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**1990-2010 – Two Decades of Post-communist Transformation:  
Successes and Failures (draft)**

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## **(1) Introduction**

Twenty-one years ago Francis Fukuyama (1989, 1992) announced the End of History, so it is in one sense perhaps surprising that there is so much to think and talk about when we look back on two decades of post-communist transformation. He did not of course mean that things stopped happening but referred rather to the victory of Liberal Democracy on a global, ideological scale in a specific Hegelian sense. It has by no means been the case throughout the post-communist world that Liberal Democracy has been victorious generally either, although standing in what was once East Germany and looking at this part of the world, East-Central Europe and the countries that are now members of both the European Union and NATO, he hasn't been that wrong.

But from a broader perspective on the post-communist world the outcomes are much more diverse - as is the territorial area, which includes all the successor states to the Soviet Union and those formerly subject to Soviet influence (a total now of thirty countries). In this great area there has clearly been no overall victory of democracy and not that much of a transformation in many cases. Communist dictatorship has in quite a few cases just been replaced by another form of authoritarianism, and command economies replaced by energy-based economies ruled by rentier oligarchs. So in this context we have first to define the extent and nature of the transformations that have occurred, and then to judge what might be regarded as success and failure in terms of change, which brings in a range of rather more subjective factors.

Firstly, we must recognise that what has happened in many cases – primarily in East-Central Europe has indeed been an enormous transformation, one whose nature, according to Janos Kornai in his 2005 presidential address to the International Economic Association, is unique in world history and analogous in some ways to the historical Great Transformation discussed in Karl Polanyi's well-known book of the same name published in 1944. The post-communist has involved, moreover, as Claus Offe famously pointed out in 1991, a triple transition – one involving processes of state formation, marketisation as well as democratisation. So as a first step towards an analysis of the different aspects of change, let's focus on these three different areas of transformation.

## **(2) State formation**

Offe was primarily thinking of the dissolution of the Soviet Union when he directed attention

to the territorial issues involved in the determination of new borders and the recasting of national populations. Yet still to come as he wrote were the protracted dissolution of Yugoslavia and the bloody conflicts centring on Bosnia and Kosovo, whose outcomes are still not fully determined. But there have also been the continuing conflicts in the Caucasus and Southern Russia, the dissolution of Czechoslovakia, unification of Germany, and the continuing secession of the Transnistrian Republic within Moldova, none of which has been wholly unproblematic.

The problems of establishing any reasonably normal political process are still apparent in some of these countries (in Europe Bosnia and Kosovo – which only declared itself independent in 2008 – are still struggling), and economic development has generally stalled and poverty is more marked where the state itself is more problematic. Moldova, Kosovo and Bosnia, for example, remain the poorest countries in Europe and contest state borders continue to be a source of major problems.

### **(3) Democratic transformation**

The establishment of democracy has also been a highly diverse affair. Ten post-communist countries have now joined the European Union and, according to Nations in Transit, eight of them are now consolidated democracies, with Romania and Bulgaria only being judged to be semi-consolidated. Croatia is getting closer to fulfilling the conditions for EU membership, and most other states in the West Balkans have been improving their ratings in the view of Freedom House. In terms of the former Soviet Union, though, the situation is different. Of the fifteen successor states to the USSR only the three Baltic states (now EU members) and Ukraine are currently classified as free by Freedom House or even - in the case of Moldova – an electoral democracy. There is now a sharp contrast in the post-communist world between the democratised West and increasingly authoritarian East - but that does not mean that the status of the new democracies is unproblematic either.

When the eight Central European countries joined the EU in 2004, for example, Eurobarometer (2004) noted a significant decline in overall European levels of satisfaction with national democratic performs, reflecting in their words ‘a real crisis of political representation in certain East European countries’. Against a level of satisfaction of 57 percent in the old member states, there was only 33 percent in the new member states. Levels of trust shown in the government, parliament and political parties were way below those in the established democracies, little more than half in the last two cases.

There have been few signs of improvement in recent years. In the last survey (February 2010) satisfaction with democratic performance in the (now) ten post-communist states had fallen to 31 percent but had actually risen in the established fifteen states to 64 percent. While 41 percent in the old member states trusted their government only 26 percent did so in the new member states, the same as the proportion as shown in the latest survey. Electoral turnout has also declined since the early post-communist years (an average annual decline of 1.4 percent in the new EU member states: Czesnik forthcoming) and is lower than that seen in established democracies, where it is has indeed also declined in recent decades. East European turnout has nevertheless been 10 percent less than the post-war Western average.

All in all, even where the democratic transition has been relatively successful trust in the new institutions is low, participation is limited and the social underpinnings of the democratic regime are weak. Many observers have thus pointed to the partial transformation of the post-communist countries in political terms – the democratic institutions are there but they are not sustained by much of a civil society; the social glue is generally lacking – which can be interpreted to mean that things are less stable than anticipated and the new order might under certain conditions threaten to fall apart. This, Tismaneanu (2009) has argued, is associated with a general crisis of values and authority and feeling that people have been betrayed by the political class.

A second specific weakness of post-communist democracy is linked with the rule of law and the effectiveness of the judicial system. If we look at the ten new EU members, eight are considered to be consolidated democracies while two are not. These are Bulgaria and Romania, where conventional wisdom as well as Nations in Transit scores suggest that the major impediments to democratic consolidation are high levels of corruption and a lack of judicial independence and effectiveness.

Bulgaria has lost substantial EU funds because of their unprecedented misuse, while a minister was indicted in February for the ‘biggest theft’ of the transition period, initially brought to light by the EU – although overall a recent EC report suggested that not much is generally being achieved in this area. Two other former ministers have also been charged and in March a serving minister was charged with corruption over swine flu contracts, while six business-men were jailed for laundering millions of euros of EU farm aid (Euractiv). A recent survey (Pew Centre, 2009) showed that East Europeans themselves put corruption at or near top of a list of major national problems – a prominent exception here being the East Germans. The recent Bulgarian initiatives can, however, be seen in another light. They certainly show that corruption exists – and was certainly at a high level in the past – but they also demonstrate

that serious steps are being taken to punish it.

The relevance of these matters to the success of the transformation is hardly surprising, and Fukuyama has recently asked (2010) why it is that political scientists have paid far less attention to the transition to the rule of law than to the transition to democracy. This is a pertinent point and raises a number of questions about how we analyse the democratisation process. Equally, the emphasis on constitution-building in the early years of the transition – what Katz (2009) has called ‘constitutionism’ – has not been followed through by the full development of ‘constitutionalism’ as a basis of political action. This, together with other failures of post-communist democratic development, has been a source of considerable disappointment to many and the feeling that the transition has not been wholly successful. A recent study, however, takes rather a different view and concludes that the quality of democracy amongst the new EU member states is really quite good (Roberts 2010).

#### **(4) Economic transformation**

These problems are also closely linked with the third form of transition seen in the most transformed countries – that to a free market economy, capitalism or neo-liberalism, however we want to characterise it. There is much to be said about this aspect of the transformation – both negative and positive – but it is difficult to argue with Kornai’s observation that the events of 1989-90 took the countries of Central and Eastern Europe out of the dead-end into which Soviet rule had led them and set them on the mainstream track. However it is judged, it does seem to be clear that the path of modernity is essentially a capitalist one, and that if Fukuyama had described the End of History in terms of the victory of liberal economics or capitalism rather than that of democracy he might have attracted less flak.

That is not to say that that is what the citizens of the communist countries particularly wanted. All the evidence suggests that most were indeed happy to get rid of one-party rule and the comradely influence of the Soviet Union but that social protection, welfare facilities and full employment were highly valued and were not part of a package that should be discarded, i.e. some kind Scandinavian-style welfare democracy would probably have been the optimum condition for the citizens of most post-communist states (Samary 2009). However, that kind of choice was not really on the table.

Liberal democracy was very much a capitalist democracy, and this is what the liberal tag really meant. Party competition did not generally involve much choice about the establishment of free-market capitalism, and the reconstructed socialist parties in countries like

Hungary and Poland were in some ways more resolute economic reformers than right-wing forces. Economic transformation thus initially meant dramatic falls in GDP, lower wages overall, more unemployment, fewer welfare facilities and greater inequality – although also greater opportunities, more wealth for the favoured few and lucrative openings for those who were able to find them (Bohle and Greskovits 2009). But output performance in East-Central Europe did not recover in terms of real GDP until 2001, let alone mark any positive advance, and the Baltic countries as well as Bulgaria and Romania were yet further behind in this respect.

The 1989 level was reached in Slovenia during 1998, in 1999 in Slovakia, 2000 in Hungary and 2001 in the Czech Republic. It should also be noted (Kornai 2005) that the East European economies were in a state of relative decline throughout the 1980s, so 1989 provided a low baseline for comparison. It is often noted that Poland, the recipient of major shock therapy in the early 1990s, returned to the 1989 GDP level in 1996. But it had experienced a 25 percent reduction of net material product between 1979 and 1982 as well as further decline in the 1980s, so it was only in 1999 that even the 1978 level was returned to.

In reality, too, the return to growth did not make any difference to the country's relative economic standing. In 1980 Poland's per capita GDP had been 46.5 percent of that of Western Europe, in 2005 it stood at 46 percent. But overall, even by 2002, most post-communist countries had still not returned to 1989 levels of output. This was still the case in 2007 for Ukraine and Moldova, as well as the more problematic cases in Central Asia and the West Balkans (Orenstein 2009).

After 2000, nevertheless, the situation changed in various respects. Latvia was yet poorer than Poland at the beginning of the new millennium but from 2002 to 2006 had the highest growth rate of all EU countries. It also ran the highest current account deficit between 2002 and 2007 and, as we now know, was storing up major problems for the future. There were also domestic tradeoffs – Slovakia achieved the highest rate of growth in the region in 2007 but in 2004 had to cope with food riots after cuts in welfare benefits. Hungary also faced domestic upheaval in 2006 when the newly elected government admitted it had to do something about excessive public spending in a situation where particularly high levels of gross debt had prevailed since 2002 and continued to run at such levels through to 2009.

As in other parts of the world, the costs of this particular form of transformation became evident with the drying up of credit facilities in 2008 and the onset of a major global recession. In Latvia and Estonia GDP already shrank by 2.3/2.4 percent in 2008. Forecasts for 2009 showed further falls but the outcome was far worse than predicted. According to the

European Commission GDP fell by 18 percent in Latvia, roughly the same in Lithuania and 13.7 percent in Estonia. There were also falls of 7 percent in Romania and 6.5 percent in Hungary. Three of these countries had to turn to the IMF for assistance. Things were pretty bad in most of the EU in 2009, but there were nothing like the declines seen in the Baltic states.

Projections showed a modest level of growth for most EU countries in 2010 but continuing falls of around 4 percent in Latvia and Lithuania. This was associated with rising levels of unemployment in 2009: up to 16 percent in Latvia and Lithuania, 14 percent in Estonia, around 11 to 12 percent in Hungary, Slovakia and Poland. These were not up to the level of the 20 percent unemployment in Spain, but were way above the lower levels seen in most of countries of the EU.

So economic transformation and radical change there certainly was - in terms of structures and processes, output levels and the experiences of many producers and consumers. How this should be characterised is another question as the process (at least in the European arena) went through several distinct phases: a change from a command economy to the capitalist market in the 1990s accompanied by major falls in output and lower wages for most of the population, quite rapid growth for much of the past decade but one generally based on excessive credit and/or associated with major cuts in public expenditure. All this, of course, has come to an end over the past two years with the onset of the global banking crisis and a further decline in people's living standards.

In terms of transformation it is difficult not to recall Karl Polyani's remarks some 66 years ago on the core of the Great Transformation of the nineteenth and the disasters of the mid-twentieth century: 'the idea of a self-adjusting market implied a stark utopia', that basing the fundamentals of a whole civilisation on the idea of the self-regulating market was 'extreme, if not shocking in its crass materialism'. Very similar sentiments have been expressed by George Soros in the current context about 'market fundamentalism' (Whitehead 2010).

So rather than seeing an End of History, it is in some ways more like a repeat of an earlier historical cycle that we have been observing. It was pointed out at an early stage that East-Central Europe was unlucky in the timing of the introduction of the original reforms, as these coincided with the onset of quite a sharp West European recession (Bryant and Mokrzycki 1993). Equally, it was also unfortunate that the growth part of the cycle was critically shaped and essentially hijacked by the overgeared out-of-control neo-liberal juggernaut that had firmly established itself within the global economy.

## **(5) Public opinion**

In terms of judgement, though, we might first look at how the post-communist populations are situated and how they themselves see things. There are, not surprisingly, different sources and diverse perspectives on the changes. In terms of their material situation EBRD reports suggested that in 2006 most households reported that they had been better off under communism (Orenstein 2009). Most described the situation of their household as bad or very bad, such views being particularly negative in Bulgaria (90 percent) and Hungary (75 percent: Pippidi 2007).

Some years into the new millennium (2005) - and thus in a situation where relative boom conditions were prevailing in most countries - the citizens of quite a few post-communist states ranked the performance of the contemporary regime at a very similar level to that under communism. This was case in Latvia, Poland, Slovakia and Slovenia, while Hungarians, Lithuanians, Estonians and - particularly - Czechs rated the post-communist regime more highly (Kornai). But even those who were not particularly supportive of the new regime did not want to see a return to the old order, so the apparent nostalgia seemed to be more concerned with dissatisfaction with current conditions than any desire to restore the ancien regime (Velikonja 2009).

A more recent survey shows that the decline in support for the democratic transformation has been most marked in Ukraine and Bulgaria, but also significant in Lithuania, Hungary and Russia (Transitions 2009). Support had, however, risen slightly in Slovakia and Poland, although Poles had been notably sceptical about the regime change in 1991. Patterns of approval of the shift towards capitalism are generally close to that of democratic transformation, which seems to be quite logical.

Disenchantment with the capitalist transformation was, however, particularly marked in Hungary and Lithuania, which is hardly surprising in a 2009 poll (mostly conducted in September) in the light of the current economic crisis. 80 percent of Hungarians had favoured the move to capitalism in 1991 (behind only East Germans and Czechs at that time), but only 46 percent were still in favour by 2009. More than 90 percent now thought that the economy was on the wrong track and that the economy was in a bad shape (Pew Executive Summary, 2009).

Not surprisingly, then, nearly three-quarters of Hungarians thought that people were worse off than they had been under communism, with Bulgarians and Ukrainians being only a little more impressed by the contemporary situation. Only Poles and Czechs thought the situation was actually better. There are also marked differences between age-groups, with the



overall rejection of the transformation in countries like Bulgaria and Russia being balanced by greater enthusiasm among those aged under 30.

The national attitudes seem to follow patterns of economic and political change quite closely – people are naturally less satisfied where things have gone wrong. But even in 1991 less than one in ten Bulgarians, Hungarians or Ukrainians had said that they were satisfied with life, and the proportion has actually risen in the past 18 years. Czechs were the most satisfied in 1991 and they remain so in 2009 – so there do seem to be some other factors involved (Pew 2009).

## **(6) Successes and failures**

What, then, of successes and failures in the twenty-year process of post-communist transformation? One simple measure is provided by the opinion of the populations affected - and in 2009 the evidence suggested that only the Ukrainians as a nation did not approve of the democratic transformation, although not much more than half of Bulgarians, Russians, Lithuanians or Hungarians approved either (derived from Pew Center data which report on eight post-communist states and East Germany, mostly from the new EU members. There is little reason to think that opinions in the West Balkans would be much different, although I have little idea of what Central Asians might think).

Ukrainians and Hungarians did not approve of the capitalist transformation either, with Russians, Lithuanians and Bulgarians expressing only a grudging approval. So in the eyes of those most directly affected the transformation has generally been regarded as a success, with perhaps a few exceptions and rather unenthusiastic acceptance in quite a few cases. Not surprising, democracy has been more warmly embraced than the capitalist transformation.

However, apart from popular views there is a wealth of analytical and scholarly literature on the nature of the transformation and its relative success or failure. The dominant impression that this gives is that, after twenty years, the outcomes are pretty mixed. In terms of democratic transformation, it is clear that this has been more successful in countries closer to or now forming part of the European Union. The Central Asian states, with the notable exception of Mongolia, have generally moved from communist dictatorship to various forms of non-communist authoritarianism - although as recent events in Kyrgyzstan show, the regime is at least a bit more vulnerable to opposition than its communist predecessor.

Russia now seems to have settled down as a ‘consolidated authoritarian regime’ (Nations in Transit 2009) or ‘sovereign democracy’ as its leadership prefers to call it. This does

seem to fit, it must be said, the long-term historical strategy of the Russian state and it would be surprising, to say the least, to see a democratic transformation in any revolutionary sense there.

More interesting in some ways is the continuing transition of Ukraine which is classified as free but suffers from many political instabilities and uncertainties, as well as major economic problems. Equally significant is that it lies outside the direct influence or control of either Russia or the European Union, and that links with both remain uncertain and quite ambiguous. Unless the country's geopolitical orientation is more firmly determined, the nature of its transformation and any ultimate success or failure will remain undecided.

The nature of democratic transformation, and the mix of success and failure, also varies on the qualitative level. Even where democratic institutions and processes have been established, the institutions (parties, mass media, the means for forming and articulating public opinion) and processes (participation, linkage of politically relevant groups, and relations involved in an active civil society) are generally unstable or weakly developed.

Similar features are now seen in established democracies so none of this should be particularly surprising. Colin Crouch (2004) has written of Post-Democracy in this context, and we might think of a number of post-communist countries as Pre-Democracies in a certain sense - although without much prospect of developing into more active democracies in the conventional sense, which is now probably only an historical model now anyway.

There are diverse reasons for this 'weak democracy', but one important one is that liberal democracy is more accurately described as capitalist democracy and that neo-liberal economic structures and processes in particular often act to undercut democratic development. The early transition period was responsible for considerable social demobilisation and the disruption of established networks, poverty - hardly unknown before - grew in many areas, levels of inequality rose, and individual status and activity was emphasised at the cost of collective identity and group activity.

Romania has recently reported that it will be impossible to meet EU poverty reduction targets and that the official number of those in poverty actually trebled from the early 1990s to 2008. It continues to have the highest level of material poverty in the EU, together with Bulgaria, Latvia and Hungary (Euractiv). Some better-placed groups and individuals were able to take advantage of the new opportunities as - increasingly - were the younger generation. But many were not and popular commitment to the practice of 'actually existing capitalist democracy' - if not to democratic principles in general - was limited and active participation was not extensive.

The ambiguities in the idea of a liberal/capitalist democracy, however, reach far back in time and are not a new phenomenon, although in concrete terms the contradictions have also become increasingly apparent in what are conventionally regarded as 'established' democracies. The question of what kind of democracy the post-communist countries should aspire to remains very much an open one (Rabikowska 2009)

The experience of the neo-liberal initiative after 2000 has also exerted an effect, and it has clearly weakened the link between democratisation and economic growth that seemed much more apparent to many in the 1990s (Orenstein 2009). It was only understandable, too, that the ups and downs of the different phases of economic transformation had an impact on the stability of the new democratic order and that important linkage issues have arisen between the different aspect of economic and political transformation.

Nationalist and socially defensive sentiments were harnessed by groups with strong links to the former communist establishment and dubious commitment to democratic principles (Mečiar's Movement for a Democratic Slovakia, Greater Romania), fears of further disruption and loss of national sovereignty in the face of EU accession were prominent in Poland (Self-Defence and the League of Polish Families), overt nationalists like Ataka in Bulgaria, and reactions to liberal capitalist strategies brought Fico's *Smer* party and the Slovak Nationalists not just to greater prominence but into government coalition.

It must, however, also be recognised that populist forces and extremist parties have also been increasingly prominent in West European politics in recent years and that such developments are by no means the prerogative of the post-communist world. The political dimension of the post-communist transformation is not without its problems even where it has been most successful, but this can hardly be seen as any fundamental failure. In terms of the current recession and political reactions to it, further, the extremist response in the 2009 European Parliamentary elections was more notable in Western Europe than in the new post-communist member states (Lewis 2009). In general terms it has been the quiescence of the losers from economic reform has been most striking.

The strong showing of Jobbik in the recent Hungarian elections (which built on its success in the EP elections last year) is prime example of the alternative tendency, and is itself an extremist response to an unprecedented eight years of socialist rule which provoked substantial political opposition and could be held responsible for virtually the whole period of economic boom and bust. In fact the rise of this party seems to be associated quite specific national characteristics, too. It has clearly mushroomed since the onset of the crisis, done extremely well in constituencies with disillusioned socialist voters, and achieved more support

in the impoverished east of the country - but it has also attracted the support of younger, better-educated people and built a strong base in the universities (EUobserver). Both these factors stand in some contrast to general findings on the nature of the radical right in the region (Bustikova and Kitschelt, forthcoming).

There are, of course, more specific reasons for the problems of democratic development relating to national culture and communist legacies in addition to the role of economic factors in the overall post-communist transformation (Rabikowska 2009). The path of economic development is itself, however, more controversial and open to question than the adoption of democratic principles, even if their implementation leaves much to be desired. While there were very few defenders of the Soviet-style command economy, there was considerable diversity of opinion about what should replace it and which Western model was most appropriate. The shock therapy applied in Poland was most controversial (Glasman 1993), but increasingly the neo-liberal approach that underpinned it gained strength in the major Western economies and was increasingly influential in the post-communist world. The transformation of the former communist systems along Western lines was thus hailed by Kornai in 2005 as an 'unparalleled success story' – although he was fully aware of the grief and disappointment associated with it, and might have expressed a rather different opinion in 2010.

From the turn of the century, therefore, the boom and bust cycle was just as prominent in the East as in many Western countries - and in some cases produced a crisis every bit as profound as those seen in Iceland, Ireland or Greece. The very success of parts of the post-communist world in transforming their economies according to the leading Western model also led to major failures. It was, therefore, the fate of the post-communist economies to escape from the Soviet dead-end and rejoin the major locomotive of the global economy just as it was about to come off the track. Success and failure are here sadly intertwined, and any ultimate judgement can hardly be made in the post-communist context but rather in that of the global economy as a whole.

Similar comments can be made about the success of democratisation in East-Central Europe. The success of Jobbik in Hungary, for example, should be seen in a broader European context and compared with the recent success of the extreme right in Austria, the Netherlands, Italy, Switzerland, Belgium, Denmark, etc. Democratic stability looks less assured in a number of Western contexts and the Belgian state as a whole seems to be on the verge of collapse, while fundamentals of the British political system like the principles of the Westminster model and the first past the post electoral system are increasingly questioned.

Political systems, moreover, exist for a reason and regimes - democratic or otherwise -

have a functional aspect. An important question in the contemporary context is whether a regime - post-communist or not - is able to cope with pressures generated by economic dissatisfaction. The signs at the moment are that Greece is the European country currently experiencing the greatest political problems in dealing with the economic pressures and the countries like Ireland, Latvia and Lithuania are actually dealing more successfully with the necessary cutbacks and political problems the crisis has generated.