

The postsocialist transformation in Central and Eastern Europe

*A transformação pós-socialista
na Europa Central e Oriental*

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RESUMO: O Oriente está tentando o *catching-up* a partir de uma posição recente de ‘atraso econômico pior do que da América Latina’. Até agora, as populações condenadas à paciência política pela lógica das pobres democracias apoiaram com relutância esse enorme esforço. O caminho pós-socialista da Europa Central e Oriental é caracterizado por uma ideologia cada vez mais desacreditada de um retorno à Europa e uma combinação não europeia de instituições substitutas de desenvolvimento: abertura radical para a economia mundial, instituições danificadas de representação trabalhista, capacidade estatal desgastada e frequentemente forte domínio privado e estrangeiro nos setores financeiros e outros setores estratégicos. Há uma chance de alguns países terem sucesso. No entanto, várias armadilhas de desenvolvimento podem ser mais prováveis no final do que um “grande surto” no sentido gerschenkroniano.

PALAVRAS-CHAVE: Europa Central e Oriental, pós-socialismo, abertura comercial.

ABSTRACT: What is attempted in the East is catching up with the West from a recent position of worse-than-Latin-American economic backwardness. Until now, populations that were sentenced to political patience by the logic of poor democracies have reluctantly backed this enormous effort. Central and Eastern Europe’s post-socialist path is characterized by an increasingly discredited ideology of a return to Europe and a non-European combination of substitute institutions of development: radical opening towards the world economy, damaged institutions of labor representation, eroded state capacity, and often strong private and foreign dominance in the financial and other strategic sectors. There is a chance for a few countries to succeed. Yet various development traps may be more likely in the end than a “Great Spurt” in the Gerschenkronian sense.

KEYWORDS: Central and Eastern Europe, pos-socialism, trade opning.

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1. INTRODUCTION

This essay offers a comparative analysis of the postsocialist transformation process focusing on the ten Central and Eastern European applicants to the European Union (EU): Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia. Section 2 presents the contrast between the convergence of economic and political institutions and the divergence of aggregate economic performance between Europe's East and West. Highlighting some characteristic features, section 3 characterizes Central and Eastern Europe's recent development as Europeanization by non-European means. Section 4 offers an elaboration on the implications. Is post-socialist development about adding a new chapter to the history of Gerschenkronian "Great Spurts" whereby, facilitated by developmental ideologies and special institutions, long-lasting backwardness is eliminated? The conclusion is that the institutional combination characteristic to the post-socialist path is not easily found in earlier success stories of leaving backwardness. Rather, the Central and Eastern European countries seem to have assumed a pioneering role in adopting a new and not yet fully explored development paradigm.

2. INSTITUTIONAL CONVERGENCE AND DIVERGENCE OF ECONOMIC PERFORMANCE

As indicated by stylized measures of economic freedom and political liberty in the 1990s the potential Eastern EU-member states caught up at a remarkable speed with the rest of Europe. By and large the ex-socialist countries appear to be neither significantly less "capitalist" nor less "democratic" than other European states (Table 1 in the Appendix).

On the surface the East's "Europeanization" seems almost completed. However, while the above indicators exhibit rapid convergence, data on aggregate economic performance indicate the opposite: at the end of the 1990s Eastern Europe is lagging far behind not only the rest of Europe, but any other industrialized region of the world. Much of Southeast Asia and even many Latin American countries have surpassed most of the ten ex-socialist states (Table 2 in the Appendix).

This contrast between the convergence of economic and political institutions and the divergence of aggregate economic performance raises a number of questions for European comparative political economy. First, it inspires research into the dynamics of the gap. According to the available output data Eastern Europe's economic backwardness has significantly increased in the course of the past decade. Were, then, the state socialist countries in terms of aggregate output more "European" than the post-socialist capitalist states? One cannot exclude they were. Yet, comparativists working on this issue are handicapped, because it is immensely difficult to measure and compare the economic performance of state socialist and postsocialist systems. Even the World Bank—one of the apparently authoritative

sources of basic data for comparative research—seems to be confused about the levels of East European economic output at the time transformation started. In the 1990s the Bank published strikingly divergent per capita GNP numbers for the same year of 1987 (Greskovits, 2001).

Second, the reliability of current concepts on the reasons and mechanisms of economic decline is also limited by the absence of sound data on the magnitude of output loss in the 1990s. Scholars have advocated various, often conflicting, interpretations of this phenomenon that nobody forecasted. Longer and deeper recession was typically explained by missing commitment to, or implementation of, comprehensive marketization while rapid advance in this dimension came to be seen as the best strategy of minimizing output losses. Thus, the variation of the severity of recession in the ex-socialist countries became an important reference point for policy advice. Economic radicalism was also suggested to avoid the dramatic explosion of poverty, while sluggish reforms were blamed for impoverishment and inequality (See Lavigne, 2000 for a review of the literature on the transformational recession). Nevertheless, these views proceeded, rather than originated from, any solid evidence on how deep and how long the recession actually was. All in all, social science seems to have been trapped by the urgency of conceptualizing an empirically hardly located phenomenon. How ironic that theorists of the transformational recession may fail just like the ancient zoologists who had classified new animal species before any information on the number of wings or legs was available.

Thirdly, as to the social costs associated with the recession, there is a long way to go before any reliable assessment can be made. Preliminary accounts tell of a striking deterioration in living standards, and increasing poverty on the one hand, but of no dramatic inequality on the other, at least on the western rim of Eastern Europe. While there are more detailed and reliable analyses on these subjects for certain countries, it is difficult to assess, or compare with the rest of Europe the real extent of social disintegration in the East.

Has, then, their process of Europeanization led the ex-socialist countries “back to Europe”, or “out of Europe”? As indicated above, there is no easy answer to this question. However, a brief analysis of the political dynamics of the economic transformation of the 1990s, and the characteristics of the emerging socio-economic structures and institutions may help to identify further details of the unique picture.

3. EUROPEANIZATION BY NON-EUROPEAN MEANS?

In the early 1990s most analysts did not have much hope for the prospect of democratic capitalism in post-socialist Eastern Europe. They expected that protest, violence, and even the breakdown of democracy would result from the hard times of economic transformation, and market reforms would be abandoned or stopped half-way (Offe, 1991, Ost, 1992, Walton, and Seddon, 1994). In contrast, by the end of the decade East Europeans are frequently praised for their tolerance of social deprivation, and some of their governments are credited for maintaining a commit-

ment to economic liberalization and marketization. Intellectually, the emerging triumphant mood over the “completion” of transformation in parts of the East may be no less premature than the breakdown prophecies had been a decade ago. Hence this section’s focus on the non-European features, the costs and consequences of the politics of the Eastern road “back to Europe.”

3.1. Low labor militancy

One pessimistic argument often raised in the early 1990s was that East European labor would not passively tolerate the process of its own economic and political marginalization. By now it has become clear it did so. Forecasts of frequent and massive strikes involving large numbers of workers and threatening both with the paralyzation of economic activity and the impasses of political process have mostly proved to be wrong. Instead the East European workforce remained remarkably patient. To what a striking degree this actually was the case, can best be demonstrated by a comparison of East European patterns of labor militancy with the intensity of labor protest in a sample of other European countries. This comparison results in the surprising observation that during the first half of the past decade many of the consolidated and relatively affluent and/or dynamic European market societies experienced much more labor protest than the presumably “fragile,” and crisis-ridden democratic capitalisms of the East. In the crucial period of 1990-1995 labor in Western Europe proved to be much more contentious in comparable terms. On average it organized almost twice as many strikes and lockouts, with the participation of ten times more workers, and caused thirteen times more economic damage in terms of lost workdays (Table 3 in the Appendix).

On an “all-European strike list” Poland, (in)famous for her contentious workers’ traditions, would occupy only the fifth place after Greece, Spain, Finland, Italy, and Romania with all the violent and spectacular actions of her rioting miners would appear at the bottom of the list in the camp of the champions of labor peace in Europe: Hungary, Austria, Slovakia, and the Czech Republic. Furthermore, the inclusion of countries of ex-Soviet Union poses even more puzzling questions: why did Russian workers protest roughly ten times less in a period when Russia lost about one-third of her economic capacity than workers of Finland?

It is important to realize the distinctively non-European nature of labor response to economic hardship in the ex-socialist states. Ironically, while observers often suggested the integration of the East European countries was the best way to avert the risk of political instability arising from their transformation, from the point of view of labor militancy the East proved to be an “island of peace” in European politics, and, for that matter, for European investors.

3.2. Low levels of direct political action

Nor have other disruptive forms of discontent become much more popular in the Central and Eastern part of Europe. Authors of the so far most comprehensive

empirical analysis of political protest in four East European countries—Poland, Hungary, East Germany, and Slovakia—, found, that “the number of protest events in the four countries under study is not higher than in consolidated West European democracies, and in two cases it is distinctly lower” (Ekiert and Kubik, 1998, p.548). While spectacular outbursts of contention—such as the Hungarian taxi-drivers blockade of 1990, the repetition of violent miners marches to Bucharest, the Bulgarian food riots of 1997, or the Albanian mass-revolt triggered by the scandalous collapse of a pyramid-scheme in 1997—conquered media headlines, these unique events have been all too sporadic to alter the overall balance of protest and patience in the East. Violent and disruptive action—including aggressive demonstrations, blockades, riots, and occupations of public buildings—accounted only for the minority of the generally rare protest events (Ekiert and Kubik, 1998). Social science has to repeatedly ask the question: why have East Europeans—unlike their fellow-citizens in the West—not protested more by strikes or other direct action against their worsening life conditions? At the same time, one may feel tempted to express doubts and ask questions about the potentially discouraging qualities of the new societies and democracies in the making where neither labor nor other social groups have ever strongly or directly voiced their discontent about the processes leading to their marginalization.

3.3. Ideologies

A discourse analysis of the transition vocabulary would trace some factors of political patience and lack of anti-capitalist mobilization back to the power of metaphoric expressions of what the transformation was about. In the early 1990s in the political discourse of a number of countries, “Europe” came to represent the Land of Promise of a desired future; “Latin America” a path to be avoided; while the “East,” or “Russia as Asia” became the metaphor of an “alien” communist past. Accordingly, there were attempts to blame frequent and violent protest for “latin-americanization” or regression to “Asiatic Russian” standards of political (mis)behavior, while at the same time advertising political patience as the avenue to “Europeanization.” How influential these metaphors have been indeed, remains to be explored. Available opinion poll data on the attraction of “Europe” as a desired future, and on the popular rejection of state socialist past, and its characteristic social and political behaviors, are inconclusive. Yet, the mobilizing potential of such ideologies and metaphors seems to have been on the decline (Rose, Haerpfer, 1997, and Michalka, 1997). Apparently, whilst East Europeans have been remarkably tolerant with the transformational recession and increasing inequality, it is fair to assume that their “tolerance is like a credit that falls due at a certain date. It is extended in the expectation that eventually the disparities will narrow again” (Hirschman, 1981, p. 40). However, in addition to the “loyalty” mobilized by ideas there may have been more earth-bound adaptation processes underlying the political economy of protest and patience. One is the dominance of “exit” over “voice” in the social response to the transformational recession, the other is the dominance

of democratic and delayed forms of protest over more direct and, in the short run, more disruptive manifestations (Hirschman, 1970).

3.4. Informalization

Firstly, attracted by the blurred boundaries between formal and informal, legal and illegal, as well as oriented by their traditionally ambivalent attitude toward the rule of law, East Europeans have become informal and turned to street trading, illegal labor, petty tax-evasion, various ways of circumventing state regulations, foreign trade control and the like, instead of protesting violently and collectively under pressure of need. As a consequence, rather than “voice”, it has been “exit” that has dominated the pattern of social responses to economic stress in the East, and it is partly to this that political stability is due (Greskovits, 1998, p. 87). Yet, comparison reveals that to the extent that the above types of exit indeed were relevant for political patience they exhibited no less “non-European” patterns of socio-political adaptation, than the already mentioned absence of labor militancy. Exit into informality as approximately measured by the estimated share of the black market in the GDP has much less been a general trend in the rest of Europe, than in the East (Table 4 in the Appendix).

3.5. Voting out incumbents

Secondly, in politics, East Europeans turned to protest voting and channelled their demands through democratic institutions, abjuring other tactics. Accordingly, the more East Europeans seem to have been “sentenced to patience” in inter-election periods, the greater have been their pent-up demands released during elections furiously seeking to punish those who supposedly caused injury to their interests (Greskovits, 1998). Again, the outcome is different from the usual European political pattern: while in the East there appears a general tendency of voting out incumbents, in many other European countries governments have had much better chances to be re-elected for a second or third term in the past decades. All in all, most of the above observations lead us to believe that in the East we are faced with the peculiar politics of “Europeanization” by non-European means, and its results. How far, then, has their muddling through “exit” and “voice” taken the East European societies on their road “back to Europe?”

4. ADVANTAGES OF A LATE START?

What are the structural and institutional results of the transformation so far, and how do they shape the prospects for sustainable growth and the likely developmental, political, and social perspectives of East European democratic capitalisms? While answering questions of the above type, it is hard not to realize how

much the presented non-European features of the East's process of Europeanization left their mark on the character of emerging institutions.

First, one important institutional feature of that pathway has been the erosion and dismantling of the institutions of labor representation. The rapid decline of levels of unionization, of the share of workers covered by collective agreements, and the lagging of East European governments behind the rest of Europe in terms of ratifying the basic conventions of International Labour Organization (ILO) on labor rights and working conditions, is again, rather specific to Eastern Europe, at least as far as the extent and speed of these processes are concerned. The erosion of the institutions of labor's market power can be both interpreted as a condition for, and a consequence of, the remarkable absence of labor militancy during the transformation (Table 5 in the Appendix).

Second, though at varied intensity, we witness an autonomous development, explosion, and occasionally criminalization, of the "second," illegal or informal economy. While originally "going informal" could be a factor of political patience, in the medium and long run it resulted in serious constraints on the implementation and effects of any policy be it economic, social, or democratic by nature. Thus the rank growth of "black", and "grey" markets, transactions, employment, and politics is the next important non-European legacy of the transformation. Third, intimately connected to the above process, but also due to the recession, to conscious policies to cut back state intervention in the economy, state capacity to reform, to provide for law and order, to evenly protect property rights and civil rights is on the decline in many East European countries. While, in part, this process is in conformity with the conscious attempts of the new political elites to radically altering the balance between states and markets in favor of the latter; plummeting public revenues and services, and the declining public control over economic activity indicate that the process might have gone too far, and again, in a non-European direction.

Last, but not least, economic institution building, privatization, and international integration have added significant new elements to the Eastern mix of weak labor institutions and eroding state institutions. These are: marketized public and welfare services, mostly privatized banking sectors run either by foreigners, or by "national capitalists" of doubtful origin and economic orientation, leading exportsectors operated by multinational corporations in manufacturing, by foreigners, "national capitalists," and the state in the extractive industries, and mainly by the state in agriculture; and, last but not least, the increasing regulatory power of the supranational institutions of the European Union over the national economic terrain.

All but the first and last items on this list are characteristic to the emerging Eastern market societies, but much less to European capitalisms. Specifically, in the rest of Europe the state, and domestic capital maintained more control in banking; thus private finance is still mostly national rather than foreign; the foreign multinational sector is smaller, or more diversified and integrated with the rest of the economy; public and welfare services are less marketized so far; and the EU member-states have had more chance than the newcomers to influence the supranational EU-regulations according to their own national interests.

Yet, no matter how anomalous or “deviant” in European mirror, the non-European features of East Europe’s democratic capitalism may still bear a positive interpretation. They may remind us of Alexander Gerschenkron’s explanation of the successes of late industrialization, who attributed the late-comers’ ultimate convergence with the leaders’ economic performance to precisely a number of divergent features of the formers’ development (Gerschenkron, 1962). It is exactly in this way in which some analysts interpreted the unusual features of Eastern Europe’s recent development. The accelerating economic growth of a number of ex-socialist countries from the mid-1990s seems to confirm these views. Is then post-socialism about adding a new chapter to the history of Gerschenkronian “Great Spurts” whereby, facilitated by special institutions, long-lasting backwardness is eliminated? To speculate on the probability of sustainable and fast economic growth, we are in bad need of analogies. One way to assess Eastern Europe’s potential institutional engines of sustainable growth is the comparison with a few documented cases of recent economic history, where growth had been made possible by a variety of substitute institutions of development.

To begin with, the fact that the East has undergone the process of the rapid erosion and dismantling of the institutions of labor representation indicates, that the post-war growth miracle of small European states which rested on a combination of their external economic openness with their domestic corporative, compensatory, and welfare mechanisms also reflecting labor’s power (Katzenstein, 1985) cannot be very instructive for our interpretation of a potential East European “Great Spurt”. Eastern Europe did create all institutional and policy means for external economic integration but failed to develop or maintain the above institutional guarantees of a class compromise between capital and labor.

However, fast and sustained economic development does not necessarily entail labor inclusion: instead the simplified institutional matrix of the East Asian countries of manufacturing miracles, South Korea, or Taiwan, exhibits the triad of powerless, repressed, and unorganized labor, gradually achieved external economic openness, and a strong developmental state deepening the linkages between the domestic growth poles, and the rest of the economy. (Amsden, 1985, Deyo, 1990, Evans, 1992). Eastern Europe has two conditions of the above triad—external liberalization (although the recent degree of openness was achieved at much faster pace than in Southeast Asia) and powerless labor—, but except for a few countries, failed to maintain or develop state capacity and institutions conducive to any “Great Spurt.”

A last example could be Latin America’s fastest growing country, Chile. The 15-years long dictatorship had crushed its labor’s power, and the state has consciously withdrawn from most of its functions of protecting and regulating the economy and the society. Yet, sustainable growth has been possible by the efforts of the country’s large, diversified, and export-oriented conglomerates to integrate the rest of Chilean economy under their own strategy of a neoliberal Great Spurt. Much of the conglomerates’ economic activity is outsourced to small and medium size (frequently informal) subcontractors, who contribute to the formers’ interna-

tional competitiveness by their own cost-efficient production and employment methods. By this type of integration tax-evasion, the lack of regulation of social or safety norms, or the absence of environmental control is no less a factor of the competitive edge of conglomerate exports, than the subcontractors' precarious employment forms implying low levels of job security, poor working conditions, impediments to collective negotiations, and subjection to authoritarian relations in the workplace (Díaz, 1993, p. 23). While certain ingredients of such a growth strategy—such as the export-oriented big firms, or the informal business strategies and precarious employment forms of small and medium scale firms—are in place in some East European countries, these dualistic sectors seem to be less integrated than in the Chilean case. Moreover, the forthcoming EU re-regulation of such markets—a factor absent in Chile—casts further doubts over the sustainability of this type of Great Spurts in Eastern Europe (Bohle, 2000a).

However, if the emerging structures of East European capitalisms are not like those of earlier and recent Europe, of Southeast Asia, or Latin America, what are they like? One tends to believe that the institutional combination underlying the postsocialist path cannot be found anywhere else in the more recent successful attempts at leaving backwardness: rather Eastern Europe seems to assume a pioneering role in adopting a new and, for the time being, unexplored “development paradigm”.

5. HOW TO STUDY THE PROSPECTS OF DEVELOPMENT IN EASTERN EUROPE?

Thus, history does not help much to predict the likely perspectives of East European political economies. It is not easy to find helpful analogies or reference points to substantiate that the chosen path may indeed result in sustained and fast economic development, and fair degrees of equality. Specifically, what is attempted in the East is to catch up with the West, and return to Europe from a recent position of worse-than-Latin-American backwardness. Until now this enormous effort has been reluctantly backed by populations sentenced to political patience by the non-European logic of poor democracies, by increasingly discredited developmental ideologies, and by a non-European, and historically almost unprecedented structure of substitute institutions of development. One cannot exclude the chance, that a few countries will make it. Yet, common sense wisdom would predict that various development traps would be more a more likely outcome than any Great Spurt.

One way of predicting the potential outcomes is to apply a “methodology for the analysis of concrete situations of underdevelopment” (Palma, 1978). While this type of research on Eastern Europe has just been started (Berend, 1995, and 1996, Ellingstad, 1997, and Popov, 1998), it seems to have the potential of valuable insights into post-socialist development. There is another promising approach, sectoral analysis, that has proved its analytic merits in the comparative political economy of the developing countries (Shafer, 1994, Karl, 1997, Williams, 1986, Sklair,

1989), yet has been virtually absent in the academic discussion of the post-socialist transformation.

Such a novel interpretation could start with the general observation that the transformation and the recession brought about large-scale socio-economic restructuring in all ex-communist countries. De-industrialization, the rapid growth of the service sectors', and, not infrequently, agriculture's, contribution to sharply contracting GDP and employment, are the most obvious macro-structural trends. However, in the wake of overall restructuring, varied concrete patterns of backwardness emerged.

Some countries seem to develop into low-cost export-oriented manufacturing sites. Their new leading sectors—assembling cars and consumer electronics, or processing food for exports—are dominated by foreign capital, exhibit high import intensity, produce off-shore, and are backed by a relatively developed financial, service and insurance infrastructure, also operated largely or partially by foreigners. There is not yet much co-operation in place between those export-enclaves and the rest of the firms; thus these economies exhibit dualistic features, which are also present in the realms of their industrial relations or political life. Hungary, the leading capital importer of the region is the most obvious case in point, but other countries like Poland and the Baltic states have a fair chance to develop similar structures.

Resource-rich ex-socialist countries—for example Russia, Azerbaijan, and Turkmenistan—where the transformational recession wiped out most other industries seem to exhibit the economic and political structures and tensions of mineral- and petro-states no matter if their extraction industries are dominated by the state, national capitalists or foreign mineral MNCs. Finally, the costly transformation to capitalism (or where such attempts were absent the collapse of state socialist economic ties and structures) unveils most Central Asian states, and, to some extent, also a number of European countries such as the Ukraine, Moldova, Albania, or Macedonia, as backward agricultural economies. Sometimes these economies depend upon the export of staples to volatile global markets. The once leading exporter of the cotton-belt of the former USSR, Uzbekistan, exemplifies this potential type.

Indeed, based on the above broad typology, a number of further questions about the prospects of Eastern Europe's future development can be asked. Are we witnessing the emergence of Mexican-type maquiladora industries on Europe's periphery? How is the developmental capacity of the Hungarian, Czech, and Baltic states shaped by these export sectors, and, vice versa, what are the chances for their states to foster structural upgrading and economic development? Will the resource-rich ex-socialist countries ever free themselves from the dilemma of petro-states for which world market booms bring about "the illusion that oil exporters have gained new autonomy, while actually making them more dependent on petrodollars," and "in the greatest of ironies, a boom lays the basis for a future bust" (Karl, 1997, p. 67)? How to cross the chasm between pre-modern forms and levels of backwardness, and diversify a dominantly agricultural, (sometimes monocultural) economic base? How can states contribute at all to the delayed modernization in global world economy decades after the attempts at import-substituting industrialization in the

former Third World? Last but not least: How does—more in the case of prospective European Union members than elsewhere in Eastern Europe—their accession, and the ongoing supranational state-formation in the EU, influence the prospects for development (Bohle, 2000b)? The above intellectual agenda may help to decipher the puzzles and chances of leaving, or being trapped in, “backwardness in European perspective”.

Finally, advocates of a pessimist view of recent European trends could argue, that while it is unlikely that in the short run Eastern Europe’s future will be anything close to the still prevailing character of Europe’s affluent, solidaristic, and democratic capitalism, the convergence may continue from the other end: from Europe’s side. After all, in less extreme forms, than in the East, many of the processes characteristic to post-socialism are underway in the West as well. Thus in an united Europe with a consolidated single currency, the institutions of labor’s market power will be further emasculated, welfare and public services will continue to be cut back, marketized and privatized. Governments will increasingly loose influence over the path of economic development: instead multinational corporations and big foreign banks will rule over Europe’s single market. If all this indeed occurs, then, ironically, recent events in Eastern Europe may tell more about Europe’s future than vice versa. This outcome would not be without historical precedent, however. Eastern Europe’s fate would indicate broader European processes of dramatic socio-economic restructuring in a similar sense as the neo-conservative turnabout under the dictatorships of Chile, Argentina, and Uruguay in the 1970s, which historically pre-dated—and went, in fact, much further in reshaping Latin American politics and society—than Reagan’s, Thatcher’s and Kohl’s “bourgeois revolutions” in the West (Schamis, 1991).

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APPENDIX

Table 1: Economic and Political Freedom in Europe (1997/1998)

	Scores of freedom of					Scores of		
	Trade policy	Capital flows	Banking	Wages & prices	Average	Political rights	Civi rights	Average
Bulgaria	4	2	3	3	3	2	3	2.5
Czech R.	1	2	1	2	2	1	2	1.5
Estonia	1	1	2	2	2	1	2	1.5
Hungary	4	2	2	2	2.5	1	2	1.5
Latvia	2	2	2	2	2	1	2	1.5
Lithuania	1	2	3	3	2.25	1	2	1.5
Poland	2	2	3	3	2.5	1	2	1.5
Romania	2	2	3	2	2.25	2	2	2
Slovakia	3	3	3	3	3	2 (1994)	3 (1994)	2.5
Slovenia	4	2	2	3	2.75	1 (1994)	2 (1994)	1.5
Average	2.4	2	2.4	2.5	2.4	1.3	2.2	1.7
Austria	2	2	2	2	2	1	1	1
Finland	2	2	3	2	2.25	1	1	1
Germany	2	2	3	2	2.25	1	2	1.5
Greece	2	2	4	3	2.75	1	3	2
Ireland	2	2	2	2	2	1	1	1
Italy	2	2	2	2	2	1	2	1.5
Portugal	2	2	3	2	2.25	1	1	1
Spain	2	2	2	3	2.25	1	2	1.5
Average	2	2	2.6	2.2	2.2	1	1.6	1.3

Columns 2, 3, 4, 5: Johnson, Bryan T., Holmes, Kim R., Melanie Kirkpatrick, 1999 Index of Economic Freedom. Washington D.C. and New York: The Heritage Foundation & The Wall Street Journal. 1999. Ranging from 1 to 5 the scores measure the degree of freedom in various fields of economic activity. Score 1 indicates the highest, score 5 the lowest, degree of economic freedom. Columns 6, 7: Freedom in the World. Freedom House Database. Ranging from 1 to 7 the scores measure the extent of political freedom and civil liberties. Score 1 indicates the highest, score 7 the lowest, degree of political and civil liberties.

Table 2: GNP per capita at Purchasing Power Parity (PPP)
in Europe, and the World. 1997. (USA=100)

Central and Eastern Europe, 1997		Latin America, 1997	
Bulgaria	13	Argentina	35
Czech R.	40	Brazil	22
Estonia	17	Chile	42
Hungary	24	Colombia	23
Latvia	13	Costa Rica	22
Lithuania	16	Mexico	28
Poland	22	Panama	25
Romania	15	Uruguay	29
Slovakia	27	Venezuela	30
Slovenia	44		
Average	23		28
European Union, 1997		Southeast Asia, 1997	
Austria	76	Hong Kong	85
Finland	66	Indonesia	12
Germany	74	Japan	81
Greece	45	Malaysia	38
Ireland	58	The Philippines	13
Italy	76	Singapore	101
Portugal	48	South Korea	47
Spain	55	Thailand	23
Average	62		45

Author's calculation based on The World Bank. World Development Report 1998/1999. New York: Oxford University Press. 1998: pp. 190-101.

Table 3: Labor Militancy in Europe (1990-1995)

	Number of strikes and lockouts per year per million worker	1000s of workers involved per year per million worker	1000s of workdays lost per year per million worker
Belarus	2.5	2.6	13.5
Czech R.	0.3	3.2	0.9
Hungary	0.9	9.3	12.2
Moldova	58.5	2.2	12.8
Poland	138.8	16.7	42.9
Romania	2.2	3.0	15.4
Russia	38.8	3.2	14.7
Slovakia	1.9	1.5	13.3
Ukraine	30.8	7.2	53.3
Average	30.5	5.4	19.9
Austria	1.0	5.1	4.3
Finland	71.8	36.6	160.0
Germany	n.a.	7.7	13.6
Greece	99.4	97.2	1451.2
Ireland	41.5	15.2	119.5
Italy	40.0	101.4	124.0
Portugal	58.9	22.3	25.5
Spain	71.7	149.4	229.0
Average	54.9	54.4	265.9

Author's calculation based on World Labor Report 1997-98. International Labour Office Geneva. pp. 250-254.

Table 4: Estimated Magnitude of Black Economy in Europe (1997-98)

Eastern Europe	Black market score	Western Europe	Black market score
Bulgaria	4	Austria	1
Czech R.	3	Finland	1
Estonia	2	Germany	1
Hungary	3	Greece	3
Latvia	4	Ireland	1
Lithuania	4	Italy	2
Poland	3	Portugal	2
Romania	3	Spain	2
Slovakia	3		
Slovenia	3		
Average	3.2	Average	1.6

Johnson, Bryan T., Holmes, Kim R., Melanie Kirkpatrick, 1999 Index of Economic Freedom. Washington D.C. and New York: The Heritage Foundation & The Wall Street Journal. 1999. Ranging from 1 to 5 the scores measure the share of the informal (and, partly, illegal) economy in GDP. Score 1 indicates the lowest, score 5 the highest, degree of informality in economy. (At score 5 more than a half of the GDP is illegally produced, traded, and consumed. At score 3 a one-third of the GDP is informal.)

Table 5: Strength of Labor Organization in Europe (Mid-1980s/mid-1990s)

	Period	Yearly change in union density among wage and salary earners (%)	Collective bargaining coverage rates (% , 1994-96)	Number of ratified basic ILO conventions (early-mid 1990s)
Bulgaria	91-93	-3.3	n.a.	80
Czech R.	90-95	-8.9	55	57
Estonia	85-95	-5.6	n.a.	24
Hungary	85-95	-2.5	45	63
Latvia	n.a.	n.a.	n.a.	43
Lithuania	n.a.	n.a.	n.a.	30
Poland	89-95	-7.1	n.a.	78
Romania*	91-93	-9.9	n.a.	42
Slovakia	90-95	-3.3	n.a.	57
Slovenia	n.a.	n.a.	n.a.	66
Austria	85-95	-1.9	n.a.	48
Finland	85-95	+1.6	n.a.	86
Germany	85-93	-2.2	90	75
Greece	85-95	-3.4	90	66
Ireland	85-93	-1.6	90	60
Italy	85-94	-0.8	n.a.	102
Portugal	86-95	-5.6	n.a.	68
Spain	85-94	+6.9	82	124

* non-agricultural labor force. Columns 3, 4: author's calculation based on World Labor Report 1997-98. International Labour Office Geneva. pp. 250-254. Column 5: The World Bank. World Development Report 1995. New York: Oxford University Press. pp. 150-151.

