Democracy and Marketisation in Central and Eastern Europe: Item Closed?

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David Bartlett. *The Political Economy of Dual Transformation: Market Reform and Democratisation in Hungary.* Ann Arbor: University of Michigan Press, 1997. 299 pp.

Bela Greskovits. *The Political Economy of Protest and Patience: East European and Latin American Transformations Compared.* Budapest: Central European University Press, 1998. 222 pp.

Joel Hellman. "Winners Take All: The Politics of Partial Reform in Postcommunist Transitions," *World Politics* 50:1 1998: 203–34.

Mitchell Orenstein. *Out of the Red: Building Capitalism and Democracy in Postcommunist Europe.* Ann Arbor: University of Michigan Press, 2001. 166 pp.

David Stark and Laszlo Bruszt. *Postsocialist Pathways: Transforming Politics and Property in East Central Europe.* Cambridge: Cambridge University Press, 1998. 253 pp.

If a single question has been at the center of the political economy of transition, it is this: How does democracy affect the chances of successful market reforms? In recent years, this question has been given a more specific bent. Why does it seem that, contrary to early—far from fanciful—predictions by a number of distinguished scholars, democracy and progress of economic reforms go together in Central and Eastern European countries? In the early 1990s,

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Adam Przeworski, Klaus Offe, Jon Elster, Ralf Dahrendorf, and others believed that democracy would undermine the sustainability of reform. Newly enfranchised voters would rapidly grow dissatisfied with harsh reform measures, cast their votes accordingly, and derail the reform process. Today, it seems that in precisely those countries with better-developed democratic structures, where voters have had a real chance to throw unpopular politicians out of office, economic transformation has gone the farthest. This success has been the result of, at times, harsh and widely disliked economic policies pursued over a number of years, thus, precisely what early theorists had supposed impossible has happened.

A new set of analysts, picking up where others left off in the first half of the 1990s, attempt to explain this puzzling reality. Some of the more original and widely cited explanations include those of Joel Hellman, and David Stark and Laszlo Bruszt. Mitchell Orenstein's recent book is likely to join the other two as a basic reference. These authors agree not only on the fundamental fact that democracy has had a positive effect on market reform. All of them actually claim that the *better* the Central and Eastern European democracies function, or the *more democratic competition there is,* the quicker and more successful the economic transformation from a planned economy to capitalism. These authors then are quite optimistic indeed: "more" democracy (more democratic competition, more inclusive decision making, and more sensitivity to electoral swings) increases the pace of market transition. This optimistic mood has even seized the European Bank of Reconstruction and Development (EBRD), which claims that "[e]xperience has shown that democracy and the market are mutually reinforcing. Each has "feedback effects" that tend to benefit the other."[1]

So does this mean that transition scholars have settled, once and for all, one of the major issues of "dual transformation"? Moreover, does this imply that we have reason to rejoice, given that it seems possible to have "more of everything": more inclusive democracies and/or democratic contestation as well as more and faster market reforms? Unfortunately, these two questions cannot yet be

1. EBRD European Bank of Reconstruction and Development, *Transition Report: Ten Years of Transition* (London: EBRD 1999), Box 5.3.

answered in the affirmative. While the aforementioned authors agree on the basic correlation between effective democratic governance and the success of economic reforms, they nevertheless disagree on the mechanisms connecting these two variables. As we shall see, the authors offer different—and not easily reconcilable—accounts of how "more" democracy leads to quicker and more successful reform. Also, as concerns the second question, what could be viewed at first glance as "more democratic" structures facilitating successful economic reforms do not, at closer inspection, give advocates of strong democracy all that many reasons to celebrate. As a matter of fact, when examining how the concept of democracy is used in these studies, a number of contradictions become apparent. Moreover, although optimistic accounts dominate, they have yet to come to grips with contrasting findings of the latter half of the 1990s, such as those from David Bartletts and Bála Greskovits, according to which *democratic weakness* rather than strength is one of the most important preconditions for successful economic reform. These writings have tended to be overshadowed by the "optimists," yet they could potentially offer something of a synthesis between the optimists and the gloomier early writers.

A Second Glance at the "Rosy Picture"

Joel Hellman's "Winners Take All: The Politics of Partial Reform in Postcommunist Transitions" is among the most often cited in recent years. In a set of innovative moves, Hellman manages to turn two of the most common arguments regarding the difficulties of dual transition—the J-curve and its political consequences, as well as collective action arguments about winners and losers of reform—into their opposites. According to the J-curve approach, market reforms lead to economic costs and reduced consumption in the short term (the so-called valley of tears represented by the downwards bend of the J). Only in the medium term are previous levels of consumption regained and surpassed (the upwards turn and the straight vertical line in the J). The depth of the downturn is, according to this argument, greater the more radical the reforms. This set of assumptions led scholars to predict that a government pursuing quick neoliberal "shock therapy" would have to be insulated from popular pressures so that reforms could be continued until they showed positive effects. It also led to outright calls for such semi-authoritarian solutions from some quarters.

Arguing against this approach, Hellman claims that, empirically, "[t]hough the data confirm that the introduction of economic reforms entails substantial transitional costs, they challenge the assumption linking the magnitude of these costs to the extensiveness of the reforms adopted".[2] According to his data, "[i]t is not the advanced reformers [Poland, Slovenia, Hungary, the Czech Republic and Slovakia] that have suffered the sharpest declines in real GDP, as the J-curve approach would predict, but the intermediate reformers. Indeed, the advanced reformers have the lowest overall output declines and the most rapid recoveries."[3] Thus, shock therapy is not necessarily so politically destabilizing, and the need for political insulation of reform teams is not proven.

Hellman's argument has one major weakness, however: it conflates *rapid pace and "radicalness" of reform measures* with the *successful outcome/advanced state of market reform.* Failing to distinguish the two is problematic, in particular as at least three of the five countries in the group Hellman labels "advanced reformers" (namely Hungary, Poland, and Slovenia) started transition with partially liberalized economies in the areas Hellman uses as a basis for comparison (internal prices, external prices, and private-sector entry).[4] The fact that the valley of tears was less deep

2. Hellman, "Winners Take All," 208–9.
3. Hellman, "Winners Take All," 209.
4. Dorothee Bohle and Béla Greskovits, "Development Paths on Europe's Periphery: Hungary's and Poland's Return to Europe Compared," *Polish Sociological Review* 133:1 (2001): 7–10. Hungary had pursued partial reforms in all three areas. Seventy percent of internal prices as well as two-thirds of foreign trade were already freed at the outset of reform, and liberalization of small private business in certain sectors took place in the 1980s. In Poland, certain prices had been liberalized, and there were also limited private-sector freedoms. Likewise, Slovenia had liberalized market entry for small firms before the beginning of transition and was quite advanced in liberalizing internal prices and external markets. Thus, it is not surprising that these three countries, in 1989, started out with substantially higher weighted scores on the CLI index (comprising privatization, price liberalization, and trade liberalization) than all other 23 postcommunist states (with the exception of the war-torn ex-Yugoslav republics) (Martha de Melo, Cevdet Denizer, and Alan Gelb, *From Plan to Market: Patterns of Transition* [Washington: World Bank Policy Research Working Paper 1564, 1996], Appendix).

in these cases may thus be a result of an initially more advanced position, which by necessity made reforms less radical than in other countries, such as Estonia and Romania.[5]

In Hellman's view, it is not only the failings of the J-curve approach that make it possible to be more sanguine about combining democracy and market reforms. His main argument is that the configuration of winners and losers of economic reforms is such that greater inclusiveness of the democratic regime leads to more successful economic reforms. According to early theorizing from a collective-action perspective, which Hellman argues against, "economic liberalisation will create more opponents than supporters" because "the benefits of economic liberalisation are diffuse, aggregate, and long term, and . . . the costs are concentrated, particular and short term."[6] In other words, "entrenched interests," such as factory workers and managers, stand to lose from economic transition. Given their organizational power, they will be able to hamper reforms. The winners, it was said, will in part emerge from the economic reform process itself (i.e., private entrepreneurs). In part, they are large or heterogeneous groups unable to organize resistance to entrenched interests: the young and well-educated, consumers, etc. This particular configuration of organizationally strong losers and weak winners was a second reason that neoliberal economists promoted insulation of decision making from popular pressures, and technocratic (rather than politically appointed) reform teams.

Hellman demonstrates that the facts are actually the opposite. In postcommunist countries, he argues, the costs of reform are spread across groups and economic sectors, rather than concentrated. Initial benefits, in contrast, are reaped mainly by early en-

5. Fabrizio Corricelli, *Macroeconomic Policies and the Development of Markets in Transition Economies* (Budapest: Central European University Press, 1998), 29–36.
6. Beverly Crawford, "Post-Communist Political Economy: A Framework for the Analysis of Reform," in Beverly Crawford, ed., *Markets, States, and Democracy: The Political Economy of Post-Communist Transformation* (Boulder, Colo.: Westview Press, 1995), 4. See also Barbara Geddes, "Challenging the Conventional Wisdom," *Journal of Democracy* 5:4 (1994): 104–118; and Joan M. Nelson, "How Market Reforms and Democratic Consolidation Affect Each Other," in Joan M. Nelson, ed., *Intricate Links: Democratisation and Market Reforms in Latin America and Eastern Europe* (New Brunswick/Oxford: Transaction Publishers 1994), 9.

trepreneurs, who make immense profits by exploiting only partially liberated and imperfect markets as well as gaps in legal frameworks and law enforcement. Thus, in another perfect inversion of traditional arguments, Hellman attempts to show that the *winners* rather than the losers will have a particular interest in stalling reforms. "Instead of forming a constituency in support of advancing reforms, the short-term winners have often sought to stall the economy in a *partial reform equilibrium* that generates concentrated rents for themselves, while imposing high costs on the rest of society."[7] From this very different reading of the distributional effects of economic reform, Hellman goes on to draw conclusions about the role of democracy in the political economics of Central and Eastern Europe. Instead of insulating the decision makers from the population, he again argues in favor of an inclusive political system, and in particular for frequent elections. Recurrent electoral checks make it difficult for entrepreneurs to gain political power in an effort to stall the reform process halfway and thus secure huge profits for themselves. "Given that losers outnumber winners in the short term, we can assume that a more inclusive political regime gives the losers of the economic reform process greater opportunities to influence political outcomes than a less inclusive regime."[8] Statistically, he shows that the groups of countries with a more frequent turnover of executives have also been the success stories of economic transition.

So, it seems that "Winners Take All," manages to describe the postcommunist reality of "dual (democratic and economic reform) success" and also give a convincing theoretical explanation for this state of affairs. Nevertheless, in one important respect, there is a lack of fit between theory and fact. Indeed, part of the empirical evidence Hellman himself cites goes against his theory. Losers of reform do not actually follow the predictions of Hellman's remodeled rational choice approach. They do not seek to influence politicians to pursue reforms; rather, losers have wanted to stall or reverse reforms. Moreover, losers have not been able to influence outcomes in "more inclusive" political regimes:

7. Hellman, "Winners Take All," 205 (emphasis in the original).
8. Hellman, "Winners Take All," 230.

> Though in most cases the introduction of comprehensive economic reform programs *did spark revenge* at the ballot box against reform governments, the electoral reversals *did not generate the expected reform reversals.* The notion that politicians would be forced to reverse reforms in response to the popular reaction against high transitional costs has to date not been evident in the postcommunist transitions.[9]

Thus, "inclusive" political systems have not been responsive to voters who have, as a rule (and notwithstanding the fact that this could be said to go against their "objective" interests), wished to reverse or slow down reforms. Upon closer inspection, the "inclusive political regimes" mentioned by Hellman, then, have precious little "inclusiveness" to them, at least if we take inclusion to mean real influence on political decision making.

Mitchell Orenstein, in two rich and informative case studies contrasting Poland and Czechoslovakia and, later, the Czech Republic, makes a similar point, i.e., that frequent changes in government, under certain conditions, make economic reforms more successful. Like Hellman, Orenstein also argues for a fundamental rethinking of earlier theoretical positions. In particular, he opposes two tenets shared by neoliberals and social democratic theorists alike: that reforms must follow a "pure" (neoliberal or social democratic) strategy in order to succeed; and, relatedly, that political instability (in the form of frequent changes of government) would hamper the course of reforms. Orenstein's position is that, when economic policy is restrained by international expectations and demands (from the European Union, the international financial institutions, etc.), frequent changes in government are beneficial to economic transformation as this leads to faster policy learning and correction. He proves his point by contrasting two relative successes (instead of comparing the successful reformers with the whole spectrum of relative and absolute economic reform failures, as does Hellman). Orenstein shows that, perhaps counterintuitively, the short-lived and unstable Polish governments have proved more successful reformers than has the stable and long-lived Czech leadership (although he gives no overarching defini-

9. Hellman, "Winners Take All," 217 (emphasis added).

tion of what "successful reform" means: does it include, for example, low levels of unemployment?).

In Orenstein's view, this is not primarily because rent-seekers had a firm grip on political decision making in the Czech Republic while voters in Poland prevented this. Rather, Polish relative economic success occurred because each new government in Poland corrected many of the policy mistakes—inevitable, given the extreme uncertainty of transformation—of the previous executive. This type of "policy correction," as Orenstein labels it, occurred to a much lesser extent in Czechoslovakia, and later, the Czech Republic, where the "lack of democratic policy alteration enabled major reform mistakes to continue unabated . . . despite the presence of a committed reformer [Václav Klaus] in power."[10]

Orenstein attempts to prove his theory by comparing privatization policies in the two countries. Klaus was able to push through two waves of voucher privatization in 1991 and 1994, which resulted in rapid ownership change within a large section of the economy. He could do so, Orenstein argues, because of the longevity of his government, as well as by refusing to introduce parliamentary control mechanisms and by pre-emptively attacking the media, which would otherwise have investigated mismanagement and cronyism earlier.[11] The privatization process in Poland, in contrast, was slowed down as the many successive Polish governments each reshaped privatization policies to their own liking. Governments were also forced to negotiate with workers and managers who had controlled the enterprises since the failed economic reforms of late communist times. In addition, stronger parliamentary control made privatization more cumbersome.[12] Today, there is wide agreement among economists that Polish privatization, although slower and less "neat," has been more successful in improving corporate governance and efficiency than the Czech method. Orenstein's conclusion is that "East Central European countries that have succeeded in the transformation to cap-

10. Orenstein, *Out of the Red,* 8.
11. Orenstein, *Out of the Red,* 105–6, 108–9, 110.
12. Orenstein, *Out of the Red,* 111–13, 118.

italism and democracy have done so not by sticking to a single strategy of reform [purely neoliberal policies or purely cohesion-oriented policy prescriptions], but rather by vigorous policy alternation and learning."[13] Overall, "vigorous alternation between opposed policies appears to have been the best way to build *both capitalism and democracy.*"[14]

While Orenstein's argument that frequent government shifts ameliorate the quality of economic reform seems well founded at least in the two cases under analysis and is indeed important, it is less clear that policy alternation is also the best way to "build democracy." In stark contrast with Orenstein's views, most authors writing on Central and Eastern Europe believe that frequent government changes (caused by electoral dissatisfaction repeatedly expressed at the ballot box), although maybe good for economic reform, is a sign of *malaise in,* rather than strength of the new democracies. So it seems that, albeit less explicitly, the problem plaguing Hellman's argument is present here as well.

Nevertheless, we could also take Orenstein's claim to mean that governments with a less firm grip on power (such as the Polish) are forced to show more respect for, and be more responsive to parliament, the media, and various societal groups' demands (which reasonably seems to equal more democratic behavior). In his comparative case studies on privatization, Orenstein gives a prominent role to the responsiveness (or inclusiveness) of Polish governments, instead of focusing simply on government shifts in explaining the relative success of Polish privatization. The Polish governments' negotiations with managers and workers, their respect for parliamentary prerogatives, etc. were important in ensuring the ultimate success of privatization (see above). In contrast, the erroneous Czech privatization strategy could continue unabated because of Klaus's "spin control" of the media and the weakness of parliamentary oversight.

The causal chain in Orenstein's case studies, then, is not that frequent shifts in executive power lead to policy learning which

13. Orenstein, *Out of the Red,* 9.
14. Orenstein, *Out of the Red,* 10 (emphasis added).

in turn leads to more successful reforms, but rather that frequent changes in government bring less secure governments that will seek (willingly or not) cooperation with various interests outside of government. This in turn leads to policy correction and policy learning. If such a reading of Orenstein's arguments is accepted, the validity of his conclusions hinges on how much less "responsive" or inclusive the Czech governments actually were than their Polish counterparts. As we have seen, he shows that, where privatization is concerned, the Polish executives were more inclusive and responsive than the Czech was. Nevertheless, from his general survey of political developments in the two countries, it is not clear that the Polish governments were generally more responsive or inclusive. For example, while the Balcerowicz II package of 1998 was less severe than Balcerowicz I in 1989 and was also negotiated with the opposition, it resulted in widespread social unrest[15] and "some of the fast pace and top-down flavour of shock therapy was restored."[16]

It is therefore interesting to note that a more sociological account of dual transformation by David Stark and Laszlo Bruszt, *Postsocialist Pathways,* comes to quite a different conclusion regarding the Czech case. Among the authors reviewed here, they are the most ardent supporters of the view that "more democracy" also leads to more successful economic reforms:

> Executive capacity, understood here as the capacity to formulate and implement coherent reform programs, can be increased by limitations on the unilateral prerogatives of executive authority. Executives that are held accountable by other state institutions and held in check by organised societal actors are not necessarily weaker executives: in fact, their policies can be more effective. [. . .] By exposing policies to greater institutional scrutiny, extended accountability reduces the possibility that executives will make enormous miscalculations in rash, extreme policies. [. . .] Bringing society back into politics at the time of policy formulation meant that decision makers did not confront society only at the time of policy implementation. Instead, critical inputs that helped them anticipate the future economic, political, and social consequences of their policy actions. Extended accountability thus *extended the time*

15. Orenstein, *Out of the Red,* 58.
16. Orenstein, *Out of the Red,* 128.

horizons of key state actors, correcting political miscalculations in advance and encouraging them to think several steps ahead in the strategic games of reform politics.[17]

What is important to note, according to Stark and Bruszt, is that these "deliberative institutions of extended accountability" are different from the particularistic links that existed between the state and various economic sectors and firms under communism. The former are not sectionalized claims that "push and pull the bureaucracy hither and yon," but "already aggregated, co-ordinated, and organised into a comprehensive political program."[18] In Stark and Bruszt's view, the country in the Central and Eastern European region that comes closest to this model of deliberative institutionalism is Czechoslovakia and later the Czech Republic. Here, Václav Kluns pursued more coherent and successful economic policies than his colleagues in Hungary and East Germany did (Stark and Bruszt's book was finalized when Czech reforms were still considered an unmitigated success) precisely because he faced more institutionalized policy restrictions than his neighboring counterparts. These "policy corrections and policy learning," as Orenstein would put it, existed in the Czech lands, although they occurred less through elections than through ongoing institutional constraints and deliberations. Such institutional constraints and deliberations took various forms in the Czech case, according to Stark and Bruszt. Constitutional provisions, such as voting rules that result in narrow majorities, early Czechoslovak federal structures, independence of the most important ministries and the Central Bank etc., as well as relatively powerful tripartite deliberation mechanisms, all restrained and corrected executive action between elections.[19] In short, then, for Stark and Bruszt, "policy correction" was not weak but strong in Czechoslovakia and the Czech Republic.[20]

17. Stark and Bruszt, *Postsocialist Pathways,* 188–90 (emphasis in the original); see also 7, 11.
18. Stark and Bruszt, *Postsocialist Pathways,* 126.
19. Stark and Bruszt, *Postsocialist Pathways,* 169–89.
20. They are also at odds with Orenstein over the Hungarian case. In a 1999 article written with Linda Cook, Orenstein throws a quite different light on Hungarian institutional constraints and deliberation mechanisms (compare Linda Cook and Mitchell Orenstein, "The Return of the Left and Its Impact on the Welfare State in Russia, Poland,

The controversy over the Czech case thus potentially weakens the second version of Orenstein's causal relation between frequent governmental shifts and the success of economic reforms outlined above. If we agree with Stark and Bruszt's description of the reform process in the Czech Republic up until 1995–96, we are also faced with an additional problem, stemming from the developments in the Czech lands since 1997.[21] If, indeed, the Czech government structures have been the most "deliberative," the best example of consulting widely on matters of economic reform, then its relative lack of economic success, as described by Orenstein (and others), gives cause for concern. Taking a wide variety of interests into account, then, delays economic reform or makes for erroneous policy choices. If losers are not shut out, transformation is slowed down and achieving positive economic figures (moving successfully "out of the red") takes longer.

To summarize, both Hellman and Orenstein hold that frequent elections and shifts in government leadership have been good for economic reform. Their claim that such shifts would be better for democracy as well (in the sense of implying greater inclusiveness or responsiveness of the regime, or simply because they prove the "vigor" of democracy) is nevertheless harder to sustain. These shifts have not, as Hellman himself points out, led the new governments to address the dissatisfaction of voters with reform. Also, according to many analysts, frequent shifts in executives are seen not as a proof of working democracies, but rather as a worrying sign of the population's discontent and wish to protest. Likewise, Stark and Bruszt's claim that more "deliberations," i.e., more inclusive government style would lead to economic reform success is contradicted by the economic fate after 1997 of the country that, according to them, has been the most deliberative.

All this taken together could lead us to a radically gloomier conclusion. Maybe it is certain *deficiencies* in democracy, in responsiveness and inclusiveness of government, that explain economic

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and Hungary," in Linda Cook, Mitchell Orenstein, and Marilyn Rueschemeyer, eds., *Left Parties and Social Policy in Postcommunist Europe* [Boulder/Oxford: Westview Press, 1999], 90ff, with Stark and Bruszt, *Postsocialist Pathways,* 172–75).

21. There is wide agreement that the roots of the post–1997 illness lie in reform choices made in the first half of the decade.

reform success in the 1990s. This, in any case, is what Béla Greskovits and David Bartlett claim.

Reasons for A New Gloom?

In *The Political Economy of Protest and Patience,* Béla Greskovits presents an interesting, if sometimes theoretically overly ambitious, account of dual transformation.[22] Like the authors reviewed above, he turns himself against certain tenets of the earlier literature. Among other things, he opposes what he labels the "breakdown prophecies" proffered by both neoliberals and more left-wing scholars in the early years of transition. These claimed that fledging democracies would not survive in the face of economic hardship; dual transition was impossible. Arguing against this, Greskovits asserts that

> economic crisis and the neoliberal strategy may affect the political dynamics of transformation in ways other than by precipitating systemic collapse. In the East . . . it is much less the mere existence or durability of democracy than a number of its crucial qualitative aspects—its representativeness, participatory features, and liberal elements—that may have been suffering from economic crisis and poverty.[23]

According to Greskovits, Central and Eastern European states are becoming "dual democratic regimes" in which the majority of the population is excluded from participating in political life. A minority consisting of government officials and selected opposition elites steers the polity.

Greskovits exemplifies his theoretical argument by a description of the crisis over the introduction of the VAT (value-added tax) on basic foods, medicine and household energy in 1992 in Hungary. In the course of this crisis, the organizations most active and most successful in mobilizing the population were excluded from subsequent bargaining over the VAT rates and other social issues

22. Apart from the aspect of his book discussed below, he attempts to cover a number of issues related to the political economy of transition. These include why there was only limited protest and opposition in response to economic hardship in the Central and Eastern European countries in the 1990s, the role of foreign advisers in the economic reform teams, and the economic programs of Central and Eastern European populists.
23. Greskovits, *Protest and Patience,* 177.

between the government and prominent trade unions. This leads Greskovits to conclude that "a simplistic, two-track comparison between imperative [neoliberal] and consultative [social democratic] styles of economic policy making and their respective implications for the development of civil society may not be valid. Rather, it may be true that each policy style preselects certain civil organisations to succeed while causing others to fail."[24]

On the other hand, Greskovits argues that democracy, and in particular elections, have acted as a "safety valve" by providing a legal and non-subversive outlet for protest. Protest voting, more or less the only form of collective protest witnessed in Central and Eastern Europe, has become ubiquitous.[25] How effective this protest at the ballot box has been remains doubtful, however. Greskovits joins Hellman in arguing that "[c]itizens vote down economic policies injurious to their immediate interests, just to witness their stubborn recurrence under new regimes and new party banner."[26] For Greskovits, then, democratic elections have been positive for the sustainability of economic reforms. Beyond this, however, the imperatives of economic reform are said to have *excluded* the vast majority of citizens from democratic participation.

The main problem with *The Political Economy of Protest and Patience* is the lack—or sketchiness—of the empirical support provided. Basing conclusions regarding the emergence of "poor," exclusionary democracies in the Central and Eastern European region on a single episode occurring in Hungary in 1992 seems premature.

In this respect, David Bartlett, in his account of dual transformation, walks on firmer empirical ground although he concentrates mostly on the single case of Hungary. In contrast to the foregoing analyses, Bartlett's monograph is not limited to discussing the controversies within transition theory. He poses the wider question as to why economic reform in Hungary, Poland, and Yugoslavia, while little successful under communism (although se-

24. Greskovits, *Protest and Patience,* 171.
25. Greskovits, *Protest and Patience,* 183.
26. Greskovits, *Protest and Patience,* 184.

riously attempted in Hungary for over two decades and in Poland for one), proved feasible under democracy. As did Stark and Bruszt, Bartlett depicts the communist party state as having been all pervasive and therefore weak. As a consequence of its manifold particularistic links to economic actors, it could not enforce universalistic regulations. This particular—and oft-noted[27]—problem of planned state-run economies was, according to Bartlett, exacerbated by attempts at economic reform intending to replace the disciplining device of detailed regulations with that of the market. The result of these reform efforts was that, while the state remained ultimately responsible for enterprise performance, "[t]he devolution of decision-making authority to the factory level gave workers and enterprise managers a measure of bargaining power well exceeding that of their counterparts in [traditional] command economies."[28] Whenever a company or a sector claimed that it was unable to fulfil its targets, and the economic or social consequences would be dire, the state would enter into negotiations about derogations to the general rules. Bartlett argues that under such circumstances, economic reform cannot possibly succeed. Instead, reform efforts were, more often than not, economically destabilizing as "[l]iberalisation of decision making enabled workers and enterprise managers to bid up wages, investment, and credit; the resultant surge in domestic purchasing power compromised macroeconomic equilibrium."[29]

The return of democracy changed all this. Democracy meant that most of the particularistic links—as a rule existing within the Communist party organization and pervading every level of society and the economy—disappeared or, at least, were substantially weakened. So, while democratization

> greatly expanded means for citizens to articulate their grievances through the ballot box, it circumscribed opportunities for collective action via *nonelectoral* modes. The communist regimes left in their wake societies bereft of robust, independent civil associations—the

27. See, for example, Josef M. van Brabandt. *The Political Economy of Transition: Coming to Grips with History and Methodology* (London/New York: Routledge, 1998).
28. Bartlett, *Dual Transformations,* 29.
29. Bartlett, *Dual Transformations,* 32.

> "mesolevel" institutions that in mature Western democracies perform the vital functions of buffering social demands and mediating between grassroots agents and national parties. The result was to channel distributional politics into the electoral arena, where the segments of East European society *most* vulnerable to economic adjustment were *least* well represented in the early postcommunist years.[30]

Democracy had other effects as well. It not only severed traditional particularistic links, it also introduced the principle of *accountability* at the government level. Accountability meant not only that the incumbent could be thrown out of office by dissatisfied voters, but also that the parliamentary opposition and the liberalized press were quick to point their fingers at faults and abuses, which thus became less common.[31] While Bartlett's description of the Hungarian political system is quite similar to that of Stark and Bruszt in that it stresses the system's concentrated executive authority, the strength of the minister of finance and the central bank, the electoral rules giving the winning parties disproportional weight, and the elitist parties, the authors differ regarding how much one can generalize from the Hungarian case. While for Stark and Bruszt, there are important differences between the Central European political systems, for Bartlett, they all have the same traits of centralization, elitism, and lack of responsiveness. Thus, democracy is important in explaining the success of economic reforms in the Central European region in two respects: it made governments more accountable (through elections, opposition, and the media) but less representative (owing to "a shortage of independent civil associations vital for mediating between local agents and national party organisations").[32] It is thus due to the strength of the fledging democracies in some respects (free press, oppositional rights) as well as owing to weaknesses in others (the representative aspects) that it was possible to pursue economic reforms. Bartlett thus nuances the claims made by both "optimists" and "pessimists" regarding the links between democracy and the success of economic reform.

30. Bartlett, *Dual Transformations,* 38 (emphasis in the original); see also, 49.
31. Bartlett, *Dual Transformations,* 50.
32. Bartlett, *Dual Transformations,* 50.

Conclusion

It seems clear that there is less agreement on the exact links between democracy and market reform than is usually thought. In particular, recent, just as older, theorizing cannot reach a common conclusion on which aspects of democracy (if any) promote economic reform, and through which causal mechanisms. Moreover, just how much the two aspects of dual transformation are mutually reinforcing is contested. Nevertheless, it seems that a more nuanced reading of the links between democratization and marketization is warranted. As Bartlett and Greskovits show, more inclusive, participatory democracies are not necessarily compatible with economic reform, although other aspects of democratic governance, such as free media and recurrent elections, may enhance the prospects of economic transformation. Thus, the problem with the more rosy analyses reviewed here is not a lack of empirical richness (in particular Orenstein's analysis is based on a wealth of empirical data), but rather that the theoretical modeling reduces this richness to such an extent that the complexity of democratic governance is not considered. Arguably, electoral shifts are not enough for a vigorous democracy, nor do they allow the analyst to claim that democracies are "inclusive" and take voters preferences into account. Hellman's and Orenstein's as well as Stark and Bruszt's analytical weakness lies in the slightly too optimistic conclusions drawn from the empirical pictures they provide. In contrast, Greskovits may be seen as "sinning" in the opposite direction, by exaggerated gloom which can be discerned in his analysis (although he himself repeatedly warns against doomsday prophecies).

It seems, then, that most of the analyses reviewed here, which are quick to point out the ideological nature of the early theorizing they criticize, suffer from similar ideological biases. An additional step back from (liberal, social democratic, and other) ideological premises would still seem useful.