New York Times*, 28 December 1990). Thus, according to one source, the economic liberals in the Polish government viewed the main goal of economic reform to be twofold: (1) put an end to appropriation of state property by the former nomenklatura, by way of spontaneous privatizations, and (2) limit the powers of the enterprise workers' councils (Frydman et al. 1993: 176).

In July 1990 the parliament passed the Law on Privatization of State-Owned Enterprises, which provided for the transformation of enterprises into state-owned joint-stock and limited liability companies ("commercialization") and liquidation or sale of their assets. The law passed the lower house of parliament by an overwhelming 328 to 2, with 39 abstentions, and the senate by 60 to 7, with 2 abstaining (Konski and Berg 1992). Since the goals of halting spontaneous privatizations and limiting workers' councils were paramount, a program of rapid transformation of state property was at the top of the agenda. The apparent unanimity in parliament was

deceptive, however, in terms of support for the rapid privatization agenda.

#### THE MINISTRY OF PRIVATIZATION

To pursue the goal of rapid privatization, the 1990 Privatization Law created the Ministry of Ownership Transformation, usually referred to as the "Ministry of Privatization" (MoP), to plan and oversee the privatization process. The MoP was created in September 1990, succeeding the office of the Government Plenipotentiary for Ownership Transformation, which was located in the Ministry of Finance (MoF). The plenipotentiary's main charge had been to stop unauthorized spontaneous privatizations and reassert state control over the process, as well as to prepare a new privatization law and formulate the overall plan for privatization. The relationship of the MoP to the MoF is consistent with the high involvement of the neo-liberal economists (e.g., former finance minister Balcerowicz) in the formulation stages of the project.

The MoP was made responsible for the entire privatization process, including the development and proposal of new privatization programs; responding to inquiries about modes of privatization and providing enterprises with information about the most "appropriate" form of privatization; preparation of enabling legislation; handling the "commercialization" of state enterprises and representing the ownership rights of the state in commercialized companies; selling state enterprises and assets; and training professionals in corporate governance and securities markets (Frydman et al. 1993: 178).<sup>5</sup>

The MoP bypassed the Ministry of Industry (MoI), the bureaucratic department in charge of the central government's state-owned enterprises, having succeeded the old ministries of industry. The MoI, as one might expect, did not favor rapid privatization. It generally was seen as captive to enterprise interests and staffed by officials from the old regime. The MoP appeared to afford a measure of "bureaucratic autonomy" for rapid privatizers in a weak state with fragmented parliamentary institutions and a bureaucracy full of holdovers from the old regime. It was set up to be a temporary ministry that would be phased out when its task was completed.<sup>6</sup>



#### FOREIGN EXPERTS

In mid-1992 the staff of the MoP was described to me during a visit as being about 50 percent indigenous personnel and 50 percent foreigners. The role of foreign experts in formulating privatization strategies in Poland was most pronounced in the "mass privatization" program. This scheme called for issuance to all adult citizens of coupons or vouchers that could be exchanged for shares in "national investment funds" (NIFs). The funds in turn would manage and have equity in privatized enterprises. The concept had been developed in 1988 by Jan Lewandowski (who later became minister of privatization under two different prime ministers) and Jan Szomburg, of an influential liberal economists' group based in Gdansk. Jeffrey Sachs and other Americans were involved with the plan as well and brought some young MBAs to Poland to work on it (personal interviews, Warsaw, 31 July and 3 August 1992; see also Stark 1992). After 1990, funding from the EC permitted recruitment of a new official, Jerzy Thieme, to advise the privatization minister and specifically oversee the mass privatization program. Thieme had left Poland in 1981, when martial law was declared and had been working in the United States.<sup>7</sup> The new minister was able to draw on his New York and expatriate contacts to recruit more expertise for the ministry (Cohen 1991). The attraction through networks of school and/or occupational ties of foreigners, foreign-born countrymen, and expatriates into the privatization project is a recurrent pattern in the three countries under study. Individuals also came to the mass privatization project in Poland through impersonal channels, such as an American banker, a business school graduate who became the project manager in the mass privatization department of the MoP in charge of the plan's NIFs. He had come to Poland as a Peace Corps business adviser volunteer, of whom there were about fifty in Poland as of 1992. The group working on the mass privatization project expanded further after spring 1991. There were Peace Corps and World Bank people, supported with grants. MBAs from Harvard and from Kellogg Graduate School of Business at Northwestern University came for the summers. Indigenous personnel for the MoP were recruited through classified ads, or the ministry would contact private corporations and ask them to lend someone to the ministry (personal interview, Warsaw, 31 July 1992).

The mass privatization plan (which we have identified with the neoliberal agenda) upon which these individuals were working had two main elements: (1) the issue, for a small fee, of shares/vouchers in the NIFs to all adult Polish citizens, and (2) transfer of 60 percent of the ownership of a group of (voluntarily) commercialized enterprises to NIFs composed of foreign and domestic investment banking, accounting, and consulting firms who would monitor enterprise performance sitting on the boards of directors of the enterprises, where they would be active in management and restructuring of the enterprise.<sup>8</sup> Originally 400 enterprises were to be invited to participate on a voluntary basis. Screening by the selection department of the MoP ultimately produced a list of 204 firms.<sup>9</sup> The MoP hoped in mid-1992 that successive waves of enterprises would be privatized through this method after the first 200.

The citizen voucher part of the mass privatization plan (and the rationale for calling it “mass”) involved distribution of shares in the NIFs (not in the enterprises themselves) to the population. After 18 months of operation of enterprises under the NIFs, all citizens 18 and older would be eligible to participate in the program for a fee (about U.S. \$20, equaling about 10 percent of the average monthly wage in Poland). Participants would receive certificates (vouchers) entitling them to a share in each NIF, which they could trade on the stock exchange or sell through street brokers. Prices would be published in the newspapers and on the *telegazeta*. The original price of the shares would be decided by parliament. Voucher holders could also sell them for cash (Frydman et al. 1993: 195) .

According to the plan, each state enterprise in the program would have 33 percent of its shares assigned to a “lead” NIF, with another 27 percent divided equally among the NIFs (there would be about 10 NIFs all together). The NIFs would choose the enterprises for which they would act as the lead fund (interview). In the original version of the plan, employees would have gotten up to 10 percent of the shares free, and 30 percent would be retained by the state. The NIFs were to be selected in a tender by a committee in the MoP and would consist of Polish and foreign investment banking, accounting, and consulting firms (in reality the leading bidders were foreign firms).<sup>10</sup> The NIFs would have a two-tiered structure: a supervisory board, the membership of which would be Polish (however, one informant said that foreigners might sit on the board as well), and a

management board, the membership of which would be from the foreign investment banking firms or consortia. The management board would get a "small fee" after five years and after ten years a "big fee," based on any increase in portfolio value. The plan also involved the MoP's giving its proxy to the foreign managers, who would be able to retain or fire whomever they wanted among the company's old management and employees. Mass-privatized enterprises could be purchased by foreign buyers at some point down the road.

The NIF idea was controversial.<sup>11</sup> Efforts made by the MoP in July of 1992 to answer objections to the mass privatization plan reveal its political vulnerability. An article sponsored by the MoP that reviewed common objections to the mass privatization plan listed numerous items, including allegations that the NIFs would be managed by foreign firms only, that foreign capital would gain control of Poland's assets, that the foreign asset managers would engage in "asset stripping" in pursuit of short-term profits, and that foreign firms would sell off Polish enterprises at bargain-basement prices or shut them down to eliminate them as competitors of companies with whom the asset managers were secretly affiliated. In an interview that appeared in the press during the same week, Thieme attempted to refute the widespread assertion that the asset managers would all be foreign firms. He contended that under the mass privatization plan, no foreign firms would manage any Polish companies by themselves because they would all be part of joint Polish and foreign consortia, and he said it was unimaginable that foreigners would ever be permitted to sit on the boards of Polish companies under the plan.

In late 1991 and in 1992 considerable comment on the theme of foreign machinations in the area of privatization had appeared in the press. For example, the accounting firm KPMG-Peat Marwick was involved in restructuring Poland's insurance companies. There were two, Varta and PZU, one handling all foreign and the other handling all domestic coverage. KPMG recommended breaking PZU into operating units, life insurance and non-life insurance components. Non-life insurance would be broken into household and commercial insurance. Subsequently KPMG was criticized in the press for destroying PZU so that after January 1993, when foreign insurance companies would be allowed to operate in Poland, PZU would be wiped out. Similarly, British Sugar (which had concluded or was

trying to conclude a deal) was accused of planning to destroy local producers. A program on a state-owned television channel said that Poland's assets were being sold out to foreigners and that Polish lawyers and accountants who assisted them were traitors. These accusations in the media may have been instigated by the Olciewski government; they stopped under the new (June 1992) Suchoka government (personal interview, Warsaw, 31 July 1992).<sup>12</sup>

*Parliamentary opposition.* The mass privatization plan in Poland ran into trouble in the parliament. The MoP could proceed with its plans without having to seek approval for individual privatizations (except possibly really large ones), specific programs, or hiring and subcontracting. However, if the ministry needed further enabling legislation for a privatization plan, it could be blocked in parliament. Mass privatization fell into this category. Parliamentary vacillation on privatization resulted from party fragmentation and unstable majorities. A reliable parliamentary majority could not be mustered to pass the necessary enabling legislation for the MoP's flagship program for mass privatization (Frydman et al. 1993: 176). The Bielecki government favoring rapid privatization was succeeded (in 1991) by the Olciewski government, which was less enthusiastic; the Olciewski government was followed in June 1992 by the Suchoka government (enthusiastic), which was followed by the present government composed of former Communists (less enthusiastic). The mass privatization plan's legislation finally passed narrowly after some key compromises (increasing the percentage of shares in a privatized enterprise that could be purchased by employees) in the spring of 1993, but the subsequent fall of the Suchoka government left its fate in doubt (Perlez 1993a, 1993b, 1994). Throughout, President Lech Wałsa gave inconsistent signals on his support for rapid privatization, compounding the rapid privatizers' political problems.

#### INSIDER-FRIENDLY PRIVATIZATION

One should not assume from the foregoing account that privatization in Poland simply stalled. In fact, privatizations were occurring all along, but the action was in the area of "privatization by liquidation" (an entirely legal method under the new laws), in which the enterprise insiders on the one hand and the MoI on the other were

the main players and the MoP played a peripheral role (see Frydman et al. 1993: 187–92). Its role was peripheral because although these transactions are supervised by the MoP, they are not initiated by it, and the MoP does not on behalf of the treasury become the owner, as was the case with enterprises to be mass privatized.

The process of “liquidation” was used for viable as well as insolvent companies, and indeed the former were the more common. When privatization through liquidation was involved, the enterprise did not need to be commercialized (transferred to state ownership) first, as it must be in the mass privatization plan or for a capital offering (direct sale to a buyer). Rather, a decision to liquidate the enterprise was made by the “founding organ,” on its own or the workers’ council’s initiation. The founding organ would be the MoI or local government. After this, the most common procedure was for the assets to be leased (for five to ten years) to a new company, created for that express purpose by the enterprise employees. In cases of leasing, the workers’ council must approve, and a majority of the employees must become shareholders in the new joint-stock or limited liability company. The terms of the leasing contract emerge in a process of bargaining by the management, the workers’ council, and the unions with the founding organ over valuing the assets. The MoP must approve the decision to liquidate but has only twelve days after the founding organ’s decision to do so. The usual arrangement was lease-and-sale (the founding organ agrees to transfer title to the lessee at end of the lease, providing all payments have been made). After the contract is signed, the MoP only monitors collection of payments. It may be noted that this type of privatization is not unlike spontaneous or nomenklatura privatization.<sup>13</sup>

As of March 1992, of 1,055 state enterprises that had been liquidated, 466 were liquidated under the Privatization Law. (The other 589 were closed for insolvency.) This resulted in the creation of 545 new companies, of which 384 were companies formed by the employees in a lease-and-sale arrangement. Twenty-one other cases involved employee-owned companies forming joint ventures with the enterprise’s founding organ, and 140 more cases involved a mixture of methods. None had been privatized by the voucher-and-NIF plan (Frydman et al. 1993).

In sum, opposition in parliament, much of which was worker-based, to rapid privatization and selling out the country to foreign-

ers stalled the plans of the rapid privatizers, who had technical expertise at their disposal but shallow political support. The foreign source of much of the expertise indeed compounded the political problems. This allowed groupings in the form of enterprise insiders (managers and workers) and bureaucrats in the MoI and its subunits to proceed with the kinds and pace of privatizations that they had favored to begin with and that the MoP was created to put an end to.

#### **CAPITALISTS AT WORK**

We have still only touched on a few dimensions of privatization activity in Poland. The MoP, as we have seen, was supposed to be in charge of all privatization efforts. However, unlike the Treuhand in Germany, with its 2,000-plus staff, the MoP (as noted above) had a staff of only about 300. As a result, it contracted out much of its work to private consultants. Consultants played major roles in drawing up the list of companies to be included in the mass privatization program and the criteria for choosing them. The investment banking firm S.G. Warburg became the lead consultant to the MoP for the project by being chosen in a tender and also was the lead consultant in choosing the firms to act as NIF managers in the mass privatization plan (Szczeniak 1992).

The mass privatization scheme, however, was only one version of privatization upon which foreign consulting firms were working. Large numbers of investment banking and accounting firms also were employed by the MoP on another program called "sectoral privatization," a method that emerged in mid-1991 (Frydman et al. 1993: 198). Sectoral privatization grouped together 5 to 30 enterprises in the same industrial sector (shoes, furniture, etc.) for valuation as a group. The MoP grouped 143 companies into 36 sectors. Then investment banking, accounting, and consulting firms (foreign or foreign with Polish partners) were invited to submit proposals to become lead adviser to the MoP for a sector. The lead adviser subcontracted out to other firms for the preparation of detailed analyses of the sector to determine a privatization strategy for the whole sector. At the same time, the lead adviser was to analyze individual companies in the sector and recommend the most appropriate mode

of privatization, which could include restructuring before privatization, liquidation, or mass privatization.

The MoP appears to have had a number of motives for developing sectoral privatization. According to one source, it was seen by the MoP as a way, on the one hand, to analyze a number of enterprises at once, saving costs and developing a more effective strategy for the future, and on the other, to postpone privatization in some controversial areas (e.g., the tobacco industry, in which “the ministry was under pressure from both insiders and outsiders to privatize”) by studying them while figuring out how to proceed (Frydman et al. 1993: 198). Some of the firms appear to have chosen to work on sectoral privatization because they thought the mass privatization scheme was poorly conceived (personal interview, Warsaw, 31 July 1992).

There appear to have been about 20–30 sectoral privatizations in various stages of development in summer 1992. One source maintains that sectoral privatization is “not really privatization” because it only means the grouping together of companies for analysis, with possible privatization some time in the future. Notwithstanding that the advisers had been “producing extensive papers diagnosing the conditions of Polish industry. . . few actual privatizations have followed from their reports” (Frydman et al. 1993: 199; Wedel 1991–92). The point here is not to evaluate the program but simply that foreign firms find it rational to lend their services to a variety of government privatization programs, some of which may promote the neoliberal agenda of rapid privatization and some not.

Continuing in this vein, when we look at the activities in Poland of international financial institutions such as the World Bank, we see a mixed bag of privatization-related activities actually being promoted, some of which promote rapid privatization and some of which promote gradual privatization or postponed privatization. An interesting case in Poland involves an agency within the MoI called the Industrial Development Agency (IDA). It was created in January 1991 to provide technical and business personnel for ailing state enterprises (one interviewee referred to it as the “hospital for sick companies”), carry out studies, and restructure firms before any privatization occurs. According to a former IDA staff member, the agency had about 100 employees, was growing in size, had a “largish” budget, and employed “many old Communists.” It subsidized companies (coal, for example) to “keep them going when they

should be closed.” The IDA acted as a broker channeling funds from the World Bank to companies and had “good relations with Polish and Western companies and with the World Bank and the EBRD [European Bank for Reconstruction and Development].” The IDA received funding from the EC/PHARE program. It could pay its personnel higher salaries than a ministry (including the MoP) because it was created as an “agency” rather than a ministry (personal interview, Warsaw, 4 August 1992).

A very different way in which the activities of the myriad individuals and firms involved with privatization produce outcomes that cannot be encompassed by a neoliberal agenda vs. distributional coalitions scenario concerns spinoffs from the public to the private sector by foreigners and domestic actors connected with privatization. Two examples in Poland of entrepreneurial consultants with close links to the government (that is, the MoP) I will call Company A and Company B. Their history is as follows. After the Soviet/Warsaw Pact markets had collapsed, a task force was formed under the Council of Ministers to bring Western expertise to Polish companies. They needed “affordable expertise,” and the Big Five accounting firms were very costly. The task force consisted of retired executives, American MBAs, and Polish graduate students. Company A was founded by an American MBA who brought in friends from the Harvard Business School or the Kennedy School. They were on an unpaid basis at first. The task force was funded by the United Nations and the German Marshall Fund and by contracts from companies. The task force also had a connection with Jeffrey Sachs’s group.

The task force was working with 50–60 Polish companies of the CMEA group. They were supposed to do “restructuring” but became frustrated with obstacles to implementation of their plans. They lacked funding, and there were “problems” with the bureaucracy, in particular the MoI. The group then went private and formed Company A to do the same sort of work: restructuring and implementation. The company has a legal status, can sign contracts with companies directly, and is paid in equity.

Meanwhile, before Company A went private, another part of the task force had split off and formed Company B. The differences between Companies B and A are that the former essentially works for the government as a “strategic management” consulting firm. For example, Company B has worked on sectoral privatization plans



for the shoe manufacturing sector. Company A, on the other hand, specializes in “turnaround management” and works at the company level with a more hands-on approach. It is working with the government as well, on the long-term management contract program (another program of the MoP).

There also has been a huge growth in indigenous Polish consulting firms due to the need for subcontractors to work on various privatization plans. According to one interviewee, there now are hundreds or perhaps even thousands of these, although only a few large ones. They are set up by and employ academics, ex-managers, and ex-government people. There are also firms comprised of both foreigners and locals. One large one is a kind of spinoff from the MoP, a company I will call Entry. Entry plays the same kinds of roles as foreign consultants do as “transaction managers” for privatizations, relying on low rates (\$20–\$50 an hour), compared to the foreign firms, to generate business. As mentioned earlier, the MoP recruits some of its personnel by “borrowing” talent from private corporations. Entry had two of their people resign and work at the MoP and then return to Entry, and then they sent two more, in a kind of revolving door. By this means they acquire “great experience and contacts” (personal interviews, Warsaw, 31 July and 3 August 1992).

None of this is necessarily undesirable; it is included here to suggest that an agency like the MoP (in Poland and in the other two countries) involves a certain blurring between the boundaries of public and private economic activity that are not easily encompassed in a neoliberal/rapid privatization vs. Leninist legacy/distributional coalition scenario. But they are certainly quintessentially capitalist.

## THE CZECH REPUBLIC

### CONTEXT OF PRIVATIZATION

Following 1989’s “velvet revolution,” there was broad agreement in Czechoslovakia on the need to transit to a market economy but disagreement about the desirable speed of the transition: a “big bang” approach vs. a “soft landing.” Debate about the merits of

rapid vs. gradual or phased privatization was sharp. In 1990 an economic change team (the Economic Council) was formed and met for the first time on 26 January 1990. It consisted of Vaclav Klaus, then minister of finance; Valtr Komarek, director of the reformist Institute for Forecasting at the Czechoslovak Academy of Sciences (publisher of a number of Klaus's articles in 1988 and 1989) and at that time first deputy prime minister and (in the words of one source) "acting overlord" for the economy; and Vladimir Dlouhy, then chairman of the State Planning Commission. All three were supported by the Civic Forum. Komarek and Dlouhy were both former members of the Communist Party (until January 1990 and December 1989 respectively) (*EIU Country Reports* 1990, No. 1: 4–5). Klaus had not been a party member and had been declared a "counterrevolutionary" in 1970 as a result of his economics writings while in the Economics Ministry in 1968–70 (Klaus 1990).

Komarek soon fell out with Klaus over the pace of economic reform, especially the plans for privatization. Komarek argued that enterprises should be restructured prior to privatization (interview with Komarek; see "Views, Opinions, Arguments," February 1991). The concept Komarek favored, that of phased vs. rapid privatization, envisioned a case-by-case approach to privatizing companies, restructuring them to make them competitive before privatization, and liquidating the nonviable ones. It also favored a program of employee ownership to balance the employees' desire to acquire shares cheaply with the interests of the state as share owner to sell its shares at the highest price. In this view, privatization would take many years to accomplish because there would have to be a prolonged phase of financial recovery before shares could be rationally valued (Kopp 1991).

Vaclav Klaus, on the other hand, advocated rapid privatization and the voucher method of share sales. In 1990 Klaus was invoking the danger of Czechoslovakia falling into the "reform trap" (a concept that argues partial reforms are worse than none at all), which he said he saw happening in Poland and Hungary. Spontaneous privatizations, in which enterprise managers after economic liberalization set up private companies and sell off state assets, were cited by Klaus as a major problem. Klaus identified the prime task of privatization as breaking up the economic monopolies of giant state enterprises and expressed concern that Communist managers would

sell enterprises to Western investors at low prices (Kopp 1991).<sup>14</sup> Rapid privatization and exposure to competition would break monopolies up. The gradual privatization advocates, on the other hand, believed privatization before restructuring would simply allow monopolies to entrench themselves in the new system.

#### THE MINISTRY OF PRIVATIZATION

As in Poland, separate ministries of privatization were formed in Czechoslovakia (one for each republic), bypassing the industrial ministries. As in Poland, the parentage of the privatization agency (agencies) is traceable to the Ministry of Finance. In February of 1990, Klaus formed a group named the Board (or Office) for the Temporary Administration of State Property and Its Privatization in the MoF. He described the board's mission as looking into the sale of state assets and commented that privatizing the state-owned economy was not on the agenda at that time. He explained that his colleagues would not agree to putting it on the agenda (Klaus 1990). A year later, he retrospectively described the group's task as drafting the basic privatization project and formulating the idea of coupons (sale of vouchers) (interview with Klaus; see "Views, Opinions, Arguments" 1991).

In August 1991 the Ministry of Privatization was formed. At the outset the MoP had a staff of only 20; by mid-1992 it had increased to 160 (Frydman et al. 1993: 73–74). Tomas Jezek, an economist with whom Klaus had earlier collaborated on an article published by the Institute for Forecasting, was appointed as the Czech minister for privatization. However, the individual in charge of the MoP's work at the very beginning appears to have been an American-born Czech who moved to the MoP from the MoF; he had also helped draft the plan for privatization through sale of vouchers to the public.<sup>15</sup> He subsequently served as special assistant to the minister, in charge of liaison for absorbing technical assistance. "Liaison for technical assistance" meant overseeing investment bankers recruited by U.S. AID to handle sales of Czech enterprises to foreign buyers (see below).<sup>16</sup>

The rest of the MoP staff at this early point, according to my information, consisted entirely of "young Americans." Students

were brought in to help on a voluntary basis. There was a crisis atmosphere created by the government's deadlines (*EIU Country Reports* 1992, No. 1).

#### **RAPID PRIVATIZATION**

By far the most publicized component of the Czech privatization plan was the citizens' voucher scheme, in which books of coupons were made available for sale to the public for U.S. \$30 on 1 October 1991, exchangeable beginning in 1992 for shares in state enterprises. In the first wave of privatization 2,285 companies were to be privatized, and 1,842 in a second wave (Kamm 1991). Less publicized than the citizen voucher scheme were other components of the Czech privatization approach, which included sale through auction, through tender, or direct sale to a buyer. As much foreign investment as obtainable was to be solicited, with the government planning to "give top consideration to proposals reserving at least 20 percent of the shares for coupon buyers" (Kamm 1991). However, an AID official said in 1992 that only the enterprises *not* for sale to foreign buyers could be bought into with the voucher and that there were a lot of "dogs" among the ones offered for sale through the vouchers.

Under Klaus's program, by 20 January 1991 a privatization plan for each enterprise scheduled for future sale by any method had to be submitted by the enterprise management. Competing plans could be submitted in unlimited number from other parties. By the deadline, 2,884 of the required enterprise management proposals plus 8,065 competing proposals had been submitted. Some enterprises had as many as twenty or thirty competing projects. Proposals for the privatization of enterprises were to be submitted by prospective buyers or by enterprise managers (to the industrial ministry concerned, known as the "founding ministry"). Following this, the founding ministry was to formally submit the proposals to the MoP(s) along with its recommendations. The most important decision points, however, were not the industrial ministries but the MoP and the MoF; it was there that "the most important decisions are made about which alternative method of privatization is accepted" (Frydman et al. 1993: 72).

It was the MoF that organized the distribution and registration of coupon booklets in the voucher program. The MoP decided which enterprises to include in which wave of privatization and the exact method to be followed. Meanwhile, no rules or regulations had been issued regarding what criteria the MoP would use to evaluate and approve privatization proposals, its approval being final. Some preferences of the MoP were generally known; for instance, the ministry "let it be known that it would oppose more than a 10 percent total stake" for employee shares in any enterprise. With respect to whether it preferred voucher sales to direct sales, there was a deadline for the end of March 1992 for the MoP to give final approval to sale-by-voucher projects. Thus proposals that included sale by voucher were processed first (Frydman et al. 1993: 82–83).

#### **POLITICAL OPPOSITION**

The apparent ascendancy of Klaus's economic agenda is related to his outmaneuvering of other elements of the Civic Forum movement who favored more soft landings and/or were more focused on political than economic liberalism. Klaus led the most conservative faction within the Civic Forum movement, which subsequently turned into the center-right Civic Democratic Party. Klaus's new party emerged from a split in Civic Forum after the June 1990 elections between the right-of-center and the centrist and left-of-center Civic Forum parliamentary deputies. In October 1990 Klaus was elected chairman of the Forum, and the right-of-center deputies formed an Interparliamentary Club of the Democratic Right, which prompted the more center and left deputies to form their own group, the Liberal Club. The Klaus group in general had nondissident pasts (though Klaus considers himself a dissident) while the Liberal Club group were mostly former dissidents associated with Charter 77; some of them were former Communists who became dissidents after the Soviet invasion in 1968. This weakened their position.

The Klaus group in late 1990 called for the Forum to transform into an organized, disciplined party with ideological coherence and registration of all party members. The Liberal Club wanted continuation of the Forum's loose internal structure and broadly liberal political agenda. One Liberal Club leader attacked Klaus's group as a

“right-wing party of the Leninist type” for its emphasis on structure and ideological discipline (Pehe 1991b). A Civic Forum congress in January 1991 voted to change the Forum into a political party such as the Klaus group advocated. The Liberal Club members objected but in the end lost out: in another congress in February, the Forum split officially into two camps, the Civic Democratic Party (Klaus) and the Civic Movement (the Liberal Club) (Pehe 1991a). The Civic Movement “tried to maintain the broad and tolerant traditions of the original Civic Forum . . . [but] found itself squeezed between increasingly strident supporters and critics of the reforms and lost popular appeal” (*EIU Country Profile* 1992–93). At the time of the split the Liberal Club had eight ministers in the government and Klaus’s group only two; this would change with the June elections (Pehe 1991b: 11–14). After the election, Komarek, Klaus’s critic and former economic overlord, who had won a parliamentary seat, left the Civic Forum to join the Czechoslovak Social Democracy Party (Pehe 1991a: 11).

Thus Klaus as finance minister introduced an economic transition plan calling for rapid privatization to begin on 1 January 1991, while in the process of decisively outmaneuvering poorly organized rivals in the Civic Forum. Unlike Poland, there was no consolidated successor elite with a different agenda to contend with. Nor, as it turned out, did he have to face a head of state who refused support (President Vaclav Havel lent Klaus his support).

The cause of rapid reform was further consolidated by the victory of Klaus’s party in the June 1992 parliamentary elections and Klaus’s ascension to the prime ministership of the Czech Republic (see Frydman et al. 1993: 71; Engelberg 1992), and subsequently the prime ministership of the independent Czech Republic after the split with Slovakia.

As has been widely reported, the voucher scheme ultimately received a much greater public response than the government had anticipated. In the first months of 1992, citizen participation in the scheme reportedly reached 79 percent of the eligible population (8.6 million out of a total 11 million adult population took part; see Cohen 1992a). Another round of voucher privatizations was scheduled for December 1993. Voucher holders could invest directly in enterprises or in intermediaries (funds that would invest on their behalf). These funds were not government-organized like the NIFs in Poland

would have been, nor were they management groups like the NIFs; they were basically mutual funds. Two-thirds of citizen voucher holders in 1992 invested all their points (the voucher is divisible into 1,000 points) through such intermediaries, and others some of their points (Frydman et al. 1993: 85–86).

In 1992 there were 437 funds, of which the largest 13 controlled 40 percent of all the voucher points. Of the large funds, several were set up by large state-owned Czech banks; another large one is Austrian-owned (Frydman et al. 1993: 87). The only indigenous fund among the large intermediaries was the Harvard Capital and Consulting Company, founded by a 28-year old named Viktor Kozeny (who may or may not have been educated at Harvard, depending upon one's source [Cohen 1992a; personal interview with U.S. AID official]). Harvard Capital created a buying frenzy and considerable government consternation by promising its investors a tenfold return in one year. Consternation notwithstanding, one source credits the emergence of this fund with turning around the initial unpopularity of the voucher idea with the public (*EIU Country Reports* 1992, No. 2). In 1994 the whole privatization process was publicly predicted to be completed by 1995 (see Czech Republic 1994).

#### **CAPITALISTS AT WORK**

As in Poland, the actual mix of privatization methods underway and the actors involved were more complex than one flagship plan for rapid privatization supported by neoliberal economists. The search for foreign investors to buy Czech enterprises (keeping in mind that such sales were always seen as central to the privatization process, along with the citizen voucher program) brought the entry into the Czech privatization effort of a group of U.S. investment bankers retained by U.S. AID to act as consultants to the Czech government (interview with U.S. official, July 1992; Cohen 1992b).

In the summer of 1991, the government's deadlines called for an initial preparation for privatization of 1,300 state enterprises by October. Around this time the U.S. government and AID "became interested" in assisting the Czechs to build "administrative capability and technical expertise," which was perceived to be insufficient, particularly with respect to the valuation of enterprises to be put up

for sale. The plan proposed by AID and subsequently implemented involved recruiting and paying the salaries of a group of 15–20 investment bankers from the United States to handle the sales of selected enterprises to foreign buyers on behalf of the Czech government. Assisting the Czechs was seen as in the strategic interest of the United States because it would create trading partners and a level playing field for U.S. investors, who are further away from the East European market than the West Europeans.<sup>17</sup>

The team head of the group hired by AID to do mergers and acquisitions for the Czechs was a Harvard Law graduate and former Drexel Burnham director (who had emerged unscathed from Drexel's difficulties in the 1980s) and former president of a small computer company. Others in the group included former directors or partners at Prudential Bache, Dean Witter, First Boston, and Brown Brothers Harriman. The investment bankers were recruited by Peat Marwick and Deloitte Touche, to whom AID had subcontracted the project. The group formed an entity called the Crimson Capital Corporation to handle its work for the Czech government, with its members on salary from AID under a one-year contract and receiving no commissions. It began its work in Prague in September 1991; its contract was renewed for another year in 1992. The team head of Crimson Capital in 1991–92 reportedly attended weekly cabinet meetings to advise and report on the privatization process. As this was a period during which the MoP was just forming (its premises at the time consisted of "a few rooms and a few phones with no one answering them," according to a U.S. AID official) and was reported to be largely staffed by "young Americans," it is reasonable to assume that for a time the investment banking group to a certain extent represented a kind of "privatized ministry of privatization." The Crimson group has been credited by sources with engineering much of the \$5 billion in foreign investment in Czechoslovakia that occurred by the first half of 1992. About \$1.4 billion of this was from U.S. companies, which formerly had showed little interest. A knowledgeable source expressed skepticism about the volume of deals actually concluded by Crimson, noting that what they were counting as "sales" were really "heads of agreement" (agreements to purchase, before the actual closing) and that the fall-away between heads of agreement and closure is usually about 50 percent (note that the 1994 Czech advertisement in the *New York*



*Times* gives total foreign investment in the Czech Republic as only \$2 billion; see Czech Republic 1994).<sup>18</sup> In any event, blurring the boundary between AID, its subcontracted servants of the Czech government, and the Czech private sector, Crimson Capital members, after spending a year in Prague and being funded for another year, had a long-term plan to transform Crimson into a private investment bank with operations throughout Eastern Europe, possibly within two years (that is, by mid-1994). The team head reportedly had "had inquiries from Croatia to Hungary about helping in the privatization processes there" (Cohen 1992b).

In the summer of 1992 a new commission was authorized to adjudicate disputes between the MoP and project authors; branch ministry officials would be the members while the chair would be the new minister of privatization, Jiri Skalicky. Branch ministry officials, as noted above, are close to enterprise managements, from whose ranks these officials had risen. This might indicate a strengthened role for the industrial ministries vis-à-vis the MoP. A Price Waterhouse partner in Prague commented that there are still "members of the bureaucratic old guard who are holding on to their jobs as they have for years under the old system and . . . it is difficult to shift these people" (Czech Republic 1994).<sup>19</sup>

## HUNGARY

### CONTEXT OF PRIVATIZATION

After the Hungarian parliamentary elections early in 1990 produced a center-right government led by Josef Antall, planning began for conversion to a true market economy. A five-year plan for developing the economy was presented to the parliament in March 1991 by the finance minister, Mihaly Krupa. The five-year plan included plans to accelerate the pace of privatization, which already was underway, and reduce the state sector to less than 50 percent of the economy by 1994 (Frydman et al. 1993: 96, 124). As in Poland and Czechoslovakia, an entity separate from the regular bureaucracy, the State Property Agency (SPA), was created in March 1990 to supervise the privatization process. The SPA's founding was a response to

public outrage about spontaneous (*nomenklatura*) privatizations, especially some notorious ones that were supposed to have resulted in “fire sales” of Hungarian enterprises to foreign companies (e.g., the Hungar Hotels deal) in 1989–90. A major difference with Poland and Czechoslovakia is that in Hungary the impetus for privatization after 1989 came from enterprise managers, not the state (continuing a process begun much earlier, after the 1968 reforms). Privatization remained more decentralized than in Poland or the Czech Republic, with enterprise managers playing a larger role (Stark 1992). Bargaining between managers and the SPA regarding the initiation and terms of privatization reportedly has been the rule (Frydman et al. 1993: 130–32). Much of the manager-initiated privatization has resulted in the “partial transformation” of enterprises, meaning some kind of joint venture between some of the assets or a wholly owned subsidiary of an enterprise and (usually) foreign investors—in other words, insider-friendly privatization.

#### **THE SPA**

The SPA is not a ministry officially but is under the supervision of a minister without portfolio. It has a managing director and an eleven-member board of directors appointed to five-year terms by the prime minister. In 1992 the board’s membership consisted of persons from the Ministries of Industry and Trade, Agriculture, and Finance. The SPA’s assigned task was to centralize control over and accelerate the privatization process. It was given final approval for all privatizations of enterprises with more than 1,000 employees (personal interviews, Washington, D.C., 23 July 1992, and Budapest, 6–7, 10–14 August 1992; also see Frydman et al. 1993: 125–26). The SPA differed from its counterparts in Poland and the Czech Republic by pursuing a case-by-case approach. This was related to the fact that the impetus for privatization after 1989 in Hungary came from enterprise managers.

#### **PARLIAMENT**

Not only is the privatization agency’s role with respect to enterprise insiders smaller than in the Polish and Czech cases, but the

role of the parliament with respect to the privatization agency appears smaller compared to the other two. The SPA must submit an annual report to parliament, and parliament each year was supposed to set guidelines for the SPA's work. However, the guidelines were never updated and were allowed to expire by 1992. Thus "The parliament has . . . failed to wield even the formal influence it might have exercised over the actions of the SPA" (Frydman et al. 1993: 128). Moreover, the SPA's decisions cannot be appealed by parliament.

#### **FOREIGN EXPERTS**

As stated above, the role of foreign actors was smaller in the Hungarian case as well. No Jeffrey Sachs-type teams were invited by economic-liberal politicians to devise rapid privatization schemes, nor was the SPA populated by "young Americans," as were the MoPs in the Czech and Polish cases. Nonetheless, a role for foreign and expatriate experts was by no means absent and in mid-1992 appeared on the increase. Indeed foreign influence appears to have been a significant factor in the founding of the SPA, in conjunction with the public outcry in Hungary about spontaneous privatizations.

In 1989 the subsequent founder of the SPA and two other Hungarian colleagues attended an AID-sponsored course in the U.S. taught by a consultant on loan from the accounting firm Deloitte Touche. The Hungarians were there to learn to "conceptualize organizational structure to implement privatization," according to a U.S. AID official in Hungary. Subsequently these three individuals became the core of SPA. According to AID, this involved a conscious decision supported by AID to create a single new agency rather than having each MoI handle privatization itself. The latter approach would have involved "installing organizational capacity in each," and (probably more important) would be less transparent in the view of AID. Notwithstanding the AID connection with the SPA founders, in contrast with Poland and the Czech Republic, as of 1992 only one American was working in the SPA. This was the above-mentioned member of Deloitte Touche and teacher in the AID-sponsored course.

**GRADUAL PRIVATIZATION IN HUNGARY**

The SPA was involved with three kinds of privatization activities, none of which represent a neoliberal agenda of rapid privatization. The first, called "active privatization," was a program for valuing and offering for sale a group of twenty large, relatively healthy enterprises. This was a kind of flagship program for the SPA but proved to be much slower than anticipated and was adjudged by many a failure by 1992. The second, called "property protection," involved the monitoring by SPA of what essentially are spontaneous privatizations. The monitoring activities allowed the SPA to counter egregious abuses but otherwise really left the initiative outside the SPA. The third mode, called "self-privatization," involved inviting foreign and domestic consulting firms to arrange sales, which must be accepted by the SPA.

**CAPITALISTS AT WORK**

In 1992 there was a growing concern in Hungary with the slow pace of privatization. The role of foreigners and expatriates in the SPA had increased, largely in connection with the self-privatization program. A new minister without portfolio for privatization had arrived, Tomas Szabo, who was to have 300 people under him and was cheerfully referred to by an AID official as the "Klaus of Hungary." Szabo had recruited a Canadian-Hungarian and merchant banker to head the Transactions Department (the one dealing with self-privatization) within the SPA. The Transactions Department had a staff of 100, one-third of the SPA's complement.<sup>20</sup> Consulting teams in the department, who would arrange sales under the self-privatization scheme, were to operate according to "specific criteria for buyouts—a point system—a rules-oriented, transparent process," according to AID, and were to be trained by a team of U.S. investment bankers. Meanwhile, the former minister for privatization has moved into the private sector and founded his own investment and privatization consulting firm. Thus the process of planning and attempting to implement privatization plans is creating a political-economic legacy in terms of professional contacts and channels of influence linking the emergent public and private sectors that will

shape future business and political life regardless of the fate of particular blueprints for privatization and their practicality.

## CONCLUSION

As we have seen, the three East European countries in question have seen varying outcomes with respect to rapid versus gradual privatization, with the Czech case appearing to contrast with the other two. On one level, we can say that the same factors that frequently have led to limited success with privatization plans in the Third World are evident in the Northern Tier countries as well. In Poland we have seen the relative political weakness of externally linked market liberalizers and their foreign and expatriate support teams vis-à-vis entrenched groups in the state sector and parliamentary opponents. Teams of experts provided a sort of functional equivalent of “bureaucratic autonomy” in securing the adoption of plans but ran out of steam in the implementation stage. This can be attributed in part to the strength of distributional coalitions in the state sector that did not favor the teams’ plans and to the teams’ own lack of political roots in the system. The foreign advisers’ prominent role also tended to fuel suspicion of the NIF plan as a vehicle for foreign exploitation. This replicates the pattern noted by Waterbury (1992: 183, 193–97) with respect to the successes and failures of technocratic change teams in LDCs.

Only when they have the unqualified support of a strong head of state, as in the Czech Republic, have they experienced sustained success. It is not necessarily the case that radical-liberal plans for rapid privatization will fail to produce a reasonable approximation of the results desired by their designers and though fragile, prove politically sustainable (Comisso 1991). Klaus’s plans in the Czech Republic may yet founder upon the problem of downsizing privatized enterprises, a process which has yet to be attempted. But the Czech case supports a conclusion that a relatively strong, centralized government (in this case, a center-right prime minister, not a strong state in the bureaucratic sense) is perfectly capable of imposing a neoliberal economic agenda in a post-Leninist setting, and without experiencing political disaster.

Privatization in Hungary differs from Poland (and the Czech Republic) in that no scheme for rapid privatization or privatization via voucher sales to the public was even adopted, at least as of 1992. The process was more oriented toward sales to foreign buyers. Privatization was less under the control of the central government, and the role of foreign consultants appeared smaller as well. Foreign companies had been allowed to establish wholly owned companies or set up joint ventures with Hungarian enterprises since 1974, and this is the method through which most privatization has taken place there since 1989 as well (Frydman et al. 1993: 120).

Despite these differences, parallels with the Polish and Czech cases are apparent. These include the setting up of a separate bureaucratic structure to deal with privatization and the recruiting of investment bankers to do sales to foreign buyers. Although more modest than in the Czech case, AID also played a role in the Hungarian case in the setting up of a separate agency and in recruiting investment banking/accounting firms' expertise. There appears to be a kind of convergence between the Polish and Hungarian cases. In Poland plans for rapid privatization were adopted early but appeared to lose ground to ongoing privatizations involving enterprise insiders and the MoI that marginalize the MoP and its foreign-oriented staff. In Hungary a more gradual privatization was initially envisioned; dissatisfaction with its slow pace created an opening for a greater role for outside agencies (U.S. AID) and foreign/expatriate actors and consulting firms, clustered around the self-privatization plans. A voucher scheme was rumored to be under discussion in 1992. All these developments together would appear to put Poland and Hungary in a roughly similar configuration that differs from the Czech case in the relative strength of enterprise insiders and MoI vis-à-vis the agencies of privatization and foreign experts and consultants.

With respect to the role of investment bankers, in all three countries it is fair to say that the governments' privatization processes are to an extent privatized processes, in which the line between government and private actors is not altogether sharp. In this sense the East European cases may not be comparable to the Third World cases of economic adjustment, in which outcomes appear to have been the products of contests between small technocratic change teams and distributional coalitions in the state sector. In Eastern

Europe external actors playing policy-relevant roles in privatization appear more capitalist and less technocratic than the technocratic change teams discussed in the Third World cases in Haggard and Kaufman (1992b).

### NOTES

*AUTHOR'S NOTE:* Much of the material throughout this article is based on interviews conducted by the author in Warsaw, Budapest, and Washington, D.C., in July and August 1992.

1. Stark (1992) notes that one should make a distinction between purely political nomenklatura—apparatchiks—and enterprise managers, who have professional training.
2. Ministries of industry around the world tend to promote close state-business ties, of which ministries of finance typically take a dim view.
3. Evidence as to the actual frequency of, and assets involved in, such transactions is rather contradictory. Staniskis asserts there were more than 40,000 “nomenklatura” firms (including the industrial, trade, and agricultural sectors). On the other hand, sources in Warsaw in 1992 maintained that spontaneous privatization had been a relatively small-scale phenomenon, the most noteworthy case in industry being the creation of 100 such enterprises at the Gdansk shipyard.
4. In 1990 state enterprises in Poland remained under laws passed in the early 1980s (the Law on State Enterprises and the Law on Self-Management of State-Owned Enterprises, both passed in 1981). According to the enterprise law, workers’ councils theoretically were “the dominant stakeholders and supervisors of the enterprises.” Enterprises under this law were defined as “independent, self-governing, self-financing economic units” legally considered created by their “founding organs” (i.e., state ministries or local governments) (see Frydman et al. 1993: 139, 160).
5. The total number of state-owned enterprises to be privatized in Poland was usually given as 7,000–8,000, with approximately 3,000 under the control of the central government.
6. One formulation of the MoP’s temporariness given by an informant was that when skills of Polish counterparts were brought up to international levels, the ministry would be eliminated or assimilated. But skilled trainees tended to leave the MoP to go abroad or into the private sector. Hence it appeared that the presence of foreigners would be somewhat long-term. By contrast, no foreign experts worked in the MoI except for a few technical

people because, as one source said, “the ministry’s role is now unclear, and it’s not interesting to foreigners.”

7. Thieme was with a think tank in New York and then served as a vice president with Citibank.
8. The scheme bypassed the problem of enterprise valuation because under it, the state simply “contributed” its assets to the NIFs; subsequently the value of the shares would be determined by the market (“Let’s Get Mass Privatization” 1992: 3, and “Mass Privatization” 1992: 6; see also Stark’s 1992 comments on the political rationale for this type of plan in Poland).
9. The MoP compiled enterprise profiles, or “economic photos,” of the companies, based on their responses to an MoP questionnaire, which was translated into international accounting standards so that it would be legible to foreign participants (Szczesniak 1992).
10. The NIFs were to be “closed-end joint-stock companies” (cannot issue any new shares) owned by the state treasury (which in effect is the MoP) for the first eighteen months of the program.
11. A foreign observer (a partner in an accounting firm working on privatization) predicted in the summer of 1992 that the mass privatization scheme would never be politically sustainable, even if adopted. Under the plan, the fund managers would need to increase their firms’ value in five years. Each fund manager would have primary responsibility for restructuring some of the companies and shared responsibility for the others in the plan. Therefore, to increase a firm’s value, “the fund manager would recruit people on a worldwide basis to restructure the companies, and this in actuality means he would fire the staff of the enterprise, and the staffs of enterprises are voters. That’s why it’s politically unsustainable.”
12. In addition to the general suspicion that privatization meant selling out to foreign interests, the MoP staff itself represented a political liability connected with privatization. Compounding the foreign factor was the youth of many of these individuals (the “young pinstripes”—who saw Poland as a “cult place to go,” in the words of a U.S. AID official). People aged 40 or over would have been preferred. This inspired the parliament to want to micromanage the process of privatization and monitor all the consultants and all that was going on in the MoP, according to the U.S. AID source. The prevalence of foreigners in the MoP also created difficulties in selling mass privatization to the parliament.
13. In addition to leasing, two other methods of privatization through liquidation exist. The first is by sale of assets. In theory the decision to liquidate here comes from the founding organ and the MoP, but in practice it usually comes from the enterprise “insiders” (Frydman et al. 1993: 191). The method involves a public sale, advertised in the media, to individuals or companies. Interested parties are sent brochures and are permitted to inspect the enterprises’ books and premises; bids are then submitted. The founding organ sets the sale price and settles on a buyer with the assistance of consultants



(individual advisers and/or firms). A bid from the liquidated enterprise's employees receives special consideration regardless of monetary value of its offer. Purchasers can pay 40 percent or more of the price in cash and the rest in sixteen installments over four years, with a possible one-year grace period. The last method of privatization by liquidation is contribution in kind, in which the assets of the liquidated company are contributed in kind to a new company, usually a joint venture between the state (the founding organ, not the MoP) and a domestic or foreign investor. The state's shares can then be purchased by the employees or other investors.

14. State enterprise employees also used their knowledge and connections to become private entrepreneurs; it was asserted that in 1991 about 80 percent of the registered private businessmen participated in entrepreneurial activity in addition to being employed in state enterprises or other state organizations. (Kopp 1991).
15. This rather key individual was on salary from U.S. AID.
16. At first, the new MoP also had personnel from the old nomenklatura, who had been allowed to transfer there because the MoP was to be a temporary agency only. Subsequently, they were let go.
17. According to an AID official, the plan to assist the Czechs was in an entirely new format for the agency, which formerly "only did short-term technical advising" (the new format also was used in Hungary).
18. Meanwhile, U.S. AID officials worried about the Crimson group's high profile and propensity to be "deal junkies," whose whole ethos in making deals is to "rape and pillage for fun"; who "thrive on drama and prominence," which is likely to embarrass the host government; and who refuse the imposition of bureaucratic control. There was concern about a backlash against foreign influence. The fact that this group could even operate in the Czech case without disastrous political results does contrast with Poland, where a much less flamboyant role for foreign consultants became a political liability, and with the case of Hungary, where staff in the much more low-profile State Property Agency (SPA) reportedly receive death threats for their pains.
19. The replacement at the same time of the former privatization minister, Tomas Jezek, with Skalicky had political overtones. Jezek had objected in fall 1991 to Klaus's accelerated schedule for privatization and was known to favor "direct sale to named individuals" (presumably the Crimson Capital method) over the voucher method. When Klaus became prime minister after his party won a plurality in the June 1992 elections, he promptly replaced Jezek. Klaus and Skalicky had objected to Jezek's preference for direct sales, evident in the fact that although the Klaus policy in 1991 was to approve projects involving vouchers first (wanting to launch voucher privatizations before the June elections) and defer others, "nearly 18 billion Kcs. worth of assets seem to have been privatized by direct sale. The approval process for such schemes was generally left to officials of Jezek's ministry and there have been numerous complaints of corruption" (*EIU*

*Country Reports* 1992, No. 4: 12–13). It is not clear exactly what all this means, but it might be that too much capitalism and not enough liberal economics was in evidence to suit Klaus.

20. According to one description, each subdivision of the Transactions Department had five members, each of whom would have a Hungarian counterpart. Another said that each team would have three Hungarian members and one American. In any case, the pairing of the Americans and the Hungarians was viewed as a pipeline for absorbing foreign assistance and technology.

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# **SOCIAL ENGINEERING AND HISTORICAL LEGACIES: PRIVATIZATION AND THE BUSINESS ELITE IN HUNGARY AND THE CZECH REPUBLIC**

**Ákos Róna-Tas**

## **INTRODUCTION**

Since the fall of communism the historical paths of the ex-Soviet bloc countries have been diverging rapidly. Apart from East Germany with its unique trajectory, four countries have largely succeeded in stabilizing their economies, have developed a vigorous private sector, and show some promise of future economic growth: Hungary, Poland, Slovenia, and the Czech Republic.<sup>1</sup> Hungary, Poland, and Slovenia (once part of Yugoslavia) had a long history of economic reforms under socialism. Business elites in these countries had some preparation for a market economy. The puzzling exception is the Czech Republic, where economic reforms were blocked after 1968. Despite its orthodox past, the Czech Republic is emerging as what many believe to be the most successful post-Communist country.

This paper compares privatization and elite recruitment in Hungary and the Czech Republic. Privatization took different forms in the two countries, following from the path the two countries had taken under socialism. This led to different patterns of elite recruitment. We have found considerable reproduction of the economic elites in both countries but less in the Czech Republic. The differences between the two countries are due to the fact that the Czech state could make a clear political break from the past because its power remained centralized by the end of socialism. Faced with no established private entrepreneurs and with a managerial class atomized by decades of socialist state despotism, the Czech state enjoyed the “advantage of latecomers.”

## **SOCIAL ENGINEERING VS. HISTORICAL LEGACIES**

When communism collapsed in 1989, general enthusiasm swept Eastern Europe. Since state socialism was conceived of as a complete system, a totality where each part readily fit with the others, the expectations were that overthrowing the system would result in a clean slate. Countries under the tutelage of their party-states—which in turn were under the watchful eyes of the Soviet Union—could now take their destinies into their own hands and join the developed and democratic part of Europe.

### **SOCIAL ENGINEERING**

In the first upsurge of euphoria, the transition from a command to a market economy seemed a task achievable within two or three years the transition was guided by the correct blueprint and the leadership had the resolve to push it through.<sup>2</sup> Economists were in general agreement over the broad outlines of the agenda: prices had to be freed so that they would be set by the wise forces of supply and demand; the state had to withdraw its overbearing presence from the economy; the economy had to shift from its nineteenth-century smokestacks to services, trade, and high-tech manufacturing; a banking and tax system had to develop; and a new private sector had to emerge. All the countries were in dire need of Western investment and technology. Attracting foreign capital was a necessity.

There was a general feeling that the new economy could be introduced by setting the correct rules through proper legislative action and skillful government policies. There was some recognition that many measures had to be taken that were going to cause pain and suffering for the population. But in the guiding metaphor of that time, the “operation had to be carried out even if it hurt the patient.”

Occasionally admitting anxiety over populist pressures on governments, most social engineers showed a reckless disregard for society, culture, and history, claiming that people acted on future expectations and not past experiences. They explained that proper incentives would guide people to proper action. The social engineering approach envisioned, on the one hand, a new political elite which would act as a group of doctors directed by science to operate

on the body of a sick patient. The new economic elite, on the other hand, was to emerge as the consequence of the new rules of the market. This new economic elite would be composed of the fittest, the healthiest, and the most robust in a new race for survival.

#### HISTORICAL LEGACIES

Cultural historicist explanations ridiculed the naiveté of the engineering paradigm.<sup>3</sup> Ignoring history, deep cultural traditions, and local peculiarities smacked of precisely the kind of overconfidence of which Communist revolutionaries had been guilty and which had wrought tremendous misery. Social engineers were culpable of simplistic intellectual imperialism, though this time their cues came from the West and not from Moscow. These countries, cultural historicists contended, carried the legacies of pre-Communist underdevelopment and Communist misdevelopment. Communism created a citizenry that learned and wanted little independence, was hostile to market institutions, and was used to safety and equality. Social engineers, they argued, were blind to the complex interdependence among economy, politics, society, and culture. Curiously enough, the cultural-historicist paradigm offered common ground for Burkean conservatives, who looked scornfully at any form of radicalism, and dogged Marxists, who placed their bets on the ultimate failure of post-Communist capitalism in Eastern Europe.

Cultural historicists maintained that political elites shared the dominant culture of their societies: they were not doctors; they were patients of the same hospital ward. Emphasizing continuity, they claimed that the new economic elite would not emerge in market competition; rather the old elite would find a way to hang on to its positions. It would be nomenklatura types who had switched May Day parade slogans for advertising jingles, who had lowered the red flag and hoisted the national banner or the blue flag of the European Union and continued business as usual under the same flagpole.

While clearly correct in pointing out the naiveté and dangers of social engineering, the fundamental weakness of cultural historicist explanations is that they assume that the past fully commands the future. They demonstrate this by picking and choosing facts from the past to fit the present. They miss the tremendous changes that

make these countries profoundly different than they were a decade ago. These explanations tend to be holistic, whereby history and culture act as an undivided force through unspecified mechanisms. Their holism is unable to account for internal contradictions and paradoxes that often open a window of opportunity for radical action.

### THE PARADOX OF PRIVATIZATION

One paradox of privatization is that while it aims at reducing the role of the state in the economy, a strong state is nevertheless necessary to carry out privatization. The state must take control of state property so that it can assess what there is to privatize. It must be able to prevent company workers and managers from taking all the value out of their companies before some new owners take over. The state also has to carry out privatization in some consistent and legal manner. Thus in countries where the almighty socialist state was weakened by decentralizing reforms under socialism, the privatization of state companies faced more obstacles and constraints than in countries that had followed a more orthodox line in the 1980s. What mattered here primarily was the strength of the state vis-à-vis the old economic elite; managers of state companies and private businessmen emerged from the second—private—economy. A strong state was not necessarily in a better position overall to successfully complete the transition to a market economy. Nonetheless, its options of how to carry out privatization were less restricted.

In place of the social engineering and cultural historicist approaches we thus propose a third perspective that suggests that opportunities to enact radical institutional change, such as privatization, depend on past history. We posit the following causal chain. Policy options depend on the relative strength of the political elite coming to office after the collapse of communism. In both Hungary and the Czech Republic political elites were ready for a clean break. In Hungary, however, managers had grown into a powerful force under state socialism, and a private entrepreneurial class also began to emerge, limiting the policy options of the political elite.<sup>4</sup> The poli-

cies chosen, in turn, have shaped the recruitment of the new economic elite.

Our claim is that the crucial—and until now underappreciated—factor in the economic transition is the way economic elites developed in the last decades of communism. It is not just the voting public that limits options in the transition to a market economy. It is the old economic elite that may restrict institutional change. The policy options of the post-Communist governments to reform their economies depend to a large degree on the economic elites they inherited from the Communist regime. The extent to which economic elites can survive, in turn, depends on policy options that post-Communist leaderships enact.

#### **THE DIFFERENT LEGACIES IN HUNGARY AND THE CZECH REPUBLIC**

In Hungary after World War II the Communist regime began to eliminate the private sector. By 1949 most industry and trade was nationalized. Collectivization of agriculture was completed in 1961; however, from the early 1960s private household farming was legal. In 1968 the New Economic Mechanism increased enterprise autonomy and introduced market elements into centralized planning. The leadership halted these reforms in 1972, but from 1978 reforms gained new momentum. By that time there was a sizable private sector in Hungary, most of which centered in small-scale farming, residential construction, and personal services.<sup>5</sup> In 1982 small private business partnerships were introduced, and the Hungarian Socialist Workers' Party adopted a supportive attitude toward small-scale private enterprises, many of which worked inside state companies.<sup>6</sup> The 1984 enterprise reform practically handed companies over to their managers by putting companies under the control of company councils, where the state had only minority representation. From 1987 Hungary embarked on a banking reform that created commercial banking. A year later, the government introduced a new tax law in line with the basic principles of developed market economies. By 1989 the private sector—mostly small enterprises and the informal economy—was estimated to have contrib-



uted 20 percent to the GDP, the highest in any socialist country except Poland.

Until the early 1960s Czechoslovakia followed a parallel path to Hungary's. The collectivization of agriculture was more comprehensive, and thus the role of private household farming was much smaller than in Hungary.<sup>7</sup> Reforms beginning in 1965 were similar to the ones in Hungary, but with the crushing of the Prague Spring in 1968, Czechoslovakia soon returned to central planning and withdrew from Western markets.<sup>8</sup> In 1984, 15.6 percent of its exports went to Western countries, compared with 34.9 percent in Hungary.<sup>9</sup> Even after perestroika had begun in the Soviet Union, the Czech leadership dragged its feet in following the Soviet example.<sup>10</sup> The private sector was weak, accounting for only 5 percent of the GDP in 1990.<sup>11</sup> Until the collapse of state socialism Czech enterprise managers were highly dependent on the Communist party-state, which hired and fired them and instructed them through central planning.

### THE COURSE OF PRIVATIZATION

As a result of the different histories, economic institutions were more embedded in social relations in Hungary than in the Czech Republic, and methods of privatization reflect this difference. In Hungary the main course of privatization was the sale of state companies. Unlike in the Czech Republic, neither reprivatization nor the virtually free distribution of shares was considered seriously. As Ellen Comisso argues in this volume, reprivatization of land was the main cause for one of the minority partners in the governing coalition. Yet the government of Prime Minister Antall, with some help from the Constitutional Court, managed to avoid this option. Instead Hungarians got compensation vouchers if their property had been disappropriated by the Communist regime.<sup>12</sup> The face value of these vouchers was heavily discounted from the original value of the lost property, with a cap of 5 million forints (c. \$50,000). These vouchers were soon worth 20 percent of their face value. The law was then finessed so that peasants could repurchase the land they lost in collectivization using compensation vouchers in closed auctions. This was the point where Hungarian privatization got closest to reprivatization.

tization. Managers fought reprivatization because they wanted either to obtain ownership in their companies or at least be able to select the new owners.

Thus most privatization in Hungary occurred through sales arranged to a large degree by the enterprises themselves, with management playing a prominent role. After initial resistance and an attempt to centralize privatization through the State Privatization Agency, the Antall government gave in. It introduced self-privatization, by which companies were entrusted to find their own buyers. The government also began to promote Employee Stock Ownership Programs (ESOPs). Most ESOPs were simply Management Buyouts (MBOs). There was a special government loan available for buying state assets, and it was also possible to lease a company—i.e., rent it with the option of buying it later at a discounted price. Thus in Hungary privatization was carried out in a way highly favorable to managers, many of whom took the opportunity to become owners in their companies.

Managers were supported in their resistance to “giveaway” schemes by private entrepreneurs, who had accumulated sufficient capital in the private sector under socialism to believe that they could bid successfully on state enterprises. Unlike managers, these entrepreneurs would have liked to see a stronger state because they quickly understood that managers had the insiders’ advantage. They wanted a strong state that sold its property to them.

Czechoslovakia, and later the Czech Republic, has taken a very different route. It has carried out the most extensive reprivatization program in Eastern Europe. The law called for the return of property confiscated after 25 February 1948, to the original owners. If this was impossible, the law offered compensation in cash up to 30,000 crowns and the rest in investment shares, provided the owners resided in the country. The cutoff date excluded Jews who had lost their property during World War II, Germans, Hungarians, and some Czech aristocrats whose property the Benes government had taken earlier. Most large landowners whose land had been divided among peasants in the post–World War II and reform were left out as well.<sup>13</sup>

Citizen vouchers, rejected in Hungary, were the centerpiece of Czech privatization. Anyone could participate in the two rounds of privatization after obtaining a voucher booklet at a nominal price, which was 1,035 Czech crowns, much less than the average monthly

salary. These vouchers were then used to bid for ownership shares in state-owned enterprises. Some companies were sold for money, but since there were few privatization loans or leases available for domestic investors, those companies were bought mostly by foreign investors.<sup>14</sup>

The initial consequences of privatization for managers were few. At first, voucher privatization had created a pattern of dispersed ownership. Micro-investors were unable to challenge management. Most of the investment vouchers, however, eventually found their way to investment funds. The funds did not begin to act as real owners immediately. It took some time to consolidate their investment portfolios. The law allows only 20 percent ownership in a company by a particular investment fund, but this rule can be circumvented and this share can be raised to majority ownership. Some funds then started to act as real owners and to fire managers with whom they were dissatisfied. Thus Czech managers, not having become owners, have good reason to worry about their future.

Voucher privatization also left behind a large number of joint stock companies. While in Hungary the legal choice even for large businesses has been the limited liability company, which operates under much less scrutiny than joint stock companies do, in the Czech Republic most large companies are joint stock companies.

### **THE COMPOSITION OF THE NEW ECONOMIC ELITES**

We gathered our data in Hungary in the summer and fall of 1993 and in the Czech Republic a year later as part of a larger project on Social Stratification in Eastern Europe after 1989.<sup>15</sup> The respondents were a random sample of the chief executive officers (CEOs) of the largest companies. Over 500 CEOs were interviewed in Hungary and almost 800 in the Czech Republic. They are divided into three groups: (1) Top managers of state companies—i.e., companies predominantly though often not exclusively owned by the state; (2) Top managers of companies that are either privatized or were in the process of being privatized at the time of the interview; and (3) Top managers of companies that never had been state companies—i.e., domestic private companies, foreign companies, and joint ventures.

Consequently I will distinguish among state, privatized, and privately founded sectors (see Table 1).

Table 1

**Distribution of the Two Samples across Sectors**

Sector	Hungary, 1993	Czech Republic, 1994
State	172	290
Privatized	200	383
Privately founded	169	117
<i>Total</i>	541	790

If we take a look at the occupations of the current economic elite in 1988 (the last full year of state socialism), we find that in both countries the overwhelming majority of CEOs came from high or middle managerial positions (see Table 2). The largest group consists of people who had been one notch below the top manager. About one-half of the new elites in Hungary and about 40 percent in the Czech Republic had been deputy directors, financial directors, chief engineers, or department heads. The advance of these second-rank managers is partly due to natural replacement. Under any circumstances the deputy takes the top position if the boss retires or leaves the company for any other reason. During the transition another structural factor facilitated the career of the second rank. Large companies were broken up into smaller units, and the unit head, who used to be in the second rank, suddenly became the chief executive officer without replacing anyone.<sup>16</sup>

In the Czech Republic breaking into the elite from below was easier. In both countries those who came from outside the managerial group were mostly professionals, and recruitment of the new economic elite in the state and the privatized sector was similar. The privately founded sector is different. In both countries, this is where one finds the largest influx of people from below, and this is where the percentage of top or second rank managers in 1988 is the lowest.

The greater mobility of the Czech elite is also apparent in their younger ages (see Table 3). The privately founded sector attracted

Table 2  
**Occupational Background of Segments of the New Economic Elite  
 in 1993–94**  
 (Percent)

Occupational Category	Hungary			Czech Republic		
	St <sup>a</sup>	Pd <sup>b</sup>	Pvt <sup>c</sup>	St	Pd	Pvt
Party-state elite	2.3	2.0	1.2	0.3	0.0	1.7
Top manager	29.1	33.0	21.9	30.0	33.2	26.5
Other manager	54.1	52.0	46.2	41.4	44.1	31.6
Other	14.5	13.0	30.8	28.3	22.7	40.2
Chi square: State vs. privatized	.9			4.2		
Chi square: All three sectors	23.7 <sup>d</sup>			21.9 <sup>e</sup>		

<sup>a</sup>St: New economic elite in the state sector.

<sup>b</sup>Pd: New economic elite in privatized firms.

<sup>c</sup>Pt: New economic elite in privately founded firms.

<sup>d</sup>p < .001.

<sup>e</sup>p < .01.

Table 3  
**Average Age of Segments of the New Economic Elite in 1993–94**

	Hungary			Czech Republic		
	St <sup>a</sup>	Pd	Pvt	St	Pd	Pvt
Average age	49.5	48.5	45.8	46.9	46.2	42.5
Standard deviation of age	6.3	7.1	7.2	8.1	7.6	9.2
F: State vs. privatized	2.0			1.5		
F: All three sectors	13.0 <sup>b</sup>			13.1 <sup>b</sup>		

<sup>a</sup>Categories defined in Table 2.

<sup>b</sup>p < .001.

the youngest people, again indicating that it is more open than the other two.

To what extent are party and state functionaries and party members present in the new economic elites? We expected them to be more prevalent in Hungary, where managers, who as a rule had been party members, were also better organized. We find little difference between the two countries in terms of functionaries, but the difference is marked in terms of party membership (see Table 4). A larger percentage of the Hungarian economic elite had been members of the CP in 1988.

Table 4

**“Political Capital” of Segments of the New Economic Elite, 1993–94:  
Percent Functionary and Cp Members in 1988**

	Hungary			Czech Republic		
	St <sup>a</sup>	Pd	Pvt	St	Pd	Pvt
Percent functionary	30.8	35.0	17.2	30.3	33.2	28.2
Chi square:						
State vs. privatized	.7			.6		
Chi square:						
All three sectors		15.4 <sup>b</sup>			1.3	
Percent CP members in 1988	65.3	67.3	43.8	58.4	58.2	51.4
Chi square:						
State vs. privatized	.2			.0		
Chi square:						
All three sectors		24.7 <sup>b</sup>			1.9	

<sup>a</sup>Categories defined in Table 2.

<sup>b</sup>p < .001.

Yet the picture is somewhat more complex. Both functionaries and party members are the least numerous in the privately founded sector. The pattern of cross-country differences in this sector, however, is peculiar: we see lower percentages in Hungary and higher ones in the Czech Republic. Why are there more party members in privately started companies in the Czech Republic? Most probably because in Hungary there had already been a private en-

trepreneurial class in 1988. These people, prominent in this category, were usually not members of the CP. Moreover, in the Czech Republic the strong anti-Communist campaign pushed many ex-cadres toward founding their own private businesses.

As one would expect, a larger part of the Hungarian economic elite had some experience with the private sector under socialism (see Table 5). Even top managers of state companies reported some participation. In Hungary, the dividing line is between the privately founded and the two other sectors. In the privately founded sector almost every third CEO had some private activities in 1988, while in the state and privatized sectors only every sixth one did. The difference in the Czech Republic is between the state sector, where very few people had exposure to the private sector under socialism, and the other two. The privately founded sector here does not stand out because its history is short.

Table 5  
**Participation in Private Economy in 1988 of Segments of  
 New Economic Elite, 1993–94**  
*(Percent)*

	Hungary			Czech Republic		
	St	Pd	Pvt	St	Pd	Pvt
Percent participating in private sector, 1988	15.1	17.5	31.4	3.1	13.8	11.1
Chi square: State vs. privatized	.4			22.7 <sup>b</sup>		
Chi square: All three sectors	16.0 <sup>b</sup>			22.3 <sup>b</sup>		

<sup>a</sup>Categories defined in Table 2.

<sup>b</sup>p < .001.

Finally, we see that managers in Hungary are much more likely to have ownership in their companies (see Table 6). Usually this means owning only a part of the company. This share can be very small, yet enough to exercise considerable power and give some representation for managers on the supervisory board of the company. Not surprisingly, managers of privately founded companies

Table 6

**Percent Owner in Segments of the New Economic Elite, 1993–94**

	Hungary			Czech Republic		
	St <sup>a</sup>	Pd	Pvt	St	Pd	Pvt
Percent with ownership in 1993–94	30.4	60.3	74.0	12.5	18.8	48.7
Chi square: State vs. privatized	33.0 <sup>b</sup>			4.9 <sup>d</sup>		
Chi square: All three sectors	68.6 <sup>c</sup>			67.9 <sup>c</sup>		

<sup>a</sup>Categories defined in Table 2.

<sup>b</sup>p < .01.

<sup>c</sup>p < .001.

<sup>d</sup>p < .05.

are the most likely to be owners in both countries. In this respect Hungarian top managers of privatized companies are clearly more like their counterparts in the privately founded sector. In the Czech Republic CEOs of privatized companies are not that different from state managers.

## CONCLUSION

Because the managerial class and private enterprise developed differently in the last decades of socialism, Hungary and the Czech Republic followed different courses in privatization. In Hungary a strong and independent managerial elite developed which, together with private businessmen, was able to prevent voucher privatization and thwart reprivatization. They found support from politicians who were nervous about government debt and who thought to raise revenue through selling rather than giving away state property. Sales, however, were politically unpopular. It was clear from the beginning that only foreign investors could buy state companies. Privatization would have become an exclusively foreign af-



fair—something the nationalist center-right government could politically not afford. Thus the government had to come up with new forms of financing, foregoing most of the expected revenue. In fact, government debt did not decrease but grew during the course of privatization.

With the help of loans managers could hang onto their high positions and acquire ownership in their companies. They have faced a challenge from domestic private entrepreneurs who have sought to expand their small businesses. This challenge, however, has so far been weak because domestic private entrepreneurs would have needed a strong state to counteract their disadvantages as outsiders. Instead private entrepreneurs have turned to businesses such as services and trade, which are more lucrative and require less fixed capital. They also prefer to buy the assets of a company but not the company itself, as an organizational package.

In the Czech Republic organized managerial interests did not limit policy options for privatization. Thus the Czech leadership could choose quick and popular voucher privatization. The main disadvantage of this method was that companies did not receive new resources in the privatization process. Their opting for reprivatization was a more dubious choice. It did have ideological appeal, and it saved the trouble of having to appraise tens of thousands of small and mid-sized properties. But it created other troubles. Processing claims required a large bureaucracy and time. Reprivatization raised political tensions with Germany, which resented the exclusion of the Sudeten Germans from reprivatization. Giving property back to its original owners or their descendants often meant handing property over to people with no aptitude for managing it.

Czech managers were less able to convert their managerial control to ownership. They have been sitting less firmly in their chairs and will be in even more danger when investment funds begin to act as real owners. Ironically Czech managers tend to lose less if they have to leave their top positions. In Hungary managers were more likely to stay on, but if they did not, they had to leave the company. In the Czech Republic managers are usually only demoted to become deputy managers. Because most of the old managers have an engineering background and thus are more knowledgeable about how to make things than about how to make profits, they usually become production managers.

Czech companies also still enjoy many protections Hungarian companies do not. Imports are still regulated, and wages and some prices are still controlled. The state is willing to prop up failing enterprises through its banks, which is why so few bankruptcies have occurred and why unemployment is less than a third of what it is in Hungary. Czech managers will be under even more pressure once they lose these protections.

Social engineering thus had more latitude in the Czech Republic and the Hungarian leadership was more locked into its history, making the Hungarian development more path-dependent. The paradox of privatization handed the Czechs the advantage of late-comers, which they were ready to exploit.

#### NOTES

I would like to thank Éva Fodor for her generous help with preparing the data for analysis.

1. See, for instance, *PlanEcon Report* (Washington, D.C.), 10 February 1994.
2. The social engineering paradigm is mostly associated with economists who believe in the necessity of shock therapy. Some examples are David Lipton and Jeffrey Sachs, "Creating a Market Economy in Eastern Europe: The Case of Poland" (Washington, D.C.: Brookings Institution, 1990), Brookings Papers on Economic Activity, No. 1; Josef C. Brada, "The Transformation from Communism to Capitalism: How Far? How Fast?" *Post-Soviet Affairs* 9, 2 (1993): 87–110; and Anders Aslund, "Lessons of the First Four Years of Systemic Change in Eastern Europe," *Journal of Comparative Economics* 19 (1994): 22–38.
3. One example of what I call the cultural historicist explanation is Kenneth Jowitt, *New World Disorder* (Berkeley: University of California Press, 1992).
4. Peter Murrell and Mancur Olson develop a similar argument for the collapse of state socialism in "The Devolution of Centrally Planned Economies," *Journal of Comparative Economics* 15 (1991): 239–65.
5. Ákos Róna-Tas, "The Social Origins of the End of Socialism: The Second Economy in Hungary"; Ph.D. dissertation (Sociology), University of Michigan, Ann Arbor, 1990.
6. David Stark, "Coexisting Organizational Forms in Hungary's Emerging Mixed Economy," in *Remaking of the Economic Institutions of Socialism: China and Eastern Europe*, ed. Victor Nee and David Stark (Stanford: Stanford University Press, 1989).

7. Karl-Eugen Waedekin, *Agrarian Policies in Communist Europe: A Critical Introduction* (London: Allenheld, Osmun, 1982), pp. 85–86; Nancy J. Cochran, “The Private Sector in East European Agriculture, *Problems of Communism*, March–April 1988, pp. 47–53.
8. Judy Batt: *Economic Reform and Political Change in Eastern Europe: A Comparison of the Czechoslovak and Hungarian Experiences* (London: Macmillan, 1988), and “The End of Communist Rule in East-Central Europe,” *Government and Opposition* 26, 3 (Summer 1991): pp. 368–90; Alice Teichova, *The Czechoslovak Economy, 1918–1980* (London: Routledge, 1988).
9. Sharon L. Wolchik, *Czechoslovakia in Transition: Politics, Economics and Society* (London: Pinter, 1991), p. 260, and *Magyar Statisztikai Zsebkönyv* (Hungarian statistical pocketbook), 1984 (Budapest: KSH), p. 199.
10. Jan Adam, *Economic Reforms in the Soviet Union and Eastern Europe since the 1960s* (London: Macmillan, 1989), p. 190; Gerald A. McDermott and Michal Mejstrik, “The Role of Small Firms in Czechoslovak Manufacturing,” in *Small Firms and Entrepreneurship: An East-West Perspective*, ed. by Zoltan J. Acs and David B. Audretsch, pp. 155–81 (Cambridge: Cambridge University Press, 1993).
11. János Arvay, “A magánszektor terjedelme: Nemzetközi kitekintés” (The size of the private sector: International comparison), in *A Magánszektor Fejlődése Magyarországon, 1990–1993* (The development of the private sector in Hungary, 1990–1993) (Budapest: Tarki, 1994); research report.
12. People who had suffered other forms of persecution in the past could also claim compensation vouchers. See Anna Gelpert, “The Laws and Politics of Reprivatization in East-Central Europe: A Comparison,” *Journal of International Business Law* (University of Pennsylvania) 14, 3 (1993): 315–72.
13. Jiri Pehe, “Legal Difficulties Beset the Czech Restitution Process,” *RFE/RL Research Report*, July 1994, pp. 6–13.
14. In both countries there was a small privatization program, through which small shops, restaurants, and motels were auctioned off to the highest bidder. These were small enough to be sold to domestic entrepreneurs. For details see János Gács, Il’dar A. Karimov, and Christoph M. Schneider, “Small-scale Privatisation in Eastern Europe and Russia: A Historical and Comparative Perspective,” in *Communist Economies and Economic Transformations* 5, 1 (1993): 61–86.
15. The principal investigators of the Social Stratification in Eastern Europe after 1989 project were Ivan Szelenyi and Donald Treiman.
16. For this splintering process in Hungary see David Stark, “Privatization in Hungary: From Plan to Market or from Plan to Clan?” *East European Politics and Societies* 4, 3 (1990): 351–92. The same process in the Czech Republic is described by Alena Zemplerová and Josef Stíbal, “Evolution and Efficiency of Concentration: Manufacturing Industries in the Czech Economy, 1989–1992” (Prague: Center for Economic Research and Graduate Education, Charles University); Working Paper No. 52.

## **A COMPARATIVE PERSPECTIVE ON THE LENINIST LEGACY IN EASTERN EUROPE**

**Barbara Geddes**

Institutions, as shown below, reflect the interests of those who devise them. This assertion is as true in contemporary Eastern Europe as in other times and places. If one knows who makes institutional choices and how they expect the various alternatives to affect their interests, one can predict what choices will be made. Consequently, to determine the effect of the Leninist political legacy on democratic institutions in Eastern Europe, one needs to look at how forty years of Leninism affected the interests of the individuals who found themselves deliberating over the content of new constitutions and electoral laws during and immediately after transitions from communism.

This study examines the formation of these interests, with special emphasis on the kind of party system that emerges during post-Leninist transitions and the effects of such fluid and fragmented parties on the institutional choices made by the self-interested politicians who belong to them. It thus builds on earlier literature that emphasized the distinctiveness of post-Leninist transitions, as compared with other transitions from authoritarianism (e.g., Jowitt 1992; Ekiert 1992). It seeks to extend these initial insights by using a detailed and concrete comparison of political outcomes in Latin America and Eastern Europe to identify the elements of the Leninist political and institutional legacy that are truly unusual and to develop some theoretically informed speculations about their consequences.

When the recent transitions to democracy in Eastern Europe are compared with similar transitions in Latin America, several differences distinguish the post-Leninist experience from the others: the dominance of political arenas by newly created parties in the

wake of the “Leninist extinction”;<sup>1</sup> the sudden expansion of meaningful political participation to the entire population in one fell swoop; and the weakness of interest-based organizations, especially those that reflect the interests of labor. These differences, though perhaps not the most immediately obvious to the average observer, have consequential effects, as argued below, for the kinds of democratic political systems initiated during transitions, and hence for the political feasibility of economic liberalization and future political stability.

This study has four main sections. The first compares post-Communist party systems with other post-authoritarian party systems, demonstrating the greater importance of new parties in the formerly Leninist systems. The second discusses the effect on new parties of the weakness of prior interest group organization and sudden, as opposed to incremental, increases in political participation. The third shows the institutional consequences of the differences noted in the first and second sections. It demonstrates the strong relationship between the interests of leaders of new parties and the kinds of democratic institutions created during transitions from authoritarianism. The fourth offers some predictions about the probable longer-term effects of the distinctive features of the Leninist legacy identified in earlier sections.

The East European countries examined for this study are Bulgaria, Hungary, Poland, and Romania. These are the countries in the first wave of transitions in which borders remained stable. I concentrate here on the earliest transitions because they are the ones that have gone far enough to allow some conclusions to be drawn.<sup>2</sup> I have limited the sample to those that neither split nor fused in order to focus on the Leninist *institutional* legacy, excluding such complicating and overwhelming factors as violent ethnic nationalism and civil war (evidence of one of the other Leninist legacies, suppressed nationalism). Both of these biases in the sample may affect the generalizability of conclusions. The countries that experienced the earliest transitions may be systematically different from those that experienced them later in ways that have long-term consequences. Only future research will show whether this difference is important. More obviously, countries in which the mobilization of intense ethnic nationalism has led to civil war and the creation of new states are likely to differ from the countries considered here.

The Latin American material draws primarily on the experiences of Argentina, Brazil, Chile, Colombia, Peru, Uruguay, and Venezuela, the countries at levels of development comparable to the range in Eastern Europe. All have experienced at least one transition to democracy since World War II.

### THEORETICAL FRAMEWORK: THE INTERESTS OF INSTITUTION BUILDERS

The argument made here begins with two assumptions: those who make institutional changes pursue their own individual interests above all else, and their interests center on furthering their political careers. Insofar as these interests remain stable—as they do in most times and places—political institutions will exhibit stability, even in what seem to be fluid political environments. Political institutions change only when, for whatever reason, they fail to serve the career interests of those with direct power to change them.

In advancing this argument, I do not deny that political leaders prefer some substantive policies over others. But for politicians considering institutional changes, interest in furthering their careers usually converges with interest in achieving policy goals. Often the same institutions that will improve their chances of winning elections will also improve their chances of achieving policy goals since the greater the likelihood that they and their party allies will be elected, the greater the chance of passing the legislation they favor. As a first approximation, then, one can say that when making decisions about institutional changes, politicians put their own career interests first, and that they pursue their own (or their constituents') policy preferences by seeking to maximize their own power in government. This political self-interest proposition has clear behavioral implications. To further their careers, politicians need, above all, to be elected and reelected. They will thus prefer institutions—parties, electoral rules, constitutional provisions—that give them an electoral advantage over others.

If there is widespread concern among voters about a particular institutional change, many politicians will choose issue positions that reflect the preferences of voters; this is the best way, given an

issue of high salience, to pursue future electoral success. If, however, as is usually the case, voters have little knowledge about or interest in institutional issues, politicians will decide on the basis of the effect they expect the change in rules itself to have on their own reelection chances. Politicians with high name recognition, for example, will favor open-list to closed-list proportional representation (PR) since their personal popularity will do them more good in the former system than in the latter.

### **COMPARISON OF POST-COMMUNIST AND POST-AUTHORITARIAN PARTY SYSTEMS**

From a comparative perspective, one of the most notable features of the post-Communist transitions is the low survival rate of the parties that had influenced political life prior to Leninist hegemony and the modest success in the new political environment of the few "historic" parties that did survive. In comparison with other forms of authoritarian rule, Leninist regimes made a much more thorough sweep of preexisting political organizations. In none of the East European countries examined for this study did a party that had existed prior to the Leninist regime receive more than 12 percent of the vote in the first competitive election. In contrast, pre-authoritarian parties won the presidency and largest plurality in the legislature in all but one of the first elections after recent democratizations in South America (see Table 1).

#### **"HISTORIC" PARTIES**

The opposition of Leninist rulers to all other organizations and the ruthlessness with which the most apparently benign manifestations of the human tendency to gather in groups (e.g., stamp collectors' clubs, Girl Scouts) were coopted or suppressed has been noted by many observers. Few of the political organizations suppressed by Leninist governments have survived to reemerge after the fall of Communist governments. Some long-repressed traditional parties joined the scramble for votes in the first democratic elections in the East European countries, but despite their impeccable credentials as

Table 1

**Vote for "Historic" Parties in First Competitive Election after  
Most Recent Democratization<sup>a</sup>**

Country	"Historic" Party	Vote (Percent)
<i>Latin America</i>		
Argentina	Radical	<b>51.8<sup>d</sup></b>
	Peronist	40.2
Brazil	Partido Trabalhista Brasileiro	3.5 <sup>e</sup>
Chile	Christian Democrats	<b>26.1</b>
	Partido por la Democracia (alliance of moderate faction of socialists and other small groups)	11.0
	Partido Amplio de Izquierda Socialista (alliance of Communists, left Socialists, other small groups)	4.3
	Radical Party	3.8
Colombia	Liberal	57.7
	Conservative	42.1
Peru	Acción Popular	<b>54.4<sup>e</sup></b>
	APRA	32.2 <sup>e</sup>
	Partido Popular Cristiano	5.6 <sup>e</sup>
Uruguay	Colorados	<b>41.4<sup>e</sup></b>
	Blancos	35.3 <sup>e</sup>
Venezuela	Acción Democrática	<b>47.5</b>
	Unión Republicana Democrática	25.7
	COPEI	14.6
<i>Eastern Europe</i>		
Bulgaria <sup>b</sup>	Bulgarian Agrarian National Union	8.0
Hungary <sup>c</sup>	Smallholders' Party	11.8
	Christian Democratic People's Party	6.5
Poland	Polish Peasant Party	8.7
Romania	National Liberal Party	7.5 <sup>e</sup>
	Christian Democratic National Peasants' Party	3.1 <sup>e</sup>



Table 1 (cont.)

Sources: Argentina: Banks, ed. (1986: 26); Brazil: Anglade (1986: 165); Chile: Scully (1992: 190–98); Angell (1990: 243–44); Colombia: Hartlyn (1988: 150–51); Peru: *Keesing's Contemporary Archives*, 31 October 1980, p. 30546; Uruguay: Rial (1985: 11); Venezuela: Ruddle and Gillette, eds. (1972: 100); Bulgaria: Troxel (1993: 408–10); Hungary: Körösenyi (1992: 77); Poland: Taras (1993: 27); Romania: *Europa World Year Book 1992*, vol. 2 (1992: 2316).

<sup>a</sup>Historic parties are parties that existed prior to the authoritarian or Leninist interlude. I have included parties that were disbanded at the initiation of the authoritarian regime and then reorganized afterward and also parties that were allowed to continue to exist as coopted “allies” of the ruling party as long as they maintained an organization separate from that of the ruling party. They are shown here if they received 3 percent of the vote or more and at least one seat in the post-authoritarian legislature.

<sup>b</sup>As of May 1991, 4 of the 18 organizations included in the umbrella opposition coalition, the Union of Democratic Forces—UDF (Sayuz na Demokratichnite Sili) were reorganized historic parties. They are the Bulgarian Social Democratic Party—BSP (Bulgarska Sotsial Demokraticheska Partiya), the Bulgarian Agrarian National Union-Nikola Petkov—BANU-NP (Bulgarski Zemedelski Naroden Sayuz-Nikola Petkov), the Democratic Party (Demokraticheska Partiya), and the Radical Democratic Party (Radikal-Demokraticheska Partiya). Two of these parties, the BSP and BANU-NP, claim memberships between 80,000 and 110,000, and it is possible that these parties account for a substantial number of the votes for the UDF, but there is no way to tell from electoral returns. Candidates were identified on the ballot simply as UDF affiliates. (See Nikolaev 1991 for names and short histories of all members of UDF.)

<sup>c</sup>Percent of vote for regional PR lists.

<sup>d</sup>The largest party in the lower house of the legislature is shown in bold. (In Colombia, because of the National Front agreement, both parties received the same number of seats.)

<sup>e</sup>Percent seats in Chamber of Deputies (all PR).

dissidents and noncollaborators (an important political resource almost everywhere), they failed to attract many new adherents. The votes they got came disproportionately from the elderly (Körösényi 1992). Leaders of other traditional parties, long coopted as “loyal opposition” in Communist regimes, also failed to attract support initially, despite their advantage in terms of preexisting party organization, another scarce and valuable political resource.<sup>3</sup> As a result of the failure of traditional parties to survive and prosper in the new democratic environment, the political institutions with which they were symbiotically entwined—electoral rules, forms of representation—have also failed to reemerge.

Within Eastern Europe the disappearance of historic parties is usually seen as a consequence of the short periods of competitive politics and correspondingly weak parties prior to the Leninist seizures of power; intense repression; the remarkably thorough penetration of society made possible by party control of the economy as well as government; and the passage of time. With so many forces converging to prevent party survival, no further explanation seems necessary. When one looks at Latin American and South European transitions, however, the arguments used to explain the disappearance of historic parties in Eastern Europe seem insufficient to explain differences in survival.

Among the Latin American cases, repression was most severe in Argentina and Chile, where documented cases of government torture and murder number in the thousands, and Uruguay, which had the highest number of political prisoners per capita in the world during the 1970s. Historic parties survived in all three. In Brazil, in contrast, the only Latin American country in which most pre-authoritarian parties failed to survive, levels of repression were relatively low (Stepan 1988: 69–70).

Furthermore, although most Latin American countries had experienced longer periods of democracy prior to the imposition of authoritarianism, not all had. At the initiation of the current democratic regime in 1958, Venezuela had previously enjoyed only three years of competitive politics in its entire history. Nevertheless, the same three parties that had emerged during that three-year democratic period dominated competition in the first election after the overthrow of the military, and two of them survived as the strongest parties until the early 1990s. Peru’s experience with democracy has

also been quite limited, but parties have usually survived periods of authoritarian rule.

Nor is the sheer passage of time sufficient to explain the difference in survival rates, though it undoubtedly contributes. The East European Leninist regimes lasted slightly more than forty years; the leaders of the historic parties during the more or less democratic interludes from 1945 to 1948, if they were still alive, were old men by 1989, and their age is often mentioned as a reason for their lack of current success. A number of these sometimes heroic and sometimes cantankerous elderly leaders fought to reestablish their parties and mobilize supporters for the first post-Communist elections. A few of the historic parties, such as the Hungarian Smallholders Party and the Romanian National Liberals, achieved moderate success. Most failed. In contrast, party leaders from the pre-authoritarian period not only successfully mobilized their parties, but also won the contested presidential elections that followed authoritarian interludes in about half of the Latin American cases: Argentina (1973),<sup>4</sup> Chile, Brazil (1985),<sup>5</sup> Colombia, Venezuela (1958), and Peru (1956 and 1980). Several of these—Perón in Argentina, Aylwin in Chile, Neves in Brazil, and Prado in Peru—were, like the leaders of East European historic parties, over seventy when elected, so age by itself is an insufficient explanation for the political failure of the historic East European parties.

Spanish experience with party survival falls between that of Eastern Europe and Latin America. Spain is one of the very few countries in the world to have experienced a nontraditional authoritarian regime as long-lived as the Leninist regimes in Eastern Europe. Franco, like East European Communist leaders, assiduously prevented the organization of competing groups or parties. When the Franco government ended, the Spanish Communist Party emerged from underground and proved initially capable of mobilizing a considerable amount of support. The traditional Socialist Party was reestablished and by 1982 had become the strongest party in parliament. On the right, however, no historic party made a claim on citizens' loyalties. Instead, new parties were organized. A new center-right party won the first elections but has since disintegrated, while the socialists seem to have made substantial progress in developing stable partisan loyalties within a large sector of the electorate (Barnes, McDonough, and López Pina 1985).

These experiences suggest that the survival of pre-authoritarian parties depends not only on the effectiveness of repression and the length of time they are suppressed, but also on the positive incentives authoritarian governments provide to those with a vocation for politics to join and expend their energies in regime-sponsored parties. When an authoritarian regime simply outlaws parties, they go underground. They continue to exist, though in much reduced fashion, even in jail. The parties lose contact with casual adherents and are prevented from attracting new supporters, but committed activists maintain clandestine networks. If unions or other well-organized groups remain incompletely suppressed or coopted, former party activists find opportunities in them to continue their vocation for politics and build limited networks of support. Unions played an important role in the survival of historic parties in Spain, Chile, and to a lesser extent several other South American countries. Consequently when dictatorships, in preparing to relinquish power, allowed the reemergence of parties, old parties arose phoenix-like from the ashes of repression.

When, in contrast, the authoritarian government creates new parties, it creates a new set of political interests. Given a choice between participation in politics within a narrowly circumscribed arena accompanied by real opportunities for upward mobility in the new party, on the one hand, and a life of obscurity and possibly danger in the underground, on the other, many activists from the old parties find places in the new. As do many with a vocation for politics who come of age after the authoritarian seizure of power and large numbers of opportunists. With the political energies of the politically active siphoned off into competitions, struggles, and debates within the newly created party system, historic parties find it harder to survive. Even movements in opposition to the regime often develop within the new authoritarian party system rather than outside it. Poland in the 1980s is the obvious exception to this statement, but opposition movements in Brazil, Czechoslovakia in the late 1960s, and Hungary in the 1980s flourished within government-sanctioned parties.

In the set of cases examined here, all the Leninist regimes in Eastern Europe created new party systems, and "historic" parties have emerged strong in none of them. Among the Latin American cases, the Brazilian military regime is the only one that created a new

party system, and Brazil is the only Latin American country in which the party system to emerge after the authoritarian interlude is almost entirely different from the one in existence before, even though many of the same individuals continue to be active in politics. Spain is an intermediate case. No parties were created by the Franco government, but Franco supporters were mobilized into the loosely organized *Movimiento*. Historic parties of the left, those that had been repressed, emerged stronger than ever after democratization, but historic parties of the right, those that had been coopted, failed to survive.

#### **PARTIES THAT SUPPORTED THE AUTHORITARIAN REGIME**

The Leninist parties themselves have proved surprisingly adaptable as organizations, though not necessarily as representatives of the interests traditionally associated with them. The successor parties initially suffered dramatic declines in the countries in which opposition movements had had a chance to organize before the collapse (Hungary and Poland) but subsequently reemerged organizationally strong, politically wily, and much more programmatically flexible than observers had expected. They appear to have succeeded in transforming themselves into effective competitive parties. In the countries that lacked significant reform movements prior to the collapse (Bulgaria and Romania), successor parties initially faced much weaker challenges. Despite weaker opposition, they, like successor parties in Poland and Hungary, have experienced considerable turnover in top personnel and strong pressures toward fragmentation. These parties also seem to have made considerable progress in the transition to becoming competitive parties. Successor party organizations still control enormous political resources, especially in local government, the state sector of the economy, and the media. But they are new in the sense that—like the other parties—they cannot count on the loyalty of any substantial segment of the population and so must engage in unremitting efforts to attract support.

Among the ex-Communist countries, the initial fate of the successors to the Leninist parties depended on whether organized movements of dissidents had existed prior to the collapse or not. In the countries with a history of dissidence, the successor parties

polled between 10 and 15 percent of the vote in the first competitive elections. These percentages are fairly similar to the proportions polled by the Partido Democrático Social, the party created to support the military authoritarian government in Brazil, and the Unión Democrática Independiente, the party most closely identified with support for the Pinochet government in Chile. In most Latin American authoritarianisms, no support party was created, and no party of national significance admitted to supporting the authoritarian regime during the transition (see Table 2). The Latin American military regimes, like the Polish, faced widespread, well-organized, and fully articulate dissident movements prior to redemocratization.

This prior organization and spread of opposition is indicated by the low levels of support for parties identified with the authoritarian regime in the first free election. As long as the media are controlled and opposition groups are not permitted to mobilize political campaigns that disseminate their views to large numbers of people, most people's opinions, as expressed in surveys and votes, will reflect the ideas carried in the controlled media. The opinions shaped by a controlled media are highly volatile, however, and subject to rapid and radical change once people are exposed to competing points of view (Geddes and Zaller 1989). Political elites in Eastern Europe, like military rulers in Latin America before them, were surprised by the rapid disintegration of regime support once the articulation of opposition views became possible.

In Poland, Solidarity's long history of opposition and the quasi-legalization of samizdat publications during the economic reforms of the 1980s created an opposition information flow that had already reached a significant part of the population long before the first fully competitive elections in 1991 (Zubek 1991: 356–57). As a result, popular opposition to the Communist regime in Poland had become widespread and highly visible. The disintegration of support for the Hungarian Communist Party occurred more as a result of changes within the party than because of mobilized opposition. Party reforms in the late 1980s led to the release of large numbers of positions from the nomenklatura, and budget cuts and the streamlining of party organizations in state enterprises led to the dismissal of many party functionaries. These and other changes within the party organization fundamentally altered the incentives for belonging to the party, and membership dropped accordingly. In one Budapest dis-

Table 2

**Vote for Party That Supported Authoritarian Regime in First  
Competitive Election after Most Recent Democratization**

Country	Party	Vote (Percent)
<i>Latin America</i>		
Argentina	None	
Brazil	Partido Democrático Social	6.8 <sup>c</sup>
Chile	Unión Democrática Independiente	9.2 <sup>c</sup>
Colombia	ANAPO	0
Peru	None	
Uruguay	None	
Venezuela	None	
<i>Eastern Europe</i>		
Bulgaria <sup>a</sup>	Bulgarian Socialist Party	48.5 <sup>c</sup>
Hungary <sup>a</sup>	Hungarian Socialist Party	10.9
	Hungarian Socialist Workers' Party <sup>b</sup>	3.7
Poland	Alliance of the Democratic Left	12.0
Romania	National Salvation Front	68.0 <sup>c</sup>

*Sources:* See Table 1.

<sup>a</sup>Percent of vote for regional PR lists.

<sup>b</sup>Included, even though it elected no representatives, as an indication of continuing strength of the unreformed wing of the Communist Party.

<sup>c</sup>Percent of seats in lower house (if one exists).

trict in 1988 nearly ten times as many members deserted the party as had left in 1985 (Csanádi 1991: 1092).

In Bulgaria and Romania, in contrast, where the old regime fell as a result of coups carried out by reform Communists after the withdrawal of Soviet support and potential opposition had almost no prior organization and little time to organize before the first election, successors won the first elections. These early successes do not portend long-term success, however. Hard times in combination with the newly freed media can be expected to decrease support for any incumbent party, and successor parties are no exception. They have recently suffered devastating electoral defeats in both Bulgaria and Romania. Their long-term survival will depend on how successfully they transform themselves into parties able to compete for popular support.

Successor parties, like others in the new systems, have also shown a strong tendency to fragment. Among the dynamics inherent in even seriously flawed competitive regimes is the tendency of leadership competition within parties to lead to party splits—even when the splits undermine party dominance or reduce the probability of winning the next election. Individual leaders can often increase their own electoral chances by leading a faction of supporters out of a party and thus ensuring their own nomination by this faction, even though in the process they decrease the overall chances of both factions of the old party. In established party systems such splits are less frequent because voters' established party loyalties create barriers to the entry of new parties, but in new party systems these barriers are low. Such a split ended the dominance of the Romanian successor party.<sup>6</sup>

No successor party in Latin America is currently as strong as successor parties in Eastern Europe. Parties based on support for former dictators have, however, played important roles in the politics of several South American countries in the past. At least four populist dictators succeeded in organizing parties from among their supporters that survived their overthrows in the 1940s or 1950s. The two parties created from the political machine that supported the Getúlio Vargas dictatorship from 1937 to 1945 dominated democratic politics in Brazil for nearly twenty years, from 1946 to 1964. Vargas was himself elected to the presidency in a fair and competitive election in 1950. The Partido Justicialista created by Juan Perón during



the 1940s survived his overthrow and years of repression to re-emerge during the current democratic period once again as one of the two strongest parties in Argentina. Peruvian dictator Manuel Odría and Colombian dictator Gustavo Rojas Pinilla also put together parties that mounted successful legislative campaigns for their supporters and nearly successful presidential campaigns for themselves for a number of years after their ousters.

These parties were closely linked to the popular personality of the dictator but never advocated a return to authoritarianism. The relatively successful former Latin American dictators were genuinely popular. Their governments had been associated with the distribution of real benefits to the urban lower classes. Those able to thrive later in a democratic environment succeeded in attracting and organizing large numbers of supporters. The long-term survival of East European successor parties will depend on their development of the same skills. The Latin American successor parties to survive the death of their founders were also able to establish privileged positions in the state bureaucracy and, like most other successful Latin American parties, make use of state resources to establish clientele networks and thus solidify political support. East European parties are of course attempting to use state resources in the same way (note complaints about the Hungarian Democratic Forum while it held office), but economic decline and liberalization reduce state resources and hence the opportunities for the political use of state resources.<sup>7</sup>

#### CONSEQUENCES OF LOW RATES OF PARTY SURVIVAL

As a result of the Leninist legacy, party systems in new East European democracies tend to be dominated by new parties and newly competitive successor parties, to which neither leaders nor followers feel much loyalty. Party splits, fragmentation, and electoral volatility should thus come as no surprise, especially when times are hard and where electoral rules (such as easy party registration, proportional representation, and low representation thresholds) do not discourage the formation of new parties. The two most volatile and fragmented party systems in the world during the early 1990s were the Brazilian and the Polish (before the introduction of a 5 percent representation threshold).

### THE EFFECT OF SUDDEN LARGE EXTENSIONS OF PARTICIPATION

At the beginning of a new democracy, a free-for-all occurs among the very large number of individuals (and the organizations they create) who suddenly perceive new opportunities and discover in themselves a vocation for politics. In Romania more than 200 parties initially registered, and between 50 and 100 has been the norm in Eastern Europe (and Brazil). To extend the "Leninist extinction" metaphor, a large, rich ecological niche has suddenly opened, and many seek to be the ones to occupy it. As in the natural world, survival and reproductive success belong not only to the fittest, but also to the first. Those who manage to establish themselves initially have an advantage over competitors who arrive later because the pioneers control the design of new institutions and can thus shape the political environment in ways that benefit themselves and erect barriers to the entry of potential competitors. Since the stakes are high and the rules of the game uncertain and unsettled, competition is fierce and unruly.

Parties demonstrate their "fitness" by attracting support, mostly in the form of votes. In their struggle for votes, these new parties face an electorate that, in comparative perspective, has some unusual characteristics. First and most obviously, few have developed party loyalties. This is so not only because most parties are new, but also because the transitions were caused by the collapse of an external power rather than the growth of organized internal opposition (except in Poland) that could have mobilized widespread support and loyalty for opposition movements. Even in Poland, Solidarity's success as an opposition movement has not created stable partisan loyalties because the intensity and complexity of competition among leaders within Solidarity led to a splintering of the movement, accompanied by rapidly changing and hard to follow issue positions among the splinters. Second, the transition from no effective participation to universal suffrage, though it has precedents in the developing world, distinguishes Eastern Europe from Western Europe and much of Latin America. Third, interest groups are weak. Communist-dominated interest organizations have declined or disintegrated, and new ones are at an early stage of organization (with the partial exception of Poland).

#### THE WEAKNESS OF PARTISAN LOYALTIES

The consequence of the near absence of partisan loyalty is to broaden the area within which intense competition among parties occurs. In most democratic political systems, competition occurs at the margins, mostly for less committed voters, individuals whose interests place them in the interstices between existing parties, and new voters. Before and after the extension of suffrage to new groups, competition intensifies as parties attempt to attract the unusually large number of new voters. In contemporary Eastern Europe almost all votes are up for grabs. The near absence of preexisting party loyalties not only increases the stakes and unpredictability of early electoral contests, but it also contributes to the unpredictability and apparent opportunism of party behavior. In an established democratic system, a party that traditionally counts on the votes of particular groups cannot deviate too far from its traditional policy positions without risking the loss of its traditional support base. Even if party leaders in an established system are entirely opportunistic, cost-benefit calculations will lead to considerable issue stability within parties over time. A different calculus prevails in contemporary Eastern Europe, and parties sometimes make radical changes in their issue positions as they try to attract voters.

#### EFFECTIVE SUFFRAGE

The rapidity of the expansion of participation also has consequences for the kinds of parties that are likely to emerge. When suffrage expands incrementally, as it did in most of Western Europe, party systems form early on (Lipset and Rokkan 1967), and many of the unenfranchised develop attitudes of loyalty or identification toward existing parties (Przeworski 1975). Consequently the incremental extension of suffrage to these citizens may result in a realignment if, for example, the urban working class is enfranchised in one large increment, but it does not usually result in great electoral volatility. In Lipset and Rokkan's terms, party systems tend to freeze prior to the inclusion of most of the population, and newly enfranchised members of the working class either join existing parties or supply the raw material for the formation of a new party which is added to the preexisting party spectrum.

Before and after suffrage extensions, politicians interested in improving or at least maintaining their competitive position relative to others seek to attract new voters. To this end, they make promises, shift issue positions (mindful of the constraint imposed by their traditional supporters), extend their political organizations into previously ignored neighborhoods and regions, and in general attempt to mobilize and organize new voters. Party activists from parties not closely identified with the propertied classes and parties that have not done especially well in earlier elections with a more limited franchise tend to be especially active and especially successful in mobilizing new voters. They are less constrained by prior commitments, have more to gain from a possible realignment, and can make more credible promises to new voters.

The content of the promises made and issue positions taken by party activists depends on who the new voters are. The kinds of policies offered to attract working-class votes will obviously differ from the kinds of promises used to attract multi-class groups such as women. When suffrage is extended in more or less class-based increments, parties that seek to mobilize and represent the interests of these new voters tend to be organized by politicians seeking to mobilize support (Coppedge forthcoming). In these circumstances, a class-based party system is likely to emerge. When, however, suffrage is extended to groups that span the entire class spectrum, there is no incentive to form class-based parties.

A sudden transition from extremely limited to universal political participation has more in common with the extension of the vote to women than its extension to the working class. New voters span the interest continuum in the country, and catch-all, religious, or nationalist parties, whether old or new, are likely to be the result since parties will try to appeal to as large a segment of the electorate as possible.

This relationship between the rapidity of suffrage expansion and the kind of party system to emerge can be demonstrated for South America. In Latin America, literacy requirements were the most common way of excluding the lower classes from political participation. (In Argentina, a citizenship requirement was the functional equivalent of literacy since in 1912, when suffrage was extended to all male citizens, 60 percent of the working class were noncitizens.) A literacy requirement in a stable democratic system with unchanging electoral

laws would lead to an extremely incremental increase in suffrage as education spread to poorer children and they gradually came of age; it probably would have little effect on the party system. There are no cases that fit this hypothetical pattern in Latin America, however. Instead, mostly because of oscillations between authoritarianism and democracy, suffrage has expanded in chunks, sometimes class-based and sometimes multi-class.

The combination of literacy requirements and authoritarian interludes results in an alternation between very incremental increases in participation during periods of democracy, interrupted by large jumps in participation at the end of periods of authoritarianism when large numbers of new voters enter the system. When these jumps are either quite large (as in Brazil in 1946, when suffrage was extended to the approximately 50 percent of the population that was literate) or quite small (as in Ecuador and Peru, where frequent military interventions and very high illiteracy kept the increments of new voters at the end of each one small), some class-based parties may emerge, but the system is likely to remain dominated by catch-all parties.

Where, however, either changes in electoral laws (as in Chile) or redemocratization (as in Argentina in 1946) led to extensions of suffrage to successively lower levels of the income pyramid, more or less class-based party systems have emerged.<sup>8</sup> The scarcity of class-based parties in Eastern Europe is often attributed to relative income equality, but note that class-based parties in Latin America are not associated with more unequal income distributions. Argentina, Uruguay, and Chile have the most equal income distributions in Latin America.

In those countries in which suffrage was initially expanded in one multi-class swoop and simply restored after authoritarian interludes, catch-all parties have been the norm, as shown in Table 3. In all the new East European democracies, meaningful suffrage was granted to the entire population at once, so we should not be surprised to see catch-all and nationalist rather than class-based parties.

#### **THE WEAKNESS OF ORGANIZED INTEREST GROUPS**

The tendency toward non-interest-based parties in Eastern Europe is further reinforced by the weakness of organized interest

Table 3

**Relationship between Suffrage Expansion and Type of Party System in Latin America**

	Catch-All Parties	Some Class-Based Parties in a Catch-All System	More or Less Class-Based System
Early Universal (Male) Suffrage <sup>a</sup>	Colombia Costa Rica Uruguay Venezuela	Bolivia	
Incremental Expansion of Suffrage: Multi-Class		Brazil Ecuador Peru	
Incremental Expansion of Suffrage: Class-Based			Argentina Chile

<sup>a</sup>“Early” is used here to indicate that a transition from extremely limited to virtually universal (sometimes male) suffrage occurred all at once, usually early in the first period of effective democracy. After subsequent authoritarian interludes, universal suffrage was restored. The dates and circumstances of suffrage expansions are as follows: Bolivia, 1952, after the revolution that began modern Bolivian political history; Colombia, 1936, when competitive politics reemerged after a long period of single-party dominance; Costa Rica, 1913; Uruguay, 1918; Venezuela, 1945, at the beginning of the first democratic regime. All the countries in the “incremental” categories maintained literacy requirements (or the citizenship requirement in Argentina) until after World War II; Brazil, Ecuador, and Peru did so until the most recent redemocratizations in the late 1970s to mid-1980s.

groups. Organized interest groups play an important role in linking voters, especially the less educated and less interested, to parties that promise to represent their interests. Identifying which parties offer the most is a daunting task for a new voter facing a choice among dozens of new parties characterized by shifting and unclear positions on issues. Survey and electoral data available at this time suggest that voters in Eastern Europe do, in reality, find it hard to identify the parties that represent their interests. Based on a series of surveys conducted in Hungary in 1989 and 1990, Bruszt and Simon (1992) find no relationship between either class or socioeconomic attitudes and party choice, though class and attitude are correlated in expected ways. It may be unsurprising that the capital-labor cleavage has yet to emerge as the dominant one in Eastern Europe. In current circumstances, the conflict of interest between the public and private sectors may be more acute. This cleavage, however, is also unpoliticized. The party preferences of state employees differ little from those of workers employed in the private sector (see Table 4).

Table 4

**Party Preferences of State and Private Employees in Poland**  
(Percent)

Party	State Employees	Private Employees
Confederation for an Independent Poland	11.0	11.0
Liberal Democratic Congress	6.5	6.5
Solidarity Union	4.0	3.0
Polish Peasant Party	9.0	9.0
Social Democracy of the Republic of Poland (Communist successor)	5.0	4.0
Democratic Union	22.0	23.0
Christian National Union	3.0	4.0
Other	16.5	18.0
Nonvoters	22.0	22.0
<i>Total</i>	100.0	100.0

Source: Grabowska (1993: 45).

Organized interest groups, notably unions, perform the task of identifying representative parties for their members. They also supply parties with party workers who help to mobilize the vote of their members. In Spain, though the relationship between class and party preference was generally weak, union members were markedly more likely to have stable partisan affiliations than were others during the first years after redemocratization (Barnes, McDonough, and López Pina 1985). Communist-dominated unions are declining and fragmenting in Eastern Europe. New unions are being formed, but overall membership in unions has declined—in Hungary from 4.5 million to less than 2.5 million in the first year after the collapse (Bruszt and Simon 1992: 196).

#### CONSEQUENCES FOR PARTY SYSTEMS

Currently East European party systems are dominated by parties not closely linked to economic interests. Most notably absent are labor parties, despite the availability of the raw material for them in the form of very large numbers of blue-collar workers and large numbers of people who express social democratic attitudes in their survey responses (Kolosi, Szelényi, Szelényi, and Western 1992; Bruszt and Simon 1992; Grabowska 1993).

Catch-all parties are not necessarily a bad thing; several of the countries with the longest and stablest democratic histories in Latin America (as well as the United States) have party systems dominated by two catch-all parties. Non-interest-based parties in highly fragmented party systems may, however, lead to disorder, volatility, and personalism since voters cannot easily identify the party that best represents their interests, and parties have few constraints on impulses to change programs and promises as they try to be all things to all voters. It may not be coincidental that Chile, the only Latin American country that has both a fragmented party system and a long history of successful democracy (except for the interlude between 1973 and 1989), has a class-based party system, as do most of the stable multiparty democracies in Western Europe.

Currently there are no two-party systems in Eastern Europe. The existence of multiple parties is to be expected in the wake of democratization, as many hopeful political leaders compete to estab-



lish themselves and their followings. How many survive will depend importantly on how electoral rules and other institutional features of the political system shape the incentives facing voters and candidates. In Latin America, two-party systems have developed and survived despite proportional representation in countries with concurrent pluralitarian presidential elections—that is, in which the president (running in a single national district) is elected at the same time as the legislature without runoffs (Shugart and Carey 1992). Presidents compete in single-member districts, which (as Duverger noted long ago) tends to reduce the number of parties and thus to balance the effects of proportional representation in legislative elections. Concurrent presidential elections and the absence of runoffs disadvantage small parties that have little chance of winning the presidency, while legislative and municipal elections held on a different cycle from presidential elections and runoffs encourage the survival of small parties. Small parties can often attract votes in elections that focus on local issues in the absence of national coattail effects. And runoffs create an incentive for small parties to run candidates in the first round in order to be able to negotiate for more in exchange for their votes in the second.

None of the East European countries examined for this study have concurrent elections without presidential runoffs. Hungary has a parliamentary system, with a president elected by the parliament. Bulgaria, Poland, and Romania have runoffs, and Bulgaria and Poland, like Brazil, also have nonconcurrent elections. By coincidence, twenty-two candidates ran in the first round of both the 1992 Bulgarian and the 1990 Brazilian presidential elections.

Hungary's half-majoritarian system of representation and the representation thresholds in the other East European countries can be expected to reduce fragmentation but will probably not result in two-party systems. We can expect, then, to see in Eastern Europe the survival of multiparty systems based on non-interest-based parties—a form of party system that has not proved to be especially stable in other parts of the world.

### INSTITUTIONAL CONSEQUENCES OF NEW PARTIES

These institutional features of the new East European democracies are not of course exogenous to the transition; they were created during and immediately after the Leninist collapse by many of the same politicians who lead the current parties. These institutions are themselves a reflection of the newness of the party system and the interests of the political leaders of new parties.

Most of the time, political institutions remain stable because the political interests advantaged by particular institutions remain in power. At any particular time, the parties that dominate political life will tend to be those that are well adapted to functioning in the current institutional environment and that can benefit from its idiosyncrasies. New parties that have arisen during a regime transition, in contrast, are often not well adapted to the political rules in the old democratic constitution (if one existed). Consequently they are much more likely to favor wiping the institutional slate clean and starting anew. The wholesale creation of new political institutions, as has happened in Eastern Europe, should be expected during democratization only in two sets of circumstances: if the party system has changed greatly during the authoritarian period, rather than continuing to exist more or less unchanged underground; or if no institutionalized democratic system existed prior to authoritarian rule. In Latin America, where on average authoritarian regimes resulted in much less dramatic changes in party systems, relatively few changes in the institutions governing representation and elections occurred. In most cases, pre-authoritarian constitutions and electoral rules were simply restored.<sup>9</sup>

One indication of the relationship between party survival and the stability of politicians' preferences with regard to institutions is that during the Latin American transitions to democracy examined for this study, new constitutions were written only in those countries in which substantial change in the party system had occurred since the last civilian regime (see Table 5). Such change could result from either deliberate action by the authoritarian government (as in Brazil between 1965 and 1984) or spontaneous political development. In all four East European countries examined, either new constitutions have been written or old ones have been very radically revised

Table 5

**Relationship between New Parties and New Constitutions  
during Latin American Transitions<sup>a</sup>**

Country	Transition	New Parties?	New Constitution?
Argentina	1945–46	Yes—Peronist party formed	1949
	1957–58	No	No <sup>c</sup>
	1973	No	No
	1983	No	No
Brazil	1945	Yes—3 new parties dominate political system	1946
	1985	Yes—new parties dominate	1988
Chile	1989	New parties on right, most parties unchanged	No <sup>d</sup>
Colombia	1957–58	No	No
Peru	1955–56	No	No
	1978–80	Yes—right-wing parties gone, left-wing parties growing, APRA fully incorporated	1978 <sup>e</sup>
Uruguay	1983	No	No
Venezuela	1945	Yes—no prior democracy	1947
	1958	No, but no prior history of stable democracy <sup>b</sup>	1961

<sup>a</sup> A transition is defined as including the time immediately before and for five years after an authoritarian government that ruled for more than a year relinquishes power to a competitive regime. Competitive regime is defined to include any regime in which competitive elections determine who holds political office, even if suffrage is restricted or some parties are prohibited from participating.

<sup>b</sup> The first Venezuelan democracy lasted only from 1945 to 1948, and only the first elections to various offices were held. It thus seems reasonable to treat 1958 as a case of “no prior history” despite this brief interlude. Two of the most important Venezuelan parties after both transitions had existed (mostly underground) for a long time, but none had any significant experience as legal parties competing in the day-to-day struggle for reelection.

<sup>c</sup> The Aramburu military government set aside the Peronist constitution written in 1949 and reinstated the 1853 constitution that Perón’s had replaced.

<sup>d</sup> But see note 9.

<sup>e</sup> This constitution was written by a popularly elected constituent assembly before the military stepped down.

(Paczolay 1993) by legislatures empowered to rewrite them, as would be expected.

The new constitutional provisions and laws written during and immediately after transitions will affect party fragmentation, discipline, and stability, and, in consequence, political stability in the future. Initial institutional decisions were hammered out in negotiations between the Communists, or their successor, and one or more opposition groups, both concentrating on the immediate short-term effects of institutional choices on their own political viability. Outcomes varied with the perceived strength and hence bargaining power of the two sides, which changed over time as Communist parties declined. Outcomes were also influenced, especially in the second round of institutional changes, by the extent of opposition fragmentation. Fragmentation of both Communist and opposition parties increased over time (Engelbrekt 1991a; Engelbrekt and Perry 1991; Mincheva 1993; Perry 1992; Shafir 1992b; Topor 1991; Vinton 1990a and 1990b; Zubek 1991).

Communist parties enjoyed their greatest negotiating power while uncertainty prevailed about whether the Soviets would intervene in the internal affairs of East European countries—that is, prior to the fall of 1989. At the Polish Roundtable in spring 1989, the Communists could get most of what they wanted in the institutional domain in return for legalization and minimal participation for the opposition. “Solidarity did not seriously press for the holding of completely free elections” (Zubek 1991: 361).

Once East European Communists could no longer count on Soviet support, their bargaining strength declined, but prior to the first elections and the relaxation of controls on the media, both Communist and opposition parties continued to overestimate Communist support. Even Polish Communist leaders, who were aware that they probably could not win open elections, thought they had enough support to control the transition, given the arrangement they had negotiated at the roundtable: the reservation of 65 percent of the seats in the Sejm for themselves and their allies and a strong president elected by the legislature, which they felt assured of controlling. Neither Solidarity nor the PZPR (Polish United Workers’ Party [Communist]) predicted the extent of Solidarity’s victory. “Even the worst predictions [of the Communists] saw Solidarity winning half of the seats, the PZPR’s coalition a third” (Zubek 1991: 363).

In the rest of Eastern Europe, Communist leaders also overestimated the resilience of their support. In consequence, when institutional negotiations took place before the first competitive elections, Communist parties tended to insist on institutional arrangements, such as a strong presidency and majoritarian forms of legislative representation that, would benefit a dominant party.

The Communists' initial preference for majority systems had two sources besides overestimation of their own popularity: the desire of many successor party politicians to run as individuals unhampered by the party label; and Communist control at the local level, intact in all cases, which provided Communist candidates with a preexisting local political machine and patronage network. If the electoral system remained unchanged, incumbents expected to benefit from their local entrenchment.

Communists favored a presidency with substantial powers in part to insulate matters of defense and foreign policy (at this time still crucial to their relationship with the Soviet Union) from the vagaries of an unpredictable legislature, and in part because they expected to control the office. With the Sejm elections rigged by the roundtable agreement, Polish Communists could count on the election of General Jaruzelski by the combined houses of the legislature. Hungarian reform Communists confidently expected the election of one of their number, popular Imre Pozsgay. In Bulgaria the pre-reform National Assembly had elected reform Communist Petar Mladenov to the presidency for a term expected to run throughout the term of the first elected legislature (Gavrilov 1990b; Mincheva 1993). In Romania it was expected that former Communist Ion Iliescu, president of the Council of the National Salvation Front when negotiations began, would win a popular election. Communists preferred an elected presidency where they expected to win a popular election (Hungary in late 1989 and Romania) since popular election would confer more power and legitimacy on the holder of the office in any potential struggle with the legislature. But they preferred a president elected by parliament where mass opposition had already become apparent—that is, in Poland, or where the first presidential election was expected to occur in the uncertain future (Bulgaria).

In the first round of negotiations, Communists got most of what they wanted, as shown in Table 6. Table 6 shows the institutional

Table 6  
**Relationship among Party Interests, Bargaining Strength, and Institutional Outcomes**

Decision Forum	Communist Strength	Presidency	Parliament
<i>POLAND</i>			
Roundtable 2-4/89	High: Continuing Soviet threat	Elected by Legislature; broad powers	Majoritarian, with 65% of Sejm reserved for CP and allies
	—	—	
Sejm and Senate 6/89-10/91	Medium: CP majority in Sejm; <sup>a</sup> popular support low	Popular election, majority/runoff; conflict over powers	PR
	—	—	
Sejm and Senate 10/91-9/93	Low: CP small party in legislature; popular support low	Some compromise on presidential powers	No change
<i>HUNGARY</i>			
Round Table 6-9/89 National Assembly 10/89	High: National Assembly dominated by CP; Soviet threat declining not gone	Popular election of president, powers unspecified	½ majoritarian with runoffs, ½ PR
	—	—	
Popular Referendum 11/26/89	Medium: Soviet threat gone, popular opposition rising	Election postponed until after free election of parliament	
	—	—	
National Assembly 3/90-3/94	Low: CP small party in legislature, popular support low	Parliamentary election of president, powers limited	No change

<i>BULGARIA</i>					
Roundtable 3-6/90	High: No Soviet threat, but almost no organized opposition	—	—	Current CP president to continue, next to be elected by legislature; substantial powers	½ majoritarian with runoffs, ½ PR
National Assembly 6/90-10/91	Medium-High: CP controls legislature, but popularity declining	—	—	Popular election, majority/runoff; powers more limited	PR
National Assembly 10/91-12/94	Medium: UDF won parliamentary and presidential elections; CP largest opposition	—	—	No change	No change
<i>ROMANIA</i>					
NSF 12/89-1/31/90	High: Opposition unorganized, not included in NSF	—	—	Popular election, substantial powers	Majoritarian; 15 officers appointed to Senate
PCNU 2-5/90	Medium-High: Democrats forced inclusion of opposition	—	—	Popular election, majority runoff; substantial power	PR
Chamber of Deputies and Senate, 5/90-9/92	Medium-High: NSF controls legislature and presidency; popular support declining, but not rapidly	—	—	No change	No change

Source: Adapted from Geddes (1994).

<sup>a</sup>CP refers to both Communist and successor parties.

choices made at different stages of negotiation in the four East European countries. The left-hand column shows the fora within which institutional decisions were made, in chronological order for each country. The next column describes the strength of the Communist Party or its main successor *in the relevant forum* at the time when decisions were being made and lists the most important historical factors that affected Communist or successor party strength. The third column notes the most essential features of the presidency, and the fourth, the system of legislative representation chosen.

As column 4 shows, in the initial stage of reform, when the Communist Party was at its strongest, all electoral systems were at least partly majoritarian. In the systems with the strongest Communist or successor parties (Poland in spring 1989 and Romania in winter 1990), the first systems announced were not only entirely majoritarian, but not fully democratic. Poland's arrangement reserved 65 percent of the seats in the lower house for the PZPR and its coalition partners. Romania's Senate included seats for fifteen appointed military officers. Poland's first partly competitive election took place under these rules before Soviet withdrawal became certain. In Romania, however, where the Soviet threat no longer existed and Ceaușescu had recently been overthrown in the wake of massive and violent demonstrations, a new wave of demonstrations forced the NSF (National Salvation Front, Communist successor) to include opposition parties in a newly formed Provisional Council for National Unity and to negotiate with them over electoral rules, which resulted in the abandonment of the majoritarian system (Shafir 1990a and 1990b).

In both Bulgaria and Hungary reform Communists controlled nearly all the political resources during initial negotiations but faced growing opposition and could no longer call on Soviet protection (Mincheva 1993; Gavrilov 1990a and 1990b). Communist negotiators compromised on institutional details in exchange for a timely agreement and early elections in an obviously deteriorating situation (Nikolaev 1990). The Hungarian roundtable agreement was modified by an activist National Assembly dominated by reform Communists in the direction of greater majoritarianism (Pataki 1990).

As elections occurred, both inside each country and in other ex-Communist countries, assessments by all parties of Communist strength became more accurate, but uncertainty about which of the



competing opposition groups would survive and prosper continued very high. Institutions designed or redesigned after the first round of elections tended to reflect this high level of uncertainty (Lijphart 1992). Proportional representation, which protects small parties from annihilation, was the universal choice in countries that devised electoral rules after the first open election. It was favored by almost all parties, both opposition and successor (Vinton 1990c: 16; Nikolaev 1990).<sup>10</sup>

In all but Hungary, majoritarian features of systems of representation were abandoned in favor of PR after initial elections (in Romania, demonstrations) led to the realization of their own potential weakness by successor parties that still controlled majorities in rule-making bodies. Most of the weak opposition parties of Bulgaria and Romania, as well as the highly fragmented opposition parties of Poland, also favored PR (McQuaid 1991; Sabbat-Swidlicka 1991; Vinton 1990c).

Only in Hungary did the first election result in control of the legislature for the opposition, a victory greatly magnified for the top party by features of the electoral system. The Hungarian Democratic Forum (MDF) received 24.4 percent of the vote in the first round proportional districts but nearly 43 percent of the seats when the single-member districts and runoffs were added. The second largest party, the Alliance of Free Democrats (SZDSZ), also benefitted very slightly, while all other parties were disadvantaged (Hibbing and Patterson 1992: 436–37). Not surprisingly, the majority in the Hungarian National Assembly saw no reason to change a system that had treated them so well.

Parties that contained charismatic personalities who had gained name recognition and popular respect for their opposition to the Communist regime favored open-list PR. A large number of votes for particular well-known names on the party list can elect other unknown candidates. In Poland, for example, Jan Bielecki's 115,002 votes also elected Liberal candidates Pavel Piskowski with 589 votes and Jacek Kurczewski with 588 (Millard 1992: 851). Parties with fewer well-known personalities and disciplined parties with an entrenched, dominant leader preferred the more standard closed list (McQuaid 1991). Closed-list PR enhances party discipline and the power of party leaders relative to members since leaders determine the order of the list and hence candidates' electoral chances. The

Democratic Union in Poland, which included most of the famous Solidarity activists except Wałęsa, and a number of other small Polish opposition parties favored the open list. Most Communist and successor parties and most other opposition parties favored the closed list.<sup>11</sup> Poland is the only country in this set in which the opposition had been sufficiently widespread and effective to have produced a large number of well-known opposition figures prior to the first fully competitive election. In Hungary the best known reformers were concentrated inside the Communist Party and thus unavailable as opposition heroes. A single-member district system would seem to serve the interests of reform Communists better than open-list PR since single-member districts lead to an emphasis on individual politicians while downplaying the party label.

Changes in the manner of electing the president also occurred in the second round of institutional negotiations. Communist plans for the presidency went awry first in Bulgaria and Hungary. In Bulgaria reform Communist president Mladenov was unexpectedly forced to resign by popular demonstrations. As a result, a new president had to be elected by the National Assembly more than a year early. The largest party in the assembly, the Bulgarian Socialist Party (BSP, Communist successor) could not muster the two-thirds vote needed to elect a Socialist. It was forced to agree to the election of opposition leader Zhelyu Zhelev by the threat of new parliamentary elections, in which it expected to lose seats, if it failed to elect someone (Mincheva 1993; Nikolaev 1992; Perry 1990). The constitution adopted in July 1991 by the same National Assembly, and also requiring a two-thirds majority, provides for a popularly elected president with limited powers. Many members of the Union of Democratic Forces (UDF) opposed the limitation on presidential powers but accepted this and a number of other compromises in order to end debilitating conflict over the constitution (Engelbrekt 1991b). Zhelev won the first competitive presidential election by a narrow margin in January 1992.

In Hungary two opposition parties refused to sign the round-table agreement and led a campaign for a referendum to postpone presidential elections until after the election of a democratic parliament. The referendum passed, and as a result not only was the election postponed, but also the power to define the scope of the presidency and mode of election passed to the new legislature. The

legislature, jealous of its own prerogatives, decided to elect the president itself and limit the powers of the presidency. Hungary has the weakest presidency of the four, and Bulgaria the next weakest.

In Poland Communist plans for the presidency went awry even more spectacularly since not only did they lose control of the office, but also the presidency remained strong in the hands of their most famous opponent. Approximately a year after his election, General Jaruzelski was persuaded to resign by a popular campaign for a freely elected presidency mounted by Lech Wałsa and one faction of Solidarity. After Wałsa's election in December 1990, the Round-table Sejm fought tooth and nail to limit presidential powers (Vinton 1991a and 1991b). It fought Wałsa to a standstill on many issues but never managed to curtail presidential powers. The "little constitution," promulgated in fall 1992, clarifies the roles of the president, prime minister, and legislature, and is expected to reduce conflict but leaves the Polish presidency relatively strong (Vinton 1992).<sup>12</sup>

The parties that supported a strong presidency in Poland shifted with the shifting winds of Wałsa's alliances. In the months following Wałsa's election, the Center Alliance, the faction of Solidarity that had supported his presidential campaign, fought for a strong presidency while the Democratic Union, the faction of Solidarity that had supported Mazowiecki in the election, sought to limit the powers of the presidency. After late 1991, when Wałsa reestablished cooperation with the Democratic Union, these positions were reversed. In short, whichever party or alliance controlled the presidency or expected to control it in the near future supported broad powers for the president, while parties in opposition to the president sought to limit his powers.

Only in Romania, where the successor party itself remained strong for some time, was it able to maintain control of the presidency. Ion Iliescu of the NSF won the first popular election in May 1990. The new Romanian constitution, drafted in 1991 by the National Assembly dominated by the NSF, reaffirmed the powers of the presidency (Shafir 1991 and 1992a). And Iliescu was reelected in September 1992.

In short, a series of decisions that have great influence on the extent of party fragmentation, the existence of party discipline, and the level of conflict among president, government, and parliament, and hence have great influence on the efficacy of economic policy-

making and the stability of future governments, have been made on the basis of short-term political interests.

The constitutions written after Latin American democratizations also reflect the short-term interests of those who wrote them. All include the institution of the presidency, reflecting the presidential aspirations of the leaders of the most important parties in constituent assemblies. In all but Argentina (1949), multiple parties were represented, and there was considerable uncertainty about future party strength. Electoral rules in all cases except Argentina mandated PR. In Argentina, the assembly that wrote the 1949 constitution was heavily dominated by Peronists, who initiated a majoritarian system rather than switching to PR. Majoritarian systems advantage the largest party in the legislature along with the next runner-up in each district, which in Argentina varies across regions. The system assured a majority to the largest party and severely disadvantaged smaller parties.

Latin American constitutions written in the wake of democratization show much greater continuity with earlier democratic constitutions than do current East European constitutions because of the greater continuity of both parties and individuals in Latin America—even in countries such as Brazil that have experienced the greatest change.<sup>13</sup>

## CONCLUSION

The modal institutional pattern that has emerged in Eastern Europe as a result of the series of decisions discussed above is one that includes both a popularly elected president, whose powers relative to the government (that is, prime minister and cabinet) are somewhat vague, and a parliament filled with numerous, mostly catch-all parties. The existence of both a president (elected in all but Hungary) and a prime minister mostly responsible to parliament distinguishes the East European systems from the Latin American presidential-PR systems<sup>14</sup> and has already led to strife between the two executives, most intense in the countries with the strongest presidencies, Poland and Romania, but present even in Hungary, where both executives are chosen by the same body. It can be expected that conflict between

the two executives over high appointments and basic policy decisions regarding the economy and other crucial issues will recur frequently during the next few years until precedents delimiting their spheres become established as a result of the political struggles currently occurring. This conflict, of course, carries with it some potential for policy immobilism and political instability.

The party systems composed of multiple catch-all parties can be expected to lead to frequent cabinet reshuffles, multiparty coalition governments, and minority governments. These cabinet characteristics carry with them the potential for governmental chaos, immobilism, being held hostage by small, single-issue parties, and lengthening the time during which the conflict between the two executives remains intense. At the same time, the party system should be conducive to a fairly flexible and pragmatic parliamentary politics. The raw material for the kind of intransigent standoff between the largest party in parliament and the president that helped precipitate and legitimate military interventions in Brazil in 1964, Chile in 1973, and Peru in 1968 seems simply not to exist in the current East European party systems.

Now that all countries have representation thresholds, fragmentation so extreme that it becomes difficult to form a cabinet at all should become less likely. A certain amount of fragmentation may actually be useful since it multiplies the number of possible coalitions. Bulgaria, with only three parties in parliament, has had great difficulty forming governments. The weakness of most parties' ideological commitments should also increase coalitional flexibility.

As a result of these characteristics, I would expect intellectuals and ordinary citizens alike to perceive their governments as disorderly, inefficient, irritating, opportunistic, squabbling, and petty. These attitudes are likely to be exaggerated in countries in which electoral institutions, such as the open list in Poland and the single-member districts in Hungary, undermine party discipline.<sup>15</sup> In both open-list and single-member systems, party leaders lose one of the principal tools for enforcing party discipline: their control over placement on the list. Where party discipline is weak, the public is treated to the sight of even more chaotic squabbling in parliament since there are not only several parties, but also many individual warriors determined to make their mark in the public eye or bring the bacon home to their own constituencies.

Democracy in these circumstances will not be a pretty sight. It will offend observers with a penchant for order and logic. There is considerable survey evidence to suggest that many East Europeans have already developed quite low opinions of their governments. Nevertheless, there is no reason to expect democracy *in the countries that have established it* in Eastern Europe to be especially fragile. Low opinions of government, especially the legislature, are common even in long-lived stable democracies, and disenchantment with democracy is a standard feature of transitions, especially if the years following democratization coincide with hard times.<sup>16</sup>

To summarize, the Leninist political legacy in Eastern Europe consists of a large number of new parties scrambling desperately to achieve a niche in the new democratic environment that will assure their survival. This intense and unstructured competition for support has led to high levels of both opportunism and vagueness in their policy positions and promises to the public. The struggle for a competitive edge has also shaped the choice of particular new democratic institutions. These institutions, devised to confer immediate political advantage on particular individuals and parties, are not the ones that would have been chosen by a benign god intent on making the transitional period as smooth, orderly, and reassuring as possible. Instead, they have increased the chaos and insecurity that inevitably accompany radical political changes. Nevertheless, a broad comparison between the new East European democracies and other countries with democratic experience suggests that these new democracies will probably survive the institutional choices made by their own democratic politicians.

Periods of rapid institutional change occur rarely. Most of the time, institutions, like species, change only incrementally. Vested interests in political institutions develop with amazing rapidity. Political institutions chosen during the brief periods of rapid institutional evolution that punctuate the much longer and more common periods of institutional inertia can thus be expected to have long-term consequences. As can be seen in the final time period for each country in , the pace of institutional change in Eastern Europe seems already to be slackening. There will undoubtedly be upheavals in some countries, but nevertheless it appears that a period of greater institutional stability has arrived. For countries able to maintain competitive systems, the institutions created during the last few

years are likely to structure politics for a long time. For countries that undergo periods of authoritarianism in the future, redemocratization can be expected to bring in its train a return to many of the institutions recently created.

Where democratic political institutions take root, however shallowly, during post-Leninist transitions, they create a set of compelling incentives that structure the behavior of political elites. These behaviors do not depend on the internalization of democratic ideals, but only on the self-interested behavior of politicians in democratic institutional settings. Among the dynamics inherent in competitive systems, however flawed, is the tendency of aspiring political leaders to mobilize previously excluded groups into the political game in order to support their own challenges to established leaders and the tendency of leadership competition to lead to party splits. As a result, even narrow and flawed democracies contain within them forces that often lead, over the long term, to more inclusionary and more competitive political systems.

The cultural legacies of Leninism hostile to democracy will not of course disappear overnight. Neither, however, are cultural traits static or indefinitely self-perpetuating. To persist, they must be reinforced by formal and informal institutions (Jowitt 1974). To the extent that the cultural legacies of the Leninist experience are inconsistent with democratic institutions, they are currently being eroded in the countries of Eastern Europe in which democracy holds sway. The longer these institutions persist, the greater the erosion will be. Some of the currently democratic countries of Eastern Europe will probably suffer authoritarian interludes in the future. These interludes, however, will not wipe away the legacy of democracy now being created, any more than authoritarian interludes in Latin America have.

## NOTES

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1. This striking metaphor comes from Kenneth Jowitt (1992).
2. It is a curious feature of the comparative field, especially that part of it focused on what used to be called the second and third worlds, that we spend much of our time explaining outcomes that have not finished happening, and thus our explanations often turn out to be wrong because events fail to unfold in the way we had assumed they would. Case selection in this study seeks to mitigate this problem, though it cannot eliminate it.
3. One of these coopted parties, the Polish Peasant Party has subsequently reemerged as a very important political player, along with the Communist successor party.
4. Héctor Cámpora ran as a stand-in for Juan Perón in the 1973 election. Soon after taking office, he held a second election, which Perón duly won. Some might exclude Perón from the category of leaders of historic parties because his party and government were only imperfectly democratic. I have included him on the grounds that he was elected in a fair and competitive election in 1946, and his party was no more undemocratic than several of the interwar East European parties now claiming democratic credentials.
5. Tancredo Neves, whose prominent role in the Partido Social Democrático extended back to the 1950s, was indirectly elected president of Brazil by an electoral college in 1984. He never served as president because he died before he could be inaugurated.
6. Initially called the National Salvation Front, then after a split in March 1992, the Democratic National Salvation Front, and since July 1993, the Party of Social Democracy of Romania (see Ionescu 1993 for details of splits).



7. This process is also occurring in Latin America as a result of the debt crisis and economic liberalization, though not so dramatically. As a consequence, parties traditionally reliant on state resources, such as Acción Democrática in Venezuela, have been seriously undermined, and corruption scandals have multiplied as politicians have sought to find private sources (through kickbacks and bribes) for the resources they used to receive from the state (see Geddes and Ribeiro 1992).
8. The first Peronist government in Argentina is often treated as authoritarian because of the censorship and limits on competition imposed by Perón, especially during the latter half of his administration. He was elected, however, in a fair and competitive election after a military intervention that overthrew an oligarchical government based on fraud that had effectively excluded the working class and much of the middle class from participation. It thus seems reasonable to me to treat the 1946 election as a redemocratization.
9. In a few cases, restored constitutions and electoral rules included a small number of consequential changes enacted by the military government. The most important of these in this set of cases are the introduction of proportional representation by a military government in Argentina during the 1960s and the changes in electoral laws enacted by the Pinochet government in Chile. Where such changes are not reversed after the democratic regime has completed the transition, it is an indication that changes in the party system have occurred, and hence changes in the interests of politicians, but the extent of change in these cases is less extensive than in the cases where a whole new constitution is written.
10. See Geddes (1996) for a discussion of the few parties that continued to favor majoritarian forms of legislative representation and their reasons for doing so.
11. The successor party in Poland was divided and took no official position.
12. "Special Reports: A 'Little Constitution' in Poland," *East European Constitutional Review* 1, 3 (Fall 1992): pp. 12–14.
13. See Hagopian (1992) for a discussion of the survival of individual politicians and their informal followings despite changes in the party system in Brazil.
14. Peru has a prime minister in principle responsible to the legislature, and in fact removable by it, but always in practice appointed at the discretion of the president.
15. Róna-Tas (1991) demonstrates that members of the Hungarian assembly elected from single-member districts were less disciplined than members elected by proportional representation.
16. The term *desencanto* (disenchanted) was coined to refer to the drop in support for democracy that occurred in Spain during the years immediately after the transition.

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## LEGACIES OF THE PAST OR NEW INSTITUTIONS: THE STRUGGLE OVER RESTITUTION IN HUNGARY

Ellen Comisso

On 26 June 1991 the Hungarian Parliament enacted the Compensation Law.<sup>1</sup> Designed to resolve the question of what rights, if any, former owners had to assets lost during the socialist regime, the statute was easily the most controversial legislation the parliament had dealt with since its election in May 1990.<sup>2</sup> Well over six months elapsed between the bill's initial submission to the legislature in December 1990 and its final passage (compared to 2–3 months for the adoption of most legislation); debate on the bill was lengthy and acrimonious, with well over a hundred amendments offered from the floor; not only was the Constitutional Court called in to resolve issues on several occasions, but also the government itself came close to collapse by the spring of 1991 due to continued disagreements over the bill in its own coalition.

Once an acceptable compromise was reached, however, "compensation" became a popular formula. The first Compensation Law was soon followed by a second and third, respectively affecting owners whose property had been taken between 1939 and 1949 and individuals who had been political prisoners of previous regimes.<sup>3</sup> Emerging from the 1991 crisis with its parliamentary majority relatively intact and possessed of what it felt was a winning formula for generating popular support, the government moved to take the offensive on a wide variety of other issues, showing far less sensitivity to the concerns of the parliamentary opposition than previously. At the same time, since the major impact of the Compensation Law would be on land ownership, passage of the statute cleared the way for a law to restructure the entire collective farm sector in January 1992. The aggregate economic effect of the legislation passed in 1991–92 was thus that of a virtual revolution in property rights over land.

Because of its wide-ranging economic consequences, the normative issues it involved, and the procedural and political questions that emerged in the course of its adoption, the Compensation Law provides an important window on the political order emerging from the collapse of Leninism in Hungary and other East European states. As such, the unusually deep and protracted controversy over restitution permits us to examine how newly created political institutions structure concrete political outcomes.

In this regard, the struggle over the Compensation Law allows us to test two competing hypotheses regarding the nature of the changes currently taking place throughout Eastern Europe. Each makes dramatically different predictions as to the directions in which states in the region are headed. The first emphasizes the continuities of the present (and by implication, the future) with the past. One such view would locate that past in the pre-socialist era, with socialism either a “detour” (Szelenyi 1988) or a continuation (Janos 1994) of a long-standing historical trajectory. More central to the analysis undertaken here is the view expounded most eloquently, but hardly exclusively, by Kenneth Jowitt (1992). According to Jowitt, the primary factor influencing post-1989 Eastern Europe is pre-1989 Eastern Europe, and in particular its forty-year experience with Leninism. Thus, Jowitt argues, the persistence of cultural norms characterized by an “exclusive distinction and dichotomic antagonism between the official and private realms” and an “absence of a shared public identity as citizens” (pp. 287–88) militates against the open and truthful public discussion and debate required in a liberal political order. The failure of Leninism to create “a culture of impersonal measured action” makes it impossible to institutionalize “public virtues” (pp. 291–92), without which neither political life nor economic transactions can be understood as other than a zero-sum game. And at the elite level, the absence—outside Poland—of “established successor elites”—namely, elites that are able to recognize “the legitimate places of all of [their] members in the polity despite genuine and deeply felt party, policy, and ideological differences” (p. 295)—is a guarantee that social conflicts will be “diffuse, psychological, and because of that, remarkably intense” (p. 294): in effect, precisely the leaders who must negotiate with each other lack any shared sense of common purpose or mutual trust to serve as a negotiating framework.

It follows that the institutional forms governmental arrangements take in Eastern Europe have a minimal impact on the democratic or nondemocratic quality of political processes and outcomes. Rather, the "legacies of the past," the culturally driven perceptions and expectations of politics shared at mass and elite levels alike, will subvert even carefully contrived constitutional constraints. In Jowitt's words, "demagogues, priests, and colonels more than democrats and capitalists . . . will shape Eastern Europe's general institutional identity" (p. 300); combined with severe economic dislocation and profound international turbulence, "liberal authoritarianism" is a far more likely outcome than Western-style polyarchy (p. 303).

At the opposite end of the spectrum come proponents of institutional engineering in both politics and economics. From this perspective, the evolution of politico-economic life in Eastern Europe can and will be shaped primarily by the institutions and laws emerging in the aftermath of 1989; societies may not quite be "tabula rasas," but they can be led in a liberal, free market direction despite immediate social costs providing the "right" measures are taken before opposition arises (Sachs and Lipton 1990; Sachs 1992). In the polity, reasonably stable, competitive political orders can be "crafted," even by elites highly distrustful of each other; indeed, one author argues, "the more recalcitrant the players, the more the transition will need to seek democratic rules that stress coexistence above everything else" (DiPalma 1990: 46). At the mass level, societies need not develop particular cultural attributes or even a high level of per capita income: "New democracies are . . . less the result of cumulative, necessary, predictable and systematic developments than of historical busts and booms, global opinion climates, shifting opportunities, and contingent preferences" (Di Palma 1990: 15).

Hence while stable polyarchies are far from the inevitable successors to state socialism, the main obstacles to their emergence are not the "legacies" of an authoritarian past but rather the coherence and balance of new political institutions.<sup>4</sup> Accordingly, with guaranteed civil liberties, an independent judiciary, a legislative and executive branch with limited powers and a composition determined by periodic, competitive elections carried out under an appropriate set of electoral rules, the authoritarian temptation can be weakened, even in the face of social dislocation and charismatic appeals. It is "getting the institutions right," not waiting for the transformation of



mass identities, that is critical for stabilizing competitive politics in formerly authoritarian states.

Testing these contrasting hypotheses is problematic since the same events can be interpreted in ways that support both. The 1990 Tyminski candidacy in Poland, for example, can be seen as supporting the importance of charismatic appeals and the relevance of interwar political traditions. But it is also consistent with a view that stresses the importance of institutions. The latter would point out that the Tyminski phenomenon would not have occurred without a directly elected presidency in Poland and (more important) to the fact that in the end Tyminski was defeated. The recent "media war" in Hungary can be taken as a consequence of deeply ingrained illiberal tendencies and the absence of "established successor elites" or as an example of how institutional bargains constrain a government's ability to monopolize the mass media. The "velvet divorce" in Czechoslovakia may confirm a view of primordial identities prohibiting political compromise or an analysis stressing institutional incentives toward separation governing the behavior of political elites even when populations were reluctant to part.

Even in Yugoslavia, where discussion of "an absence of a shared public identity as citizens" is a rather weak euphemism nowadays, one could point to the paralysis of the federation resulting from the 1974 constitution as the fundamental cause of the failure to counter republic-level ethnic mobilizations before they exploded into civil war (Comisso 1993). Equally important, if ethnic violence on one side of the Balkans is attributed to the political culture nurtured by Leninism, one is at a loss to explain the relative decline of ethnic hostility between Bulgarians and Turks at the other end without turning to the strategic position of the Turkish MRF in coalition governments, a product of the electoral rules adopted after 1989.

Not only do both hypotheses "overpredict," but they also share some important starting assumptions and omissions. Both assume, for example, that the "legacies of the past" are negative; the difference is only the degree to which they persist in the present and/or whether they can be overcome and with what speed. Likewise, neither hypothesis deals explicitly with how the state inherited from socialism is likely to shape both mass and elite behavior; nor do they discuss the emerging politico-economic order (or disorder) in terms of a concept that has traditionally been a staple of political analy-

sis—namely, the concept of power. Thus the “legacies of the past” analysis is a tale of identities, historical “trajectories,” deeply ingrained values and cultural norms regulating behavior; the institutionalist view, in contrast, assumes newly adopted laws and institutions can effectively act as “constraints on behavior” without explaining why actors would want to abide by them should the option to subvert occur or how the presence of a highly centralized and regulatory state apparatus is likely to effect the behavior that is being constrained.

In fact, once we grant that the legacies of the past are a mixed lot—positive and negative, Leninist and pre-Leninist—and once we acknowledge that institutions constrain only when they accommodate the underlying competition for power and that strong states can distort politics independently of institutional bargains applying to governments, both hypotheses can be modified. At the same time, their insights can be synthesized into a more nuanced understanding of how political and state institutions privilege certain social claims and forms of behavior, on the one hand, and how power structures and political opportunities shape institutional outcomes on the other.

A study of how the restitution issue was handled in Hungary is a good illustration of how each analysis can be revised into a new understanding of the dynamics of political change. First, it can show how the Leninist legacy in agriculture actually led to the adoption of a more liberal and rational approach to the restitution issue in Hungary than elsewhere in Eastern Europe (for example, Germany—where no “legacy” constrained the ability of the government to accede to the claims of former owners). If it indicates that the “legacies” of the past are far from exclusively “Leninist,” it also suggests that the presence of universal suffrage makes a return to the pre-socialist order unlikely.

Second, the restitution controversy in Hungary indicates that the central factor in the evolution of procedures and institutions was the structure of power and the political spectrum that emerged after the collapse of Leninism, and what made institutional constraints effective was that they adhered to the real political exigencies of the effective political actors. In short, law—whether constitutional design, legislative procedures, or individual acts of parliament—is ultimately a political question, reflecting both the substantive and procedural commitments of the actors.

## THE INSTITUTIONAL FRAMEWORK

The story of the Compensation Law originates in the 1990 electoral campaign, itself conducted according to rules agreed to in the 1989 Roundtable negotiations between opposition groups and the Hungarian Socialist Workers' Party. Six parties emerged with enough votes to obtain seats in the new parliament. The two largest parties, the Hungarian Democratic Forum (MDF) and the Alliance of Free Democrats (SZDSZ), were new, emerging out of the opposition to the socialist regime. As for the others, one was new (the Federation of Young Democrats [FIDESZ]), two were "historical" parties whose roots went back to pre-socialist days (the Christian Democrats [KDNP] and the Independent Smallholders Party [FKgP]), and one was a reformed version of the old ruling party (Hungarian Socialist Party [MSZP]).

The emergence of clear partisan actors in the first post-socialist elections was an unusual phenomenon in Eastern Europe, occurring only in Hungary and East Germany. Elsewhere, opposition groups organized as loose social movements, and elections were less a choice among parties than a plebiscite on the *ancien régime*. It is tempting to attribute the early emergence of parties as central political actors to either past traditions or institutional incentives, but unfortunately neither thesis conforms well with the evidence. Turning first to "legacies," one is hard put to find any relationship between the Leninist experience and the rapid emergence of relatively cohesive parties in only East Germany and Hungary. And going further back, to the pre-socialist experience, one would predict a rapid emergence of partisanship in Czechoslovakia and perhaps Poland, not Hungary or East Germany.

Certainly if one compares the distribution of the vote in Hungary in 1990 and 1947, one finds certain continuities in the bases of partisanship (Korösenyi 1991). Nevertheless, the big winners in the 1990 elections (the MDF and the SZDSZ) were fundamentally new parties, with constituencies composed of elements different from those of historical predecessors. Equally notable, the share of the vote captured by the parties with a pre-socialist presence dropped dramatically from 1947 levels, suggesting that "traditional" partisan identities had indeed shifted substantially. In addition, a major

source of previous political alignments—namely, the class cleavage—was distinctly absent: the blue collar vote that had once been shared by Social Democrats and Communists was split among a number of contenders.

If “legacies” do not explain the emergence of partisan actors, turning to institutional constraints does not get us much further. Here, one might point to the fact that both Germany and Hungary are parliamentary systems, whereas the states in which social movements initially came to power—Czechoslovakia, Slovenia, Croatia, and Poland—all have relatively strong presidents. But the Hungarian government did not become firmly anchored as a parliamentary system until *after* the spring 1990 elections. Meanwhile, Czechoslovakia’s constitution was that of a parliamentary system; what made the president there such a key political actor was neither the method of election nor the formal powers of the office, but the personal charisma of its occupant, Vaclav Havel. A similar situation characterized Croatia: Franjo Tudjman was elected president in 1990 by the legislature, not the popular vote.

This brings us to a final explanation of why Hungary and Germany were different, one that focuses on the allocation of charisma between the opposition and the outgoing regime. In both Hungary and (to a lesser degree) East Germany, the most popular individual leaders on the eve of elections were respectively Imre Pozsgay and Hans Modrow, both associated with reform wings in the former Communist parties. But while Pozsgay and Modrow may have been popular as individuals, their party affiliation was their Achilles’ heel. Consequently, if elections were fought along party lines, opposition groups would be at a relative advantage. Not surprisingly, they organized as parties in order to capitalize on it. The rejection of a directly elected executive was thus part and parcel of a strategy that would play up parties at the expense of individual personality. The absence of presidentialism was thus a consequence rather than a cause of the emergence of political parties.

In Czechoslovakia, Croatia, and above all Poland, however, the situation was reversed. There, the opposition had a monopoly on charisma, and the need to create parties capable of governing was correspondingly reduced. Instead, candidates could literally ride into office in elections that were simply referenda for or against political renewal rather than choices among alternative govern-

ments. In such conditions, all candidates defending the ancien régime had going for them was what was left of their former organization, a weak asset in an election in which organization counted very little.<sup>5</sup>

Thus the emergence of clearly differentiated partisan actors in Hungary and East Germany was less a reflection of legacies or even electoral rules than it was a response to the immediate political opportunities created by competitive elections. Moreover, once parties became central political actors, their political interests became the most important factor shaping the further evolution of the political system within which they were to operate. In East Germany, reunification was the result—a constitutional change very much in the interests of parties dependent on Western parent organizations and a major reason why the reformed heir to the Leninist SED is unable to replicate the electoral successes of its counterparts in Poland and Hungary. In Hungary institutional evolution after the 1990 election followed a less dramatic path, but it was also conditioned by parties interested in creating a playing field on which they would be the main actors. Thus even before the new government was formed, leaders of the two major parties—the MDF and the SZDSZ—concluded a “grand compromise” that settled the major lingering constitutional issues on whose resolution the ability of the new government to operate rested.

The first issue was whether the state itself would be parliamentary or semi-presidential. Although the 1989 constitution provided for a directly elected president, the two major parties, with enough votes between them to amend the constitution, both feared that a popular ex-Communist might still win a direct election. They thus concluded a classic pact of the victors. On the one hand, they allowed the president to be elected by the parliament with a two-thirds vote. On the other, they agreed that since the prime minister would be from the MDF, the SZDSZ could nominate the new president.

Second, the 1989 constitution contained a provision requiring all laws of “constitutional significance” to be passed by a two-thirds majority. Like the directly elected presidency, this provision had been agreed to in the Roundtable negotiations in 1989 and legislated into the constitution by the previous, socialist-controlled parliament. While the popularly elected presidency had been a concession to the Communists (who expected to win it), this provision was a conces-

sion to opposition groups, who in 1989 had not foreseen the resounding electoral victory they in fact achieved and so had wished to retain a veto power over what was expected to be an (elected) socialist-controlled government. With the “Red Menace” eliminated, however, such a provision was viewed as highly problematic by majority and minority alike. Since virtually any law likely to be proposed in the next few years could be construed as constitutionally significant, retaining this provision would have made the country virtually ungovernable. Accordingly, the sphere of laws requiring a two-thirds majority was drastically reduced, including only those matters upon which the parties felt their own survival depended (e.g., electoral rules, regulation of the media, local government reform).

The final question resolved in the grand compromise concerned government responsibility to parliament—i.e., what would constitute a vote of no confidence. Here the agreement adopted the German “constructive vote” of no confidence, such that the survival of the government would not depend on any single piece of legislation. Moreover, confidence was vested in the prime minister, who could name members of his cabinet without further parliamentary approval. Consequently, the prime minister (Jozsef Antall, an MDF nominee) acquired an important means of coordinating his party and its coalition partners.

At approximately the same time that the grand compromise was worked out, basic parliamentary procedures were also established. The initiative was taken by the outgoing president of the old parliament, Matyas Szuros, himself a newly elected MP of the MSZP. Aware that his own party’s interests would receive short shrift were parliamentary procedures to be determined by another MDF-SZDSZ agreement, Szuros invited leaders of all six parties in the new legislature to a meeting. The resulting rules predictably made parties the main actors in the legislative process—but unlike the grand compromise, they bent over backwards to ensure a role for the four smaller parties present.<sup>6</sup> For example, the number of committees established did not correspond to ministries in the government; rather, since the smaller parties did not have enough MPs to cover an extensive network of committees, they were guaranteed a minimum of two members on each committee, and the number of committees was reduced.<sup>7</sup> Chairmanships and vice chairmanships were distributed proportionally, and at the extreme, the Committee of the House had

all parties represented equally, such that the agenda it recommends to the parliament is decided by consensus.

The practical advantages of these arrangements for the smaller parties turned out to be rather negligible, however, for the dominant legislative cleavage was not between large and small parties, but between government and opposition. Indeed since two of the smaller parties were in the government, their relative overrepresentation in the committees simply strengthened the government's ability to control the legislature. The rules of procedure also gave the government major advantages in the initiation of legislation. For example, government bills automatically go on the agenda, and the agenda must be approved by the parliament itself at each session. Consequently, opposition motions could—and often were—kept off the agenda by majority vote, despite the consensus format of the House Committee. Accordingly, most legislation starts in the government.

The combined effect of the grand compromise and the house rules was to centralize initiative and power in the government majority. By granting parties a privileged position in the legislative process, the house rules also made the government's task easier. For example, although the rules setting up parliamentary committees clearly envisaged them as playing an active and independent role in legislation, the force of partisanship prevented them from doing so in practice. First, expertise was not supplied by a committee staff but through party organizations. Second, representatives from the affected ministry attend committee meetings, and their recommendations tend to govern the votes of the government parties' MPs, who have few alternative sources of information. Third, the agendas of the key committees (e.g., constitutional, budget) are so crowded with legislation that opportunities for independent initiatives by the committees themselves are lacking. Fourth, if a bill is given "urgent" status by the government, the time it can stay in committee is limited. Finally, immediately prior to the parliamentary vote on a measure, the committee recommendation is reported together with the minister's recommendation. Should the two conflict, the tendency of MPs in the government parties is invariably to vote with the minister. As one MP remarked, "The rules are all very nice, but the actual slogan of the day here is 'All power to the government!'" (personal communication, 1991). Hence although the committee model in-

initially opted for was based on the German Bundestag, where parliamentary committees are forums for interparty cooperation, in practice committees simply registered partisan divisions. Not only do the parties controlling a parliamentary majority control a majority on committees, but since there are too few committee positions to accommodate all MPs from the larger parties, committee appointments—and the 50 percent salary increase a committee seat carries—can also be used to reward loyalty. Meanwhile, given the importance of partisanship in the legislative process, the main threat to the government's ability to maintain its majority is unlikely to come from individual MPs, opposition parties, or purely parliamentary institutions like committees. On the contrary, any threat to the government's program is likely to come from its own coalition partners. This was precisely the case with the restitution issue.

#### NEGOTIATING COMPENSATION: THE LEGISLATIVE PROCESS

The political spectrum that emerged in the 1990 elections throughout Eastern Europe did not run so much along a left-right dimension as along a "*gemeinschaft-gesellschaft*" one. Nationalists, Christians, populists, paternalists, parochials, and the culturally based intelligentsia clustered at one end, while Friedmanites, Thatcherites, Social Democrats, and American-type liberals were lumped together at the other. It is, in effect, a multi-dimensional version of the ethnic-civic spectrum that has long roots in the entire region, predating and persisting through the Leninist interlude. In Hungary *gemeinschaft* parties—who came to form the opposition—were protagonists of an individualist and Western model of development, arguing for a clean break with both socialist and pre-socialist patterns of development. The *gemeinschaft* parties—MDF-KDNP and FKgP—generally promised to restore continuity with a past that had, in their view, been rudely interrupted by the imposition of a foreign form of government and economy. Particularly insistent were the Smallholders, who ran virtually a single-issue campaign, promising to return land to those who had owned it in 1947.

The history of the Hungarian Smallholders Party is closely connected with the history of the land question in Hungary. Unlike other



East European states, Hungary had no major land reform until 1945, at which time the large estates that had dominated agriculture were broken up or confiscated and an extremely radical land reform ensued. Although the reform was adopted and administered under Red Army occupation, it was promulgated by an elected coalition government in which the Smallholders held a majority. Hence the Smallholder commitment to reprivatize land in 1990 was calculated to attract the same popular elements that had voted the Smallholders into power at the end of World War II. Times had changed, however, and the 1990 Smallholders' appeal attracted only 11 percent of the vote. It was concentrated in the eastern and southern portions of the country, where fairly large peasant farms had played a major role in local agriculture even before the war.

The main competitor for the farm vote, the Agrarian League, failed even to pass the 5 percent threshold needed to qualify for the legislature. Organized after an in-house coup in the previously powerful National Association of Agricultural Cooperatives, it was widely perceived as representing the "old" agricultural hierarchy—the "Green Barons" so vilified by the Smallholders. While favoring a major overhaul of the socialist cooperatives, the Agrarian League was strongly opposed to dismantling them and especially to land restitution. Nevertheless, its poor electoral performance meant the traditional agricultural lobby would be frozen out of policymaking, despite its strong ties to management and experts.

As for reprivatization, while the Smallholders' program evoked a strong sympathy from rank-and-file activists from the other *gemeinschaft* parties, outright restitution was firmly disavowed formally by every other party in the election. Hence had any emerged with a clear parliamentary majority, reprivatization would have ended with the electoral campaign. The proportional representation (PR) electoral formula, however, meant that any government with a parliamentary majority would be a coalition. The MDF, controlling only a plurality of the legislature, thus put aside its reservations about reprivatization and included the Smallholders, together with the Christian Democrats, in the government. In doing so, it also conceded the Ministry of Agriculture to a Smallholder candidate.

Negotiations between the government parties over the restitution question began almost as soon as the government took office. A vague accord was concluded at the end of July 1990, but the Small-

holders continued to militate for a reprivatization statute. Finally, the prime minister requested an advisory opinion from the Constitutional Court, largely in the hope that the court would do the government's work for it by ruling out restitution on constitutional grounds. In October 1990 the court issued its opinion.<sup>8</sup> First, it held that land could not be treated any differently from any other assets up for privatization. Thus if the government wished to return land to its former owners, it would have to return other property taken from former owners (factories, shops, real estate, etc.) as well—in short, reprivatization on a scale no one was advocating. Likewise, if the government proposed only partial compensation to former owners of assets other than land, then partial compensation should be given to former landowners as well. In sum, the court reasoned, it was discriminatory to reprivatize some assets and only pay limited compensation for others. All assets had to be treated uniformly.

The court decision went even further. Not only did discrimination between former owners according to the type of property owned violate the constitution, but also preferring former owners over other individuals (i.e., citizens who had never owned property) in the transfer of state property rights was suspect. More precisely, positive discrimination in favor of former owners is constitutional only if it is "realized in a procedure where the interests of former owners and non-owners have been weighed with the same degree of prudence and impartiality," and even then only "if it can be proved that with the preferential treatment of former owners, the distribution of state property will yield a more favourable total social result than equal treatment [of former owners and non-owners] would."<sup>9</sup> In effect, then, the court decision required any proposed legislation on the restitution/compensation issue to justify why giving former owners special rights to property up for privatization would produce a "better social result" than a completely nondiscriminatory method of privatization. If the government chose to interpret this condition strictly, it would be impossible to meet.

Finally, the court noted that the constitution guaranteed security of property rights to all owners. While the state could privatize or reprivatize its own assets, it could not transfer assets among non-state owners arbitrarily and without full compensation. Among the nonstate actors whose assets fell under these protections were the collective farms; as cooperatives, they possessed property rights in-

dependent of the state and recognized as such in the constitution itself.<sup>10</sup> Hence regardless of how the cooperatives acquired their property, their ownership rights were legally protected as much as any other owner's rights were. To "reprivatize" land held by cooperatives without compensation, the court held, was equivalent to expropriation and therefore was unconstitutional.

How had cooperatives come to be landowners? Initially, in the (re)collectivization of 1959-61, cooperative/collective farms were formed from land (and other means of production) that members "contributed" to the cooperative. Legally, land worked by cooperatives had never been nationalized (in contrast with the USSR), and cooperative members retained title to their original land (often land to which they had gained title only in the postwar land reform). The formal title, however, had little practical significance, as the cooperatives retained the rights to use the land and there were major legal barriers to a peasant taking land from the cooperative prior to 1989. In day-to-day practice, then, cooperative members with land were employed in the cooperative in the same manner as members who had entered it without land; the only difference was that in the 1960s members with land began to receive a small sum of "rent" from the cooperative as the regime began attempts to rationalize agriculture.

Until the 1970s incomes and benefits for those employed in agriculture lagged behind those working in industry, and many left the countryside for the cities. As a result, by the end of the 1960s cooperatives were often farming land belonging to individuals who had long ceased to be cooperative members. In other cases, individuals owning land in one cooperative would find they could earn more at another; since employment, not land ownership, was the main basis for incomes, here too a cooperative would be farming land belonging to individuals who were not its members.

In response to these and other anomalies, reforms in 1967 created the category of "cooperative property." First, machine-tractor stations were abolished, and cooperatives were permitted to purchase and own their machinery. Together with the buildings, equipment, animals, etc. that had always belonged to the cooperative, the machinery also became cooperative property. Second, land ownership was rationalized by permitting cooperatives to "purchase" and own land they were currently farming. While there was no need to purchase the land of current members, individuals who had left a

collective but still owned land in it were required to either “sell” their land to the cooperative monopsonist or return to work at the cooperative as regular members (Donath 1979; Swain 1985). By 1989 about 35 percent of the land farmed by cooperatives was individually owned by cooperative members and about 5 percent by the state, such that over 60 percent of the land farmed was “cooperative property,” owned by the cooperatives themselves. It was this 60 percent of the land the Smallholders sought to reprivatize—and it was this same 60 percent that the Constitutional Court maintained enjoyed constitutional protection.

The Constitutional Court opinion effectively ended the possibility for an outright reprivatization of land.<sup>11</sup> Yet the Smallholders were determined to make good on their original campaign promise, and their strategic position of being able to make or break the government’s majority provided them with an important source of leverage. Nevertheless, the court’s advisory ruling was a serious setback; as a result, a significant current within the FKgP became prepared to compromise. This was the background for the next major event in the evolution of the law: a conference of agricultural experts in Kiskunmajsa at the end of October 1990.

The meeting was originally called by some of the agricultural experts and rural activists in the MDF; it was attended by individuals active in the formulation of agrarian policy in nearly all of the major political parties, as well as by representatives from the National Association of Agricultural Cooperatives. On the second day of the meeting, a compromise was hammered out. According to it, there would be no direct restitution in kind; instead, twelve-year bonds would be issued to former owners. The bonds could then be used toward the purchase of land, which would be offered at “market” prices. The agreement satisfied an important point in both the MDF and SZDSZ platforms—namely, to establish a market in land—while at the same time placing former landowners in a privileged position on it in “compensation” for their previous losses. At the same time, insofar as the cooperatives would receive negotiable securities for whatever land they sold, the compromise was acceptable to them as well (interviews, 1992).

Although the agreement was initialed by representatives from five of the six parties in the parliament, the parties themselves all disavowed it in the next few days, suggesting that the agricultural

community was actually far less divided on the land question than the politicians—whose concerns included a whole host of completely nonagricultural considerations. The agreement, however, was not quite as dead as appeared, and important elements of it were ultimately incorporated into the bill proposed by the government.

In November 1990 the government established an internal task force on the restitution issue, thus moving it, at least temporarily, out of partisan politics. Dominated by legal experts and MDF-appointed ministerial personnel, the task force's composition made the voice of the Smallholder-controlled Ministry of Agriculture only one among many (interviews, 1992). While this reduced the FKgP's influence on the task force's final report, it also meant the economic impact of the proposed legislation on agriculture would be little more than an afterthought. The draft the task force prepared was sent to the parliament in December. But it was soon modified by the government, which appended an extensive set of amendments to the bill in early January. Their net effect was to compensate former owners—and especially former landowners—far more generously than initially planned.

The explanation for the changes lies in the serious political crisis the government underwent in November-December 1990. It was precipitated by a blockade of Budapest bridges by taxi drivers protesting sharply increased gasoline prices at the end of November. The first major civil disturbance of the post-socialist period, it was ultimately resolved relatively successfully, but the government emerged from it with its self-confidence shaken. The finance and interior ministers were replaced and the cabinet reorganized; new consultations among the coalition partners ensued, with the MDF now anxious to accommodate its partners. Not only were major concessions made to the Smallholders, but the Christian Democrats also extracted a commitment to return nationalized buildings to religious organizations. The return of church property was merely a marginal rearrangement of priorities for the MDF, but negotiations with the Smallholders were more delicate; although the January amendments were significantly more generous in the compensation former owners could receive, the Smallholders were far from satisfied.

The main provisions of the revised bill were as follows.<sup>12</sup> First, it entitled owners whose property—whether land, real estate, or business assets—had been expropriated by either legislation or decrees

adopted after 6 June 1949 to receive compensation for their losses on a digressive scale. The procedure used was one which ascertained the value of the property lost at the time of its nationalization and adjusted it for inflation. On that basis, compensation vouchers would be issued, to be used for the purchase of state property up for privatization or for land the cooperatives were to “mark off” for compensation. Compensation was to be digressive and partial: smaller losses would be more fully compensated than large ones, with full compensation for those having lost 100,000 forints or less and the maximum any single individual could receive limited to 5 million forints. Reflecting the end of the political clout large landowners had traditionally wielded in Hungary, the latter provision militated against a return to the large estates that had once dominated the Hungarian countryside. On the contrary, the beneficiaries of compensation were to be what the government perceived as its prime constituency: the (now to be resurrected) postwar middle class. Consistent with this political objective, only “natural” persons could claim compensation; legal individuals—from corporations to churches—were thereby excluded. Given that the Catholic Church had been one of the largest landowners in Hungary before 1945, this was not an insignificant exclusion.

As demanded by the Smallholders, the bill discriminated in favor of landowners, and procedures which led to partial compensation for apartments or businesses also led to a disguised reprivatization in land. This was accomplished by using different measures to determine the past and present value of real assets, depending on whether the property in question was arable land. Thus if someone had, say, lost an apartment or small business in 1950, the forint value of the property in 1950 formed the basis for the amount of compensation s/he would receive. Yet the value of the building or business in 1992 might well be dramatically different. For example, an individual who owned an apartment building in Budapest in 1950 might well receive 500,000 forints in compensation vouchers; this, however, would still be but a fraction of the cost of the building should s/he wish to repurchase it in 1992.

In contrast, the value of a piece of land was calculated according to a standard measure of its fertility, “gold crown” points. Records dating back to the Austro-Hungarian Empire contained evaluations of the fertility of various plots. Individuals received compensation vouchers according to the number of gold crowns they had lost, and

the cooperatives were also to “sell” land they had acquired based on its value in gold crown points. Hence compensation vouchers issued to former landowners were basically identical with the price at which it could be purchased in 1992. Moreover, compensation vouchers issued on the basis of land included a limited purchasing right, such that a former owner had the right to buy his or her original plot of land from the cooperative that had acquired it. In contrast, owners of other property had, at best, a purchasing right only to the apartment in which they themselves lived, providing it was owned by the state.

The use of vouchers was an adaptation of the bond scheme recommended at the Kiskunmajsa meeting. It was a convenient solution to the court requirement that all property be treated equally and to the prohibition on taking land away from the cooperatives without compensation. In effect, cooperatives would now receive vouchers in return for whatever land they lost, and they could use those vouchers to purchase other assets up for privatization.<sup>13</sup>

In this form, the combined December-January bills were sent to the parliament, where they were forwarded for an initial review to four standing committees: budgetary, economic, local government, and constitutional. Passage through the first three committees went fairly smoothly; despite the fact that political controversy over the measure was quite heated, opponents of the bill generally preferred to get it out to the floor of the parliament, where they could attack it publicly, before the television cameras. Hence although opposition surfaced in these committees, chairmen were generally successful in defining the issue as simply whether or not the bill went to the floor. It was in the Constitutional Committee, however, that a foreshadowing of the debate that would take place on the floor of the parliament itself occurred.<sup>14</sup> That is, it became quite apparent that whatever attempts the MDF had made to incorporate the Smallholders’ position into the bill, it had nevertheless not succeeded in uniting them behind it. That two of the three opposition parties wanted the government to withdraw the bill for reconsideration was perhaps predictable; that they would be joined in this request by the Smallholders was not.

Not only was a lengthy attack on the bill initiated by the Smallholder fraction leader, but reservations about it were also expressed by committee members from other government parties. That the bill

came out of committee at all was due largely to the chairman's repeated insistence that releasing the bill for debate did not constitute approval of it and by the Socialist MPs joining the Christian Democrats and the MDF on the issue.

On 4 February 1991 parliamentary debate on the bill began.<sup>15</sup> As with all legislation, the first debate was to be general, regarding the principles and conceptualization of the law. It is during this time that amendments to proposed legislation are submitted by MPs; when the general debate ends, the bill and amendments are sent to the relevant committees again. The committees then report the bill and the amendments to the floor, at which point a second, detailed debate takes place and a final vote on amendments and the bill itself occurs.

The general debate over the compensation bill lasted for over a month—four times as long as the debate over the budget for fiscal year 1991. The House Committee initially provided for two rounds of party-designated speakers on the bill, after which the floor was opened for debate by individual MPs. The debate revealed that the MDF was not the only party that had changed its position on the compensation issue since the electoral campaign: virtually all of the parties sought to embrace the issue in a way that would allow them to construct a constituency for themselves.

Among the government parties, three distinct positions surfaced. The MDF, reflecting the formal government position, sought to portray itself as the party of "historical justice." Its lead speaker thus construed the bill as an attempt to make amends for past wrongs within the limits of what was constitutionally, legally, and financially possible. The Smallholders, in contrast, argued for the sanctity of property rights. From their perspective, what was at issue was not "injustice," but an illegal expropriation of property. Therefore, they concluded, the property should simply be returned, just as any "stolen goods" are returned to their rightful owners. The third party in the coalition, the Christian Democrats, took yet a different position. On the one hand, they accepted the principle that compensation could be partial. On the other, they felt that the question of land ownership should be separated from the compensation issue. Instead, a major current within the KDNP sought to use land ownership as a means of strengthening local governments; in effect, they would have taken land from state farms and cooperatives and given



it to local governments, who could then rent it out to the “real” peasants to farm.

Underlying the split in the government parties were not only different concepts of distributive justice, but also different definitions of the peasantry. For the MDF, the peasantry consisted of those currently working in agriculture, whose interests had to be protected. For the FKgP, the peasantry was the “historical” peasantry, wherever its members were currently employed. For the KDNP, the peasantry consisted of village communities, whose revitalization was economically and “morally” imperative.

As for the opposition parties, if all were opposed to the government bill, there was little agreement on what would be an alternative. The SZDSZ sought to position itself as the party of economic transformation, and so defined the restitution question as a privatization issue. Arguing that everyone had suffered under the old regime, SZDSZ claimed there was little rationale for privileging former owners over other citizens. Instead, doing justice to all could be best accomplished by distributing vouchers worth about 20,000 forints (approximately \$250) to all Hungarian citizens. The vouchers could then be used to purchase state-owned assets, similar to the scheme then being elaborated in Czechoslovakia.

FIDESZ took virtually the opposite position. Whereas SZDSZ had sought to incorporate compensation into privatization, FIDESZ argued that the two processes should be completely separate. As for compensation, it was highly unfair to privilege former owners over everyone else and even more unfair to privilege former owners of land over all other owners. In addition, the party of youth argued, the compensation bill created serious problems of intergenerational justice since the current generation would bear the costs of “compensating” for the actions of the previous generation. Thus the proposed compensation would not only fail to correct past injustices, but it would also create new ones. Hence FIDESZ remained loyal to its original position: no compensation for anyone.

The Socialist Party, in contrast, also found the compensation issue an attractive platform from which to target a constituency. On the one hand, with many of its leaders recruited from the old economic technocracy, the Socialists questioned a law whose fiscal consequences were largely unknown. On the other, seeking to define themselves as social democrats, they sought to compensate workers

as well, by distributing ownership rights to employees in state firms. Further, consistent with a position which would tie compensation to "economic democracy," the MSZP also wished to protect the cooperatives' rights to own land.

Had the debate simply been between the government coalition and the opposition parties, it would have been heated but hardly lengthy. The bulk of the debate, however, went on between and within the government parties. On the one hand, a month of debate and extraparliamentary consultations failed to convince the Smallholders to abandon the demand for full restitution. On the other hand, the official position taken by parties within the government was not necessarily shared by all members of their parliamentary delegations.

Within the MDF, several different currents emerged. First, there were those closely associated with various outside interests who sought to piggyback them into the bill. Thus an MP who was an officer in several associations of "victims" (the POW lobby, the inmates of internment camps group, the Committee for Historical Justice of '56 Veterans) felt that those who had suffered nonproperty damages which were often far more serious than those experienced by property owners should be given preferential treatment. Another MP argued that Hungarian citizens of German descent had been treated in a highly arbitrary and discriminatory fashion in the immediate postwar period but would not be covered by a bill that compensated only damages incurred after 1949. Finally, there was a current within the MDF that sympathized with the Smallholder position and hence wished to modify the law to bring it yet closer to a *de facto* land reprivatization law.

Within the Christian Democrats, too, a split emerged between those sympathetic to outright reprivatization of land, those who were willing to accept compensation along the lines of the proposed bill, and those who wished to allow local government a determining voice in the distribution of arable land. Even the Smallholders were far from unanimous on what an acceptable bill would be. On one side were the "radicals," who insisted that nothing short of outright reprivatization would do; on the other were those who wished to conclude the best bargain they could get with the government, if only to keep the coalition intact.

The result of these fissures was that once the bill finally went back to committee for detailed consideration, it was accompanied by

well over 120 amendments proposing over 400 modifications in the original bill. Moreover, most of the proposed changes came from MPs elected from parties in the government coalition.

On 2 April 1991 the bill returned to the floor of the parliament. In the preceding month, the bill had been examined by four committees; more important, it had also been the subject of intense negotiations among the government parties. The last round of negotiations had finally produced a workable compromise, incorporated into a lengthy amendment submitted jointly by the leaders of the MDF, KDNP, and FKgP fractions. The amendment passed smoothly through the committees considering it and was one of the few amendments incorporated into the final law.<sup>16</sup>

The amendment included many of the changes upon which the Smallholders insisted, and so was a significant modification of the original proposal.<sup>17</sup> First, full compensation was raised to cover damages up to 200,000 forints. Second and more important, when land was the basis for claims, claimants could receive full compensation for up to 1,000 gold crown points. Since the value of a gold crown point was 1,000 forints, this provision effectively meant that former landowners would receive 100 percent compensation for up to 1,000,000 forints of property. As a result, the bill would permit a full restoration of relatively large farms (300-400 ha.).

On 8 April 1992 the bill, the proposed amendments, and the committee reports returned to the floor of the parliament for the detailed debate. The debate itself was relatively perfunctory. On the one hand, positions on principles had hardened along government versus opposition lines. On the other hand, the intervening months had seen such extensive negotiation between and within the government parties that the government now had enough votes in its pocket to pass the bill as amended without opposition support. First of all, once the triparty amendment had been submitted, the Smallholders and the Christian Democrats were willing to support the bill. Second, the voices within the MDF that had argued for including other groups (Germans, political prisoners, etc.) within the compensation process had been quieted by government assurances that their concerns would be incorporated into future legislation.

The compromise engineered within the government parties, however, did not embody any of the concerns of the opposition parties. In this, the situation differed from much earlier legislation,

in which the government had often sought, usually with some success, to attract support from opposition MPs in addition to its own delegates. Arguing for a six-party consensus on the issue but faced with a three-party majority able to enact the bill, fifty-two MPs from the SZDSZ petitioned the Constitutional Court for a preliminary review of the proposed legislation. Thus for the second time, the court was asked to speak. This time, however, it refused to rule, noting that until the bill was passed, it was unclear what the final statute would be. Insofar as the bill and an enormous number of amendments—many in conflict with each other—were pending and since it was unknown which amendments would be incorporated into the final bill, the court argued that it could hardly adjudicate the contents of a statute whose contents were as yet unspecified.<sup>18</sup> Hence the ball bounced back to the parliament.

Thanks to the volume of amendments, voting on the bill consumed another 2–3 parliamentary sessions. The procedure was to first vote on the amendments and then on the final bill. Amendments are announced by their assigned number by the presiding officer of the parliament; the MP proposing the amendment is then given an opportunity to give a brief justification, and the recommendations of the committees are announced. Finally, a government representative (usually the minister from whichever ministry drafted the legislation) presents an opinion. Thus if the government parties have settled their internal divisions, the procedure makes it relatively easy for MPs to vote with (or against) the government on the basis of a minimal amount of information (literally, the minister's one-word recommendation immediately prior to the vote). This was certainly the case with the compensation bill: regardless of whether amendments were proposed by MPs from government parties or from the opposition, votes always reflected the ministerial recommendation. The final vote, too, was strictly along party lines: 189 in favor, 107 against, and 11 abstentions (mainly from SZDSZ MPs from areas of the country in which the Smallholders had also won a significant share of the vote).

The moral of the story up to this point appears to be the following. First, the privileged position granted to the government and political parties within the legislative process means that as long as the government can settle its internal partisan conflicts, it can quite successfully control the legislature. Individual MPs may produce

prolific amendments, but they are likely to go nowhere unless the government supports them. Hence while the government needs to act as a coalition and engineer bills satisfactory to all of its partners, it need not fear “surprises” from the legislature.

Second, however desirable consensus may be in the abstract, the government basically has no need to court the opposition; in fact, maintaining a strong division between its own coalition and the opposition is very much in its interest, as it facilitates the maintenance of discipline within its own ranks. This appears to have been one of the main political lessons learned by the government in the restitution controversy, and subsequent legislation was accompanied by heightened antagonism between government and opposition parties.

Third, the advantages government parties enjoy in the legislative process are reflected in the emerging interest group structure. It pays to lobby the government, and one of the prime routes to the government’s ear is through MPs in the government parties. This helps to explain both the success of the (non-Jewish) “victims” lobby and why the largest trade union federation had less influence on labor legislation than a small “workers’ council” association headed by an MDF MP. It also explains the relative impotence of the traditional agrarian lobby, which lacks either a ministerial or a government affiliated parliamentary spokesperson, despite what was already shaping up as a major crisis in agriculture. As a result, the final version of the Compensation Law reflected a large number of political considerations and even some financial ones, but attempts to assess its impact on agriculture were minimal.<sup>19</sup>

Meanwhile, the compensation question hardly ended with the passage of the amended bill on 24 April 1991. For a bill to become a valid law, it must be signed by the president, Arpad Goncz, an SZDSZ nominee. Goncz, however, had serious reservations about the compensation bill. While unable to veto the bill, he could question its constitutionality before the Constitutional Court. He did so, posing a number of questions to which the court responded on 3 June 1991.

The court’s ruling modified and nullified a number of key provisions in the act.<sup>20</sup> First, it ruled that the date after which owners of nationalized property could receive compensation was arbitrary. That is, if “injustice” was the grounds on which the state would provide compensation for confiscated property, there was no valid

reason for compensating only those whose property was taken after 8 June 1949. On the contrary, either everyone whose property was taken wrongly had a right to compensation or no one did. Thus the statute was valid only if it specified that a future law would provide redress for those who lost property “unjustly” prior to 1949.

Second, the court held that the provision of the law requiring local governments to accept compensation vouchers for flats already in their possession was invalid. Rather, the court argued, once nationalized real estate had been ceded to local governments, the central state could no longer use the property to compensate individuals for damage the central state itself caused. Instead, local governments could only be required to accept vouchers as payment for flats ceded to them after the Compensation Law was passed.

Third and most important, the court held that a method of valuing property that allowed former owners of land to receive virtually full compensation for their losses and that would permit them to reacquire their property in kind, while limiting owners of other forms of property to partial compensation by vouchers only, was discriminatory. Thus the procedures that allowed former landowners to buy back their land—by allowing them to receive 100 percent compensation for 1000 gold crowns of land—and which allowed owners of shops and apartments to receive only a fraction of the value of their property violated the rule that all individuals/property be treated equally in the law. The problem, the court noted, was not that gold crowns were used to estimate the value of land while square meters and location were used to estimate the value of apartments; rather, it was that the digressive scale and the method of calculating the value of the property vouchers could be used to purchase was different for land than for other assets. That is, a person receiving vouchers in compensation for a nationalized apartment could use the vouchers to (re)purchase an apartment at current market rates; the vouchers would thus cover only part of the present price. Land, however, was to be priced at 1,000 forints per gold crown—exactly the amount of the vouchers issued. Hence a constitutional compensation act would have to find some way of affixing the current value of arable land that would be independent of the value of the land when it was taken out of private ownership. In effect, then, the court invalidated the March compromise without which the bill would not have passed the parliament.

Despite these objections, the court accepted the constitutionality of the basic law. Indeed not only did it accept that past “injustice” was a legal ground for the state to compensate individuals for damages, but it also moved away from its earlier position of equalizing former owners and nonowners by suggesting that where property rights were concerned, the state might well have some obligation to compensate (i.e., that the bill’s claim to rectify “injustice” was sufficient justification for differentiating former owners from nonowners). The decision also declared that it was appropriate to discriminate between property and nonproperty damages and compensate only the former, if the legislature so wished. Equally important, it ruled that it was permissible to encumber the cooperatives for the purposes of compensation: “The members of the agricultural cooperatives have no constitutional right to make the property of the cooperative divisible, and to receive parts of it as private property free of charge. This depends on the decision of the legislature,” which can require the future private owners of cooperative property “to render an account to the party from whom the cooperative acquired the land.” Hence the preemptive, “purchasing” rights of the former owners were upheld. Finally, it ruled that it was permissible for descendants of former owners as well as the owners themselves to claim compensation.

The torturous reasoning used in the court’s opinion and the partial nature of its approval produced a predictable political reaction: every party claimed a victory. But once the dust settled, it became clear that if the court had supported the constitutionality of the overall bill, it had also rejected precisely the part of the bill—the disguised land privatization—on which the political viability of the entire statute depended. For the statute to remain in effect, it had to be amended and passed in amended form by the parliament; to garner the necessary majority, the statute had in some way to still satisfy the Smallholders’ demand for land while not causing a hemorrhage on the budget by matching land compensation with equivalent compensation for all other forms of property.

Thus the stage was set for another round of negotiations, complicated by a growing split among the Smallholders. Here a “radical” faction both dedicated to full restitution and increasingly suspicious of the prime minister and government on other grounds as well had become increasingly strident. Opposing this faction was a more

moderate “legitivist” faction, willing to buy into the court’s observation that a limit of 200,000 forints for full compensation would effectively cover 94.2 percent of those owning land in 1949 in any case. For the latter group, the real question was how to make sure that the land that vouchers could purchase would be sold at prices voucher-holders were able to pay. Given the court’s requirement that the land be sold on a “market” and given that no one had any way to know what the current value of a gold crown was, this was no small dilemma.

Thus the question was either how to guarantee that former landowners would be compensated enough to repurchase their property at a market-determined price, or how to make sure that the market price of the land would be low enough to allow it to be repurchased. The compromise arrived at was ingenious. Land claimed from state farms and cooperatives would be sold at auctions in which only those living in the area or previously owning the land could participate. Since the value of the land would be determined by auction, this could be considered a market price; since the participants at the auction were limited to holders of vouchers, the price would likely be one the vouchers could cover. Indeed it was entirely possible that participation at auctions would be small enough or collusion strong enough that former landowners would be able to purchase more land with vouchers than they had originally owned! Moreover, to make sure claimants wound up with a farm at least equivalent in size and quality to the one they had lost after 1949, a provision was inserted into the law by which those planning to farm their land themselves but whose compensation vouchers were insufficient to repurchase it could receive a free credit from the state to make up the difference. In effect, if the state did not provide enough compensation vouchers to permit reprivatization, it would turn around and subsidize reprivatization out of the budget.<sup>21</sup>

With this amendment plus others accommodating the objections of the court regarding the date and the local government property, the bill returned to the parliament. The question now, however, was what procedure should be used to consider the amended bill since the existing parliamentary rules were designed to accommodate only new legislation. In this case, however, the bill had already been approved by the parliament but had not become law since the president of the republic had not signed it. Moreover, the court had



ruled some—but significantly not all—of its provisions unconstitutional. Moreover, the issue was not simply one of deciding whether an amended bill should be treated as new legislation, but also of deciding how the rules covering cases of this sort should be made. Here the issue was whether a change in the house rules had to be made; if so, a two-thirds vote would be required.

The matter was thus sent to the rarely convened Procedures Committee to resolve. By 10 June, the committee report—or more precisely, reports—was ready. The majority report, representing the views of the coalition parties, predictably argued that the procedure governing consideration of the legislation could be adopted by a simple majority of those present and voting and that debate could be limited to simply a discussion of the amendments. Equally predictably, the opposition reports—each for a different reason—took the opposite view on both issues. The vote on the procedure revealed that the government's parliamentary majority was still intact, and the majority report's recommendations passed easily, 182–107. Hence only the government's proposed amendments proceeded to the standing committees.

Two weeks later, the amended bill returned to the floor of the parliament. The question, however, had really been already settled in the procedural debate of 10 June: the amendments proposed by the government passed easily, and the entire proposed statute came rapidly to the final vote. In that vote, a new fissure in the government coalition made itself all too apparent: the Smallholders had split on the acceptability of the compromise, with the radical group rejecting it. As a result, the bill proclaiming itself as a symbol of post-socialist "society's" attempt to do "justice" to the "victims" of the past passed the parliament with the smallest majority of any piece of legislation to date (187-133 with 6 abstentions), a majority whose composition was almost entirely governed by partisan considerations.

### COMPENSATION, INSTITUTIONS, AND THE PAST

The struggle over the restitution issue in Hungary is a good illustration of the interplay between past "legacies" and the evolution of institutions. That interplay, however, looks different depend-

ing on whether we examine it in Hungary only or in the context of Eastern Europe as a whole, and indeed some of the conclusions one arrives at based on evidence drawn from the former have to be modified when we consider comparable data from the latter.

Let me begin this analysis with Hungary, starting with the “legacies” hypothesis. Historically, the longest legacy explaining the origins of the demand for restitution in Hungary is a struggle for land reform that goes back 200 years. The large estates of the aristocrats were the targets in that struggle, explaining the logic of the Smallholders’ campaign to equate the management of the collective farms with the aristocracy of yore by labeling them Green Barons. Thus it would be tempting to construe the demand for restitution as a continuation of previous efforts at land reform, suspended under Leninism and now resurfacing in modified form.<sup>22</sup> To do so, however, would be to accept the Smallholders’ account of their actions without examining the consequences of their position for the peasantry as a whole.

In fact, had full restitution of land taken place, its effect would have been to take land away from many currently working on the collective farms. Even the watered down compensation via vouchers has this effect, insofar as cooperatives will lose land they were currently farming and with it, possibilities to employ many of their members. Cooperative members who entered without land of their own are particularly hard hit, winding up with a single hectare of land—in contrast to what they might have received had cooperatives been allowed to parcel land up among current members. Equally important, cooperatives performed important services for members, and the viability of many small farms depends on cooperatives’ ability to supply peasants with grains, fodder, and marketing facilities. To the degree the compensation process hinders the cooperatives’ ability to do so, it actually threatens small farming.

All in all, then, the distributional impact of the law is likely to be quite different from the traditional small peasant land reform it is nominally supposed to mimic: rather than taking land from aristocrats and large estates and distributing it among peasants, it is taking land from some peasants and giving it to others. Thus the main “historical continuity” arising out of the compensation act seems to be that of small groups seeking to use the power of the state to collect rents from society. As we know, such a “historical continu-

ity" is hardly a unique characteristic of either Hungary or any other state in Eastern Europe.

It is also tempting to utilize the "historic weight" of the land question to explain the protracted nature of the debate. Here one might argue that due to the traditional importance of agriculture in the Hungarian economy, the heavy "national tradition" associated with the land, and other such symbolic issues, any attempt to reform agriculture would be a major source of controversy. In this view, the restitution issue was more divisive than other matters—such as key legislation on the budget, privatization, the banking system, the protection of property rights, etc.—because land ownership engaged "historic" interests and not simply those of actors emerging during or after the socialist interlude. Here, too, however, there are some real problems. The law passed in January 1992 which outlined the key provisions for a wholesale restructuring of the collective farms passed through the parliament without prolonged debate and controversy. Reconstituting the cooperatives as purely voluntary associations of individual landholders was in legal terms far more historically decisive than the compensation act; yet despite the "legacies of the past," its adoption went smoothly, with many opposition MPs voting with the government.

In fact, then, if we are to explain why the compensation/restitution question proved so controversial, the explanation seems to be purely institutional, or at best narrowly political. That is, what made restitution different from all other issues was the absence of an agreement within the government coalition. It was arriving at an agreement, complicated by the tendency of the Constitutional Court to reject any compromise acceptable to the Smallholders, that made the situation so heated. In effect, had the MDF either captured a larger number of seats or been willing to control a minority government, the entire question would have evolved differently—and possibly not at all. That these choices were not made by the MDF reflects its leaders' immediate political calculations rather than any "heritage" of the past.

Moreover, the pre-socialist past was not one of agriculture based on small and medium-sized farms. Rather, large estates dominated agriculture in the interwar period; land redistribution took place only during the brief 1945–48 interlude. Significantly, no party wished to jump back to the real historical past, a position all too understandable given the electoral imperatives of universal suf-

frage. However solicitous the Christian Democrats were of church interests, they had no dissent to limiting compensation to “natural persons”—thereby barring the church from land ownership. Nor was there opposition to the 5 million forint ceiling on compensation, a clause designed to quiet fears that large landowners might recapture their former status.

This brings us to the second set of “legacies” that presumably played into the law: those of Leninism. Here the cultural hangovers that made the issue so popular for all the parties to latch onto is what one might term the culture of being a victim, a set of psychological attitudes about political efficacy frequently found in states with an authoritarian heritage. That is, when individuals perceive themselves as ineffective politically, they invariably see events as happening to them—even if their own actions contribute to events. Precisely because they assume their actions “don’t matter,” individuals are inclined to take either intransigent positions rejecting everything or stances of complete passivity.

Like the legacy of the land question, the legacy of victimization helps to explain a great deal of the rhetoric used in the debate, which at times turned into little more than a discussion over who had suffered most under the previous regime. But for “legacies” to play more than a purely rhetorical role, they should have some impact on actions as well, and here the case is far less clear-cut. In fact, the story of the compensation act is not really one of intransigence, but of extensive negotiation and compromise. Even the split between the government and opposition was less pronounced than appears at first glance, as the voucher scheme the government proposed was an adaptation of the Kiskunmajsa accord along lines openly advocated by SZDSZ, the major opposition party. Significantly, compensation vouchers were valid for the purchase of assets the state would privatize as well as for the purchase of property previously owned by individuals, and the State Privatization Agency was instructed to reserve up to 10 percent of salable assets for this purpose. Insofar as the initial round of the Czech auction plan pushed by SZDSZ only involved 10 percent of state assets as well, the similarities are even more apparent.

Furthermore, by the spring of 1992 the opposition parties had reconciled themselves to the act as well. When the implementation of the auction scheme started running into technical difficulties and

delays, it was a FIDESZ representative that proposed another bill to allow cooperatives to directly reconstitute land to claimants on a voluntary basis under appropriate conditions. The effect of the law was to speed up the land redistribution process—a goal eminently supported by the government.

One might argue that the much more aggressive attitude and actions of the government parties and the government itself toward the opposition after it emerged from the compensation crisis with its majority intact was the clearest indication of the persistence of the “Leninist legacy.” Here presumably the relevant explanation is the “absence of successor elites,” a factor which in theory should lead us to expect intolerance among partisan actors. It is certainly true that partisan conflicts are sharp in Hungary, and it is equally clear from the June debate over the procedures to employ in amending the original statute that the government parties were not above using the “rules” to forward their own policy preferences. Meanwhile, the enactment of a controversial statute extending the statute of limitations for major felonies and the subsequent attack on the media—forcing the resignation of the bipartisanly selected presidents—by the government indicate its distinctly nonliberal tendencies. That the government relied on regulations put on the books by the socialist regime to more closely control the mass media only cements this impression.

Yet the key question would seem to be exactly what political gains the government made for all these efforts. Extending the statute of limitations quickly ran up against a unanimous opinion by the Constitutional Court nullifying the entire law; government leaders hit new lows in public opinion polls despite enhanced control of news transmissions; and far from turning to its charismatic figures and demagogues to rescue it, the MDF Congress, with the 1994 elections clearly in mind, essentially marginalized its own demagogues and endorsed a rather centrist leadership. Such a retreat runs directly counter to the “legacies” hypothesis, which would predict persistence and even hardening of authoritarian tendencies in the face of resistance. Yet instead what we see is pragmatic adaptation to political incentives, public opinion, and legal constraints.

There were some “Leninist legacies” that did indeed make a key difference in how the restitution issue played itself out; the most important of these, however, were legal and economic, not cultural.

Of particular centrality were the reforms in agriculture of the 1960s that had created “cooperative property” as a form of ownership separate and distinct from state property. It was primarily this legal constraint that made outright restitution impossible in Hungary.<sup>23</sup> The result, it should be noted, was a far more reasonable property rights reform than elsewhere in Eastern Europe. First of all, and in direct contrast to the extremely difficult situation restitution created in eastern Germany, the compensation formula in Hungary meant that the disposition of state property was not encumbered by the claims of former owners. Second, the problem of transforming vouchers into shares of enterprises up for privatization is less problematic in the Hungarian case than in the Czech one since vouchers with no value attached to them are not the basis for attaching monetary value to shares. Third, while the “fairness” of awarding vouchers solely to former owners is clearly subject to question, it does create a much larger group of potential shareholders in formerly state-owned enterprises than might otherwise be the case.

The desire to preserve the collective farms had economic causes as well, a factor explaining why the radical Smallholders’ position had such weak support in the popular vote and, in the end, within the legislature as well. Collectivized agriculture had generally performed fairly well under socialism; at the same time, it was widely felt—among the collective farm association as much as among others—that many farms had become too large, that property titles needed to be rationalized, and that output patterns had to be modified in light of the shift from CMEA to Western markets. Thus agricultural reform was on the agenda of all political actors.

Nevertheless, support for getting rid of cooperative farming altogether was minimal—even within the Smallholders Party. The vision of a large number of tiny independent farms had scant appeal, and a cursory glance at the situation in the countryside reveals why. No one had the tools or the means to make such farms viable; specialized institutions for providing credit to small farmers were nonexistent while strict monetary constraints made whatever credit was available very expensive; a significant proportion of the rural population were pensioners who needed someone else to farm their land for them; and many feared (rightly or wrongly) creating conditions whereby large numbers would be forced to sell their land and the large estates of the past would return. In this sense, genuine support

for continuing major elements of the “Leninist legacy” was considerably more pronounced than for rolling back the clock to the inter-war years. As a result, the debate over restitution was in many ways more over what to retain from socialism than about how to abolish it.

If the legacy predictions do not bear up very well under the evidence, what about the institutional explanation? At first glance, it offers a far more persuasive account of how events unfolded. First of all, that the restitution issue even landed on the government agenda was due more directly to the electoral rules and the decision to establish a parliamentary form of government than to the “legacies” of the past. Had, for example, only single-member plurality districts been used, the Smallholders would have gained far fewer seats, while the MDF might very well have had a large enough majority to make forming a coalition government unnecessary altogether. The PR system was also a prime factor making a “single-issue” party like the Smallholders a viable political competitor. Moreover, precisely because such a party had relatively vague commitments on other issues, it was an attractive coalition partner.

Second, insofar as the parliamentary form of government was directly related to the hardening of party lines in the legislature, it was a prime factor leading to the overturning of the early, Kiskunmajsza agreement by the individual parties, each of which sought to use the issue to stake out its own constituency. In effect, the parliamentary form of government created political incentives for parties to magnify their disagreements, even when common ground was present.

Third, that the relationship between seats and votes in Hungary exaggerates the number of legislative seats captured by larger parties is important to explaining why the MDF could bargain with the Smallholders from a relatively strong position. At the same time, the fact that the government had a reliable majority in the legislature was critical in its decision to ignore the opposition and subsequently to move to attack it. Indeed the “intolerance” of the government for the opposition was as much an artifact of parliamentary rules as of elite attitudes.

The electoral rules had other consequences as well. For example, the 5 percent threshold that had to be crossed for a party to enter the legislature limited the number of actors present. As a result, it

lowered the number of partisan interests that made up the government, facilitating the bargaining process. Further, it was primarily the threshold requirement that kept the Agrarian League out of the legislature.

Fourth, institutional incentives themselves shaped which “legacies” were politically relevant. As our analysis of the debate indicates, rather different versions of the past were adhered to by different partisan interests. What governed selection criteria seemed more to be electoral considerations in the present—i.e., the desire to target a constituency and create a clear party identity that would appeal to it—than any shared understanding of the past.

Finally, both the contours of the debate and the content of the final legislation cannot be explained without reference to the decisions of the Constitutional Court. Significantly, the establishment of such an independent court with the power of judicial review is a clear break with both Leninist and pre-Leninist traditions in Hungary and came directly out of the “crafting” experience of the 1989 Roundtable.

The political role of the court is closely related to its institutional status. Most observers view the prime minister’s early request for an advisory opinion as a subterfuge for letting the court rule on restitution in order to take the heat off the MDF. In addition, the court was an important political resource for the opposition, forcing major modifications in the act the government itself did not favor. Its ruling that the 1949 date was arbitrary, forcing the promulgation of a second Compensation Law to cover expropriations of German (i.e., Hungarian citizens of German descent) and most outstandingly Jewish property after 1939, was a case in point. The court’s invalidation of subsequent legislation extending the statute of limitations for major felonies—a decision that essentially mirrored the opposition’s position—is a yet more striking example of how the actions of institutional constructs can constrain authoritarian impulses. Not surprisingly, changing the court’s status became a key plank in the “populist” alliance formed by the radical Smallholders and the militant nationalists of the MDF in the 1994 election.

At the same time, the court itself is hardly immune from political influence, and preserving its “independence” is as much a product of partisan images as of legal prescription. As a result, it acts to prevent its decisions from being viewed as overtly embodying the



preferences of any partisan actor. But defining “independence” as a function of the position partisan actors take means the court’s views shift with the stances partisanship assumes. This is undoubtedly a main cause of the change in the court’s position between the first and the third Compensation Law rulings. In effect, the court moved from a view that there should be no discrimination between former owners and everyone else and that cooperatives have a right to complete compensation for any property taken from them to a view far more sympathetic to partial compensation for all. Clearly a key factor in this shift was the desire to avert a head-on collision with the government (Sajo 1992).

All in all, then, at the level of the “small picture”—i.e., the restitution issue in Hungary—an explanation of how the issue got on the agenda and how it came to be resolved flowing from the structure of new institutions appears to be entirely persuasive. It is only when we turn to the “big picture” and consider the fate of the restitution issue throughout Eastern Europe that its explanatory power begins to wane.

More precisely, the way in which post-1989 political institutions were structured explains how restitution was handled in Hungary. Yet dealing generously with the demands of former owners was not unique to Hungary. In Germany, Czechoslovakia, Romania, Bulgaria, and Slovenia, the same Former Owners Lobby crystallized and enjoyed even greater success. In some cases, former owners were part and parcel of a party coalition (Bulgaria); in others, they were an independent lobby (Slovenia, Czechoslovakia). In Hungary they were in the government; in Romania they were in opposition. Legislative, executive, and judicial institutions varied widely, as did the cohesiveness of parties, and specific laws did reflect this. Nevertheless, the broad outcome was the same everywhere: regardless of how owners acquired their property, how indebted the property might have been at the time it was taken, who was currently using it, and what the fiscal capacities of the state were, as long as the property had been “lost” under communism, it was either returned in kind or compensation was paid to those owning it nearly half a century earlier.

Thus institutions may explain why and how restitution/compensation laws differed from state to state; they do not, however, explain the power of the restitution demand itself. In effect, the in-

stitutions did not matter—the demand was there, and institutions only affected how it was processed. The implication is that institutions may account for nuances in policy choices, but they do not explain fundamental political decisions. The latter seem related to political forces that emerge independently of institutions, and it is on those forces—not the formal rules—that the survival of competitive politics will depend.

Nor can the handling of the restitution question be seen as simply “reflecting” popular preferences that became politically relevant thanks to the introduction of “democracy.” In fact, the demand for restitution was hardly widespread in East European electorates. In Hungary the Smallholders received only 11 percent of the vote; elsewhere, the issue did not even arise in electoral campaigns. Instead, there was a strong but rather narrowly based former owners lobby, often fueled by emigres returning from abroad. At the same time, survey data indicate some desire to redress some of the worst ills of the past (particularly as regarded political prisoners), but they generally do not show strong sentiment for restituting property or privileging former owners in some way.<sup>24</sup> Hence the persuasiveness of the restitution claim must be explained at least partially independently of the popular will. And, to complete our analogy, the survival or demise of competitive politics may also depend on factors independent of popular preferences as registered in elections.

### WHAT REALLY HAPPENED IN 1989?

Understanding why claims for restitution acquired such heavy political weight requires understanding the nature of the change that occurred in Eastern Europe in 1989. That change had several unusual features. First, the disintegration of the ruling party in Eastern Europe did not involve much of a change in the state apparatus. In effect, there was no more of a “revolution” in 1989 than there had been in 1948; the state taken over by a Leninist party remained intact, now to be governed by parties elected by the domestic population.

The “nonrevolutionary” nature of the change is closely related to a second key feature: the virtual absence of substantive claims made by specific social groups. Workers neither struck nor occupied

factories; peasants did not seize land; outside Yugoslavia, minorities did not riot or take over local governments; militaries did not plot coups; even those perennial rebels, the students, did not engage in prolonged protest. In short, all the extensive popular demands widely associated with social revolutions simply did not occur; by the time people took to the streets, the old regime had effectively collapsed, and crowds congregated to celebrate its demise rather than to advance specific claims.

This helps explain the third peculiar characteristic of the collapse of East European Leninism: the absence of extensive violence. Far from forcibly overthrowing repressive and unpopular regimes, hastily put together political groupings negotiated a surrender. The "transition" proved rockiest not where Communist parties were intransigent, but where opposition groups were too poorly organized to form a stable counterpart.

If the absence of conflict between social groups with strong distributional claims made the collapse nonviolent, it also reduced negotiations over future political arrangements down to choices about procedures and the formal distribution of authority among branches of government whose occupants were as yet unknown. As Geddes notes, the main considerations governing such decisions were simply the potential political fortunes of the actors themselves involved in making them.

But that there would be a new political order and that it would reflect the lines of established states in the West was a foregone conclusion, suggesting that a new set of hegemonic norms has at least implicitly come into being. Thus the timing and electoral rules may have been contested, but the principle that elections would be competitive and that they would regulate access to political office was not. The powers of the executive and legislature were debated, but the principle that only laws emanating out of legally authorized bodies would constitute binding rules was not. How, how much, and to whom the state would divest assets was controversial, but that private ownership was to be protected and its sphere expanded was not.

Yet although opportunities for access to political office opened considerably and the legitimating criteria for state action altered dramatically, the power to shape the emerging social and economic order remained in the state itself; the balance of forces between

strong state and fragmented society had hardly been overcome in the space of a few months of rather orderly transition and evanescent celebrations. Paradoxically, the agreed-upon rules of the political game were those of pluralism and limited government, but they applied to a state that was still extremely powerful and—with the important exception of the electoral connection—rather insulated from popular pressures. It was this extensive and highly centralized state that constituted the real “Leninist legacy” and the main source of the authoritarian temptation. Consequently, it fell to those elected to political office to utilize state resources in order to create and find a social base to represent. Hence even where parties did not emerge in elections, they soon formed within legislatures. Moreover, it is precisely this peculiar combination of electoral pluralism within a state that still exerted a controlling force on economic and social life that explains how a narrow lobby of former owners could acquire such tremendous political clout.

That is, we have noted how the political spectrum that emerged everywhere in Eastern Europe after 1990 ran roughly from *gemeinschaft* to *gesellschaft* visions of political order, and the composition of legislatures reflected this. As a result, claims that harmonized with transformative projects on both sides of the spectrum were in a far better strategic position than those whose interests rested on one side or the other; in effect, such claims were the post-socialist equivalent of the proverbial “median voter,” to whom parties with uncertain and volatile constituencies have traditionally catered (Black 1958). And this was precisely the position of the former owners.

Insofar as the former owners were presented as a “traditional” and eminently “national” group, satisfying their claims allowed *gemeinschaft* parties to show their commitment to restoring continuity with the pre-socialist political order and with national traditions. At the same time, as private owners, their demands could be construed as consistent with the goals of *gesellschaft* parties to enlarge the private sector as rapidly as possible. If establishing property rights appealed to liberals, restitution also allowed elements linked to the old order to demonstrate that they were making a genuine break with the past. Equally important, privileging small owners over major industrialists, the church, and owners of large estates meant maximizing the political gains from restitution—gains that would have been washed away had large-scale restitution occurred. That

the issue became a vehicle of extensive logrolling, such that the number of claimants under final legislation was typically much larger than initially foreseen, was also directly related to the partisan appeal of the measure.<sup>25</sup> So too was the tendency to limit claimants to the newly defined citizen body. Thus the extension of compensation to German and Jewish property confiscated prior to 1949 in Hungary was not a political initiative, but a court requirement. And Poland, the one state in which non-nationals would have been the primary beneficiaries of restitution, was also the only state in which it did not become a major issue.

It must be emphasized that the position of the former owners as the “median voter” was *not* a reflection of their position in the electorate. On the contrary, both survey and electoral data show them to be a distinct outlier in the society at large. But in legislatures and governments, the former owners were smack in the center and could pose as both the archetypal “victims” of communism and the harbingers of privatization and the new middle class whom parties on all sides were rushing to capture.

Hence the underlying logic of the restitution battle reflects a peculiarly East European political spectrum that emerged in the context of Western-type institutions set atop a still rather socialist-style state, and the story would have turned out differently had any one of these factors been absent. The story is less one of cultural legacies pushing politics into authoritarian channels than of politicians using state offices to seek out constituencies with diffuse and volatile political loyalties; it is less a tale of institutional constraints creating democratic accountability than of political ambitions pushing elites to capture the center, even when the center is a social outlier. And it follows that the future of the new institutional framework depends heavily on whether it can accommodate what will continue to be a state-based, top-down, and partisanly (as opposed to socially or popularly) created “center” as well.

## NOTES

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1. See “Law XXV of 1991 on Partial Compensation for Damages Unlawfully Caused by the State in Properties Owned by Citizens in the Interest of Settling Ownership Relations.”
2. It has since been superseded by a dispute over a proposed statute designed to regulate the media.
3. The statutes are published in “Kárpotlás,” a special supplement to *Népszabadság*, 2 June 1992. In addition, a fourth law designed to expedite the distribution of land claimed under the first law was rapidly moving through the parliament in June 1992. See “A negyedik kárpotlási törvény lehetőség a gazdálkodóknak.”
4. It is within this context that the debate over parliamentarism vs. presidentialism is currently raging. (Linz and Valenzuela, eds. 1994; Stepan and Skatch 1993; Mainwaring 1990).
5. Slovenia was perhaps the exception to prove the rule. There, faced with a popular leader of the former League of Communists, the groups making up the opposition were still unable to form more than a loose alliance of proto-parties and run as the nationalist social movement, Demos. Although Demos captured control of the government in 1990, the presidency remained directly elected. As one might expect, it was captured by Milan Kucan, the leader of the renamed League of Communists.
6. The rules of procedure are published in *A képviselő kézikönyve* (1990).
7. Ten were standing committees (constitutional/legal, budgetary, economic, environment, local government, human rights, defense, foreign affairs, cultural/education) and three were “special” (ethics, procedures, and mandates).
8. See Constitutional Court of Hungary (1990).
9. *Ibid*, p. 9.
10. Note that cooperative farms were of a different legal status from state farms. The latter were similar to factories and enterprises in state hands; the assets of cooperatives, in contrast, were owned either by the members or the cooperative itself.
11. Theoretically the court decision could have been overturned by a constitutional amendment. This, however, would have required a two-thirds vote of the legislature, a condition impossible to meet since the only party that would have supported such a move was the FKgP.

12. The analysis is based on the text of the two combined drafts. See "Törvényjavaslat" (1990) and "Módosítások" (1991).
13. While normally the state privatization could devote up to 10 percent of state assets for voucher claims, cooperatives would be permitted to buy up to a 20 percent interest in food-processing concerns with them.
14. The transcripts of the committee meetings were kindly supplied by the Parliamentary Information Office, Budapest.
15. The description of the debates is taken from *Az Országgyűlés* (1991), the minutes/transcript of parliamentary sessions in the spring of 1991.
16. The only other major new amendments to the bill the government accepted were recommended by the parliamentary committee on environment. Its chairman, a Christian Democrat, sensed an opportunity to graft environmental concerns onto it and thus proposed that land adjacent to national parks or which was "environmentally sensitive" be excepted from the compensation process and instead be ceded back to the state for conservation.
17. See Amendment 2089, submitted 20 March 1991 (mimeo).
18. Insofar as the Hungarian constitution explicitly allows for such petitioning prior to the adoption of laws, however, the impact of the court ruling may ironically have been to nullify that clause in the constitution (Klingsberg 1992).
19. For accounts of the disaster which ensued, see Agocs and Agocs (1994); Kiss (1993).
20. See Constitutional Court of Hungary (1991).
21. This provision of the law was ruled unconstitutional by the Constitutional Court in March 1993.
22. Such a view is an extension of the argument made by Szelenyi (1988).
23. In theory, it could have been overturned by a constitutional amendment. But this, of course, would have required a two-thirds vote of the parliament, impossible under the circumstances. The same legal constraints did not prevail elsewhere, an important factor explaining restitution in other states in the region.
24. A summary of survey data in Hungary is given in Klingsberg (1994).
25. Note that although polls did not register extensive public support for restitution in Hungary, once the Compensation Law was passed, opponents often availed themselves of the possibility to make claims. In the end, over 1,500,000 claimants received at least some compensation. See Radio Free Europe (1994).

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## THE LENINIST LEGACY, INSTITUTIONAL CHANGE, AND POST-SOVIET RUSSIA

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Does the legacy of Leninist rule in Eastern Europe and the former Soviet Union doom the region to prolonged political conflict, economic upheaval, and cultural disintegration? Or can wise policy-makers in the post-Leninist era quickly forge a new community of liberal capitalist states stretching from Western Europe to the Urals—and perhaps even beyond? That such questions are now being asked in both academic and governmental circles illustrates the truly epochal significance of the collapse of the Soviet bloc. Clearly, the international response to the events of 1989–91 will have a tremendous impact on world affairs for the next several decades, if not longer. Under such circumstances, social scientists may feel enormous pressure to produce comprehensive “right answers” as soon as possible—even when doing so would seem to require prophetic insight rather than social scientific analysis.

I will argue here, however, that posing the question of how the Leninist legacy affects institutional change in such a sweeping and undifferentiated way actually precludes good theorizing about the problems of post-Leninist development. Confronted with a stark conceptual dichotomy between triumphant Westernization and hopeless post-Leninist paralysis, any serious analyst examining the whole range of political, economic, and cultural problems in Eastern Europe and the former USSR will finally be forced to conclude that the truth simply lies somewhere in between. Moreover, the degree to which Westernization is constrained by the Leninist inheritance appears to vary substantially from one context to another, precluding simple generalizations about the relative importance of the two factors. In fact, the need to examine both the Leninist legacy and the

new institutional context in the region is demonstrated by all of the essays in this volume.

Matthew Shugart's global comparison of electoral rules in transitional democracies demonstrates a general link between the pace of transition from authoritarian rule, the degree to which the rule-drafting elite is made up of *ancien régime* "insiders," and the resulting organizational strength of political parties. In short, slow transitions and "outsider" power make parties stronger. He also shows a clear relationship between geographical proximity to Western Europe and the adoption of pure parliamentarism. However, focusing on the East European and CIS cases in Shugart's sample, we find a pattern specific to the post-Communist milieu: the closer one gets to Moscow, the more likely it becomes that the establishment of rules favoring strong parties and true parliaments will be blocked by "insider" politicians—in other words, former Communist Party *apparatchiki* relying on regional power bases or defending the interests of inefficient industrial and agricultural producers. To the west of Russia, Belarus, and Ukraine, we find a variety of presidential-parliamentary governments; only on the very borders of the European Union do we find the pure parliamentarism established in Hungary and the former Czechoslovakia. Institutional rationality accounts for this distribution of outcomes very well—but the distribution of institutional environments itself can apparently only be explained with reference to the structures inherited from Leninism.

Meany sets out to prove that the Leninist legacy has only limited significance for privatization policy in Poland, the Czech Republic, and Hungary. Her essay makes it quite clear that the primary impetus for the effort to privatize the old Stalinist state sector in these countries came from Western capitalist advisers and business leaders; the Leninist legacy did not prevent the launching of rather ambitious marketization policies. Nonetheless, she concludes that in two of these three cases, lobbying efforts by entrenched post-Stalinist agricultural and industrial economic blocs have remained a substantial obstacle to full privatization; since the third case, the Czech Republic, had the good fortune to be separated politically from the less fully restructured Slovak economy, it is truly an exception that proves the rule. Again, the dynamics of institutional change in the region cannot be understood without taking into account both the impact of new institutions created in response to international pres-

tures and resistance by the beneficiaries of the prior institutional arrangements of Leninism.

Róna-Tas, too, focuses on the dynamics of post-Leninist privatization in Eastern Europe, arguing that neither the ahistorical claims of Westernizing “social engineers” nor the assertions of the uniqueness of post-Communist societies offered by the “cultural-historicist” school account for the full range of empirical outcomes. Ironically, he observes, the far greater economic decentralization allowed in Leninist Hungary compared to Leninist Czechoslovakia has made it harder for the former country to implement centrally directed privatization policies; the entrenched business interests of Hungarian managers created a social base for organized opposition to state giveaway schemes, while Czech managers may find themselves in an increasingly precarious position as state support for privatized Czech enterprises is curtailed. Thus aspects of the Leninist legacy can be shown to affect contemporary politics and economics even in two of the most fully Westernized East European countries.

Likewise, Geddes has shown that electoral competition in Eastern Europe has decisively changed both the strategies and behavior of key political actors in the region. As she demonstrates, new electoral rules in Poland have in a few years marginalized extremist groups and reinforced tendencies toward compromise and coalition-building. At the same time, however, she notes the pervasive cynicism of East European electorates and the weakly developed ties of new party elites with social constituencies, both of which are logical consequences of the collapse of an overcentralized and corrupt party-state. Moreover, while Geddes argues that the impact of electoral democracy should gradually weaken both the cohesion of socioeconomic coalitions inherited from the planned economy and post-Leninist cultural practices that remain inconsistent with new democratic institutions, she does not deny that a distinctive Leninist socioeconomic and cultural legacy exists.

Finally, while Comisso’s careful study of the land restitution problem in Hungary demonstrates that the outcome in this case was in no way predetermined by the Leninist legacy—depending more crucially on the specific institutional rules of Hungarian democracy—she too argues that the intensity of emotional rhetoric utilized in the parliamentary debate on this issue is a product of the “cultural

hangovers” of Leninism. In addition, she describes the contemporary Hungarian political spectrum as split between parties oriented toward *Gemeinschaft* and those representing *Gesellschaft*, a debate which appears to confirm the continuing importance of the Leninist (and pre-Leninist) cultural legacy in generating resistance to full-scale Westernization. On the question of land restitution in Hungary, international forces and domestic institutions combined to outweigh the impact of these cultural legacies. However, given Hungary’s long history of relative economic decentralization and trade ties with Western Europe, it is hardly a typical post-Leninist state. This leaves open the theoretical possibility that in other post-Leninist settings, and in other policy arenas, cultural legacies inherited from Leninism may be decisive in undermining Westernization.

The kind of careful empirical work exemplified by these essays is clearly the starting point for well-founded theorizing about the nature of institutional change in the post-Leninist environment—or in the context of collapsed social orders more generally. But just as clearly, one cannot build theory simply by disproving the oversimplified and overgeneralized predictions (or prophecies) about the future of post-Communist Europe often found in the literature. Having discarded both triumphant Westernization and primordial anti-Western backlash as predictive alternatives, one must begin to formulate alternative hypotheses about the specific effects of the Leninist legacy which can be tested within a variety of post-Leninist settings.

How might we begin to generate such hypotheses? One sensible approach is to reexamine the work of the theorist whose hypotheses have been critically examined throughout this volume, Ken Jowitt. Where is Jowitt’s argument about the effect of the Leninist legacy strongest? Where has it been shown to be inadequate? Most important, what factors must be incorporated into Jowitt’s original formulation of the problems of institutional change in Eastern Europe to produce a more precise fit with the data? By building on original theorizing, rather than rejecting it wholesale the moment any disconfirming evidence is found, cumulation in social science research may yet prove to be attainable.

First of all, it should be noted that Jowitt’s argument about the future of post-Leninist Europe includes two separate, and not always compatible, predictions. The first is that the collapse of the old

formal institutional structures of Leninism—ideological, political, and economic—will tend to produce long-term institutional turbulence and cultural confusion in the region. This turbulence, Jowitt argues, will tend to undermine *any* attempts at stable regime-building, whether under liberal capitalist auspices or not. By the same token, however, in an environment of such unpredictability, the generation of entirely novel institutional forms by small, ideologically committed elites cannot be excluded. Thus the post-Leninist milieu is for Jowitt a kind of “Genesis environment”: chaotic but potentially generative of new types of social order.

Jowitt’s second prediction is that despite the inherent unpredictability of such a “Genesis environment,” the Leninist legacy in Eastern Europe and the former Soviet Union will tend to favor anti-liberal and anti-capitalist outcomes rather than smooth “transitions to democracy.” The long decades of separation from the West, the general lack of historical experience with the rule of law and citizenship norms, the economic upheaval produced by the collapse of the Stalinist socioeconomic system, and the production of a distinctive late Leninist culture of cynicism and alienation from the public sphere should combine to enable populist demagogues and authoritarian leaders to subvert attempts at liberal capitalist institution-building. As Jowitt puts it in one colorful passage, “It will be demagogues, priests, and colonels more than democrats and capitalists who will shape Eastern Europe’s general institutional identity.”<sup>1</sup>

How have these two predictions fared in the years since Jowitt made them? On the one hand, the turbulent nature of the post-Communist “Genesis environment” has been rather spectacularly confirmed. Writing in 1989-90, Jowitt successfully predicted the outbreak of civil war in what used to be Yugoslavia, the breakup of Czechoslovakia, the appearance and at least partial success of diverse demagogic politicians such as Tyminski, Meciar, and Zhirinovsky, and the general political turbulence throughout the post-Leninist region. While we have gotten used to these phenomena since the breakup of the Soviet bloc, it must be borne in mind that Jowitt was emphasizing them before many analysts in the field were ready even to entertain such possibilities.

On the other hand, Jowitt’s second prediction, that post-Leninist turbulence would tend to produce authoritarianism rather than stable multiparty democracy (except possibly in Poland, due to the

indigenous democratic legacy of Solidarity), appears to be disconfirmed—at least for now—in several important cases. Certainly it was incorrect to downplay the impact of democrats and capitalists on institutional change in Eastern Europe. This aspect of Jowitt's argument has been persuasively criticized by all the authors in this volume. Nonetheless, as mentioned above, even in cases where the creation of democratic and market institutions has been relatively successful, many of the post-Leninist cultural phenomena Jowitt predicts have manifested themselves as well.

In sum, Jowitt's theory seems persuasive in both its emphasis on the turbulent, not pacific, nature of post-communism and its tracing of some specific and empirically identifiable cultural patterns of resistance to Westernization in the region to the influence of Leninism and Stalinism on social life. It is far less persuasive in accounting for the diverse institutional outcomes in the countries affected by the Leninist legacy—especially where such outcomes have so far vindicated the hopes of the most optimistic Western liberal democrats. Why?

The evidence presented in this volume suggests that Jowitt's theory, while still an excellent starting point for comparative analysis, needs amending in two respects: one external to the Leninist regime context, one internal to it. First, as Comisso has argued here and elsewhere,<sup>2</sup> Jowitt's argument pays insufficient attention to the crucial impact of the world capitalist market on post-Communist societies. Second, the concept of "the Leninist legacy" must be broken down into more precise subcomponents in order to specify which aspects of that legacy are most crucial to explaining outcomes in various cases of post-Leninist reform.

To begin with the external dimension: there is no denying that the existence of a dynamic, prosperous, and stable liberal capitalist core in Western Europe and North America exerts a powerful influence on the former Leninist countries—as well as on the rest of the world. It is equally obvious, however, that the nature of that influence depends greatly on the domestic environment—both institutional and cultural—of a given country. In a survey of the situation in Eastern Europe and the former Soviet Union (as well as in what used to be known as the "Third World"), three factors stand out as critical in facilitating the establishment of formal capitalist economic institutions in non-Western countries: first, the degree to which land,

labor, and money markets have been at least informally established prior to the adoption of full-scale capitalism; second, the proximity of the country to established Western markets and sources of investment; and third, the extent to which the world capitalist market is in a period of economic expansion or recession during the attempted transition.<sup>3</sup> Where the buying and selling of land, labor, and money have been severely restricted for a long time, the imposition of strict policies of macroeconomic stability may prove socially unenforceable and lead to an anti-market backlash. In places far from established markets and investors, the indigenous bourgeoisie may be too weak to begin or even support the process of capital accumulation necessary for long-term economic growth. Finally, recession in the world market exacerbates both of the above problems, as the amount of capital available for risky investment in developing economies decreases, while demands for protectionism against “cheap labor” tend to increase.

Applying this argument to the post-Leninist countries, one is immediately struck by the geographic location of the most successful liberal capitalist transitions in the former Soviet bloc: specifically countries directly bordering on Western Europe. These include Slovenia, Hungary, the Czech Republic, Slovakia, and Poland; the Baltic states, especially Estonia, also benefit from their close proximity to Scandinavia. Finally, one should mention East Germany, which can be said to have undergone the quickest formal transition to liberal capitalism of all. Comparing this group of countries to those immediately to the east of them—Croatia, Serbia, Bulgaria, Romania, Ukraine, Belarus, and, finally, Russia itself—one notices immediately the difference in the degree of successful institutional transformation along liberal capitalist lines.

This result should not have been entirely unexpected in light of the hypotheses advanced above. Due to their placement on the periphery of the former Soviet empire—and their relatively late incorporation into it—the countries bordering Western Europe had not only undergone a fairly high degree of informal marketization relative to the Soviet core, but could also be more easily incorporated into existing Western markets once the Soviet bloc collapsed. The ultimate success of Westernization in the *rest* of the post-Leninist world would seem therefore to depend primarily upon the third factor mentioned here: if economic growth in the liberal capitalist



core continues for a fairly long period, the informal, semi-legal markets in places like Russia and the Ukraine may yet become the bases of more formal capitalist systems with enforceable property rights, bankruptcy laws, and unemployment. Under conditions of global recession, however, the prospects for an anti-liberal backlash against marketization will be much greater.

Clearly, then, one must keep the dynamics of the liberal capitalist world system in mind when attempting to explain the future of the former Leninist states. However, this factor can be fairly easily incorporated into Jowitt's original argument about the nature of the Leninist legacy, especially insofar as he saw the collapse of Leninism producing a "Genesis environment" of fluidity and turbulence. For in such an environment, Jowitt implies, a coherent, disciplined ideological elite will have a decisive advantage over most culturally disoriented social competitors. In the post-Leninist countries bordering Western Europe, then, we would expect the ideologically committed and well-organized representatives of liberal capitalism to emerge as a pivotal political force. Elsewhere, far from the liberal capitalist core, we would expect the more debilitating aspects of the Leninist legacy emphasized by Jowitt to be more pronounced—as indeed we do.

For the internal dimension of the Leninist legacy, the evidence shows that some aspects of Communist rule have been more critical than others in affecting institutional change in the post-Leninist era. Statues of Lenin in East European capitals were toppled pretty quickly and irreversibly; Stalinist-style factories, by contrast, have proven exceedingly difficult to destroy. But Jowitt's presentation tends to lump together all aspects of the legacy of Communist rule into a single analytic package. I would suggest approaching the problem by breaking down the Leninist legacy into four basic components: the ideological legacy, the political legacy, the socio-economic legacy, and the cultural legacy. I would hypothesize that the difficulty of overcoming these four legacies increases as the costs to individuals of rejecting them increase.

Thus the ideological legacy of Leninism is by far the simplest to eradicate. For one thing, internal commitment to the formal belief system of Marxism-Leninism was already almost totally nonexistent by the Gorbachev era. In fact, perestroika itself can be understood as Gorbachev's frantic and ultimately futile search to find some so-

cial group willing to fight for the same “socialism” in which he still believed. In any case, after Gorbachev renounced coercion as a mechanism of enforcing ideological uniformity, the costs of rejecting orthodox Marxism-Leninism—outside of a small group of unshakable converts—were very low or negative throughout the former Soviet bloc. This too explains how the alternative ideology of liberal capitalism so rapidly became hegemonic in post-Leninist societies: snowballing defections from every ideological tenet even remotely connected with “socialism” created an ideological vacuum easily filled by the dominant worldview of the West.

The political legacy of Leninism is somewhat more difficult to undo. The institutionalization of the “leading role” of the Communist Party in Leninist regimes concentrated all political power—and therefore all political experience—in the hands of the party *apparatus*, at every level of society. Thus the costs of giving up one’s party membership in the post-Leninist era have been much greater than the costs of rejecting Communist ideology, especially since the fortunes of alternative political groupings have tended to fluctuate wildly in the turbulent post-Leninist milieu. In addition, much of the state bureaucracy in every country of Eastern Europe and the former Soviet Union is necessarily still staffed by former Communists. After 1992, the renamed Communist parties of Hungary, Poland, and Lithuania emerged as the leading parties in these countries’ parliaments—perhaps the most obvious manifestation of the continuing effect of the Leninist legacy in the region.

Nonetheless, while the costs of giving up affiliation with the former Communist Party have been significant in many cases, several factors have combined to open up the political sphere to other organized forces, as Geddes has demonstrated. First, where proximity to Western Europe has facilitated the successful implementation of formal capitalist markets in land, labor, and money, the payoffs for political entrepreneurs advocating economic liberalization have been great enough to sustain strong liberal parties capable of competing with the various post-Communist groupings. Second, former Communist parties themselves have split into smaller parties representing collective farms, industrial managers, army officers, and so on; divisions among such groups within the framework of universal suffrage can lead to the emergence of relatively democratic forms of political competition even where most political elites are ex-Com-

munists. Finally, without any official ideological commitment to Marxism-Leninism, Communist parties in power have often behaved much like West European left-wing parties, attempting to soften the impact of the market while accepting it as a necessary reality of contemporary international life.

This brings us to the socioeconomic legacy of Leninism—more precisely, of Stalinist planning—which has been by far the most intractable institutional obstacle to liberal capitalism in the post-Leninist context. The problems associated with the Stalinist model of development are by now well known: oversized factories producing heavy industrial goods no one wants in a wasteful manner, environmental degradation on an astonishing scale, surplus industrial and agricultural laborers with outdated skills and little experience with Western norms of time efficiency, a shoddy and decaying infrastructure, an unclear legal basis for property rights (especially in land), and no reliable banking system. Even in the most successful cases of market reform to date, as Meany has shown, trying to cope with this inheritance has been enormously difficult.

That this is so becomes unsurprising when one considers the costs to individuals of abandoning Soviet-era socioeconomic institutions. For managers, entire careers spent learning how to maneuver through the planning bureaucracy in order to obtain scarce materials, to lower plan targets, to lobby for an increased wage fund, and so on become irrelevant to success in a marketized context.<sup>4</sup> For unskilled and semi-skilled workers, life under capitalism means immediate exposure to unemployment; in the most heavily industrialized regions of the former Soviet bloc, entire cities might have to be shut down to achieve strict macroeconomic stability. Finally, for bureaucrats themselves, a full-fledged market economy must eliminate their former official roles altogether.

Again, as in the case of Marxist ideology and Leninist politics, the Stalinist socioeconomic legacy is not insurmountable. In the absence of both ideological restrictions on economic activity and political control over enterprises, certain well-placed factory managers and skilled laborers have found ways to make substantial profits in the emerging post-Soviet market—although, it must be noted, some highly profitable activities, such as asset-stripping and selling off local raw materials at bargain basement rates, may have a profoundly negative effect on future growth in the region. In addition,

as stressed above, the incorporation of the most strategically located post-Leninist states into the thriving market of Western Europe has introduced a very real incentive for local economic actors to produce more efficiently. In the near term, however, in many East European and former Soviet countries it is still unclear whether the force of institutionalized capitalism will destroy post-Leninist distributional coalitions, or whether lobbying efforts by those coalitions will instead block the full formal institutionalization of capitalism.

Finally, we should briefly examine the cultural legacy of Leninism. Culture, first of all, should be distinguished from ideology. Ideology, in my use of the term, refers to a formalized and codified definition of the “proper” membership and boundaries of a polity—something very few people in any society can be said to possess, though those who do act in an ideologically consistent manner may have a critical social impact. As mentioned above, what was left of the ideological legacy of Marxism-Leninism was extinguished fairly quickly after the Soviet collapse. Culture, by contrast, refers here to the informal norms and daily life practices of social groups in a given region.<sup>5</sup> Such norms and practices may be initially developed in response to the formal institutional environments enforced on that territory, but they tend over time to become valued for their own sake and therefore to endure long after the institutions which produced them disappear. Thus cultural patterns in a given region usually reflect the overlapping influence of a whole series of historical forms of institutional domination. Such is the case throughout the former Soviet bloc. In every post-Leninist country, cultural patterns can be traced not only to the period of Communist Party rule, but to the conquests and conversions of various zealots, warriors, and emperors dating back to antiquity. The cultural legacy of Leninism, like the cultural legacies of Russian tsarism, Mongol conquest, Byzantine rule, and so on, will thus no doubt also be of importance for an indefinite period.

Again, this makes sense in terms of the costs to individuals of giving up their culture: while doing so may be advantageous politically or economically, it is a wrenching experience psychologically and emotionally. Because cultural patterns are informal and therefore difficult to organize, the direct effect of cultural resistance to Westernization in the former Leninist world may not be immediately obvious at the level of formal ideological, political, or socioeconomic institu-

tions. However, disaffected cultural groups may eventually provide a social base for political entrepreneurs committed to radically different ideologies than those currently hegemonic in the post-Communist era. If this occurs, many of Jowitt's more dire predictions about the future course of post-Communist societies may be vindicated. If not, the mechanisms by which certain informal norms and daily practices that emerged under Leninism are extinguished and replaced by new cultural patterns are still well worth scholarly examination.

To sum up, amending Jowitt's original argument about the Leninist legacy in these two ways—incorporating the impact of the world liberal capitalist system, and disaggregating the Leninist legacy itself into ideological, political, socioeconomic, and cultural components—we may be able to generate rather more precise and nuanced hypotheses which fit the data much better than those which opened this discussion. At a minimum, such an approach allows us to understand why some legacies of Leninist rule matter more in the long run than others. Logically, for example, we would expect formal Marxist-Leninist ideology and even the legacy of Leninist political institutions to be overcome rather quickly, especially in states bordering on Western Europe. By contrast, the influence of Stalinist socioeconomic institutions and the cultural patterns of daily life associated with them, especially in the core areas of the former Soviet empire, should remain with us for quite some time. The future of institutional change in the post-Leninist era would seem to depend in each case upon whether the organizational strength and ideological commitment of Westernizing elites—and of the social groups with whose interests they are aligned—will be sufficient to both uproot informal post-Leninist institutional opposition to procedural democracy and markets and prevent the rise of charismatic leaders articulating anti-Western ideologies who might provide effective organizational form to the current inchoate cultural opposition to Westernization.

### THE LENINIST LEGACY IN POST-SOVIET RUSSIA

As a preliminary illustration of the thesis outlined above, it may be useful to summarize developments in Russia, the core of the former Soviet empire, since 1991. On each of the four levels I have

emphasized—ideological, political, economic, and cultural—there have been many dramatic changes; the institutional order of the old USSR has clearly been irreversibly undermined. Yet comparing the situation in the Russian Federation at the end of 1995 to the East European cases examined elsewhere in this volume, I would argue that the degree to which the Leninist legacy still constrains contemporary social actors is striking, and the impact of formally enacted changes in political and economic institutions on policy outcomes is far less certain. It is clearly beyond the scope of this brief concluding essay to formulate and carry out conclusive empirical tests of this argument. What follows is thus meant only as a suggestive outline of the effects of Leninist ideology, Communist Party politics, Stalinist economics, and informal Soviet cultural norms on social life in Russia today.

I have argued that the legacy of Marxist-Leninist ideology has been less burdensome for post-Soviet Russia than any other element of Soviet Leninism. Indeed in the immediate aftermath of the August coup, popular disgust with the formal ideological categories of the old regime was so widespread that labeling oneself a “Leninist” was tantamount to committing political suicide—as Mikhail Gorbachev discovered upon returning from his house arrest in Crimea, when he proclaimed to an astounded domestic and international audience that the defeat of the coup-plotters confirmed Lenin’s idea that “socialism is the living creativity of the masses.”<sup>6</sup> From that point on, Russian politicians—including many of those who had been outwardly orthodox Leninists right up until August 1991—strove to outdo one another with professions of opposition to communism. Several of the most prominent of them published books on this theme, announcing their principled opposition to the Soviet “totalitarianism” they had only recently helped to administer.<sup>7</sup>

Although some of these overnight conversions to “democracy” might justifiably provoke a certain degree of skepticism, the wholesale abandonment of Marxist-Leninist ideological categories—after decades of their near-total monopolization of political discourse—has been a remarkable fact of post-Communist Russian politics. To be sure, small splinter groups still attempt to organize opposition to the current regime in the name of Leninism. Viktor Anpilov’s Workers’ Russia movement tries to mobilize blue-collar workers for a second “proletarian revolution” against capitalism in

Russia. Nina Andreeva's All-Union Communist Party of Bolsheviks refuses to accept the demise of the old order altogether, and in essence stands for a return to the post-totalitarian Stalinism of the Brezhnev era. Still, neither of these groups has much social support—although Anpilov's party did attain 4.5 percent of the vote in the 1995 Duma election—and their chances to attain significant political power are virtually nil. Meanwhile, the far larger and more influential Communist Party of the Russian Federation, led by Gennadiy Zyuganov, has adopted an ideological stance that owes far more to fascist nationalism than to dialectical materialism.<sup>8</sup>

Perhaps the most significant legacy of Communist ideology in Russian politics, therefore, is a negative one: in the short run, its sudden disappearance has left an almost total ideological vacuum. The earlier and more gradual decay of orthodox Marxism-Leninism in Eastern Europe, along with the proximity of West European ideological alternatives, gave intellectuals and political activists in East European societies a chance to formulate and articulate relatively coherent and detailed principles for charting the course of post-Communist transitions. In Russia the dominance of the old ideological categories in everyday life was such that the few wholly uncompromising opposition figures, such as Solzhenitsyn, became isolated from the main currents of Russian society and hence unable to connect with the concerns of contemporary audiences. At the same time, attempts by former party officials to articulate ideological alternatives to Marxism-Leninism have little credibility.<sup>9</sup>

Western social scientists have tended to treat the disappearance of "ideology" in Russia as a positive sign—as a return to "normal" or "pragmatic" policymaking.<sup>10</sup> Such analysts forget that the formal constitutional orders, state boundaries, and legislative rules of Western democracies are themselves grounded in an established ideological consensus about the value of legal proceduralism. The opposite of "ideological rule" in Russia has turned out to be anything but "normal"; instead, the absence of effective ideological principles has engendered a political and economic free-for-all in which the pursuit of short-term interest by "free riders" makes it almost impossible for the state to establish or defend public goods.<sup>11</sup>

The adoption of liberal capitalist ideology by many of Yeltsin's early advisers was a natural response to this situation. However, while liberals in Eastern Europe could claim—with some justification in

most cases—to be returning to indigenous social traditions suppressed under Soviet rule, liberalism in post-Soviet Russia appeared to many as a wholesale capitulation to “the West.” Given the negative consequences of marketization for the majority of former Soviet workers, farmers, intellectuals, and bureaucrats, opposition to liberal ideology in both politics and economics has only intensified. In this context, the principled commitment of Russian politicians to rational-legal norms of government—such as support for the constitution, respect for the Constitutional Court, acceptance of the internationally recognized boundaries of the Russian Federation, and the defense of legal guarantees of individual property rights—has become increasingly suspect. As a result, the general ideological void of post-communism continues to plague Russian political life, and those in search of a consistent vision have often gravitated toward radical ideological figures such as Zhirinovskiy or Zyuganov.

This brings us to the second legacy of Leninism, that of one-party rule. Again, the initial effect of Yeltsin’s banning of the Communist Party of the Soviet Union in the days after the August coup was to encourage widespread formal defection of erstwhile supporters of that organization. However, such defection proved to be potentially far more costly than disavowing Marxist-Leninist ideology. In a state where Communist Party officials had absolutely monopolized every significant position of power in society, right down to the shop floor level, membership in alternative political organizations could hardly deliver comparable benefits in the short run. For this reason, formal withdrawal from the CPSU was, in most cases, followed by a scramble to cement the key personal ties and access to distributional networks inherited from one’s days as a Communist functionary. Although the CPSU “Humpty-Dumpty” could not entirely be put back together again—Nina Andreeva’s efforts notwithstanding—important subcomponents of the old monopolistic structure did eventually coalesce, becoming the organizational core of most contemporary Russian political parties, parliamentary factions, and regional administrations.

In the first two years of Yeltsin’s post-Soviet presidency, this gradual regrouping of local functionaries, ministry officials, and army officers into larger political organizations took place primarily within the framework of the Russian Supreme Soviet—itsself an obvious political legacy of the Soviet era. Elected in 1990 under voting



rules that were only semi-competitive and before the threat of CPSU reprisals for violations of party discipline had been fully eviscerated, the members of this “parliament” unsurprisingly resisted IMF-sponsored programs for economic reform that would cut state support for the local Stalinist structures upon which their regional and bureaucratic support depended. Over the course of the first two years after the August coup, political opposition in the Supreme Soviet to Yeltsin’s policies thus grew quickly. Ultimately Yeltsin chose to eradicate this “legacy of communism” by ordering its disbandment—and by utilizing military force to ensure this result when the parliamentarians resisted.

It should be emphasized that no political event remotely comparable to the assault on the Russian White House in October 1993, in which several hundred people were probably killed, has occurred in any other post-Communist capital—a graphic illustration of the enormous obstacles to stable democratic proceduralism in post-Soviet Russia posed by the Leninist political legacy. To be sure, Yeltsin could with some justification argue that both the Supreme Soviet and the old Brezhnev constitution had to be replaced before a truly post-Leninist political order could be established. Unfortunately, in the wake of the October 1993 events, the impression that “democracy” was merely a disguise for naked presidential power became widespread among disaffected groups in Russian society.

This must be borne in mind in assessing the degree to which the Leninist political legacy has been overcome since the adoption of the new constitutional order approved by 58.4 percent of the voters—at least officially, although whether total turnout was sufficient for ratification is still contested—in December 1993. On the one hand, there can be no doubt that in the Russian case, as in Eastern Europe, the formal adoption of new electoral rules has had a dramatic effect on political behavior. The loose groupings and cliques characteristic of the Supreme Soviet, while not entirely absent from the new State Duma, have been substantially replaced by well-organized parties and parliamentary factions oriented toward electoral competition.<sup>12</sup> Party platforms, too, have been articulated with increasing clarity by key political entrepreneurs struggling to defend their power bases in the context of Russia’s electoral system, in which half of the lower house is chosen through a closed-list proportional representation system with a 5 percent threshold. Indeed the

degree to which party competition in Russia has become entrenched since 1993 is remarkable given the fact that constitutionally, policies proposed by party leaders in the Duma can be blocked or delayed by the president, by the regional interests ensconced in the Federation Council, and even by the organized opposition of members of the Duma elected in single-member districts, who are less beholden to party organizations than their colleagues.

However, while Russian political parties have become important vehicles for organizing political elites, it does not appear that they have yet become effective vehicles for representing broader Russian social interests. Unlike in East-Central Europe, there are no important Russian labor parties, youth parties, or environmental parties; explicitly religious and ethnic parties have also fared poorly. Moreover, nothing like the familiar Downsian distribution of parties along a left-right continuum, with the largest parties gravitating toward the center, has yet emerged in post-Soviet Russia as it has in Eastern Europe. Even identifying what “left” and “right” mean in contemporary Russian party politics is something of a challenge. Zyuganov, for example, claims that his Communist Party represents the “patriotic left”;<sup>13</sup> Zhirinovskiy places his party “just to the right of center, by about twenty degrees”;<sup>14</sup> and the various “reform” parties generally eschew both terms, given the association of “left” with communism and “right” with nationalism. In this context, “moderate” or “centrist” parties often appear to voters to stand for nothing more than the material interests of the politicians belonging to them.

More disturbingly, several of the major parties competing for seats in the Duma—especially Zyuganov’s Communists and Zhirinovskiy’s perversely named Liberal Democrats—have at best only a tenuous commitment to the current procedural order. Given continuing divisions among, and decreasing support for, the various pro-market parties—such as Gaidar’s Russia’s Democratic Choice, Yavlinsky’s Yabloko coalition, and Fyodorov’s Forward, Russia! movement—and the poor electoral showing so far of Chernomyrdin’s party of state functionaries, Our Home is Russia, the explicitly anti-Western parties of Zyuganov and Zhirinovskiy are still in many ways better organized than their competitors. This creates an environment in which the perceived benefits of adhering to established electoral and constitutional procedures are subject to

heavy discounting and weighed against the perceived costs of continuing to play by “rules of the game” other political actors have ceased to respect.

Turning to an examination of the Leninist legacy in the contemporary Russian economy, we find the most vexing problems of all. To be sure, the initial rejection of Stalinist economics by Yeltsin and his liberal economic advisers was both heartfelt and serious, and the old planning system has been irrevocably destroyed as a result of their undeniably courageous assault on it. Yet one must be very careful to distinguish the successful dismantling of Stalinist centralism—as real and important as that is—from the construction of new market institutions which might encourage long-term investment and stable economic growth. Analyses of Russia’s economic “success story” by Gaidar’s former adviser Anders Aslund, concentrating on the former issue, have vastly underestimated the remaining difficulties in the latter area.<sup>15</sup> Many years after the collapse of the USSR—despite genuine progress in many areas—Russia still lacks an effective legal system, a stable banking system, a functioning real estate market, and, especially, an infrastructure adequate to ensure low-risk distribution of goods throughout the country at a reasonable cost.

To assess the degree of true marketization in Russia’s economy today, one must remember that until 1987, almost all of the economic wealth in the former Soviet Union remained in state hands—a far higher percentage than was characteristic of East European Leninist economies.<sup>16</sup> Most of the state sector in both agriculture and industry was hopelessly inefficient, having been wholly insulated from international competition for decades, and still relying in many cases on technologies developed in the Stalin era.<sup>17</sup> In addition, labor forces in Soviet enterprises were bloated and undisciplined, reflecting the absence of bankruptcy and formal unemployment, as well as the incentive of managers to procure larger wage funds by padding the number of employees in each enterprise. Thus when Russia and the other former Soviet republics suddenly entered the world market in 1991, most enterprises were far less prepared to compete effectively than those in Eastern Europe—though even there many old industries had to be shut down.

The initial “shock therapy” reforms by Yeltsin’s team during 1992, which freed most prices, made the ruble convertible, and initi-

ated the mass privatization of state property, were carried out primarily on the basis of emergency powers granted to the president in the early euphoric period after the August coup. Shortly after this “emergency” period had officially ended, however, parliamentary opposition necessitated the replacement of the arch-marketizer Gaidar as prime minister by the former Soviet gas executive Chernomyrdin, who publicly called for an end to the period of “market romanticism”—though not of economic reforms *per se*.<sup>18</sup> In practice, Chernomyrdin’s policy during his first year in office combined continuing attempts to privatize and monetize the economy with increased subsidies to ailing industries and farms. The latter were paid for, by and large, simply by printing rubles at the parliament-controlled Central Bank and distributing them to the most vocal industrial and agricultural lobbies; the predictable result was continuing near-hyperinflation for much of 1993.

As international lending agencies such as the IMF became increasingly skeptical about the sustainability of such a policy, Yeltsin and his team were forced to cut off the flow of rubles to the former state sector in order to remain eligible for Western loans and aid. While Yeltsin’s destruction of the old parliament eliminated the most direct obstacle to macroeconomic stabilization, the inherited inefficiencies of the Stalinist system meant massive declines in production continued as state subsidies were curtailed. By late 1995, the ruble had been stabilized sufficiently to peg its value roughly to the dollar, and five straight years of double-digit declines in GDP dating back to the *perestroika* period had finally given way to at least marginal growth, especially in the informal sector.

Unfortunately, the old Stalinist core of the economy had not simply disappeared in this period. Instead, as the official economy became formally monetized, bankrupt enterprises resorted to informal barter payments and the accumulation of inter-enterprise IOUs in order to avoid being shut down permanently.<sup>19</sup> Despite Western enthusiasm for the program of privatization implemented since 1992 by Chubais, changing the official status of an enterprise from “public” to “private” has often had only a limited effect on this process. While privatization clearly facilitated the financing and restructuring of the most competitive former Soviet enterprises—those controlling valuable raw materials, those located in desirable areas such as Moscow, or those with monopolies on the distribution of basic

commodities—more inefficient producers were often simply handed over to their “workers’ collectives” (or more precisely, to the managers that claimed to represent them) and cut off from state support. Workers were initially prone to misinterpret their “private ownership” over old Stalinist enterprises as a guarantee that their jobs would be protected.<sup>20</sup> In practice, the managers of many such “privatized” but nonmarketized factories, unable to generate sufficient revenues through production and sales, simply stopped paying workers’ wages for months at a time. By late 1995, the specter of mass unemployment loomed on the near horizon as the money supply continued to be restricted in the fight against inflation—a policy which, if continued, would necessitate formal dismissals throughout the old Stalinist sector. Coming after years of official promises of a bright future just around the corner, job losses of this magnitude might be particularly hard for poorer Russians to swallow.

None of this means that a successful incorporation of Russia into the world economy might not eventually take place. To the extent that the more thoroughly marketized sectors of the new Russian economy began to experience sustained growth, the Stalinist socioeconomic legacy should diminish in relative importance. In addition, although the social costs of marketization within the Stalinist sector might be enormous, barriers to collective action could nonetheless undermine attempts to organize blue-collar workers and collective farmers to struggle for the restoration of their previous economic positions.<sup>21</sup> Especially if significant foreign investment can be obtained, new production and new jobs might be created quickly enough to counterbalance the negative consequences of the collapse of the old state sector.

However, several factors put Russia at a disadvantage in competing with East European countries for such investment. First, the huge geographical distance between the Russian periphery and the Western capitalist core has meant that the majority of Western investment is concentrated in Russia’s major cities and resource-rich regions, leaving the medium-sized factory towns and rural regions in a generally parlous condition.<sup>22</sup> Second, the lack of stable rational-legal rules governing property rights and the widespread corruption of law enforcement officials have led to the rapid growth of “mafias” demanding protection money from even marginally profitable ventures. Third, justifiable fears of political instability have tended to

frighten away all but the most hardy foreign investors. Finally, continual changes in tax, trade, and currency laws have exasperated even many of those who were once most optimistic about Russia's economic future. Despite all of this, the stabilization of Russia's nascent capitalism remains a long-term possibility if world economic trends remain generally positive; the question, however, is whether a social backlash will uproot Russia's weak market institutions before such stabilization can occur.

This last question can be answered only by taking into account the final legacy of Leninism in post-Soviet Russia—the cultural legacy. What, exactly, are the informal norms and beliefs governing the daily life of ordinary Russian citizens, and how do they affect the prospects for liberal capitalism? Rational-choice and neo-institutionalist approaches to the study of post-Communist transitions have generally downplayed the importance of “culture” in institutional change. Indeed it is true that the influence of formal institutional rules has had a more obvious short-term effect on patterns of political and economic organization in the region, as the preceding discussion has shown. Yet cultural values themselves directly influence the rate at which actors discount the long-term future benefits from participation in, and support for, formal institutions. Put simply, if post-Soviet Russian society is characterized by a widespread informal, even unconscious commitment to integration with “the West” and its characteristic patterns of social life, ordinary people will be less likely to organize against formal liberal capitalist institutions when their immediate material interests are threatened. If instead cultural antipathy to Westernization grows, anti-liberal ideological entrepreneurs may find fertile soil for recruiting new members for radical movements.

To date, Western analysis of this problem has been characterized by a tendency to adopt one of two extreme positions. On the one hand, those who believe that a form of “civil society” emerged in Russia under Soviet rule have assumed an almost total readiness to embrace Western ways of life on the part of even those most likely to be materially disadvantaged under liberal capitalist institutional rules.<sup>23</sup> On the other hand, those who embrace stereotypes about a Russian cultural preference for “autocracy” have seen the failure of Western-style democracy and markets in Russia as more or less a foreordained conclusion.<sup>24</sup> In fact, the distribution of attitudes to-

ward the Westernization process is evidently far more complex than either of these one-sided interpretations would allow, and a satisfactory analysis of this question would require detailed studies of daily life within a whole range of institutional settings in the post-Soviet context.

In general, however, informal cultural opposition to liberal and market institutions in post-Soviet Russia appears to be linked with social enmeshment in former Leninist institutions. Thus those who most avidly support Russia's return to "the West" today are precisely those who previously had greater opportunities to escape the formal rules of Marxist ideological discourse, Communist Party discipline, and Stalinist economic planning. This category includes, obviously, intellectuals and political figures who had the chance to travel to the West themselves during the Soviet period. It also includes inhabitants of the major cities, Moscow and St. Petersburg, where exposure to foreign tourists, to Western media, and to returning Russian travellers facilitated the diffusion of Western values and lifestyles. Finally, as one might expect, young people have less trouble adapting to the new expectations of life in a liberal capitalist context than older people with decades of experience in the old system. As a result, a crucial sector of young, urban, and educated post-Soviet Russian society has become fully culturally oriented toward West European models of development.

By contrast, in places where the conditions of daily life were almost fully structured by the party-state, cultural expectations often clash quite dramatically with the values promoted in liberal capitalist societies. The lack of exposure under Soviet rule to unemployment and bankruptcy, in particular, has made the closure of key factories in Stalinist cities such as Magnitogorsk almost unthinkable—especially given informal expectations of workplace provision of housing, day care, and subsidized food.<sup>25</sup> The classic liberal idea that the state should merely act as a guarantor of property rights, rather than actively defend the material standards of less privileged members of society, finds little support among older Russians—as surveys since the 1950s have consistently shown.<sup>26</sup>

At the same time, the widespread corruption of the Stalinist system in the later years of the USSR has itself had important cultural effects. Decades of Marxist-Leninist phraseology have encouraged a general sense among ordinary Russians that politicians'

promises of a “shining future” should be summarily dismissed. Formal political rules and economic laws, too, are often interpreted as mere instruments for the consolidation of power and wealth by various cliques and mafias. Given the substantial overlap between the old Soviet elite and the new leaders of post-Soviet Russia, such cynicism is quite understandable; nonetheless, it undermines the social patience needed to implement liberal capitalist institutions in the post-Soviet context. Of course, cultural expectations can and do change in the face of new institutional realities. Still, given the continuing ideological vacuum, weakly institutionalized political system, and difficult economic situation discussed above, there is little reason to expect a rapid transformation of Russian cultural attitudes in a pro-Western direction.

Post-Soviet Russia, then, remains far more constrained by the Leninist legacy than its erstwhile East European satellites. Of course, given the dynamic expansion of the world economy over the past few decades and the incentives this creates for maintaining enforcement of the rule of law and capitalist markets, the long-run prospects for an institutionalization of liberal capitalism in Russia should not be entirely dismissed. However, it appears very likely that further moves toward Westernization in the Russian Federation will face serious social challenges in the years to come.

## NOTES

1. Ken Jowitt, “The Leninist Legacy,” in *New World Disorder: The Leninist Extinction* (Berkeley: University of California Press, 1992), p. 300.
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3. See Stephen E. Hanson, “The Utopia of Market Society in the Post-Soviet Context,” in *Can Europe Work?: Germany and the Reconstruction of Post-Communist Societies*, ed. Stephen E. Hanson and Willfried Spohn (Seattle: University of Washington Press, 1995).



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5. See, for a related definition, Ken Jowitt, "Political Culture in Leninist Regimes," in *New World Disorder*.
6. Mikhail Gorbachev, quoted in *FBIS Daily Report—Soviet Union*, 23 August 1991, p. 29.
7. See, for example, Alexander Yakovlev, *The Fate of Marxism in Russia* (New Haven: Yale University Press, 1993); Dmitri Volkogonov, *Lenin: A New Biography* (New York: Free Press, 1994).
8. Gennadiy Zyuganov, *Derzhava* (Moscow: Informpechat', 1994). For an excellent analysis of the fascist tendencies in Zyuganov's thinking, see Veljko Vujčić, "Gennadiy Zyuganov and the 'Third Road,'" *Post-Soviet Affairs* 12, 2 (April–June 1996).
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11. Douglass North, *Structure and Change in Economic History* (New York: Norton, 1981).
12. See M. Steven Fish, "The Advent of Multipartism in Russia," *Post-Soviet Affairs* 11, 4 (October–December 1995).
13. Zyuganov, p. 4
14. Quoted in Vladimir Kartsev, *!Zhirinovsky!* (New York: Columbia University Press, 1995), p. 84.
15. Anders Aslund: "Russia's Success Story," *Foreign Affairs* 73, 5: 58–71, and *How Russia Became a Market Economy* (Washington, D.C.: Brookings Institution, 1995).
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17. Daniel Chirot, "What Happened in Eastern Europe in 1989?," in *The Crisis of Leninism and the Decline of the Left*, ed. Daniel Chirot (Seattle: University of Washington Press, 1991).
18. Chernomyrdin, quoted in Goldman, pp. 130–31.
19. David Woodruff, "The Barter of the Bankrupt"; paper prepared for the APSA annual meeting in Chicago, September 1995.

20. Stephen Fortescue, "Privatisation of Large-Scale Russian Industry," in *Russia in Search of Its Future*, ed. Amin Saikal and William Maley (Cambridge: Cambridge University Press, 1994).
21. Stephen Crowley, "Barriers to Collective Action: Steelworkers and Mutual Dependence in the Former Soviet Union," *World Politics* 26, 4 (July 1994): 589–614.
22. For example, in the first half of 1995, around \$200 million of the approximately \$700 million of foreign investment in the Russian Federation went to Moscow projects. See *OMRI Daily Digest*, 8 September 1995.
23. See, for example, S. Frederick Starr, "A Usable Past: Russia's Democratic Roots," *New Republic* 200, 20 (15 May 1989): 24–27; Moshe Lewin, *The Gorbachev Phenomenon* (Berkeley: University of California Press, 1988).
24. See, for example, Robert V. Daniels, "The Revenge of Russian Political Culture," *Dissent* 41, 1 (Winter 1994): 32–35.
25. Stephen Kotkin, *Steeltown USSR* (Berkeley: University of California Press, 1991).
26. See the survey data reported in Alex Inkeles and Raymond A. Bauer, *The Soviet Citizen: Daily Life in a Totalitarian Society* (Cambridge, Mass.: Harvard University Press, 1959); and James R. Millar, ed., *Politics, Work, and Daily Life in the USSR: A Survey of Former Soviet Citizens* (Cambridge: Cambridge University Press, 1987).

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