

**Politics against Theory:
On the theoretical consequences of successful large-scale reforms
in Postcommunist Europe¹**

*Paper prepared for delivery at the 13th Annual Meeting of the Society for the Advancement of
Socio-Economics at the University of Amsterdam, The Netherlands, June 28-July 1, 2001*

by

Helmut Wiesenthal

Abstract

After a decade of, by and large, successful thoroughgoing reforms in several Postcommunist countries, it has to be recognized that the results of change contradict certain assumptions commonly held valid in political science. The paper outlines major theoretical premises of what might be summarized as the ‘impossibility theorem of holistic reform’ and examines the discrepancy between theory-based expectations, on the one hand, and indicators of transformational success, on the other. Triggered by this discrepancy some suggestions are made concerning the revision, or more precise reformulation, of the theoretical assumptions that proved invalid. As a consequence, general skepticism pertaining to the possibility of design-based institutional reforms appears to be weakened.

Prof. Dr. Helmut Wiesenthal
Humboldt University at Berlin
Institute of Social Sciences
Jaegerstr. 10-11
D-10117 Berlin

E-mail: hw@sowi.hu-berlin.de
<http://www2.hu-berlin.de/gesint>

1 The author wishes to acknowledge the financial support of the *Max-Planck-Gesellschaft zur Förderung der Wissenschaften* that made the research efforts possible on which this paper extensively draws. For the complete results of the research project ‘Preemptive Institution Building’ see Beyer et al. (2001) and Wiesenthal (2001). I am also grateful to the *Hanse Wissenschaftskolleg* at Delmenhorst that granted me a fellowship during which this paper was prepared.

1 Introduction

Among political scientists as well as political actors there is little doubt on the true character of the transformations undergone by former Communist countries during the recent decade. The transition from Communism is widely acknowledged as the substitution of one complete system of societal institutions for a thoroughly different one, i.e. the rare example of a whole-sale system change.

Taken seriously, the concept of system change implies a peculiar relationship between factors of continuity and factors of change. Insofar as systems entail a non-arbitrary but complex pattern of relations between their elements, their genuine shortcomings or dysfunctional features will not be overcome by marginal changes of single variables. Instead, a change of the basic pattern, i.e. the system's identity, might be asked for. In other words: Given that minor changes of single parameters might only endanger the system's stability and performance, a state of performance that is both acceptable and stable will only be achieved after *many* parameters become readjusted *simultaneously* and in a *coordinated* way. According to this understanding, the change of a societal system appears to be a matter of proper design as well as of adequate political action. It is inaccessible through an evolutionary process, i.e. through a series of steps of incremental improvements. Because the latter will finally stop as soon as a 'local' maximum is realized, only design-based investments combined with the ability to resist the temptation of small but limited improvements might lead to the 'global' maximum of a thoroughly different system design.²

With the notion of system change – understood as a series of 'large-scale' institutional changes – in mind, it is possible to identify a peculiar theoretical problem associated with any serious analysis of what happened in former Communist countries during the recent decade. At first, this problem poses itself on the level of empirical facts. As is widely acknowledged, a considerable amount of valuable resources or socio-technical skills was neither passed on by the socialist/Communist system nor generously provided by the established democracies in order to smooth the path from one system to the other. Secondly, a similar lack of prerequisites was obvious on the level of social and political theory. Although Marxist theory once offered some crude hypotheses about the transformation of a 'ripe' capitalist system into a nascent socialist one, neither the versions of 'late' (or the more sophisticated neo-) Marxism

nor common theories of social change did entail any idea of how to fabricate a modern pluralist political system together with a capitalist market economy from the scratch.

Given the lack of empirical as well as theoretical provisions, the series of system changes in Central and Eastern Europe provide an extraordinary opportunity for the investigation in change processes that, until today, was restricted to single case studies not suitable for comparative analysis. However, whereas the reform process undergone by former Communist societies soon became the focus of much attention within the social sciences, there is only little awareness about their suitability for comparative research of thoroughgoing institutional change. Though there is a lot of attention paid to the introduction or change of single institutions as well as structural changes of industrial sectors, policy areas and distributional patterns, the logic of system change, its management and conditions of success still appear to be beyond the research agenda.

Setting aside the possibility that this opportunity for empirical research remains underemployed because there are topics of research demanding greater amounts of attention and funding, one might come up with another explanation for social science's indifference toward the recent 'grand changes'. This explanation refers to some theoretical assumptions broadly held in political science and political sociology. According to them, large-scale social change if intentionally directed is seen not only as extremely unlikely, but also, if attempted nonetheless, bound to fail. Mainstream social sciences and, above all, the theoretically based brands of political science entertain systematic skepticism about the possibility of what they name as 'holistic reforms'.

In order to highlight the possibility of acquiring a valuable insight into the conditions of design-guided societal change – or: the dimensions of a concept of political possibility – this paper concentrates on the theoretical side of the gap that appears to exist between theory-based skepticism, on the one hand, and indications of successful transformations in former Communist countries, on the other. In the next section, the reader is invited to cast a view on the 'impossibility theorem of holistic reform' as it became some sort of hidden paradigm of post-war political science. The subsequent section provides a closer look at peculiar problems associated with the departure from Communism that might even enhance what is assumed to

2 This line of argument refers to the 'theory of second-best' (Lipsey/Lancaster 1956/57) as well as the notion of 'gradient climbing' (Elster 1979: ch. 1).

be the problem load of ‘ordinary’ system change. As a matter of fairness, this is followed by a brief discussion of features that could well reduce the task load of Postcommunist transformations. Finally some arguments are presented in order to delineate the ‘possibility space’ of wholesale institutional changes in former Communist countries. From these, a cautious however general conclusion can be drawn about the possibility of large-scale institutional reforms that must no more be seen as a matter of theoretical impossibility or a unique historical anomaly.

2 The ‘Impossibility’ of Holistic Reform

Because of the simultaneous occurrence of thoroughgoing changes in the economic, social and political subsystems of society the institutional transformations in Eastern Europe provide a unique series of large-scale reforms. At first glance, the sheer number of up to 27 countries having departed from Soviet-controlled Communism appears to be an attractive sample for comparative analyses. The aims of research might refer to the similarity or diversity of initial conditions, the choices made in order to initiate change, the outcomes achieved at different points in time, the peculiar patterns of ‘local’ prerequisites as well as the national or regional obstacles to success. On closer look, the insights to be derived from empirical studies might go far beyond the realm of ‘transformation studies’ targeted at the former Communist World. They might include provisional answers on the question of how societies might improve their control capacity vis-à-vis a complex policy agenda made up of large-scale problems such as maintaining economic growth and securing social integration in a ‘globalized’ economy or effectively dealing with developmental problems such as population growth, malnutrition, insufficient water supply, soil erosion and environmental damage.

Although social change is an ubiquitous phenomenon, instances of change are extremely rare in which political planning, conscious decision-making and coordinated efforts result in outcomes close to what was aimed at on the outset. Thus, the non-arbitrary way in which political actors as well as ordinary citizens in Communist countries have organized a process of consciously chosen changes could reveal certain insights into a broader set of factors contributing to ‘the possibility of rational politics’ as put by Jon Elster (1987).

However, what today on empirical grounds of reasoning is identified as instances of more or less successful thoroughgoing change is at variance with the common knowledge in the aca-

democratic disciplines claiming responsibility for this subject. Up to 1990 and even today, peculiar assumptions associated with ‘state of the art’ political science explicitly denied the possibility of voluminous intentional reforms. Nothing less credible and sensible about which to seriously theorize existed – perhaps except the idea of a legitimate world government or an encompassing global religion. The idea of consciously redesigning an entire society was deemed a genuinely unconvincing if not foolish one.

Of course, that the idea has not been taken seriously had a lot to do with the bitter experiences endured under the dictatorship of both Fascism, in particular its brute version of German National Socialism, and Soviet Communism. Skepticism about holistic reforms was fed by information about the enormous social costs that, e.g., the people in the Communist world had to bear during the attempts at establishing a Communist social, political and economic order.

Disregarding for a moment the opposite sign attached to the outcomes achieved, the recent project of change appears to be of similar scale. On the one hand, it comes close to what an ‘avantgarde’ of Leninist reformers once attempted to achieve, on the other, it obviously outdoes all major changes experienced in 19th and 20th century Western Europe: from the collapse of monarchies and autocratic regimes, the introduction of state-guaranteed social welfare or the ‘war-far’ regimes of World War I and II up to the post-war reconstruction periods.

Part of the common understanding of Western political scientists before 1990 – as far as there was an opinion about wholesale social reforms – was a couple of assumptions converging in an implicit ‘negative’ paradigm. This might be called ‘the impossibility theorem of holistic reforms’. Various empirical and theoretical findings had amounted to a body of knowledge that strongly impacted on theoretical politics as well as political theory. Its basic skepticism evolved at the crossroads of some different, however complementary results of the public policy analyses such as those done by Charles Lindblom (1959), the studies on implementation failures in public service reforms (Pressman/Wildavsky 1973), the highly original and seminal fruits of research in organizational decision-making and the psychology of boundedly rational choice inspired by the late Herbert Simon and its colleagues at the Carnegie Mellon Institute of Technology at Pittsburgh (e.g. Simon 1976; March/Olsen 1976; March/Olsen 1989), the discussions about the assumed non-governability of democratic systems (e.g. Crozier et al. 1975), and, last but not least, Fritz W. Scharpf’s investigation into the “Joint

Decision Trap” and the predominance of “negative” over “positive coordination” (Scharpf 1988, 1993).

The paradigm’s epistemic foundations were already in place before 1970. Thus, the aforementioned findings met with a particular framework of social theory and epistemic reasoning. Major components are the well-founded arguments of Karl Popper (1972) against the ‘historicist’ brand of sociological and politico-ideological reasoning. A further major component is made up by the mainly cognitive research around Simon’s notion of ‘bounded rationality’ focusing on both the complexity of real-world phenomena and the limitations to individual computational competencies. In Germany, the anti-holistic skepticism received strong support in the writings of the social philosopher Niklas Luhmann whose sociological systems theory draws extensively on the empirical findings of the Carnegie Mellon School (e.g. Luhmann 1995).

Several authors succeeded in advancing their skeptical vision of design-based large-scale reforms through coining catchy phrases such as ‘the science of muddling through’ (Lindblom 1959), ‘the garbage can’ model of decision-making (Cohen et al. 1972), the exclusive option of ‘piecemeal technologies’ (Popper 1972) or ‘the tragedy of the politicians’ dead hands’³ (Luhmann 1989).

The systematic skepticism about any approach to ambitious policy-making as exemplified by the phrases cited above appears to be based on acknowledged theories on the three major levels of social analysis. As already mentioned, one pillar is founded on insights into the limited capacity of human individuals to form rational beliefs and act according to the rules of substantive rationality. This line of argument coincides with the core of Simon’s notion of bounded rationality. Another pillar consists of what is known about the obstacles to rational social choice on the level of organizations designed for the delivery of public goods. These include the disturbing effect of free-riding according to Mancur Olson’s ‘logic of collective action’ as well as Kenneth Arrow’s impossibility theorem. The latter claims the logical impossibility of devising a mechanism of collective choice that, under certain reasonable conditions, allows to produce a consistent set of group preferences from the preferences of all the individuals making up the group (e.g. Arrow 1963). This, obviously, concerns the possibility of achieving the ‘common good’ through real-world processes of public policy. Finally, a

³ Translation from German provided by the author, HW.

third pillar has to be mentioned on the macro level of entire societies. It relates to the impossibility of constructing a notion of system rationality that, instead of being bound to individual or collective particularism, represents something like the 'true' identity and necessary conditions for survival of the maximum encompassing social 'system'. Such a notion, among other reasons, strongly contradicts any understanding of the empirical value plurality and sociological constructivism.

Whereas the aforementioned axioms and assumptions would hint at some systematic deficits and intrinsic problems with which ambitious reforms in modern democracies are burdened, it might be even more likely that they will impinge on those societies that lack the institutions of democracy as well as a market economy. Thus, a 'Communist system' going to abandon itself appears to be confronted with a problem load that will easily exceed anything similar in a well-established democratic decision-making environment. In accordance with this view, several hypotheses were developed that claim to circumscribe the peculiar risks of the politically guided departure from Communism.

3 Especial Obstacles to the Transition from Communism

As we learned from historians, Western democracies with their well-established market economies emerged in a certain temporal order: the market – or capitalism – came first together with the partial liberation from the feudal rule. Democracy, however, was achieved only after the vast majority of citizens had found their new market-related roles as either owners of capital, workers or the members of the, later on, rapidly growing middle classes. Particularly, workers first had to associate in certain ways before they were acknowledged as legitimate participants in decision-making on industrial affairs. Besides the remainders of the feudal aristocracy, all the 'new' social classes won the right to vote not before their economic position, or even : economic power, had become visible. In fact, inclusive political participation, i.e. universal suffrage, appears to be a logical extension of the (real or formal) freedom enjoyed in the economic sphere and it precedes by far the acquisition of the right to social security as established by institutions of social welfare (Marshall 1964). Given that the collapse of Communism had its take-off not in the economic but in the *political* sphere, the recent transformations obviously follow a reversed temporal order. As a consequence, starting with political liberation, the process of system change is subjected to certain risks and prob-

lems that appear extremely difficult to be dealt with successfully. Some of them deserve closer inspection.

The dilemma of simultaneity. In an influential paper entitled ‘The necessity and impossibility of economic and political reforms’ Jon Elster (1990) outlines the genuine problematic of simultaneously establishing the institutions of representative democracy and a market economy. What later on was named the ‘dilemma of simultaneous reforms’ (Offe 1991) points to a problem that was even more fundamental than the early controversy between the adherents of either radical or gradualist reforms. The dilemma theorem maintains that an unavoidable blockade of the reform process results or that tremendous costs of transaction are incurred when crucial decisions over the allocation of property rights have to be made *after* the introduction of universal suffrage and responsive democratic governments. Because democratization involves the extension of effective opportunities for political participation as well as the sensitizing of politicians to popular feelings and demands, the inevitable social costs of economic change will trigger strong popular sentiments against the course of reforms. Any parliamentary opposition that is eager to gain office will experience an incentive to present itself as the natural protagonist of anti-reformism, i.e. attempt to maximize its attractiveness to those segments of the electorate that appear unwilling to accept the transitory costs of change. Thus, it is assumed that almost any attempt by a democratic government to engage in long-term projects of transformation, that deliver their fruits only after a certain period of time, is bound to fail. Therefore, the process of system change appears to be severely endangered by the risk aversion and opportunism of self-interested politicians who rank their chances of re-election higher than the quality of policy choice.

The limits on society’s capacity for ‘institutional learning’. There is a reasonably solid assumption that the simultaneous implementation of numerous interdependent institutional rules might expect too much of a society’s capacity to adopt new ways of behavior and social coordination. This does not mean that the capacity of individual or collective actors is restrained by obsolete beliefs and traditions such as the often mentioned ‘socialist legacies’. Instead, the argument points to the sheer volume of altered facts, norms and social expectations that actors have to take into consideration when choosing their course of action. Evidence of a limited capacity to adapt to environmental change is provided by consolidated democracies. In many instances of reform, the latter appeared capable of adapting to only incremental portions of intended change (Charles Lindblom), i.e. ‘piecemeal technology’ (Karl Popper). Given wide-

spread vested interests and a high level of institutional inertia, even moderate projects of reforming the tax system, certain parts of social welfare or the institutions of the labor market turned out to be too demanding. The reproach of ‘holism’ as effectively pursued in line with Karl Popper (1972) zeroes in on the same phenomenon: political intention overshooting the complex and opaque features of social reality. Moreover, there is hardly a project imaginable that would meet the demands of information quality and design complexity associated with thoroughgoing reforms. This is why arguments usually having been raised in favor of gradualism – as opposed to the notorious shock therapy – typically draw on the limited ‘learning’ capacity of existing societies (e.g. Brada 1993).

The inadequacy of institutions introduced by arbitrary decisions. Another objection to the possibility of large-scale reforms refers to the peculiar mode of institution building after a revolutionary turmoil. Under such circumstances, (new or changed) institutions do not emerge in an evolutionary process of random variation and subsequent selection according to converging expectations and commonly held standards of social order. Rather, institutions are created by ‘*fiat*’, i.e. as the outcome of some procedures of social choice that are more or less exclusive because of the remoteness of representational democracy. As usual, the process of decision-making not only is explicitly discretionary with regard to the choices at hand, it, furthermore, comes to an end only by a majority vote going over a minority with different outcome-related preferences. If, however, the acceptance and efficacy of institutions depends on their appearance as unique and thereby highly legitimate solutions to current problems, their recognition might be hampered by the process of being created. Common rules and norms that apparently came into effect by discretionary decision-making bear an air of contingency or even arbitrariness. Because they obviously were not the only option possible, people might doubt their value and undermine their validity by reasoning ‘they could well have chosen a rule that better suits my own situation!’. It has to be acknowledged that the discretionary weakness of new institutions resembles one problem inherent in the holistic approach to reform. The more things come under scrutiny and the more they are changed through a once-and-for-all strike, the more the procedure resembles an act of sheer arbitrariness. Or, to put it the other way around: The more changes ambitious proponents of reform wish to effect simultaneously, the less social acceptance and institutional validity they may count on.

The lack of cultural prerequisites. One of the objections raised frequently against a wholesale change of the institutional order and, at the same time, a first-hand explanation of institutional failure refers to a mismatch of cultural givens and the functional prerequisites of institutions. It is said e.g., that the core institutions of a market economy such as private entrepreneurship, contractual law, market prices and competition must rely on certain individual habits and collective values that the citizens of Communist countries were denied the opportunity to adopt (Malle 1994). These habits and values could only emerge during an extended period of practical experience and situational learning. In his study on two different political cultures in Italy, Robert Putnam (1993) discusses certain virtues and dispositions that are said to be at the root of a (partly) self-governing civil society. Among them is the readiness to participate in public debate as well as associate with like-minded people. Again, these symptoms of ‘social capital’ were extremely rare under Communism. Accordingly, insiders lament the deficit in public spirit, the prevalence of pre-modern feelings of community and a common lack of political culture (e.g. Ekiert 1991). Piotr Sztompka even claims that the emergence of a civic culture in Postcommunist societies is badly endangered by a legacy of ‘civilizational incompetence’ (Sztompka 1993).

The functional deficits of imported institutions. An implicit assumption of almost all efforts made by the internal as well as the external participants of transformations is that unambiguous ends and means are given in form of Western models. However, on closer inspection, this assumption might turn out a heroic simplification. Shifting the focus of attention to the debates on public policy and institutional reform in Western democracies, one might recognize numerous doubts about the adequacy and performance of institutions that, without exception, were invented at the end of the 19th century or during the first half of the 20th century. Given the need to accommodate rapidly the social impact of new technologies and integrating global markets, few of these early institutional achievements could claim to be the most efficient solutions to current problems. Two possible consequences have to be mentioned. First, because the Western institutional legacy is subject to intense debates, its implementation in a ‘foreign’ context might be hampered by the disputed character of certain key features. Second, given that imported institutions are implemented with maximum precision, they will probably display the exact same shortcomings which, at least today, attract criticism in their original context. Alternatively, if imported institutions will be implemented in a modified

form, the proof of their adequacy rests on the – inevitably limited – functional knowledge of the reformers.

The unacceptable social costs of institutional innovation. Competitive representative democracy is prone to inconsistent decision-making and the risks such entails. Individual citizens, ruling parties and even an entire society may choose to embark on a difficult and demanding project of institutional reforms and, at the same time, claim they will be spared all the risks and costs the chosen policy would necessarily entail. In fact, only in the very beginning did the citizenry of transiting countries appear willing to accept a ‘blood-sweat-and-tears’ strategy of change. When after a two or three years period the fruits of change were seen as insufficient, popular support for thoroughgoing reforms plummeted. Only for a short period of time did the recently won ‘negative’ freedom of true democracy appear to be an adequate compensation for the ‘positive’ freedom of guaranteed incomes (irrespective of individual performance) lost over the course of the system change (Bauman 1994). Macroeconomic data suggest that the social costs of transition amount to a 25-50 per cent decline of the gross domestic product during the first years after transition. Above all, the width and depth of this ‘valley of tears’ (Sachs 1991) depends on how political systems could cope with the popular demand for immediate gains. Since there is no natural or economic law determining a steep right-hand part of the U- or J-curve of GDP growth, the political management of the transition crisis appears to be decisive.

The counter-intuitive effects of simultaneously introduced institutions. Whereas the objection to holism refers in a very general way to the lack of calculability of grand designs, some facts of limited importance became visible that illustrate very clearly the inherent risks of large-scale reform. A good example is provided by a comparison between the newly established political parties and interest associations which emerged following the political turmoil. Even after a decade, all Postcommunist countries show the same pattern: while political parties succeeded in establishing themselves as major actors in the political system, interest associations (be they trade unions or business and professional associations) have as yet failed to gain significant influence as pressure groups or providers of sectoral information and governance within the process of policy implementation.⁴ There is good reason why *parties* proved

4 This failure is all the more significant as postsocialist political systems are constructed after the model of West European democracies with a particular ‘corporatist’ style of integrating extra-parliamentary ‘functional’ interests.

superior under conditions of increasing competition over individual and public resources for collective action (Wiesenthal 1996). They profit from a high level of public attention as well as from their function as gatekeepers to governmental and public positions. Because elections are constant-sum games, parliamentary representation as such remains immune from the organizational capacity of parties, the nature of political cleavages and even voter turn-out. With respect to interest associations, there is nothing resembling this comparative advantage of parties. Their development depends exclusively upon individual expertise and contributions for collective action. Furthermore, the well-known problem of free-riding sets either narrow limits to growth or triggers a departure from collective goals when the organization attempts to survive by means of selective incentives and/or the fabrication of community feelings. As a consequence, it is not possible for government and administration in new democracies to relieve themselves of the heavy burdens of actively regulating nearly everything by delegating responsibility to 'private' interest governments (as described by Streeck/Schmitter 1985).

4 Facilitating Factors of Transition

Although the list of obstacles and risks to ambitious institutional change as outlined above is in no way conclusive, it may serve as an indication of the peculiar problems that add to the standard problem load which is assumed to account for the impossibility of holistic reforms. Fortunately, after a decade of thoroughgoing change in former Communist countries, one no longer feels compelled to rely on general theories or fortune telling in order to assess the variance of outcomes of the system change. Even a regular glance in the newspapers might provide a realistic impression of what has happened in Central and Eastern Europe. Taken altogether, there seems to be little ground for maintaining the skeptical position as suggested by the impossibility theorem. Obviously, in many cases the system change as such, as well as the subsequent transformations in almost every sphere of society, were complicated by the problems discussed in the preceding section, not to mention the problems rooted in national peculiarities and the common shortage of resources. *Nevertheless, there are significant indicators of success.* With the exception of Albania and countries that formerly were part of the USSR or Yugoslavia, there is literally no one country that could not claim to have made some progress. This means, there are a lot of outcomes that – to a certain degree – resemble the original intentions and goals of change. Of course, there are huge differences among the sample, in

particular, with respect to the level of democratization achieved⁵ as well as the degree to which the economy has been restructured and regained growth (Hellman 1998).

From this perspective, a theoretically based explanation of the transformation processes not only has to question the assumptions implicit in the impossibility theorem but also to look out for positive factors facilitating change. An assessment of both, the unconvincing premises of the impossibility theorem and the alleviating factors might tell us which elements of the theorem are to be dropped or in need of refinement.

Before going into details, let me explain why this theoretical point of view deserves more attention than it was given in the vast majority of transformation studies. First, this is because even today there remains much ignorance of the fact that a huge corpus of social theory suggests systematic skepticism whereas the outcomes of the Postcommunist transformations are at variance with the predictions derived from theory. Secondly, even proponents of the impossibility theorem might wish to highlight features that contradict the subsuming of the recent cases of system change under the rule of a general theory. They might argue, that the impossibility theorem extends only to modern democratic societies and is misinterpreted when employed to assess the changes taking place in Postcommunist countries. Therefore, sorting out a peculiar set of facilitating factors might be a decisive step to a more differentiated and, at the same time, more encompassing theory of large-scale design-based reforms. This is why one has to give credit, in particular, to positions that claim to name alleviating factors of change that are exclusively to be found in the transition from Communism.

On the one hand, there are factors that appear to be rooted in the institutional and value structure of the Communist system. First, one has to mention the absence of an articulated socio-economic cleavage in the largely egalitarian Communist society. This factor accounts for the weakness of organized veto powers, above all narrow-minded interest associations. It, further, contributed to a low level of strain in government formation and parliamentary decision-making. Second, almost everywhere broad popular support for the project of a radical transformation of the institutional order has been enjoyed because of the false belief that pluralist democracy together with economic freedom guarantees an immediate rise in the stan-

5 According to Freedom House, eight of the 13 European Postcommunist countries were assigned the exact same degree of political freedom as it is held by the consolidated democracies of Britain, France, Germany and Italy (<http://freedomhouse.org/research/freeworld/2000/table5.htm>). These undoubtedly democratized countries were granted candidate status by the European Union.

dard of living. At least, these two factors hint at the presence of an early ‘window of opportunity’ that reformers might have made use of or missed.

On the other hand, certain courses of action chosen by strategic actors might be seen as adequate responses to problems that proponents of the impossibility theorem assume unresolvable. First, in several countries governments very early on created tripartite commissions of interest articulation and compromise that called upon trade unions to enter into binding agreements on wage restraint with government officials. Although these commissions lost influence over the process of consolidation, they at least worked as a kind of ‘preemptive strike’ that indirectly contributed to a low level of industrial conflict. Secondly, another candidate among the strategic factors of success might be the so-called shock therapy of economic change. Although the catalogue of measures prescribed by economic advisers (e.g. Sachs 1989; Fischer/Gelb 1991) could nowhere be implemented completely and in ideal fashion, it did not cause all the negative consequences that were announced by its opponents (see Hellman 1998). At least, embarking on a shock therapy worked as a kind of insurance against political failure by concentrating many painful interventions at the start of the transition. Thereby reform governments might have enabled themselves to persevere despite the opposition provoked by harmful intermediate results. In particular, if reformers were lucky to give priority to stabilization policies, they were rewarded with an above average probability of economic recovery (Beyer 2001). This, in turn, protected them against the ‘populist threat’ to functionally interdependent policy measures as it is described in the ‘dilemma of simultaneity’. In a theoretical perspective, the exact composition of the bundle of measures appears to mark the distinction between the impractical ‘utopian’ and the more realistic ‘imitative’ holism (see Ellman 1997).

Third and contrary to the skeptical assumption that the new institutions might be lacking in the necessary ‘moral’ prerequisites, there is evidence of an opposite cause-effect relationship in the process of new institutions gaining validity. Even if insufficiently based on a proper functional understanding in the early stage of implementation, new social and legal rules could well become effective through increasingly positive feelings among the population. They might even have a certain ‘educational’ impact such as democratic institutions and electoral rules had after their introduction in early Western democracies. A prominent example is provided by Alexis de Tocqueville (1956) in his famous work on the rise of democracy in North America. A similar case is the development of democracy under the rule of the

Western allies in post-war Italy and West Germany. In all these cases it was not before the emergence of a public sphere constrained by formally democratic institutions that citizens became used to publicly discuss individual and collective interests as well as attempt to express their – of course: diverging – visions of the ‘common good’.⁶ This observation appears to support even courageous strategic choices made by bold reformers.

Two more observations are to be mentioned because they might help to inform sound explanations of the more successful cases. One refers to the significance of mental ‘socialist legacies’, i.e. common values and attitudes inherited from the past. Whereas in early papers on the social structure and the elite composition in Postcommunist countries the assumption was made, that ‘socialist values’ might hamper a proper understanding of democracy and market economy (Crawford/Lijphart 1997), today there is more evidence that ‘socialist values’ lost their impact quite rapidly. Even more surprising might be, that their role in the early years of thorough transformations was not all negative. As far as etatist attitudes prevailed among the population, reform elites were capable of counting on more compliance for top-down interventions than their counterparts in Western democracies. The same is true for the initial weakness of interest associations and trade unions. Both ‘Communist’-type feelings of social harmony and the, in fact, more egalitarian social structure, provided a rather unfriendly environment for old and new interest groups. Because the latter were unable to turn into powerful pressure groups, reform governments enjoyed considerable elbow room. Here, we envisage a case-specific situational factor allowing for greater chances of success than postulated in the impossibility theorem.

There is another observation that contradicts basic theoretic assumptions. According to a broadly held opinion, the reform project was endangered by those parts of the population that would suffer from the inevitable decline of real wages and the lay-off of large segments of the workforce. However, on closer inspection, this expectation turned out wrong. While popular dissatisfaction eventually led to a change in office – usually with the new government continuing on the path of their predecessors – the strongest opposition was exerted not by the temporary victims of reform but by the winners (Hellman 1998). Those who succeeded in rent-seeking strategies or gained from the loopholes in early privatization schemes strongly resisted any attempt to deprive them of their beneficial conditions. The more they had gained

6 This might also impact on the content of publicly claimed interests. Acting in a lively public sphere might well have the consequence of individuals ‘laundering’ their crude self-related preferences (Goodin 1986).

at the outset, the more resourceful their opposition to further changes that might turn out harmful to them. The Russian oligarchs present a good example. Thus, where reforms were implemented very reluctantly, with too much consideration for opponents, or in a less efficient temporal order,⁷ the early beneficiaries of the collapse of the Communist system often became the major obstacle to further democratization and the rule of law.

Taken altogether, there is little ground for maintaining the suspicion that all incidents of change exhibit the signs of 'path dependence' (e.g. Stark 1992). Apart from the trivial meaning that there are very few phenomena that lack any mark of the past, path dependency in the strict sense occurs less frequently than originally expected. As far as the theory of path dependence provides an adequate background for assessing the outcomes of system change, we might reach at two preliminary conclusions. First, efforts for the consistent implementation of a series of designed reforms did not turn out as strictly impossible. Given certain functional prerequisites, the capacity to identify situational resources of change and sufficient political skills (which, in the new democracies, often appeared to be of astonishing quality) most parts of the envisaged wholesale societal change were successfully mastered. Secondly, there are only few examples that fit to the pattern of path dependence as they demonstrate the survival of institutions that appear inferior (or less efficient) than some available alternative.⁸

5 Two General Conclusions

Assessing the peculiar way in which the aforementioned aspects of social change deviate from the assumptions that constitute the core of the impossibility theorem, we have to take a look at each of the three different levels of social analysis: the micro or individual level, the level of organizations and social choice, and, finally, the level of macro phenomena.

Actually, on the *micro level*, we do envisage most of the phenomena related to obstacles of thoroughgoing reforms: cultural legacies, inadequate values, unrealistic short-term expectations and diverging policy preferences. However, what appears to be ignored by the proponents of skepticism, most of these phenomena could be dealt with through prudent choices of policies and politics. Even the strongest normative legacies lacked the power of determina-

7 As a less efficient temporal order appears to be priority given to privatization and the liberation of prices instead of the measures for macro-economic stabilisation (Beyer 2001).

8 This argument refers to the original meaning of path dependence as an explanation of the survival of inferior institutions in a context where more efficient solutions were available (cf. North 1991).

tion. Furthermore, another set of critical factors located at the micro level, ‘failed’ to make up for a serious obstacle to change: the limits to individual rationality. This, obviously, is not because such limits were absent or the techniques of boundedly rational decision-making were easily replaced by the one-best maximizing strategy. To the contrary, all the obstacles to ‘substantive’ rationality proved real. However, there were also some tactics and strategies through which reformers could successfully respond to the limits of rationality, among them the recourse to exemplary models, actions and empirically tested institutional patterns. Several other tactics still wait for being detected.

On the *meso level* of organizational particularism and dissatisfying social choices we find the empirical facts quite close to what theoretical skepticism did postulate. Although only few of the events and difficulties originally predicted became manifest, there is little doubt that they are correctly identified in theory. The fact that they did not account for serious trouble in the course of transition turns out to be attributed to the peculiarities of the Communist system. On the one hand, the harmonization of incomes and social status – often quite close to the poverty line – and the effective repression of bottom-up associations that might have created ‘Putnam-type’ social capital, on the other, amount for the reduced impact of interest heterogeneity as well as organized interests. Given this divergence from the situation in established democracies, the experience with the latter’s collective social actors does not extend to former Communist societies.

Relative to the *macro level* of system characteristics things turned out ambiguous. On the one hand, several countries had started to question the society’ identity by resorting to ethnic distinctions in ways that outsiders were not prepared to expect. On the other, Western-style democracy and the market economy did, in fact, serve as institutional models of considerable instructive quality. They informed institutional choices even in cases where the model had to be adapted to ‘local’ circumstances. However, certain preconditions had to be met if the imported models were to work properly. Transiting societies had to provide sufficient individual freedom of action – including the right to associate and compete for political representation – as well as the rule of law in order to develop the capacity to learn from errors. Individual and collective freedom worked as necessary preconditions for institutional learning and the consolidation of the new system. As a consequence, we have to admit that modern societies do well entail the chance of providing sufficient knowledge about their essential elements and processes. Otherwise, cross-border learning would not have occurred.

Whereas the need to revise the assumptions of the impossibility theorem becomes quite clear from the observations resumed above, there is a second line of argument that seems worth to be followed in further research. It starts with the question whether the cases of Postcommunist transformation represent the only reason to doubt the validity of generalized reform-related skepticism in the social (namely the political) sciences. The answer is no. Inspired by what we observed in many Central and Eastern European countries, we might look out for more examples of successful large-scale reforms, be it as the result of a concentrated institutional revolution or at the end of an extended period of incremental, however well-directed changes. Two different groups of cases are to be mentioned.

One group of surprisingly successful changes, some of them still beyond the attention of mainstream political science, consists of so-called developing countries which during the last decade succeeded to outdo with dictatorship and a centralized state-governed economy.⁹ In Asia, these are the well-known cases of South-Korea and Taiwan which both have already gone a long way towards becoming modern democracies with decentralized economies. There are some less spectacular examples in other parts of the world. Experts in Latin American regional analysis point at Bolivia and Uruguay as outstanding cases of democratization and economic reform. And even among the African countries most of which suffer heavily from colonial legacies and corrupt elites do we detect relatively successful cases of recent social change: Mali and Mauritius.

Another set of cases being worth to become investigated with the conceptual instruments of modern political analysis is made up by the early social reforms in European countries at the end of the 19th and the beginning of the 20th century (e.g. Thane 1982). Where mandatory social insurance against the risk of accidents at workplace (as in Germany in 1884), non-contributory old-age pensions (as in Denmark in 1891) or an unemployment insurance (as in Britain in 1911) became introduced for the first time, they often met with fierce opposition from those who rightly saw in them what they turned out to be: pathbreaking institutional innovations that would later on deeply impinge on the social structure and the character of society.

9 A comprehensive assessment of recent developmental success is prepared by the Bertelsmann-Stiftung in connection with the 2001 Carl-Bertelsmann-Preis. For further information, please consult <http://www.bertelsmann-stiftung.de/project.cfm?lan=en&nid=71&aid=2759>.

Given the three sets of examples of successful thoroughgoing and design-based reforms, only one of which could be dealt with in this paper, there is good reason to redirect some attention paid by political analysts from the cases and factors of failure to those of intended success. The latter as well as the former promise to deliver valuable insights.

References

- Arrow, Kenneth J., 1963: *Social Choice and Individual Values*. New Haven: Yale University Press
- Bauman, Zygmunt, 1994: A Revolution in the Theory of Revolutions? *International Political Science Review* 15 (1), 15-24.
- Beyer, Jürgen, 2001: Beyond the Gradualism-Big Bang Dichotomy: The Sequencing of Reforms and Its Impact on GDP. In: Beyer, Jürgen/ Wielgohs, Jan/ Wiesenthal, Helmut (eds.): *Successful Transitions. Political Factors of Socio-Economic Progress in Postsocialist Countries*. Baden-Baden: Nomos, 23-39.
- Beyer, Jürgen/ Wielgohs, Jan/ Wiesenthal, Helmut (eds.), 2001: *Successful Transitions. Political Factors of Socio-Economic Progress in Postsocialist Countries*. Baden-Baden: Nomos Verlagsgesellschaft.
- Brada, Josef C., 1993: The Transformation from Communism to Capitalism: How far? How Fast? *Post-Soviet Affairs* 9 (1), 87-110.
- Cohen, Michael D./ March, James G./ Olsen, Johan P., 1972: A Garbage Can Model of Organizational Choice. *Administrative Science Quarterly* 17, 1-25.
- Crawford, Beverly/ Lijphart, Arend, 1997: Old Legacies, New Institutions: Explaining Political and Economic Trajectories in Post-Communist Regimes. In: Crawford, Beverly/ Lijphart, Arend (eds.): *Liberalization and Leninist Legacies*. Berkeley, CA: University of California Press, 1-39.
- Crozier, Michel J./ Huntington, Samuel P./ Watanuki, Joji, 1975: *The Crisis of Democracy. Report on the Governability of Democracies to the Trilateral Commission*. New York: New York University Press.
- Ekiert, Grzegorz, 1991: Democratization Processes in East Central Europe: A Theoretical Reconsideration. *British Journal of Political Science* 21, 285-313.
- Ellman, Michael, 1997: The Political Economy of Transformation. *Oxford Review of Economic Policy* 13 (2), 23-32.
- Elster, Jon, 1979: *Ulysses and the Sirens. Studies in Rationality and Irrationality*. Cambridge: Cambridge University Press.
- Elster, Jon, 1987: The Possibility of Rational Politics. *Archives Européennes de Sociologie* 28 (1), 67-103.
- Elster, Jon, 1990: The Necessity and Impossibility of Simultaneous Economic and Political Reform. In: Ploszajski, Piotr (ed.): *Philosophy of Social Choice*. Warsaw: IFiS Publishers, 309-316.
- Fischer, Stanley/ Gelb, Alan, 1991: The Process of Socialist Economic Transformation. *Journal of Economic Perspectives* 5 (4), 91-105.
- Goodin, Robert E., 1986: Laundering Preferences. In: Elster, Jon/ Hylland, Aanund (eds.): *Foundations of Social Choice Theory*. Cambridge: Cambridge University Press, 75-101.
- Hellman, Joel S., 1998: Winners Take All: The Politics of Partial Reform in Postcommunist Transitions. *World Politics* 50 (2), 203-234.
- Lindblom, Charles E., 1959: The Science of Muddling Through. *Public Administration Review* 19 (Spring), 79-88.
- Lipsey, R.G./ Lancaster, Kelvin, 1956/57: The General Theory of Second Best. *Review of Economic Studies* 24, 11-32.
- Luhmann, Niklas, 1989: Politische Steuerung: Ein Diskussionsbeitrag. *Politische Vierteljahresschrift* 30 (1), 4-9.
- Luhmann, Niklas, 1995: *Social Systems (Writing Science)*. Stanford, CA: Stanford University Press.

- Malle, Silvana, 1994: From Market to Capitalism: The Building of Institutional Ethics. *Journal of Public Policy* 14 (1) , 1-16.
- March, James G./ Olsen, Johan P., 1976: *Ambiguity and Choice in Organizations*. Bergen: Universitetsforlaget.
- March, James G./ Olsen, Johan P., 1989: *Rediscovering Institutions. The Organizational Basis of Politics*. New York: Free Press.
- Marshall, Thomas H., 1964: *Class, Citizenship, and Social Development*. Garden City, NY: Doubleday & Company.
- North, Douglass C., 1991: *Institutions, Institutional Change and Economic Performance*. Cambridge, MA: Cambridge University Press.
- Offe, Claus, 1991: Capitalism by Democratic Design? Democratic Theory Facing the Triple Transition in East Central Europe. *Social Research* 58 (4), 865-892.
- Popper, Karl R., 1972: *The Poverty of Historicism*. London: Routledge & Kegan Paul.
- Pressman, Jeffrey L./ Wildavsky, Aaron, 1979: *Implementation. How Great Expectations in Washington Are Dashed in Oakland*. Berkeley: University of California Press.
- Putnam, Robert D., 1993: *Making Democracy Work. Civic Traditions in Modern Italy*. Princeton, NJ: Princeton University Press.
- Sachs, Jeffrey D., 1989: My Plan for Poland. *International Economy* 3 (Dec.), 24-29.
- Sachs, Jeffrey D., 1991: Crossing the Valley of Tears in East European Reform. *Challenge* 34 (5), 26-34.
- Scharpf, Fritz W., 1988: The Joint Decision Trap: Lessons from German Federalism and European Integration. *Public Administration* 66 (3), 239-287.
- Scharpf, Fritz W., 1993: Positive und negative Koordination in Verhandlungssystemen. In: Heritier, Adrienne (ed.): *Policy-Analyse: Kritik und Neuorientierung*. Opladen: Westdeutscher Verlag, 57-83.
- Simon, Herbert A., 1976: From Substantive to Procedural Rationality. In: Latsis, S.J. (ed.): *Method and Appraisal in Economics*. Cambridge: Cambridge University Press, 129-148.
- Stark, David, 1992: Path Dependence and Privatization Strategies in East Central Europe. *East European Politics and Societies* 6 (1), 17-54.
- Streeck, Wolfgang/ Schmitter, Philippe C., 1985: Community, Market, State - and Associations? The Prospective Contribution of Interest Governance to Social Order. *European Sociological Review* 1 (2), 119-138.
- Sztompka, Piotr, 1993: Civilizational Incompetence: The Trap of Post-Communist Societies. *Zeitschrift für Soziologie* 22 (2), 85-95.
- Thane, Pat, 1982: *The Foundations of the Welfare State*. London, New York: Longman.
- Tocqueville, Alexis de, 1956: *Democracy in America*. New York: Mentor.
- Wiesenthal, Helmut, 1996: Organized Interests in Contemporary East Central Europe: Theoretical Perspectives and Tentative Hypotheses. In: Agh, Attila/ Ilonszki, Gabriella (eds.): *Parliaments and Organized Interests. The Second Steps*. Budapest: Hungarian Centre for Democracy Studies, 40-58.
- Wiesenthal, Helmut (ed.), 2001: *Gelegenheit und Entscheidung. Policies und Politics erfolgreicher Transformationssteuerung*. Wiesbaden: Westdeutscher Verlag.